

# New Flyer Bus Purchase



Exercising Options 3 & 4 At This Time Benefits CTA and Its Customers

# New Flyer Bus Purchase Overview

- CTA Board Approved the Original Contract on December 5, 2004.
- Total Buses in Contract: 1,050 Buses.
- Base Order, 1<sup>st</sup> & 2<sup>nd</sup> Options Approved for 650 Buses.
- Options 3 & 4 Pending for 400 Buses.

# Options 3 & 4 Contract Terms

- Price for 400 Buses Increases Monthly by Inflation Index (\$596,378).
- No Set Delivery Date in Contract. Date Negotiated at Time of Option Award and Considers New Flyer's Production Schedule and Backlog.
- Awarding Options Locks CTA's Place in New Flyer's Production Schedule.

# Impacts of Delay to Capital Costs

	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-08*	Sep-09**
Cost Increase (In Millions of \$)	\$0.00	\$1.19	\$1.79	\$2.39	\$2.98	\$10.73	\$14.31
Cost Increase (Per Bus)	\$0.00	\$2,975	\$4,475	\$5,975	\$7,450	\$26,825	\$35,775

## NOTES:

- \* Last date for Option 3 approval at CTA Board.
- \*\* Last date for Option 4 approval at CTA Board.
- 1 Cost increase per month based on PPI index on 400 buses.
- 2 May 2007 cost increased based on 2 month PPI increases as beginning price was March 2007. New Flyer was willing to wave April increase with April 2007 CTA exercise of Options.

# Operating Cost Impacts

	<b>New Flyer</b>	<b>TMC</b>
<b>Average Material Costs/Bus</b>	<b>\$ 195</b>	<b>\$ 1,023</b>
<b>Estimated Labor Costs/Bus</b>	<b>\$ 442</b>	<b>\$ 2,323</b>
<b>Total Repair Costs/Bus</b>	<b>\$ 637</b>	<b>\$ 3,346</b>
<b>Monthly Repair Costs for 400 Buses</b>	<b>\$ 254,605</b>	<b>\$ 1,338,402</b>
<b>Annual Repair Costs for 400 Buses</b>	<b>\$ 3,055,263</b>	<b>\$ 16,060,827</b>
<b>Light Mtc. Savings of New Flyers over TMCs</b>		<b>\$13,005,564</b>

# Extraordinary TMC Repair Costs

	<b>Engine/Trans</b>	<b>Beams</b>
<b>Parts/Material Costs</b>	\$ 36,480	\$ 162
<b>Hours/Bus</b>	108	150
<b>Labor Costs/Bus @ \$43.08/hr</b>	\$ 4,652	\$ 6,462
<b>No. of Buses</b>	119	63
<b>TMC Annual Costs</b>	\$ 4,894,708	\$ 417,312
<b>New Flyer Annual Costs</b>	\$ 0 5 yr. warranty	\$ 0 12 yr. warranty

# Economic Impact of Exercising Options 3 & 4 at This Time

	<b>Expected Contract Index Increases</b>	<b>Additional Annual Maintenance Costs</b>	<b>Interest Cost Savings for CTA Bond</b>	<b>Net Economic Benefit For Early Exercise of Options 3 &amp; 4</b>
<b>Option 3</b>	\$5.37	\$19.51	-\$4.14	<b>\$20.73</b>
<b>Option 4</b>	\$8.95	\$32.51	-\$6.91	<b>\$34.55</b>
<b>Total</b>	<b>\$14.31</b>	<b>\$52.02</b>	<b>-\$11.05</b>	<b>\$55.28</b>

*All Figures in Millions*

## **Assumptions:**

- Option 3 benefits calculated by comparing award in May 2007 to award in September 2008.
- Option 4 benefits calculated by comparing award in May 2007 to award in September 2009.
- *Contract index* represent projected changes to Producers' Price Index (PPI) as specified in the contract for noted periods. *Annual Maintenance Costs* represent difference between operation of the older buses and new ones. *Interest Cost* capture savings due to later need for CTA bonds to support bus purchase.

# Impacts of Delay: Delivery Time & Capital Cost

	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-08*	Sep-09**
<b>Delivery Delay (In Weeks)<sup>1</sup></b>	0	0	19	19	23	78	78 - 104
<b>Start Date (Estimated)</b>	2/11/08	2/11/08	6/23/08	6/23/08	7/21/08	8/18/09	9/18/10
<b>Completion Date (Estimated)</b>	2/16/09	2/16/09	6/29/09	6/29/09	7/27/09	8/24/10	9/24/11
<b>Age of Buses being Replaced (In Years)</b>	17-18	17-18	17-18.5	17-18.5	17-18.5	18-19	19-20

