



**Massachusetts Bay  
Transportation Authority**

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## **L589 Boston Carmen's Union Contract Update**

**FMCB**

**December 19, 2016**



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## Benefits of agreement between Carmen's Union Local 589 and the MBTA

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**MBTA:** Fundamentally resets the MBTA/L589 relationship through work-rule adjustments and wage reform. The agreement directly reduces MBTA operating costs by more than \$750 million over the next 25 years. The T retains its right to innovate and further reduce costs through flexible contracting and other initiatives.

**T riders and taxpayers:** Wage and other savings from this agreement can be used to improve system performance and reliability. Work rule changes, such as the adoption of a 40 hour workweek and electronic roster picking, will enable the T to better respond to customer needs in scheduling bus routes and other services.

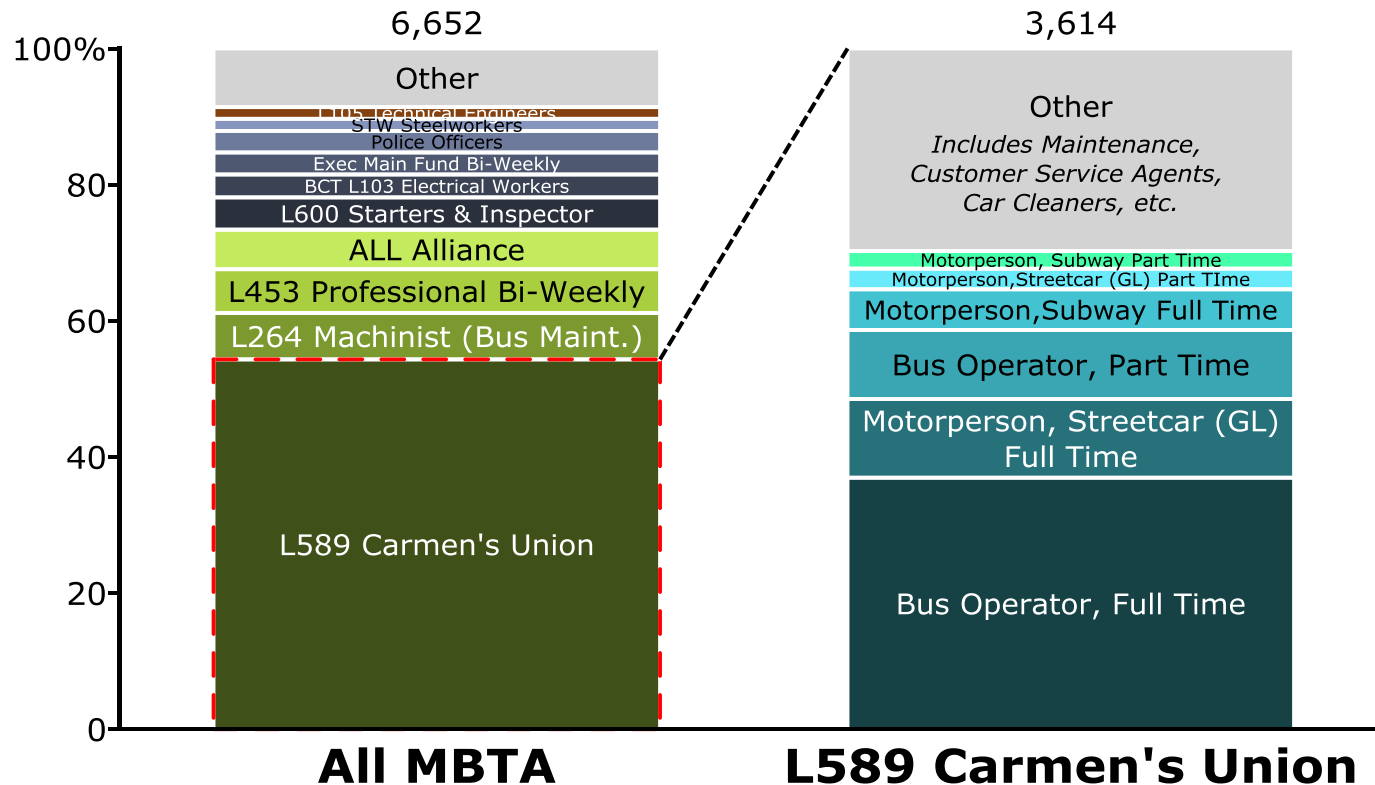
**Carmen's Union Local 589:** Union members receive job protection in key areas, including bus, rapid transit, and light rail operation as well as maintenance. They will also now be able to schedule four-day work weeks (10 hours per day). The T will increase annual contribution into Transit Employees Health and Welfare Fund.

