

October 8, 2008



### *Congratulations and Excitement*



The security was tight, the buses were immaculate, and the operators were prepared for the first service offered by OUT, the newest transit system in the nation. The five new buses prepared by our client, the Oxford/University of Mississippi commission and readied by Senior Vice President, Tim Lett were the transport for hundreds of reporters for the first Presidential Debate on the Ole Miss campus.

Congratulations to our newest client, the Arlington Entertainment Management District. The firm will begin the full service in March, 2009 connecting visitors from hotels to Six Flags Over Texas, Hurricane Harbor, the Texas Ranger games, and perhaps to the Dallas Cowboys games. Executive Vice President, John Bartosiewicz and Senior Associate Christine Hines are preparing for our new team, our new facility and fleet of trolleys.



### *High Ridership Meets High Fuel Costs?*

Each of our cities or campuses are different, but all are wrestling with the budget strains of the economy while attempting to meet growing demand. Several of our systems reached new records for farebox revenue, yet several face service reductions to meet tightened resources.

One possible cure is the legislation making its way through Congress. H.R. 6899 contains the previously approved separate bill H.R. 6025, Saving Energy Through Public Transportation Act. The legislation would authorize \$750 million for public transportation 5307 projects, including conditions on fare increase or service reductions.

### *Citilink – Adwheel Award*

Congratulations to Citilink who won a Grand Prize ADWHEEL Award for their Dump the Pump Commercial at the American Public Transportation Association Annual Meeting. The award winning commercial is online at [http://www.fwcitilink.com/TV\\_ads.htm](http://www.fwcitilink.com/TV_ads.htm).

## Hybrid Bus Demonstration

New transit propulsion technology was on display in Fort Wayne on 9.25.08, as



Citilink and Variable Torque Motors will demonstrate the hybrid

powered transit buses and answer questions. The fuel savings of hybrids have been proven throughout the nation. Our Charlotte and Bloomington fleet demonstrations have demonstrated the practicality of this "free fuel savings". The only barrier is the current capital cost of the hybrid option. Each order is more practical than the year before. Now, the Fort Wayne demonstration opens a new frontier, retrofit of small transit buses with ultra capacitors using less than 100 volts. Regenerative braking is the foundation of hybrid drive fuel savings for transit. Extended brake life, engine life and fuel savings will be measured in this application and data from this field demonstration will aid other transit systems with the lower cost application (\$30,000). For vehicles that use several hundred gallons per month, the potential for investment payback in five years is probable.

## California Public Utilities Commission Changes Phone Rule

The CPUC enacted a temporary ban on 9.18.08 for train personnel use of cell phones and similar devices. Citing both the tragic crash of the Metrolink commuter train operated by Veolia with a freight train at Chatsworth and the San Francisco Muni accident in June, the CPUC enacted the temporary measure and began the steps for proceedings that could make the ban permanent.



## Car Sharing Jumps a Notch

When Neil Peterson introduced APTA members to the idea from Europe of renting cars by the hour, some watched and wondered if it would make sense in our markets. Though not yet common in every city, the idea is growing quickly. The national market is now serving 279,000 members according to USA Today (USAT9.30.08). Flexcar has competitors in Zipcar, WeCar from Enterprise Rental, and U-Car Share from U-Haul. Car rental firms may continue to adopt their business to this newer strategy. The implication for transit is important. The number of families who can eliminate one car by using a combination of transit and a car on demand is a large portion of the voting public. Transit's resurgence is already apparent to political leaders and opinion leaders, but tripling the number of families impacted by transit will be transformational.



## APTA Expo

We look forward to seeing many of you and many of our clients at the American Public Transportation Association Annual Meeting and EXPO in San Diego on October 5-8, 2008. The EXPO is held every three years in conjunction with the American Public Transportation Association Annual Meeting.

## Fuel Deliveries

The southeast has been hit with dramatic delivery problems since the power interruptions that accompanied Hurricane Ike. Refineries in the Houston to Lake Charles area feed the pipelines that deliver diesel and gasoline to Charlotte, Atlanta, Nashville, Chattanooga and points in between. The problem was expected to last one week and may last five, but it will abate. The hurricane season is near the end.



If your system uses diesel or B20 your costs this year have been high. But New York has set a new standard for fuel challenges. They committed five years ago to use ultra low sulfur kerosene. At the time it seemed to be a leading edge choice. The fuel has properties similar to ULSD but cleaner, the comparison is a bit like the old comparison of diesel #1 to diesel #2.

