



**Massachusetts Bay
Transportation Authority**

L264 Machinists Union Contract Update

FMCB

February 5, 2018



MBTA's strategy for bus maintenance cost savings

- FMCB directed the T to pursue a three-pronged strategy to achieve savings in bus maintenance operations:
 - Negotiate with unions representing T bus maintenance employees
 - Improve productivity through internal management changes
 - Issue a Request for Proposals from private vendors to provide maintenance of MBTA-owned buses at up to three of the T's nine bus maintenance garages
- T management has now reached an agreement with Local 264, which represents the majority of bus maintenance employees and approximately 6% of the overall MBTA workforce



MBTA and Local 264 reach four-year agreement

- The T and Local 264 have successfully reached an agreement that will further reduce future bus maintenance costs while improving productivity and retaining the Local 264 workforce
- The combination of this new agreement with Local 264 and ongoing internal changes has enabled the T to obtain significant bus maintenance savings without privatizing existing garages
- The agreement protects current work of Local 264 members to provide maintenance work for the MBTA's current fleet of 955 buses while preserving the MBTA's right to explore ways to further reduce costs on bus maintenance beyond the current fleet
- The T and Local 264 look forward to continuing cooperation with its workforce to use joint labor-management Lean teams to identify additional operating savings that can be reinvested into service performance and reliability



Benefits of agreement between Local 264 and the MBTA



MBTA

- Fundamentally resets the MBTA/L264 relationship through work-rule adjustments and wage reform
- Directly reduces MBTA operating costs by more than \$60 million over the next 10 years
- The T retains its right to innovate and further reduce costs through expansion and other initiatives



**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 OT trigger and the implementation of standard repair times, will enable the T to increase productivity and fleet reliability for customers



Local 264

- Job protection for current bus maintenance work
- Possible opportunities for 4-day work weeks (10 hours per day)
- Union members receive increased contribution into Transit Employees Health and Welfare Fund
- Career pathways for “fuelers” seeking to become mechanics



Details of the agreement

- Reduces operating expenses by more than \$60 million over 10 years and by more than \$250 million over 25 years
 - › Aligns the average annual rate of growth for L264 wages with the overall rate of MBTA revenue growth
 - › Creates new wage structure for new hires
- Introduces productivity-enhancing changes to MBTA work rules, including weekly overtime trigger, standard repair times, ASE certifications, and improved foreperson-technician collaboration on the shop floor
- Preserves MBTA's right to expand the system, innovate, and further address costs through other initiatives:
 - › Introducing alternative energy vehicles
 - › Building expansion bus facilities



Details of the agreement

- Job protection for L264 members
 - › L264 machinists will continue to provide maintenance work for the 955 buses currently in the MBTA bus fleet
- Quality of life improvements, including:
 - › Possibility for 4-day workweeks (10 hour days) to provide scheduling flexibility and to enable management to cover shifts with less overtime
 - › Additional bereavement leave
- 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
 - › Improved career pathways for lower-wage workers, including for “fuelers” who want to become mechanics



