

**Empire
State
Transportation
Alliance**

ESTA



**Testimony of
Robert Yaro
Co-Chair, Empire State Transportation Alliance (ESTA) and
President, Regional Plan Association
before the
Joint Public Hearing
New York State Senate Standing Committees on
Transportation – Senator Martin Malave Dilan, Chair
Corporations, Authorities and Commissions – Senator Bill Perkins, Chair
Finance – Senator Carl Kruger, Chair
Thursday, September 3rd
Theodore Roosevelt Executive and Legislative Building
1550 Franklin Avenue, Mineola, New York
10:00 A.M. - 1:00 P.M.**

My name is Bob Yaro, I am president of Regional Plan Association, a non-profit research and planning organization that has promoted the quality of life and economic vitality of the New York Metropolitan Region for nearly a century. I also co-chair the Empire State Transportation Alliance (ESTA), a coalition of business, labor, civic, environmental and other transportation advocacy organizations working together for over a decade to insure that there is sufficient funding to keep the State's transportation systems moving forward. Thank you for this opportunity to testify on the nomination of Jay Walder to serve as next Chairman and CEO of the Metropolitan Transportation Authority.

We believe that providing high quality leadership and management of the Metropolitan Transportation Authority is essential to the future livability and economic vitality of the Downstate region, which has 60% of New York State's population and represents 80% of the State's economy and tax base. More than 8 million daily subway, bus and commuter rail riders depend on the MTA to get to work and other destinations.

For this reason we strongly urge you to confirm Jay Walder as the MTA's new Chairman and CEO. Mr. Walder is one of world's most experienced and highly respected transportation executives. We are indeed lucky that he has agreed to return to New York to lead the MTA in this time of fiscal uncertainty. We can think of no other transportation professional better able to assume leadership of the MTA and quickly rebuild the agency's credibility with the public and with the Legislature.

His prior experience at the MTA will allow him to rapidly come up to speed and to provide the leadership that this \$10 billion agency requires. In addition, during his tenure at Transport for London that city began to rebuild its extensive Underground and bus systems, initiated a major expansion program for these systems, and implemented state of the art electronic fare collection, security and public information systems. This experience makes Jay Walder highly qualified to lead similar high priority activities at the MTA. Mr. Walder has served most recently as a senior

official with McKinsey, the management consultant firm, on transportation management and finance issues, providing him with a global perspective on best practices in the transportation industry.

Challenges facing the next MTA Chairman and CEO

Earlier this year, the legislature adopted \$2 billion in new annual taxes, tolls and fees needed to meet the agency's operating and capital budget needs for the coming two years. However, this process revealed deep skepticism in Albany, and among the public and some of the media, about the MTA's credibility and left what will be a substantial gap in funding for the agency's critical capital budget.

Rebuilding the MTA's image will not be easy, but Mr. Walder will be aided in his efforts by a team of seasoned and highly regarded managers at the agency's operating divisions. Over the past few years they have improved service levels on the agency's subway, bus and commuter rail networks and we are confident Mr. Walder will be able to continue this trend.

Filling the gap on the capital budget will be a challenge as well. On August 10, the Metropolitan Transportation Authority released its 2010-2014 Capital Plan and 2010-2029 Needs Assessment, setting the stage for a renewed debate over how to fully fund the \$28 billion plan. Both plans were very solid. The 20-year Needs Assessment can be a blueprint for a longer-term strategy to modernize the transit system and keep pace with the needs of the region over the next generation.

The details of the five-year capital plan confirm that fully funding this program is one of the most important actions the New York region needs to take to restore the economy and support sustainable, long-term growth. The plan revealed that at least \$10 billion in additional revenue is needed. At a time when the State is facing an unprecedented fiscal crisis, closing this gap will be no small feat. To achieve this goal the MTA urgently needs a strong leader who can secure these funds and work with the legislature and the MTA's bureaucracy. It will also require a leader who can gain the united support of the public and the region's civic, business and political leaders in pursuit of this goal.

