



**Massachusetts Bay  
Transportation Authority**

# Commuter Rail Contract Extension

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Fiscal and Management Control Board

June 15, 2020

# Overview

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- MBTA Objectives
- Timeline for Negotiations
- Commuter Rail Management & Contract Options
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- Sense of the Market
- Benefits of Extension Proposal
- Reducing Fare Evasion and Non-collection
- Proposed Extension – Elements and Term
- Proposed Extension – MBTA Costs and Pro Forma
- Planning for Transformational Contract
- Recap of Objectives



# MBTA Objectives for Contract Extension

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- Incentivize better service now
- Address fare evasion/non-collection
- Invest in MBTA railroad infrastructure and assets
- Resolve contract discrepancies
- Time to develop transformational contract
- Cost certainty in a challenging market



# Timeline of Extension Negotiations

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- April 17 – MBTA and KCS began formal contract extension discussions
- April 21–May 22 – Teams meet twice weekly to discuss possible contract terms; subgroups also meet separately to do deep dives into issues like performance incentives, capital investment, mechanical parts, inflation rates, etc.
- May 22-June 9 – MBTA and KCS teams exchange proposals and counter-proposals
- June 10-12 – MBTA best and final offer (BAFO) finalized and sent to KCS
- June 15 – FMCB vote



# Commuter Rail Management & Contract Options

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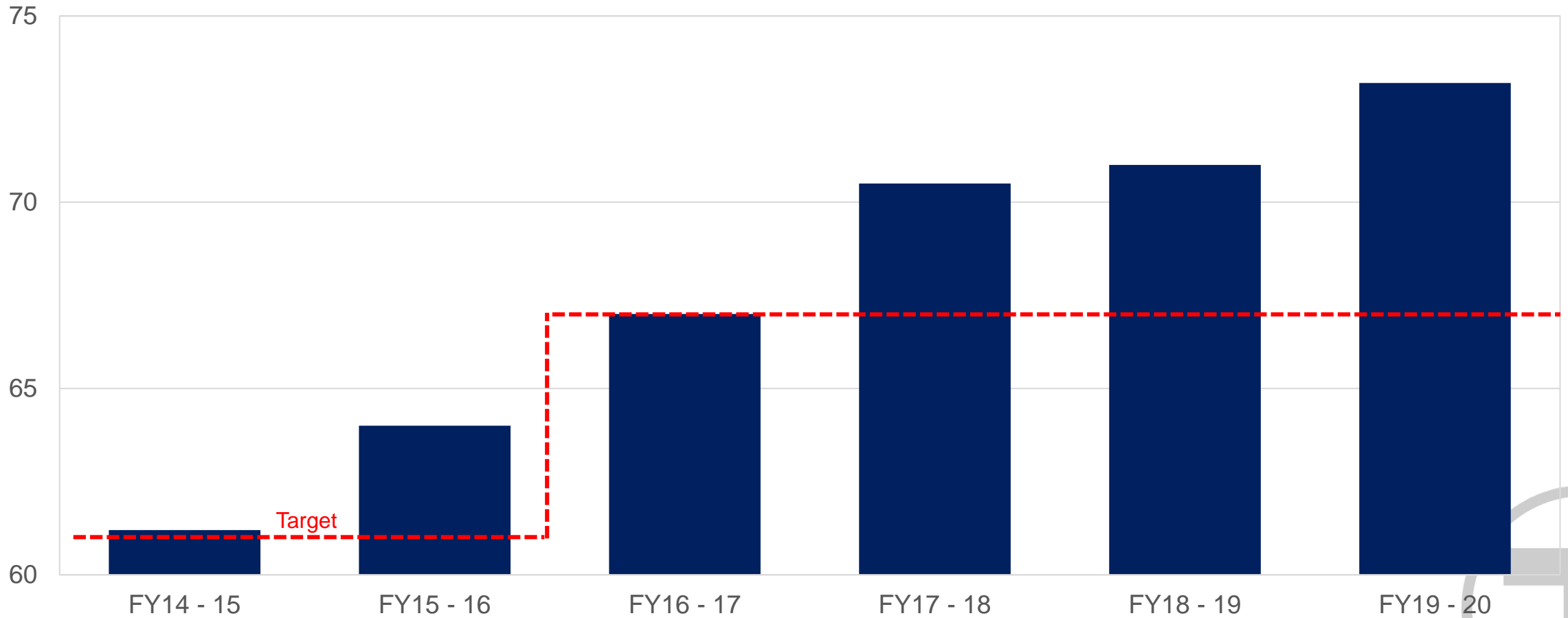
- **Contract with Amtrak:**
  - It has been suggested that MBTA could award commuter rail contract to Amtrak as a sole source procurement.
  - Not a viable option; would still require a competitive procurement
- **Insource Commuter Rail (Operate In-house):**
  - Raises numerous complex issues relative to labor contracts, liability, etc. that have never been adequately addressed and may require legislation
- **New RFP (Out to Bid in the Market):**
  - Significant risk of substantial cost increase in this environment
  - Risk of limited competition, i.e., few or no bidders
  - Risk of disengaged incumbent operator, resulting in degradation of service
- **Extend Keolis Contract:**
  - 2 two-year mutual options are part of the base contract
  - Eliminates risks of costly bid in challenging market
  - Incentivizes better performance immediately



# KCS Performance: Fleet Availability Improvements

Locomotive availability is at its highest level ever, with an average of 12 more locomotives available per day in FY19-20 vs. FY14-15

