

MEMORANDUM:

South Coast Rail O&M Costs

OVERVIEW

The South Coast Rail Expansion commenced service on March 24, 2025, connecting the communities of East Taunton, Freetown, Fall River and New Bedford with the existing MBTA Commuter Rail Network. The expansion added 37 additional rail miles with associated track, railroad crossing and signal infrastructure, 2 new layover facilities, a maintenance-of-way base in Freetown and 5 additional stations to operate and maintain. In addition to the added infrastructure, train service was established to these stations providing 32 weekday trips and 26 weekend trips between the South Coast and Boston's South Station.

DISCUSSION

In accordance with Schedule 8 of the Operating Agreement between the MBTA and Keolis Commuter Services, a Service Change is required to expand the scope of Operations and Maintenance of Commuter Rail assets and services to include the South Coast Rail Expansion. Keolis Commuter Services, at the request of the MBTA, has provided a Service Change proposal broken into two phases:

- Phase 1- **Asset Management**
- Phase 2- **Train Service**

The two phases represent milestones in the transition from project delivery to operations and maintenance. On January 6, 2025, **Asset Management** of the South Coast Rail territory was transferred from the project to MBTA and concurrently to Keolis to assume maintenance of the infrastructure. On March 24, 2025, **Train Service** commenced on the South Coast Rail lines. Keolis Commuter Service has been invoicing the MBTA monthly based on initial estimates of operating and maintaining the expansion, with the understanding that a Service Change would need to be executed after one full year based on actual costs incurred and any reconciliation that may be needed for any potential cost differentials between actual and initial forecasts.

SCHEDULE 8 SERVICES CHANGES

1. SERVICE CHANGES

The MBTA may, at any time throughout the Term, issue Service Change Notices directing the Operator to make changes within the general scope of this Agreement to the Agreement Services that may include additions and modifications to, and reductions of the Agreement Services, in accordance with the provisions of **Schedule 8** (Changes).

SCHEDULE 8.4 SERVICES FEE ADJUSTMENT

1. ADJUSTMENT OF ANNUAL FEE

Changes that result in a Services Fee Adjustment pursuant to **Schedule 8.2** (Implementation of Change) shall be adjusted to achieve a pass through to the MBTA of the direct, actual costs that the Operator will incur or save as a result of the Change, subject to Section 1.1.1.2 of this **Schedule 8.4** (Services Fee Adjustment).

1.1 In accordance with Sections 2.2.2 and 4.2.2 of **Schedule 8.1** (Changes), the Operator, in the case of a Service Change Notice, or the notifying Party, in the case of a Change in Law Notice (the “**Providing Party**”), shall provide the following information (the “**Fee Adjustment Information**”) to the other Party within fifteen (15) days of receipt of the applicable notice:

1.1.1 an auditable, itemized listing of those cost items that must be adjusted (both increases and decreases) to reflect the implementation of the Change, based on the applicable line items included in the Services Fee Adjustment Form set forth in Appendix 2 (Services Fee Adjustment Form) to this **Schedule 8** (Changes). The Providing Party shall complete each line item of the Services Fee Adjustment Form to the extent necessary to reflect all relevant adjusted cost items, and shall deliver the same, together with an explanation of the assumptions (if any) used in completing such Form, provided that:

Background - Phase 1 (Asset Management)

Effective January 6, 2025, the MBTA and through its operator & maintain Keolis Commuter Service, commenced operation and maintenance of designated infrastructure assets on the South Coast Rail territory, including, but not limited to, the categories of assets summarized in Appendix 6a.

	Quantity
Track (K78CN03 & K78CN04)	37.20 miles
Track (K78CN03 & K78CN04)	196,394 TF
OH Bridges	25
UG Bridges	29
Culverts	94
Turnouts	51
Stations	6
Layovers	2
Engineering Facility	1
Rail Lubricators	11
Switch Heaters	19
Grade Crossings	36

	Quantity
Signal House Shelter	
Number of Signal Instrument Houses	67
Number of Communication Instrument Houses	8
Number of Electric Lock Cases	12
Number of Towers	2
Gas, Generators, Propane Tanks	28
Interlockings	25
PTC radio	16
Transponder	571
WAM/BAM	1
SIH Laptops	17

This portion of the Service Change covers the following elements related to the **operation and maintenance** of the new territory:

- Engineering Department Labor
- Non-Revenue Fleet and Work Equipment
- Non-Labor Costs (materials, outside services, etc)
- Utilities
- Environmental Services

Background - Phase 2 (Train Service)

Effective March 24, 2025, the MBTA authorized Keolis to implement a schedule change with the following fundamental modifications to service:

- Service between Boston and Fall River via Freetown, and
- Service between Boston and New Bedford via East Taunton and Church Street.
- In addition to direct service, there will also be shuttles operating between each terminus point and East Taunton Station. This allows for even more frequent service, which is consistent with the All-Day Service model across the rest of the Commuter Rail network.
- Weekday service will run approximately every 70 minutes
- Weekend service will run approximately every 120 minutes
- Late Night Service from South Station to South Coast Rail stations with the last train leaving Boston just before mid-night.

	Original Project Commitment	MBTA Delivery
East Taunton	26	32
Fall River Line	13	15
New Bedford Line	13	17
Weekends	0	26

Service Fee Adjustment:

The total annualized Services Fee Adjustment for FY2025 is **\$28,972,574.32**. The prorated Services Fee Adjustment for FY2025 is **\$10,783,003.31**. The total annualized Services Fee Adjustment for FY2026 is **\$30,498,942.03**.

Reconciliation Payment 1/6/2025-2/28/2026:

On the invoice for reporting period March 2026 (invoiced April 2026), KCS will issue a reconciliation invoice for the reporting periods January 2025 through February 2026 in the amount of **\$4,133,404.21** (see detailed table on the next page in your original document).

This reconciliation reflects adjustments for changes in the original scope, including:

- **Engineering Department Labor - positions not filled (Jan. 25 - Feb. 26):**
 - 1 Electrician
 - 1 WER Mechanic
- **Corporate Labor - positions not filled during specific periods:**
 - 1 Senior Manager - Safety & Outreach: April 2025 to February 2026;
 - 1 Safety Specialist: one month refund (April 2025), as this position was filled in May 2025.

For the period between January 2025 to June 2025, the total service change cost for prorated FY25 is **\$10,783,003.31**.

For the period between July 2025 to February 2026, the total service change cost is **\$20,332,628.02**, or **\$2,541,578.50** per month.

KCS has already billed a total of **\$27,332,129** from January 2025 through February 2026. The final reconciliation payment for that period will be **\$4,133,404.21** (see table above).

RECOMMENDATION

We recommend that the MBTA Board approve this Service Change with Keolis Commuter Services, including the increased annual fee and reconciliation for costs incurred from January 6, 2025, through February 28, 2026. This Service Change covers all Operations and Maintenance costs associated with the South Coast Rail Expansion to date and through the end of the Keolis contract on June 30, 2027.

NEXT STEPS

- With MBTA Board approval, the MBTA will execute the Service Change with Keolis for South Coast Rail O&M Costs.
- MBTA staff will continue to monitor and audit the terms of the Service Change through the end of the Keolis contract on June 30, 2027.