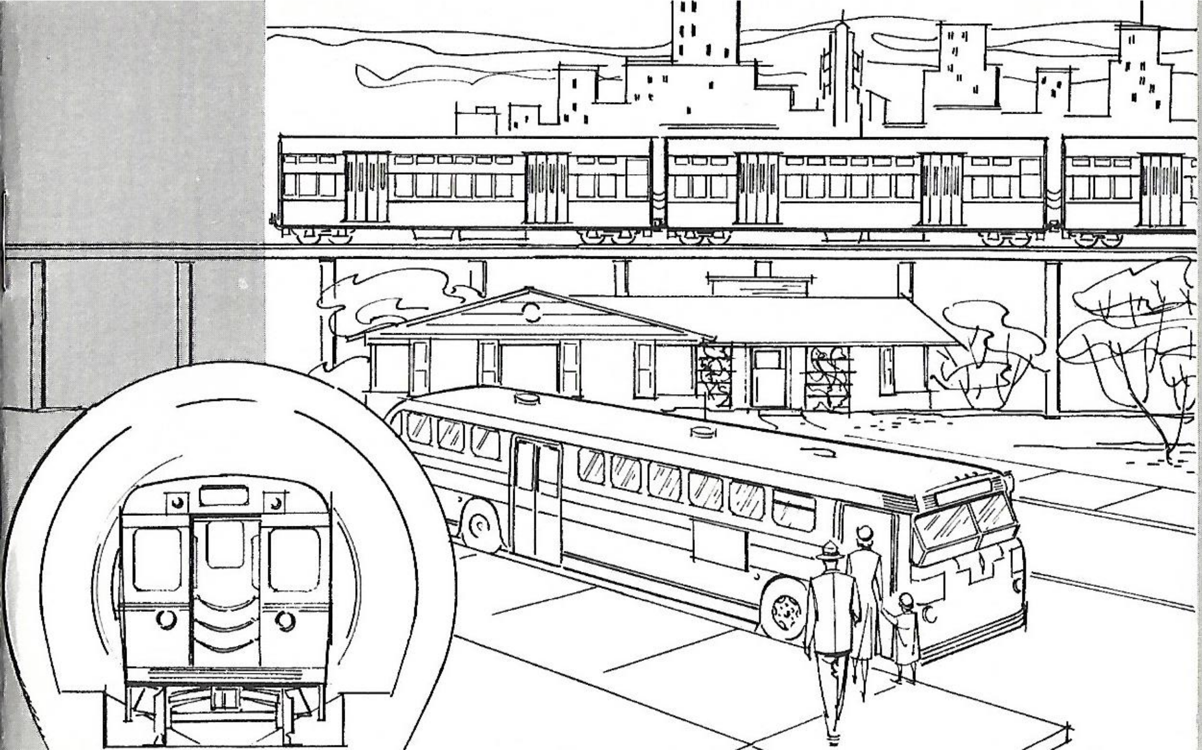

facts about Chicago Transit Authority

date established... Legislation authorizing establishment of Chicago Transit Authority, subject to approval at referendum, was enacted by the 64th General Assembly, and approved April 12, 1945 by the Governor.

CTA did not become an operating agency, however, until October 1, 1947, when it purchased the properties of the Chicago Surface Lines and the Chicago Rapid Transit Company.

reasons for establishment Unable to obtain adequate rates of fare for comprehensive local transit service, the Chicago Surface Lines and the Chicago Rapid Transit Company, two of the city's three major local transit systems, were in receivership. Both equipment and service had deteriorated to the point where a breakdown in local transit appeared imminent.

private capital uninterested Over a period of years, six separate and successive attempts were made to reorganize the two bankrupt companies. But private capital could not be induced to participate in any of such proposed reorganizations. The reasons were obvious. For most of the security holders, there had been little, if any, return on their invested capital, or repayment of principal.

solution of transit problems imperative Recognizing the vital necessity of preventing a breakdown of the city's local transit, the then Mayor of Chicago and the then Governor of Illinois proposed the Authority plan of operation.

To these strong advocates of private enterprise, the Authority plan was a realistic and practical alternative to municipal ownership subsidized by tax levies.

public support... Civic and business leaders endorsed the Authority plan. So did the City Council of Chicago. It also granted to Chicago Transit Authority, when organized, a fifty-year franchise ordinance.

referenda... In the referendum elections, participating voters overwhelmingly approved the Metropolitan Transit Authority Act and the franchise ordinance, thus making both legislative acts effective.

transit authority plan... The Transit Authority Plan is based upon the fundamental premise that attractive and convenient service shall be provided at cost, including the cost of modernizing equipment and facilities.