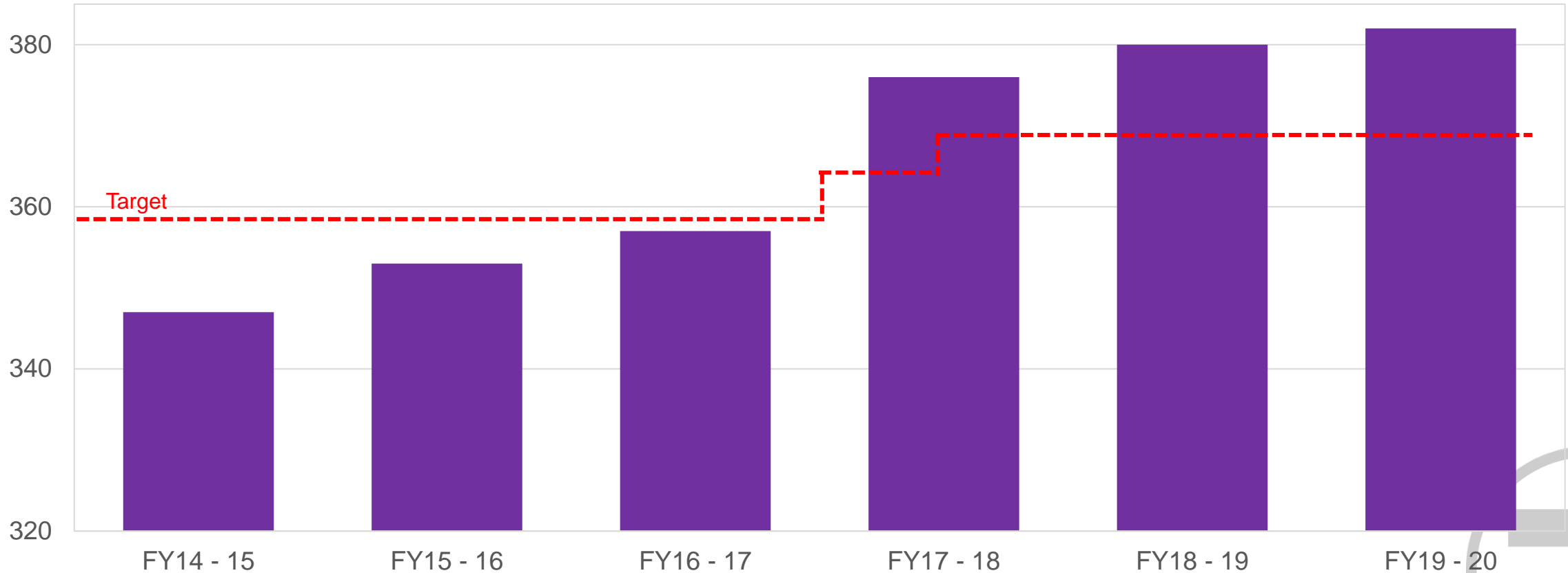
Average Weekday Locomotive Availability



# KCS Performance: Coach Availability

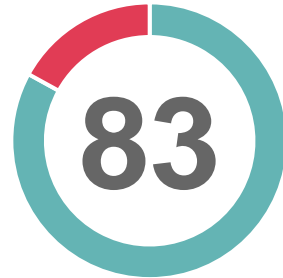
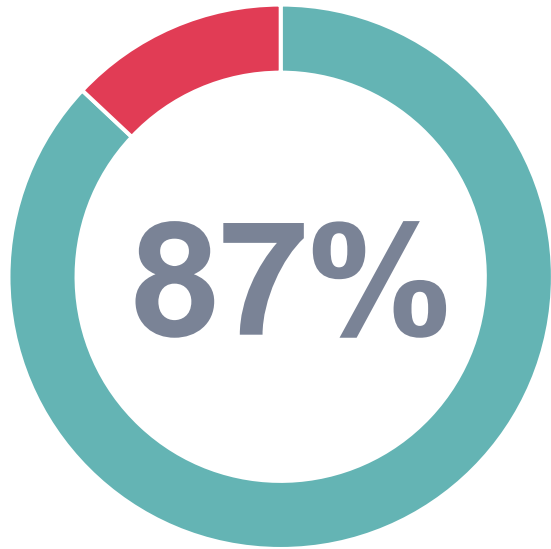
Commuter Rail has an average of 35 more coaches available per day in FY19-20 vs. FY14-15