## **NOTES:**

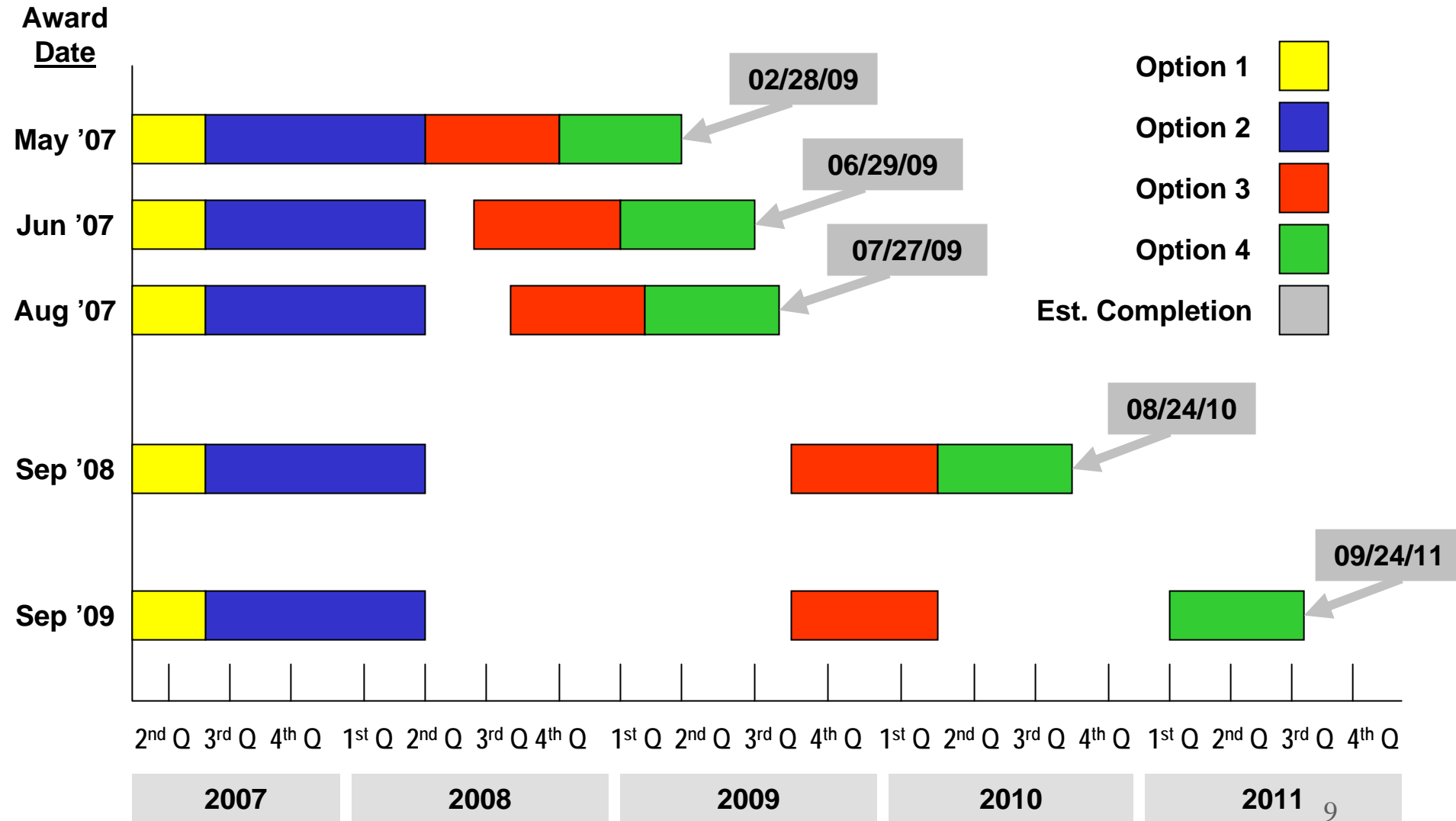
\* Last date for Option 3 approval at CTA Board.

\*\* Last date for Option 4 approval at CTA Board.

<sup>1</sup> The delivery delay is affected by other orders won or lost by New Flyer. These other orders can vary significantly and affect delivery depending on when CTA exercises the Options.



# Impacts of Delay: Delivery Time



# Additional Benefits

- Lower Emissions
  - New Flyers have Particulate Filters.
  - Emissions meet stringent 2007 standards.
- Customer Amenities
  - LED Destination Signs
  - Wider Seats
  - Improved Camera system
  - Low floor design (improved access)

# Additional Benefits

- Reliability

- Removing 17 to 19 year old buses.
- More TMC Lift problems vs. Ramps.
- Advance Mtc. capabilities with New Flyers.
- Miles between Road Calls:

**TMC (2,400 mi) vs. New Flyer (8,000 mi)**

- Fleet Management

- Locking in schedule allows fleet mtc. planning.
- Minimizes effect of older fleet; even after award of options, CTA will still have 400 buses with an average age of 14 yrs.

# Recommendation

- Exercising Options 3 & 4 to Replace 1991 TMCs Results In:
  - Increase Customer Satisfaction.
  - Improve Reliability.
  - Realize Capital and Operating Cost Savings.