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# The Trend Toward Public Ownership of Urban Mass Transportation with Special Emphasis on the History of the Chicago Transit Authority

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# THE TREND TOWARD PUBLIC OWNERSHIP OF URBAN MASS TRANSPORTATION WITH SPECIAL EMPHASIS ON THE HISTORY OF THE CHICAGO TRANSIT AUTHORITY

by

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## LIFE

William Raphael Kurtz was born on September 4, 1927 in Chicago, Illinois.

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In September, 1949 the author began his graduate studies at Loyola University, continuing until August, 1950, when he was recalled to active military duty. Following his return to civilian life, he resumed his graduate studies. The author is employed in the transit industry, which led him to select the problem of urban mass transportation as worthy of study.

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# CHAPTER I

## DAWN OF THE TRANSIT INDUSTRY

The beginning of urban mass transit[1] in the United States can be traced to the early part of the 19th Century.

> One Abraham Brower, living in New York City, was probably the first person to earn a shilling in mass transportation in North America. In 1827 he had a carriage maker fashion a twelve seat, stagecoach-like vehicle which he operated on Broadway for a flat fare of one shilling regardless of distance of travel.[2]

The use of carriages to transport groups of people fulfilled a need and soon spread throughout the cities of the East Coast. Soon improved types of coaches were introduced which were larger and more suited for the carrying of passengers. Among these was the "omnibus" which accommodated more people and whose superiority of construction over preceding models was quickly evident. It became the standard vehicle of the industry, and proved to be quite durable. Although the omnibus was to continue

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1 Urban Mass Transit - the author shall frequently refer to mass transit, transportation, and traction, which he uses synonomously to mean the conveyance, upon payment of a stated fare of people in groups, over fixed routes.

2 "Transit Before the Turn of the Century", Mass Transportation, II, January, 1954, 38.

in use for many years, and actually reached the peak of its operation just after the Civil War, its successor appeared as early as 1832. To exemplify the long usage of the omnibus, in New York City the Fifth Avenue Coach Company operated omnibuses until 1908.

## HORSE CARS AND CABLES TO MOVE THE MANY

As we have indicated, while use of the omnibus was to continue for years, the horse railway which was to supplant it, was first introduced to the world in 1832. These vehicles were also horse drawn, but offered a much faster, smoother ride since they ran on iron wheels over iron rails.

Development of the horse railways was slow until the 1850's when acceptance began increasing. Though the seeds of the industry were sown in the horse coach era, it is in the development of the horse railway companies that we find the foundations of many of the mass transportation companies of today. Not only were they the immediate predecessors of present companies, but the story of their operations forecast for the modern transit operators the nature of the industry. The horse railways passed through a cycle similar to that which their successor was to meet. After the earliest of these companies proved their ability to pay dividends, a wave of ill-considered building and expansion occurred, which soon proved to be unprofitable.

Another difficulty, equally pertinent to the later history of the electirc road, was soon encountered. It

> became obvious during the Civil War and the period of high prices which followed, that a public utility whose system of prices is as much in the public eye as that of the street railway and whose services are purchased by all, has great difficulty in raising these prices, however great the emergency. The street railway industry, during the period of horse as well as electric traction, has on the whole benefited from falling prices and has never found a means during periods of rising prices, of increasing it receipts with enough rapidity to equal the increase in its costs.[3]

The service of the old horse railways was anything but comfortable by modern standards. The length of ride was short because the operators learned that the early overexpansion was unprofitable, and that areas which did not yield sufficient revenues must remain unserviced. Riding in winter was hazardous since the cars were either unheated, or were warmed by an iron coal stove in the center. Use of this stove coupled with the custom of spreading straw on the floor between the wooden benches led to not a few fires and frights.

In the period after the Civil War, when the omnibus was fading in importance and the horse railways were beginning to gain acceptance, there also appeared a third milestone in transit development. This innovation was the cable car, whose era of widespread use was to be brief.[4]

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3 E. S. Mason, The Street Railway in Massachusetts, Cambridge, 1932.

4 Cable cars are still used in San Francisco, but this continued use is probably attributable to local sentiment and as a tourist attraction.

Passenger-carrying cable cars were introduced by Charles T. Harvey in New York City in 1866 on his pioneer elevated line. Later the principle was applied in 1873 in San Francisco where the cars operated on ground level. Cable car operation was much more expensive to install than horse railways, though less expensive to operate. Operation was accomplished by driving the cable on endless wire rope from a stationary steam engine in a powerhouse. The cable ran through a slotted tube in the middle of the tracks. Each cable car was equipped with a "grip" which was applied to the cable to move the car, and was released by the "gripman" when necessary to stop.

But even as use of the cable car spread, the development of electrically powered transit cars was proceeding, and was soon to achieve domination of the field of urban transportation for about a half-century.

## ELECTRIC CARS AND HIGH HOPES

Experimentation with the use of electricity to power vehicles commenced early in the 19th century.

> Hardly more than 10 years after Michael Farrady had expounded the fundamental principle of the electric motor, a Vermont blacksmith named Thomas Davenport had built a miniature electric car which made its first run on a small circular track carrying its own primary battery in 1834.[5]

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5 Mass Transportation, January, 1954, p 39.

This and other experiments continued until efficiency progressed to a serviceable degree.

Commercially feasible electrically powered street cars appeared in the 1880's, and improved design and construction merited a general conversion to electrical equipment in a short period. A Census of Street Railways in the United States in 1890, revealed that there were 1,260 miles of elevated operation, 5,700 miles operated by animal power, and 500 miles of cable. By 1902 there were 22,000 miles of electric operation, 250 miles of horse car track, and only a few miles of cable lines.[6]

With the commencement of electrically operated trolleys, the modern age of urban mass transport dawned. The new, heavier equipment offered a faster, more confortable ride, and soon public demand arose for even more service and more routes.

Unfortunately the spontaneous public acceptance proved to be a welcome opportunity to promote many shady deals. Real estate promoters connived with unscrupulous transit operators to extend trackage to foster sale of suburban land tracts. However, where extensions into new areas were honestly planned and faithfully achieved, the result frequently was growth and development of new communities. For this service to the large urban areas the transit companies are to be commended. They played a vital part

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6 Transit in America, An undated release of the American Transit Association, 3.

in the development of modern urban life.

## THE "EL"

Strange as it may seem today, even in the mid 1800's urbanites were beginning to be plagued by crowded street traffic conditions. Clamor arose for some way to move people faster and at the same time diminish the increasing street congestion. We have already alluded to Charles T. Harvey, who in 1866 introduced an elevated cable car to New York City. This was an obvious attempt to offer rapid service above the street level.

Later experiments were made with steam locomotives to pull coaches on the elevated structures, and finally in 1895 an electrically powered elevated system made its appearance in Chicago.

