

# BANKER & TRADESMAN

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## OPINION

PROTECTING OUR ASSETS

### MBTA A Vital Part Of Greater Boston's Economy

Transit System Needs Upgrades, Long-Term Planning ASAP

BY RICK DIMINO

SPECIAL TO BANKER & TRADESMAN

The MBTA is a cornerstone of our economy.

We now know what happens when the MBTA is unable to carry the almost 1.3 million riders who use and rely on the system every day – the employees who



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power the Massachusetts economy cannot get to their jobs. These jobs provide income and discretionary spending power, which puts money in the pockets of our businesses, retailers and restaurants,

which in turn generate sales and meals taxes. These jobs also deliver income taxes into the Treasury and, combined, this revenue helps fund services to taxpayers across the commonwealth.

The MBTA today serves 175 communities, providing travel options to almost 4.7 million people. Moreover, close to 70 percent of the Massachusetts population is served by some type of MBTA service. And, according to our analysis presented in "The Cost of Doing Nothing," MBTA expenditures are directly responsible for more than 20,000 jobs annually. More broadly, though, the MBTA is the engine that helps power our economy and future

growth, linking workers to jobs and creating new development all over the commonwealth. The MBTA is also the fifth largest transit system in the United States. As this winter has made clear, whether you are an MBTA rider or a driver who benefits from the congestion reduction provided by the MBTA, we all need a well-run transit system.

Much attention has rightly been given to the sobering new state of good repair (SOGR) backlog number of \$6.7 billion that was recently announced by the MBTA. It is clear that our vehicles, signals and power systems and stations require a significant investment. According to the Massachusetts Taxpayers Foundation, the MBTA spends about \$650 million annually on SOGR capital projects, and would need to spend \$800 million annually to keep the backlog from growing. To eliminate the backlog completely over the next several years, close to \$1 billion in SOGR spending annually would be required. Even in mild weather, the MBTA is frequently forced to take broken-down vehicles out of service or send personnel to fill in for faulty signals. And, our transit system will only continue to face the challenges posed by severe weather events as they increase in both frequency and intensity. Maintaining our system in a state of good repair is essential, and adequate maintenance funding should be a priority of the MBTA's capital plan each year.

#### Current Approach Insufficient

As important as it is to effectively maintain our current system, it is insufficient if we are to meet the economic needs of the Greater Boston region and the entire commonwealth. It is true that every capital project should be subject to a rigorous cost-benefit analysis and our limited dollars should be prioritized. That does not mean, however, that simply repairing today's system is an acceptable option for the region and the commonwealth.

In fact, according to Frontier Group, the MBTA has expanded service capacity and added new routes at a slower rate than many of its peers. Moreover, demand for reliable transit is only accelerating. The combined population of Boston, Cambridge, Quincy and Somerville has grown by more than 8 percent since 2000. According to the Urban Land Institute's 2012 report, "Hub and Spoke," the MBTA is likely to need to serve up to an additional 367,000 riders each day by 2021. Already, segments of the Green, Orange, Red and Silver lines currently exceed their design capacity during peak portions of the average weekday.

Growth in transit demand and development activity generates new commerce and economic activity. For instance, the city of Somerville is expecting that its development in Assembly Square will generate about \$20 million in new tax revenue annually. Rebuilding the system of yester-

day will not be adequate if we are to meet the demands and seize the opportunities of tomorrow.

Gov. Charles Baker and the Legislature need to come together and act to reignite the MBTA as the engine of our economy. Here are some solutions they could consider.

We have made progress towards reforming the MBTA. For example, employees can no longer retire after just 25 years and employees now receive health insurance through the Group Insurance Commission. But more can be done to make the employee benefits at the MBTA more cost-effective. The MBTA also needs to reexamine things like the arbitration process, procurement procedures, and how it

purchases energy to reduce excessive financial burdens on the agency. To help put the agency on better financial footing, the commonwealth could also assume at least a portion of its massive debt burden.

### **New Investment Needed**

We will not be able to tackle this crisis through reforms and efficiencies alone. The need for new revenue to support the MBTA – and our entire transportation system – is inevitable, and there are several options to consider. One is to increase the gas tax to make up for the fact that it does not rise with inflation. Last year's repeal of the gas tax's inflation adjustment leaves a billion-dollar hole in transportation funding that must be filled. We can also place

a sales tax on gasoline and dedicate a portion of that to the MBTA, or examine exemptions to the motor vehicle sales tax. Massachusetts could join eight other states that are piloting the use of vehicle miles traveled to measure a fee on cars. And, we could begin the process of tolling more roads and highways and developing new approaches like tiered tolling for express lanes.

Reform is an ongoing process and ensuring efficient use of taxpayer dollars is essential, but significant new investment is what is needed for us to seize our full economic potential with a stronger MBTA. ■

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CEO of A Better City.*