

Press Investigation: Inside the Port Authority's money machine

Larry Higgs, Bob Jordan, Dustin Racioppi and Michael Symons 11:52 a.m. EDT June 23, 2014



(Photo: Getty Images)

View an [interactive graphic \(http://archive.app.com/interactive/article/20140406/NJNEWS/106190002\)](http://archive.app.com/interactive/article/20140406/NJNEWS/106190002) on the operation of the Port Authority.

The Port Authority engineer was certain he knew what type of material should be used to build the George Washington Bridge.

New Jersey's iron-willed governor thought otherwise.

The governor won. The year: 1927.

Gov. A. Harry Moore pushed for the bridge to be built with steel wire, not metal bars, and that the wire come from the Roebling Co. in Trenton, ensuring new jobs and business for the state capital.

Along the way, Moore convinced the Legislature to give him and future governors veto power so Trenton and Albany would have the final say over jobs, contracts and the direction of what would become a behemoth transportation agency, according to documents cited by Jameson W. Doig in his book "[Empire on the Hudson \(http://www.amazon.com/Empire-Hudson-Jameson-W-Doig/dp/0231076762\)](http://www.amazon.com/Empire-Hudson-Jameson-W-Doig/dp/0231076762)," a history of the Port Authority of New York and New Jersey.

Now, 87 years after that first test of political will upon the autonomous agency, the George Washington Bridge is once again at the [center of controversy \(http://archive.app.com/interactive/article/99999999/SPECIAL/140124007&template=periodic&theme=NJINVESTIGATIONS\)](http://archive.app.com/interactive/article/99999999/SPECIAL/140124007&template=periodic&theme=NJINVESTIGATIONS) — one that threatens to unravel Gov. Chris Christie's political future and dismantle the Port Authority itself.

In the last 10 days, Christie and New York Gov. Andrew Cuomo said it is time to talk about how to split the agency in two: one part for New Jersey, the other for New York.

With an \$8.2 billion budget that supports 500,000 private- and public-sector jobs and is the spark for adding \$80 billion a year to the regional economy, the Port Authority is a money machine both state governments have exploited for political and financial gain over the years.

Patronage appointments, mismanagement and a lack of direction have steered the Port Authority away from its original mission of facilitating commerce in the region, an Asbury Park Press investigation found. As the authority embarked on pet political projects, its bridges, tunnels and bus terminal became outdated and overloaded as tolls rose to be among the highest in the nation.

The result has been frequent excesses with public money that have many former officials and experts wondering how, or if, the system of abuses can be fixed.

"These guys have been drunk on their own power (and) short-term thinking that has been crippling," said [Richard C. Leone \(http://tcf.org/experts/detail/richard-c.-leone\)](http://tcf.org/experts/detail/richard-c.-leone), a former Port Authority chairman who left in 1994. The board simply let the governors of both states walk all over them, he said.

Yet, is the authority too big to break up? Its budget is larger than the budgets of 11 states, and it has a mission like no other in the U.S.: Run three major airports and the largest shipping ports on the East Coast; move the equivalent of the entire population of the country across six bridges and tunnels each year; rebuild the World Trade Center; and run a 12,000-acre real estate empire of land and offices.

The Press' review of thousands of pages of authority documents and interviews with former senior authority officials and transportation experts found that the agency is:

- **Trapped by the demands of New Jersey and New York.** The authority was pushed by lawmakers to buy the PATH train system, a perennial money loser, in exchange for building the World Trade Center in the 1960s. When a fare hike for the PATH raised commuter ire, the authority agreed to build the Newark Legal Center in the 1980s. Its real estate ventures, including the \$14.8 billion rebuilding of the World Trade Center — half of which the authority is responsible for — have taken the agency's long-term debt to \$23 billion, enough to draw fears of a credit-rating downgrade.

• **Saddled with potential conflicts.** Four of the 12 board members — half appointed by New Jersey's governor, half by New York's governor — frequently had connections to vendors who won Port Authority contracts in the past year. Commissioner Anthony Sartor, the head of an engineering firm who was appointed by a Republican and reappointed by Democrat Gov. Jon Corzine, recused himself, or did not vote, 36 times out of 85 motions the past year because of potential conflicts of interest, the most of any commissioner, meeting minutes show.

Others to frequently sit out votes were New Jersey board member David Samson, with 18 recusals; and New York's Jeffrey Moerdler (23 recusals) and Scott Rechler (11). Eight board members had two or fewer recusals. Sartor over the last five years recused on 203 votes. Chairman Samson, appointed by Republican Christie, quit March 28 while under fire for not recusing and voting to approve an investment in a PATH train station, which may have benefited clients of his law firm. His lawyer says Samson has done nothing wrong.

