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Press Release

March 25, 2009

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IMMEDIATE

MTA Board Approves Service Reductions and Fare/Toll Increases

Impacts will be felt beginning in May

The Metropolitan Transportation Authority (MTA) Board today approved a series of resolutions that will allow the MTA to move forward with fare increases of 25% to 30% and service reductions that will affect customers throughout its service area. These actions were required to implement the balanced budget passed by the Board in December, which closed an approximately \$1.2 billion deficit.

The fare and toll increases will be effective on the following dates:

- New York City Transit, MTA Bus and Long Island Bus (subway, buses and Staten Island Railway): May 31
- Long Island Rail Road and Metro-North Railroad: June 1
- MTA Bridges and Tunnels facilities: July 11

Service reductions will be phased in beginning in May. The full details of the fare increase and service changes are available at <http://mta.info/mta/09/>. (Note that the fare scenario passed was Proposal 1).

Remarks delivered today by Board Chairman H. Dale Hemmerdinger and Executive Director and CEO Elliot G. Sander are attached.

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Remarks by H. Dale Hemmerdinger, MTA Chairman

MTA Board Meeting

March 25, 2009

Good morning.

I want to start today's meeting with a story. It's one that starts twenty seven years ago. The MTA was facing a crisis that threatened its very existence -- and by extension, the health of New York's regional economy.

After suffering from decades of political finger pointing and capital starvation, one of the true wonders of the modern world was on the brink of collapse. Deferring fundamental funding decisions and capital investment until next year, or the one after that -- or maybe even the one after that -- had become routine. As a result, a number of other things had become routine: track fires; derailments every 18 days; over 300 subway runs abandoned each day; graffiti; crime. And that was just what the public saw. Much more was at risk behind the scenes: fans, pumps, signals. But it wasn't just the MTA that was at risk. As our system of buses, subways and railroads became the symbol of urban decay, it was the riders, the workers, the school children, the elderly -- it was the born and bred New Yorkers who packed up and left the Empire State -- who became the victims.

If this were a short story, it would have had a terrific ending because in 1982 some very dedicated New Yorkers, here and in the political and business communities, knew how important MTA services were to the region. They figured it out. And they made some tough decisions around this table, in City Hall and in Albany. The result is an MTA that for all its imperfections is arguably THE governmental success story of the last generation. Service is better. Service is safer. Service is more reliable. So, people have come back to ride our trains and buses in numbers not seen in half a century. New York -- which was left for dead in 1972 - is now seeing its population grow, in large measure because the MTA works and works well!

I know what you're thinking. You think I'm gonna say there is no one willing to make those tough decisions today. But you'd be wrong. Because what I really want to do is thank several people and groups for having the courage and the gravitas to step up and understand what is at stake in today's crisis. Many of them have done so at great risk to their personal, professional and political careers. I first want to thank Governor Paterson. He has been absolutely unwavering in his understanding and support of our eight and a half million riders since day one. I'd like to thank Mayor Bloomberg who time and again has refused to give in to irresponsible political pandering. I want to thank Assembly Speaker Silver for his acknowledgment of the plight we face and for his willingness to work through real alternative solutions. It's been no small feat for him to keep his members focused on the big picture rather than on the next day, the next week, or the next election.

I also want to thank Senate Majority Leader Malcolm Smith, because I truly believe that he wants to do the right thing but has been thwarted by infighting and partisanship. A big thank you to Dick Ravitch and the members of the Ravitch Commission appointed by Governor Paterson who resisted recommending the same easy-way-out gimmickry that got us into this predicament. They told it like it is, even if what they recommended is unpopular.

Dick gets a double thanks and a big hug from me, since this is the second time in his career he's stuck his neck out to save the average New Yorker who rides transit day in and day out. I want to thank the many business groups who understand that for New York's economy to survive and grow -- today and tomorrow -- that this City, this Region, needs a strong MTA: The New York City Partnership, ESTA, CBC, the Building Congress, GCA and many others.

I want to thank the straphangers groups who've seen this situation for what it is and have stood up for the riders' best long term interests even in the face of knowing that the right course may be painful in the short term: Straphangers Campaign, PCAC, Transportation Alternatives, Tri-State Transportation Campaign, and many others.

I want to thank the members of the fourth estate. Now, how do you like that? Yes, you have watched this situation unfurl before your eyes over the last year. You, have poked, probed and investigated our story. In the end you reached the conclusion that this situation is exactly what we have said it is -- a true crisis that we cannot solve by ourselves without causing great pain to the riding public. In the process, you, more than anyone, have helped make clear that the operations at the MTA, while complex, are indeed transparent.

And last, but surely not least, my sincere thanks goes to this Board, which has deliberated in earnest for months. It is a Board that has coalesced like no other MTA Board -- doing what is right even though it may suffer slings and arrows from those who don't fully understand -- or refuse to understand -- what is at stake here. It's sad that a few can hold all these brave individuals hostage. So for all of those who have ignored the seriousness of this matter for political gain, expediency or partisanship, well, I have some thoughts for them to ponder in the next few days: When this Board and I recently sat through the 9 public hearings, 595 public speakers, 44 hours of verbal testimony and read through some of the 20,995 letters and e-mails, we heard something from our customers that was very different than what we've heard in the past.

Our customers may not be 100% happy with us, but this time many clearly understood there are other -- external -- players who have helped cause our dilemma. Many even know exactly who helped cause this situation and who should be helping solve it. And ironically, what helped them understand it was the overwhelming transparency of this organization. For years some of our most vocal critics have made careers out of calling for more transparency at the MTA. Well, despite continued rhetoric to the contrary, our transparency has given them more than what they've asked for, or perhaps bargained for, it is that transparency that has exposed all of the root causes of our problems.

