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Senate Committee on Ways & Means
State House, Room 212
Boston, MA 02133

Chairman Brian A. Dempsey
House Committee on Ways & Means
State House, Room 243
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Senator Sal N. DiDomenico, Vice-Chair
Senate Committee on Ways & Means
State House, Room 208
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Representative Stephen Kulik, Vice-Chair
House Committee on Ways & Means
State House, Room 238
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Senator Viriato M. deMacedo, Member
Senate Committee on Ways & Means
State House, Room 229
Boston, MA 02133

Representative Todd M. Smola, Member
House Committee on Ways & Means
State House, Room 124
Boston, MA 02133

June 1, 2017

Dear Conferee:

We write to express our strong opposition to the amendment included in the Senate's budget that would undermine the MBTA's three-year exemption from the state law that constrains privatization. During the first two years of the exemption, MBTA management has rigorously analyzed and publicly presented estimated efficiencies gained and budgetary savings from every outsourced proposal for the Fiscal and Management Control Board's approval. These proposals have been a part of discussions with MBTA unions on ways to improve services and are essential in moving the T toward fiscal sustainability.

The amendment is a vast overreach that will require the Legislature to increase state contract assistance to balance the T's operating budget at a time when state revenues are under substantial stress. Since 90 percent of MBTA revenues are statutorily capped – sales tax revenues, local assessments, and fare hikes grow at less than 2 percent per year – the state will be forced to help close MBTA budget shortfalls.

This becomes increasingly difficult to do when the state faces revenue gaps in both FY 2017 and FY 2018 that could exceed \$500 million. In fact, the Senate voted to reduce state assistance to the T's operating budget by \$60 million to \$127 million to help close a sizable state budget gap – action that is undermined by the inclusion of the anti-privatization amendment at issue. It is worth noting that the \$127 million itself is not guaranteed and finding more funds for the T while other accounts are subject to significant reductions will prove to be a daunting task.

Even worse, this amendment would make it nearly impossible for the MBTA to improve its service delivery efficiency, which is critical to the T's turnaround and expected by its ridership.



The amendment also clearly undermines the T's management rights under Chapter 161a of the General Laws.

Furthermore, the Senate amendment could potentially subject contracts that were outsourced prior to the Pacheco waiver, including commuter rail, The RIDE, and janitorial services, to union renegotiations. In other words, this amendment could give the unions control over the outsourcing of any and all MBTA services.

The Senate amendment is both fiscally irresponsible and detrimental to MBTA riders who need a safe, reliable, affordable public transit system. Competitive contracting has proven to be a powerful tool to provide higher quality service while reducing costs. There are numerous recent examples of this.

- The RIDE has piloted the provision of critical paratransit services through ridesharing companies, a change that resulted in the average cost per trip falling from \$46 to less than \$9. High customer satisfaction also resulted in rising demand for the service.
- In February, a private contractor took over the MBTA's warehouse operations with remarkably improved results. Annual costs that were more than \$12 million are now on track to fall to just over \$7 million. In addition, the time it takes to fulfill parts requests has been reduced from an average of more than 68 hours to 10. When parts are ordered by 6:00 pm, the contractor has delivered them by 4:00 the following morning more than 99 percent of the time. Shipment accuracy has also improved dramatically. The more efficient operations save money but also get buses back in operation much more quickly, allowing more vehicles to serve the T's ridership.
- Savings from privatizing the MBTA's money room are even greater on a percentage basis. Annual costs are expected to fall from \$11.8 million to \$3.6 million, a 70% reduction and the time from collection to bank deposit has shrunk by 80% - from more than 120 hours to 24 hours.

In the coming months, the FMCB will decide whether to outsource part of the MBTA's bus maintenance operations. Two independent assessments have pegged annual savings from bus maintenance privatization at 30-40 percent. These two vendor proposals would each cut maintenance spending per revenue hour and per vehicle mile by more than half while still using union mechanics to perform the work. The proposals are in line with national averages for privately operated transit systems and the Commonwealth's Regional Transit Authorities, which outsource bus maintenance. The T should not forfeit these sizeable savings and MBTA commuters should not have to tolerate poor bus performance due to this Senate proposal.

Without the ability to reduce its operational costs, the MBTA will never be able to make the capital investments necessary to improve the system. Going forward, savings and productivity



improvements from outsourcing will facilitate further deficit reduction, service expansion and investments that will improve system reliability and customer service.

We oppose the Senate's language because it impedes the ability of the MBTA to further reduce its operational costs, and the MBTA riders and the regional economy cannot afford to forego them if they want a reliable, financially sound public transit system.

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