



**Massachusetts Bay
Transportation Authority**

Bus Maintenance

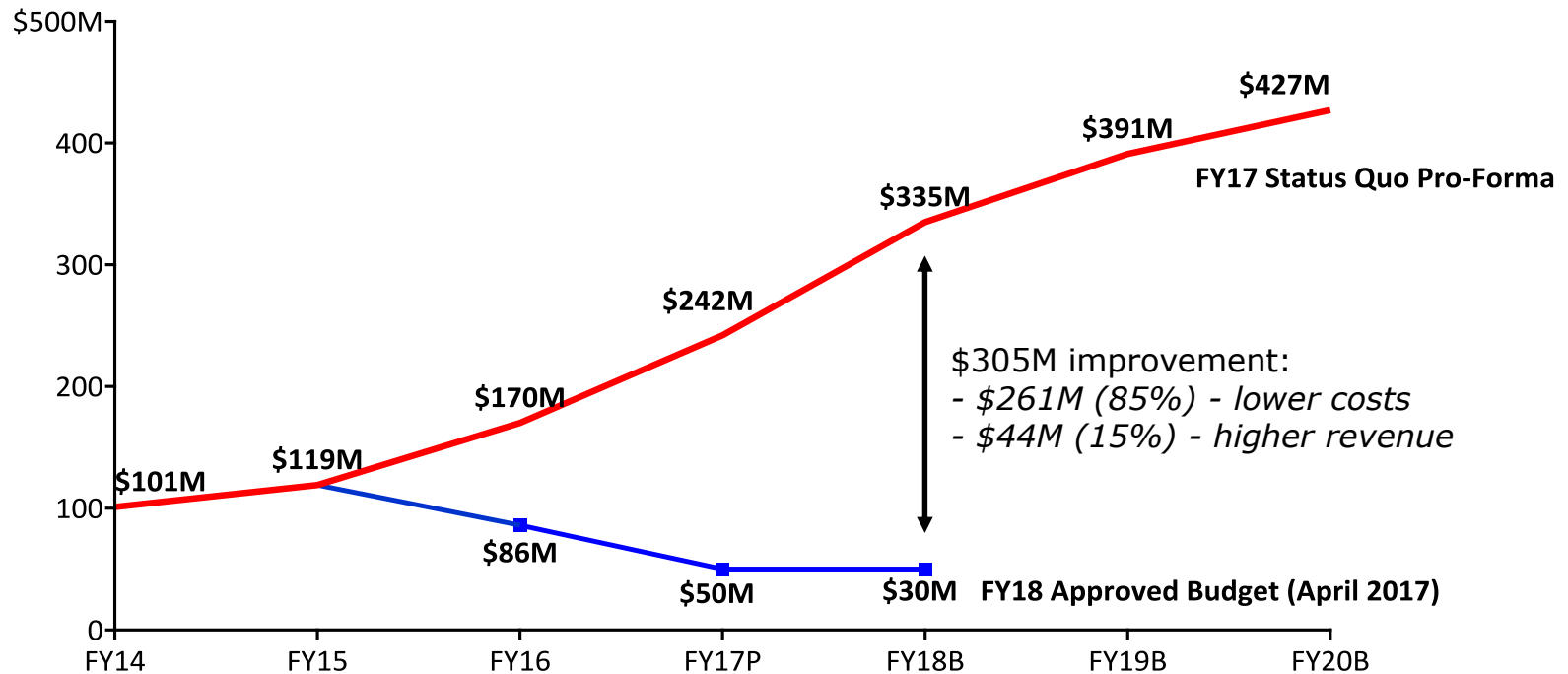
Strategy Update

July 2017



Early results positive: Despite progress, MBTA still faces an operating deficit

Structural deficit



Source: MBTA management in process of recasting FY18-FY20.
Operating Deficit does not include additional state assistance of \$155M in FY16 or \$187M FY17 (forecast)



FY18 Budget Package (April 2017):
Target bus maintenance full-year cash savings of \$21M

PASSED UNANIMOUSLY BY FMCB

(\$ Millions)