## TRANSIT FRANCHISE

It is of paramount importance to take cognizance of the fact that transit companies stand in a peculiar relationship to the public. The public streets are used as right of way, and most revenues of the companies are derived directly from individuals, each of whom has certain rights and privileges relative to all public streets, and each of whom possesses the privilege of electing those who will be responsible for regulation of street use. Early recognition of this relationship by local governments led to

contracts or franchises issued by the political subdivision and accepted by the individual company. In many communities they became complex documents covering not only the permissible fare to be charged, but also covering the type of service to be rendered, and the amounts to be paid for use of the streets. Yet, the efforts to control the transit operators through the use of franchise were not very successful. Public officials connived with operators to circumvent the franchises. Public opinion finally insisted on the establishment of permanent regulatory commissions to compel the companies to fulfill in their franchise obligations.

TABLE I*

NEW PASSENGER EQUIPMENT DELIVERED TO TRANSIT COMPANIES IN THE UNITED STATES - 1938 TO 1951

| Calendar Year | Railway Cars | | | Trolley Coaches | Motor Buses | Grand Total |
|---|---|---|---|---|---|---|
| | Surface | Subway & Elevated | Total | | | |
| 1938 | 145 | 250 | 295 | 377 | * | * |
| 1939 | 371 | 123 | 494 | 152 | * | * |
| 1940 | 463 | 189 | 652 | 618 | 3,984 | 5,254 |
| 1941 | 462 | 0 | 462 | 227 | 5,600 | 6,289 |
| 1942 | 284 | 0 | 284 | 356 | 7,200 | 7,840 |
| 1943 | 32 | 0 | 32 | 116 | 1,251 | 1,399 |
| 1944 | 284 | 0 | 284 | 60 | 3,807 | 4,151 |
| 1945 | 332 | 0 | 332 | 161 | 4,441 | 4,934 |
| 1946 | 421 | 0 | 421 | 266 | 6,463 | 7,150 |
| 1947 | 626 | 2 | 628 | 955 | 12,029 | 13,612 |
| 1948 | 478 | 248 | 726 | 1,430 | 7,009 | 9,165 |
| 1949 | 273 | 415 | 688 | 680 | 3,358 | 4,726 |
| 1950 | 4 | 199 | 203 | 179 | 2,668 | 3,050 |
| 1951 | 56 | 140 | 196 | 600 | 4,552 | 5,348 |
| 1952 | 19 | 0 | 19 | 224 | 1,749 | 1,992 |
| 1953 | 0 | 0 | 0 | 0 | 2,246 | 2,246 |

*Data on Motor Buses not available.

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* Transit Fact Book, 1952, Table 17 and Transit Fact Book, 1954, Table 18.

## ENTER THE BUS

The last major shift in transit vehicles was the conversion of operations from street car use to bus use. Motor busses were first operated in urban transit about 1905 by the Fifth Avenue Coach Company of New York City. The early busses were crude, uncomfortable and generally unreliable for continuous service. With low wages and an abundance of moderately priced materials there was no great interest displayed in bus use in the first quarter of this century. "By 1920 there were still only about sixty (motor busses) operated by ten trolley companies throughout the country."[7]

The impetus to investigate the possibilities of bus transportation really resulted from rising costs and increasing traffic congestion. As these conditions continued to pressure transit managements, a general movement to bus utilization began. This major shift began in the 1930's, and gained momentum until the outbreak of World War II. During the war new equipment was produced, but on a limited scale, so that conversion to bus operation awaited the coming of peace. The new equipment, consisting chiefly of busses, answered the industry's need for a more flexible vehicle, less subject to traffic delay than the track bound street car.

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7 Transit in America, An undated release of the American Transit Association, 7.

## CHAPTER II

## EARLY OVERCAPITALIZATION

The transit companies of the late 19th Century were in general heavily overcapitalized. The causes were many and naturally varied from company to company. Among the reasons for this unbalanced financial condition were overbuilding, watered stock and rapid replacement of equipment. Overextension of transit lines is attributable to an overoptimistic view of transportation needs; to ventures by irresponsible promoters to sell real estate in suburban areas; and to profit from constructions.

### OVERCONSTRUCTION

The overoptimism which led to overconstruction is understandable. Everyone at the time felt that transit was an inexhaustible gold mine. Certainly we can defend too, honest cooperation with real estate men to develop new living areas. But out and out grafting also existed in construction. Another reason for overcapitalization due to overbuilding resulted from the necessary consolidation of competing companies neither of which could profit from their operations. Short sighted indeed, but many competitors used different gauges in laying rail, which had to be rectified subsequently. An additional reason for swollen construction costs

was the necessity of installing heavier track for use by newer equipment.

> It seems clear that overbuilding in its various forms has been one of the most important factors in swelling the capitalization and the construction accounts of the electric railways. Its effect upon credit could not have been otherwise than adverse and cumulative, particularly when the idea dawned upon the horizon of the street railway investor that many street railway lines and an enormous amount of street railway equipment were becoming obsolete as a result of automobile competition and a sharp reversal of the tendency of development in the street railway art.[1]

## WATERED STOCK

The transit companies, in what has been called the Golden Days of Transit, also attracted unscrupulous and dishonest men who added to capitalization for their own profit. A tactic frequently used to achieve this was the establishment of a holding company.

> The organizers of the holding companies capitalized future earnings, which never were realized, by the issuance to themselves of stocks and bonds which represented no return investment. One of the outstanding examples was that of the Metropolitan Traction Co. of whom P. A. B. Widener, Thomas Dolan and W. L. Elkins were the leading spirits. This group first gained control of the surface railways of Philadelphia and other cities, and then, joined by William C. Whitney, and Thomas F. Ryan, turned their attention to New York City. Here they quickly succeeded in consolidating all the surface lines in Manhattan and the Bronx, making huge fortunes for them-

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1 D. F. Wilcox, Analysis of the Electric Railway Problem, New York, 1921, 66.

> selves in the process. For example, the holding company company acquired control of a railway on Thirty-Fourth Street worth $100,000 and issued $2,000,000 in stocks and bonds secured by this property. The Metropolitan Street Railway Company, likewise controlled by this group, was compelled to pay $2,000,000 in cash for these securities and in order to get the money had to sell its own stocks and bonds.[2]

There are numerous instances of directors issuing stock to city council-men to obtain more favorable franchises. Even these tactics were not entirely controlled by state regulatory commissions since their task was generally restricted to control of service and limitation of earning power. The commissions usually did not heed the amount of capitalization, hence promoters increased capitalization for their own profit. Many years later the Federal Securities and Exchange Commission was able to control this situation rather effectively.

The purchase of rolling stock is another area in which the student of transit history can see the tendency to overcapitalize. It must be understood that about the turn of the century, and even during the decade before, the vehicles of the transit companies were undergoing radical improvement. Larger cars, heavier trucks, safety cars, etc., were being introduced. The new equipment was frequently purchased and put into service long before the cost of displaced equipment was amortized.

