



Public Comment for the Stakeholder Input Meeting

October 20, 2016

by Jim Stergios

Thank you for the opportunity to share our perspective on the Strategic Plan (“the Plan”) being developed by the Fiscal and Management Control Board. Please allow me to make a few observations on “Strategic Planning Update, September 26, 2016,” the 23-page slide deck that has been made publicly available. The deck includes a comprehensive set of considerations, so I will provide comments in the order of the pages and elements of the Plan. I would note up front that some of the elements fall outside of Pioneer Institute’s areas of expertise (e.g., preparation for the impacts of climate change).

PROGRESS TO DATE

These comments refer to page 2 of the Strategic Planning document.

Regarding progress to date, I would like to start by applauding your hard work, accomplishments, and the seriousness with which every member of the Control Board has approached this arduous challenge. Your progress has been impressive on many fronts, including lowering the unit cost of delivering services, capital and operating investments focused on achieving a state of good repair, public engagement, and decision-making that has thus far taken into consideration where current services can be improved.

That seriousness is evident in the FMCB’s approach to getting the MBTA into a state of good repair. The FMCB is taking the MBTA’s \$7.3 billion state of good repair backlog on directly by including \$4.89 billion in the MassDOT 2016-2021 Capital Plan. The scale of this capital commitment, which includes \$3.7 billion for reliability improvements and \$1.19 billion for modernization,¹ represents what may be the most significant step forward the FMCB has taken to date, albeit one that has not received the attention it deserves. After decades of patching and re-patching its unreliable and broken infrastructure at great recurring annual cost, the MBTA has committed itself to a system-wide state-of-good repair initiative aimed at improving reliability and reducing emergency repair costs and service disruptions.

DRAFT VISION, MISSION, VALUES STATEMENTS

These comments refer to page 3 of the Strategic Planning document.

As regards the **Vision statement**, the term “world-class” is not sufficiently useful in projecting what the MBTA must do to meet its enormous financial, operational, capital and human resource challenges. The document must more directly communicate the priorities and urgency associated with fixing the MBTA. Such a direct and plain-spoken

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approach is especially important to the riding public, taxpayers and employees, and it should start with the Vision statement. I would suggest:

“The MBTA will be committed to superior service capable of attracting 20 percent more riders over a five-year period, enhanced affordability, and the utmost safety for the riding public.”

These three priorities can, in fact, adumbrate all but one of the “Preliminary Objectives” outlined on page 5; see my comments on page 5 for a more detailed discussion of this point.

As for the **Mission statement**, I would suggest the following wording:

“The MBTA will strengthen and improve the economic health of and quality of life in the region by providing superior, ~~equitable~~ ~~and~~ cost-effective and safe service to our customers.”

I suggest these changes because it is important for the MBTA to recognize that, in addition to the region’s economic interests, the transit authority must also seek to improve quality of life. The definition of quality of life includes serving more people and therefore “equity,” including increasing ADA accessibility and identifying creative ways to improve access for neighborhoods with significant minority, underserved populations. The mission must also include transit safety as a priority.

The **Values statement** is thoughtful and appropriate. I believe adding the following value is important:

“A commitment to rational, data-driven analysis focused on achieving the T’s Vision and Mission”

DRAFT PRELIMINARY OBJECTIVES

These comments refer to page 5 of the Strategic Planning document.

The draft plan includes too many objectives for the riding public, taxpayers, MBTA management, and MBTA direct service employees to grasp and keep at the front of their minds. I believe it would be more

effective to organize these objectives into priority groupings to align them with the priorities set forth in the Vision and Mission statements. In the context of “strengthening and improving the economic health and quality of life in the region, the MBTA must focus on three priorities, with subsidiary objectives:

Priority 1. The utmost safety for the riding public. Included here is Objective number 1.

Priority 2. Superior service capable of attracting 20 percent more riders over a five-year period. Included here are the Objectives number 2, 3, 4, 5, 6, 7, 8, 9, 12, and 13.