		FULL-YEAR RUN-RATE IMPACT	TARGET DATE	ESTIMATED FY18 IMPACT
BASELINE STRUCTURAL DEFICIT		(\$42)		(\$42)
INCLUDED IN FY18 ITEMIZED BUDGET	Hybrid In-Station Customer Service Model	\$6	8/1/2017	\$6
	RFPs for 4 Smaller Garages*	\$11		
	Cabot Garage Efficiency	\$5		\$8
	Everett Bus Shop	\$5		
	Chelsea Silver Line	(\$5)	1/1/2018	(\$3)
	Strategic Operations Hires	(\$7)	7/1/2017	(\$7)
SUBTOTAL - Adjusted Structural Deficit		(\$27)		(\$38)
FY18 DEFICIT SPENDING	The RIDE	\$3	7/1/2017	\$1
	Commuter Rail	\$5		\$5
	CR Revenue Expansion and Advertising	\$4	1/1/2018	\$2
STRUCTURAL DEFICIT		(\$15)		(\$30)
TARGET PAY-GO TRANSFER AS OPEX SAVINGS ACHIEVED				
(\$37M – STRUCTURAL DEFICIT)		\$22		\$7

*RFPs have been revised to include only 3 of the MBTA's 9 bus garages, instead of 4 (now 28% of bus fleet instead of 36%)



Bus maintenance modernization strategy: Hybrid Approach (~75% Modernized Public / ~25% RTA Model)

MODERNIZATION STRATEGY

1) 6 Larger Garages – Modernized Public Model:

Management Actions to Increase Productivity

- Streamline staffing levels, modernize business processes to drive productivity

2) 3 Smaller Garages – RTA Model:

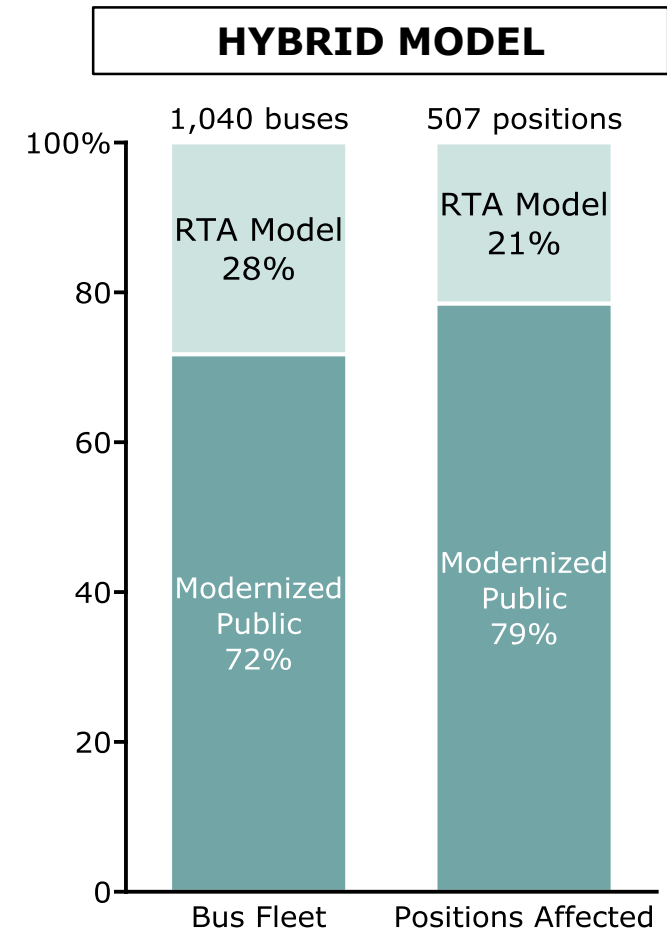
RTA Model with Contracted Maintenance

- Utilize RTA model to partner with best-in-class companies and rapidly modernize operations

A hybrid model would address key goals:

- Operating expense reduction
- Modern work-place practices
- Technology / paperless shop
- Modern supply chain / logistics operations

MAJORITY (~75%) REMAINS PUBLIC MODEL





MBTA has been actively engaged with IAM Local 264 (Machinists)

- MBTA management has had several face-to-face meetings with Local 264 leadership
- MBTA has proposed framework with same principles as 12/19/2016 agreement reached with Boston Carmen's Union Local 589:
 - Acceptance of management actions to drive productivity
 - Protection of some bargaining unit work
 - Reforms to work rules and wages to drive productivity
- Local 264 will remain a valuable partner in the T's effort to provide high quality, cost-efficient bus maintenance



Local 589 12/19/2016 Agreement: Principles of agreement with Boston Carmen's Union

Management Actions – Drive Productivity:

A

- Streamline workforce
- Reduce overtime

Bargaining unit work contracted out to private companies:

B

- Cash handling operations
- Warehousing and logistics
- Bus diversions to support capital program
- In-station customer service agents
- Future lifecycle maintenance programs (new Red / Orange Line cars)

Contract provisions:

Work rule reform:

C

- › 40-hour work week to earn overtime
- › Electronic rostering (end paper-based PICK process)

New hire wage rates:

- 15% discount to current rates / longer progression

Annual wage increases: (ATBs): 0%, 1.5%, 1.5%, 2.5%, 1.5%



Local 264 Proposed Agreement Framework: Same principles as 12/19/2016 agreement with Local 589

Management Actions – Drive Productivity:

A

- Streamline workforce
- Reduce overtime
- Warehouse/logistics supply chain modernization

Bargaining unit work contracted out to private companies:

B

- 3 Smaller Garages
- Elements of Everett Main Repair
- Elements of non-revenue fleet maintenance (sedans/pickups)

Contract provisions:

Work rule reform:

C

- › 10 hour shifts / working supervisors
- › 40-hour work week to earn overtime

New hire wage rates:

- 15% discount to current rates / longer progression

Annual wage increases: (ATBs): 0%, 1.5%, 1.5%, 2.5%, 1.5%



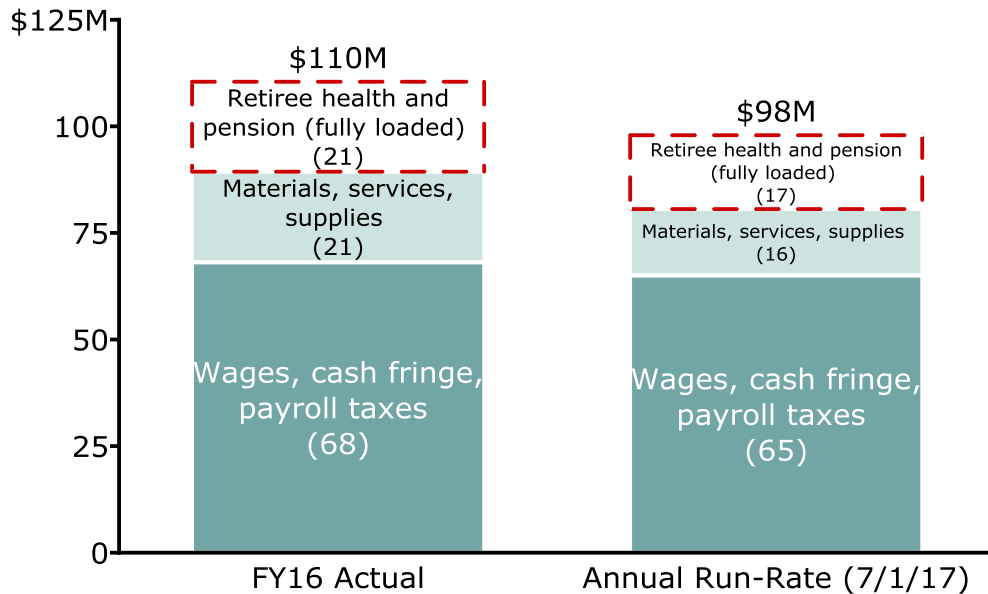
A Management actions (L264/Alliance garages)



**A Management actions to drive productivity:
\$12.5M savings (11% down from FY16 baseline)**

MBTA Bus Maintenance Fully-Loaded Cost (L264/Alliance Garages*)

Fully-Loaded Savings	(\$12.5M)
Cash Savings	(\$8.8M)



MANAGEMENT ACTIONS



- ✓ Streamline workforce with new staffing model *Headcount down 13%*
- ✓ Overtime management *OT down 20%*
- ✓ Supply chain (materials) *Spend down 27%*