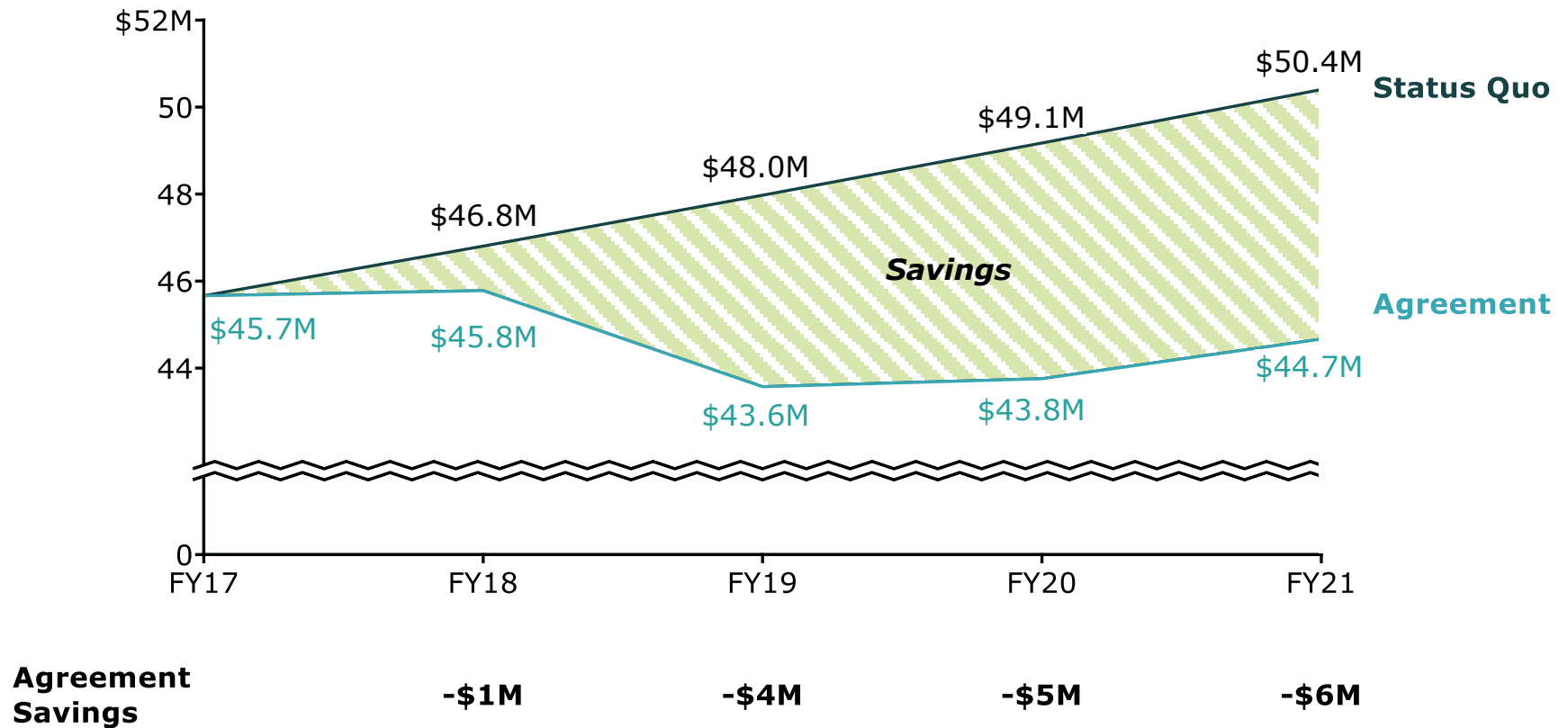
Background

- Negotiations between the MBTA and Local 264 have focused on 4 elements:
 1. Work rule reforms that will drive productivity
 2. Job protection for existing elements of Local 264 maintenance work
 3. Changes to annual wage increases
 4. Changes to wage progression tables for new hires
- The agreement revises and extends the current contract between Local 264 and the MBTA from July 1, 2017 until June 30, 2021 (4 years)
 - › Current contract was set to expire in June 2018



Revised contract reduces growth of L264 labor expenses

Total wage spend (incl. pension and FICA)
L264 Members





Total projected savings from the revised contract

| (\$M) | TOTAL PROJECTED SAVINGS: | | | Notes |
|--|--------------------------|-----------------|------------------|--|
| | 4 Years | 10 Years | 25 years | |
| • Reduced wage growth (all L264 members) | (\$6.7) | (\$16.3) | (\$47.8) | ➤ 7/1/17 – 0.0% ➤ 7/1/18 – 1.5% ➤ 7/1/19 – 1.5% ➤ 6/30/20 – 2.5% ➤ 12/1/20 – 1.5% |
| • Revised classifications and wage progressions | (\$2.6) | (\$20.5) | (\$123.8) | ➤ Bus Machinists: 20 Hires assumed per year, starting in FY19 ➤ Fuelers: 5 hires assumed per year, starting in FY19 |
| • Work rules reform (10 hr. shifts, standard repair times, foreperson collaboration) | (\$7.7) | (\$24.9) | (\$81.2) | ➤ 10-hour shift / 4-day workweek reduces overtime expense ➤ Shop-floor teamwork increases productivity |
| • 40-hour overtime trigger | (\$0.3) | (\$0.8) | (\$2.6) | ➤ FY18 impact is ~\$30K; ~\$80K in out-years |
| • Health & Welfare contribution | \$0.6 | \$1.6 | \$3.9 | ➤ MBTA will contribute \$400 per subscriber, per annum |
| TOTAL SAVINGS: | (\$16.6) | (\$61.0) | (\$251.5) | |
| AVG. ANNUAL: | (\$4.1) | (\$6.1) | (\$10.1) | |



