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MTA Metro-North Railroad
For a Public Hearing of the
New York State Senate Standing Committee on Transportation
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250 Broadway, New York City

Good morning Sen. Fuschillo and members of the Committee. The mission of Metro-North Railroad is to provide safe, reliable and efficient transportation services to our customers so that the economic viability of the region can continue to thrive and grow.

For the past several years, Metro-North's on-time performance has consistently been at or above 97%, which has now become what our customers expect of us—and we fully embrace high customer expectations, and as a result, our ridership continues to grow. We transported 83 million customers last year, making us the busiest passenger railroad in the country for the second year in a row.

Metro-North runs over 750 trains every weekday into and out of New York City. These trains serve your constituents from northern suburban communities in Westchester, Putnam, Dutchess, Rockland and Orange Counties. The New Haven Line additionally serves southwestern Connecticut and we operate these trains under a formal service agreement with the State of Connecticut. Our services in Rockland and Orange County are operated by NJ Transit for MTA under a formal service agreement as well. All told, our territory extends over 2,700 square miles -- the largest in the northeast. Our growth and success over the last 30 years have come about through the combination of hard-working and dedicated employees, committed leadership, efficient spending and significant capital investments.

Metro-North's 2013 Annual Operating Budget is approximately \$1.4 billion, which is paid for by a combination of fares and subsidies. We are seeing a continuation of our healthy 2012 ridership numbers, with YTD ridership through July at 48.3 million. Commutation ridership is strong, but drops in discretionary riders indicate that there is still a level of economic uncertainty in the region. We are constantly seeking ways to maximize both fare and non-fare revenues to offset our expenses. Non-fare revenues are up 43% over the last 5 years, through stronger advertising, commissary and retail sales in historic Grand Central Terminal, which celebrates its Centennial this year.

While expanding our services and dealing with a series of extreme weather events, we have been able to keep our operating subsidies fairly constant, averaging approximately \$360 million a year for the last five years. However, like most public sector entities, our non-controllable expenses such as healthcare premiums and pension costs continue to rise much faster than inflation, so we are working hard to find ways to contain the costs we do control.

Over the last few years, Metro-North has taken proactive steps to reduce our expenses. A major area of reduction has been in controlling material costs and implementation of strategic procurements. Specific actions include continuous review of reorder quantities of stock material and the utilization of a new forecasting system which improves our ability to track, distribute and anticipate material needs. Through these and other measures, we have saved \$28 million in material costs since 2009.

We have also taken the following actions to reduce unscheduled overtime:

- Limited sick and vacation overtime coverage;
- Changed work shifts to maximize productivity of straight time work hours;
- Distributed the use of vacation time more evenly throughout the year; and
- Aggressively filled vacant positions.

Unfortunately, the response to extreme weather events (like Hurricane Irene and Superstorm Sandy) and operating emergencies over the last two years have masked Metro-North's progress in this area. Excluding the extraordinary overtime required for Sandy of \$2.9 million in 2012, overtime would have been just \$52.3 million, a 6.5% reduction versus 2008 levels.

Internal audits and outside reviews by oversight agencies also help us identify efficiency improvements. A recent MTA Inspector General report found some Maintenance of Way employees who were not working efficiently--and in some cases, not working at all--during their assigned shifts. We take this report and its findings very seriously and have instituted improved time and activity monitoring in this unit, in part through utilizing additional features of our Kronos timekeeping system. In addition, we plan to install GPS tracking devices in all of our work vehicles by early 2014, which will provide an additional tool for managers who often have workforces spread out across our large operating territory.

Metro-North continues to make major investments in our rolling stock and infrastructure in order to provide safe and reliable rail service to the riding public. We are approaching the final year of our \$1.5 billion 2010-2014 Capital Program, of which \$700 million has been committed to date. We have consistently completed capital projects on-time and on-budget, but the needs of an aging system are great, so the importance of continued capital investment cannot be overstated.

This Program has supported significant projects including: \$225 million for the purchase of 405 M-8 rail cars, which are replacing 40 year old cars on the New Haven Line (this is being done jointly with the State of Connecticut) and \$116 million in West of Hudson investments, including new cab signals, track, bridges and viaduct work. Upcoming projects for 2013-2014 include \$290 million for Harmon Shop rehabilitation, and \$55 million in customer communications improvements, which is an area of focus for us as we strive to provide increasing levels of accurate and timely customer information.