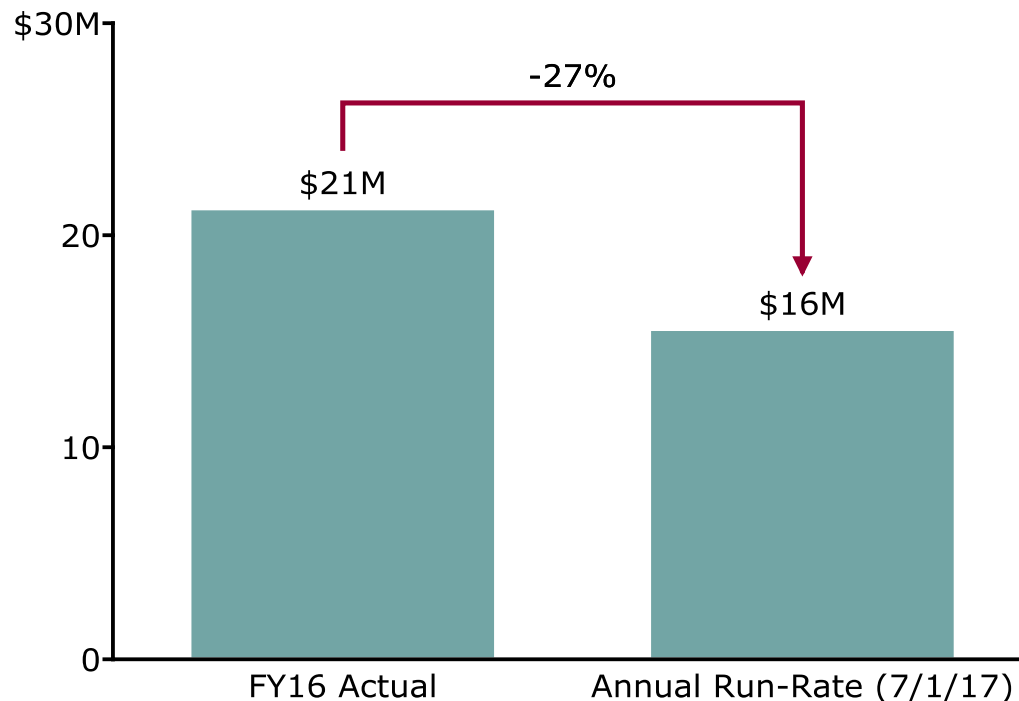
Headcount* 544 473

*Cost and headcount figures do not include areas without L264/Alliance presence (Admin. and No. Cambridge Carhouse); includes Everett Bus Shop and excludes both Non-Revenue Shops and fuel costs; Annual run-rate (7/1/17) figures also include wage costs associated with transfer of employees from capital to operating budget at Everett Bus Shop (\$3.2M regular wages, \$0.5M OT, \$1.8M cash fringe)
Note: "Retiree health and pension (fully loaded)" reflects present value of OPEB/retiree health costs if fully funded, as well as funding pension using a 5.0% discount rate instead of actuarially derived pension fund liability calculation rate of 7.75%



A Management actions to drive productivity: Managing supply chain to lower materials and services costs

Bus Maintenance Materials, Services, and Supplies Cost* (Operating Budget)



SAVINGS DRIVERS

- New warehousing and logistics vendor (Mancon) managing inventory and parts delivery more efficiently and reducing waste
- 1/3 of MBTA bus fleet brand new and under warranty by August '17
- Electronic Purchase Order (P.O.) policy implemented at start of FY17 has eliminated unmonitored spending on cash vouchers

*Excludes fuel costs and subway vehicle cleaning costs

Note: Costs include garages with L264/Alliance presence (excl. N. Cambridge and Admin); includes Everett Bus and excludes Non-Revenue Shops
Source: MBTA Internal Data



A Management actions to drive productivity: **Fellsway Garage – reorganized and efficient inventory management**

Broken MBTA inventory system

- ✗ Disorganized storage
- ✗ No inventory management
- ✗ No standard stocking levels
- ✗ Lack of standard procedures

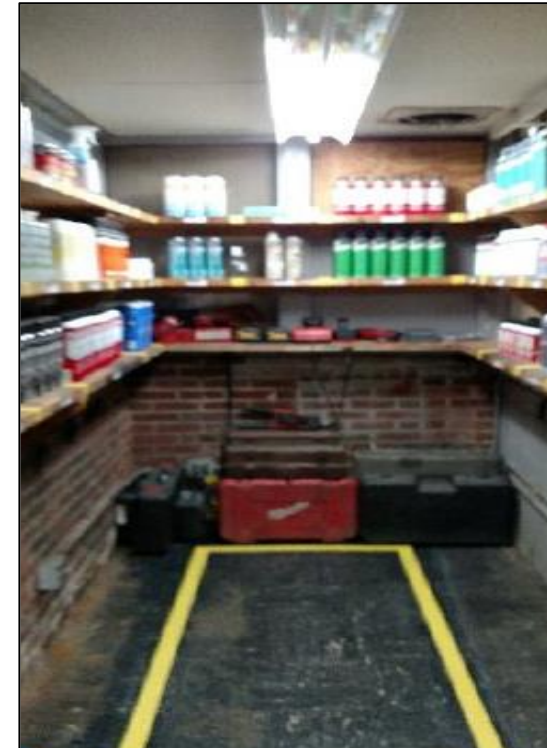
Mancon inventory system

- ✓ Organized storage
- ✓ Accurate inventory mgmt.
- ✓ Optimized stocking levels
- ✓ Standard procedures