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## L589 Carmen's Union represents 55% of all MBTA employees

MBTA Headcount (HC) by Union and Title



Note: Headcount as of FYE16  
Source: MBTA Internal Data



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## Benefits to the MBTA

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- Fundamentally resets MBTA/Local 589 relationship, first time a contract has been re-opened early in more than 50 years
- Reduces operating expenses by over \$750 million over the next 25 years
  - › Aligns the average annual rate of growth for L589 wages with the overall rate of MBTA revenue growth
  - › Adjusts new operator wage progression tables for employees hired after 1/1/2017
- First substantive changes to key MBTA work rules that have been in place since 1913, including daily overtime trigger and roster-scheduling
  - › Changes will improve productivity and reduce overtime through adoption of modern roster scheduling and payroll software
- MBTA retains its right to expand the system, innovate and further reduce costs through flexible contracting and other initiatives



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## Benefits to the Boston Carmen's Union

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- Job protection for members in several key areas, including
    - › L589 drivers will continue to operate 2.4 million annual revenue hours of MBTA bus service (current service level), and will continue to operate the light and heavy rail systems
    - › L589 work within maintenance areas and other select classifications will be consistent with current levels
  - Quality of life improvements, including:
    - › Pilot four-day workweeks through electronic roster picking (10 hour days)
    - › Ability to schedule and pick work remotely, via handheld devices
  - Wage and benefits:
    - › No change to the progression or top rate for existing employees
    - › Increased annual contribution by MBTA to the Health and Welfare Trust Fund
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## Background

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- Negotiations between the MBTA and the Carmen's Union have focused on 4 elements:
  1. **Work rule reforms** that will drive productivity
  2. Changes to **annual wage increases**
  3. Changes to **wage progression tables** for new bus drivers and rail operators
  4. **Job protection** for some core elements of Local 589 work
- The agreement revises and extends the current contract between Local 589 and the MBTA from January 1, 2017 until June, 30 2021 (4 ½ years)
  - › Current contract was set to expire in June 2018
    - » First time in that L589 has re-opened their contract early in more than 50 yrs
    - » First time since 1994 that operator wage progression tables have been revised



## Key elements of the revised L589 Carmen's Union contract

### Term: January 1, 2017 – June 30, 2021

	PROPOSAL	DESCRIPTION											
LOWER WAGE GROWTH	Reduced wage growth (Average annual growth 1/1/17 – 6/30/21: 1.55%)	Average Across the Board (ATB) increases in line with MBTA long-term revenue growth over the course of the 4 ½ year period <ul style="list-style-type: none"><li>• 7/17: 0 % ATB</li><li>• 7/18: 1.5% ATB</li><li>• 7/19: 1.5% ATB</li><li>• 6/20: 2.5% ATB</li><li>• 12/20: 1.5% ATB</li></ul>											
	Lower wage rates for new hires	<table><tr><th>OLD PROGRESSION</th><th>NEW PROGRESSION</th></tr><tr><td>Step 1: 65% of top salary</td><td>Step 1: 55% of top salary</td></tr><tr><td>Step 2: 75%</td><td>Step 2: 60%</td></tr><tr><td>Step 3: 85%</td><td>Step 3: 65%</td></tr><tr><td>Step 4: 90%</td><td>Step 4: 75%</td></tr><tr><td>Step 5: 100%</td><td>Step 5: 100%</td></tr></table>	OLD PROGRESSION	NEW PROGRESSION	Step 1: 65% of top salary	Step 1: 55% of top salary	Step 2: 75%	Step 2: 60%	Step 3: 85%	Step 3: 65%	Step 4: 90%	Step 4: 75%	Step 5: 100%
OLD PROGRESSION	NEW PROGRESSION												
Step 1: 65% of top salary	Step 1: 55% of top salary												
Step 2: 75%	Step 2: 60%												
Step 3: 85%	Step 3: 65%												
Step 4: 90%	Step 4: 75%												
Step 5: 100%	Step 5: 100%												
WORK RULE REFORM	40-hour workweek before OT	If an employee works overtime during a week in which the employee was absent (except qualified absences) the employee will only be paid overtime for work performed in excess of forty (40) hours per week											
	Electronic roster picking (10-hour rule)	MBTA will implement electronic roster picking software over the next 12 months, beginning with a pilot program, which allows for the development of modern weekly work schedules that efficiently maximizes operator work time.											
	Spread pay reduction (Linked to 4-day workweek pilot)	Pilot of 4 day workweeks. In garages where the 4-day workweek has been implemented (as of 11/2016), mgmt. has been able to eliminate spread pay											
BENEFITS	Electronic Roster Picking (Inspector OT and differential pay)	Electronic roster picking reduces overall cost of running a pick. Inspectors assigned to the Pick no longer receive differential pay for being a part of the Pick, and their regular shifts (32 weeks per year per 20 Pick inspectors) no longer require backfill on OT											
	Health and Welfare contribution	\$400 per year, per L589 subscriber in Health and Welfare contributions in July '17, July '18, and July '19, July '20; End Medicare Part B reimbursement for upper income earners											