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2 "Municipal Transit," Social Science Encyclopedia, VI, 120.

In time the early overcapitalization had the effect of destroying credit. With credit gone, and new capital needed, transit companies were in difficult straits. In the final analysis the basis of credit is earning power, and the existence of physical transit property and equipment is of transient import. The property must be accompanied by an ability to earn so much as to assure a reasonable return. Otherwise, needed capital cannot be attracted. The loss of earning ability will be considered in detail later. Suffice it to say that the inflation of the World War I period and the beginning of automobile competition seriously cut the earning power of transit.[3]

## MAINTENANCE OMITTED

Prior to the inflation of this war period, the operators had been able to meet the problem of credit and capitalization through the expedient of neglecting maintenance of their equipment and failing to amortize in order to pay dividends.

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3 D. F. Wilcox, Analysis of the Electric Railway Problem, New York, 1921, 120, "For convenience in discussing the trend of general prices, it should be noted that the labor department takes the prices of 1913 as 100, and that the 1913 index represented very nearly the average for the five years immediately preceding the rise in prices due to the war; also that the index number at the low price level in 1896 was approximately 66, and that in December, 1919, the index number had risen to 237." (Wholesale commodity price index.)

But with the war emergency, costs soared, labor demanded increased wages, cost of materials rose, and the fares remained stationary until the State Commerce Commissions or other governing bodies permitted an increase.

Requests for fare increases seldom received prompt attention. The relief granted was frequently inadequate, and was sometimes denied.

The culmination of these pressures on the transit companies was a financial collapse. Many companies filed bankruptcy proceedings, when permitted; many small operators discontinued operations completely; and other abandoned lines which were unprofitable.

The establishment of receivership under bankruptcy did not relieve most operators of the obligations to provide service which had been accepted under their franchises. It is possible to continue functioning in such cases as long as operating income covers operating costs, i.e., labor costs, power, and indispensible maintenance, although it means steadily deteriorating equipment and lessened ability to recuperate in a more favorable economic climate.

With receivership also came reorganization plans to correct abuses, attract capital, and once more set the company on a stable financial footing. Many reorganizations succeeded in squeezing water from the stock.

The improved financial status frequently came too late to permit the company to benefit from increased patronage but merely in time to see the maturation of the industry's competitor.

## REGULATORY BODIES

In the brief history of transit in Chapter I we indicated that a franchise is a recognition of the relationship of the transit company to the public. It is a contract between a governmental body and a commercial enterprise which permits the latter to construct utility plants and to operate for a stated period. The terms of the contract specify the streets which can be utilized, and the manner in which service is to be provided. In most cases the franchises were granted by municipalities, though some were direct grants from state legislatures. The usual life of a franchise is from twenty to twenty-five years, though in some cases it is longer. Some states permitted issuance of perpetual grants.

Among the matters stipulated in a typical franchise we find provisions fixing standards of service and rates of fare; control of extension of existing lines; specifications for the type of equipment; regulation of ticket sales and transfers; and such things as snow removal and street sprinkling.

The power of the municipality to grant or renew franchises is an important factor in relation to financial stabi-

lity of a transit property. While it may be argued that issuance of short term contracts allows the city to revise various sections to bring it up to date, this short life contract proved a serious impediment in financing. Many investors would not consider investing in transportation securities in the late years of a franchise since the request for a renewal might not be honored.

Indeed, years sometimes passed before a new contract was signed. The result of this caprice was destruction of credit. As early as 1907 there was a realization that franchises had failed to regulate the street railways. The State of Wisconsin in 1907 enlarged the scope of the Railway Commission to include control of the street railways. Soon this method of controlling transit companies spread throughout the country; boards or commissions regulated the service to be furnished and the rates of fare of the individual utilities.

The Commissions were established primarily to safeguard the interests of the public. Although in some cases control of the transit companies was motivated by a desire of the public to share what they considered were high profits being made by the companies. Certainly the need for control of some sort could not be denied. These bodies accomplished many of the original ends for which they were instituted. Unscrupulous promoters were controlled and better relations between companies and municipal governments were promoted.

However, with the growing inflation of the period preceeding World War I, these bodies proved that they were incapable of coping with the demands of the public for cheap service, and the real need of the operating companies for relief from the rising costs of operation.

One attempt to strengthen transit in these inflationary times was the service at cost franchise. This was an agreement between the company and the municipality on a reasonable capitalization figure and a fixed rate of return on securities.

The new approach to a mutually acceptable franchise was even more comprehensive than the short term type. It provided a rate of fare sufficiently high to pay all costs of operation, including servicing the investment. The method of accounting was even detailed in some instances. It also provided for schedules of fare increases if certain conditions were met.

One difficulty which developed was the inadequacy of the permissible fare increases. Taxes and inflated costs cut operating income until stipulated obligations could not be fulfilled, and appeal for relief had to be made. Another difficulty with the service at cost franchise was the gradual but growing discontent of investors over the fixed return. This growing dissatisfaction frequently led to refusal of transit companies to renew service at cost franchises.

## CHAPTER III

## MONOPOLY'S COMPETITOR

So much has been written about monopoly in American economics, that it is interesting to note the parodox of at least one public utility which has long been regulated as monopolistic and yet has suffered grievously at the hands of a competition.

### THE JITNEY

The monopoly of urban mass transportation has been a myth for years. The effects of automobile competition were first felt about 1914 when private automobiles were used as a common carrier to transport groups of people. Jitney is the term often applied to such vehicles. Jitneys probably originated in Los Angeles and soon spread all over the country. Before they subsided, they made serious inroads in the transit industry's profits. Jitneys diminished in importance as a competitor of public mass transit when it gradually became evident to jitney operators that they could not amortize the cost of their vehicle and still profit on their low fare. But with the culmination of World War I, increased automobile production and the convenience offered by private autos appealed to many people; the private car began to 'catch on'. In the United States in 1915 there were only

2,332,000 cars and taxis registered; by 1923 the registrations increased to 13,253,000, and by 1949 reached the staggering total of 36,293,000 registrations.

