

NOTE: You should form teams of two for this assignment.

Contracted Services

There is increasing interest in the U.S. and elsewhere in having various types of public transport service provided under contract by the private sector. While there may be some financial advantage to this, there are also some difficulties, notably those of contract specification, performance monitoring, and transition management. This assignment deals with one such contract service, the MBTA Commuter Rail, which provides regional rail service into Boston. Currently the MBTA is in the second year of a new contract with a consortium (MBCR, LLC) that took over this service from Amtrak on July 1, 2003. Amtrak previously had operated this service since 1987.

Attached is the body of the new contract, along with a set of the major Exhibits to the contract (Exhibits 1, 2, 3 [sections 1-3 only], 4 [pp 1-2], 5 [sample pages], 9,10, and 14).

After reviewing the current contract, write the following:

1. A critical analysis of the current contract from the perspective of both the MBTA and the contract operator. Think about what objectives the MBTA and the operator are likely to have and examine the explicit and implicit incentives and penalties built into the contract. If there were the opportunity to change any of the proposed terms in a new contract negotiation, and if you were representing the MBTA, what terms would you seek to alter, and in what way? If you were the operator, what terms would you seek to alter? Provide appropriate supporting arguments.
2. Briefly discuss the difficulties the MBTA is likely to face in monitoring contractor performance and administering the contract.
3. Provide a brief assessment of the transitional difficulties the MBTA should expect to face if in the future it decided to change the contractor. How significant a problem might this be, in terms of the overall effectiveness of this contracted service? Can you think of any strategies the MBTA might take to minimize this concern?