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IMMEDIATE

TRANSCRIPT: MTA Chairman and CEO Patrick J. Foye Appears Live on Bloomberg TV

MTA Chairman and CEO Patrick J. Foye appeared today on Bloomberg TV "Bloomberg Markets: Americas" with Guy Johnson and Kailey Leinz to discuss the agency's ongoing response to COVID-19 as New York City enters Phase 3 reopening.

A transcript of the interview appears below.

Kailey Leinz: As other parts of the US hastily roll back reopening plans, New York is taking one small step forward. The city officially kicks off Phase 3 today. That means nail salons, tanning studios and tattoo parlors will open their doors to customers for the first time in months. Joining us now is Pat Foye, MTA Chairman and CEO. The MTA, of course, is the largest public transit authority in the US. Pat, thank you so much for joining us. Of course, Phase 3 today and I've looked at the most recent data. We're back up to more than a million riders on the subway on a daily basis, but that's still down some 80% year on year. How material of an improvement is Phase 3 going to bring in terms of traffic and ridership?

Patrick J. Foye: Thanks Kailey for having me. We are carrying now, on our average weekday, about 1.1 million customers on the subway, slightly over 1 million on buses. That's a significant improvement from the depths of the pandemic, but pales in significance to the 7.6 million that we carry on average weekday, pre-pandemic. Obviously, that's had a significant impact on our resources. Mayor de Blasio estimates that Phase 3 will add about 50,000 commuters to the subways and buses, we are well equipped to handle that. I'm not going to go into details on your show unless you're interested in, but we've got 100% bus service in Manhattan, we're operating at pre-pandemic hundred percent levels on subways, we've added service on Metro-North, the commuter rail, and the Staten Island Railway, and we're fully equipped. We're also disinfecting our cars, our subway stations, our subway cars, commuter rail cars and buses frequently during every 24-hour period. We've done everything we can to minimize the public health risks to our customers and our employees.

Guy Johnson: Mr. Foye, good morning, Guy Johnson here in London.

Foye: Morning Guy.

Johnson: Your revenue is down, you just explained why that is happening, and your costs are going up. How short of money are you?

Foye: Well look, like I said at our Board meeting, a week or so ago, that we're in a financial four-alarm fire, and I believe that's the case. We received \$3.8 billion dollars plus from the federal government in the first round of coronavirus funding. The House of Representatives has passed a bill that provides an additional \$3.9 billion dollars. This US Senate has to act when it returns from its break. It's really fundamental that we get that money. We hired McKinsey which estimated, and that estimate appears to be right on that the midpoint of our revenue loss from fares and toll declines, and also from declines in our package of dedicated taxes and subsidies that the Legislature is given to us over a period of years. Beginning with increased costs, for instance, the disinfecting that I mentioned, the midpoint of that would be \$7.7 billion in 2020. An additional 3.9 from the federal government would get us through 2020. Obviously, the ridership increases, which McKinsey took into account, have helped. But we are still \$3.9 billion short and that is federal funding is desperately needed.

Leinz: Right. So, Mr. Foye, with all of that in mind, are you going to have to cut spending and at what point do you have to consider layoffs, for example?

Foye: Everything is on the table. What we're looking at first is reducing non-personnel expense. We're going through every consulting contract and contract that doesn't involve personnel. We've cut 100 million dollars out of our overtime already in 2020. I believe there's more that can be that can be reduced. So, we're looking at those expenses as a first-order priority, and we will be reporting to the Board and the public on that in the weeks ahead.

Johnson: Not everything is on the table, is it, you are not allowed to declare bankruptcy. Is that an advantage or a disadvantage in this situation?

Foye: There's no scenario in which the MTA would need to declare bankruptcy. I believe, state law doesn't allow us to do that. We're in investment grade credit. We're in constant dialogue with the credit agency, credit rating agencies and our bondholders. We will get through this, there will be difficult times. The MTA has faced difficult times before, in following 9/11, following Superstorm Sandy, etc., but we're going to do whatever it takes, everything's on the table, we're going to do whatever it takes to ensure that the MTA is able to provide transportation services in New York City and the region for years and decades to come.

Leinz: Mr. Foye, even if you do succeed in getting through this crisis, how are you thinking about the MTA's role in what's going to be the new normal, when more people are living outside the city, working at home, not as many people commuting or living inside metropolitan areas. Does that mean fewer trains, what does that mean structurally for the MTA?

Foye: Look, I'll note this, our commuter rails, the Long Island Rail Road and Metro-North have really led the increase in performance on subways and buses. That's not surprising because a significant portion of those workforces from Westchester, from Long Island, from Connecticut can work at home

and have taken advantage of large firms which have made that an option for white collar workers. The MTA has done the same thing with respect to many of our IT and management staff. So, we're going to have to take into account, first, the MTA's role in the recovery of New York City and the New York City regional economy is going to be fundamental. 70% of our customers for instance say that the station, subway stations and cars have never been cleaner. People are wearing a mask, it's state law as a result of Governor Cuomo executive order, but obviously in 2021 and 2022, we will take into account, we're going to do everything we can to make mass transit as a popular and acceptable and satisfactory to our customers as we can, both in terms of service but in terms of minimizing public health risk, and we will obviously right size our operations, if a significant portion of our riders don't come back.

Johnson: Given that, given what you just said, and following up on Kailey question, though, do you think you are going to shift the way you invest in the future? Investing money, obviously very difficult to find right now. But if we start to see the pattern shifting towards the suburbs versus the center of the region, do you think that's going to change the way you invest?

Foye: Well no. If you look at our ridership right now we're moving a million, 1.1 million on subways, 1 million on buses. The number carried by the commuter rails is obviously a fraction of that and it's a fraction of what they carried on a typical day pre-pandemic. So, the locus, and the focus of most of the passengers and most of the capital, investment capital of the MTA, is dedicated to subways and buses because we carry, way more passengers there. The commuter rails are fundamental so is bus service. We passed, our board passed a \$51.5 billion dollars historic capital plan about a year ago. Obviously the capital plan will be affected by the pandemic in ways that you'll see over the months and quarters to come. We'll invest where our passengers are and what are--focus on our passenger's needs, our customer's needs.

Johnson: Pat Foye, MTA Chairman and CEO, we greatly appreciate your time today. Thank you very much. This is Bloomberg.