Christie dismissed the idea of any untoward actions, saying at his March 28 news conference that it would be unfair to ask volunteer, part-time commissioners to divest themselves of their business dealings to sit on the board. Not voting on issues with potential conflicts is the best way to keep the public and private sectors apart, he said.

• **Executing poor contract oversight.** A July 2011 review (<http://osc.state.ny.us/audits/allaudits/093011/09s54.pdf>) of 75 contracts by the Office of the New York State Comptroller found the Port Authority couldn't provide supporting documentation to justify 57 of the contracts for services, from engineers, architects, construction management, janitors and security. Those contracts had a value of \$1.2 billion. The authority has implemented just one of the auditor's five recommendations.

• **A magnet for political contributors.** Attorneys at nearly two-thirds of the outside law firms retained by the Port Authority over the last three years have made roughly \$60,000 in total contributions to either Christie's gubernatorial campaigns or inaugurations. Gibbons P.C., of Newark, whose attorneys have contributed \$24,000 to Christie funds since 2009, was paid \$332,000 in 2011 and \$1.6 million in 2012 by the authority for work on the Bayonne Bridge and Goethals Bridge projects, the authority said. Records for 2013 are not yet available. One of Christie's closest advisers, William J. Palatucci, joined the firm in 2012. He is not assigned any Port Authority work, the law firm said. Officials from former Democratic administrations also work at the law firm.

Also, the Gibson Dunn law firm, based in Los Angeles, which has billed the Port Authority \$3.8 million to defend the authority from a lawsuit AAA of New York filed over the 2011 toll hikes, handled the internal investigation into the GWB lane closures commissioned by the Christie administration. The governor's taxpayer-funded investigation cost a reported \$1 million.

"No matter who I chose to do this, questions would be raised by some quarters as to those people's objectivity," Christie said, adding that as a governor and former federal prosecutor, he has had dealings with almost every major law firm.

The frustration of commuters stuck in traffic on congested bridges and tunnels or waiting in a crowded bus terminal, which won't see major improvement until 2020, is reaching a breaking point.

"Burn it down and start over," fumed commuter Robert Tombolini of Freehold Township, while standing in line at the Port Authority Bus Terminal.

Assemblyman John S. Wisniewski (<http://www.njleg.state.nj.us/members/bio.asp?Leg=160>), who heads the committee investigating the GWB lane closures on the suspicion that Christie's inner circle created the traffic jam to punish the Democratic Fort Lee mayor for not endorsing the Republican governor for re-election last year, said the authority is set up so there is a lack of accountability.

"If you want to spend a billion dollars, as long as nobody says no, you can spend a billion dollars," Wisniewski said of the two governors' veto power. "If you want to raise tolls a dollar, as long as nobody says no, you can raise tolls. That seems to be a bad way to run an agency."

Conflicts of interest

Christie, whose governorship and presidential ambitions have been bruised by the scandal, said he is open to reforming the bi-state agency or dismantling it altogether. But would New Jersey end up better or worse from such a deal?

Out of nearly \$8 billion in contracts approved by the authority as disclosed on its website, nearly \$6 billion, or 75 percent, went to companies based in New York. New Jersey companies received \$917 million, less than 12 percent. In all, contracts have been awarded since 2007 to companies in 33 states, the District of Columbia, Canada and Australia.

For commissioners who award the contracts, the potential conflicts of interest are striking. For example, Sartor's connection to engineering firm STV caused a firestorm in 2008 when STV and its partners won lucrative contracts for design of the World Trade Center Transportation Hub and other ground zero work. That is because at the same time, STV was negotiating to buy the smaller engineering firm run by Sartor. The purchase of Paulus, Sokolowski & Sartor eventually fell through. Sartor did not respond to requests for comment.

Sartor, 71, has remained on the board despite calls from Democratic Bergen County Freeholder James Tedesco and others that all six of the New Jersey-appointed commissioner be replaced.

Tedesco said board members "all play the game the same. Unless you change them all out, the conflicts of interest and dysfunction will continue. We need a new set of New Jersey representatives that don't have the same conditioning and culture that we have now."

Sartor's term expired last June, but he remains on the board as a holdover. Christie has not moved to replace or renominate him to another six-year term. Sartor, a Republican, is a heavy political contributor to both parties. A combined \$217,900 from Sartor and from the firm Paulus, Sokolowski & Sartor, where he is CEO, has been contributed to election committees since 1981, according to state records.