Since New York has one of the largest fleets in the world it seemed reasonable that the requirement could lead to economies of scale as the suppliers pitched the innovation to other transit fleets and other heavy duty municipal fleets. But the economies of scale have not yet materialized and the EPA chose ULSD as the required lower emission fuel as a standard in 2006. The cost of extra refining steps is about \$.20 per gallon and the cost of delivery from the only refinery that meets the specifications currently is \$.45 per gallon for shipment from Pennsylvania. The August bid opening led to no bids; the resulting negotiated contract will add tens of millions of dollars to the fuel cost compared to ULSD. Of course New York is revisiting the type of fuel but they are testing the impacts in emissions before the switch. (NYT9.25.08)

## Is the Tough Economic Season Ending?

The House voted 263-171 on 10.03.08 to approve the financial stabilization of credit markets approved by the Senate earlier this week. The emergency financial moves by the Federal Reserve, the United States Senate and the U. S. Treasury appear to have calmed the stock markets, as of 10.02.08. The U.S. Resolution Trust style guarantee for nonperforming mortgage backed securities was supported by Warren Buffett on the day the Senate voted. The stock market, currency trading and oil markets will be volatile at least until the proposed legislation becomes law. The impact after that will depend on the reactions to details of the final legislation.



The economic indicators are used and abused during an election year. Both sides will explain that the other created problems that could have been prevented. The incumbents tout progress, the challengers question the leaders. So as your board or council makes tough decisions keep the facts in clear perspective. The relatively high fuel prices continue to improve ridership and hurt expense budgets but our union team members at VOTRAN accepted a one year contract after authorizing a strike last week.

Fuel prices are moderating. In Fort Worth, pump prices hit \$3.38 per gallon on 10.03.08. November futures for oil in 42 gallon barrels dropped \$10.52 on 9.28.08, the largest single day drop. The price dropped to \$93.88 on 10.03.08. The clearest signal that fuel would continue on a steady slow decline was the drop of prices continuing in the days before Hurricane Ike hits the oil platforms in the gulf. (Nymex 9.22.08)

## *Tight Budgets in Many Cities*

Our client in Niles, Michigan is reducing service for budget purposes, as are Collier, Bloomington, and Fort Wayne. These changes involve a variety of issues at the state and local level of funding, but the national trends of unemployment and mortgage problems are discussed in many settings.

The communities we serve have 30 different perspectives on tax revenue, but the national scene is clear. Big purchases are being delayed as mortgage defaults rise and the mix of moderate inflation and moderate unemployment offer little comfort. Automobile sales are suffering, the worst being domestic trucks. General Motors had mixed results, overall sales dropped 16% which was the best results of any large builder. Large SUVs were off significantly, while light trucks were only down 5%. The Malibu was up 68% and the Impala jumped 17%. Toyota dropped 32%, Honda was down 24%. Nissan was down 37%. By October 3, 2008 Toyota had announced 0% financing, an unusual move for the firm.

The trends pushing to the edge of recession vary by region, but the growth in wholesale inventories from \$398 billion in June, 2007 to \$436 billion in June, 2008 to \$441 billion in July, 2008 will take several months of improved sales to smooth out.

Property tax revenues are being hurt by home sales and mortgage problems. New housing starts in June, 2008 were down to 1.07 million in the nation, compared to 1.47 million last June. Our West Texas systems are feeling another push-pull. Tax revenues have been hit by the national economic trends and helped by the resurgence in the oil fields. Rotary rig counts have jumped from 2,116 last August to 2,416 this August. The downside is the pressure on operator and mechanic recruitment and retention in competition with those oilfield jobs.

The broadest of indicators are unemployment, durable and nondurable goods orders, inflation, and utility use. Unemployment at the national level has jumped from 4.7% to 5.7%, followed by 6.1% in August. Since the cost of fuel and food has risen, it is not a surprise that consumer confidence is shaken, but the drop is dramatic from 111.9 last July to 51.9 this July.

Utility use, this summer compared to last summer, is a general indicator of economic activity. Electrical demand last August hit 94 billion kilowatt hours, compared to only 91 billion this August.

Durable goods dropped slightly from \$218 billion last June, to \$215 billion in June, 2008. Yet nondurable goods (orders) jumped from \$203 billion to \$242 billion, the most optimistic sign in the national trends. The drop in oil prices will also have the effect of an economic stimulus much like a tax rebate, so the first quarter could see an economic rebound.

### *FedEx and Transit*

Many systems are reaching new highs in ridership while some are cutting services because of difficult local budgets. For those cities considering a fare increase equal to the fare increase, the FedEx lessons are important. FedEx realizes that the firms must remain price competitive for overnight deliveries to win in the marketplace. But the fed surcharge they implement were far, complex, and quick. The smallest weight for ground packages rates were increase 5.0% to 5.9%, and the largest packages rates were increased 2.9% to 5.0% depending on distance.



Air express rates were increase 8% on FedEx and UPS. Perhaps if our client system fare increases were quicker, smaller, and more clearly related to fuel increases, the debate would be smaller.

### *NABI Delivers CNG Buses to Victor Valley Transit Authority*



North American Bus Industries, Inc. (NABI) delivered seven new 40-foot buses to Victor Valley Transit Authority. The new buses feature a computerized multiplex system, which monitors all key mechanical, electrical and operational components; a kneeling feature to make it easier to board and seating for up to 40 passengers.

The NABI buses will also use brighter, more efficient LED lighting for both the interior and exterior. (Metro Magazine 9.26.08)