Priority 3. Cost-effective service. Included here are the Objectives number 10, 11.

Given that you are conducting this strategic planning effort as a governing body with a legislatively established five-year term, it is only reasonable that an additional priority be included to formulate a sound plan for what should happen next. I would urge that Objective number 14 be reworded to say:

“Recommend a transition plan from the Fiscal and Management Control Board structure and ultimately to a new MBTA governing structure”

ACHIEVING THE THREE PRIORITIES OF SAFETY, AND SUPERIOR AND COST-EFFECTIVE SERVICE

Organizationally, I have provided my remaining comments on the Strategic Planning document in the order of the three priorities mentioned above: safety, superior service, and cost-effective service.

Priority 1: Maintain a Safe System for Customers and Employees

These comments refer to page 6 of the Strategic Planning document.

To elicit useful input, it would be helpful to provide some additional explanation here about the nature of the safety challenges that confront the MBTA. The best resources available to answer those questions are the dedicated MBTA workforce, peer agencies, and MBTA commuters.

As for the second bullet, which is related to additional investments needed to ensure safe service, please see several of the elements included under Priority 3.

Priority 2: Provide superior service capable of attracting 20 percent more riders system-wide over a 5-year period, including setting ridership goals by transit mode.

Provide Exceptional Customer Service (Page 8)

When it comes to customer service, the key elements are the quality of service and communication. The best resources available to answer questions about customer service are riders, the dedicated MBTA workforce and peer agencies. To develop your thinking on these issues, conducting a survey of each would be extremely helpful. Finally, it would be useful to engage a local university to develop a study to understand what peer agencies around the world do to ensure high-quality customer service. Of these respondents, the most important when it comes to customer service is the rider and system user. The FMCB and the MBTA management team need to have a communication strategy and the right tools so riders can express their praise, criticism and ideas for service improvement.

Modernize and Expand the System to Support the Region's Economic Growth; and Implement Environmental Stewardship and Climate Resiliency (Pages 9 and 17)

Modernization, system enhancement, and service improvement will facilitate economic growth in our region, but it will also support the region's quality of life and public health.ⁱⁱ Harnessing the MBTA's potential to relieve traffic congestion in the Greater Boston region, especially, is a goal that should be highlighted and reinforced. Congestion continues to get worse, and generates significant costs for commuters and local businesses. An average Boston-area driver spends 64 hours per year sitting in traffic, at an annual cost of \$1,400 for the average commuter. This is twice what it was around the city 30 years ago.ⁱⁱⁱ Research indicates that public transportation can relieve some of this traffic on targeted traffic corridors. Professor Michael Porter of HBS conducted a survey that identified traffic congestion

as a major impediment to economic growth in our region. Getting more passengers on MBTA commuter rail (and reversing the decline in ridership) has the potential to relieve congestion for commuters at relatively little marginal cost, as is the case across all modes. The economic benefits of relieving traffic congestion should be considered when measuring the net costs of the MBTA.

Increased public transportation utilization also improves regional air quality and public health.^{iv} Environmental stewardship is best served by getting more commuters to use public transit, thereby reducing carbon emissions and encouraging commuters to incorporate walking from commuter stations to work on a daily basis.

We are firmly of the view that an emphasis on boosting ridership is a critical driver of greater equity in service provision. But to understand potential future demand—and whether a goal of increasing ridership by 10, 15 or even 20 percent is even imaginable—the FMCB will need to understand its customers. For example,

What would it take to convince automobile commuters to switch to public transportation along congested traffic corridors; i.e., transit time savings, service scheduling, fare pricing, T parking options, shopping and other convenience options near T stations, etc.?

What kind of outreach is needed to attract additional riders? What kind of communications will build and maintain trust with riders?

What initial service provision steps or pilots might allow the MBTA to assess and develop new ridership? For example, would partnerships with private vendors be useful pilots to determine in real time what level of demand is truly not being served?

What changes in service provision, whether through private vendors or bus rapid transit would allow the MBTA to meet latent demand in a cost-effective manner? If so, how can those services be integrated into the existing system?