From steel rope to skyscrapers

Ironically, the Port Authority was created in 1921 (<http://www.panynj.gov/corporate-information/pdf/annual-report-1921.pdf>) to end political patronage and influence-peddling and as a way to ensure large bi-state infrastructure projects were built in the port region.

"The problems are political and institutional, and they are intertwined at the Port Authority," said Martin Robins, director emeritus of the Alan M. Voorhees Transportation Institute at Rutgers (<http://policy.rutgers.edu/vtc/staff/>) and a former Port Authority official. "Things have gone wrong that can be corrected, but the most important factor is abuses at the gubernatorial level."

The authority didn't earn money until it opened the Holland Tunnel in 1927, followed by the George Washington Bridge in 1931 and finally the first tube of the Lincoln Tunnel in 1937. As the money rolled in, so did the political influence.

"Those abuses and use of power (beginning with Gov. Moore in 1927) didn't start with Gov. Chris Christie, but reached its peak with him," said author Doig, a retired professor of politics at Princeton University.

For the next 40 years after the feud between Moore and the Port Authority engineer, Othmar H. Ammann (http://en.wikipedia.org/wiki/Othmar_Ammann), there were no substantial conflicts, Doig said, but rather an economic and industrial boom that included the construction of the Holland and Lincoln tunnels, the takeover and overhaul of LaGuardia and John F. Kennedy International airports and, in the 1950s, taking advantage of the ports of Elizabeth and Newark for shipping containers.

And through it, the authority, led by long-time executive director Austin Tobin (http://en.wikipedia.org/wiki/Austin_Joseph_Tobin), resisted the political desires, at least for a bit, of local officials and instead wielded the influence it had amassed over the decades.

The World Trade Center provides an example. It was originally proposed to be constructed on the east side of Manhattan, where the South Street Seaport is now located. But over years of negotiations between the states and the authority a deal was struck to move the trade center site to the west side, when the authority agreed to take over the precursor of the PATH train under the Hudson River.

Tobin left the authority in 1972 over increased pressure from New Jersey Gov. William Cahill and transportation adviser William Ronan to put more money into bankrupt commuter rail lines in both states.

Then Peter C. Goldmark Jr (<http://www.petercgoldmark.com/>), a fresh-faced former budget director from New York state, took over as executive director in 1977 and ushered in a new era of economic development for the authority.

His first order of business was to investigate his senior staff (<http://query.nytimes.com/gst/fullpage.html?res=9A00E2DA103AF934A15755C0A96E9C8B63>), many of whom had been abusing the authority's expense account. Most of it was charging for nonexistent meals and "tawdry cheating," Goldmark said, but the most galling instance was the authority's director of aviation, Caesar B. Pattarini, allowing his wife to use the authority helicopter for shopping sprees.

"I didn't know whether to cry or laugh," Goldmark said. Pattarini, who has since died, and other high-ranking officials were suspended.

The focus then turned to job creation. New York had just emerged from a financial crisis of the 1970s, and the economy was bleak. The authority developed industrial parks in Staten Island, Elizabeth and the Bronx, a co-generation power plant in Elizabeth and a law center in Newark. These were intended to be "job generators," but critics say they had little to do with the authority's transportation mission.

Goldmark, in a recent interview, disagreed and pointed to the authority's charter, which says its mission is to preserve and protect the commerce of the port.

"The Port Authority from its beginning has been aimed at the welfare of the region. There's nothing in there about tunnels. There's nothing in there about underwater railroads," said Goldmark, now an independent consultant. "The genius of the compact and the founders was that it was a broad mission that could be adapted and interpreted to fit a particular need in history."

There came a point when the governors in each state saw the Port Authority as a sort of money tree they could shake, many experts and former officials say.

Most people trace that back to 1995, when New York Republican Gov. George E. Pataki installed George Marlin, a key Republican Party leader, as executive director. Marlin was viewed as unqualified, and a long-simmering view on the New Jersey side that the authority had a history of favoring New York hit a flash point.

New Jersey Republican Gov. Christie Whitman (<http://www.christiewhitman.com/>) insisted that she be allowed to name a deputy executive director. She installed John Haley to be the authority's first deputy executive, effectively splitting the agency's allegiances into two factions: New York and New Jersey.

Carl Golden, Whitman's spokesman at the time, said the move was necessary "just so we had some input and some influence over the decisions going on there."

But Doig and many former authority leaders disagree.

