



Metropolitan Transportation Authority

State of New York

April 8, 2016

Michael P. Melaniphy
President and Chief Executive Officer
American Public Transportation Authority
1200 I Street NW
Suite 1200 East
Washington, DC 20005

Dear Mr. Melaniphy:

This letter confirms our telephone discussion on March 28th, when you were informed that the New York Metropolitan Transportation Authority (MTA), along with its affiliate and subsidiary agencies, would be discontinuing its Transit Member status with the American Public Transportation Association (APTA), effective immediately. This letter fulfills our commitment to follow up with a formal letter confirming our decision and providing our underlying reasons for taking this action.

MTA's decision to discontinue its Transit Member status with APTA was a difficult decision carefully made after many conversations among the MTA's agency heads and with APTA leadership. Two key considerations were the value to our agencies of our Transit Member status and the impact our departure from APTA might have on the public transit industry as a whole. Ultimately, this decision represents the unanimous opinions of the entire MTA Executive Leadership Team: New York City Transit President Veronique Hakim, Long Island Rail Road President Patrick Nowakowski, Metro-North Railroad President Joseph Giulietti MTA Bus President Darryl Irick and myself. Collectively, we have over 150 years of experience in public transportation and over 80 years in direct interaction with APTA on many levels. It is also the culmination of a process that began some five years ago when Jay Walder was the MTA Chairman and CEO, extending through Joe Lhota's tenure and continuing on through today. Although collective dissatisfaction with various aspects of APTA have been discussed with you and other members of the APTA Board and Executive Committee, over a number of years, we are taking this opportunity to summarize the key reasons why MTA has decided to discontinue our Transit Member status.

The agencies of the MTA

MTA New York City Transit
MTA Long Island Rail Road

MTA Metro-North Railroad
MTA Bridges and Tunnels

MTA Capital Construction
MTA Bus Company

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Governance

While the most recent governance review of APTA has made APTA leadership more representative and inclusive from a gender and ethnicity perspective, significant deficiencies remain. This issue is most clearly seen in the composition of the Executive Committee.

The role that the Executive Committee plays with respect to the overall governance of APTA is significant. It is the entity that “acts on behalf of the full APTA Board of Directors, when the full Board is not in session” (as stated on APTA’s own website). As such, it must be as representative as possible of APTA’s members. However, recent events and actions have resulted in several large segments of APTA’s Transit Members no longer being represented within this key policy-making group, especially since the elimination of modal seats on the Committee.

With the exception of the APTA Chairperson, there are no Legacy System members on the Executive Committee nor are there any commuter rail system members on that committee. These two segments alone make up the overwhelming majority of total customers served by public transit. They experience unique challenges that other newer systems do not experience now and perhaps will never experience. Although I appreciate APTA’s appointment of my designee as an *ex officio* member of the Executive Committee, the fact is that she has no vote and no official role on the Executive Committee. To have no voting Executive Committee member from either a legacy property or from a commuter rail carrier is unconscionable.

Also, for the first time in recent memory, there is no voting Canadian transit member on the Executive Committee. Although, belatedly, a decision was made to extend an *ex officio* membership to a Canadian member as well, he similarly has no voting rights. While Canadian members do not have a role with respect to advocacy efforts before U.S. legislative and regulatory bodies, they do provide technical expertise, operational experience and knowledge transfer perspectives.

It is also worth noting that the Committee’s composition seems to be skewed geographically. There is only one member of the Executive Committee from the Northeastern United States – the area of the country in which public transportation is used the most – and this member is from a State DOT. Conversely, there are six members representing transit system operators from California alone.

In order for APTA to be effective and ensure that the needs of all of the Transit Members are heard and represented, the composition of the Executive Committee must be reviewed. It is essential that the Legacy, Commuter Rail and Canadian members have seats on the Executive Committee with full voting rights.

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Legacy & Commuter Rail Issues and Concerns

I have used the term “Legacy System” to refer to a certain category of rail and bus transit system members. These members were in existence when the American Transit Association (ATA) and the Institute for Rapid Transit (IRT) merged to form APTA in the early ‘70’s. “Legacy System” properties include NYCT, MBTA, NJT, SEPTA, GCRTA, PATH, BART, MUNI, PATCO, PAT and CTA. Some are combined bus and rail transit systems, and others are solely rail transit systems. Together, they represent almost 60% of the passengers served by APTA’s Transit Members.

These systems face unique challenges that require industry support. The summary below is not intended to be exhaustive. Rather, it is intended to illustrate both the magnitude and extent of the regulatory, legislative and financial issues these properties face. It also underscores the absolute need for both categories to have a real voice in APTA policy-making with full representation on the Executive Committee.