Revised contract separates new machinist hires into 3 different classifications (Tech A, B, C); current employees grandfathered into top rate

DRAFT FOR DISCUSSION ONLY

CURRENTLY MACHINISTS TAKE 12-to-36 MONTHS TO REACH TOP RATE

| TRAINEE | CURRENT 5-STEP | | TIME |
|----------|----------------|----------|-------------------------------|
| | Step #1 | 75% | 3-6 months to pass Phase I |
| | Step #2 | 80% | 3-6 months to pass Phase II |
| | Step #3 | 85% | 3-12 months to pass Phase III |
| | Step #4 | 90% | 3-12 months to pass Pha |
| TOP STEP | Step #5 | Top Wage | After Completion |

Each step represents a test passed

NEW STRUCTURE CREATES 3 SEPARATE CLASSIFICATIONS AND LENGTHENS PROGRESSION

| TECH C | FUTURE STEPS | | TIME |
|--------|--------------|----------|-------------------------------|
| | Step #1 | 61% | 6 months to pass Phase I |
| | Step #2 | 65% | 6 months |
| TECH B | Step #3 | 72% | Pass ASE tests + Bid Opening |
| | Step #1 | 76% | 3-6 months to pass Phase II |
| | Step #2 | 81% | 3-12 months to pass Phase III |
| TECH A | Step #3 | 85% | Pass ASE tests + Bid Opening |
| | Step #1 | 90% | 3-12 months to pass Phase IV |
| | Step #2 | Top Wage | Max Rate |



Modernizing MBTA work rules: Piloting 4-day workweek (10 hr. shifts) to streamline scheduling and reduce overtime

Benefit: Allows MBTA management greater flexibility to optimize maintenance operations

- › Creates opportunity for MBTA management to cover work more efficiently and with less overtime by overlapping shifts
- › Enables more flexible scheduling for employees, reducing absenteeism

| EXAMPLE – 10 hr. shifts at 24/7 garage | | | | | | | |
|--|-----------|-----|-----|------------|-----|-----|-----|
| Shift | Sun | Mon | Tue | Wed | Thu | Fri | Sat |
| Day (1) | 0530-1530 | | | | | | |
| Day (2) | | | | 0530-1530 | | | |
| Mid (1) | 1330-2400 | | | | | | |
| Mid (2) | | | | 1330- 2400 | | | |
| Night (1) | 2300-0930 | | | | | | |
| Night (1) | | | | 2300-0930 | | | |



Modernizing MBTA work rules: Implementing Standard Repair Times moves MBTA to industry standard

STANDARD REPAIR TIMES

- The MBTA has been implementing standard repair times (SRTs) over the past 12 months through the Cabot pilot and other initiatives
- Revised contract with Local 264 facilitates the implementation of SRTs and provisions to ensure employees are able to satisfy those standards

IAM Machinists currently use SRTs throughout the US at many other employers including UPS, United, Boeing, Harley Davidson, and more

Labor Standards Coverage
From 11/01/2017 Through 11/30/2017
DETAIL

Massachusetts Department of Transportation
Rail & Transit Division

This report omits NOVA, NABI, CNG 60 FT, DIESEL, CONT B, 09-NF-DLF-60-HYBRID, CNG NEW FLYER, NEW FLYER HYBRID, and 15-ELDORADO-H-40 standards classes and Everett locations (413 and 414).