And that's why many of our customers and critics know that at the core of our structural deficits is a starvation diet from some of the very same folks who have abandoned us now. It includes most, but probably not all, of the internal, external, formal and informal oversight entities and processes we're subject to. It's remarkable we can get anything done with all the folks we have looking over our shoulders. But we do.

So today, as we make a very difficult and distasteful set of decisions, we are doing so strengthened in the knowledge that no less than the future of the MTA and the region is at stake. We have been brought to the brink of decision-making, but we refuse to bring this system, your MTA, to the brink of disaster. My hope is that the last Chapter of the story I started telling as I began my remarks will end up being written as an epic, rather than a tragedy. Time will tell, but today we must act.

Remarks by Elliot G. Sander, MTA Executive Director and CEO

MTA Board Meeting

March 25, 2009

Thank you, Dale.

This is an extremely difficult day for everyone -- our 8.5 million daily customers, the 70,000 men and women who work for the agencies of the MTA, and anyone who cares deeply about the vitality and future of the city and the region. The fare increases and service cuts that the Board must approve today are the only major tools Albany has given the Board to operate the transit system and keep those operations in the black. There are no other moves in the Board's playbook.

Believe me, neither the Board nor the senior staff of the MTA would be advancing these measures if we had any other choice.

As many of you know, the precarious position that the MTA finds itself in today did not materialize overnight or merely in the last year. The gap in our operating budget and the absence of stable, recurring resources to support the 2010-2014 capital program reflect a confluence of adverse forces -- decisions made early in the decade to put the 2000-2004 capital program on a credit card and the ravages of this deep recession. This global recession, the toughest challenge our nation has faced since the Great Depression, has decimated the MTA's revenue from transactional taxes, revenues that rise, plateau and fall with the economy. Transit systems across the country are facing the same crisis.

When I returned to the MTA in 2007, I saw the danger that this confluence of forces represented and I took series of actions to tighten the MTA's belt, even though no one saw the depth of this economic crisis coming.

Despite carrying a surplus in 2007, deficits were looming due largely to the ballooning debt service from the 2000-2004 capital program. We took immediate action to become more efficient in the face of these widening gaps.

Each agency was directed to take 6 percent cuts over four years. As the breadth and depth of this recession came into focus, we expedited that cost-cutting schedule and ordered that the 6 percent cuts be accomplished in three years, not four. Early in 2007 we took the first steps toward the type of institutional changes that take time to implement but have already begun to generate recurring savings:

- We integrated the MTA's three bus companies and eliminated 24 positions.
- The introduction of general managers in the subway system allows us to cut 70 positions, an entire layer of management.
- And we have begun to operate our Business Service Center, which will consolidate back office functions from all MTA agencies, saving \$30 million to 40 million annually and eliminating 259 positions when fully implemented.

When we presented the preliminary financial plan, in July 2007, it included a cost-of-living fare increase so that our billion-dollar surplus could be used to pay down debt and help reduce the widening deficit we are dealing with today. If this Board had not made that wise decision then, our problem would be considerably worse.

As the economy worsened in 2008, the MTA took an additional approximately 5 percent across-the-board cut, with at least 5 percent of managerial costs cut at each agency. New York City Transit alone cut 7.5 percent of its managerial expenses, a savings of more than \$20 million annually.

In the end, though, the collapse of our real estate tax revenue, on top of the escalating debt service costs, could not be made up by belt tightening. Only 7 percent of the MTA's \$11 billion budget is dedicated to administration, making it simply impossible to cut our way out of what amounted to a \$1.2 billion deficit.

Perhaps the worst news has come over the past few months, as real estate tax revenues continue to slip. As we reported on Monday, those revenues are already more than \$120 million behind budget this year. What if this deterioration in revenues continues? Even with today's fare increases and service cuts, we may have to reforecast our annual revenues as early as next month and identify further savings to deal with hundreds of millions in new deficits.

In light of these circumstances, Governor Paterson appointed the Ravitch Commission last April. The Governor knew then that the MTA would need new, reliable, recurring sources of funding to put the network of services on stable fiscal ground in the years and decades ahead.

When the Ravitch Commission reported back to the Governor in December, its recommendations identified recurring revenue sources that would be robust enough to eliminate the MTA's structural deficit and fund our \$30 billion capital program, including the \$22 billion it takes to meet the normal replacement needs and the state of good repair needs of the existing infrastructure.

Over the past months, you've heard me talk extensively about the importance of the capital program, and how a fully-funded plan is necessary to keep us from sliding back to the disorder and dysfunction of the 1970s and early 1980s. Today, we are rapidly approaching a rare moment of truth not just for our customers but for the future of this region's economy and its livability. You cannot create the 21st century New York we all want to inhabit without funding the MTA in a way that meets our customers' needs and the needs of future generations of New Yorkers.

New York State has a deep reservoir of ingenuity. Just look at our history over the last 400 years – it's full of examples of innovation and resilience. So I remain optimistic. I hope that the State Legislature will soon reach agreement on a plan that not only helps us avert the fare-and-toll increases and service cuts, but also provides a long-term solution to the MTA's operating and capital needs.

Despite what some have said about the MTA in the heat of this debate, no one wants to wipe out the extraordinary progress that has been made here over the past 25 years, progress achieved through a \$76 billion investment in state-of-good-repair projects for our subways, buses and commuter rail. The 50 percent increase in ridership we've experienced since 1996 is unprecedented and was simply unthinkable to anyone who used the system in the early 1980s. As Dale just mentioned, the MTA network is more reliable than ever, our finances are as transparent as any agency in the country, and we are poised to help lead the region's recovery if we receive the long-term investment our customers and our infrastructure deserve. We hope the State Legislature will act soon to make this a reality.

Thank you.