A final area of investment needs come in direct response to Superstorm Sandy. These are categorized into restoration or resiliency projects, and are amendments to the 2010-2014 Program. Totaling \$313 million, restoration projects include repairs to rolling stock and right of way, including power and communication and signal systems that were necessary after Sandy wreaked havoc in our territory. It is worth repeating that approximately half of the Hudson Line was under water during the height of this storm, damaging 30 miles of communication cable and many of the electronic systems that keep our railroad running.

In addition to repairing what was broken, Metro-North also has identified \$ 128 million in projects to make our system more resilient, including water level monitoring systems and improvements to our power and signal systems to harden them against water incursion. Finally we have identified the parts of our territory that, if damaged, prevent us from operating at all. The recent power failure in Mount Vernon is a stark example of the need to identify and address single points of failure within our system. All of our East of Hudson trains run across the Harlem Lift Bridge at 138th Street. Should it be out of service, more than 200,000 daily customers would be prevented from getting into and out of Manhattan. It is a critical facility, and we have included money in the capital plan amendment to make that structure more resilient.

Metro-North has had a 30 year track record of safety enhancements and operational and financial success. In fact, Metro-North was recognized with the prestigious Brunel Award in 2011, an international award for railroading excellence.

With 30 years of operations also comes rapidly growing attrition rates, as large numbers of our workforce become eligible to retire. The hiring, training and retention of qualified people has become an urgent focus.

We are also dealing with other issues important to continuing our record of safe and reliable service. In July, we began a comprehensive project to improve the condition of our right-of-way in a high-traffic section of the railroad in the Bronx. We have augmented our own assessments with new technologies to identify the track repair needs and prioritize the work there and elsewhere. These assessments and repairs have required slower train speeds, schedule revisions and delays of five to 10 minutes for our customers, so we are working hard to complete the work and get back to our regular reliability and schedules as soon as possible.

This year, we have also been faced with a number of incidents that include:

- A derailment that resulted in a sideswipe collision in Bridgeport, Connecticut on the New Haven Line on May 17th.
- A tragic accident that occurred on the New Haven Line on May 28th, resulting in the death of a track foreman with 27 years of experience at Metro-North.
- A derailment on the Hudson Line near Spuyten Duyvil of a CSX freight train hauling garbage on July 18th.
- A Con Edison power cable failure at Mount Vernon on September 25th, resulting in New Haven Line service disruptions.

The first two incidents are being investigated by the National Transportation Safety Board and, as part of that investigation, will be the subject of an NTSB public hearing. We have been cooperating fully with the NTSB since the outset of these incidents and we will continue to do so. We are not waiting, however, for the NTSB to conclude its investigation before we take action. Metro-North has taken numerous proactive steps to ensure the integrity of our railroad and the safety of our customers and employees.

Within days of the May 17th derailment, Metro-North retained the Transportation Technology Center, Inc. (TTCI), a world-class transportation research and testing organization affiliated with the American Association of Railroads. TTCI has been assessing MNR's track inspection, maintenance and training practices and recommending improvements. They are also utilizing specialized equipment to do thorough inspection and analysis of our entire physical track network, which is leading to targeted corrective actions being taken in the field.

Now let me discuss a recent disruption to our service that was outside of our control. On the morning of September 25th, a Con Edison high voltage feeder cable in Mount Vernon failed at 5:22 am. Without electrical power to operate trains in the 8-mile section between Harrison and Mount Vernon, we were forced to operate only diesel trains to and from Stamford and Grand Central – at best, 33% of a normal schedule. Of the two feeder cables in this area, one had already been taken out of service and Con Ed was in the process of upgrading and relocating it to be compatible with substation improvements being made to the New Haven Line in that area at the time that the other feeder cable failed.

After several days, Con Ed re-engineered temporary substations to provide limited additional power. At that point, we were able to provide about half the scheduled number of trains. In addition, we worked with New York City Transit, New York State Department of Transportation, New York City Department of Transportation, Westchester County and numerous local municipalities to pull together a bus and park & ride plan to provide additional options.

We know this was a difficult and lengthy disruption and, because of the unique magnitude and duration of the disruption, the MTA Board last week voted to approve a credit for New Haven Line customers who had monthly and weekly tickets valid for use during this time period.

Thank you for the opportunity to speak here today and for your continued support and financial assistance, which will enable us to provide the kind of service the public expects and deserves.