Before



After

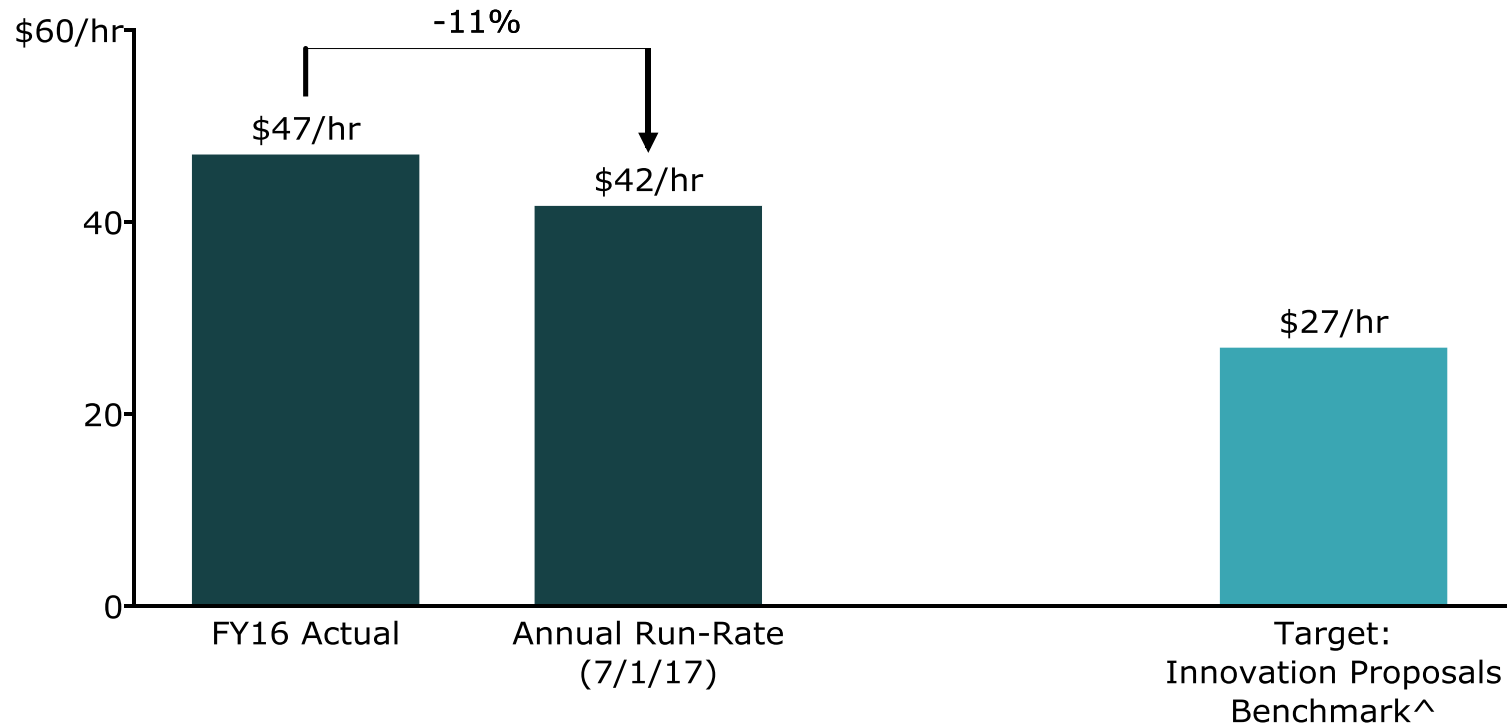


Better inventory management improves part retrieval time and maintenance efficiency



A Maintenance cost per revenue hour after management actions applied to all L264/Alliance garages is \$42

Bus Maintenance Fully-Loaded Cost per Revenue Hour (L264/Alliance Garages*)



*Cost figures do not include areas without L264/Alliance presence (Admin. and No. Cambridge Carhouse); includes Everett Bus Shop and excludes both Non-Revenue Shops and fuel costs; Annual run-rate (7/1/17) figures also include wage costs associated with transfer of employees from capital to operating budget at Everett Bus Shop (\$3.2M regular wages, \$0.5M OT, \$1.8M cash fringe)

