

Making Every Dollar Count

January 2010



Metropolitan Transportation Authority



Letter from Chairman & CEO Jay H. Walder

I have spent my first 100 days as the MTA's Chairman and CEO riding our regional transit services, talking to customers and employees, meeting with business leaders and studying the MTA's operations.

When I began my career here in 1983, the MTA's graffiti-scarred trains and buses were a national symbol of urban decay. Today, millions of riders enjoy reliable, safe service on new or rebuilt equipment. For the first time in a generation we are expanding the system. This rebirth is a testament to billions of dollars in capital investment and to the employees who brought those investments to life.

Unfortunately, some things at the MTA have not changed. Buses still crawl in city traffic. Information is still hard to find or understand. Toll plazas still back up. And how the MTA does business has not substantially changed since it was formed in 1968.

We had just begun designing bold strategies for transforming our transit system when the MTA's financial picture went from fragile to perilous. We must address this harsh fiscal reality first – both to solve our immediate problems and to implement long-term, sustainable solutions. In this economic downturn our customers and taxpayers want to know that the MTA spends every hard-earned dollar wisely.

Now my first priority is a top-to-bottom overhaul of the way the MTA does business. That process begins this month. We will do what every business in the state has had to do to survive. We will examine every aspect of our operation to discover better and less expensive ways to do essential work. This will create a leaner and stronger transit system for the metropolitan region.

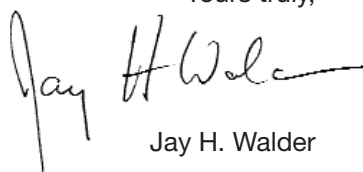


We must take this same approach to the MTA Capital Program. There can be no excuse for cost overruns or never-ending delays, and projects that don't enhance service or reduce costs may be shelved. Core maintenance and expansion of the system must move forward, however, and the lack of funding beyond 2011 is a serious concern.

Our uncertain finances cause some to question whether we should continue pushing for service improvements. My answer is simple: we must! We cannot allow the economic downturn to be an excuse for inaction. We must continue to upgrade service within available resources. We must utilize partnerships – both with the private and public sectors – to test new technology and services. And we must implement low- or no-cost initiatives that make it easier for customers to find and understand information. Done properly, cutting costs and increasing efficiency will deliver higher quality transit services.

We have come far in rebuilding the region's transportation infrastructure. We must now rebuild the MTA. We must transform our business while delivering superior service. Transit is a lynchpin to the region's economy and vital to its quality of life. Today we establish high goals for the MTA in a most difficult time, but we must succeed. The importance of our transportation system to all New Yorkers requires it.

Yours truly,


Jay H. Walder



Assessing the MTA

A 100-day review of the MTA's transportation network revealed areas of good service and others that need improvement, all in light of a new fiscal reality.



From the customer's standpoint, today's MTA bears almost no resemblance to the unsafe, unreliable and uncomfortable transit system that plagued New York only a generation ago. The series of five-year capital investment programs that began in 1982 has made this possible, paving the way for 70,000 hard-working men and women to ensure that New Yorkers can travel confidently throughout our region – for work, school, shopping or fun. That is and always will be the MTA's top priority. In response, ridership is up an astonishing 50 percent since that investment program began more than 25 years ago. The MTA is now expanding the transit system for the first time in a generation to support economic growth and meet increased ridership demand.

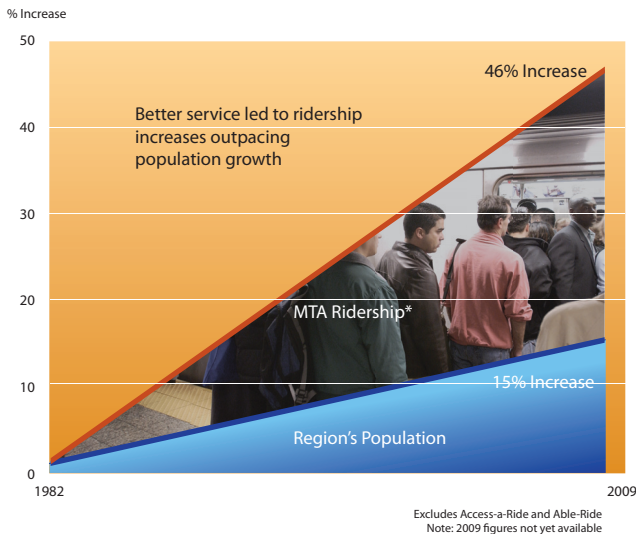
At the same time, rising customer expectations have not been met and systems around the world have surpassed the MTA in the use of new technology to improve customer service. While riders in places as varied as Bogota, Colombia and London, England enjoy free-flowing bus lanes and up-to-the-minute arrival information, our transit system is stuck in the distant past. In their personal and professional lives, customers are more connected with the world around them than ever through cell phones and handheld devices. Once they enter the transit system, however, they seem to be cut off from the technological advances of the 21st century, making the system feel like a black hole where we know far too little about what's going on.