TABLE II*

MOTOR VEHICLE REGISTRATIONS: 1900 TO 1949

| Year | Registrations (in thousands) Total (Excl. Publicly Owned) | Passenger Cars & Taxis[3] | Motor Trucks & Busses[3] |
|---|---|---|---|
| 1900 | 8 | 8 | |
| 1905 | 79 | 77 | 1 |
| 1910 | 469 | 458 | 10 |
| 1915 | 2,491 | 2,332 | 159 |
| 1920 | 9,239 | 8,132 | 1,108 |
| 1923 | 15,102 | 13,253 | 1,849 |
| 1924 | 17,614 | 15,436 | 2,177 |
| 1925 | 19,941 | 17,440 | 2,501 |
| 1926 | 22,053 | 19,221 | 2,832 |
| 1927 | 23,140 | 20,142 | 2,997 |
| 1928 | 24,572 | 21,308 | 3,204 |
| 1929 | 26,503 | 23,060 | 3,442 |
| 1930 | 26,532 | 22,973 | 3,559 |
| 1931 | 25,862 | 22,330 | 3,532 |
| 1932 | 23,877 | 20,586 | 3,290 |
| 1934 | 24,954 | 21,472 | 3,482 |
| 1935 | 26,230 | 22,495 | 3,735 |
| 1936 | 28,172 | 24,108 | 4,064 |
| 1937 | 29,706 | 25,391 | 4,315 |
| 1938 | 29,443 | 25,167 | 4,276 |
| 1939 | 30,615 | 26,140 | 4,476 |
| 1940 | 32,035 | 27,372 | 4,663 |
| 1941 | 34,472 | 29,524 | 4,948 |
| 1942 | 32,579 | 27,869 | 4,710 |
| 1943 | 30,500 | 25,913 | 4,547 |
| 1944 | 30,086 | 35,466 | 4,620 |
| 1945 | 30,638 | 25,691 | 4,947 |
| 1946 | 33,946 | 28,100 | 5,846 |
| 1947 | 37,360 | 30,719 | 6,642 |
| 1948 | 40,542 | 33,201 | 7,341 |
| 1949 | 44,120 | 36,293 | 7,828 |

* U.S. Census Department, Statistical Abstract of the United States: 1951, No. 576, 72nd Edition, 487.

The severity of the automobile competition was shockingly evident during the early 1930's. Many transit companies were compelled to file bankruptcy proceedings.

> The load of these woes has proved too much for many transit companies to bear. In the early thirties the mortality was staggering. Between 1930 and 1933, nearly seventy major systems, operating more than 7,000 miles of single track went into bankruptcy. Well over a billion dollars in transit stocks and bonds were adversely affected.[3]

## DECLINE IN RIDING

The severity of decline in transit riding is illustrated below. In a rapidly increasing urban population transit rides per capita have been plummeting. While these statistics on transit riding do not convey the immediate financial picture of the industry, they forcefully depict the trend of the riding habit and may forecast the future of a fallen monopoly.

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3 R. M. Bleiberg, "Sic Transit Gloria", Barron's National Business and Financial Weekly, May 1, 1950, 5.

TABLE III*

URBAN POPULATION, TOTAL RIDES AND RIDES PER CAPITA
1924 TO 1951 INCL.

| Year | Urban Population (Millions) | Total Rides (Millions) | Rides Per Capita of Population | Indexes (1924=100) Population | Rides | Rides Per Capita |
|---|---|---|---|---|---|---|
| 1924 | 60.1 | 16,301 | 271 | 100.0 | 100.0 | 100.0 |
| 1925 | 61.6 | 16,651 | 270 | 102.5 | 102.1 | 99.6 |
| 1926 | 63.0 | 17,234 | 274 | 104.8 | 105.7 | 101.1 |
| 1927 | 64.5 | 17,201 | 267 | 107.3 | 105.5 | 98.5 |
| 1928 | 66.0 | 16,989 | 257 | 109.8 | 104.2 | 94.8 |
| 1929 | 67.5 | 16,985 | 252 | 112.3 | 104.2 | 93.0 |
| 1930 | 69.0 | 15,567 | 226 | 114.8 | 95.5 | 83.4 |
| 1931 | 69.5 | 13,924 | 200 | 115.6 | 85.4 | 73.8 |
| 1932 | 70.0 | 12,025 | 172 | 116.5 | 73.8 | 63.5 |
| 1933 | 70.6 | 11,327 | 160 | 117.5 | 69.5 | 59.0 |
| 1934 | 71.1 | 12,038 | 169 | 118.3 | 73.8 | 62.4 |
| 1935 | 71.7 | 12,226 | 171 | 119.3 | 75.0 | 63.1 |
| 1936 | 72.2 | 13,146 | 182 | 120.1 | 80.6 | 67.2 |
| 1937 | 72.8 | 13,246 | 182 | 121.1 | 81.3 | 67.2 |
| 1938 | 73.3 | 12,645 | 173 | 122.0 | 77.6 | 63.8 |
| 1939 | 73.9 | 12,837 | 174 | 123.0 | 78.7 | 64.2 |
| 1940 | 74.4 | 13,098 | 176 | 123.8 | 80.4 | 64.9 |
| 1941 | 75.1 | 14,085 | 188 | 125.0 | 86.4 | 69.4 |
| 1942 | 75.3 | 18,000 | 239 | 125.3 | 110.4 | 88.2 |
| 1943 | 75.7 | 22,000 | 291 | 126.0 | 135.0 | 107.4 |
| 1944 | 74.6 | 23,017 | 309 | 124.1 | 141.2 | 114.0 |
| 1945 | 74.5 | 23,254 | 312 | 124.0 | 142.7 | 115.1 |
| 1946 | 82.8 | 23,372 | 282 | 137.8 | 143.4 | 104.1 |
| 1947 | 83.9 | 22,540 | 269 | 139.6 | 138.3 | 99.3 |
| 1948 | 84.7 | 21,368 | 252 | 140.9 | 131.1 | 93.0 |
| 1949 | 86.6 | 19,008 | 219 | 144.1 | 116.6 | 80.8 |
| 1950 | 88.4 | 17,246 | 195 | 147.1 | 105.8 | 72.0 |
| 1951 | 89.5 | 16,125 | 180 | 148.9 | 98.9 | 66.4 |
| 1952 | 90.6 | 15,119 | 167 | 150.7 | 92.7 | 61.6 |
| 1953 | 91.1 | 13,902 | 153 | 151.6 | 85.3 | 56.5 |

* Transit Fact Books, American Transit Association, New York, Prepared & presented to the author.

## STREET CONGESTION

The competition of automobiles has had a more profound effect upon the local transit industry than can be indicated by statistics of decreasing riding. The street congestion of the American city today greatly increases the operating costs of transit vehicles. Private cars not only compete with transit for riders but also for every foot of area of public streets. Increased traffic congestion delays the passage of public transit vehicles to the extent that additional busses or cars must be added to the schedule to maintain regular intervals of service, whether the riding density requires it or not.

The extent of potential mass transit riding is substantial as seen in the increase in urban population from about sixty million people in 1924 to approximately eighty-seven million people in 1951. The maximum riding volume is probably accurately indicated by the figures on total riding during World War II. The war time increase was, of course, a direct result of controls on auto production and gasoline and tire rationing. The precipitous decline in riding when wartime controls were removed is further evidence of the appeal of the automobile and the resultant losses in transit riding.

