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IMMEDIATE

TRANSCRIPT: MTA Chairman Foye Appears Live on Bloomberg TV

MTA Chairman and CEO Patrick J. Foye appeared live today on *Bloomberg Surveillance* with Tom Keene and Lisa Abramowicz to discuss steps proposed by the MTA to address a dire fiscal crisis as a result of the COVID-19 pandemic.

A transcript of the interview appears below.

Tom Keene: Good morning everyone on Bloomberg Television and on Bloomberg Radio worldwide, and a special good morning to all of you listening on Bloomberg 1130 New York. The Mayor of the City of New York, Bill de Blasio, and it's a story heard nationwide. Each story is different, yet they're all the same. With us now with an immediate and essential labor perspective, Patrick Foye, MTA Chairman and Chief Executive Officer. Pat, I think you're lying to me. I'm going to cut to the chase. In no way do I think you're only going to cut 9,300 or 9,400 employees. What's the real number of six months if you don't get support from the federal government?

Patrick J. Foye: Well Tom, 9,300 is the number of operating personnel that would be cut. We would obviously cut, headquarters staffing is down 20% from 2019, there is more to cut there. Those people who aren't involved in delivery of services, but we will be cutting. We've taken \$2.8 billion dollars out of the MTA's cost structure over the last couple of years. I would expect in 2021, apart from the service reductions, we will take seven to eight hundred million dollars additionally. We're going to be constantly cutting and reducing our costs because that's the right thing to do, and the service reductions are on top of that. And the service reductions are staggering, will affect every New Yorker, every one of our employees, and the Rudin Center at NYU says it will cost the region up 450,000 jobs and destroy about \$65 billion of regional GDP.

Keene: Pat, what's so important here is the conflation of variable and fixed costs, and you've got all sorts of realities including complexity, including union relationships, et cetera. What do we most get wrong about the fixedness of your variable cost?

Foye: Excellent question Tom, and I'll distinguish between subways and buses, right. Subways have extensive fixed capital cost that has to be maintained. And for instance, if you reduce service on a subway line from 100% to 80% to 60% to 40%, you may be able to cut the number of train operators and conductors. None of this is anything anybody at the MTA wants to do. But the men and women who maintain the tracks, maintain the trains, communications, power, et cetera, will have to maintain that subway line regardless of whether ridership and the number of trains is 40% or 50% or 80% of normal. That is not the case in a bus system because you don't have that great fixed cost. And that is, and obviously the operating leverage also associated with increases in ridership. Increases and declines in ridership. You are spot on.

Lisa Abramowicz: Pat, a lot of people may be listening to this program from Des Moines or Cleveland or El Paso and they are looking at a Metropolitan Transit Authority that has \$46 billion of debt and they wonder why we should we be paying for the situation that currently is at hand. Albeit, this is an extraordinary situation, but why should it fall on them? What would you say?

Foye: So, Lisa, I say a bunch of things. For instance, you mentioned Cleveland, there is mass transit in Cleveland, there is mass transit in Austin, Texas, in Atlanta, in Washington DC, in Chicago, San Francisco, Los Angeles, across, New Orleans, across the entire country. Blue states, red states, mass transit is incredibly important. It happens to be that the MTA carries about 40% of mass transit riders, so obviously we are a larger operation with larger financial challenges. But every mass transit agency in the country has been affected by the pandemic, not to the same level of the MTA given our ridership. You know, on a typical day pre-pandemic we carry 7.5, 7.6 million customers, largest in North America. But every one of the transit agencies in the United States is feeling same pressure and we'll have to take steps not unlike those that we are talking about. No one at the MTA wants to make these service cuts because that's not what New York needs to feed our economic recovery, and it's not great service for first responders, essential employees and our other customers.

Abramowicz: Pat there is a question also about a spiral, a downward spiral for public transportation, that if you don't have fast enough or reliable enough service, the people stop using it and it just sort of begets even less service and fewer people using it. At what point does the MTA enter that death spiral that could have an even more profound effect on the entire region?

Foye: Look, I think it's an excellent question and the Rudin Center analysis took that into account. But you're right Lisa, if we have to increase for instance headways, the time between subways and buses on weekends to say 15 or 20 minutes, a lot of New Yorkers are going to determine that to get to their job, to school, to a medical appointment or whatever they are doing, that it doesn't work for them any longer and it does feed on its success. Success in mass transit and growth in mass transit increases ridership. Cutting it back also will cause some of our customers to say you know what, it is not worth it. We won't get their revenue; we won't get their service and that is just a terrible place for any transit agency to be.

Keene: Pat Foye, I would assume in your esteemed career you seen the death of New York City somewhere between three and five times. And you know folks, I think a lot of people that know me know I was screaming after 9/11 that New York City would not die. I believe the Mayor of New York had a little bit to do with that thought. Pat Foye, everybody is moving to the suburbs, what do you say to them?

Foye: Well look, not everybody is moving to the suburbs Tom. Here's what I would say, cities like New York, and London, and Bombay, Mumbai, and others have survived natural pandemics in the past. Obviously the 1918, 1919 flu in the United States which obviously had a significant impact on New York City. The movement to urbanization across the entire globe is a global phenomenon. The rise of cities as centers of talented intellectual capital. New York City will be back. I'm bullish on New York City. This is a particularly tough time, 2020 and 2021 are going to be tough years, but obviously with the great news from Pfizer and Moderna and the vaccines in the offing, that will be terrific news. New York City will be back after getting through the dark days of 2020 and 2021. No question in my mind.

Keene: Mr. Foye thank you so much. Patrick Foye, he is Chairman and Chief Executive Officer.