"No authority or organization of that size can be that successful with dual management," said Marlin's successor, Robert E. Boyle. "Some *one* has to be responsible."

The Sept. 11, 2001, attacks on the World Trade Center were a watershed for the authority. The year before the attacks, the World Trade Center produced \$33 million in net revenue. With rebuilding, it is projected to run at a \$467 million net loss in 2014, according to the 2014 Port Authority budget.

The \$14.8 billion cost to rebuild the World Trade Center site represents a \$3.8 billion increase over the original estimate of \$11 billion, according to a 2012 report commissioned by Christie and Gov. Cuomo from business consulting firm Navigant.

"The World Trade Center site was a huge financial drain on the organization," said [Jonathan R. Peters](http://www.csi.cuny.edu/faculty/PETERS__JONATHAN.html) (http://www.csi.cuny.edu/faculty/PETERS__JONATHAN.html), a professor of finance at The College of Staten Island.

The blame for the Port Authority's financial problems can be traced to two major decisions — New York politicians tasking the authority with rebuilding ground zero, instead of developer Larry Silverstein, who had bought the World Trade Center months before 9/11, Robins said. The other was Christie's decision to use \$1.8 billion in Port Authority funds, which had been earmarked for a second trans-Hudson rail tunnel, to repair and replace two bridges.

"There was an emotional need to rebuild on the (trade center) site," said Peters, who is also a councilman in Fair Haven. "But that doesn't pay the bonds."

Christie used the money so he could avoid increasing the state gasoline tax, Robins said.

"That set a poor precedent, especially when the Port Authority doesn't have the money to do what it needs to at facilities like the (New York City) Port Authority Bus Terminal, which in the evenings is operating over its peak capacity," Robins said.

Meanwhile, the bridges have suffered years of neglect by the Port Authority, which repeatedly has gone back to commuters for toll increases at its major spans over the Hudson. The Goethals Bridge and Outerbridge Crossing were deemed in a [1987 Institute of Transportation Engineers report](http://www.ite.org/membersonly/itejournal/pdf/jfa87a17.pdf) (<http://www.ite.org/membersonly/itejournal/pdf/jfa87a17.pdf>) as "functionally inadequate," but little was done to fix them.

"The bridges across the river and tunnels, they're all antiques. They're talking about replacing the Goethals, they're starting to work on the Bayonne, but, you know, this is all vintage stuff, and they haven't gotten around to replacing a lot of it," Peters said. "So if you ask the question, are they keeping up to date with their infrastructure, I would argue, it's 27 years after the fact."

But the billions in revenue from the tolls are being spent on other ventures, few of which benefit car and bus commuters, he said.

It is clear, though, that the authority's debt has more than doubled the last decade, from \$11 billion in 2004 to \$23.1 billion in 2014, according to Port Authority documents. Meanwhile, the maximum tolls at the six Hudson River crossings have increased, from \$8 a trip in 2008 to \$14 this year (another dollar increase is scheduled for 2015).

"They've gone back to the same base of users to pay for things in the last couple of rounds. They've gone after the drivers and the bridge users," Peters said.

Patronage was always part of gubernatorial appointments in the past, but it hit its zenith when Christie took office in 2010, said former Port Authority officials and authority experts. Where past governors had placed a handful of loyal aides, Christie put in dozens of followers, perhaps up to 60, insiders and lawmakers said.

The hiring of former Christie schoolmate David Wildstein in 2010 for a new, \$150,000-a-year position — director of interstate capital projects — seemed to take the authority into a new era of conflict, authority insiders say.

Wildstein would threaten the jobs of employees if they didn't follow his edicts, said one former official who spoke on condition of anonymity for fear of reprisal. A Star-Ledger report earlier this year, using anonymous sources, said Wildstein was a hard worker but would sometimes awkwardly stare over a co-worker's shoulder.

"David Wildstein was a kind of Rasputin-like figure around the agency, and I think that took a toll on the senior level of management there," [Tom Wright](http://www.rpa.org/users/thomas-k-wright) (<http://www.rpa.org/users/thomas-k-wright>), told the Press. Wright is the executive director of the Regional Planning Association, a research and advocacy group in New York that follows the Port Authority closely.

A former mayor of Livingston and the anonymous founder of what is now known as [Politicker NJ](http://www.politickernj.com/) (<http://www.politickernj.com/>), Wildstein also [bought the Internet URL names](http://www.wnyc.org/story/these-are-domain-names-purchased-former-port-authority-executive/) (<http://www.wnyc.org/story/these-are-domain-names-purchased-former-port-authority-executive/>) of authority officials and politicians, including the authority's executive director, Patrick Foye, appointed by New York's Cuomo.