## Total projected savings from the revised contract

TOTAL SAVINGS: 11/4/16 AGREEMENT				
	4 Years	10 Years	25 years	Notes
Reduced wage growth (all L589 members)	(\$48.7)	(\$106.8)	(\$331.1)	<ul style="list-style-type: none"> <li>➤ 7/1/17 - 0%</li> <li>➤ 7/1/18 - 1.5%</li> <li>➤ 7/1/19 - 1.5%</li> <li>➤ 6/30/20 - 2.5%</li> <li>➤ 12/1/20 - 1.5%</li> <li>➤ Average growth over 4 years - 1.55%; ~40% below historic trend, and in line with revenue growth</li> </ul>
New hire progression to top rate	(\$27.4)	(\$93.8)	(\$350.1)	<ul style="list-style-type: none"> <li>➤ 236 Hires assumed per year</li> <li>➤ Steps: 55%/60%/65%/75%/100%</li> </ul>
40-hour workweek before OT	(\$2.3)	(\$5.6)	(\$18.1)	➤ MBTA updated to Q1 FY17 (~\$0.6M p.a.)
Electronic roster picking (10-hour rule savings)	(\$2.6)	(\$7.5)	(\$26.4)	➤ Electronic roster picking pilot software eliminates 10hr exceedances
Spread pay phase out (Linked to 4-day workweek pilot)	(\$2.0)	(\$5.1)	(\$17.3)	➤ In garages where the 4-day workweek has been implemented (as of 11/2016), spread pay has been eliminated
Electronic Roster Picking (Inspector OT and differential pay)	(\$4.7)	(\$15.0)	(\$54.3)	<ul style="list-style-type: none"> <li>➤ Inspectors working on the Pick must be backfilled on OT, this spend goes to zero (\$1.6M pa)</li> <li>➤ Inspectors working on the Pick currently receive \$30 per day as differential pay (\$0.1M pa)</li> </ul>
MBTA contribution to Health & Welfare Trust	\$7.1	\$16.0	\$42.6	<ul style="list-style-type: none"> <li>➤ Medicare Part B reimbursement capped at Medicare base rate (no reimbursement for surcharge); MBTA will contribute \$400 per subscriber, per annum</li> <li>➤ Payments to Health and Welfare do not require fringe, and are not creditable to pension</li> </ul>
<b>TOTAL SAVINGS, 11/4/16:</b>	<b>(\$80.7)</b>	<b>(\$217.9)</b>	<b>(\$754.7)</b>	
<b>AVG. ANNUAL:</b>	<b>(\$20.2)</b>	<b>(\$21.8)</b>	<b>(\$30.2)</b>	

