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The Disastrous World of the New York Subway, Part 2

by Gregory Bresiger

Here is one thing government enterprise has undeniably delivered: There are no more serious debates about greed. How can there be greed when government enterprises such as the subways and Amtrak almost always lose boatloads of money?

For example, in a recent Metropolitan Transportation Authority (MTA) annual report, the authority projected a \$584 million loss for a year. In 2006, there is estimated to be about a \$1.2 billion deficit, and in 2007 the MTA expects red ink of \$1.3 billion. By the way, MTA's debt service is forecast to go from 19 percent of operating revenues to 27 percent over the next two years.

And then there's the cost of the new labor contract. The militant Transit Workers Union still expects a big raise. Indeed, its president — when warned of penalties for striking under the state's Taylor law — took a court order and publicly tore it up before delighted union members. This was a play on what a previous Transit Workers Union president, Mike Quill, did some 40 years ago. He said a judge invoking the Taylor law "could drop dead." The city was subjected to a painful transit strike of several weeks that devastated its economy.

So the riders — no matter what happens — will continue to get lousy service. That's because the politicians, almost all of whom are for continued government ownership of the rails, are feuding with the MTA, a government authority that they are supposed to supervise.

Who is accountable for this sorry record? Is any of this the fault of the MTA, the local and state politicians who appoint the members of the MTA, or some agency or group of officials alienating a declining ridership? Well, no, says the MTA.

Katherine Lapp, executive director of the MTA, offers a rationale for the endless deficits, which she calls "gaps." Lapp wrote in an MTA annual report recently,

Like state and local governments around the nation, these gaps represent structural imbalances stemming primarily from rising debt service, increasing pension, health and welfare expenses, and the depletion of non-recurring resources.

And Lapp's boss, MTA chairman Peter Kalikow, adds that — despite the bad numbers — things are on the upswing. Indeed, Kalikow writes, “The past year has been full of tangible achievements.” And despite constant losses he promises more subway projects and expansions. “It will be a bright beginning for the new subway century and for the future of our public transit system,” he promises. This is a familiar characterization of all government enterprises at almost all levels of government. Government enterprise can't effectively manage what it now has, the government concedes, so it asks for the authority to take on more and more responsibility.

I thought about this recently as the furious debate on my train — see part 1 — continued between two members of the subway-workers' union. Finally, the motorman, who after all is driving the train, settled it. The train would go local. Passengers howled some more — that's all they could do, since there is no market mechanism to enforce good service — but the train slowly started again. It stopped everywhere and went as slowly as possible.

Why is it this way? Well, when it happened to me recently, it was likely part of the slowdown. “How can you tell?” my wife later asked me. “The subways are always bad.”

But this happens even when we're not under a strike threat. That's because the tracks and roadbed are in poor condition. I have a childhood friend who is a motorman on my line. “Greg,” he responded when I once asked why my trip takes so much longer these days than when we were in high school in the late 1960s and riding to Manhattan, “we have to go slow in so many places because the system is run down.”

But there are problems with the subway system beyond that. The tracks often have garbage, fueling hundreds of track fires every year. Let us not forget the signaling system of the New York City subways. It is ancient. There is no reverse signaling system, which is the standard in many systems around the world. By the MTA's own repair schedule, a new signaling system is about a decade in the future, at which time reverse signaling will probably be outdated. However, it is inadvisable to expect even that.

Given its persistent red ink, MTA rarely meets its schedule in anything despite promises by MTA officials of a “bright beginning of a new subway century.” After all, the much-promised and much-discussed Second Avenue subway is the longest-running show in New York. It goes back to the 1940s and has been playing off and on, on Second Avenue since then. This ill-fated project illustrates the futility of government enterprise.

Second Avenue follies

The elevated trains (“els”) on Second and Third Avenues were owned and operated by a private management company, the Interborough Rapid Transit (IRT). These lines were bought in the famous unification deal of 1940. (The city, which had some of its own lines, bought out the last privately operated lines in the 1940s. Politicians promised that unification was going to bring “economies of scale” that would preserve the nickel fare.) Part of the unification deal included

the dismantling of these long-time els. The idea was to replace them with a new subway line under Second Avenue. The els were quickly demolished.