TABLE IV*

RESULTS OF TRANSIT OPERATIONS IN THE UNITED STATES
1932 TO 1953 INCLUSIVE

| Year | Operating Revenue | Operating Expenses (Inc. Deprec.) | Net Revenue | Taxes | Operating Income | Per Cent of Operating Revenue: Operating Expenses (Inc. Deprec.) | Per Cent of Operating Revenue: All Taxes | Per Cent of Operating Revenue: Operating Income |
|---|---|---|---|---|---|---|---|---|
| | (Thousands) | (Thousands) | (Thousands) | (Thousands) | (Thousands) | | | |
| 1932 | $ 696,490 | $ 562,850 | $ 133,640 | $ 51,021 | 82,619 | 80.81% | 7.33% | 11.86% |
| 1933 | 642,400 | 502,420 | 139,980 | 47,370 | 92,610 | 78.21 | 7.37 | 14.42 |
| 1934 | 674,900 | 525,490 | 149,410 | 49,183 | 100,227 | 77.86 | 7.29 | 14.85 |
| 1935 | 681,400 | 534,930 | 146,470 | 50,458 | 96,012 | 78.50 | 7.41 | 14.09 |
| 1936 | 727,900 | 565,180 | 162,720 | 56,920 | 105,800 | 77.65 | 7.82 | 14.53 |
| 1937 | 733,500 | 588,680 | 144,820 | 63,504 | 81,316 | 80.26 | 8.66 | 11.09 |
| 1938 | 700,800 | 579,690 | 121,110 | 65,723 | 55,387 | 82.72 | 9.38 | 7.90 |
| 1939 | 720,700 | 586,600 | 134,100 | 67,499 | 66,601 | 81.39 | 9.37 | 9.24 |
| 1940 | 737,000 | 598,030 | 138,970 | 62,688 | 76,282 | 81.14 | 8.51 | 10.35 |
| 1941 | 800,300 | 644,260 | 156,040 | 66,803 | 89,237 | 80.50 | 8.35 | 11.15 |
| 1942 | 1,040,000 | 769,390 | 270,610 | 128,650 | 141,960 | 73.98 | 12.37 | 13.65 |
| 1943 | 1,294,000 | 932,970 | 361,030 | 186,340 | 174,690 | 72.10 | 14.40 | 13.50 |
| 1944 | 1,362,300 | 1,012,070 | 350,230 | 189,250 | 160,980 | 74.29 | 13.89 | 11.82 |
| 1945 | 1,380,400 | 1,067,140 | 313,260 | 164,530 | 148,730 | 77.31 | 11.92 | 10.77 |
| 1946 | 1,397,100 | 1,129,430 | 267,670 | 129,020 | 138,650 | 80.85 | 9.23 | 9.92 |
| 1947 | 1,390,800 | 1,238,740 | 152,060 | 104,940 | 47,120 | 89.07 | 7.55 | 3.39 |
| 1948 | 1,488,600 | 1,343,651 | 144,949 | 101,210 | 43,739 | 90.26 | 6.80 | 2.94 |
| 1949 | 1,490,900 | 1,338,327 | 152,573 | 88,908 | 63,665 | 89.76 | 5.96 | 4.27 |
| 1950 | 1,452,100 | 1,296,687 | 155,413 | 89,044 | 66,369 | 89.29 | 6.13 | 4.57 |
| 1951 | 1,472,700 | 1,331,272 | 141,428 | 95,340 | 46,088 | 90.40 | 6.47 | 3.13 |
| 1952 | 1,501,300 | 1,369,565 | 131,735 | 101,986 | 29,749 | 91.23 | 6.79 | 1.98 |
| 1953 | 1,512,800 | 1,370,707 | 142,093 | 97,348 | 44,745 | 90.61 | 6.43 | 2.96 |

* The American Transit Association, Transit Fact Book, ed. to the Author.

The seriousness of the decline of riding after World War II is quite evident when we peruse the results of transit operations. In 1952 operating expenses stood at an all time high of 91.23 per cent of operating revenue. While the percentage of operating revenue devoted to taxes declined from the World War II high; the operating income was at an all time low of about 2 per cent.

## TRANSIT VEHICLES AGAIN

Obviously this trend toward lessened riding and decreased income after expenses could not continue indefinitely. In an effort to improve the financial stability after the War, the industry moved to replace two man street cars with one man busses, in order to increase the ability to combat traffic and reduce labor costs. Rolling stock was in disrepair and required replacement in any event. The abrupt drop in transit riders after the war made it extremely difficult to finance this new equipment. The table below illustrates the change in the type of vehicle used by mass transit.

TABLE V*

TRENDS OF PASSENGER EQUIPMENT IN THE UNITED STATES

1926 TO 1953

| Calendar Year | Railway Cars: Surface | Railway Cars: Subway and Elevated | Railway Cars: Total | Trolley Coach | Motor Bus | Grand Total |
|---|---|---|---|---|---|---|
| 1926 | 62,857 | 8,909 | 71,766 | - | 14,400 | 86,166 |
| 1927 | 61,379 | 8,957 | 70,336 | - | 18,000 | 88,336 |
| 1928 | 58,940 | 8,311 | 68,551 | 41 | 19,700 | 88,292 |
| 1929 | 56,980 | 9,983 | 66,963 | 57 | 21,100 | 88,120 |
| 1930 | 55,150 | 9,640 | 64,790 | 173 | 21,300 | 86,263 |
| 1931 | 53,120 | 9,638 | 62,758 | 225 | 20,700 | 83,683 |
| 1932 | 49,500 | 10,434 | 59,934 | 269 | 20,800 | 80,403 |
| 1933 | 47,700 | 10,424 | 58,124 | 310 | 20,200 | 78,634 |
| 1934 | 43,700 | 10,418 | 54,118 | 441 | 22,200 | 76,759 |
| 1935 | 40,050 | 10,416 | 50,466 | 578 | 23,800 | 74,844 |
| 1936 | 37,180 | 10,923 | 48,103 | 1,136 | 26,800 | 76,039 |
| 1937 | 34,180 | 11,032 | 45,212 | 1,655 | 27,500 | 74,367 |
| 1938 | 31,400 | 11,205 | 42,605 | 2,032 | 28,500 | 73,137 |
| 1939 | 29,320 | 11,052 | 40,372 | 2,184 | 32,600 | 75,156 |
| 1940 | 26,630 | 11,032 | 37,662 | 2,802 | 35,000 | 75,464 |
| 1941 | 27,092 | 10,578 | 36,670 | 3,029 | 39,300 | 79,999 |
| 1942 | 27,230 | 10,278 | 37,508 | 3,385 | 46,000 | 86,893 |
| 1943 | 27,250 | 10,255 | 37,505 | 3,501 | 47,100 | 88,106 |
| 1944 | 26,980 | 10,219 | 37,199 | 3,561 | 48,400 | 89,160 |
| 1946 | 24,050 | 9,429 | 33,479 | 3,916 | 52,450 | 89,845 |
| 1947 | 20,788 | 9,370 | 30,158 | 4,707 | 56,917 | 91,782 |
| 1948 | 16,824 | 9,456 | 26,280 | 5,687 | 58,540 | 90,507 |
| 1949 | 14,859 | 9,869 | 24,728 | 6,366 | 57,035 | 88,129 |
| 1950 | 13,228 | 9,758 | 22,986 | 6,504 | 56,820 | 86,310 |
| 1951 | 10,960 | 9,644 | 20,604 | 7,071 | 57,660 | 85,335 |
| 1952 | 9,700 | 9,476 | 19,176 | 7,180 | 55,980 | 82,336 |
| 1953 | 7,990 | 9,244 | 17,234 | 6,941 | 54,700 | 78,885 |

* The American Transit Association, Transit Fact Book, ed. to the Author.