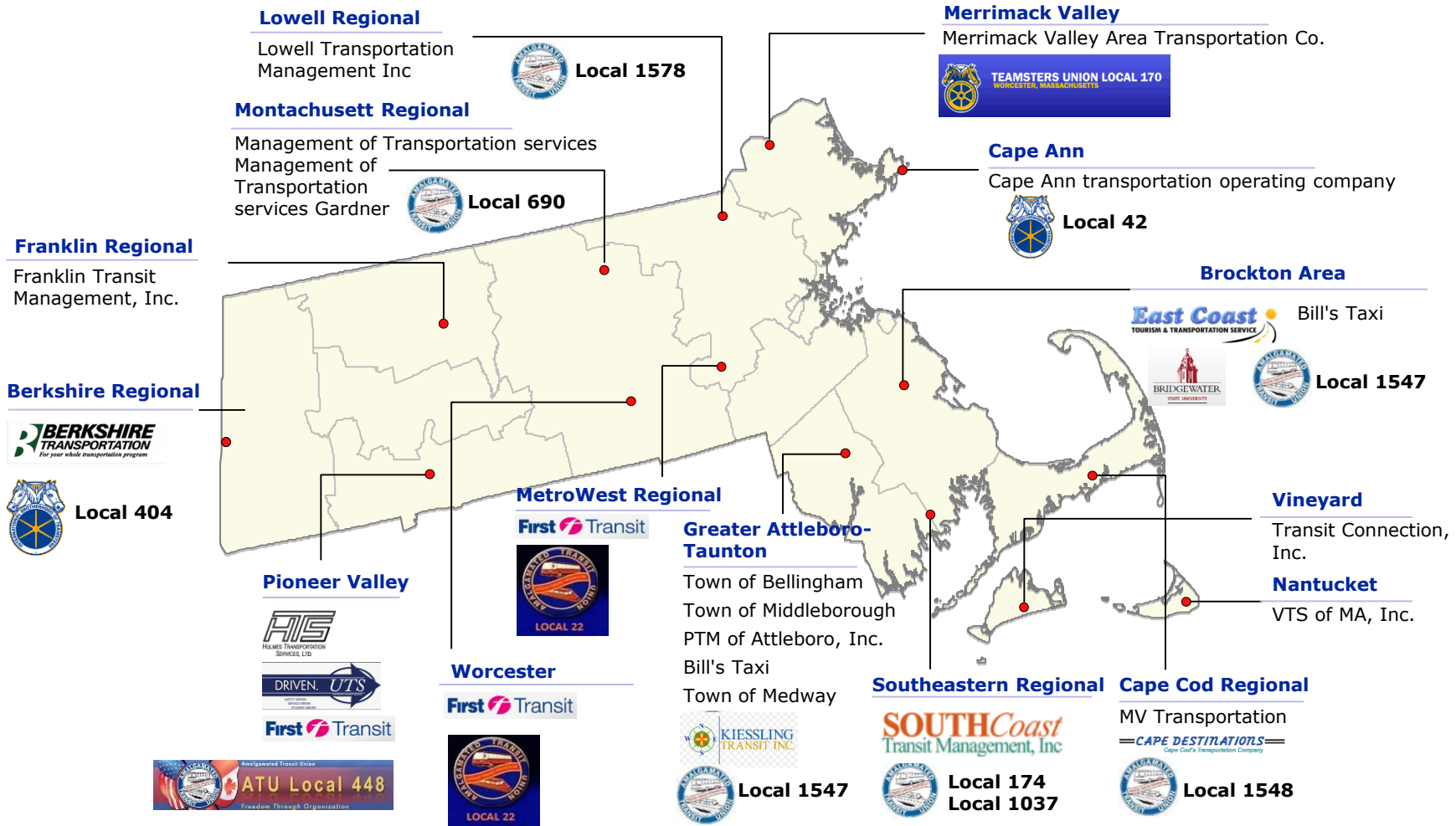
^Based on average of innovation proposals received in March of 2017 from First Transit and TransDev to operate maintenance at Arborway and Quincy garages
Note: Includes fully loaded retiree health and pension costs



B 3 Smaller Garages: Adopt RTA Model



B Massachusetts RTA Model: Non-union management supervising union mechanics



Source: 2015 NTD contractor database; all MA RTAs reporting to NTD are included

Draft for Discussion & Policy Purposes Only



B Industry partnership via RTA model accelerates modernization of business process and technology