What enhanced collection methodologies would facilitate the use of a variety of service

providers? What fare collection methodologies would provide riders with a more consistent and fairer (such that all riders pay) experience, while avoiding commuter delays caused by fare collection models that result in bottle-neck effects?

Regarding infrastructure resilience to climate change, we recommend that the FMCB engage with leaders of national and international public transit agencies that operate in climate-challenged environments, as well as with experts from industry, academia and governmental bodies, to ascertain and institute best-practices for system preparedness. As the Greater Boston region was made painfully aware by the MBTA's operational failure in the winter of 2015, preparedness requires that the MBTA utilize effective system design, specialized equipment, and operational practices prior to, during, and after severe weather events.

Ensure an Equitable Distribution of Transit Services and Benefits (Page 10)

Questions 1 and 2 on this page once again underscore why the new Vision and Mission for the MBTA must emphasize equitable distribution of transit services in system planning. Equitable distribution extends the transit system's benefits to as many Greater Boston citizens as possible. In FY2016, the MBTA's commuter rail system provided only 8.6 percent of the MBTA's total unlinked passenger trips but consumed 26.7 percent of its operating expenses. Conversely, the MBTA's hard rail subway system provided 44.6 percent of total unlinked passenger trips while consuming only 23.1 percent of its operating expenses. Considerations about equitable distribution of limited resources should play a major role in decision-making about capital planning, service expansion, and resource allocation.

Transit equity should include a quantifiable method for measuring expanded ridership per dollar spent.

Transparency about how decisions are made is also an important issue – i.e., what metrics are considered in choosing among competing options? The MBTA should set forth the decision metrics very clearly, emphasizing that decisions should be made with the

goal of providing convenient, fast mobility for the maximum number of people.

Improve T Accessibility for Customers of Differing Abilities (Page 11)

Pioneer Institute was very pleased that the FMCB took into consideration the testimony of users of The Ride in deciding not to save money by reducing MBTA paratransit service areas to the minimum geographical zone allowable under federal ADA transit regulations. We believe that many users of The Ride are likely to have made housing decisions based on availability of public paratransit services.

At the same time, we are pleased to see the FMCB commit to provide better service at lower unit costs. It is absolutely the right course of action to derive considerable savings through procurement and provider network innovation, efficiencies in scheduling of rides, and market competition through the use of a broad network of cabs and Uber vehicles for persons who do not need specialized vehicles.

The cost differential between The Ride's services delivered in the traditional manner and the use of hackney or ridesharing services is significant. Pioneer Institute reports demonstrate that the differential could be as large as \$49 versus \$13 per trip. Moreover, the use of alternative service delivery methods does not require the purchase and upkeep of vehicles by the MBTA. This 'asset-light' approach to providing service frees up resources for maintenance of other valuable MBTA capital. Such a model, which is growing rapidly in the private sector with firms like Uber, Airbnb and others that offer 'crowd-based' services, could potentially be replicated to achieve savings in other transit services offered by the T. Finally, the quality of the user experience is in many ways improved in as much as the time from a call or e-hailing of the service is likely to be much faster than the time to call and access service from existing Ride vendors.

We believe ridesharing and hackney companies should be fully engaged in this process. Given the needs of the riders serviced, it is valid to ask whether that will require more rigorous training and vetting

for vendors who would like to participate. What is not in question, after the piloting and all the analysis, is that competitive contracting can in this case save tens of millions of dollars and dramatically improve service.