Before leaving the consideration of heavy traffic, declining riding due to automotive competition, and the increased burden of replacement of trackbound cars with more flexible busses, it is imperative to reiterate that in times of inflation mass transit has grave difficulty in managing. If the present decline in riding and increase in costs, with concommitant reduction in net revenue continues strong measures must be taken to preserve the mass transit industry, which definitely offers a vital service to many millions of urban residents.

The question of why the average transit rider is prone to forsake transit for use of his private auto has been discussed frequently in the industry. Undoubtedly the industry itself is partially responsible, through failing to provide attractive service and more comfortable vehicles. However, the reason which seems to offer explanation suitable to most cases is the intensive selling job performed by the automobile industry. Comfort, flexibility, and independence were so stressed that lack of an auto or use of public transit vehicles seemed to carry a stigma. Also worthy of note is the subsidy provided the automotive industry by local, state, and federal government, through use of public funds to build highways. Untold millions have been expended for road programs, and, today, many large cities are extending additional millions for construction of parking facilities.

## CHAPTER IV

## COSTS---CHIEFLY LABOR

Rising costs with a declining volume of business spell trouble in any venture. Mass transit has been spared neither. Over the years operating costs have increased significantly and as we have seen the volume of transit passengers has been declining precipitously.

A major reason for the increase in these operating costs is the increase in wages for transit employees. Labor payroll accounts for well over half of the total operating costs. Basically the industry is in the business of selling labor, and wage increases have greater significance than an equal rise in the chemical or plastic industry.

The price of labor today is an extremely important factor in all transit management decisions, yet such was not always the case. In the opinion of many the large profits made by transportation companies in the early days of the industry was due to the cheap cost of labor. "Street railway profits in the early days were largely the product of low wages and long hours of labor for the men engaged in street railway service."[1] The life

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1 Wilcox, Analysis of the Electric Railway Problem, 113.

of transit operating employees was difficult; low wages, long hours, and dangerous, unhealthful working conditions were prevalent. Through formation of unions, the men improved their lot appreciably over the years.[2] The pressure of economic necessity, and the desire for increased compensation to improve the members' standard of living resulted in a continuing increase in wages and benefits. As wages rose the transit operators were compelled to economize. The inauguration of one man operation of transit vehicles was one of the many approaches to cutting costs.

## INCREASED WAGES

One means of securing an insight into the increase in transit labor costs is to consider the increase in the hourly rate of pay of trainmen. The Bureau of Labor Statistics for many years has prepared a report on union wages for transit operating employees. The report of October, 1952 presents an index of these hourly wages, with an average of the wages of the years 1947, 1948 and 1949 equal to 100. On this basis the wages of trainmen

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2 A very interesting and informative study of the role of unionism among transit employees was made by Rev. W. Larkin in "Thirty Years of Collective Bargaining and Arbitration between the Chicago Surface Lines and Its Trainmen." Master Thesis, I.S.I.R., Loyola University, Chicago. It is recommended to those who seek a detailed account of the achievements of transit employees through their union.

increased well over 100 per cent from 1929 to 1952. Even during the worst depression years of the 1930's wages did not diminish substantially, and within five years, that is by 1937, were higher than the rates of 1929.

TABLE VI*

INDEXES OF HOURLY WAGE RATES OF

LOCAL TRANSIT OPERATING EMPLOYEES 1929-52
(Oct. 1, 1947-48-49=100)

| Date | Index |
|---|---|
| 1929; May 15 | 52.4 |
| 1930; May 15 | 52.9 |
| 1931; May 15 | 52.9 |
| 1932; May 15 | 51.9 |
| 1933; May 15 | (Information not available) |
| 1934; May 15 | 50.4 |
| 1935; May 15 | 52.3 |
| 1936; May 15 | 52.7 |
| 1937; May 15 | 55.2 |
| 1938; June 1 | 56.8 |
| 1939; June 1 | 57.2 |
| 1940; June 1 | 57.9 |
| 1941; June 1 | 60.0 |
| 1942; July 1 | 64.4 |
| 1943; July 11 | 68.6 |
| 1944; July 1 | 69.1 |
| 1945; July 1 | 69.9 |
| 1946; July 1 | 81.9 |
| 1947; Oct. 1 | 92.4 |
| 1948; Oct. 1 | 101.7 |
| 1949; Oct. 1 | 105.9 |
| 1950; Oct. 1 | 110.9 |
| 1951; Oct. 1 | 118.2 |
| 1952; Oct. 1 | 127.0 |

* Bureau of Labor Statistics, Union Wages and Hour Local Transit Operating Employees: 1952, Table 1, 4.

## SOME COMMON WAGE PROVISIONS

A consideration of basic hourly rates is, or at least can be, misleading when discussing trainmen's wages. Because of the large number of people traveling during morning and evening rush hour periods, it is necessary to split the day's work to meet the service demand. Most union contracts have clauses limiting the number of these split runs. Moreover, an added cost is frequently imposed on the operating company if these splits exceed a stipulated numbers of hours.

Another means whereby wage costs are increased is by a stipulated meal relief penalty. Contracts frequently provide for a break in the day's work at an interval of not more than five or five and one-half hours. If an emergency occurs which prolongs a portion of the day's work beyond the agreed period the employee is paid at full rate for his lunch period.

In common with many other industriesthe transit industry has wage differential provisions for night work. It is usually explained as a night premium for runs finishing after an agreed hour.

## LABOR BILL OF THE INDUSTRY

Consideration of labor costs would be incomplete without a discussion of the labor bill annually met by the industry. Since 1931 the lowest average annual wage received by transit employees

was $1,442, in 1933; yet the total wage costs amounted to almost three hundred million dollars. By 1953 the total annual wages amounted to nine hundred thirteen million dollars, a nd the average annual wage had risen to $4,150.

