



Making Every Dollar Count: Capital Program

July 2011



INTRODUCTION

Over the past 30 years, the MTA's Capital Program has fueled the revitalization of our transit system,

transforming it from a graffiti-scarred symbol of urban decay to today's modern, safe, and vital economic engine. This series of five-year capital investments has been so successful, in fact, that one may ask if we can now *stop* investing. The reality is that continued investment is more important than ever, for both the reliability of our system and the economic vitality of our State.

Operating a 24/7 system in a place as crowded as New York puts an extremely high premium on reliable service, because it's the only way to move so many people quickly and efficiently. Sustaining this reliability—on a system that's over

100 years old—requires us to continually invest to preserve, protect, and make necessary upgrades to our infrastructure.

We must also continue to invest to create jobs and spur economic growth. According to the New York Building Congress, the MTA alone is expected to account for 25 percent of New York City's construction industry in 2012. The Program's impact can be felt in every corner of New York State. In fact, the 2010-2014 Capital Program will create about 350,000 New York jobs and \$44 billion in economic activity throughout our State. And it is expanding our transit system for the first time in more than a generation, providing integral new links and supporting the continued growth of our regional economy.

We've identified efforts ***that will double the savings we've achieved in our*** ***Capital Program, for a total of \$4 billion.***

The critical importance of our Capital Program, however, does not excuse the need to implement it as efficiently and effectively as possible. That's why last year we reexamined every project by asking a deceptively simple question: How can we achieve the same benefits for less? And after an extensive analysis, we cut approximately \$2 billion without impacting benefits or eliminating the projects that are critical to the reliability of our system and the growth of our region.

But our work is far from over. We've identified efforts that will double the savings we've achieved in our Capital Program, for a total of \$4 billion. And in

the pages that follow, we'll show you all the ways we're working to achieve this goal.

Of course, these efforts will not eliminate the need for continued support from the MTA's federal, state, and local funding partners. But today, with the State's economy still in crisis, we know that we must first ensure that we've done everything we can to reduce the cost of our indispensable Capital Program. Simply put, in these tough times, we must prove that we are making every dollar count, and that's exactly what we're doing. The future of our region depends on it.

ACCOMPLISHED:

The **First \$2 Billion** in Savings

In the midst of the worst economic downturn in decades, the MTA set out to dramatically reduce the cost of its 2010-2014 Capital Program. With a new focus on making every dollar count, we submitted a Program with all the priority benefits for nearly \$2 billion less than planned.

Here's how we did it:

Reduce Rolling Stock Costs

We set out to reduce the cost of trains and buses without compromising the reliability of our service. Instead of hybrid electric buses, we decided to buy clean-diesel-powered buses, which are about 20 percent less expensive with similar fuel economy and emissions performance. We also reduced the need to buy more railcars by finding better ways to maintain existing cars, keeping them in service longer.

Overall, these new strategies saved us over \$800 million.

Stations: Fix What's Broken

Our revised Capital Program also included better and less expensive strategies for improving our stations. Through our new Component Program, we're fixing the station components most in need of repair first, instead of waiting for full-station rehabilitations. This strategy allows us to reach many more stations—twice as many as in previous Programs—and fix problem areas faster and more efficiently.



As a result, we're saving more than \$420 million.



Save Money At Repair Shops

For the first time in the history of the MTA, we're sharing shop space across agencies and, in some cases, eliminating the need to invest in the first place.

For example, instead of investing money to build shop capacity for Metro-North, we're now fixing some MNR electronic parts at existing New York City Transit shops. Instead of investing money to build diesel train repair capacity for the Long Island Rail Road, we're evaluating the opportunity to repair certain LIRR locomotives at MNR shops. By looking at our agency as a whole, we're working far more efficiently and realizing economies of scale.

***The result of all these efforts:
Almost **\$200 million** in savings
in repair shop investments.***



IN PROGRESS:

The **Next \$2 Billion** in Savings

Reduce Costs Internally

We cut \$2 billion from our Capital Program last year by planning our Program more effectively. Now, we're working to save an additional \$2 billion by completely overhauling the way we implement these vital investments. We're reducing administrative costs, eliminating cumbersome processes, leveraging new technologies, and ensuring that our management of the Program is as efficient and effective as possible.



