

New York City transit workers and riders made to pay for system's ballooning debt

Philip Guelpa
16 January 2017

In their current contract struggle, New York City transit workers face not only their employer, the Metropolitan Transportation Authority (MTA), but the insatiable demands of the corporate bondholders to whom the MTA is hugely indebted.

The MTA, a “public benefit corporation,” encompasses not only New York City Transit (NYCT) buses and subways, but also two commuter railroads, the Long Island Rail Road (LIRR) and Metro-North, which services the city's northern suburbs, plus numerous bridges and tunnels.

Projections made by the New York State Comptroller Thomas DiNapoli in a report published last September analyzing the July preliminary 2017-2020 budget, estimated that the MTA's outstanding debt would reach \$41.4 billion by 2020, 43 percent more than 10 years earlier. Actual outstanding debt reported by the MTA at the end of November was \$35.7 billion.

According to the comptroller's report, annual debt service (the cost of payments on the debt) will exceed \$3.1 billion in 2020, nearly one-third higher than in 2015. By that time, debt service and other non-discretionary costs are expected to consume more than half (53 percent) of total revenue. A revised budget, released in November, projects that the MTA will have a cash deficit of \$319 million by 2020.

Current holders of MTA debt include major global financial institutions. Among these are: AIG Financial Products Corp. (\$100 million), Bank of New York Mellon (\$331 million), BNP Paribas North America, Inc. (\$192 million), Citibank, N.A. (\$192 million), JPMorgan Chase Bank, N.A. (\$806 million), UBS AG (\$492 million), U.S. Bank National Association (\$148 million), and Wells Fargo Bank, N.A. (\$148 million).

The MTA's rapidly rising debt burden means that all the decisions it makes, including maintenance of the system, new projects, and compensation for its employees

are increasingly driven by the need to satisfy the holders of its debt. The cost of feeding this ever-growing financial burden is increasingly being placed on the riders and workers.

Despite the critical role that public transit plays in the economy of the region, immensely benefiting the global financial and corporate elites headquartered in this area, the majority of the costs fall on its working and middle-class residents, without whose labor these businesses could not operate, effectively giving them a huge subsidy.

Subway ridership has grown by 77 percent since 1991, reaching its highest level since 1949. However, the growing disparity between incomes and fares means that the cost of transportation is rapidly becoming unaffordable for much of the population.

Revenues from transit fares and bridge and tunnel tolls constitute more than half of the MTA's income, somewhat more than another third comes from dedicated taxes, and 12 percent from government subsidies and other revenue sources. The underfunding and consequent increasing debt has a direct impact on the working class users of the system. A 2014 report by DiNapoli estimated that for every billion dollar increase in the MTA debt, fares would have to be raised by 1 percent.

According to DiNapoli, the average subway fare rose by 45 percent between 2007 and 2015, nearly three times faster than the inflation rate for the metropolitan region, which was 14.8 percent. Meanwhile, the average salary in New York City has increased by only 7 percent since 2007. MTA expects to raise fares and bridge tolls by 8 percent through 2019. By contrast, the MTA's budget for 2017-2020 allocates funds for only a 2 percent annual wage increase for its employees.

Government funding is unpredictable and has varied widely in recent years. DiNapoli reports that for the current funding cycle the state and the city have yet to identify the sources for \$9.2 billion of their \$10.8 billion

contribution, making it impossible to assess the impacts on the state or city budgets, or taxpayers.

A large part of the MTA's ballooning debt burden results from the fact that instead of receiving funds for major capital projects from the state and city governments, the MTA must issue bonds, thus incurring the added cost of interest payments. These debts are then paid back from the operating budget.

According to the city's Independent Budget Office, the MTA's debt service costs have increased 134 percent over the past decade, compared to a 39 percent increase in payroll costs during that period. Thus, workers not only subsidize the large corporations by paying the majority of the cost of public transit through fares, but they also pay to service the MTA's huge debt to many of these same corporations.

In order to pay the debt holders, not only have wages been kept down, but workers' benefits have been looted. Over the years, the MTA has substantially underfunded its four employee pension plans. Overall, the shortfall currently amounts to \$7.7 billion. The retiree health benefits fund has also been starved. MTA suspended contributions altogether beginning in 2014.

MTA's recently-released revision of the 2017-2020 budget, the "November Plan," indicates that it intends to intensify cost-cutting attacks on workers. "Efforts to reduce costs will continue, but it becomes increasingly challenging as much of the "low hanging fruit" has been harvested. We must, however, continue to pursue efficiencies and consolidations to maximize annually recurring savings."

As with last year's Verizon strike, the ongoing Momentive strike in upstate New York, or any other contemporary working class struggle, the New York City transit workers face not merely their immediate corporate or governmental employer, but the entire financial elite, which has only one goal—the maximization of profit to feed the insatiable appetites of major stock and bondholders, which is intensified under conditions of world-wide economic crisis. That drive, now more than ever before, will, under the Trump administration, be given the full support of the political establishment, whether Democratic, Republican, or any pseudo-independent parties that claim to be for working people, but ultimately support the capitalist system.

The combined assault on wages, health and retirement benefits by employers, both public and private, are now occurring at the same time as the government drive to gut social programs such as Medicare, Medicaid and Social

Security. Together, these attacks are rapidly making conditions unlivable for millions of workers and their families. This means that transit workers and the entire working class unavoidably face a political struggle.

The responsibility for this situation rests largely with the existing trade union establishment, which has for several decades forced concession after concession on workers using jingoist nationalism to promote false promises that doing so would "protect jobs" if only workers would help make their employers "competitive." In reality, as shown in industry after industry, the only jobs that have been protected are those of the union bureaucrats themselves.

Individual struggles, no matter how bravely and militantly fought by rank-and-file workers, will inevitably be betrayed by the unions, which operate with the limits imposed by the increasingly crisis-ridden capitalist system—witness last year's Verizon strike, the autoworkers' struggle of the year before, or the very recent Philadelphia transit workers strike. In the latter case, the immediate pretext for the union's ending the strike was overtly political—to promote a vote for Hillary Clinton in the presidential election.

In an expression of the collaboration between the union and the MTA, John Samuelsen, international vice president and president of the 39,000-member Transport Workers Union Local 100, which represents NYCT workers, was appointed to the MTA Board as a non-voting member in June 2016, just half a year before expiration of the current contract.

New York City transit workers in particular face an additional political obstacle, the very real threat of governmental attack under the Taylor Law, which specifically prohibits them from striking, and has been used to impose harsh penalties against them in the past.

The only way forward is for transit workers to acknowledge that this is a political struggle, break from the TWU by forming independent, rank-and-file strike committees, and reach out to other workers in the city and elsewhere to build a movement based on a socialist program that puts public transportation under the control of the working class rather than that of the super-rich.



To contact the WSWS and the Socialist Equality Party visit:

[wsws.org/contact](https://www.wsws.org/contact)