Behind the scenes, the way the MTA is run hasn't changed in decades and customers and taxpayers do not believe that every dollar the MTA receives is being spent wisely. In addition, our operations need to embrace new business models and cost-saving tactics. The MTA is essentially the product of a merger among several companies, but it never took the first step that is always taken by management in any private sector merger – eliminating redundancy by taking the best from each asset and using those building blocks to transform the newly merged company.

These observations about the MTA – from the customer's perspective and from within the organization – must also be viewed in light of the continuing economic downturn in New York State. The legislative rescue package passed in the spring has proved insufficient to stabilize the MTA's finances because of systemic changes in the broader economy. As 2009 drew to a close, the MTA's fiscal picture turned from fragile to perilous, with hundreds of millions of dollars in revenue being taken from the MTA budget in a matter of days.

While we've had to react quickly to deal with short-term budget issues, the current economic climate demands a comprehensive overhaul of the MTA. This

report outlines plans to attack the MTA's cost structure and create a leaner, more effective organization. It also recognizes that many service improvements are long overdue and that customers are tired of hearing excuses. By focusing on low-cost upgrades to customer information and advancing pilot projects to test new technology, the MTA can demonstrate



what better service would look like in the many areas identified for improvement despite having limited resources. It can also be ready to implement service enhancements for the system at large when money becomes available – either through better cost efficiencies or increased revenue.

The MTA is now expanding the transit system

for the first time in a generation.



Cutting Costs to Create a More Efficient MTA

The economic downturn has presented the MTA with a new fiscal reality – we must learn to live within our means. While internal cost cutting has taken place and should continue, the MTA is now at a point where efficiency has to be viewed in a much more comprehensive way. The MTA is long overdue for a major, top-to-bottom overhaul of the way it does business. The organizational structure must be dissected and reassembled to get the most out of every tax, fare and toll dollar.

GOAL:

Overhaul How the MTA Does Business

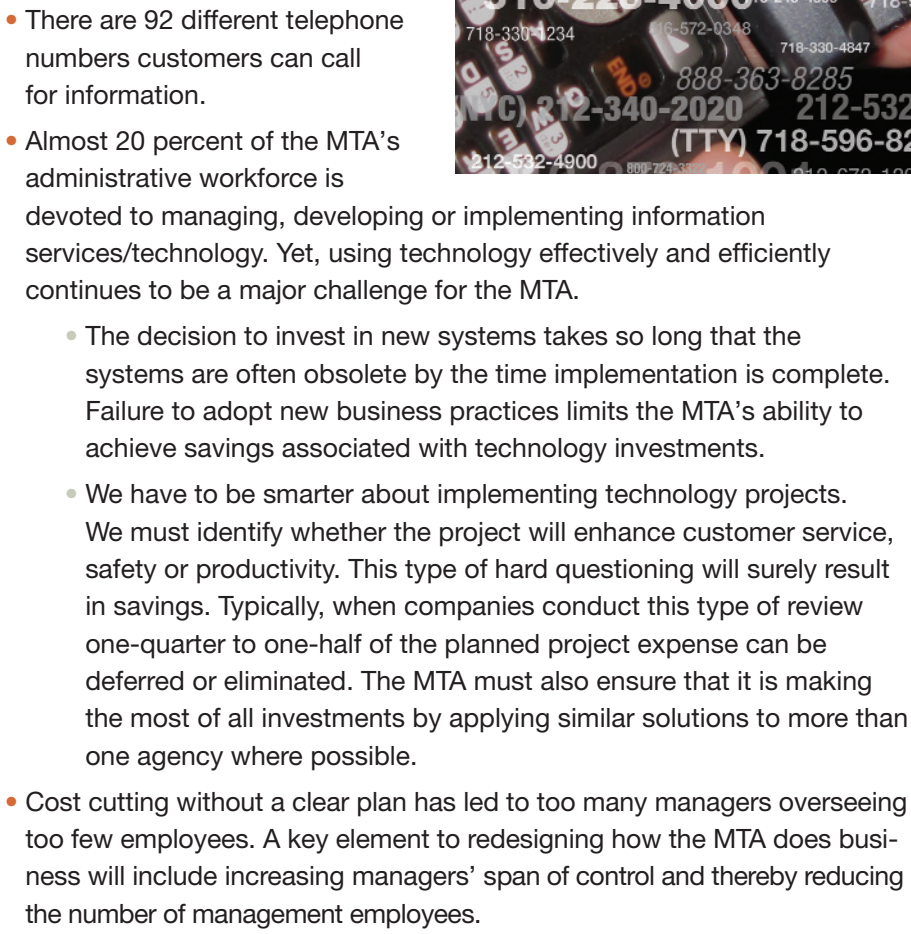
The relationship between the MTA and its seven operating agencies should read like a classic tale of mergers and acquisitions. In the private sector when companies are merged, there is an intensive review to eliminate redundancies and work that is no longer necessary

