



**President's Report
March 2010**

Good morning Chairman Peterson and members of the Board.

I would like to begin by giving you a status report of our finances. The cost cutting measures we put in place for the 2010 budget, including the service reductions, have put us back on track.

Over the past year, with approval of the Board, we have entered into 25 Ordinances, land sales, and Purchase and Sales Recommendations that have generated over \$200 million. We have increased the number of ATMS throughout the system from 52 to 77, with the possibility of adding 20 or more. Several Park and Ride locations are under new management with new cash and credit card parking fee machines. These new parking agreements provide a minimum annual guarantee and profit sharing.

We continue to monitor external factors beyond our control. These factors may impact our budget in either positive or negative ways. An example of an external factor that could have a positive impact is the discussions in Washington D.C. about a potential jobs or second stimulus bill. Any action done in addition to an extension of the federal transportation funding bill could provide some funding for the CTA, most likely for capital projects. We're watching movement on these bills closely, and Chairman Peterson and I are planning to travel to Washington this spring to make our case on behalf of the CTA.

There is also activity in Springfield that could impact us. As you know, there is another means test bill circulating that could potentially reduce the number of free rides for seniors. Its passage is far from certain, but if it were to pass, some of the revenue projections that I've heard are unrealistically high. The state fiscal year is on a different calendar than the CTA year, and if such a bill was to pass, it might become effective near the middle of our fiscal year. Therefore, the impact on our budget would not be sufficient to restore jobs and service.

Last month, the RTA announced that their working cash levels are low due to state payments being several months behind. Further erosion of public funding necessitates strict financial control, which means that discussion of service restoration is unrealistic until public funding is no longer at risk.

Our position throughout this process has been that we have to make financially responsible choices even if they are difficult. As I mentioned last month, we were successful at reaching an agreement with the Craft Coalition that bargains on behalf of a dozen unions. I'm pleased to report that 10 of the 12 unions in the coalition ratified the agreement, so we were able to cancel the layoffs for those unions. Layoffs for the other two unions proceeded.

Although we weren't able to reach an agreement on concessions with the Amalgamated Transit Union, they have offered to work with us in both Springfield and Washington and, we welcome their participation in our continued efforts to stabilize funding.

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For the past few months, we have been performing internal testing of the new 5,000 series rail car prototypes out at Skokie Shops and across the rail system. Last week we took several representatives from the Federal Transit Administration for a closer look, and we are planning the same for media later this month.

The internal testing should be completed over the next few weeks, and we plan to place the 10 prototype cars into passenger service shortly thereafter. We will continue testing throughout the year so we can have a clear picture of how these cars will perform under a variety of conditions.

The prototype rail cars are similar in appearance to the CTA's 3200-series that operate on the Yellow, Orange, and Brown lines but have some features that the older cars don't. One of the biggest differences is that these cars are powered by alternating current propulsion systems, whereas the rest of our cars are powered by direct current systems. The AC system is more common throughout the industry, and as a result, is less costly to maintain when it comes to repairs and maintenance as parts are more readily available.

The new rail cars are also equipped with a regenerative braking system that converts the kinetic energy from braking back into the power network to assist in accelerating trains and help reduce peak power demand. Among the features are a smoother acceleration and braking mechanism, and aisle-facing seating that allows more space for standing riders.

There is so much more to say about these new rail cars, but rather than give it all away now, we'll save it for when you tour the cars.

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I would like to share ridership figures for February, including figures that reflect ridership following the February 7th service reductions.

Looking at an average of ridership for the four weeks since the service cuts, ridership on the system as a whole is down a mere 1% compared to the prior weeks. The biggest loss is in weekday ridership which has dropped by approximately 2.2%, or about 37,000 daily rides. On the other hand, ridership on the weekends has been quite strong. We saw growth of 5.3% on weekends in February compared to 2009. The weekend growth in part is attributable to the end of construction work on the Blue and Brown Lines that was underway last year.

Compared to February of last year, ridership is down 1.3%. Although ridership on the bus system for February is down 3.8%, those losses are partially offset by rail ridership, which is up by 2.7% compared to the same period last year. It appears that some bus customers have migrated to the rail system as a result of the cuts.

What is also interesting is that ridership in the first two months of 2010 is actually higher than it was at this time last year. So far, system ridership is 0.8% ahead of where it was in March 2009.

We had a very strong January and, in spite of the service reductions, February didn't sustain heavy losses. Of course, this only reflects one month's data incorporating the service changes, so it's too soon to reach solid conclusions regarding ridership trends. But it is a noteworthy development and I thank our riders for sticking with us.

We will continue to examine ridership carefully in the coming months to help determine further impact, if any.

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Finally, Earth Day is almost upon us. Similar to myself, many of you are very involved and interested in environmental issues. I have put together an internal working group to develop and advance green initiatives within the CTA. Next month, in honor of Earth Day, we will be presenting the details of those efforts.

Thank you, and this concludes my report.