| TASK CODE | TASK DESCRIPTION | STANDARD HOURS | TOTAL HOURS PER TASK | % LABOR HOURS WITH STANDARDS |
|---|---|----------------|----------------------|------------------------------|
| 442 - ALBANY GARAGE | | | | |
| ECD NEOPLAN 40FT-2ND LIFE - REBUILT NEOPLAN 40FT ECD | | | | |
| 06K INS | 6K MILE INSPECTION | 7.40 | 15.00 | 100.00% |
| 12K INS | 12K MILE INSPECTION | 7.60 | 60.40 | 100.00% |
| 18K INS | 18K MILE INSPECTION | 7.40 | 52.40 | 100.00% |
| 24K INS | 24K MILE INSPECTION | 8.20 | 37.00 | 100.00% |
| 30K INS | 30K MILE INSPECTION | 7.40 | 61.50 | 100.00% |
| 48K INS | 48K MILE INSPECTION | 8.20 | 7.00 | 100.00% |
| 66K INS | 66K MILE INSPECTION | 7.40 | 29.90 | 100.00% |
| 72K INS | 72K MILE INSPECTION | 13.10 | 52.90 | 100.00% |
| A- | AIR SYSTEM | * | 58.75 | 0.00% |
| A-C | COMPRESSOR - AIR SYSTEM | * | 6.00 | 0.00% |
| A-D | DRYER - AIR SYSTEM | 1.50 | 3.00 | 100.00% |
| A-G | GOVERNOR/GAUGE - AIR SYSTEM | * | 1.00 | 0.00% |
| A-L | AIR LINES & FITTINGS - AIR SUPPLY | * | 38.75 | 0.00% |
| A-T | TANK/TRIP - AIR SYSTEM | * | 31.00 | 0.00% |
| A-V | VALVES - AIR BRAKE SYSTEM | * | 9.50 | 0.00% |
| A-Z | MISCELLANEOUS AIR SYSTEM | * | 7.00 | 0.00% |
| B- | BRAKE SYSTEM | * | 98.05 | 0.00% |
| B-A | BRAKE AIR SUPPLY LINE | * | 0.50 | 0.00% |
| B-ABSM | ABS MODULATOR VALVE - 24V | * | 2.00 | 0.00% |
| B-ABSSF | ABS SENSOR - FRONT | * | 0.50 | 0.00% |
| B-ABSSR | ABS SENSOR - REAR | * | 8.50 | 0.00% |
| B-D | PEDAL BRAKE | * | 35.64 | 0.00% |
| B-M2 | CHAMBER - BRAKE | * | 4.00 | 0.00% |
| B-M21 | CHAMBER HOSE - BRAKE | 0.90 | 0.50 | 100.00% |
| B-M3 | BRAKE SHOES | * | 5.00 | 0.00% |
| B-M8 | SLACK ADJUSTER - BRAKE | 0.80 | 22.25 | 100.00% |
| B-MZF | BRAKE RELINE FRONT - MAJOR COMPONENT CHANGE | 10.50 | 35.00 | 100.00% |

Standard Repair Time Compliance Report
(Albany Garage, 11/2017)



Modernizing MBTA work rules: Employees must work forty hours per week before collecting overtime