The rail portions of these systems are not only older, but their infrastructure is much more complex. As a result, their challenges and needs are significantly different than those of the other rail transit systems that came into being after the ‘70s. The Legacy Systems all have asset State-Of-Good-Repair (SOGR) needs that are an order of magnitude greater than the non-Legacy rail systems.

Complying with the unfunded mandate of the Americans With Disabilities Act (ADA) as well as National Fire Protection Association (NFPA) requirements has been both expensive and technically challenging. Because compliance has been so problematic for these properties, they have pursued waivers or modified approaches to achieving any advances in support of these requirements.

Unlike other APTA Transit members, Commuter Rail systems have additional unique challenges because they are subject to regulation by the Federal Railroad Administration (FRA).

In addition, most of the commuter rail systems on the East Coast (MBTA, ConnDOT, MNR, LIRR, NJT, SEPTA, MARC, and VRE) have complex symbiotic relationships with Amtrak because they share the use of the Northeast Corridor for their train service operations. They also are subject to the somewhat onerous Passenger Rail Investment and Improvement Act (PRIIA), federal legislation which provides prescriptive formulas and processes for sharing maintenance and infrastructure SOGR and improvement costs.

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The unique challenges facing both the Legacy Systems and the Commuter Railroads require focused attention at a policy level. The current Metropolitan Rail Discussion Group (MRDG) is a loose form of what was formerly called the Legacy Systems, but it is arguable whether it fully meets the needs of the Legacy Systems in either spirit or intent.

Safety Standards

Immediately following two very highly visible commuter rail accidents in the '90s (MARC - Silver Spring and NJT – Secaucus) the Commuter Rail Transit Members insisted that APTA become a standards issuance governing entity so as to work actively with the FRA in joint rulemaking for commuter rail safety. Those members were required to pay special assessments to support that effort. It was subsequently expanded over the next ten years to include bus and rail transit because the industry wanted to be ahead of any potential movement on the part of the Federal Transit Administration (FTA) to regulate rail and bus transit.

Prior APTA administrations made commitments to maintain and update those standards. Over the years, and with no APTA leadership and direction in this area, the standards became outdated and out-of-compliance – just as the FTA began discussing their intent to move into the safety regulatory arena. Only through the aggressive interaction of some of the Transit Members did APTA address this problem and get the standards updated and back in compliance. It should never have been allowed to happen in the first place.

Financial Accountability and Value

As a result of the recession of 2008, the MTA experienced a significant reduction in the amount of revenues it received to subsidize its entire budget needs. These subsidy losses, which were in excess of \$1 billion, were the most severe the MTA had ever experienced. In an effort to ensure that the impact to customers was kept to an absolute minimum, we conducted an exhaustive and detailed review of all costs not directly related to the delivery of service in an effort to identify ways to reduce them.

This effort entailed looking at every single contract for materials, goods and services. We brought in each vendor, contractor or service provider and aggressively renegotiated the underlying terms and conditions. We also performed an extensive review of all our administrative functions, restructured management and conducted end-to-end process reviews. Our goal was to ensure that our organization was working effectively and efficiently. To date, the net result of those efforts yielded a reduction of \$1.8 billion in annual recurring costs on a base budget of over \$14 billion.

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In light of MTA's internal review, it has become difficult to justify our Transit Member relationship with APTA. Frankly, our membership fee of more than \$400,000 annually is not commensurate with the level and quality of the services the MTA receives. Moreover, at a time when the MTA and many other properties have had to cut costs as noted above, we did not see APTA performing a similar cost-cutting review. We understand that going through a process like this at APTA would be difficult, time consuming and could create tensions with Transit and Business members (because it certainly did for all involved at the MTA when we had to pare our expenses by 15-20% across the board). Nonetheless, it is our strong belief that APTA must do it if it is to remain as cost effective and efficient as it needs to be going forward.

At the end of the last century, APTA was one of the very few organizations that could provide the legislative support, technical assistance and knowledge transfer capabilities that the MTA needed to be able to function effectively. Since then, however, a number of other organizations have emerged, providing the same services in a more effective and efficient manner. On the staff development and education front, there is the ENO foundation, the Kennedy School for State and Local Government Executives, Voorhies, Mineta and the industry self-developed MAXX and LEAD programs to name just a very few.

The knowledge transfer and technical assistance front is even more robust both nationally and internationally. In the United States there are the AAR, AREMA, and TRB, and on the International front there are UITP and CoMET, Nova and ISBeRG (which are affiliated with the Railway and Transport Strategy Centre at the Imperial College in London).