Engage, Recognize and Develop the MBTA Workforce; Attract and Retain a World-Class Management Team (Pages 12-14)

- *Pension reform:* Making the T a more attractive employer to younger workers will require reforming its pension system to make it economically sustainable over the long term. Retention of current T employees will require the adequate pension funding and transparency that will enhance trust.
- *Work environment/Management Processes:* The quality of the work environment for transit vehicle operators and other employees will be enhanced as the T improves its management processes. While working to make such improvements, the MBTA should effectively communicate:
 - the agency's top priorities to employees and commuters;
 - the future governance of the agency (See page 19)
 - a culture of safety, respect, integrity
 - the fair treatment of T employees
- *Work environment/Physical infrastructure:* MBTA employees' work environment is adversely affected when commuters are frustrated by system delays and breakdowns and inadequately maintained equipment and facilities. The MBTA's commitment of \$4.89 billion in state-of-good repair spending from 2016-2021 should be timed to prioritize projects that directly impact riders.
- *Communication:* The FMCB and the MBTA management team needs to have a communication strategy and the tools to implement it in such a way that T employees have timely information on goals and progress, as well as opportunities for input. Some of the

most valuable feedback to improve service comes from the operators who are on the ground every day serving local communities. It would be prudent for T management to develop systems that enable these operators to candidly and regularly share ideas for what can be improved along service routes and in daily operations.

- *Focus on mid-level management:* Currently the FMCB and the MBTA management team are in essence an add-on to the T's operations. There needs to be greater integration and infusion into mid-manager ranks. This may take some changes in newly (post-2000) unionized categories of managers.
- *New talent:* The MBTA needs to develop a pipeline of young, talented individuals who care about transit, mobility, innovation and their community. Every year, the T should offer, through top area higher education institutions, opportunities for internships, post-graduate fellowships and hiring for those with the right talents and skills. By bringing in 20 individuals a year, the T would build a strong cadre of talent within five years. The program could be enhanced by offering aid to help ease college loan debt or similar inducements as part of a hiring package.
- *The current arbitration system is breaking the T:* The FMCB, as part of a broader legislative package, should seek to end the unique form of binding arbitration currently in place at the MBTA. The system creates no incentive for T employee unions to negotiate. We should adopt for the MBTA the same arbitration system that exists for the police and firefighters. It gives agency management a greater voice in determining whether arbitration awards are financially tenable.^v
- *Take advantage of insights from the MBTA family:* Bob Prince, Mike Mulhern and Jody Ray would all be great people to provide advice as to what kind of practices and culture would help retain and develop talent from within the ranks of the T.

Priority 3: Cost-effective service

Operate in a Fiscally Sustainable Manner; Deliver Capital Projects Expeditiously and Cost-Effectively; and Innovate Using Private Sector Contracts and Partnerships (Pages 15, 16 and 18)

Competitive procurement: The FMCB has undertaken a careful analytical review to identify potential areas of MBTA operations that offer opportunities for savings through competitive procurement, as recently authorized by the state legislature. One potential area is the MBTA's repair and maintenance function. In 2014, according to the National Transit Database, the MBTA spent \$553.9 million, representing 38.7 percent of total expenses, for repair and maintenance of vehicles, electric power facilities, movement control systems, fare collection and counting equipment, structures, tunnels, subways, roadway and track, passenger stations, operating station buildings, grounds and equipment, communication systems, general administration buildings, grounds, and equipment. The MBTA should determine whether savings could be achieved by competitively procuring repair and maintenance of some of these areas from private contractors.

A partnership with MassPort to operate MBTA ferry service: This represents another opportunity for savings. Since the MBTA's commuter ferry service serves Logan Airport as well as other Boston Harbor landing docks, it is reasonable that MassPort would play a greater role in facilitating ferry service and work to increase utilization of this important service that serves to reduce traffic congestion, especially during rush hour.

A risk-based approach to focusing operating and capital resources: Too often, the MBTA sees its operating and capital objectives as distinct. For example, internally, success in capital procurement is expressed as dollars spent or projects completed. The fact is that often capital and operating initiatives are related and therefore the T needs to ensure that the objectives of both sides of the house are aligned so the authority's top three priorities are not hindered by either capital or operating deficiencies. Alignment will require:

1. Clear benchmarks that define what the FMCB means when it talks about its priorities of superior service, cost-effectiveness and safety.
2. A risk management approach to capital and operating projects. For state of good repair issues, the T needs to develop a depoliticized methodology for prioritizing projects that ranks them on the basis of the probability/frequency and the impact of no action on the achievement of MBTA priorities and objectives.
3. Engagement with the MBTA's employees to identify issues and help understand the level of risk associated with not undertaking a specific capital or operating action.