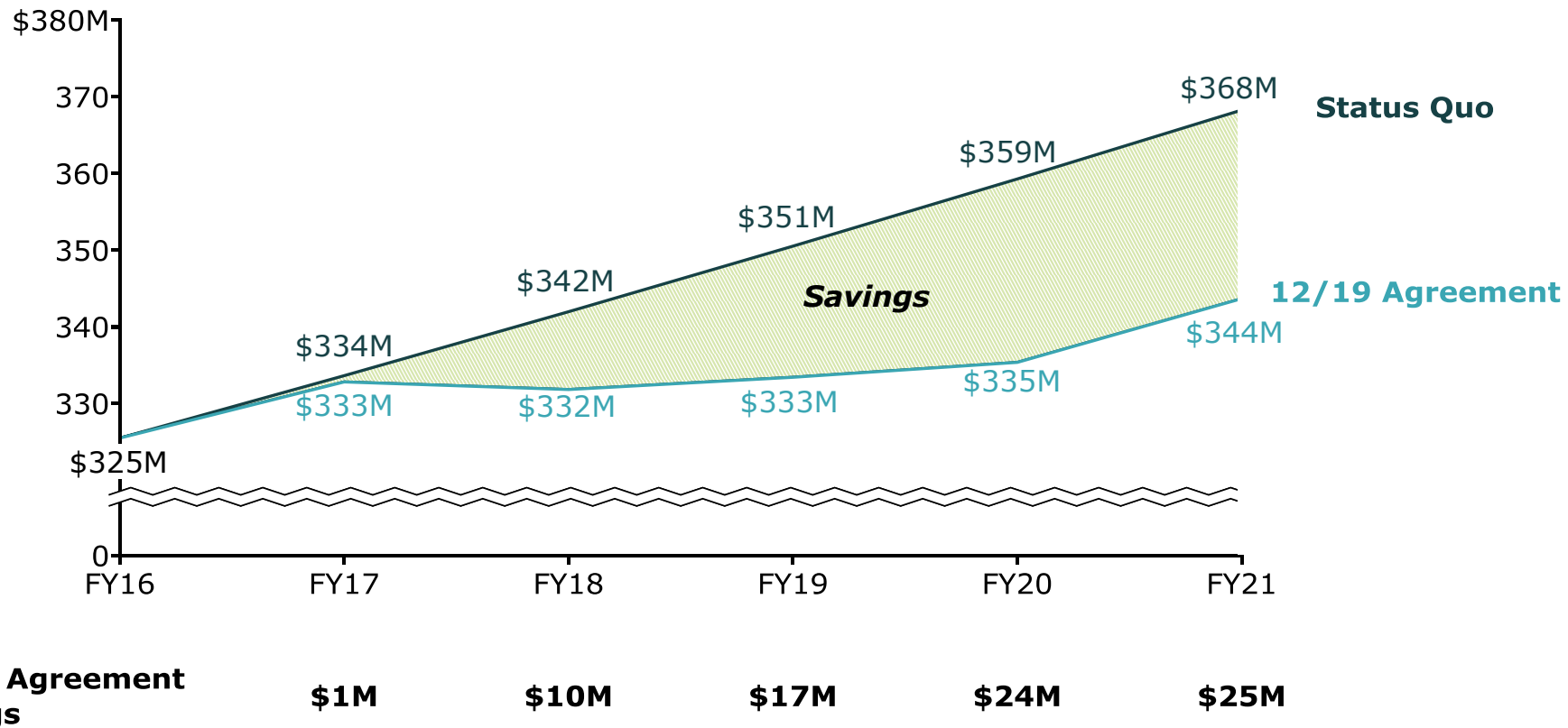
Notes: 15 year average of L589 increases is 2.7%; Labor agreement would be in effect until 6/30/2021; Historic 5-year average hires is 236  
Source: MBTA Internal Data / The Labor Bureau, Inc.





## Revised contract will bend MBTA cost curve over next 4 years

Total wage spend (incl. pension and FICA)  
L589 Members



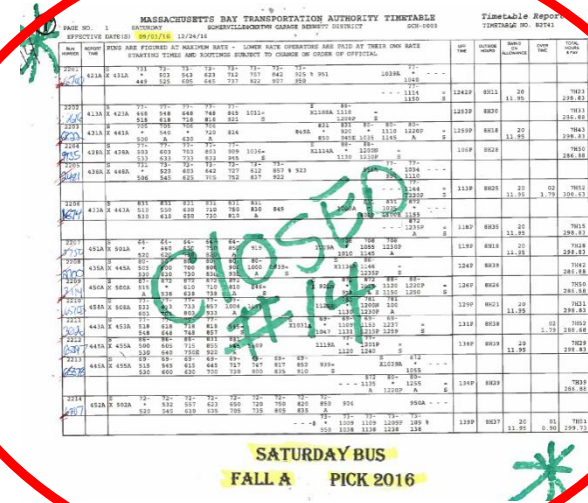


## Modernizing MBTA work rules: Electronic roster picking will move MBTA to industry standard

### Cabot Pick Room



### Pick Sheet



MASSACHUSETTS BAY TRANSPORTATION AUTHORITY TIMETABLE										TimeTable Report	
SCHEDULED SERVICE - ALL LINES										DATE: 11/11/16	
EFFECTIVE DATE: 11/11/16										TIME: 11:00	
LINE	ROUTE	STATION	TIME	STATION	TIME	STATION	TIME	STATION	TIME	STATION	TIME
1	1	1	1	1	1	1	1	1	1	1	1
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99	99	99	99	99	99	99	99	99	99	99	99
100	100	100	100	100	100	100	100	100	100	100	100

