



The Next MBTA Commuter Rail Contract

Legislative testimony by Charles D. Chieppo

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I would like to thank the chairmen and members of the committee for inviting me to testify today. My name is Charles Chieppo and I direct the Shamie Center for Restructuring Government at Pioneer Institute, a public policy think tank that focuses on Massachusetts issues.

The process currently nearing completion to determine who will operate the MBTA's commuter rail over the next five years is one of the most closely watched in the transit and rail industries. Boston's commuter rail system is one of the largest in North America, carrying about 70,000 riders each workday. Many think this procurement will determine whether real competition will become the norm for the delivery of commuter rail services across the country. I am happy to say that the way in which this procurement has been conducted makes me optimistic that taxpayers and riders across the country will be the beneficiaries of the improved service and lower costs that real competition would bring.

Amtrak has operated the MBTA's commuter rail network since 1987. For many years, Amtrak's contract was extended without competitive procurement, because it was believed to be the only entity capable of operating the system. By the late 1990's that was no longer true. Fed up with what it believed to be high costs and poor service, the MBTA — with a push from the Federal Transit Administration — decided to break the contract into three parts and open it to competitive procurement.

My views on how that procurement process played out during 1999 and 2000 are well known to the members of the committee, and I need not review the particulars here today. Suffice it to say that the result was that the MBTA was forced to sign a bloated three-year extension with Amtrak.

Whether measured in terms of quality of service, safety, or cost, Amtrak's performance as an operator of commuter rail networks has been poor. Locally, that fact was tragically reinforced this summer when failure to evacuate a stricken passenger at the first opportunity ended in the man's death.

Still, when it came time to qualify bidders for the current procurement, the MBTA went out of its way to be fair. The request for qualifications stated that potential bidders provide reasonable evidence of financial stability and audited financial statements. Despite being in the midst of another well-publicized financial meltdown and not having produced an audited financial statement for 21 months, Amtrak was nonetheless qualified to bid on the contract.

Soon after qualifying, Amtrak announced that all of its services, including commuter rail, were in danger of shutting down if it did not receive another \$200 million from the federal government. This threat was astounding on several counts. First, between 85 and 90 percent of Amtrak's customers nationwide are commuter rail passengers. Amtrak was willing to sell the vast majority of its riders down the river to protect the likes of long-distance trains like the Sunset Limited, which is subsidized to the tune of \$347.45 per passenger.

Secondly, the Boston contract has been Amtrak's largest and most profitable. One would think that a company in such dire financial straits might go out of its way to please the goose that lays the golden egg.

Finally, Amtrak is paid in advance for the services it provides the MBTA. The company was threatening to strand 70,000 Boston-area commuters even though it had already been compensated.

Soon after the flap subsided over the threat to suspend service, Amtrak announced it would not submit a bid to continue operating the MBTA's commuter rail system. Although I'm usually a proponent of maximum competition, Amtrak's withdrawal was a victory for the T and those of us who ride it.

In announcing its withdrawal, Amtrak claimed that the MBTA's RFP shifted an unreasonable amount of risk to the contractor. Their position is understandable, given that the MBTA is currently liable even for damages caused by Amtrak's own negligence. Three other potential operators didn't find the RFP unreasonable, and submitted bids.

Amtrak had never previously faced real competition for this contract. It was either able to secure RFPs tailored to its own needs or, as it did in 1999 and 2000, use its political clout to blunt competition after the contract was initially awarded to another bidder. At least one of its past Boston commuter rail deals was a cost-plus rather than fixed-price contract, and that's clearly what Amtrak would have liked here. But this time Amtrak found itself faced with bidding on a contract tailored not to its needs, but to those of the MBTA and its riders. Thanks for that goes to MBTA General Manager Michael Mulhern and his staff. Their handling of this procurement has been a model of fairness.

The one thing this contract does not accomplish is reform of the work rules that apply to the MBTA's commuter rail. Let me be frank. You on this committee and in the Legislature are often viewed as being overly sympathetic to the views of organized labor. I am viewed as being anti-labor. I don't think either characterization is true.

Certain facts are clear. First, the T's commuter rail workforce suffers from productivity problems. That's not a reflection on the quality of the workers, it's because they are subject to archaic and inefficient work rules. Second, the work rules result in a workforce that is larger than would otherwise be necessary. These problems are particularly acute in the mechanical services area. Third, workers here are underpaid compared to their industry colleagues.

In future collective bargaining agreements, I would hope a compromise could be struck under which work rules are reformed and the number of classifications reduced, resulting in a more productive workforce. In return, employees would receive pay raises that would put them on a par with their colleagues from other systems.

If this compromise could be achieved, it would finish the good work begun with this procurement and be in the best interest of riders, taxpayers, and commuter rail employees. Thank you.