Average Weekday Coach Availability

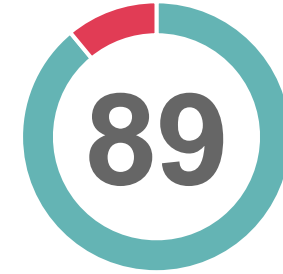


# KCS Performance: Actual OTP

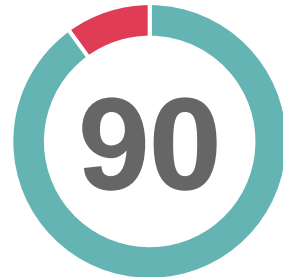
## 10 Year Average OTP within 5 minutes



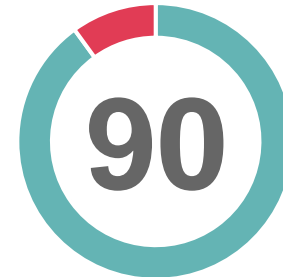
FY14-15



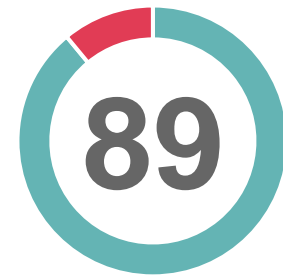
FY17-18



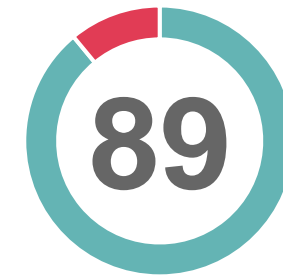
FY15-16



FY18-19



FY16-17



FY19-20

Q1 2020 OTP was the highest in contract history at 92.4%

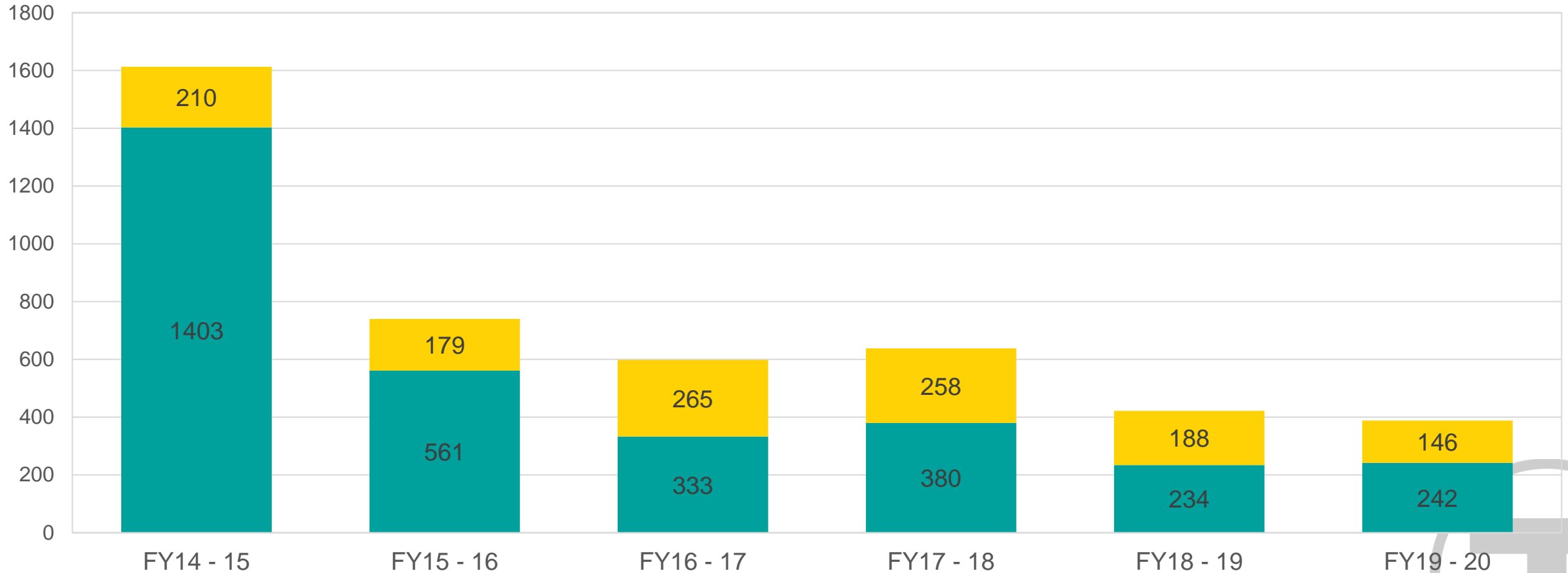




# KCS Performance: Cancellations and Terminations

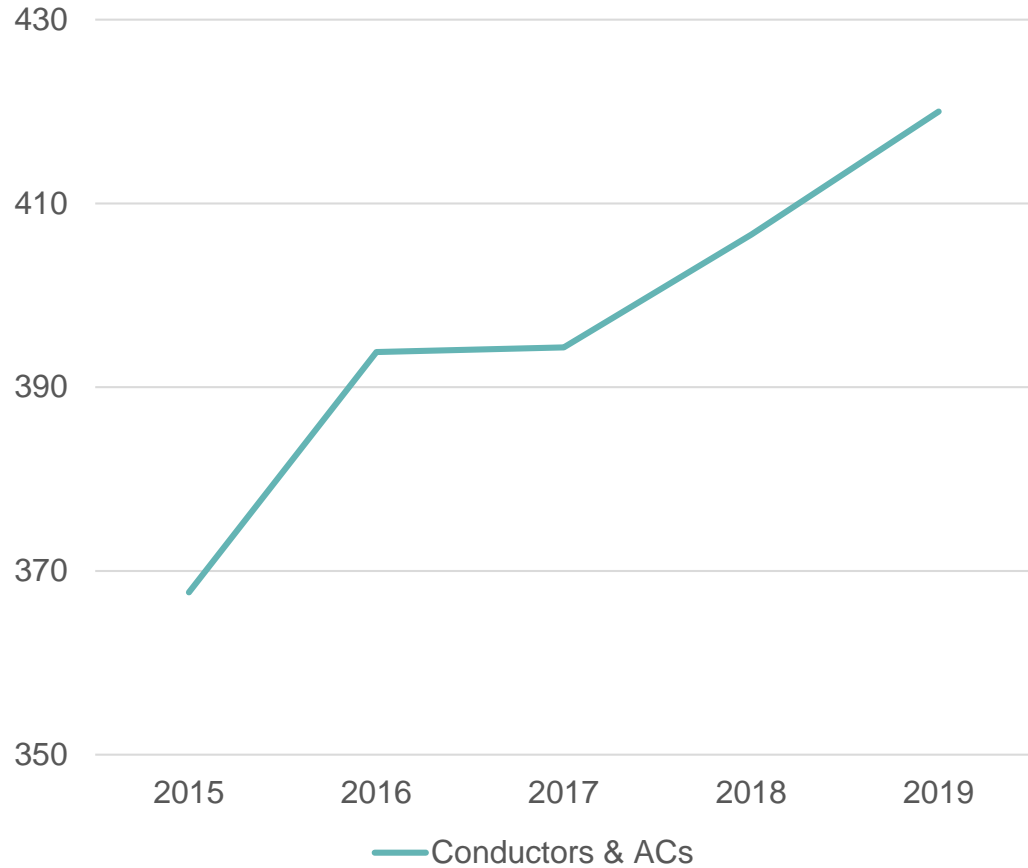
Cancellations and terminations have decreased significantly in the past two years of the contract.

Yearly Cancellations and Terminations

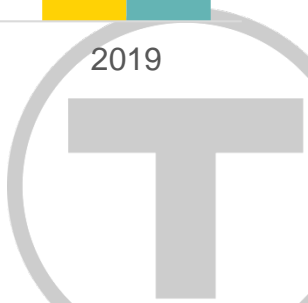
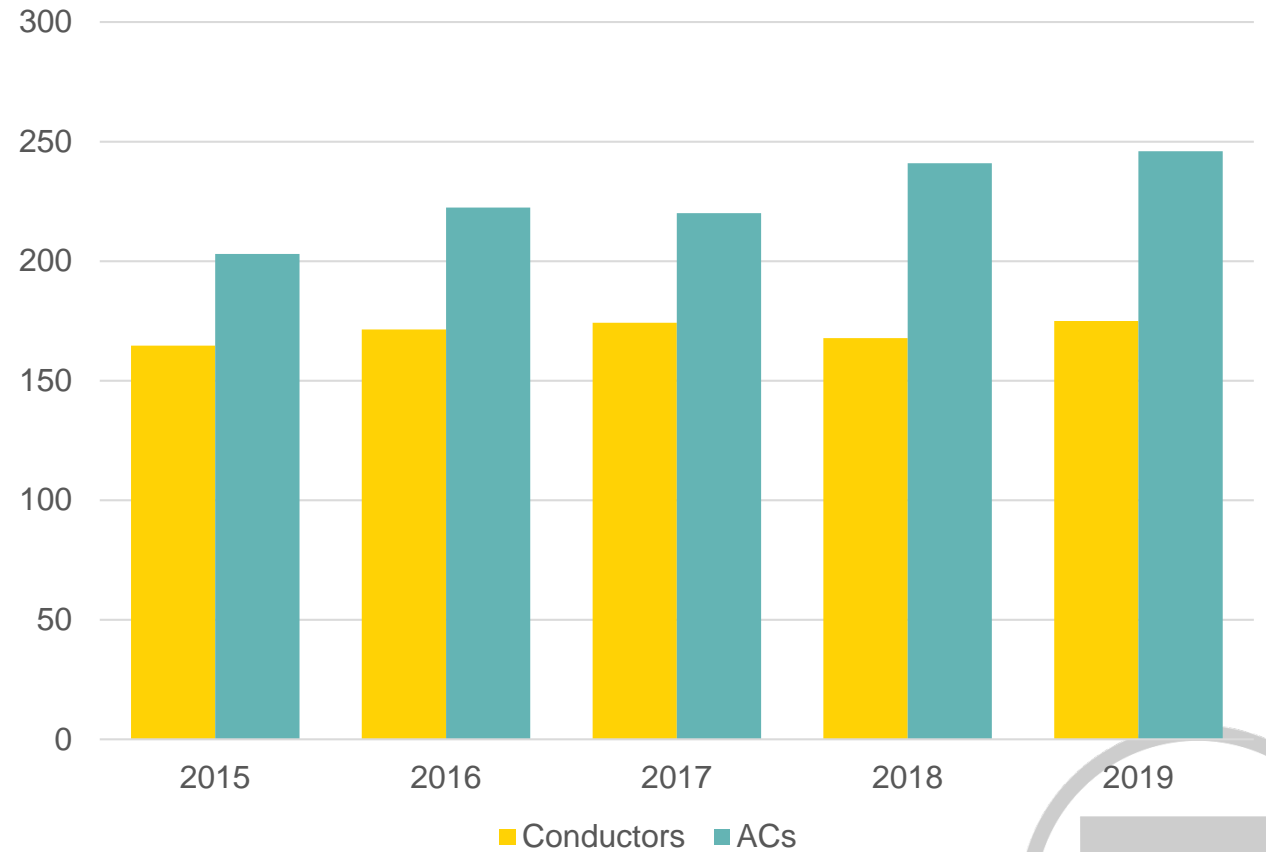