From the conventional form of public ownership, the Authority plan of operation differs in this highly important respect—the users of the service are expected to pay all of the operating costs, and costs of financing new equipment and improvements, excepting only the payment of property and income taxes. This exemption from the payment of taxes is a privilege common to all public agencies.

incentives of private ownership retained ... In its administrative set-up, the Authority is similar to a privately owned company, inasmuch as it must rely upon its earnings to succeed; it has no power to levy taxes. The responsibility for good operations is that of the General Manager, subject to general control of the Board. Thus the Authority plan retains major incentives of privately owned business. As in a private company, the Authority management must strive at all times for efficient, economic operation, and continuing improvement in service. Good performance by CTA management and all its employes is just as essential to survival as it is in any private business.

taxing power denied The power to levy taxes to pay any part of its costs and charges is specifically withheld from Chicago Transit Authority.

self-supporting operation No funds were appropriated by the General Assembly, or by the City Council of Chicago, to enable CTA to purchase local transit properties, or to pay any part of its operating expenses, or to finance modernization of rolling stock or other facilities.

Instead the General Assembly authorized the Authority to issue and sell revenue bonds and equipment trust certificates to private investors.

These securities are payable only from the Authority's income, which is derived from local transit fares. Mortgaging of Authority property as security for payment of these obligations is specifically prohibited. Consequently Chicago Transit Authority must be self-supporting.

adequate fares mandatory... So that it may be self-supporting, Chicago Transit Authority is vested with the right to establish rates of fare, and to regulate service. In fact, it is mandatory upon Chicago Transit Board to adjust rates of fare, up or down, so that CTA income in the aggregate shall be sufficient to pay operating and maintenance costs and all other charges, including interest and principal charges on the use of borrowed money. This provision of the law in effect requires Chicago Transit Authority to be a service-at-cost operation.

board of seven directs CTA... Governing and administrative agency of CTA is Chicago Transit Board consisting of seven members. Four are appointed by the Mayor of Chicago with the advice and consent of the City Council. Three are appointed by the Governor of Illinois with the advice and consent of the Senate. Appointments by the Mayor are subject to approval by the

Governor, and appointments of the Governor are subject to approval by the Mayor. The seven-year terms of Board members are staggered, one term expiring each year.

initial purchase of transit properties In August, 1947, Chicago Transit Authority issued and sold to private investors $105,000,000 of Revenue Bonds, Series of 1947. The issue was quickly oversubscribed. This circumstance clearly demonstrated the confidence of private investors in the Authority plan, and in the ability of the Board and the Management to operate successfully under it.

purchase price With the proceeds from the sale of these bonds, CTA purchased the Chicago Surface Lines and the Chicago Rapid Transit Company, paying $75,000,000 for the Surface Lines, and $12,162,500 for the Rapid Transit Company. Various estimates place the original cost of these properties at $250,000,000 to $300,000,000.

In the purchase of the Chicago Surface Lines, the CTA acquired approximately $25,000,000 cash in the Surface Lines renewal funds (or the equivalent in new equipment purchased from the renewal funds).

Consequently the net purchase price of the two properties was only $62,162,500.

CTA *establishes modernization record* Modernization of the former Surface Lines and Rapid Transit properties has progressed at a record-breaking rate. CTA has invested or obligated approximately

$83,000,000 in the purchase of 3,265 of the latest type of buses, streetcars, rapid transit cars and other facilities. In a 38-year period preceding the CTA modernization program, the Surface Lines and the Rapid Transit Company had invested only $46,000,000 in new rolling stock.

Approximately 80 per cent of the surface equipment has been modernized (as of July 1, 1953), and emphasis is now shifting to modernization of the rapid transit equipment.

A total of 2,815 modern units, purchased to date (July 1, 1953) are assigned to daily service. More than 1,160 miles of streetcar routes have been converted to noise-free, flexible, bus operation. Every section of the city has received new equipment. The modern units in service consist of 900 gasoline and diesel buses, 600 "Green Hornet" streetcars, 560 trolley buses, 551 propane buses, and 204 all-metal rapid transit cars.

450 more buses, cars ordered

Three hundred odorless propane buses and 150 more all-metal rapid transit cars are on order. Deliveries of these buses started in July, and will continue at the rate of 40 per month until completed. Deliveries of the 150 rapid transit cars are to start in December, and continue at 40 per month until completed. As financing permits, more equipment, particularly for the rapid transit, will be bought.

CTA *pioneers new type buses, cars*

In large scale purchase of propane buses, CTA is the pioneer in the local transit industry. It is now operating 551 of these odorless buses (soon to be increased to 851). This is the world's largest fleet of buses of this type.

CTA has also pioneered the adaptation of the famous "Green Hornet" streetcar to high-speed rapid transit operation. Other rapid transit operations have followed CTA's lead.

service improvements

Rapid transit service has been speeded up by alternate stop express service on the major routes during the heavy traffic periods of the day. Intermingling of local and express trains has been discontinued. Lightly used stations have been closed. Wasteful competition and duplication between the surface and rapid transit systems has been eliminated. Consequently Chicago now has its fastest rapid transit service.

On the surface system, the flexibility of buses has contributed to improved regularity and frequency of service. Street noises have been materially reduced by the large scale substitution of rubber-tired, rubber-insulated buses for the old red streetcars. The number of off-the-street terminals has been more than doubled; long, through streetcar lines have been functionalized by the use of buses on the outer ends to provide more frequent, more dependable service, and more convenient facilities for transfer interchange between the surface and rapid transit systems have been established.