TABLE VII*

NUMBER OF EMPLOYEES, ANNUAL PAYROLL AND AVERAGE ANNUAL EARNINGS PER EMPLOYEE IN THE TRANSIT INDUSTRY OF THE UNITED STATES - 1931-1953

| Year | Average No. of Employees | Payroll | Average Annual Earnings Per Employee |
|---|---|---|---|
| 1931 | 250,000 | 423,000,000 | 1,692 |
| 1932 | 222,000 | 344,000,000 | 1,550 |
| 1933 | 206,000 | 297,000,000 | 1,442 |
| 1934 | 211,000 | 314,000,000 | 1,448 |
| 1935 | 209,000 | 321,000,000 | 1,536 |
| 1936 | 212,000 | 338,000,000 | 1,594 |
| 1937 | 215,000 | 356,000,000 | 1,656 |
| 1938 | 207,000 | 351,000,000 | 1,696 |
| 1939 | 204,000 | 356,000,000 | 1,745 |
| 1940 | 203,000 | 360,000,000 | 1,773 |
| 1941 | 205,000 | 386,000,000 | 1,882 |
| 1942 | 219,000 | 462,000,000 | 2,110 |
| 1943 | 239,000 | 554,000,000 | 2,318 |
| 1944 | 242,000 | 599,000,000 | 2,475 |
| 1945 | 242,000 | 632,000,000 | 2,612 |
| 1946 | 261,000 | 713,000,000 | 2,732 |
| 1947 | 266,000 | 790,000,000 | 2,970 |
| 1948 | 261,000 | 829,000,000 | 3,176 |
| 1949 | 253,000 | 841,000,000 | 3,324 |
| 1950 | 240,000 | 835,000,000 | 3,479 |
| 1951 | 232,000 | 872,000,000 | 3,760 |
| 1952 | 227,000 | 903,000,000 | 3,978 |
| 1953 | 220,000 | 913,000,000 | 4,150 |

* Transit Fact Books, 1953 and 1954.

The huge labor bill paid by the transit industry has prompted some members of the industry to attribute the weakening financial status solely to this steadily climbing cost. These comments are often seen in print about contract negotiation time. Since these notions are representative of the thought of a segment of the industry the proposition requires an answer.

## MORAL RIGHT TO A FAIR WAGE

While it is legally and morally within the province of a transit operator to negotiate a favorable wage rate, it is also incumbent upon him to supply his men a living wage, the question of relative profit not withstanding. Merely because men are employed by a public utility, they do not surrender their right to receive a just wage or to bargain for equal compensation for similar work of comparable quality as performed in private companies. Social justice could not require a penalty for supplying a necessary public service. If private transit cannot pay living wages and still make a profit for investors, then private transit must be succeeded or must discontinue operations. It's unjust and unreasonable to expect such a sacrifice by employees of a public utility.[3]

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3 An interesting and informative study of industrial relations in the transit industry is Labor Relations in the New York Rapid Transit Systems 1934-1944, James J. Mc Ginley S.J., King's Crown Press, 1949.

## TAXATION

Another considerable cost met by the industry is taxes. The beginning of taxation of transit was the acceptance of the proffered first franchise. The taxes imposed by franchise were many, and they have increased as franchises have been renewed and as succeeding levels of government added to the tax burden.

Aside from the general taxes paid by all corporations, transit has many special burdens. These burdens are of two types, special taxes and special duties. The taxes reserved for transit alone are often referred to within the industry as 'oppressive taxes'. Among these 'oppressive taxes' are levies for street sprinkling, use of bridges, gross receipt franchise taxes, and many more.

> Transit companies pay an astonishing amount in taxes, many of them local levies, going back to the days of the horse cars. Out of morbid curiosity, the Kansas City Public Service Company one day totaled them up, and found it was paying no fewer than eighty-six distinct taxes, including franchises, city gas tax, bridge use taxes, and special assessments.[4]

The imposition of special duties, which would necessarily have to be performed by the municipal government, if transportation companies were not required to supply them, is even more onerous to most transit properties than the taxes levied.

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4 R. M. Bleiberg, "Sic Transit Gloria", Barron's National Business and Financial Weekly, May 1, 1950, 5.

The obligation to repave streets is one of these. The resentment of transit companies to provide such service is particularly strong today when most transit vehicles on the city streets are rubber tired. The original municipal thinking was that transit vehicles subjected the streets to greater wear. Today transit vehicles like automobiles run on rubber, yet they must resurface streets (or portions thereof) which obviously are more used by the autos. The burden of payment is doubly onerous since transit riders are paying not only the cost of transportation but are paying to provide a smooth thoroughfare for all other traffic. Where state law imposes a gas tax for road building and repair transit also pays the tax.

The franchise obligation to remove snow from transit streets is another example of municipal duties which have been delegated to transit companies. Snow removal is a very expensive operation. It necessitates the purchase of very specialized equipment with which to equip trucks: plow blades, special mounting for the plows, rotating brushes, automatic salt spreaders; and great quantities of salt and sand are needed. The snow equipment is manned in most cases by transit trainmen, who have completed their runs and who volunteer for snow duty, at time and one-half pay. Ironically when this money consuming operation achieves its end, the street is again opened for hoards of automobiles which continue to impede mass transit vehicles.

Special services such as these should not be charged to operating expense, and yet it is difficult to do otherwise. The cost of these services, while they are considerable, does not appear in transit accounts as taxes. In reviewing the tax picture in transit this fact must be emphasized to reach a reasonable conclusion of the burden imposed on the industry.

In 1953, for example, the industry paid 6.43 per cent of the operating revenue in taxes. The dollar and cents figure for all taxes totaled over ninety-seven million dollars. Of this amount more than 61 per cent was paid to local government: municipal, state, and county.

TABLE VIII*

TRANSIT TAXES IN 1953

| | Amount | Per cent Distribution |
|---|---|---|
| Federal Taxes (total) | $37,445,000 | 38.47% |
| Income Taxes | 18,862,000 | 19.38 |
| Other Federal Taxes | 18,583,000 | 19.09 |
| State, County and Local Taxes | 59,903,000 | 61.53 |
| Total Taxes | $97,348,000 | 100.00 % |

* Transit Fact Book, 1954.

The impact of taxation on a small transit company is startingly told below.

> The burden which taxes in various forms impose on the local transit company was pointed up in a recent editorial in the "Baton Rouge State Times".
>
> The newspaper stated that the profit earned by the local company in 1953 was "quite small", amounting to $2,634.
>
> Another section of the report, the editorial continued, showed that total taxes paid by the Baton Rouge Transit Company to city, parish, state, and federal governments amounted to $79,735 for the year. This burden is not placed on publicly owned enterprises. This in itself offers the opportunity for an intriguing comparison. The company makes less than $3,000 profit for the year yet it pays almost $80,000 in taxes.
>
> This tax bill was divided as follows: the city and parish received $22,444; the state $37,850; and the total tax bill, $44,359 went for taxes on gasoline and oil used by company vehicles during the year. Of this amount the state received the lion's share of $34,165.
>
> In viewing the report in general it is quite obvious that the transit business is not among the best in Baton Rouge. It is clearly seen that the national trend in transit operations is running true to form here in Baton Rouge. . . .
>
> A $2,634 profit for a year's operation with an investment the size of the bus company's is not inspiring.[5]

## MAINTENANCE OF EQUIPMENT

Maintenance of transit equipment and facilities is another of the principal costs of transit operations. The efficiency with which operating personnel can perform their duties in

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5 Editorial, Passenger Transport, II, No. 47, March 19, 1954.

providing service to the urban populace is directly affected by the manner in which maintenance is performed.