Regarding number 1, it will be important to set service standards. Through the establishment of such benchmarks—for things like headways on the Green Line, rush hour capacity on the Red Line, average rush hour track speed, etc.—decisions can be made on what capital and operating budgets should look like. Setting service standards is critical to insulating the T from political interference.

Governance: Recommend a Post-Fiscal and Management Control Board Structure

These comments refer to page 19 of the Strategic Planning document.

It is critical that progress made by the FMCB during its five-year tenure be sustained; to assure that this happens, the MBTA needs a permanent, sustainable governance structure committed to superior service, cost-effectiveness and safety.

As noted above, it is important to set benchmarks for what these priorities mean; e.g., using the objectives on page 5 to articulate for employees, the riding public and legislative and executive leaders, what the FMCB goals should be. But it is also important to define what we mean by "fixing the T" to set benchmarks or triggers for when the MBTA should transition from the FMCB to another governance model.

The FMCB was initially inspired by the Finance Control Board established by the state legislature

in 2003 for the City of Springfield. The Control Board structure is meant to leverage best practices and streamline operations; it was also meant to demonstrate real progress in righting management first of Springfield and now at the transit authority. In Springfield's case, the Patrick administration extended the board's term because it had not yet met benchmarks set to measure its success. Similarly, the FMCB's tenure should not be determined by an artificial timeline because its hard work and the resulting progress should not end until riders see the kind of progress they deserve—and pay for. Ending the FMCB before that progress and MBTA cultural changes are realized would kill the urgency around reform.

But that will require an explicit public conversation about the vision for the T—and, in a responsible manner, the FMCB has taken the initiative to do just that. Explicit goals are needed to have a rational conversation about the governance structure that will be needed after the T is “fixed.”

We believe this is especially important because we continue to believe that the legislature and executive branches need to move forward additional reforms that will require new legislation. We believe the legislature should articulate:

- The benchmarks for progress in service, finances and operations needed before the FMCB comes to a close.
- Post-FMCB governance options it could consider and why each is likely to sustain the progress already made.

Additionally, we believe any legislative package should include the following:

1. The Institute originally recommended assumption by the state of a portion of the MBTA's \$5.2 billion in outstanding debt. The MBTA's FY2016 annual debt service was \$452.1 million, or two-thirds of its total operating revenue. The MBTA's aggressive 2016-2021 capital plan to address a \$7.3 billion state-of-good repair backlog will exacerbate debt problems, but sound management principals

dictate that this effort should be undertaken now.

2. In addition, the FMCB should work to implement a partnership with MassPort to operate expanded ferry service and consider separating the commuter rail system from the core subway system.
3. The FMCB should seek to petition the legislature to institute at the MBTA the binding arbitration system currently utilized by Massachusetts police and fire department employees, which offers the greatest employee protections of all interest arbitration systems except the one used at the T. This is not a call for ending collective bargaining and interest arbitration, but instead for applying the same collective bargaining/arbitration law that applies to public employee unions at state agencies and municipalities, including police and fire departments.

CONCLUSION

Thank you for your work to date. I hope these comments on the Strategic Planning document are useful and we would be pleased to provide more detail on any of the points made.