# KCS Performance: Conductor & AC Headcount

Combined AC and Conductor Headcount  
(Average end of month position, actives only)



Headcount Breakdown  
(Average end of month position, actives only)



# Current market conditions are poor for a re-procurement

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- Bidders have expressed concern with size/scope of the existing Commuter Rail contract;
- Public reporting in Toronto suggests the Metrolinx bid is at risk given the bidding community's issues with nature of the proposed contracts
- The global COVID-19 pandemic has created uncertainty about the market, the economy, and consumer behavior
- We currently can't predict when or if ridership will return, or what the “new normal” levels of ridership might be in the future.
- MBTA consultant team has expressed concern about whether the bidding community would bid and/or if they would substantially increase their price proposals given uncertain environment



# LA is an example of why it's a bad time to re-procure

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- In June 2019, LA Metrolink released its RFP for a bundled contract for Rail Operations & Maintenance Services
- Bids came in much higher than expected
- Top ranked price proposal was 10% higher than forecasted/budgeted
- ICE was consistent with final price proposal
- Price factors included:
  - Known CBA/Union rate increases,
  - Materials procurement and inventory,
  - Light duty vehicles,
  - Accountability and incentives,
  - Replacement of worn-out vehicles and equipment,
  - Deferred technology upgrades, e.g., asset management system, employee tablets.
- Contractor's rate of O&M cost growth was 4.8%, and forecasted rate of revenue growth was 3%, creating a budget gap widening over time.
- RFP cancelled in March 2020



# Benefits of Contract Extension Proposal

- **Incentivizes Better Service Now:** Incentive regimes for **OTP, train crew staffing, and seating capacity** designed to achieve service outcomes and promote continuous improvement
- **Addresses Fare Evasion:** The continuation of the **Revenue Share Agreement** includes installation of automated fare gates, which will significantly **reduce ticketless travel**. And the **train crew staffing incentive** will result in **additional conductors** onboard trains to **check tickets** and **prevent “short-zoning”**
- **Capital Investment:** Incentivizes accelerated capital investment in commuter rail infrastructure, including early **“no-regrets” investments** in Rail Transformation. (*The proposal also includes funding mechanisms for a dedicated capital workforce.*)
- **Cost Certainty:** MBTA will pay less than current market price for this contract, particularly with the uncertainty of the current environment.
- **Flexibility:** MBTA can move to a **transformational contract** in 2025, if ready to **re-procure sooner**
- **Avoids Disruptive Transition:** A re-procurement now likely means a reduction in **quality of service** and **worsening of relationship** with incumbent, followed by an **uncertain multi-year transition** to a new operator.



# Better Service Now through Performance Incentives

- MBTA proposal includes a new **incentive regime** designed to improve performance and customer experience in three areas: **Line-by-Line On Time Performance (OTP), Peak Seating Capacity, and Train Crew Staffing**
- **Line-by-Line OTP** incentives paid for monthly adjusted OTP, by line, above 92.5%, 94%, and 98%. (See chart for details)
- **Train Crew** incentives paid only for peak trains with additional ACs **above the required staffing**; replaces current PI for \$1.5M annually
- **Peak Seating** (train consist) incentives paid only for peak trains with **additional seating above the KCS planned consist**.
- Estimated financial exposure to MBTA and possible upside to KCS of \$5M annually, **starting in July 2020**

Line	Adjusted OTP (Monthly)		
	Low Range	Mid-Range	High Range
<b>Percent Range</b>	<b>92.5%</b>	<b>94%</b>	<b>98%</b>
Franklin	\$20,000	\$40,000	\$60,000
Providence	\$20,000	\$40,000	\$60,000
Worcester	\$30,000	\$60,000	\$70,000
Fitchburg	\$15,000	\$30,000	\$40,000
Haverhill	\$7,500	\$15,000	\$20,000
Lowell	\$5,000	\$10,000	\$20,000
Newburyport	\$15,000	\$30,000	\$40,000
Stoughton	\$10,000	\$20,000	\$30,000
Kingston/Plymouth	\$5,000	\$10,000	\$20,000
Foxboro	\$2,500	\$5,000	\$10,000
Middleboro	\$7,500	\$15,000	\$30,000
Needham	\$10,000	\$20,000	\$30,000
Rockport	\$2,500	\$5,000	\$10,000
Fairmount	\$2,500	\$5,000	\$10,000
Greenbush	\$2,500	\$5,000	\$10,000

# Investment in Railroad Infrastructure and Assets

## Incentivize Delivery of Capital Improvements

- The MBTA's FY20-24 CIP includes a pipeline of capital infrastructure projects the CR operator could **accelerate and deliver** by 2024, resulting in **reliability improvements** and **modernization of the network**.
- KCS is currently performing >\$120M in railroad capital work, and the MBTA's proposal assumes the operator would receive and perform a minimum of \$100M in capital work per year.
- The MBTA's extension proposal includes a General and Administrative Expense (G&A) fee of 6% on all capital projects performed by the CR operator.
- The G&A fees will fund an increased management team solely **dedicated to supporting and accelerating delivery** of the commuter rail CIP and early **implementation of Rail Transformation** "no-regrets" investments.
- **Customer benefits include improved network and operational reliability through increased efficiency of delivering capital projects.**



# Reducing Fare Evasion and Non-collection

- Fare evasion is a significant issue for ridership and stakeholders
- Number of recent initiatives (e.g., ticket checks at key stations, accepting credit cards on board) have resulted in increased fare collection
- Extending the Revenue Share Agreement to install gates at key stations and incentivizing additional conductors onboard trains will further enhance fare collection and prevent “short-zoning”