given the new company's structure. At the MTA, this review never occurred. Agencies were usually brought over lock, stock and barrel without conducting a comprehensive review to streamline operations and administration. There isn't a single private sector company that would have done business this way.

The MTA and each of its agencies largely function independently. Approximately 5,000 people perform administrative functions, at a cost exceeding \$500 million.

There are a number of areas where similar duties are being performed at each agency, but some of the obvious ones are:

- Each agency has its own corporate communications, marketing, legal, human resources, financial and purchasing departments. It is critical that we figure out how much of that work can be streamlined or consolidated to improve both how the work is done and how it affects the bottom line.



- There are 92 different telephone numbers customers can call for information.
- Almost 20 percent of the MTA's administrative workforce is devoted to managing, developing or implementing information services/technology. Yet, using technology effectively and efficiently continues to be a major challenge for the MTA.
 - The decision to invest in new systems takes so long that the systems are often obsolete by the time implementation is complete. Failure to adopt new business practices limits the MTA's ability to achieve savings associated with technology investments.
 - We have to be smarter about implementing technology projects. We must identify whether the project will enhance customer service, safety or productivity. This type of hard questioning will surely result in savings. Typically, when companies conduct this type of review one-quarter to one-half of the planned project expense can be deferred or eliminated. The MTA must also ensure that it is making the most of all investments by applying similar solutions to more than one agency where possible.
- Cost cutting without a clear plan has led to too many managers overseeing too few employees. A key element to redesigning how the MTA does business will include increasing managers' span of control and thereby reducing the number of management employees.

the way it does business.

