



# ***On The Move***

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## **The chickens come home to roost**

### **Corruption in bidding process undercuts SEPTA's answer to union grievance**

In 2014, SEPTA entered into a contract with Spector Logistics to maintain and repair the video surveillance equipment on the Authority's trains, buses and trolleys in violation of the contract. The Union grieved the violation. In response, SEPTA provided the Union with information and discussed the decision to contract the work---work that had previously been performed by union members. The case went to arbitration and settled, but the Spector contract remained in effect because SEPTA *appeared* to satisfy the limited requirements of the subcontracting section of the contract.

In 2019, SEPTA contracted with Gatekeeper Systems Inc. to do the camera work, in violation of the contract. The Union grieved the violation.

### **Federal indictment of SEPTA camera subcontracting manager**

As it turns out, SEPTA's decision to contract the camera work in 2014 and 2019 was the product of a criminal conspiracy between the SEPTA manager in charge of contracting the camera work, James Stevens, and Robert Welsh the owner and CEO of Spector Logistics.

In 2022, a federal grand jury indicted Stevens and Welsh in a bribery and extortion scheme involving inside information that enabled Spector to win bids for work that should have been performed by bargaining unit members.

According to the indictment, Spector got the camera contract with SEPTA and, in return, Steven received cash payments of around \$3,600 per month from Welsh, along with other financial benefits, and a promise of future employment with Spector after Stevens retired from SEPTA.

The indictment goes on to allege that as part of their illegal relationship Stevens:

- Gave favorable treatment to Welsh and his companies in the contracting process to ensure that Spector secured and maintained its General Maintenance Contract with SEPTA for camera repairs.
- Helped Welsh obtain additional contracts and approvals of change orders from SEPTA; and,
- Helped Welsh and his companies, including Spector and Blue Zebra obtain contracts, by 1) issuing "sole source" contracts, where SEPTA did not solicit other bidders; 2)

providing Welsh with confidential information concerning SEPTA's pricing so that Welsh could submit the lowest bid; and 3) providing other information and assistance that would aid Welsh obtain contracts with SEPTA.

## **Criminality and corruption in the bidding process**

The indictment further alleges that by doing these favors for Welsh, Stevens *corrupted the contracting and bidding process* and created an unfair competitive advantage for Welsh. Stevens and Welsh also deprived SEPTA and its employees, as well as the taxpayers who fund the organization, of their intangible right to the honest services of Stevens.

In or around early to mid-2018, when Stevens determined that SEPTA should no longer use Spector for the Camera Maintenance Contract, the indictment alleges that rather than simply cancelling the contract, Stevens helped arrange for company G (Gatekeeper?) to purchase the assets of Spector and take over the General Maintenance Contract in a manner that would result in continuing financial benefits for Welsh.

More specifically, on or around March 20, 2018, Stevens helped facilitate Welsh entering an "Agreement for the Purchase and Sale of Assets" and a "Contractor Agreement" with Company G. The Agreements provided for Company G to purchase Spector assets (including its buildings, its equipment, and its workforce) for \$300,000 and to employ Welsh as the Director of Business Development for one year at a salary of \$66,000.

## **Stevens' conviction will reopen camera contracting cases**

The grand jury indictment of James Stevens shows that consideration of the Union's grievances over the Spector and Gatekeeper camera contracts were tainted by a year's long criminal conspiracy, undercutting the subcontracting grievance process in both cases, by reducing the required "meaningful" and "open-minded" discussions between the Union and the Authority to a sham.

Welsh has pled guilty under seal to at least some of the charges in the indictment. Stevens is scheduled to go on trial in February. No one from Gatekeeper was charged. With Stevens' conviction, the Union will seek back pay for all camera work performed by outside contractors since 2014.

## **Corruption running rampant in SEPTA management**

The indictment of James Stevens comes on the heels of the criminal convictions of Building Department managers who stole hundreds of thousands of dollars by paying off vendors to process falsified credit card purchases in SEPTA's name. Some of these former managers now parade around in orange jump suits every day.

It has also been reported that SEPTA has been giving Golden Parachute Agreements to get some highly paid managers to leave the company. Instead of simply terminating their employment, SEPTA pays their salaries and benefits to walk away from the job. Many of these former managers wind up getting other jobs, but still receive paychecks and benefits from SEPTA for a set period of time, a total waste of taxpayer resources.

The Stevens and Buildings Department cases demonstrate a degree of corruption rarely seen in a public transit agency.