Fare Collection Initiative	Benefit	Contract Mechanism	Status	Current Contract?	Extension?
<b>Conductor Handheld Devices</b>	Onboard sales (cash or card); Validate mTickets	Revenue Share Agreement	Currently in use	Yes	Yes
<b>Ticket Verification Agents at Boston Terminal Stations</b>	Reduces ticketless travel from terminal stations	Revenue Share Agreement	Currently in use	Yes	Yes
<b>Fare Gates at Boston Terminal Stations</b>	Requires ticketed travel to or from terminal stations	Revenue Share Agreement	In process	Yes	Yes
<b>More Conductors Onboard Trains</b>	Reduces ticketless travel and “short-zoning”	Train Crew Staffing Incentive	Proposed	No	Yes





# Extension of Revenue Share Agreement

- The Revenue Growth Service Change Agreement (Revenue Share Agreement) is **set to expire** on June 30, 2022.
- The Agreement reimburses KCS, through a revenue sharing mechanism, for a variety of revenue generation activities, including the **construction and staffing of fare gates** at Boston terminal stations.
- Since July 2017 Keolis and MBTA have launched a series of initiatives to **increase CR revenue**, including **handheld devices** for onboard sales, **ticket verification staff** at terminal stations, and the **\$10 weekend pass**.
- Ridership and revenue data for 2017-2020 indicate that **fare revenue increased significantly**, we believe partially as a result of the activities funded by the Revenue Share Agreement.
- Once installed, the fare gates at North, South, and Back Bay Stations will **reduce ticketless travel** to a minimum. (International industry standard is about 3% fare revenue “leakage”)
  - The fare gates will be bi-directional—passengers will need a **valid ticket to enter or exit**
  - Around **90% of commuter rail journeys** pass through the three Boston hub stations
  - Conductors will still be required to **check fares onboard** trains to **prevent “short-zoning”**
- The draft MBTA proposal includes an **extension of the Revenue Share Agreement** through CY 12.



# Increased Fleet Reliability: Management of Mechanical Parts

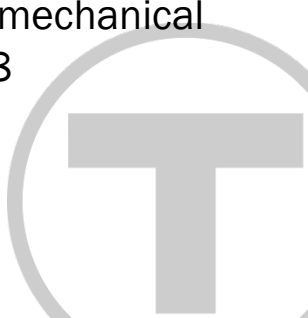
## Customer Benefits:

- Allows MBTA to overstock key high-value capital spares to **invest in the reliability** and robustness of the current fleet
- More **robust spare supply** of long-lead-time items
- **Reduces risk** of supply chain availability and delivery issues
- Accelerates **response and recovery time** for failures in service
- **Improves reliability** of aging fleet – buying time for implementation of MBTA fleet replacement program
- Results in **increased locomotive and coach availability**

## How It Works:

- The **costs** of mechanical parts to support the rolling stock fleet would be a pass-through expense to MBTA
- MBTA to own all mechanical parts
- Consistent with the treatment of mechanical parts in some peer systems, including Virginia Railway Express (VRE) and LA’s Metrolink
- Contractual fixed fee would be reduced by ~\$15M per year to account for MBTA taking on these costs.
- Establishes cost-benefit-sharing mechanisms to incentivize all parties to optimize maintenance activities to reduce operational costs.
- MBTA Final Proposal includes the mechanical parts pass-through starting in CY 8

	CY7	CY8	CY9	CY10	CY11	CY12
	FY21	FY22	FY23	FY24	FY25	FY26
Mechanical Parts - OpEx	\$ -	\$ 17,000,000	\$ 15,200,000	\$ 18,100,000	\$ 17,900,000	\$ 17,900,000
Mechanical Parts - Fixed Price Reduction	\$ -	\$(15,000,000)	\$(15,200,000)	\$(15,500,000)	\$(15,800,000)	\$(16,100,000)
<b>Net Increase to Operating</b>	<b>\$ -</b>	<b>\$ 2,000,000</b>	<b>\$ -</b>	<b>\$ 2,600,000</b>	<b>\$ 2,100,000</b>	<b>\$ 1,800,000</b>
Mechanical Parts - CapEx	\$ -	\$ 11,200,000	\$ 10,000,000	\$ 12,000,000	\$ 14,100,000	\$ 13,800,000
<b>Total Net Increase</b>	<b>\$ -</b>	<b>\$ 13,200,000</b>	<b>\$ 10,000,000</b>	<b>\$ 14,600,000</b>	<b>\$ 16,200,000</b>	<b>\$ 15,600,000</b>



# Inflation Rate for Contractual Cost Growth

- Contractual inflation not keeping up with actual industry inflation on labor and materials costs
- The base contract is inflating at 2.15% annually, per Schedule 7.1 of the Operating Agreement.
- Actual railroad labor and materials costs are inflating at ~3.5% annually.
- As a result there is a growing gap between operating and maintenance costs and the annual fee paid to KCS for CY7 and beyond.
- Some peer systems, including Metrolink, use the American Association of Railroads (AAR) index, which was 3.45% for 2019.
- Draft MBTA final proposal uses 3.5% in CY7-8 and 3% in CY9-10 (see chart), and the 4-year option uses 2.5% for CY11-12)

	CY7 FY21	CY8 FY22	CY9 FY23	CY10 FY24	CY11 FY25	CY12 FY26
<b>Base Contract</b>						
Inflation Rate	2.15%	2.15%	2.15%	2.15%	2.15%	2.15%
Fixed Price	\$ 341,899,367	\$ 349,235,402	\$ 356,736,526	\$ 364,398,763	\$ 372,233,337	\$ 380,236,354
Service Changes	\$ 30,807,983	\$ 31,470,354	\$ 32,146,967	\$ 32,838,127	\$ 33,544,146	\$ 34,265,346
<b>Total</b>	<b>\$ 372,707,350</b>	<b>\$ 380,705,757</b>	<b>\$ 388,883,493</b>	<b>\$ 397,236,890</b>	<b>\$ 405,777,483</b>	<b>\$ 414,501,699</b>

	CY7 FY21	CY8 FY22	CY9 FY23	CY10 FY24	CY11 FY25	CY12 FY26
<b>MBTA Proposal</b>						
Inflation Rate	3.5%	3.5%	3.0%	3.0%	2.5%	2.5%
Fixed Price	\$ 346,858,545	\$ 358,998,594	\$ 369,768,552	\$ 380,861,609	\$ 390,383,149	\$ 400,142,728
Service Changes	\$ 31,122,792	\$ 32,212,089	\$ 33,178,452	\$ 34,173,805	\$ 35,028,151	\$ 35,903,854
<b>Total</b>	<b>\$ 377,981,337</b>	<b>\$ 391,210,684</b>	<b>\$ 402,947,004</b>	<b>\$ 415,035,414</b>	<b>\$ 425,411,300</b>	<b>\$ 436,046,582</b>