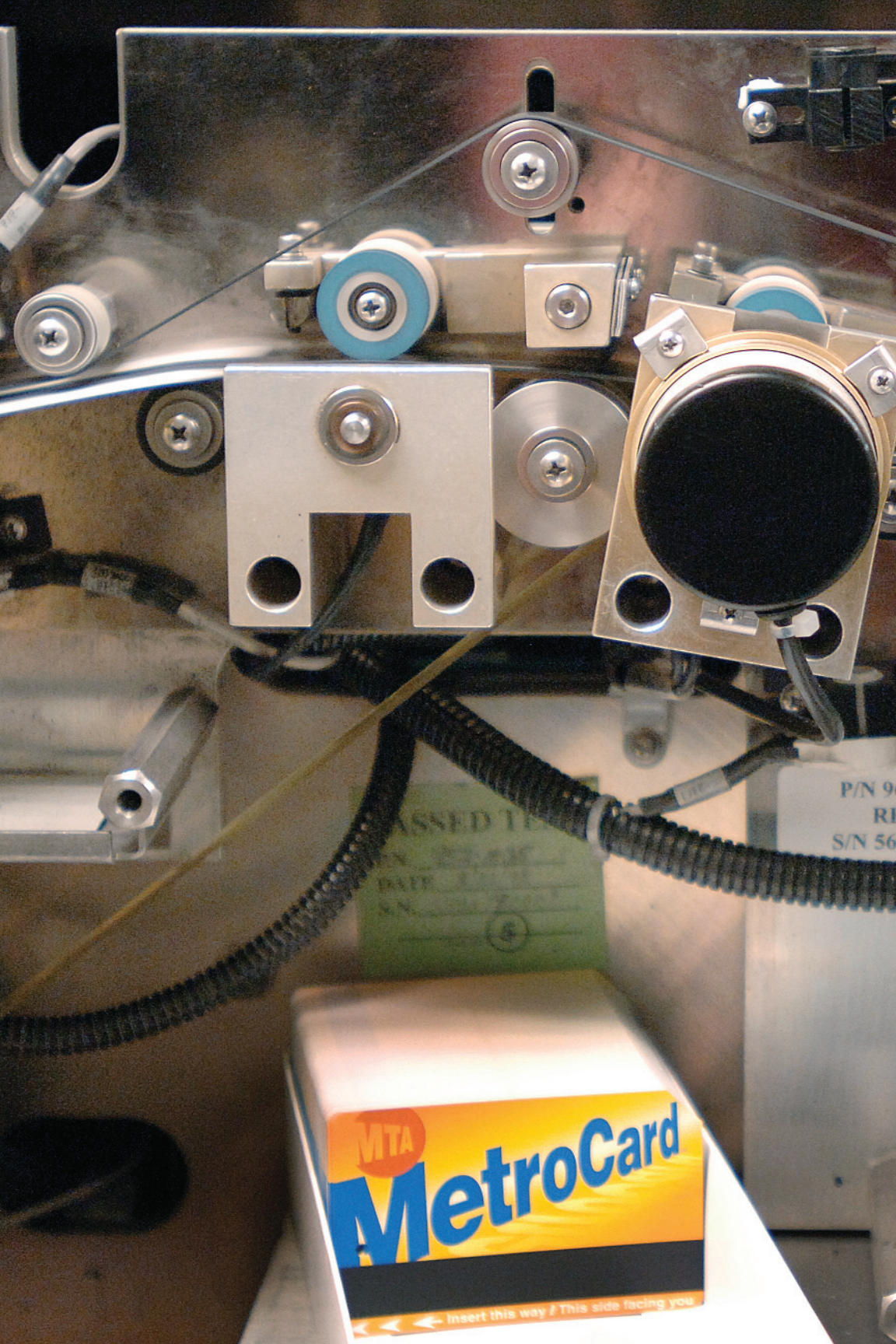
GOAL:

Reduce the Cost of Providing Service

The service provided by the MTA is fundamental to life in New York, and its value cannot be overestimated. Nonetheless, we cannot let the importance of the final product deter us from getting under the hood and fully analyzing the

costs of delivering that service. With an annual operating budget of \$11.8 billion and nearly 90 percent of employees focused on service delivery, the stakes are very high and efficiencies will have a significant impact on the MTA's bottom line. While it's easy to start with administrative cuts, there are other inefficiencies in how the MTA delivers service that must be addressed:

- **Overtime:** Almost \$500 million is spent by the MTA in overtime costs every year. Some overtime is necessary to operate the system: clearing snow in the winter or dealing with other emergencies is largely done by employees working on overtime. And sometimes it is just more cost effective to plan for overtime rather than hire additional employees with overhead and fringe benefits. The challenge at the MTA is to figure out the appropriate use of overtime versus "straight" time – and then strictly enforce it.
- **Work Rules:** To successfully reduce costs, our unions must be active partners. We will be asking our labor organizations to work with us to identify opportunities for savings. Our intent is to implement improvements such as cost-saving technology, streamline processes and create opportunities to provide better value to the customer and the taxpayer – while maintaining those rules that provide the essential protections employees deserve.
- **Fare Collection:** Every transit agency must incur some cost to collect fares, but like every back office function, costs should be kept to a minimum. On average, the MTA spends 15 cents out of each fare dollar just to sell or collect that fare. It is the MTA's version of a processing fee – the cost of doing business. But customers see nothing in return for their 15 cents. We must determine how to significantly reduce this expense – either through staff reductions or increased use of technology or both.