Slash Administrative Costs

Just as we did with our operating budget, we're slashing our Capital Program's administrative expenses across the board. ***A 15 percent reduction in administrative payroll will save us \$150 million.*** We're also eliminating much of the administrative paperwork associated with moving capital projects forward, cutting some 5,000 paper transactions annually.

Run Every Single Project Through Approval Gates

Our new gates strategy mandates that every capital project is reviewed at each stage of its development to ensure that we're moving forward for the lowest cost and on track to meet intended benefits.

If a project doesn't pass its review, the gate doesn't come up and the project doesn't move forward.

This process is helping us realize enormous Capital Program savings.



Take the critically important work we're doing to replace the Queens approach at the Bronx-Whitestone Bridge. MTA Bridges and Tunnels addressed key contractor concerns before putting this work out to bid and in the end ***we saved almost \$100 million.***

With the help of a softer construction market, this strategy has already ***delivered savings of \$800 million.*** But perhaps most importantly, it ensures that we will get projects for the lowest cost even as the economy recovers.



Lower the Cost of Work Along the Right of Way

More than 30 percent of the MTA's Capital Program is focused on rehabilitating infrastructure along and within subway and railroad tracks—what we call the “right of way.” This work keeps our trains running safely and on-time by fixing, maintaining, and improving track, signals, communication systems, and power substations.

Because we run a 24/7 system, this work presents more challenges than

at other transit systems. We have limited windows for work, and that time must be used as efficiently as possible — to save money and to minimize downtime for our customers. Today, we're overhauling the entire process to maximize productive work time and reduce unnecessary overtime. Some of our new strategies include:

- Save time by ensuring that we have all the necessary people and equipment ready to go at a job site, exactly when they're needed;



Enhance Oversight and Transparency

By improving the way we monitor capital projects, we're now on track to finish more projects on schedule and budget. Improved oversight is also helping the MTA become one of the most transparent public agencies in the country. Here's how we oversee capital projects:

- During track outages, use replacement bus services only when there are no alternative services available;
- Just as we're doing with our stations, narrow the focus of work to fix the component that's broken—not necessarily the whole asset.

These efforts will reduce our right of way costs by at least 10 percent, or more than \$300 million.

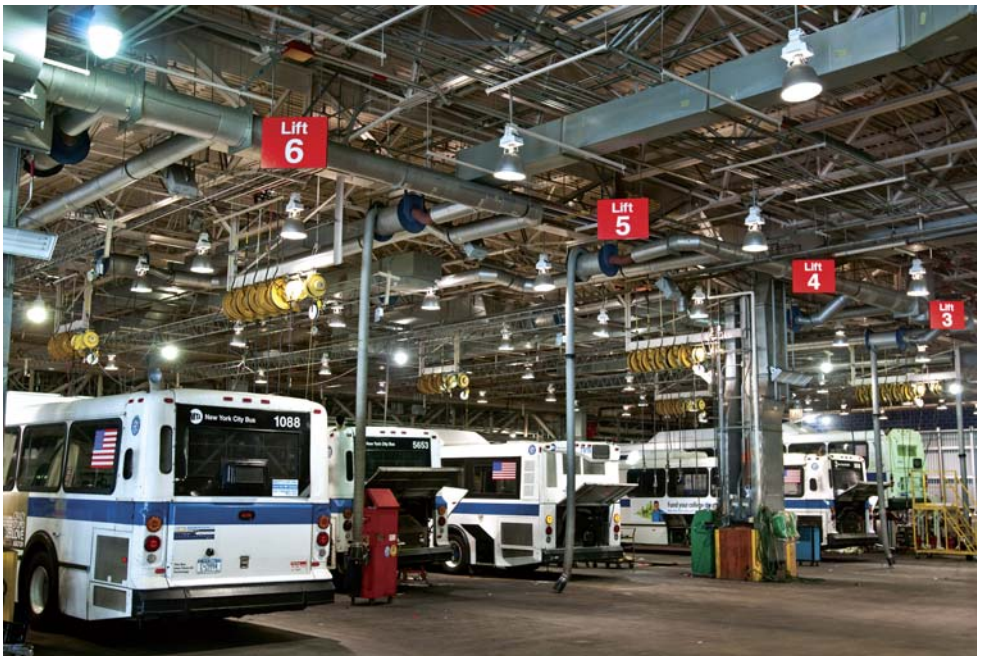
- Our new **Web-based Capital Program Dashboard** gives easy access to in-depth information about every project in the 2010-2014 Program.
- For large or complicated projects, a **special committee of the MTA Board**, aided by an independent engineer, performs risk assessments to ensure that budgets and schedules are reasonable and risks are mitigated.
- Our new **Traffic Light Report** alerts us early if a project begins to run behind schedule or over budget, allowing us to quickly fix the problem.