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

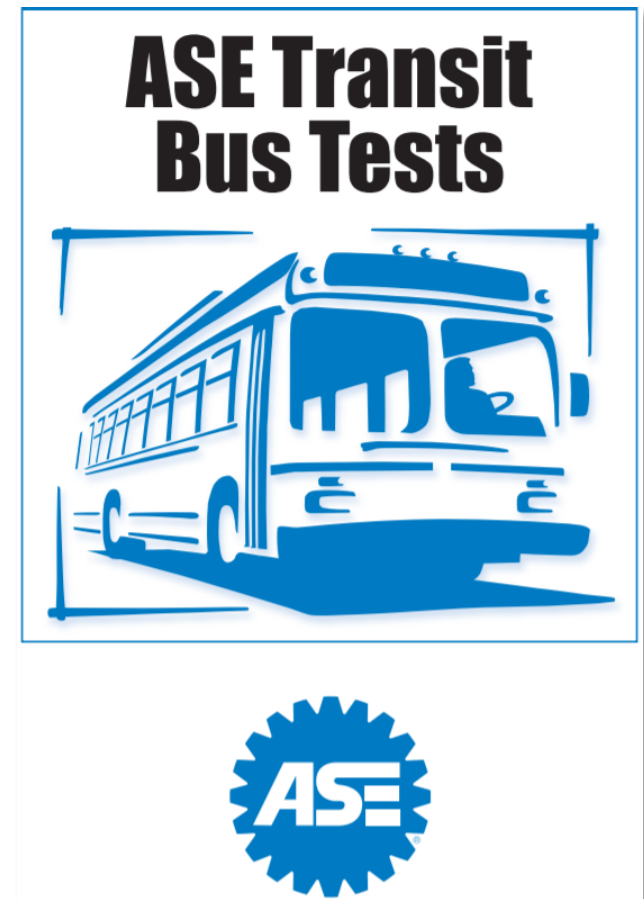
- › Under status quo, MBTA employees can earn overtime without working their entire scheduled work for the week

Benefit: Will help reduce unnecessary overtime incurred by the MBTA

Best Practices: This work rule is typical for the transit industry and currently in place at the Chicago Transit Authority, for the ATU Union (Local 241 and 308), and was recently established in the MBTA's 12/19/2016 agreement with Boston's Carmen's Union ATU Local 589

Modernizing MBTA work rules: Requiring Automotive Service Excellence (ASE) certification for machinists

- The agreement requires MBTA technicians (machinists) to obtain Transit Bus ASE certifications across subject areas, bringing the MBTA closer in line with industry standard:
 - Compressed Natural Gas Engines (H1)
 - Diesel Engines (H2)
 - Drive Train (H3)
 - Brakes (H4)
 - Suspension and Steering (H5)
 - Electrical/Electronic Systems (H6)
 - HVAC (H7)
 - Preventive Maintenance and Inspection (H8)
- To reach top salary rate, L264 technicians must attain **ASE Master Certification**
- These requirements will keep MBTA training programs up-to-date with the latest propulsion technologies and industry trends