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MTA
MetroCard

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- **Purchasing:** MTA will spend about \$1.5 billion on purchases this year. Even after adjusting this number for inflation, the cost of goods and services has increased 34 percent since 2003. We must increase the diversity and quantity of suppliers, but most importantly we must figure out how to reduce the amount of money spent for the things we buy.
- **Inventory:** For every dollar of material we consume, our internal handling costs amount to an additional 18 cents. Currently, the materials bought by each agency are stored in almost 100 storerooms throughout the system. There is little doubt that each storeroom is ensuring it has enough parts to respond immediately to repair needs in its area. But, by looking at the experience of major companies around the world, there is also little doubt that we could buy less if we were stocking fewer storerooms while ensuring that service levels remain the same.



Too many storerooms drive up the MTA's inventory costs



- Maximizing Investments in Facilities: Major projects have always been conceived by each operating agency for that agency's specific needs. Since each agency is operated as its own company, those decisions were never questioned. Three MTA agencies operate facilities to perform railcar repairs. Each agency has also renovated facilities or built new ones. And each new or renovated facility carries with it a multi-million dollar price tag. In these difficult times, it is essential for us to get the most out of these types of "big ticket" items. For example, recently, Metro-North opened a new \$107 million state-of-the-art locomotive repair shop. It is time for us to examine whether that shop may provide opportunities to perform car repair work for other MTA agencies as well. Like our storeroom operations, we need to look at utilization of our maintenance facilities in a more regional way to maximize the billions of dollars we've invested in them.

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our internal handling costs amount to an additional 18 cents.

2010-2014 Capital Program

A quarter century of investment in multi-year capital plans has brought visible results. New trains, buses and facilities, along with rebuilt infrastructure, have improved service and increased ridership. As a result, long overdue system expansion is underway for the first time in a generation: the Second Avenue Subway, East Side Access and the #7 train extension will provide desperately needed new capacity, ease overcrowding and open up new areas for development.

Whether we are planning and building major additions to the system or fixing the current infrastructure, continuing to invest in the region's transportation network is critical to the MTA's ability to serve the region and drive its economic recovery.

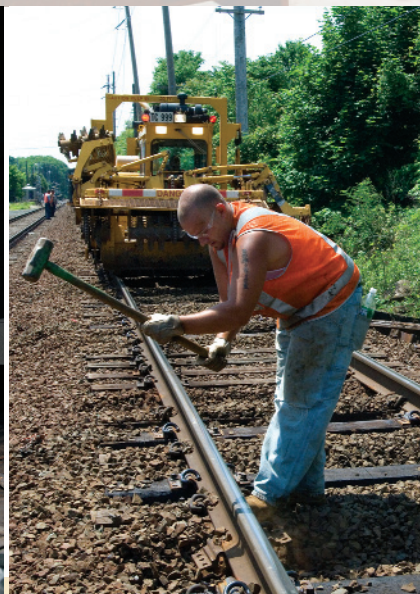
The approach to selecting and building capital plan projects, however, is not without flaws that result in increased costs and delays. Since we will be reviewing and resubmitting the five-year plan for 2010 to 2014, we also have an opportunity to make meaningful changes in the way we do business.

- **Capital investments have not consistently yielded operating savings:**

No business could justify massive capital investments without showing that they had been used to improve efficiency and drive down day-to-day costs. Unfortunately, while the MTA's investments have improved reliability, many have also increased the recurring costs to operate the service rather than reduced them.

- **The same work costs the MTA more:** Our partners in the contracting community tell us that they are forced to charge more for our projects to protect against the perceived risks of working with the MTA and to compensate for the difficult environment of working around service and the complexity of each project. In addition, construction industry practices in New York tend to increase costs. As an example, tunneling for the expansion projects has cost between three and six times as much as similar projects in Germany, France and Italy.





The MTA capital program keeps the region's transportation network – and its economy – running. With capital funding in place for only the next two years, we must be able to count on our local, state and federal partners to provide additional help. It is our responsibility to show them that every capital dollar counts and is being used wisely, so we will change the way we do business by ensuring that each project is evaluated for increased productivity and reduced operating costs.