As a finance expert, Mr. Walder will also recognize that the MTA must have a strong fiscal base for the next capital program. The MTA's riders and taxpayers are paying a heavy price for past financing practices at the Agency. As a result of the disastrous system of "borrow now, pay-during-the-next-person's-term-of-office" used to finance the agency's capital programs in the late 1990s and the first half of the current decade, almost one in five dollars of the MTA's operating budget is expected to be devoted to paying debt service. The good news is that in its financing plan last spring, the Legislature put the MTA back on a more sound financial footing, in which a fair mix of taxes, tolls, fares and fees are used to finance this system which benefits the whole Downstate region.

Compensation

We are aware that concerns have been raised about Mr. Walder's proposed compensation package. It should be noted that across the country salaries for transit management tend to be proportional to the size and complexity of the systems that they operate -- the bigger the system the more they earn. At \$350k, the MTA CEO's proposed compensation is consistent with that of

other large transit agencies, and well below what he would receive if his compensation were commensurate with ridership or the agency's overall budget. If confirmed by the legislature, Mr. Walder would earn barely more than the CEOs of the nation's other major transit systems, yet the MTA carries 7 to 8 times more riders and has 7 to 8 times more employees than the Washington D.C. or Los Angeles systems. If we were to pay the CEO of the MTA in line with its number of riders or employees they would command upwards of \$2 million dollars. For these reasons we believe that Mr. Walder's proposed \$350K annual salary is commensurate with the scale of his responsibilities and very much in line with that of his peers at other US transit agencies (see attached).

We are also aware that some have questioned the extra compensation Mr. Walder would receive in the event that his contract were terminated pre-maturely. We would argue that this provision reflects the risk Mr. Walder is taking in coming to the MTA from London at this time, with little more than a year to go in the current Governor's term, and given the volatility that is unfortunately associated with the position. It will also encourage the MTA Board and the Governor to think twice before discharging Mr. Walder for frivolous or purely political reasons. Keeping him in place for his whole contract would provide the continuity of leadership that this important agency urgently needs.

Swift Process

We recognize that the urgent need for new leadership at the MTA must be balanced against a full and open review about this nomination. Understanding Jay Walder's views about accountability and transparency, fare policy, service improvement, and capital spending is critical. These points should be thoroughly explored before he can be confirmed to this important post. We would note, however, that Mr. Walder is well known and highly regarded in the public transportation field and has an extensive record of accomplishment in high profile leadership posts in New York and London. This record should answer many of the questions that may be raised in these areas.

The MTA is facing many important issues in the coming months, which will shape the transportation system of this region for years to come and have real and serious implications for transit riders. The MTA needs a permanent leader now that can effectively make the long range decisions that will be necessary to effectively guide the region's transit system.

We therefore call upon you to move as quickly as possible in the confirmation process for Mr. Walder. The wellbeing of the Downstate region and the MTA's millions of daily subway, bus and commuter rail riders depends on it.

Thank you again for the opportunity to testify here today.

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Attachments

Transit System CEO Salaries Compared to Ridership and Number of Employees

Transit System	CEO (or similar position)	Salary	Ridership (all modes, average weekday, first quarter 2009)	Number of Employees
NYC Metropolitan Transportation Authority	Jay Walder	\$350,000	10,740	69,117
Chicago Transit Authority (CTA)	President Richard Rodriguez	\$198,000	1,636	10,500
Los Angeles County MTA	Arthur T. Leahy	\$310,000	1,454	9,200
Washington Metropolitan Area Transit Authority (WMATA)	General Manager John B. Catoe Jr.	\$300,000	1,421	10,000
Massachusetts Bay Transportation Authority (MBTA)	General Manager Daniel Grabauskas	\$255,000	1,218	6,200
Metropolitan Atlanta Rapid Transit Authority (MARTA)	General Manager Dr. Beverly Scott	\$250,000	487	4,729
Denver Regional Transportation District (DRTD)	Phillip A. Washington (Interim GM)	\$172,000	292	2,526

Sources: afaa.com, mta.info, transitichicago.com, metro.net, wmata.com, en.wikipedia.org, boston.com/news, denverpost.com/news