- Pick sheets are posted along walls in each garage
- Employees pick their work "Cafeteria-style": in seniority order, they choose each individual day of work by hand
- Employees write in badge number on posted sheets
- Employees must be aggregated and manually typed into system: significant amount of time and money



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## Modernizing MBTA work rules: Electronic roster picking will move MBTA to industry standard

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MBTA will **move to electronic roster picking from the paper-based, “cafeteria-style” of picking work today**

**Benefit:** Optimized scheduling and avoided cost of manual Pick process

- › Rosters packaged for the **most efficient service** for the customer
- › Rosters allow MBTA better **compliance with FTA rules** (e.g. 10-hour rule)
- › Rosters **prevent unnecessary overtime** (e.g. backfill for 10-hour exceedances and overtime built in to existing schedules)
- › Significantly **reduced cost of performing Pick**: freeing-up of time for inspectors and other officials involved

**Best Practices:** Many large transit authorities across the country have adopted electronic roster picking

- › Los Angeles County MTA (Metro) (2,500 vehicles)
- › City of Phoenix (700 vehicles)
- › San Diego (700 vehicles)
- › Washington WMATA (600 vehicles)
- › Charlotte (350 vehicles)



**City of Phoenix**  
PUBLIC TRANSIT DEPARTMENT





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## Modernizing MBTA work rules:

### Employees must work forty hours per week before collecting overtime

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If an employee works overtime **during a week in which the employee was absent** (except qualified absences), **the employee will only be paid overtime for work performed in excess of 40 hours per week**

- › Under status quo, MBTA employees can earn overtime without working their entire scheduled work for the week

**Benefit:** Will help to **control absenteeism, reduce dropped trips,** and **reduce unnecessary overtime** incurred by the MBTA

- › Creates a disincentive for workers to skip regular shifts and replace those shifts with shifts for which they earn overtime

**Best Practices:** This work rule is **typical in private sector** and **currently in place at the Chicago Transit Authority**, for the ATU Union (Local 241 and 308), their equivalent to MBTA's L589



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## Modernizing MBTA work rules: Piloting four day work week as part of November 2016 pick

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**Pilot:** Full-time operators at 3 garages are piloting a four day work week:

- › 10 hours of schedule work as part of set four day schedule (roster picking) instead of status quo cafeteria style picking of five 8 hour shifts