Finally, we also have work to do with the contracting community. In this down economy, it is clearly in both our interests to create a better partnership. The MTA can benefit from lower, more competitive prices while the contracting community keeps working. We must identify ways to minimize contractor risk and work collaboratively to minimize project costs and impacts to customers. In return, the contracting community must eliminate what has become a surcharge for MTA work.



Moving Forward for Customers

The fiscal reality facing the MTA cannot be denied – it's why we are re-thinking every aspect of our business with the objective of cutting costs on a very significant scale. The point of this effort is not only to respond to an economic emergency, but also to do so in a way that promotes the best possible service and most efficient service to our customers. That is why we have largely targeted back office areas where cuts can be made without impacting our customers. We must continue to maintain and improve the critical service we provide to 8.5 million travelers each day.

A bad economy means that we must pursue improvements in a measured way, but it will not be an excuse for standing still. We will design low-cost initiatives and implement them immediately. We will build partnerships with both the public and private sectors to test new technologies, to show we can make them work and to be prepared for full implementation when money is available. And we will make sure current spending is as effective as possible. The projects identified here will be high-priority items for the MTA family and will be initiated within the next 12 months.

A bad economy...

will not be an excuse for standing still.

GOAL:

Faster Bus Service

The MTA's 2.5 million daily bus riders are held hostage to crawling city traffic while parked cars and delivery trucks routinely block bus lanes.



- During 2010, MTA and New York City will test a program to keep bus lanes clear.
 - The MTA is partnering with the New York City Department of Transportation and NYPD to speed up bus service by improving bus lane markings and signage, using on-the-spot ticketing, and deploying cameras along six highly congested corridors in Manhattan, Brooklyn and Queens. By targeting these six corridors, service will be improved on 50 total bus routes. Similar support and cooperation will continue on the highly successful Select Bus Service on Fordham Road in the Bronx as well as continued planning for new Bus Rapid Transit Routes on First and Second Avenues in Manhattan and Nostrand Avenue in Brooklyn.
 - Accompanying the enforcement – which requires help from our legislative partners to be most effective – will be a communication program to get the word out, hopefully pre-empting enforcement with education.

Hot Spots for Bus Lane Enforcement



GOAL:

Tell Customers When to Expect the Next Train or Bus

In cities around the world, transit users look at digital signs to know when the next bus or train is coming.

In New York, too often we're left peering down a subway platform or standing at a bus stop guessing which of the oncoming headlights might be our bus.



- In 2010, Customer Information Signs will be activated in 75 subway stations. These signs will tell customers when the next two trains will arrive and where they are going.
- In 2011, this same information system will be operational at all of the stations on the numbered subway lines (1-6).
- By the end of 2010, we plan to test bus arrival information systems from several vendors, to enable rollout of a system beginning in mid-2011. The full system will ultimately include on-board bus announcements and signs, display signs at bus stops and hubs (in partnership with New York City Department of Transportation), and a web application for desktops, handheld devices and smartphones.
- By March 2010, next commuter train information will be available "online" – via smartphone and web – for service to and from all LIRR and mainline MNR stations.

GOAL:

Bring Toll Collection into the 21st Century



Non-stop tolling in Illinois

MTA Bridges and Tunnels toll plazas look strikingly like the toll plazas built by Robert Moses in the 1930s and despite E-ZPass use, customers can still wait in traffic for those people who continue to pay cash. MTA will apply modern technology to make progress toward fixing both areas.

- Reduce number of cash customers
 - About 25 percent of customers still pay the higher cash toll, including people who do not always have access to a credit card or who wish to monitor cash flow more closely. MTA will partner with a bank or other financial institution this year to develop a way for customers to pay for E-ZPass by depositing cash at ATM machines or other convenient payment outlets. The availability of pre-paid, prepackaged E-ZPass-on-the-Go tags at retail stores will also be expanded.
- Test non-stop all electronic tolls
 - More than two dozen toll agencies worldwide have implemented or are planning to implement all electronic toll collection. Using this information and experience, we are moving forward with plans to test state-of-the-art technology that allows all motorists to pay tolls without stopping at the Henry Hudson Bridge. This approach has the added potential to reduce the cost of handling cash and avoid the cost of replacing the current plazas.