Further improvements in rapid transit service are in process. The Dearborn-Milwaukee Ave. Subway service is to be extended west in the median strip of the Congress Street Super-highway to Desplaines Avenue, Forest Park, thus providing more high-speed rapid transit service for a large area of the west side, and a number of suburban communities.

rail-bus terminals... A combination rapid transit-bus terminal, with a free parking lot for CTA patrons, has been established at 54th Avenue, Cicero-Berwyn, and a similar across-the-platform rail-bus passenger interchange terminal is now being constructed at Desplaines Avenue, Forest Park. This terminal will also have a free parking lot for CTA patrons.

modernization of shops, facilities CTA shops and shop tools have been extensively modernized to keep pace with the large-scale modernization of rolling stock. Two large modern bus garages—Beverly, at 103rd and Vincennes, and North Park, at Kedzie and Foster, have been constructed. Ground is soon to be broken for a third and even larger garage at Elston and Armstrong. Improved maintenance methods have been adopted, including installation of additional automatic car-bus washers.

consolidation of departments Two sets of identical departments acquired with the purchase of the Surface Lines and the Rapid Transit Company have been consolidated. CTA offices, formerly housed in five separate buildings, have been brought together on one floor at the Merchandise Mart.

economies... With improved service and improved efficiency in operations, resulting from modernization of rolling stock and facilities, consolidation of departments and supervision, and elimination of costly duplications, CTA has achieved substantial economies and, at the same time, has increased the efficiency of its operations. Had not these economies, and a reduction in man-hours, been accomplished, CTA operating costs would now be approximately $30,000,000 more per year as a result of increases in wage, material and other operating costs. Further substantial economies in operation and maintenance costs are contemplated.

motor coach purchase

On October 1, 1952, its fifth anniversary, CTA purchased the properties of the Chicago Motor Coach Company for approximately $16,400,000. To finance this purchase, and to obtain additional funds for its modernization program, CTA issued and sold $23,000,000 of Series of 1952 revenue bonds. Private investors again demonstrated their confidence in the Authority Plan by purchasing these securities.

unification achieved

With the purchase of the Motor Coach, CTA achieved a fifty-year objective—unified ownership and operation of all of the major local transit facilities in Chicago. The former Motor Coach properties have been integrated into CTA as the Boulevard System, and the universal transfer privilege established in the mid-30's is now actually universal in operation.

CTA *income kept at adequate level*

The ability of CTA to sell its revenue bonds and equipment trust certificates, and thereby finance purchase of the Motor Coach properties as well as maintain the rapid progress of modernization means that CTA credit has been established and maintained. This is due primarily to the fact that revenues in excess of operation and maintenance costs are pledged specifically to the payment of interest and principal on these securities.

CTA *has met all fixed charges* To date (July 1, 1953), CTA income has been sufficient to meet operation and maintenance expenses, interest and principal payments on outstanding securities and depreciation requirements, as well as to pay the City of Chicago approximately $2,000,000 for use of city-owned subways, streets and other facilities. A substantial sum has also been deposited in special reserve funds (the Operating Expense Reserve and Bond Amortization funds) to further fortify CTA's credit rating.

good credit essential to progress The rapid progress of CTA's modernization program, and the purchase of the Motor Coach properties to complete unification of Chicago's local transit facilities, have only been achieved because CTA's credit rating has enabled it to sell the necessary securities. These results clearly prove the soundness of the Authority Plan of operation, as well as the provisions of the Metropolitan Transit Authority Act which created Chicago Transit Authority.

transit board guards* CTA *credit rating From the beginning of CTA operations on October 1, 1947, Chicago Transit Board has acted at all times to assure good credit for CTA by maintaining revenues, as required by law, at an amount sufficient to pay operating and maintenance expenses and other charges.

transit chaos the alternative Unless CTA's credit is safeguarded by adhering to sound management policies, and to the provisions of the Metropolitan Transit Authority Act, the CTA's extensive modernization program will be halted in its tracks. The inevitable result would be a return to the chaotic conditions from which Chicago's local transit was rescued by the Metropolitan Transit Authority Act, and the City of Chicago franchise ordinance.

revenue bond financing affected Action seriously to impair or to destroy CTA's credit and thus its ability to sell revenue bonds and equipment trust certificates to private investors, would also have a very harmful effect upon all revenue bond financing, particularly in Illinois.

toll road projects, etc., would suffer Without doubt it then would be extremely difficult, if not impossible, to finance by the sale of revenue bonds such major public improvement projects as toll roads, port facilities, parking lots, and garages.

investors demand integrity of security In any public improvement project financed by the sale of revenue bonds, the security is limited to the provisions of the enabling legislation. The protection of a mortgage is expressly denied. Consequently potential investors must be convinced that the limited security offered for the use of their money will be maintained without any impairment.