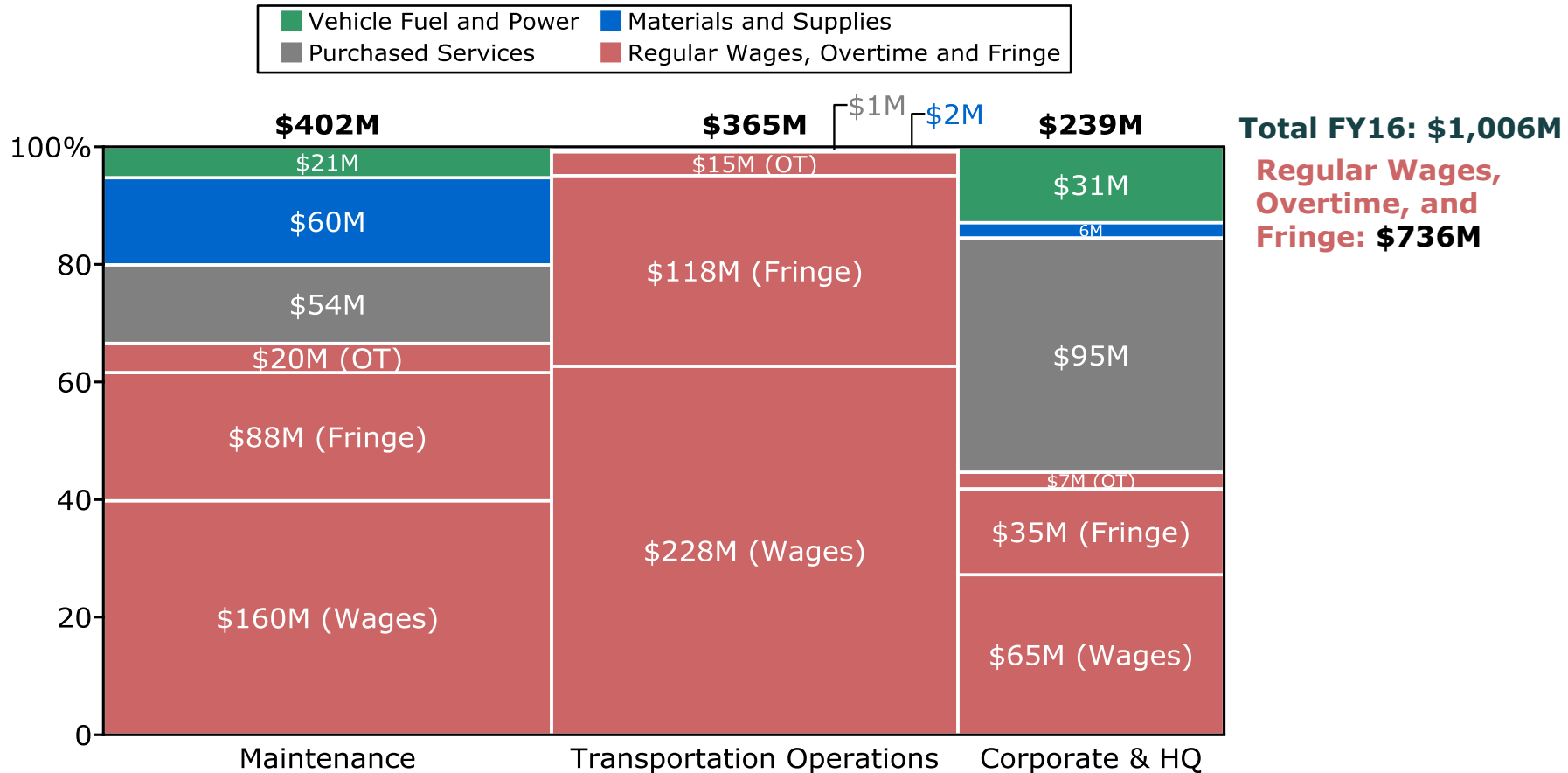
**Benefit:** Allows MBTA management great flexibility to optimize operations

- › Eliminates spread pay
- › Improves the quality of the day runs for other operators
  - More desirable start times (earlier) and improved days off (weekends) for junior operators
- › Enables more flexible scheduling for employees, reducing absenteeism



