

**AlixPartners**



# MTA Transformation Plan Briefing

July 24, 2019

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# The MTA and AlixPartners have created this Transformation Plan to respond to NY State's mandate to produce a reorganization plan by June 30, 2019

- The New York State Legislature directed the MTA to develop a personnel and reorganization plan by June 30, 2019 (under Section 1279-e of the New York Public Authorities Law, the "Transformation Plan"). Section 1279-e also requires that the plan be approved by the board no later than July 30, 2019
- The MTA and AlixPartners have prepared this Transformation Plan which covers recommendations for MTA-wide reorganization activities, improvements to business processes, and other cost reduction opportunities
- AlixPartners conducted this assessment through a variety of methods across common support functions such as Budget & Accounting, Construction, Human Resources, Information Technology, Procurement, Legal, etc.
- To support the Transformation Plan findings and recommendations, AlixPartners interviewed representatives from civic associations, transit advocacy organizations, and organized labor along with more than 100 MTA employees representing all Agencies and functions (including leadership from all areas of the enterprise)
- In addition, AlixPartners reviewed select opportunities that could be related to the consolidation effort in order to identify additional opportunities; these include operations and maintenance activities within the Agencies as well as select sourcing, process improvement or other opportunities
- This assessment of the MTA, conducted over the course of 12 weeks prior to the June 30 deadline, was focused and limited in scope, is not necessarily exhaustive and does not represent all of the cost savings opportunities within the MTA
- The MTA will require comprehensive and detailed opportunity assessment and implementation planning if it wants to activate this Transformation Plan and achieve the desired benefits
- To achieve the cost savings opportunities identified, based on the size and scope of the MTA, the Transformation Plan may require the MTA to seek third party implementation support such as initiative planning and design, project management, benefits tracking and other services

# The MTA seeks to fundamentally change itself via a transformation, in as short a period of time as possible, to set the stage for near-term and on-going performance improvements

This Transformation Plan seeks to answer a set of critical questions:

- **Why:** The MTA seeks to significantly improve service levels across the network, which will require a sustainable improvement in business performance and cost reduction
- **What:** In order to accomplish this goal, the MTA and the Board must transform the ways it does business to become more efficient and effective; this transformation will be challenging to implement due to size and complexity of the MTA in conjunction with certain constraints
- **How:** This transformational effort relies on six significant changes including:
  1. Refocusing Agency responsibilities on safety, operations and maintenance; consider merger of all Bus operations and future review of separating Subway and Bus
  2. Centralization of Construction & Development function across Agencies and across the lifecycle of capital projects
  3. Creation of new central Engineering function to set standards ensuring quality and sustainability of infrastructure
  4. Creation of new central Customer Communication function to create clear, high quality, and consistent customer engagement across the MTA
  5. Establish uniform operating standards and design and optimize MTA-wide transit network across entire system and region, rather than agency-by-agency
  6. Centralization of all operating support functions, focusing Agencies on service delivery
- **Who:** The MTA and the Board will need to recruit a number of leaders in key functional areas to help execute this transformation, including a Managing Director/Chief Operating Officer, a Chief Engineering Officer, and a Chief Transformation Officer
- **When:** The majority of the transformation effort should be front-end loaded in the initial 6-9 months with some aspects completed over an additional 18-24 months

**The MTA's transformation seeks to change the fundamental ways in which the Agencies do business in order to drive improved service levels for the customer, process efficiencies and cost reductions**

# The MTA is inefficient and complex, which creates an urgent need for a transformation of business processes that could be used as a platform to improve service

## Observed Structure and Processes

- Partial consolidations have created additional layers of complexity in functions like Procurement
- Enterprise Resource System is used by all Agencies, but implementation, uses and processes vary widely
- Common functions like HR and Procurement are split between the MTA and Agencies, creating duplication and redundancy
- Policies limit the autonomy of Agencies often needed to maintain consistently high operational performance levels
- Most of the MTA's 74,000+ employees are working under collective bargaining agreements or Civil Service rules

## Organizational and Process Complexity

- Effectiveness and efficiency may be reduced by:
  - Cumbersome processes due to legacy practices and lack of standardization across the different Agencies
  - Incomplete, incorrect or conflicting data and information drawn from disparate sources
  - Differing structures across the Agencies and too many organizational layers
  - Rigidity of civil service process limits ability to attract, retain, develop and manage talent in current job market
  - System-wide, the MTA is approximately engaged with 32 unions covering 82 locals or lodges across 70 contracts

## The Impact

- Complexity and numerous management layers add delays to business processes across the enterprise
- Delays drive inefficiency and lead to unnecessary additional costs
- Ultimately the customer suffers from lower service levels

# Transformation is designed to deliver a renewed focus on service delivery for customers, improved business processes within the organization, and lower total cost

## The Agencies Will Focus on Transport Service Execution

- Streamlined Agency structure will focus exclusively on operations and maintenance required to deliver service on a day-to-day basis
- Agency leadership is empowered to make decisions required to improve service levels and maintain state of good repair for their respective agency
- Agency connection with centralized support functions will be maintained through a business partner relationship structure

## The MTA Will Focus on Improved Business Service Levels to Agencies

- Concentration of functional expertise in a shared services/center of excellence environment
- Simplification and standardization of processes, standards, specifications across Agencies
- Shift in certain business strategies to reflect more effective ways of operating (i.e. design-build)

## Entire Organization Will Focus on Cost Reduction

- Elimination of redundancies, reduction of layers, and streamlining of processes
- Improved executional effectiveness through improved planning, coordination, and collaboration
- Recommendation could result in a potential reduction of roughly 1,900-2,700 positions
- Total potential annual savings opportunities is an estimated \$370-\$530M

## The Transformation Plan relies on five foundational principles, intended to drive improved performance for the customer through business efficiencies

### Centralize

- Consolidate back office and administrative functions into a shared services/center of excellence model
- Hire the experts that will provide high service levels to Agencies at lower total cost base
- Reduce redundancies and drive clearer lines of accountability

### Simplify

- Reduce non-value added workload and processes that drive complexity and inefficiency
- Push certain activities to outsourced providers that can offer higher service levels at lower cost
- Eliminate or revise policies that only serve to drive additional complexity

### Standardize

- Align processes across and within functions to build efficiencies
- Standardize specifications across similar operations and maintenance categories
- Build the required data and information that allows for one view of the truth across Agencies

### Plan

- Build a robust operations planning process that drives interaction between Agencies and shared services
- Enable effective communication between the Agencies and their common functions counterparts
- Hold Agencies accountable to provide demand signals well in advance of predictable needs

### Empower

- Provide managers with autonomy and accountability to deliver service
- Enable leadership with a delegation of authority required to support operations
- Create a culture of ownership and performance improvement that permeates through the MTA

# The Transformation Plan puts a renewed focus on service delivery for customers through a series of significant changes to the underlying business functions

The MTA transformation relies on 6 significant changes to the business

- 1 Refocusing Agency responsibilities on safety, operations and maintenance; including merger of all Bus operations and consideration of separation of Subway and Bus
- 2 Centralization of Construction & Development function across Agencies and across the lifecycle of capital projects
- 3 Creation of new central Engineering function to set standards ensuring quality and sustainability of infrastructure
- 4 Creation of new central Customer Communication function to create clear, high quality, and consistent customer engagement across the MTA
- 5 Establishment of uniform operating standards as well as the design and optimization of MTA-wide transit network across the entire system and region, rather than agency-by-agency
- 6 Centralization of all operating support functions, focusing Agencies on service delivery