<b>Increase to Operating</b>	<b>\$ 5,273,987</b>	<b>\$ 10,504,927</b>	<b>\$ 14,063,511</b>	<b>\$ 17,798,524</b>	<b>\$ 19,633,816</b>	<b>\$ 21,544,883</b>
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# Cost Neutral Contract Changes

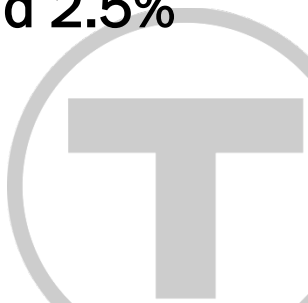
- **End-of-Term Employee Entitlements:** Successor operator will be financially accountable for cost of post-retirement benefits and vacation entitlements of union and salaried staff at end of current operating agreement.
- **Shared Administrative Services:** KCS and its parent company, Keolis in North America (KNA) will implement a shared services model to maximize the efficient provision of certain administrative and support services (specifically excludes Transportation, Engineering, and Mechanical roles).
- **Ticket Office Hours:** Reduce ticket office hours and staffing to align with customer demand.
- **Locomotive Fuel Incentive:** Starting in CY 8, incentivize operator to engage in locomotive operating behaviors aimed at reducing fuel consumption, with savings shared between KCS and MBTA. (Cost neutral – funded by Fuel Incentive)
- **Amendment to Financial Covenant:** Beginning with 6/30/20 test date, satisfaction of Covenant by placing \$20M in escrow for duration of term. (\$20M represents 4% of average annual Operating Costs, consistent with the “lock-up period” amount contemplated by Schedule 13 of the Operating Agreement.)



# Extension Proposal - Elements

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- **Four-year extension** of operating agreement for contract years 9-12
- **Service improvements** in OTP, train crew staffing, and peak seating capacity through **Performance Incentives** worth a potential total of \$5M in CYs 7-12
- **Increase fleet availability and reliability** through improved management of **Mechanical Parts** in CYs 8-12
- **Incentivize delivery of capital improvements** through **General and administrative expense (G&A) fee of 6%** on new Supplemental Work for CYs 7-12
- **Increase revenue growth** and **address fare evasion** and non-collection through **Extension of Revenue Share Agreement** for CYs 9-12
- **Adjust contractual cost growth rate** to reflect current railroad industry relevant cost increases through adoption of **3.5% Inflation Rate for CYs 7-8, 3.0% for CYs 9-10, and 2.5% for CYs 11-12**
- **Cost Neutral Contract Amendments**



# Extension Term

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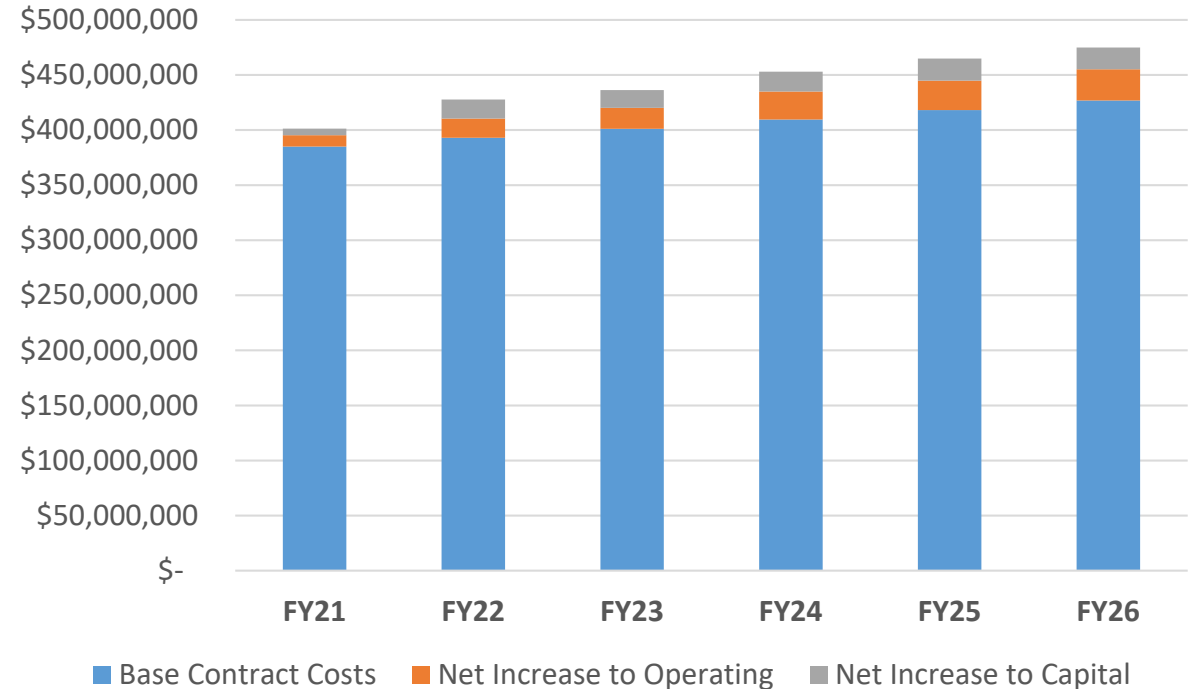
- **4-year extension** through June 30, 2026, per Schedule 16 of the Operating Agreement, with MBTA **option to terminate after 3 years**
- Key cost driver (i.e., inflation rate) reduces every two years, which provides **certainty and cost control** in this challenging environment
- Provides **flexibility** given the unknowns of **ridership, revenue, fiscal constraints**, and the challenges of **procuring a fundamentally new contract**.
- **Gives MBTA time** to see **what levels of service** we want in the future and to properly **develop a new contract**, but with a mechanism to shorten that time as well



# MBTA Extension Proposal (4-Year Option With Opt-Out)

- MBTA draft proposal includes:
  - Performance incentives worth \$5M in CYs 7-12
  - G&A fee of 6% on Supplemental Work for CYs 7-12
  - Mechanical parts, worth \$10M-\$15M in CYs 8-12
  - Inflation rate of 3.5% in CYs 7-8; 3% in CYs 9-10; and 2.5% in CYs 11-12
  - Extension of Revenue Share Agreement for CYs 9-12
  - Cost neutral contract amendments