GOAL:

Make New Fare Technology Work for Customers

The MetroCard system revolutionized travel in New York by providing free transfers and unlimited passes. Now, this

electronic system is getting to the point where it needs to be replaced – which again provides us with an opportunity to make all our services easier to use.

- In 2010, the MTA, New Jersey Transit and the Port Authority of New York and New Jersey, in partnership with MasterCard, will pilot new technology that will eliminate the need to swipe a farecard, will cost less to operate and eventually will provide subway, bus and commuter rail customers with other benefits:
 - Faster bus boarding.
 - Regional interconnectivity.
 - Selection among unlimited ride and pay-per-ride options via the web and telephone.





GOAL:

Improve Subway Stations

Riding the subway is safer and more reliable than it has been in a generation, but customers still have to contend with deteriorated stations that look dirty even after they've been cleaned.

- Better station care: When funding is cut, station painting, cleaning and maintenance have always been first on the chopping block. Stations are only rehabilitated every 35 years, compounding the problem of poor maintenance. And there is no program in place to maintain the stations that are renovated, allowing investments of hundreds of millions of dollars to deteriorate. The result is obvious to our customers – even stations that were recently rehabilitated begin to look dirty and in a state of disrepair. MTA will implement a completely new strategy for station maintenance:
- Make station maintenance as high a priority as equipment maintenance, even in tough times.
- Fix station components when they break, even if they don't cause an immediate safety concern or the station isn't due for a full renovation.
- Use materials that can be affordably maintained.
- Reinstitute a periodic painting program.
- Overhaul routine cleaning programs to do more than pick up litter.

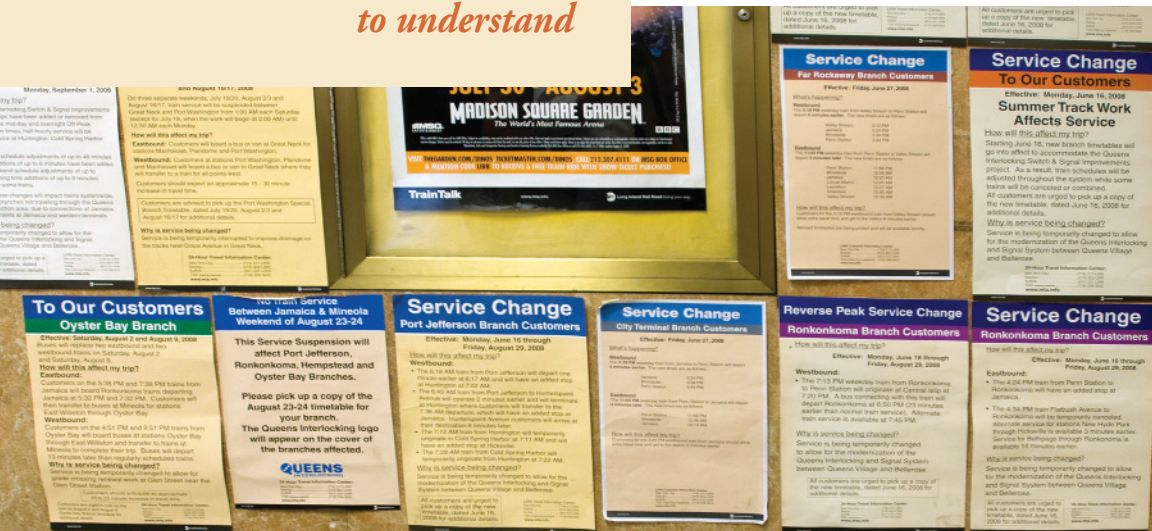
GOAL:

Improve Service Change Information

Better information on planned service changes should be easy to find – both before and after a customer enters the system.

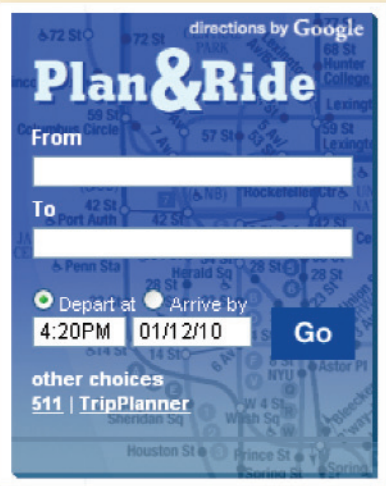
- We are speaking to customers about how to improve the way we provide service change information, and we will survey each subway entrance to find the best wall area to post customer information.
- By mid-2010 we will begin posting redesigned service change posters based on customer input, using station areas that are dedicated to service change information. Public service and events posters will be placed elsewhere to reduce the current cluttered appearance.
- And we will ensure all MTA agencies routinely coordinate information so that customers using more than one service are aware of changes that may affect their trip.