## Wages & benefits drive 73% of total MBTA internal operating expenses

**FY2016 Actual operating expenses, not including Commuter Rail, The Ride, or debt service**



NOTE: Benefits and payroll taxes are allocated according to regular wages



## New bus driver starting rates reduced 15%; can still reach the top pay rate over 4 ½ - 5 years

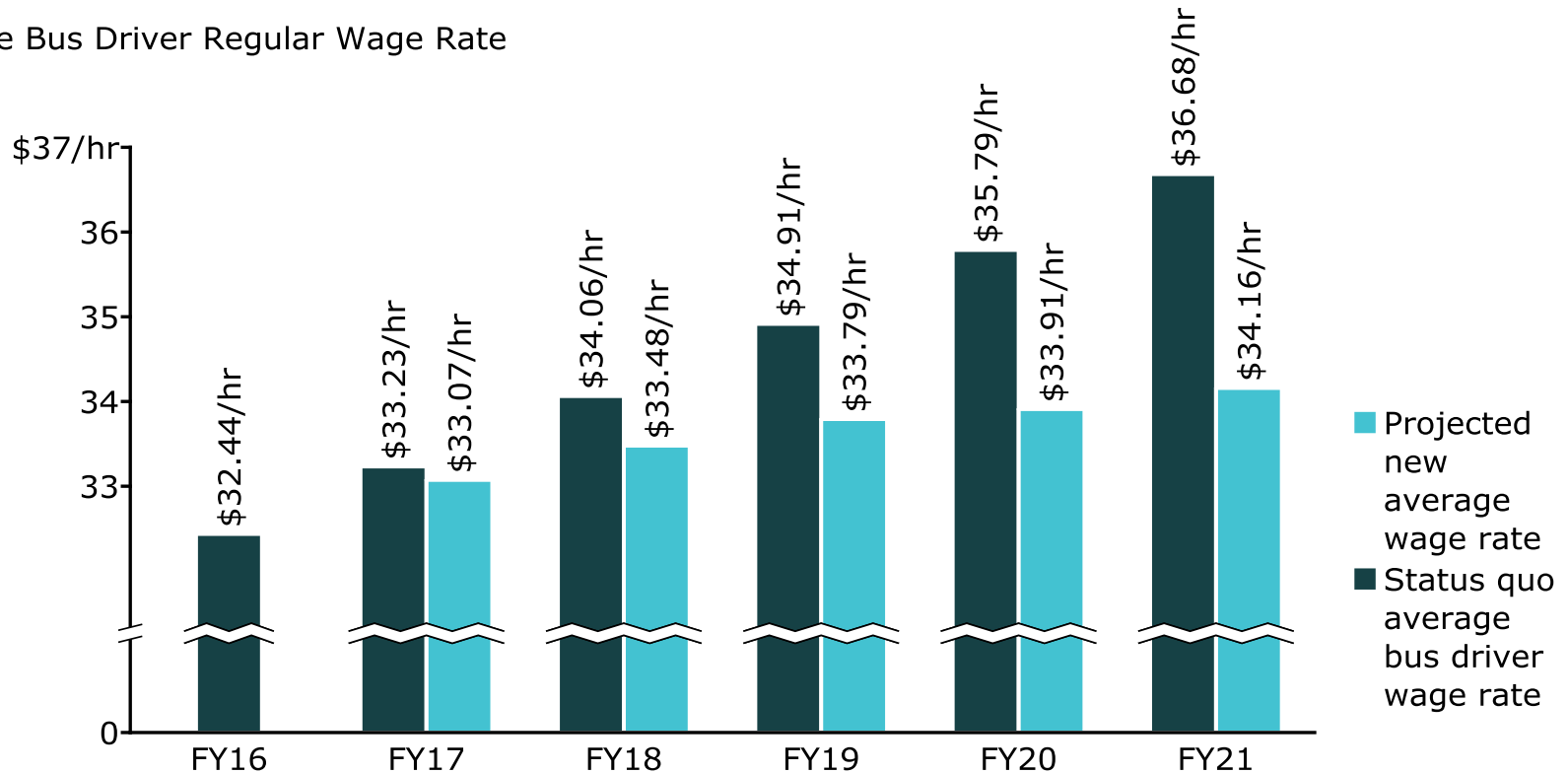
NEW HIRE BUS DRIVER WAGES		% of Current Highest Tier	<u>FY17</u> <u>Progression</u>	<u>FY18</u> <u>Progression</u>	<u>FY19</u> <u>Progression</u>	<u>FY20</u> <u>Progression</u>	<u>FY21</u> <u>Progression</u>
	STEP 1	55%	\$19.72	\$19.72	\$20.02	\$20.32	\$21.00
	STEP 2	60%	\$21.52	\$21.52	\$21.84	\$22.17	\$22.91
	STEP 3	65%	\$23.31	\$23.31	\$23.66	\$24.01	\$24.82
	STEP 4	75%	\$26.90	\$26.90	\$27.30	\$27.71	\$28.64
	STEP 5	100%	\$35.86	\$35.86	\$36.40	\$36.94	\$38.19
STATUS QUO BUS DRIVER WAGES		% of Current Highest Tier					
	STEP 1	65%	\$23.31	\$23.89	\$24.49	\$25.10	\$25.73
	STEP 2	75%	\$26.90	\$27.57	\$28.26	\$28.97	\$29.69
	STEP 3	85%	\$30.48	\$31.24	\$32.02	\$32.82	\$33.64
	STEP 4	90%	\$32.27	\$33.08	\$33.90	\$34.75	\$35.62
	STEP 5	100%	\$35.86	\$36.76	\$37.68	\$38.62	\$39.58

Notes: All wages shown above include new growth patter; FY21 wages a yearly average due to two salary increases in that year



## Average cost per hour of Bus Operators forecast to be 7% lower in FY21 than it would have been under status quo

Average Bus Driver Regular Wage Rate



Note: Bus Operator proposed wages displayed include only savings from lower growth and new wage progression; new work rules not included in calculation