Appendix



Key elements of the revised L264 Machinists Union contract

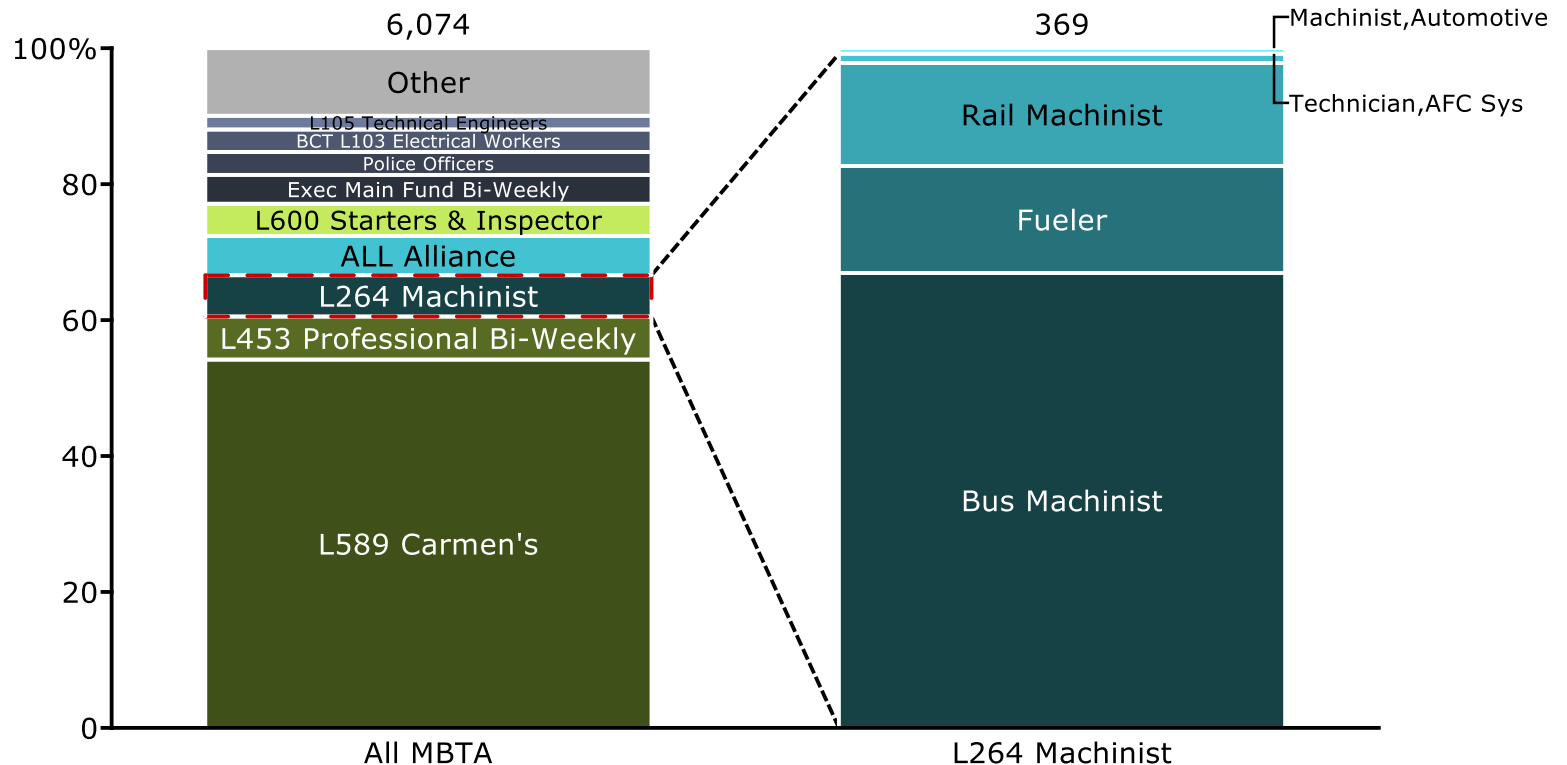
Term: July 1, 2017 – June 30, 2021

| | PROPOSAL | DESCRIPTION | |
|-------------------|---|---|---|
| LOWER WAGE GROWTH | Reduced wage growth (Average annual growth 7/1/17 – 6/30/21: 1.6%) | Average Across the Board (ATB) increases in line with MBTA long-term revenue growth over the course of the 4-year period <ul style="list-style-type: none">• 7/17: 0 % ATB• 7/18: 1.5% ATB• 7/19: 1.5% ATB• 6/20: 2.5% ATB• 12/20: 1.5% ATB | |
| | Lower wage rates for new hires | <u>OLD PROGRESSION</u> <ul style="list-style-type: none">• Machinists: only one (1) classification, 100% of workforce reaches top wage rate within two (2) years | <u>NEW PROGRESSION</u> <ul style="list-style-type: none">• Machinists: three (3) separate classifications, 10-20% of workforce reaches top wage rate |
| 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 | |
| | Standard repair times | Implementation of standard repair times (SRTs) for all measurable tasks; failure by any employee to satisfy SRTs in any task, after an opportunity for retraining, will result in disciplinary action | |
| | Improved duties for fuelers | Increase in scope of responsibilities for fuelers, including bus cleaning and routine maintenance tasks, that will streamline workflow in bus garages and provide training opportunities for fuelers seeking to become machinists | |
| | 4-day workweek (10 hour days) | 4-day workweeks. Management can more effectively cover work by assigning some employees to 10-hour shifts; scheduling flexibility will decrease overtime usage. | |
| | Automotive Service Excellence (ASE) certification requirements | Requirement that machinists obtain Transit Bus ASE certifications in order to receive promotions and salary increases, bringing the MBTA in line with industry standard | |
| BENE-FITS | Health and Welfare contribution | \$400 per year, per L264 subscriber in Health and Welfare contributions in July '17, July '18, and July '19, July '20 | |



Local 264 represents 6% of all MBTA employees

MBTA Headcount (HC) by Union and Title



Note: Headcount as of 1/24/2018; represents active employees
Source: MBTA Internal Data