Wildstein, one of the suspected key players in the GWB lane closures, has declined to testify before the state legislative committee investigating the scandal. He also has declined to comment publicly about the matter.

Leone, the former chairman, said it is "incomprehensible" that the board would allow rampant patronage. Leone said when he was chairman, he couldn't even get a secretary hired. "Once the wall came down that insulated it from politics, it became 'you get one, I get the next one.' That is very attractive to politicians ... But in some ways it comes back to haunt them."

Can the authority be fixed?

The agency that conquered the Hudson River now faces its biggest challenge — fixing itself.

Christie told the Press Friday that he is in favor of forming a "bi-state commission comprised of impartial members and not former (authority) executives" to institute reforms.

That must start with governors of both states taking their hands off the Port Authority and out of its pockets, Doig and Robins recommended.

Other ideas range from breaking up the Port Authority to cleaning house of political appointees.

The governors of both states have to give up some of their control and power over the authority to let it function like the independent transportation agency it was intended to be, said Doig and Robins.

"The work of the (authority's) oversight committee can't dodge that subject that the governors play a leading role in harming the Port Authority," Robins said. The committee is made up authority board commissioners and staff.

Doig said he would clean house, starting with Christie asking the New Jersey commissioners to resign and requiring both governors to reduce their influence over the agency. A new executive director and eliminating the deputy director's position would be next, he said.

"The governors need to think about it (the authority) differently," Doig said.

Commissioners successfully fought New York Gov. Thomas Dewey, when he lobbied the authority in 1949 not to enact higher fees on airlines, after industry officials leaned on him, Doig said.

"We need to think about what kind of commissioners should lead the agency, commissioners with the independence to resist what the governor and legislature want, if it is not in the best interest of transportation or the best interests of the region," Doig said.

"These are hard things that need to be addressed," Robins said, adding that pressure from the business community and media could force the governors to make those reforms.

Others — including the law firm [Gibson Dunn](http://www.gibsondunn.com/default.aspx) (<http://www.gibsondunn.com/default.aspx>), which investigated the bridge scandal on behalf of Christie and made reform recommendations — said the authority should be broken up.

"I think you can ask too much of an agency. I'd argue that it should be split up into individual entities," said Peters of the College of Staten Island, who studies toll road financing.

But breaking up could be hard to do because of the complex financing for Port Authority projects, Peters said.

Because it plays such an important role in interstate commerce, AAA of New York officials suggested the federal government should be involved in reforming the authority, said Robert Sinclair, AAA spokesman.

"That would seem to be the least cumbersome," Sinclair said. "Getting the New York and New Jersey legislatures to agree on something will be a heavy lift."

Even a joint hearing by the Assembly transportation committees of both states about the 2011 toll increase was canceled and never rescheduled.

"They have to get together with the other side of the river," Sinclair said. "If one side doesn't want to dance, there is no party."

Experts said they're skeptical about current reform efforts being undertaken by a special oversight committee of the board of commissioners because of political allegiances by the members, especially the New Jersey representatives.

At the authority's special oversight committee meeting in March, Commissioner Richard Bagger, who chaired Gov. Christie's transition committee and was his chief of staff, made most of the reform suggestions. New Jersey commissioners dominated much of the debate. Vice Chairman Scott Rechler of New York declared "to ensure the Port Authority does the best job possible, this will be a committee of action ... everything is on the table."

Doig expressed doubt about Bagger's independence. "He may rethink the idea that he should do what the governor wants. I'd be skeptical, but I'd be willing to change my mind, if he changes his behavior," Doig said.

Bagger did not respond to a request for comment, but he said at the March meeting that the committee should bring in government experts for advice.

Suggestions from that meeting included changing how commissioners recuse themselves from voting, such as making the recusals public before each full board vote and having the commissioner leave the room so as not to influence the debate. Those ideas, which Bagger recommended, took effect at the board's March 19 meeting.

"Recusal is silly. Shaping the program and spending is done by committee. (A commissioner) saying he's not going to vote tells you nothing on how he's shaped it," Doig said.

Amanda Pietruszka of Marlboro started commuting to the Port Authority Bus Terminal last fall, but was an hour late recently because of delays.

Like many riders interviewed, she was surprised to learn the authority has no major plans to expand the bus terminal for at least a decade.

"It's only going to get worse because there are more people," Pietruszka said.

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