

What's next?

# Your subway fare going straight to the banks.



## Where's the money from the fare hikes going?

While some of the money from fares in theory goes to services for the system, the increase in fares is mainly to address rising non-discretionary costs. The fastest-growing of these costs is debt service. That's not even money for the growing debts the MTA owes. That's just the cost of fees and extra expenses associated with the growing debt, as well as some financial products the MTA invested in that have gone sour, like interest rate swaps.

## What's an Interest Rate Swap?

Several major banks (JPMorgan Chase, Citigroup, Morgan Stanley, UBS, AIG, and Ambac) have arrangements with the MTA that are called interest rate swaps. The MTA pays banks a steady, fixed interest rate on a bond, and the banks pay us back a variable rate based on market fluctuations. This was supposed to be a way to protect the MTA from rates going up in the future, and both sides are supposed to break even. But since the 2008 crash dramatically lowered interest rates, we continue to pay on average 4.5% interest on these deals, and get 1.62% back from the banks, who get to pocket the difference as profit. Now, the MTA is forcing transit riders to foot the bill. Even the MTA admits that this fare hike and the ones to come can't cover the cost of debts accrued by its irresponsible leadership.

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## But that can't be the only reason for rises in costs. What about those pesky unions?

You mean the ones who are still working without a contract? Who the MTA wants to keep at flat wages for five more years, in the midst of an ongoing recession? There have already been cuts in labor costs and there will be more. Debt service is a huge expense on the MTA's books that only benefits the banks. Transit workers won't see a penny of the profits from this fare hike, and it won't go to improving service or infrastructure.

## How does state funding play into the MTA debt?

The State of New York has been steadily defunding the MTA for the past decade. Although everyone agrees the subway is a public service, New York City subway fares account for a larger share of transit funding than in any other major city in the world\*: 150% greater than in Chicago, 200% greater than in Atlanta, etc.

But riders are not the only ones who benefit from the subway: employers, customers, everyone who lives and works in the city benefits from the existence of a world-class public transportation system. New York is flesh built upon the bones of our transit system. Why is this public service funded differently from all the others?

## What about costs from Sandy?

Sandy doesn't factor into the current deficit—yet. These fare hikes, and all the fare hikes to follow, are actually from a 2008 deal implemented from recommendations by former MTA chair Richar Ravitch as part of a plan to save New York State from bankruptcy. The plan calls for 7.5% fare increases every two years for the foreseeable future.

The MTA got service stored to Wall Street and surrounding areas in astonishing time. Surely the banks owe a debt of gratitude for enabling their workers to return to work?

**Resist, non-stop.**



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