Information on planned service changes can be overwhelming and extremely difficult to understand



Early Returns: Easy-to-use website up and running

This week the MTA unveiled a new website with a focus on the customer.



- **A new easy to find “Plan & Ride” trip planner.** For the first time, an “origin and destination” search feature appears directly on the MTA homepage. Plan & Ride, powered by Google Transit search, gives MTA customers regional transit planning, including service provided by other transit agencies in the tri-state area.

- **New and improved service status feature.** A real-time service status box provides information by subway line, bus route or railroad branch, front and center on the homepage and on each MTA agency page. Customers will now be able to see at a glance whether the MTA is providing “good service” or if there are unexpected delays or planned service diversions.

Current Service Status		
Subway	Rail	Bus
Bridges & Tunnels		
updated at 3:53pm		
1 2 3	Good service	
4 5 6	Good service	
7	Planned work	
A C E	Good service	
B D F V	Good service	
G	Good service	
J M Z	Delays	
L	Good service	
N Q R W	Good service	
S	Good service	
SIR	Good service	

Additional website improvements planned for 2010 include:

- Email on planned reroutes that are more tailored to customer needs by time of day and borough.
- Information about stations that makes traveling easier.

The screenshot shows the MTA website with several callouts highlighting planned improvements for 2010:

- Plan & Ride:** A callout points to the "Plan & Ride" section, which includes a "From" and "To" input field, a "Go" button, and a "Trip Planner" link.
- Current Service Status:** A callout points to the "Current Service Status" section, which displays a table of service status for various subway lines.
- Developer Resources:** A callout points to the "Developer Resources" link in the footer, which is highlighted with a red circle.

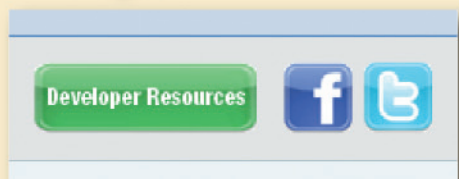
The "Current Service Status" table is as follows:

Subway	Rail	Bus	Bridges & Tunnels
1 2 3	Good service		
4 5 6	Good service		
7	Planned work		
A C E	Good service		
D F M	Good service		
G	Good service		
J M Z	Delays		
L	Good service		
N Q R W	Good service		
S	Good service		
Six	Good service		

The "Developer Resources" link is located in the footer, next to the Facebook and Twitter social media icons.

• A developer resource center.

With the launch of the new website, the MTA now provides service and schedule data online to software developers so they can create new ideas for “apps” that can help MTA customers.





Making every dollar count: that is the only way that the MTA can restore its credibility and continue improving service in difficult times. We owe it to our customers and taxpayers to make sure that every dollar we receive is used wisely to support the best possible transportation service. The ongoing economic downturn only highlights this point, as the MTA is asked to tighten its belt like every family and business in the state.

While the service provided to our customers has improved by leaps and bounds over the past three decades, today's MTA is not as efficient as possible and that has limited our ability to fund and implement customer improvements. In many areas the MTA has failed to meet higher expectations and lags behind transit systems throughout the world, sometimes by decades.

The challenge facing the MTA today is to address the fiscal reality without prolonging the wait for better service, customer improvements and new technology. It would be easy to point to the economy – and the difficult budget choices we have had to make – as an excuse to maintain the status quo. Instead, we must show that we can run our business in a better way. By taking apart the MTA's cost structure and rebuilding it to be more streamlined, we can reduce expenses and generate savings to re-invest in the mission of providing quality transportation service to support regional mobility and economic growth. Instead of using the economic downturn as an excuse, we must use it as a long overdue opportunity to overhaul the MTA's operations and deliver improvements our region deserves.





Metropolitan Transportation Authority
www.mta.info