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MBTA Pacheco hold opens way for competition

Exemption allows public and private entities to compete for the same services

The three-year exemption from the Pacheco law for the MBTA provided in the Commonwealth's FY16 \$38.1B operating budget is not a move that should lead straight to privatization of selected services. Rather success in delivering selected MBTA services with more efficiency and cost savings will more likely be achieved if MBTA workers, with management support, compete with private firms for the delivery of services. The competition creates the incentive to present bid proposals that aim to produce greater efficiency which generally leads to lower costs. That result has been achieved by several cities that have engaged in the Competitive Service Delivery (CSD) process as described in a 2004 Research Bureau [report](#). However, Boston is still not one of the cities that have undertaken this practical initiative.

What Is CSD?

CSD is a process by which both the public and private sector organizations compete for the right to provide a public service. It does not presume that the private sector is naturally more efficient than the public sector - it just requires both to compete for the ability to provide the service. In the end, best quality and best price win out. CSD is not a method for eliminating jobs and is not privatization. CSD requires the government to determine the true cost of services it delivers, both direct and indirect (activity-based costing) to be able to compare its costs with its private competition. These comparisons alone are helpful to ensure that costs are not out of line with benchmarks.

CSD also gives the public employees the opportunity to improve services by bringing their ideas into fruition. Where private firms receive the bid, most public employees are either hired by the private firm or are redeployed within the government.

CSD has had a positive track record in cities throughout the United States. CSD has helped cities evaluate the effectiveness of selected city services and decide how best to direct resources toward achieving service objectives. Phoenix, Arizona; Charlotte, North Carolina; Baltimore, Maryland; and Indianapolis, Indiana are four cities that have achieved greater service efficiency and savings from implementing CSD.

Why Not Boston?

The City of Boston awards contracts to private firms for a variety of services such as tree maintenance, road paving, refuse collection, and parking ticket processing. These contracts are awarded solely to private firms, but not in a competitive process involving city employees. One example of CSD cited by city officials is the installation of LED lights in the City's street lights by city workers on overtime. However, that was not a competitive situation since the offer was made to the union employees after management had decided that the winning private bid was too expensive. The Walsh Administration should take a fresh look at the advantages of CSD and plan to implement activity-based costing in departments that could benefit from a competitive contract process.