



Privatization and the MBTA

Legislative testimony by Charles D. Chieppo

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The facts in this case are straightforward. The Federal Transportation Authority provides most of the funding for the MBTA's capital projects. Due to the expense of the current contract with Amtrak, the FTA has urged the T to open the operation of its commuter rail service to competitive bids. The T split the operations into four parts, with this cleaning and repair piece being the first put out to bid.

When the bids were opened, three of them were within \$25 million of one another, but Amtrak's bid was \$116 million, or more than 60 percent, above the low bid by Bay State Transit Services, a joint venture of Boise Locomotive and Herzog. In addition to saving Massachusetts taxpayers \$116 million over five years, the Bay State Contract would provide comparable compensation levels for employees moving over from Amtrak, minimize the impact on displaced employees, and improve quality specifications.

Despite these facts, the proposed contract still faces opposition. Opponents have raised several points. In flyers distributed to commuters, an affected union called the contract "an experiment" with no back-up plan if the so-called experiment fails. In fact, of the 19 commuter rail services that will be operating in North America by the end of this year, 15 have all or part of their services delivered by private contractors.

In the same flyer, the union alleged Herzog was guilty of various safety violations in its South Florida commuter rail operations. But the Federal Railroad Administration found that the Herzog trains were "clean and maintained to an above-standard condition." They also noted that "equipment maintenance records were found to be in good order and well organized." Florida's Tri-County Commuter Rail Authority recently renewed Herzog's contract for another four years.

Bay State will perform the work with 300-400 employees, compared to the 550 Amtrak currently uses to provide the same service. The union claims the work cannot be effectively completed by the reduced force. But when we compare the ratio between the number of maintenance personnel used and the type and amount of equipment maintained to six other comparable North American commuter rail services, we see that Bay State would still use more employees than all but one. The number of employees Amtrak currently uses to perform the service is as far off the map as its bid was for this contract.

Finally, the union claims that the Bay State contract would end up costing more than the current contract with Amtrak due to the provisions of section 13c of the Urban Mass Transit Act of 1964. They claim 13c mandates that laid-off transit workers receive the difference between what they earned in their transit jobs and their current earnings for up to six years. The U.S. Department of Labor believes 13c mandates only a negotiation between the parties. Here, 13c would be unlikely to have much impact under either interpretation. First, Bay State will at least match compensation levels for continuing employees. Amtrak employees will be first in line for jobs with Bay State and those who are displaced will be given priority for future openings at the T. The Bay State jobs will also be union jobs.

Section 13c arguments have been raised across the country, but they didn't stop San Diego, Las Vegas, Indianapolis, or Denver from contracting out the operation of all or part of their bus service. These cities achieved savings of between 18 and 33 percent, while increasing service by at least 25 percent in each case.

Regardless of what any of us say here today, it is the FTA who urged that the operation of our commuter rail service be put out to competitive bid. That will not change.

In the midst of these debates, it is too easy to forget that it is the taxpayer that funds these services and to whom we must ultimately answer. Each week that this contract is delayed costs the Commonwealth's taxpayers \$500 thousand. Going forward, the five-year \$116 million savings that this contract provides is just the tip of the iceberg. If the contract does not stand, Massachusetts taxpayers will be denied the far greater savings that would flow from the other three pieces of commuter rail service being put out to bid. As a taxpayer, I hope this contract will be signed and go into effect as quickly as possible. Thank you.