

March 4, 2025

Via Electronic Mail

Phillip Eng, General Manager and CEO
Massachusetts Bay Transportation Authority
10 Park Plaza, Suite 3830
Boston, MA 02116
PEng@mbta.com

Re: The Importance of Fare Collection on the Commuter Rail

Dear General Manager Eng:

The opening of the South Coast Rail, slated to occur this month, is a milestone accomplishment for the MBTA and the Commonwealth toward their goal of providing reliable, energy efficient public transportation. As the MBTA's General Manager, you have played a vital role in making this vision a reality, and I congratulate you on this achievement. You should now work with the MBTA leadership to capitalize on your success. To that end, I find it necessary, indeed mandated,¹ to write to you about the need to improve fare collection on the commuter rail lines, including the new South Coast Rail.

I believe that the scale of the problem of uncollected fares and the resulting lost revenue has been greatly understated over the years. In many ways, the MBTA has not prioritized fare collection, as demonstrated by the lack of infrastructure to achieve that goal and the treatment of fare collection as an element of the passenger experience rather than the necessary revenue driver it should be. The MBTA incorrectly focuses on fare evasion, when it should instead enforce the contract requirements of active fare collection by its commuter rail operator. While the lost revenue from uncollected fares would not close the MBTA's projected budget gap, the impact of uncollected fares is significant. How the MBTA leadership and staff treat one public dollar is as meaningful as how they treat a million dollars. Each dollar must count.

I'll first address the lack of infrastructure for automatic ticket gates (or fare gates). We do not have fare gates at the new South Coast Rail stations, in the heart of the city at South Station and Back Bay Station, or in the existing outlying stations. In the 2017 Revenue Growth Service Change Agreement, the MBTA laid out expectations for Keolis to install fare gates at South Station, Back Bay and North Station as part of the revenue growth strategy. We are now in 2025, and the only commuter rail station with fare gates is North Station. The MBTA's thinking about fare gates and fare collection needs to change. Whether this means that the next operator needs to own the responsibility for installing fare gates and the MBTA needs to hold it accountable through a combination of not only revenue share but clear penalties for not getting there, the MBTA needs to aggressively manage the contract. We have seen the MBTA fail to get the most from other

¹ See M.G.L. c. 6C, § 9.

contracts, notably its contracts for privatized services, when it does not engage in cohesive, comprehensive and strategic contract management practices.

Conductors must collect fares whether or not fare gates exist. That does not happen dependably or consistently. OIG staff have observed this firsthand, tracking how often their fares were collected on the commuter rail to and from South Station in 2024. In their experience, the collection rate was between 6% and 78%. None of the OIG riders had their fare collected by a Keolis conductor on every ride they took.

In the existing commuter rail contract, the MBTA can impose penalties against Keolis if it fails to collect fares according to their expected performance level under the Passenger Comfort and Service Amenities provisions. But the contract assigns the lowest performance penalty for failure to collect fares at \$500 per failure. Compare this, for instance, with the penalties of \$1,000 and \$2,000, respectively, for poor performance on vehicle or station cleanliness. The impression is that fare collection is not seen as an integral source of revenue.

I think it would be surprising to most people who pay for their rides, whether monthly or by the trip, that fare collection comes under the contract's terms on comfort and service amenities. Those riders probably would not be surprised, however, to learn that the contractual penalty for failure to collect fares is so low. At public forums, the MBTA leadership has addressed fare collection questions in the context of fare evasion, but riders on the commuter rail plainly observe conductors not checking tickets. Riders are not evading the conductors; the conductors simply are not checking or collecting fares. The MBTA must hold Keolis accountable for this inaction. Keolis knows this is not a fare evasion issue.

As the Commonwealth's budget writers and Legislative leadership look at budget shortfalls in MBTA operations, the MBTA must demonstrate that fare collection is a priority.

The revenue sharing provisions added in the 2017 Revenue Growth Service Change Agreement have not been sufficient to make up for the lack of fare gates and poor fare collection practices on the trains to drive performance where it needs to be. The model has proven inadequate to incentivize Keolis to fulfill its obligation to meaningfully address the gap that currently exists. The fact that Keolis has shown increases in fare collection in the last few months underscores its past failures and does not demonstrate an ongoing commitment to improve its efforts, should it seek the next contract.

I am well aware of the challenges and successes in revenue growth, which I highlight because revenue growth is different from fare collection. One can readily acknowledge that the COVID-19 pandemic and the shift to hybrid work with its impact on monthly passes undoubtedly have had an impact on revenue growth. Programs for reduced fares also impact revenue growth. New methods of ticketing, such as mTickets, which make it easier for riders to purchase tickets and therefore should show increased revenue for a period, do not, and cannot, take the place of proactive fare collecting.

Robust fare collection is a matter of quality, integrity and efficiency in the operation of the MBTA. While fare evasion is akin to fraud, the commuter rail operator's failure to collect fares and the MBTA's failure to enforce the operator's obligation to collect fares is waste and abuse.

As the MBTA approaches the end of the current commuter rail operator contract and embarks upon the procurement for a new operator contract, I stress the importance of the MBTA making fare collection a real and achievable priority. The MBTA must capitalize on every revenue dollar available from transit service, promote transparency, and be accountable to the MBTA budget.

- The MBTA cannot wait for automatic ticket gates to be installed at stations along the line. It must hold the current and future operator to real and measurable fare collection performance standards.
- The MBTA must use contract terms that underscore the importance of fare collection as a fundamental obligation of the operator, not a passenger amenity.
- The MBTA must use easy-to-measure and clearly defined performance standards for fare collection and implement meaningful penalties for non-performance.
- The MBTA must make better use of contract incentives, including a revised and enhanced version of revenue sharing, to drive performance in fare collection.
- The MBTA must take timely and meaningful steps on infrastructure and address the reasons that have stalled fare gate installations to date.

With the MBTA on the threshold of conducting a new commuter rail procurement, it must use this time and opportunity to implement a fare collection strategy across the commuter rail network, including addressing short fares on the lines coming into North Station.

It is time for the MBTA to have the goal of fare collection drive the discussion and action rather than repeating the challenges that have impeded progress. In no small measure, this means that the MBTA must change its approach to how the next operator is incentivized and penalized on fare collection to see better outcomes on revenue.

Sincerely,



Jeffrey S. Shapiro, Esq., CIG
Inspector General

cc (via email):

Monica Tibbits-Nutt, Secretary and Chief Executive Officer, MassDOT
Thomas M. McGee, Chair, MBTA Board of Directors

Phillip Eng, MBTA General Manager

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The Hon. Charlie Sisitsky, Mayor of Framingham, MBTA Board of Directors

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