

## Testimony on the Impact of COVID-19 on the Metropolitan Transportation Authority and Public Transportation

August 25, 2020

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Thank you, Senator Kennedy, Senator Comrie, and Assemblywoman Paulin for the opportunity to testify this morning.

COVID-19 is the biggest threat to the downstate region's mass-transit system – and thus to the city itself – since the invention of the Model T.

In the short term, the impact of the pandemic on the Metropolitan Transportation Authority's ridership and finances far surpass the impact of previous crises, such as September 11, 2001, and the 2008 meltdown of the global economy.

In the longer term, the pandemic may spur permanent changes in commuting patterns and habits that leave the MTA fiscally hobbled for years, if not longer, and unable to serve the needs of its ridership, as well as unable to support the recovery of the city's economy, now decimated by the loss of 650,000 private-sector jobs as of July.

You have already heard the details of the MTA's current fiscal and ridership situation, but I will put them in context to previous crises. After September 11, 2001, the subway system lost **two percent** of its riders between 2001 and 2002. Ridership recovered and exceeded 2001 levels after just two years.<sup>1</sup>

After the 2008 financial crisis, the subway system lost **three percent** of its riders. Ridership recovered and exceeded 2008 levels within three years.<sup>2</sup>

Similarly, after September 11, 2001, the MTA lost less than **one percent** of its passenger fare revenue, with revenues recovering by 2003 (in part because of a fare hike).<sup>3</sup>

After 2008, fare revenue actually rose slightly (again, also in part because of a fare hike).<sup>4</sup> The MTA's biggest fiscal problem after 2008 was a substantial loss in real-estate related tax-subsidy

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<sup>1</sup> [http://web.mta.info/mta/investor/pdf/financials\\_08.pdf](http://web.mta.info/mta/investor/pdf/financials_08.pdf)

<sup>2</sup> <http://web.mta.info/mta/investor/pdf/2015/2015-CAFR.pdf>

<sup>3</sup> [http://web.mta.info/mta/investor/pdf/financials\\_08.pdf](http://web.mta.info/mta/investor/pdf/financials_08.pdf)

<sup>4</sup> [http://web.mta.info/mta/investor/pdf/2014/2013\\_CAFR.pdf](http://web.mta.info/mta/investor/pdf/2014/2013_CAFR.pdf)

dollars after the real-estate bubble burst, which the legislature more than made up for via the passage of the downstate payroll tax in the summer of 2009.

**This time is different.** As of last week, subway ridership remains three-quarters below normal levels. Commuter-rail ridership fares even worse, with Metro-North ridership down 81 percent.

<sup>5</sup>

The MTA has never before experienced such a substantial and prolonged drop in ridership. Although the MTA is already planning a fare hike for early next year, no fare hike can make up for this catastrophic loss in revenue, as well as a historic loss in tax-subsidy revenue concurrent with the economic downtown.

Though the short-term picture is bleak, it is quite likely – and right – that Congress will deliver another short-term rescue package to the MTA, following the CARES Act allocation of nearly \$4 billion in April, later this year, alleviating the short-term impact on the MTA’s cash flow.

**It is the long-term picture that is more worrisome.** Although it is impossible to know for sure, the pandemic may herald long-term patterns in white-collar working and commuting patterns.

Before the pandemic, more than three-quarters of the nearly four million people who commuted to core Manhattan each day arrived via mass transit, 2.2 million of them on subways and the remainder on buses, commuter rail or ferry.<sup>6</sup>

The pandemic has revealed that most white-collar workers who previously worked in core Manhattan business district office buildings can perform their job duties at home, at least some of the time.

You may contrast white-collar workers’ behavior in this pandemic – that is, largely working at home – to their behavior in previous transit strikes in 2005, 1980, and 1966, when they did everything possible to get to work, to see how technology has gradually reduced white-collar dependence on the transit system and on the urban environment itself.

Though it is highly unlikely that white-collar workers will stay at home five days a week, it is quite plausible that they will be tempted to work at home two or three days a week indefinitely, avoiding long and expensive commutes.

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<sup>5</sup> <https://new.mta.info/coronavirus/ridership>

<sup>6</sup>

[https://www.nymtc.org/Portals/0/Pdf/Hub%20Bound/2018%20Hub%20Bound/DM\\_TDS\\_Hub\\_Bound\\_Travel\\_2018.pdf?ver=2020-01-29-145050-030](https://www.nymtc.org/Portals/0/Pdf/Hub%20Bound/2018%20Hub%20Bound/DM_TDS_Hub_Bound_Travel_2018.pdf?ver=2020-01-29-145050-030)

Such a change would have a longer-term and disruptive impact on the MTA's finances, long after the pandemic has passed. For example, in recent years, 52 percent of riders have purchased weekly or monthly passes, something they are less likely to do if they use transit less frequently.<sup>7</sup>

If the pandemic does indeed spur New Yorkers and suburban commuters to change their commuting habits, the situation is more akin to what the regional transit system faced in the two decades after World War II. Because many people, after World War II, preferred the new option of commuting via private car, subway ridership into Manhattan fell from nearly 2.4 million daily in 1948 to a low of 1.6 million in 1980, before rebounding beginning in the 1980s through early 2020.

This postwar turn away from mass transit was bad for the transit system, but was also bad for the city itself. The city could not handle a large influx in private-car commuting, just as it cannot do so today. Thus, the city itself lost population and jobs.

Now, as it faces an uncertain recovery, New York City and State must do everything they can to encourage people to return to mass transit and to dense urban life. That means that as people do try to restart their commutes, whether on subway, bus, or commuter rail, they cannot face service cuts and service unpredictability that causes them to choose the option of working at home.

Nor can they face significant fare hikes that deter them from returning to the transit system. The transit system must continue to make the capital investments it needs, too, to provide better service, for example, digitizing subway signals so that trains can run more closely together, minimizing crowding and delays.

To avoid deep service cuts and capital-investment cuts, it is highly likely that the MTA and its operating subsidies and affiliates will have to make budget cuts beyond those contemplated before the pandemic started.

On the operating side, each MTA transit agency should begin by asking each union bargaining unit to come up with clear, measurable cost savings via enhanced productivity. On commuter railroads, for example, cost savings could include gated fare entry to save conductor work. On the capital side, lawmakers may consider revising prevailing-wage laws for construction jobs to allow the MTA's construction contractors to eliminate duplicative construction jobs and get more work done per dollar spent.<sup>8</sup>

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<sup>7</sup> <http://web.mta.info/mta/news/books/docs/Final-Board-Fare-and-Toll-Proposals.pdf>

<sup>8</sup> <https://www.manhattan-institute.org/seven-ways-the-mta-can-save-10-billion-transformation-plan>

In terms of new revenues, the MTA should better explain to lawmakers and to the public what its strategy is to overcome environmental-review delays in Washington that are allegedly holding up congestion pricing, which was supposed to start next January, bringing in \$1.5 billion in now badly needed money. The MTA should explain whether it has explored the possibility of suing the federal regulators who are supposedly holding up this process, for instance, to jumpstart the approval process, or whether it has explored simply going ahead with congestion-pricing work, interpreting the federal government's delay as approval.

In the short term, in terms of fare and toll hikes, toll hikes on bridges and tunnels are preferable to fare hikes on transit, in order to discourage people from forming a habit of driving into the dense, congested city.

New York faces a difficult recovery, and that recovery will only be possible if the state and city support a robust transit system, without which New York – the city, the downstate suburbs, and the state as a whole – would face a dismal future.

Again, thank you for the opportunity to speak today, and I am happy to answer any questions or comments you and your colleagues may have.