Endnotes

- i. Source: CIP page 45: \$3.7 billion for reliability improvements; \$1.19 billion for modernization.
- ii. <http://www.apta.com/resources/reportsandpublications/documents/congestion.pdf>; <http://www.citylab.com/commute/2013/04/public-transportation-does-relieve-traffic-congestion-just-not-everywhere/5149/>; <http://www.wbur.org/bostonmix/2016/04/25/boston-traffic-history>; http://www.mbta.com/uploadedfiles/About_the_T/Panel/ABetterCity-LifeSciencesReport.pdf.
- iii. <http://www.wbur.org/bostonmix/2016/04/25/boston-traffic-history>
- iv. <https://trimet.org/pdfs/publications/public-health-transit.pdf>
- v. See <http://pioneerinstitute.org/featured/there-is-little-appeal-to-the-current-use-of-binding-arbitration-at-the-t/>. The Governor's task force explained it this way:

The MBTA has the only public union in the Commonwealth with binding arbitration settlements which are not subject to approval (i.e. by legislative, board, or municipality). The current collective bargaining process creates inefficiencies and has delayed recent legislative reforms. Many existing labor contracts are automatically extended until a new agreement is reached ('evergreen provisions'), exposing the MBTA to large retroactive wage increases. Bargaining typically ends with binding arbitration. This process disincentivizes collaboration between the MBTA and its employees to address short term issues and long-term structural concerns.

Attorney Phillip Boyle, representing the MBTA and MassDOT in Massachusetts Superior Court in 2013, presented the following statements to the judge concerning the adverse effect of binding arbitration at the T:

"The fair conclusion that can be drawn is that [MBTA unions] use interest arbitration to avoid, delay or frustrate the application of legislative changes that it perceives are adverse to its members. . . . The Union's tactical use of interest arbitration has inured to the benefit of [union] members, active and retired, the past 25 years and cost the MBA millions of dollars in lost savings."

In Massachusetts cities and towns, city councils and boards of selectmen have final approval authority over collective bargaining agreements, which is the same process Governor Baker has proposed be applied at the MBTA. Under his proposal, the MBTA Fiscal and Management and Control Board would be granted the fiduciary responsibility to evaluate the cost and provisions of a contract to determine whether the contract is affordable and if the value of the operational changes in the new agreement is appropriate given the added cost to the taxpayers. The Boston Municipal Research Bureau explained it this way with respect to municipal arbitration, using Boston as example:

The Boston City Council does not have a passive role with regards to any collective bargaining contract. While not responsible for the negotiation of a contract, the City Council, as Boston's appropriating authority, does have the fiduciary responsibility to evaluate the cost and provisions of a contract to determine whether the contract is affordable and if the value of the operational changes in the new agreement is appropriate given the added cost to the taxpayers. The same responsibility holds true for arbitration decisions. In fact, state law on binding arbitration (Ch. 589, Acts of 1987) specifically states, "If the municipal legislative body votes not to approve the request for appropriation, the decision or determination shall cease to be binding on the parties and the matter shall be returned to the parties for further bargaining."

According to *The Boston Globe*, since 2004, elected officials in Worcester, Holbrook, Somerville, and Northampton have stood up to arbitrators.

The Governor’s proposal to make T employees subject to the same arbitration law that governs other public employee unions in Massachusetts can hardly be deemed an anti-union “union proposal.” According to Barney Frank biographer Stuart Weisberg[1], “In 1976, [then-state representative Barney Frank] proposed repealing the law requiring that MBTA collective bargaining disputes be submitted to binding arbitration because he felt that MBTA employees should be treated the same way other state employees were. . . . Barney detested wasteful government spending and inefficiency. “It’s the liberal’s responsibility to try to save money because if we don’t save money in the right places, it’s going to be cut in the wrong places,” he said. As a liberal he is an enthusiastic supporter of trade unionism. But he took the lead in efforts to reduce the power of public employee unions in Massachusetts. He sponsored legislation to limit the power of MBTA unions because he thought they were out of control and their demands for salary and benefits were excessive and contrary to the public interest, and he wanted to curb what he viewed as the excesses of civil service and the intolerable inefficiency at the MBTA.

Arbitrators’ decisions at the MBTA have “long tails,” impacting the finances and operations of the T retroactively. Arbitrators have ruled that MBTA contracts “roll-over” and continue in effect until a new contract is finalized, often not until an arbitrator makes an award on a new contract three or more years later, upon which retroactive payments become legally due. The Governor’s legislation would also end this practice.



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