Commuter Rail Base Contract - Proposed Costs CY7-12



	CY7	CY8	CY9	CY10	CY11	CY12
	FY21	FY22	FY23	FY24	FY25	FY26
MBTA Net Increase to Operating	\$ 10,273,987	\$ 17,504,927	\$ 19,063,511	\$ 25,398,524	\$ 26,733,816	\$ 28,344,883
MBTA Net Increase to Capital*	\$ 6,000,000	\$ 17,200,000	\$ 16,000,000	\$ 18,000,000	\$ 20,100,000	\$ 19,800,000
<b>MBTA Total Net New Cost</b>	<b>\$ 16,273,987</b>	<b>\$ 34,704,927</b>	<b>\$ 35,063,511</b>	<b>\$ 43,398,524</b>	<b>\$ 46,833,816</b>	<b>\$ 48,144,883</b>

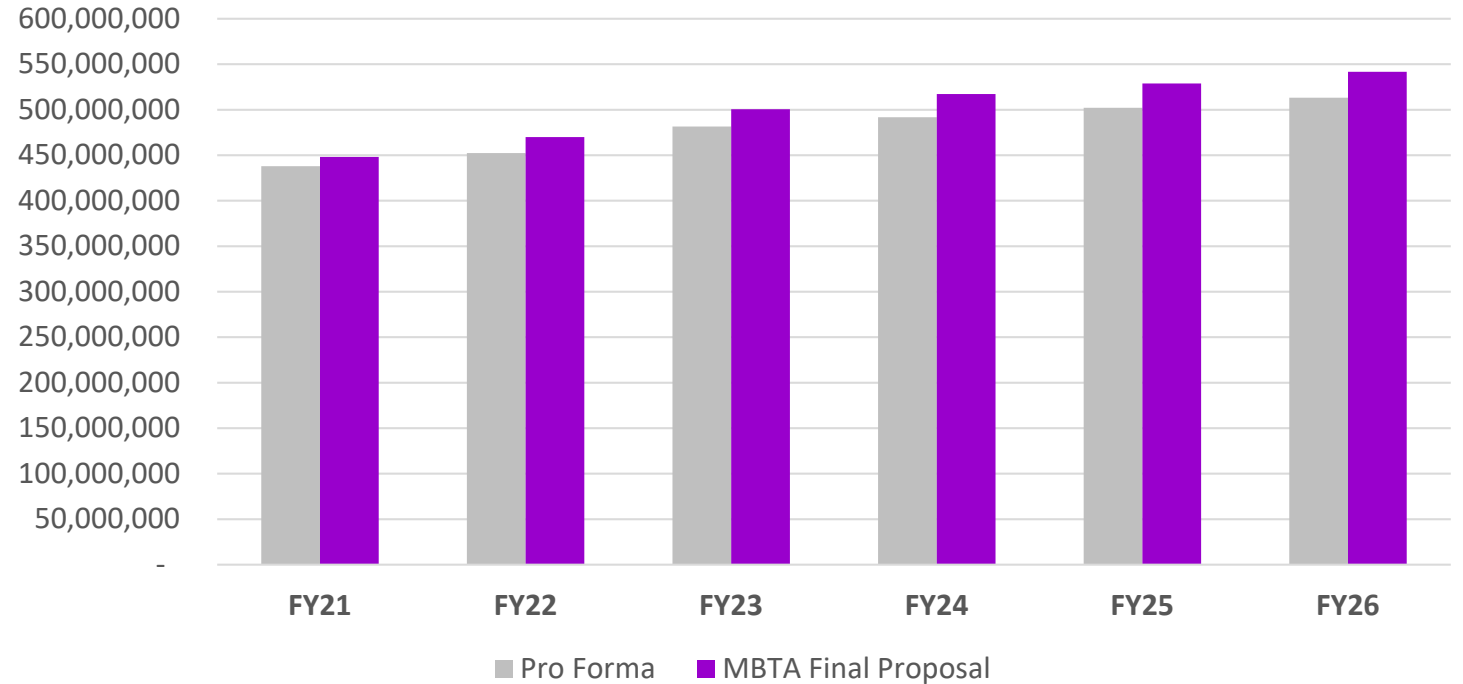
\*Assumes \$100M in capital work per CY, or a minimum G&A fee of \$6M



# Commuter Rail Pro Forma Comparison

- Commuter Rail costs for all years depicted include base contract costs, extra work and other services, fuel, PRIIA, and proposed contract increases.
- PTC/ATC costs included in CY 7-12
- South Coast Rail costs included in CY 9-12
- Fuel, PRIIA, and some extra work and services are costs not paid to KCS and are not net new costs in extension.
- Some PTC/ATC and SCR costs are payable to KCS—or any other operator—and are net new costs in extension.

Commuter Rail Operating Costs CY7-12



	CY7	CY8	CY9	CY10	CY11	CY12
<b>CR Operating</b>	FY21	FY22	FY23	FY24	FY25	FY26
Pro Forma	\$ 437,872,214	\$ 452,389,566	\$ 481,509,616	\$ 491,831,451	\$ 502,123,344	\$ 513,259,506
MBTA Final Proposal	\$ 448,146,200	\$ 469,894,493	\$ 500,573,127	\$ 517,229,975	\$ 528,864,921	\$ 541,620,244
Increase	\$ 10,273,987	\$ 17,504,927	\$ 19,063,511	\$ 25,398,524	\$ 26,741,577	\$ 28,360,738
% Increase	2.3%	3.9%	4.0%	5.2%	5.3%	5.5%