After a decade or so of Second Avenue-line delays, the politicians asked taxpayers to approve a bond issue for the new line in the 1950s. The voters okayed the borrowing, because the ending of the el left the East Side with reduced service as the remaining lines along Lexington Avenue became overtaxed.

Nevertheless, the money for the new Second Avenue subway was spent on other things, since the subways of those days — no different from today's subways — ran up big deficits, which had to be wiped out every fiscal year. This is why the fare is raised so many times and why the MTA — like Amtrak, which is in such difficult financial straits that it has mortgaged Penn Station — is so dependent on last-minute aid from the state and federal governments.

New York leaders believed that some kind of federal or state aid would pay for the new line. That's because a system that almost always loses money and that consistently raises fares and alienates riders could never build it. So they actually began the project some 30 years after the original promise. Gov. Nelson Rockefeller (a popular liberal Republican spendthrift governor who almost bankrupted the state and of whom Thomas Dewey once said, "Nelson, I like you, but I can't afford you") and Sen. Jacob Javits, a liberal Republican, actually broke ground for the project in the 1970s. The project ended quickly as both New York City and New York State — two of the highest-tax entities in the nation — ran out of money.

So, depending on how you measure it, the Second Avenue subway is either 50 or 60 years behind schedule. And a month or so ago, voters approved a new \$2.9 billion bond referendum to build — you guessed it! — the Second Avenue subway. Yet the Second Avenue subway is today no closer to a reality than, say, the MTA is to cutting subway fares, or the Transit Workers Union is to proclaiming what a joy it is to work for the state, or Amtrak is to turning a profit or breaking even.

The world of big government

Here is the world of government enterprises. It is a world of red ink, poor service, and civil-service workers who are perpetually angry with their employer. (My childhood friend the motorman, who hates the MTA, several months ago predicted there would be another subway strike, which, of course, could cripple the city's economy.)

Government enterprise is an oxymoron. The words "government" and "enterprise" should never be used in the same sentence.

More important, government enterprise has multiple "structural" problems that can't be corrected, no matter the amount of money poured into the system. There is a considerable record of incompetence that must be examined.

We have some 65 years of exclusive government control of the subways here in New York. And it has been close to 35 years since Richard Nixon and his minions decided that the federal government should take over a group of overregulated private railroads and call it Amtrak. Amtrak, despite the promises of its backers in 1970, has turned many of its former supporters into critics. The railroad was branded by a former supporter as “a rolling Enron that should be allowed to go bankrupt.”

Even supporters agree that Amtrak and the subways are in terrible shape; that there is a huge backlog of repair projects as well as vital improvements that are required if these systems are not to deteriorate further. However, supporters say that these systems are “starved” and should receive bigger subsidies. Critics say giving more money to a badly run system will compound the problem.

Another drink for the drunk

Friends of government enterprise refuse to concede the problem is systemic and uncorrectable. Critics note that as long as public-sector bureaucrats, with no experience of profit and loss, try to operate the system as a business, failure is inevitable. Without healthy earnings — or any earnings most times — there will never be a steady stream of funds to pay for improvements, much less funds for even the basic maintenance that is needed to prevent a huge system from breaking down.

The subways and Amtrak will be perpetual wards of various units of government, who farm out their management to various authorities. Indeed, Amtrak’s leaders have frequently threatened to close down their system — and in turn tie up many of the commuter lines that share tracks with it — if Congress doesn’t ante up with bigger subsidies. The MTA will, without a doubt, look to Albany or Washington for help in paying for raises for the workers. But despite this persistent politicking, a business isn’t a business if it doesn’t show a profit most of the time. Those profits are essential if the business is to renew itself.

Retained earnings pay for business expansion. But since, in most cases, there is little or no prospect of earnings in a government enterprise, where will the money come from to bring these public systems even up to basic minimum safety standards?

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