The MTA has membership status in all of these organizations and actively participates in many of their annual meetings and conferences. We find their experiences to be increasingly more representative than APTA in meeting our needs given the challenges we face as a public transit system. For example, knowledge transfer and collaborative activities with these organizations, especially the LUL in London, Network-Rail in the UK and RATP and RER in Paris, provide support and assistance to the MTA and its transit operating agencies not found through APTA.

In comparing the structure and business approach of these organizations with APTA, we find there are three very distinct differences.

APTA has a total of 13 distinct conferences this year alone, exclusive of the Business Member meeting. It is difficult to justify having that number of separate meetings at this point in time given the cost of travel and the public perception of these conferences as "wasteful boondoggles."

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Many of the international organizations have far fewer meetings that are broader in scope yet highly relevant to their members. They intentionally combine different areas of interest but do not attempt to be "everything to everyone." Ultimately, this strategy makes for meetings that are inclusive yet more focused on the overall needs of their members. We firmly believe the same objective can be achieved by APTA and that this objective should be actively pursued.

The other area worth emulating is the development of a graduated structure of dues. This assessment would be based on the amount of services the member elects to receive rather than basing the dues assessment solely upon the size of the agency. This pay-as-you-go approach would be more reflective of how similar organizations are structured and funded.

Third, APTA has assumed as full and equal members, a host of related transportation interests that have certainly broadened the tent, and were embraced with good intent, but that nonetheless dilute and diminish the benefit of APTA membership for its core legacy transit system operating members. The value of those interests to the nation's broader transportation goals is not in dispute. In fact, they make terrific strategic partners for APTA in many instances. However, as equal members in the organization, they make the APTA message confusing on the Hill and in other places where clarity of purpose is important.

"The Elephant in the Room"

The issues highlighted and discussed above represent most of the significant concerns the MTA has with APTA. There is another issue, however, that has greatly influenced our decision to terminate our Transit Member status – our expectations regarding the leadership skills that the APTA President and CEO needs to have to be able to lead this organization into the future. Based upon APTA's lack of responsiveness over the past five years in addressing the serious issues outlined above, we have grave concerns that you will address any of them in a meaningful way if your contract is renewed for another five years. We are particularly struck by the deep divisions among the APTA Board of Directors that were revealed at the March Board meeting in Washington, D.C. In fact, the March meeting was the culmination of the difficult and even sometimes acrimonious discussions that have taken place at the Board level over the past five years -- conversations that have had an overall negative effect on the entire Association and its members.

I would also note our continuing concerns about the basic elements of the employment agreement for the APTA President. These include total compensation, benefits, and other elements of the agreement as they relate to what is accepted and practiced at the current time in the public sector arena. As a public sector Transit Member, this is an area of particular sensitivity, and we know that there are other public sector Transit Members who feel the same way. We recognize that there are many Business Members, and perhaps other Transit Members, who do NOT share these concerns. However, for us, this is an issue that places our standing with our own stakeholders at risk.

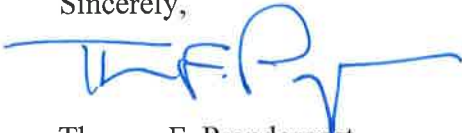
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Despite valiant efforts from the current APTA Chair, as well as recent past Chairs, we simply do not see any real progress being made. It has resulted in diluting the work of the APTA organization by diverting attention from the important membership and governance issues that should be immediately addressed. That impression was unfortunately reinforced at the most recent APTA Board Member meeting in Washington, D.C. last month, when a great period of time was spent (if not wasted) on discussing procedure and rules of order instead of dealing with the root problem that needed to be addressed.

Summary

We hope that this letter effectively communicates the basis for our decision to terminate our Transit Member status with APTA. It is our intent, however, that MTA will continue to work and coordinate with APTA on issues of common concern. Even if MTA is not an APTA Transit Member, we fully recognize the importance of standing united and in unison with APTA on key issues at the federal, state and local levels.

Sincerely,



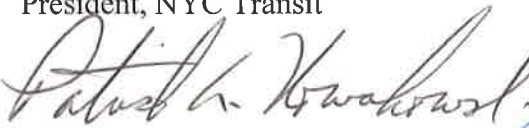
Thomas F. Prendergast
Chairman and Chief Executive Officer



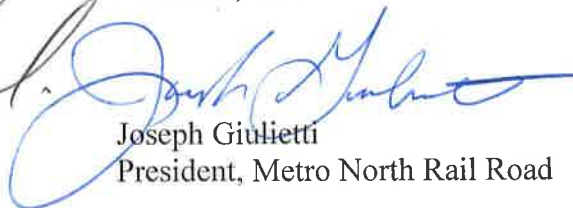
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cc: APTA Executive Committee