TRANSIT SERVICE

NOT

DEBT SERVICE

DEMAND

The MTA and Banks Renegotiate Payments and Put Money Into Restoring Service

TUES., JULY 24, 5:30PM

RALLY

AT JPMORGAN CHASE

1 Chase Manhattan Plaza
(Not far from Zuccotti Park)

SPONSORED BY MTA LABOR COALITION

FOR MORE INFO, CONTACT: JPATAFIO@TWULOCAL100.ORG

NEW YORK CITY METRO AREA PUBLIC TRANSIT RIDER PROFILE[1]

- Median annual earnings for transit riders in the area: $37,186
- Percentage of riders making below $25,000 annually: 34%
- Percentage of riders who are people of color: 64%
- Percentage of riders without a car: 51%

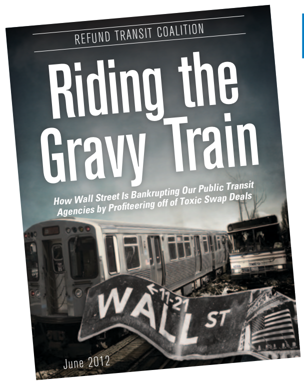
FACTS: SWAPS

Governments and public agencies entered into interest rate swaps because at the time they issued the related variable-rate debt, the cost of a conventional fixed-rate bond would have been even higher. Many of these deals seemed to make sense at the time they were initiated because interest rates were never expected to fall as low as they have. However, these deals carried hidden risks. In 2009, Pennsylvania Auditor General Jack Wagner wrote, "The majority of entities handling swaps in the public arena don't understand them, which is putting public money at risk."[2] He said these deals amount to "gambling with taxpayer money."[3]

A key part of the problem was that many of the governments and agencies that entered into these deals did not understand the risks. The banks that sold them these swaps were not legally required to act in their best interest in giving them advice.[4] Moreover, because interest rate swaps are structured as a zero-sum game, where taxpayers' loss is the banks' profit, there is a major conflict of interest for the banks. The Dodd-Frank Act includes provisions to tackle this conflict of interest problem, but when the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC) wrote regulations to implement the law they, watered it down so much that the problem continues to persist.[5]

From the report

RIDING THE GRAVY TRAIN

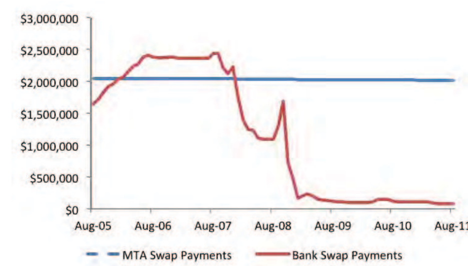


How Wall Street is Bankrupting Our Public Transit Agencies by Profiteering off of Toxic Swap Deals

A report by the ReFund Transit Coalition - refundtransit.org

The New York Metropolitan Transportation Authority (MTA) has active interest rate swaps with JPMorgan Chase, Citigroup, UBS, AIG, Morgan Stanley, BNP Paribas, and Ambac that cost the MTA $113.9 million annually.[6] Another swap deal is set to be activated this November that will cost the MTA an additional add $1.5 million a year on top of what it is already losing.[7]

As of August 2011, the MTA had lost $658 million on these swap deals since they first went into effect. These payments contributed to the drag on the MTA's budget that in 2010 led it to lay off more than 1,000 MTA workers in New York City and eliminate 749 other positions.[8] Additionally, MTA service cuts that year – which included subway and bus service cuts as well as the reduction of cleaning services – were part of the largest service reduction package in decades.[9] Riders were forced to pay a 7.5% fare increase in 2011 and are scheduled to face two more 7.5% fare increases in 2013 and 2015.[10] More than a third of New York area riders make less than $25,000 a year



even though they live in one of the most expensive cities in the world, home to many of the bankers who are profiteering off these deals at MTA riders' expense. Ironically, many of those bankers are themselves MTA riders who take the subway to work every day.

The graph above shows how JPMorgan Chase, BNP Paribas North America, Inc., and UBS AG have benefited from just one of the MTA's swap deals following the 2008 economic crash forced interest rates to artificially low levels. Every time the red line was below the blue, the MTA lost money. As the graph illustrates, the MTA's losses increased significantly after the Federal Reserve slashed interest rates in the aftermath of the financial crash in the fall of 2008.

1 U.S. Census, "Means of Transportation to Work by Selected Characteristics (2010 American Community Survey
1-Year Estimates)," for the New York City Metropolitan Statistical Area.
2 "Auditor General Wagner Says Schools, Local Governments Profiting From Swaps are Still Gambling with Taxpayer Money." Pennsylvania Department of the Auditor General. 25 Nov 2009. http://www.auditorgen.state.pa.us/Department/Press/WagnerSaysSchoolsLocGovsProfitFrSwapsStill-Gambling.html.
3 Ibid.
4 Roper, Barbara." CFTC's Message to Municipalities: Caveat Emptor." Huffington Post. 26 Jan 2012. http://www.huffingtonpost.com/barbara-roper/cftcs-message-to-municipalities_b_1229165.html.
5 Ibid.
6 Based on analysis of prevailing interest rates as of 02 May 2012 and details on interest rate swap deals found in the Metropolitan Transportation Authority's Consolidated Financial Statements for the period ended September 30, 2011 (http://mta.info/mta/budget/pdf/MTA_Q3_2011_Review_Report.pdf), pages 72-76.
7 Consolidated Financial Statements as of and for the Period Ended September 30, 2011. Metropolitan Transportation Authority. Page 72. http://mta.info/mta/budget/pdf/MTA_Q3_2011_Review_Report.pdf.
8 PEG Monitoring Report, 4th Quarter 2010. Metropolitan Transportation Authority. MTA New York City Transit, PEG Monitoring Report, 4th Quarter 2010.
9 DiNapoli, Thomas P. Financial Outlook for the Metropolitan Transportation Authority. State of New York Comptroller. Sep 2011. Page 3. http://www.osc.state.ny.us/reports/mta/mta-rpt-11-2012.pdf.
10 Ibid. Page 2.