Rolling Stock: Reduce Purchase and Maintenance Costs

We're also reducing our costs to buy and maintain trains and buses. And with over \$3 billion of rolling stock still to be purchased, the opportunities are enormous. Our new strategies include:

- Challenge current design standards and specifications to improve value. We're evaluating design parameters and we're changing existing specifications to achieve the same benefits for less.
 - Increase competition to ensure the best price on components. Working directly with suppliers, we're lowering
- our costs over the life of the vehicle with a more strategic approach to parts management.
 - Keep existing rolling stock in use longer, reducing the number of vehicles we need to buy. Better maintenance lets us get more healthy life out of our rolling stock without compromising service or safety.
 - Embrace new technologies that make our rolling stock more fuel efficient, economical, and environmentally-friendly, while also improving on-board communications for our customers.

These strategies will reduce rolling stock costs by at least 10 percent, or nearly \$300 million.







Becoming A Better Business Partner

Too often, contractors increase their bid prices for MTA projects because we add unnecessary delay and red tape that costs them money. At the same time, we know that contractors—and all our partners in the construction industry—can do more on their end to make work more affordable.

We're attacking these unnecessary costs on two fronts. First, we're taking steps to become a better business partner, saving money for everybody—the MTA, contractors, and the public. We're also working with our construction partners to find productivity improvements and cost reductions on their end—because we know that lower costs will be passed on to us and to the public at large.

Partnering with Contractors... ...And Trade Unions

We've solicited suggestions from contractors for reducing the cost of working with the MTA, and we're actively pursuing some new ideas:

- Better coordinate the MTA's support services to maximize the time contractors have to work along the right of way.
- Revise contracts to hold MTA accountable for delays we cause, and to institute a fairer dispute resolution system.
- Reduce work changes by involving the operating department that will be responsible for the project from the beginning.



We're also working to achieve significant savings through "Project Labor Agreements" with trade unions. Work in New York is much more expensive than in many comparable cities in the nation; there are many opportunities to increase productivity and reduce costs, including significant premiums paid for work outside of an eight-hour day. We're now working closely with the trades to achieve agreements that will increase productivity and minimize premium costs in exchange for a guarantee that identified projects will go to union trades.

By working together, we can make it easier to do business with the MTA, reduce costs, and strengthen the case for investing in the transit system and the jobs that come with it.



Expanding Opportunities

In 2010, the MTA tore down barriers that had historically made it harder for small, minority- and women-owned businesses to win MTA contracts. We used ground-

breaking legislation to implement a new mentoring program, offering construction training and access to financing. By July, over 100 firms had been accepted into the program.

Conclusion

The value of the MTA's Capital Program is visible all around us. We can see it in a transportation network that safely and reliably moves 8.5 million people every day. And we see it in our region's \$1.26 trillion economy – second in the world only to Tokyo – that simply wouldn't be possible without it.

Nonetheless, we understand that continued capital funding relies on our ability to show that investments are being made wisely. Just as we overhauled our day-to-day operations, we are committed to making every dollar count in our Capital Program. We're doing our part to make the Program as efficient and effective as possible, whether it's cutting administrative costs, implementing cost-saving strategies for investments, or working with our contractors and unions to lower costs.

The past 30 years have shown that investments in the MTA Capital Program return enormous dividends for New York; in today's economy, this is truer than ever. Investing in transit is an equity investment, and the cost of our capital investments will be returned many times over. The dividends will be there, both in immediate job creation and in long-term economic growth. And the MTA will continue to ensure that we make every dollar count.

***The MTA will continue
to ensure that we
make every dollar count.***



