



T cost-cutting long overdue

By Charles D. Chioppo

November 18, 2002

No one relishes the suffering and uncertainty that difficult economic times bring. But in government, crisis provides an opportunity to accomplish things that might otherwise be impossible.

Examples of this fact of political life are likely to play out throughout state government in the coming months, but currently the best example is at the MBTA. Fare revenues have been declining for nearly a year and the sluggish economy is taking its toll on state sales tax revenues. The MBTA receives 20 percent of those revenues, as well as assessments from the 175 cities and towns that benefit from transit service. This year, sales tax revenue is increasing by less than the 3 percent forecast in the T's budget plan. It all adds up to a projected \$25 million shortfall. In an attempt to balance the budget and avoid service cuts, the T is embarking on a long overdue campaign to reduce costs. As measured by cost per mile and cost per hour of service, the MBTA is the most expensive major transit system in the country to operate. Its labor costs are also among the nation's highest.

The need to achieve cost savings was clear well before the projected shortfall became apparent. The linchpin of the MBTA's finance plan is an assumption that the authority will reduce its operating cost base by 2 percent in each of the next several years.

If nothing else, this effort will shine a light on legislative constraints to the MBTA's ability to get its fiscal house in order. In 1980, so-called management rights legislation was enacted that gave the T more control over employee assignments and prohibited them from bargaining away the right to subcontract or hire part-time operators. By the end of the 1980s, the T estimated that the legislation saved at least \$15 million annually. Researchers from the Kennedy School of Government found that the savings were even greater.

Today, the right to hire part-time operators is all that remains. Passage of the commonwealth's 1993 anti-privatization law and language included in the MBTA's 1998 contract with its biggest union virtually eliminated the possibility of subcontracting, and 1995 amendments to the management rights legislation took away much of the T's authority over employee assignments. The restoration of these rights is critical to the success of any cost-cutting effort.

Much can also be done on the revenue side. Even after a 2000 increase, MBTA fares are the lowest among the nation's major transit agencies. Fares and other system revenues cover less than 40 percent of operating costs, also a national low. The MBTA's finance plan and a blue-ribbon committee called for moderate fare increases in 2003 and 2005. Failure to implement the increases threatens the authority's fiscal health and is unfair to the millions of Massachusetts taxpayers who don't ride the T but subsidize its operations.

Parking should be another source of enhanced revenue. Most MBTA lots charge just \$2-to-\$4 per day. Moderate increases in parking rates would generate much-needed revenue, some of which could be used to expand parking facilities at the many stations where lots are currently full before most commuters even arrive.

But expenses will rightly be the main focus of the T's efforts. Only by reining in costs can fare and parking increases be minimized.

Years of aggressive expansion and politically motivated decision making have left the MBTA in precarious financial straits. Measured as a percentage of total expenses, the T has the heaviest debt burden of any major American transit agency. In order to

pay down that debt, the finance plan calls for overall capital spending to be cut in half over the next several years.

But just as capital outlays are scheduled to decrease, the T faces a \$3.2 billion deferred maintenance backlog and \$2.5 billion worth of expansion projects that it is legally required to build in an effort to mitigate the environmental impact of increased traffic on the new Central Artery.

The challenges are daunting. But MBTA General Manager Michael Mulhern has proven himself unusually adept at dealing with them. He has made a courageous decision to do the right thing and go after the bloated cost structure that is at the heart of the T's fiscal problems. Maybe the problem is bad enough that the powers that be will actually give him the tools to succeed.

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