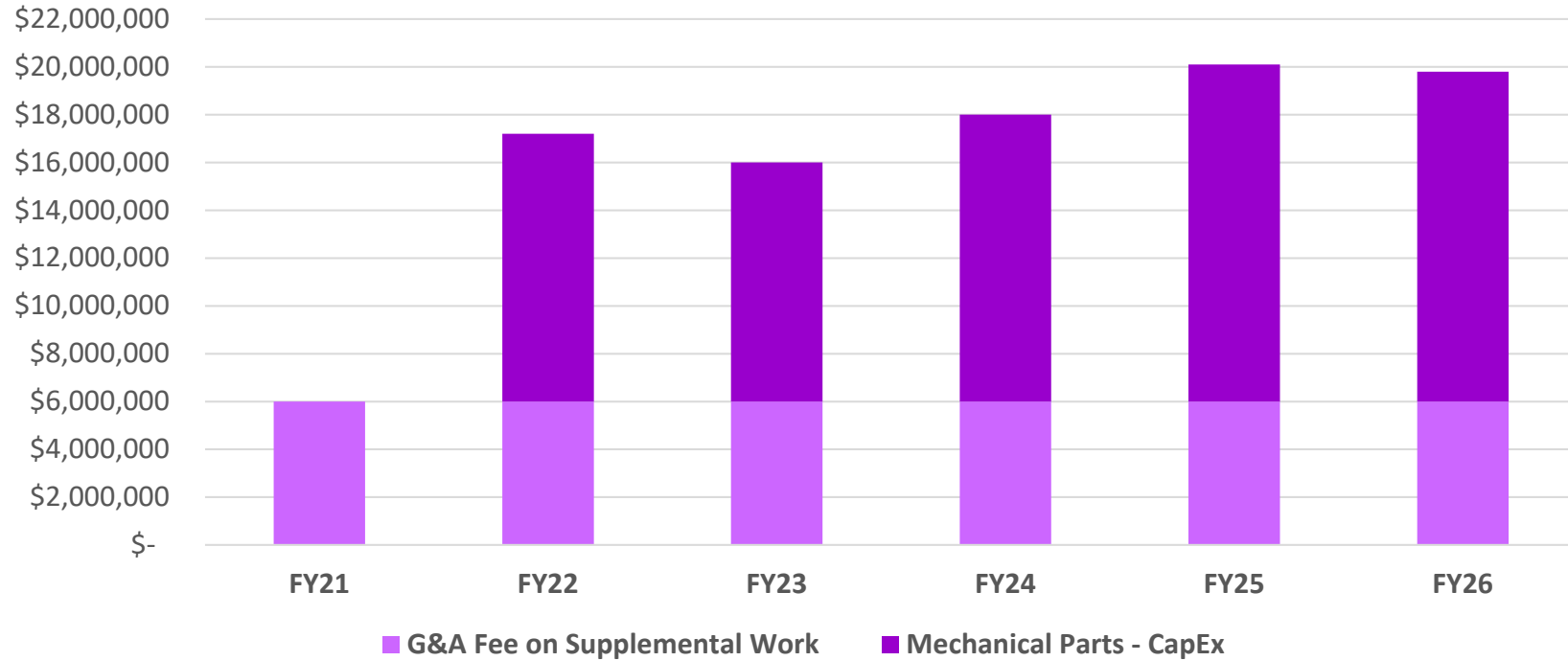




# Commuter Rail Contract Capital Costs

- MBTA extension proposal includes G&A fees on Supplemental Work beginning in CY 7 and the mechanical parts pass-through starting in CY 8.

Commuter Rail Contract: Net New Capital Costs CY7-12



	CY7	CY8	CY9	CY10	CY11	CY12
	FY21	FY22	FY23	FY24	FY25	FY26
G&A Fee on Supplemental Work	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
Mechanical Parts - CapEx	\$ -	\$ 11,200,000	\$ 10,000,000	\$ 12,000,000	\$ 14,100,000	\$ 13,800,000
<b>Net Increase to Capital</b>	<b>\$ 6,000,000</b>	<b>\$ 17,200,000</b>	<b>\$ 16,000,000</b>	<b>\$ 18,000,000</b>	<b>\$ 20,100,000</b>	<b>\$ 19,800,000</b>

# Planning for Transformational Contract

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- Extend KCS contract for 4 years and develop new contract
- Complete Arup contract study
- Conduct formal market sounding based on outputs of Arup contract study and MBTA contract objectives
- Develop Rail Transformation capital plan based on desired future service objectives
- Begin making critical investments in infrastructure and rolling stock to better position MBTA for a more competitive procurement
- Identify new contract model based on info gained from contract study, market sounding, and commuter rail capital plan
- Continue engaging with market to generate interest and competition
- RFI with bidding community, followed by public procurement 6 months later
- Award new contract(s) by January 2026, allowing at least 6 months of transition between contractors.



# MBTA Objectives for Contract Extension

MBTA Objective	Achieved through Extension Proposal?	Contract Mechanism	Customer Benefits
Incentivize better service now	✓	Performance incentive regimes for OTP, train crew staffing, peak seating capacity	Better OTP; fully staffed trains; more seating available
Address fare evasion/non-collection	✓	Extension of Revenue Share Agreement, installation of fare gates, train crew staffing incentive	More consistent fare collection; reduced fare evasion
Invest in MBTA railroad infrastructure and assets	✓	G&A fee on Supplemental Work; Mechanical Parts Pass-through	Accelerated delivery of infrastructure improvements; improved fleet availability, reliability
Resolve contract discrepancies	✓	Annual cost growth rate adjustment; Cost neutral contract changes	Administrative efficiencies enable Operator to focus on improving service
Time to develop transformational contract	✓	4-Year Extension through 2026	Service improvements now, with time to plan for Rail Transformation
Cost certainty in a challenging market	✓	4-Year Extension through 2026	Extension costs the taxpayers less than market price

# Request of the Fiscal and Management Control Board

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VOTED: That the General Manager, or his designee, is hereby authorized to exercise an Extension of Term option in the Commuter Rail Operating Agreement, Contract No. 159-12, between the Massachusetts Bay Transportation Authority and Keolis Commuter Services, LLC., for a four (4) year period, under the terms and conditions set forth in the MBTA's Best and Final Offer, which is attached hereto, and as further described in the presentation to the Fiscal Management and Control Board on June 15, 2020; and, further, that the General Manager may take any such actions that are necessary and incidental to accomplish the foregoing.



# Appendix



## Current Contract with Keolis

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- **Base Contract Term:** 8 years (started July 1, 2014)
- **Base Contract End Date:** June 30, 2022
- **Extension Options:** 2 two-year extensions\* through 2024 and 2026
- **Continuation Notice Period:** No later than June 30, 2021

*\* Options are MUTUAL – Keolis has 14 days from receipt of continuation notice to accept or decline extension.*



## Current Contract with Keolis (cont'd)

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- **Bundled Contract** – All services (mechanical, transportation and engineering) bundled into one contract
- **Large Operational Scope** – Largest contract of its type in the country (About half of peer agencies operate commuter rail “in-house.”)
- **Performance Based** – MBTA pays a fixed price for a certain level of service - 92% adjusted on time performance (OTP)
- **Penalty Driven** – Contract includes many penalties for OTP and passenger comfort, with few incentives for excellent performance



# Current Contract Limitations

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- **On Time Performance:**
  - The contractual threshold for compliance is 92% systemwide adjusted OTP
  - There is no contractual goal or target for unadjusted OTP or line-by-line OTP
- **Train Crew Staffing:** The contractual ratio of 1 conductor per every 300 passengers is inadequate on many of our busiest trains
- **Capital Investment:** MBTA is contractually responsible for all capital expenditures for both vehicles and infrastructure
- **Contract Inflexibility:** MBTA pays Keolis a fixed price to operate a fixed number of vehicles on a fixed number of routes on a fixed schedule
- **Unclear Accountability**