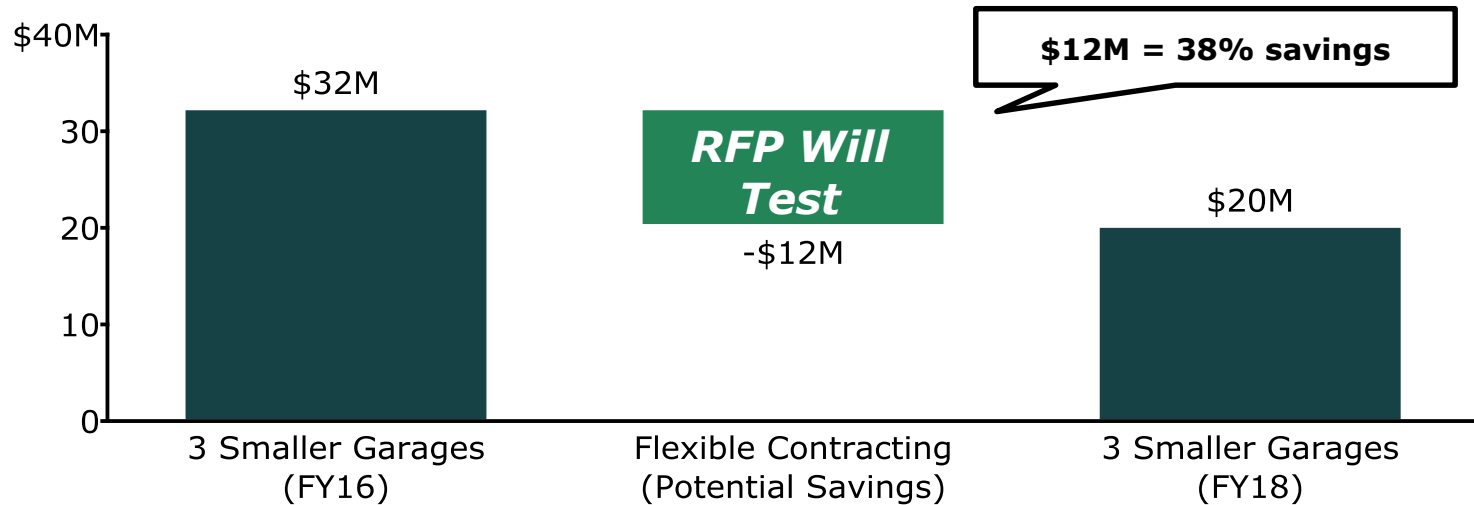
MASSACHUSETTS RTA MODEL

LEADERSHIP	<ul style="list-style-type: none">• Best in class management team with national support• Working supervisors driving productivity• Rigorous financial and operational KPIs	<ul style="list-style-type: none">✓✓✓
PRODUCTIVITY	<ul style="list-style-type: none">• Standardized business process / SRTs for 100% tasks• Contractor bears financial risk for performance• Streamlined staffing / supervisory model• Rigorous performance management based on SRTs	<ul style="list-style-type: none">✓✓✓✓
TECHNOLOGY	<ul style="list-style-type: none">• Paperless shop technology for maintenance mgmt.• Integration with enterprise systems	<ul style="list-style-type: none">✓✓
SUPPLY CHAIN	<ul style="list-style-type: none">• Subcontract heavy component rebuilds (engine/transmission) to OEM or 3rd party specialist• Leverage national scale to drive best pricing• Warranty coverage on all component rebuilds	<ul style="list-style-type: none">✓✓✓



**B Test market with RFPs for 3 Smaller Garages;
Innovation proposals indicated 30-40% savings**

**MBTA Bus Maintenance Cost
(3 Smaller Garages*)**



ACCOMMODATIONS FOR IMPACTED EMPLOYEES:

- RFP requires first hiring preference for impacted MBTA machinists
- Bidders must provide price proposals with the option for a defined benefit (pension) plan
- Impacted fuelers will be offered positions as bus operators as they become available

*3 smaller garages include Arborway, Quincy, and Lynn; does not include fuel or admin. costs
Source: MBTA Internal Data



Contract provisions

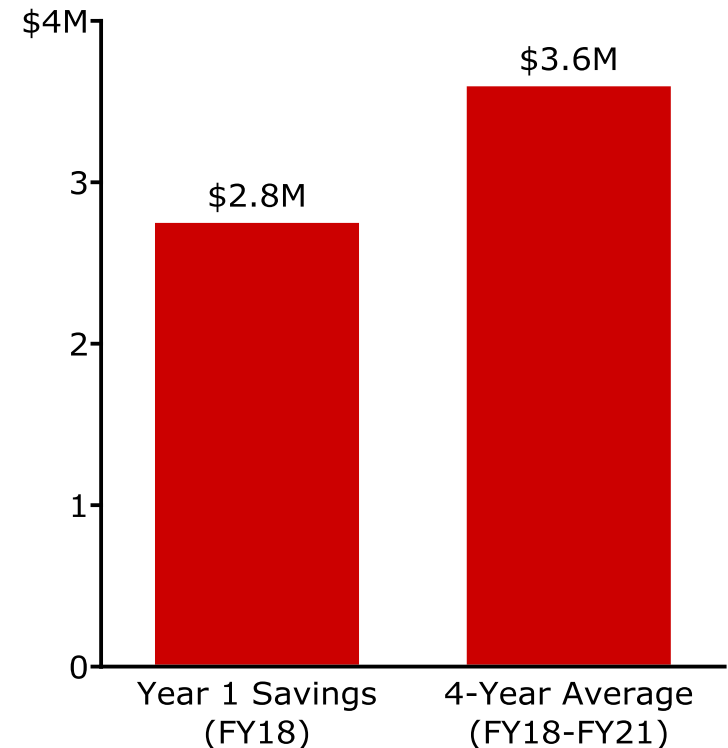


C L264 collective bargaining provisions – Potential savings

Proposed Contract Revisions:

- **Work rule reform:**
 - 10 hour shifts / working supervisors
 - 40-hour work week to earn overtime
- **New hire wage rates:**
 - 15% discount to current rates / longer progression
- **Annual wage increases:**
 - 7/17 – 0.0%
 - 7/18 – 1.5%
 - 7/19 – 1.5%
 - 6/20 – 2.5%
 - 12/20 – 1.5%

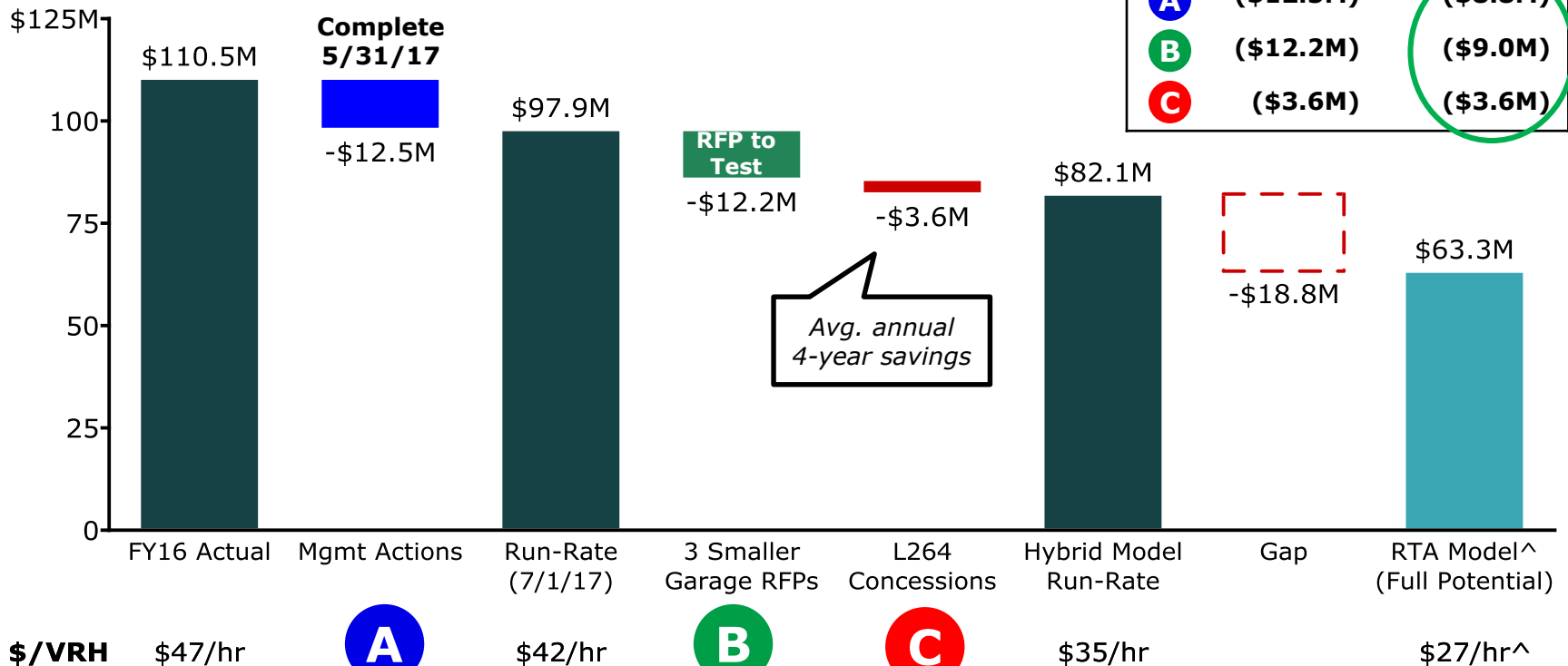
Potential Savings (Hybrid Model - Remaining Workforce)





Mgmt productivity actions + RTA model + reformed labor contract could generate \$21M+ in annual run-rate savings

MBTA Bus Maintenance Cost (L264/Alliance Garages*)



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