Maintenance embraces efforts to provide safe, dependable, and clean vehicles for the conveyance of riders. In addition, the manner in which these duties are performed relates directly to the physical value of the property, since poor maintenance decreases value and tends to increase other costs, as an increase in claims due to injury resulting from more frequent vehicle failures. A well rounded program of maintenance on the other hand tends to maintain the value of investment in transit physical property.

The necessity of maintaining equipment adequately is also seen from the aspect of attaining maximum use from the vehicle to preclude increase in capital structure, which becomes necessary when new equipment must be purchased before existing equipment has been fully depreciated.

A major portion of maintenance expense is labor cost. The number of men needed to clean vehicles for passenger service, to make light inspections which include minor repairs, and to overhaul equipment is an important factor. The cost of replacement parts and materials, while considerable, is of lesser import than the man hours expended in maintenance. This follows from the great dichotomy between a production shop and a repair shop. Production duties can be broken down into the simple elements and jobs assigned on the easier level. Maintenance of

equipment, however, requires skilled employees who are fully aware of the components of the vehicles and who are competent to diagnose malfunctions and make repairs.

The cost of a maintenance department varies from property to property, and ranges from 5 to 25 per cent of gross revenue. Maintenance costs will also fluctuate in any given property when new equipment is purchased. In the normal use of vehicles maintenance costs are extremely low in the early life of the equipment, and increase as the useful life is extended. Expenditures for maintenance can be planned and fluctuations leveled within reasonable limits when equipment purchases have been scheduled. More concisely stated, the cost of maintenance of a given series of buses is increased in direct relation to the age of the equipment, but a maintenance budget without steep aberations can be projected when fleet purchases are properly scheduled.

## FUEL AND POWER

Power and fuel costs constitute the third of the three major transit costs, taxes excluded. The electric power that propels mass transit vehicles continues to represent a sizeable expenditure by transit managements. Formerly electricity was almost the exclusive mover of mass transportation, and absorbed a greater proportion of revenues than today, when most transit vehicles are automotive. Power then, as now, was either generated by the

traction company, purchased, or both.

To emphasize the continuing high cost of power and also to indicate the lessened usage by transit The American Transit Association statistics on power are presented below.

# TABLE IX*

## SOURCE AND DISTRIBUTION OF ELECTRICAL ENERGY CONSUMED BY THE TRANSIT INDUSTRY OF THE UNITED STATES AND COST OF PURCHASED POWER 1920-1953

| Calendar Year | Kilowatt Hours (In Millions) Total Consumption: Rapid Transit | Surface Railway | Trolley Coach | Total | Generated | Purchased | Cost of Purchased Power |
|---|---|---|---|---|---|---|---|
| 1920 | 1,256 | 8,066 | - | 9,322 | 4,313 | 5,009 | $56,101,000 |
| 1921 | 1,278 | 7,863 | - | 9,141 | 4,031 | 5,110 | 57,232,000 |
| 1922 | 1,314 | 7,887 | - | 9,201 | 3,506 | 5,695 | 63,215,000 |
| 1923 | 1,416 | 7,894 | - | 9,310 | 3,441 | 5,869 | 63,972,000 |
| 1924 | 1,488 | 7,951 | - | 9,439 | 3,356 | 6,083 | 65,696,000 |
| 1925 | 1,548 | 7,995 | - | 9,543 | 3,237 | 6,306 | 66,844,000 |
| 1926 | 1,592 | 8,021 | - | 9,613 | 3,108 | 6,505 | 68,303,000 |
| 1927 | 1,641 | 7,749 | - | 9,390 | 2,976 | 6,414 | 65,822,162 |
| 1928 | 1,760 | 7,410 | (a) | 9,170 | 2,935 | 6,235 | 64,221,000 |
| 1929 | 1,824 | 7,121 | (a) | 8,945 | 2,863 | 6,082 | 62,645,000 |
| 1930 | 1,842 | 6,816 | 18 | 8,676 | 2,770 | 5,906 | 60,241,000 |
| 1931 | 1,785 | 6,283 | 24 | 8,092 | 2,621 | 5,471 | 55,804,000 |
| 1932 | 1,715 | 5,629 | 29 | 7,373 | 2,433 | 4,940 | 50,388,000 |
| 1933 | 1,736 | 5,273 | 32 | 7,041 | 2,377 | 4,664 | 47,106,000 |
| 1934 | 1,793 | 5,265 | 47 | 7,105 | 2,353 | 4,753 | 47,055,000 |
| 1935 | 1,852 | 5,096 | 61 | 7,009 | 2,309 | 4,700 | 46,060,000 |
| 1936 | 1,934 | 5,087 | 87 | 7,108 | 2,271 | 4,837 | 46,435,000 |
| 1937 | 1,970 | 4,894 | 164 | 7,028 | 2,197 | 4,831 | 45,750,000 |
| 1938 | 1,921 | 4,399 | 234 | 6,554 | 2,114 | 4,440 | 41,736,000 |
| 1939 | 1,971 | 4,203 | 264 | 6,438 | 2,164 | 4,274 | 39,321,000 |
| 1940 | 1,977 | 4,050 | 307 | 6,334 | 2,255 | 4,079 | 37,119,000 |
| 1941 | 1,986 | 3,808 | 351 | 6,145 | 2,167 | 3,978 | 35,404,000 |
| 1942 | 1,964 | 4,082 | 425 | 6,471 | 2,227 | 4,244 | 37,347,000 |
| 1943 | 1,939 | 4,658 | 483 | 7,080 | 2,237 | 4,843 | 41,698,000 |
| 1944 | 1,940 | 4,667 | 492 | 7,099 | 2,238 | 4,861 | 41,853,000 |
| 1945 | 1,966 | 4,547 | 520 | 7,033 | 2,130 | 4,903 | 43,293,000 |
| 1946 | 1,964 | 4,380 | 568 | 6,912 | 2,077 | 4,835 | 42,258,000 |
| 1947 | 2,003 | 4,255 | 638 | 6,896 | 2,093 | 4,803 | 44,572,000 |
| 1948 | 2,019 | 3,621 | 732 | 6,372 | 2,113 | 4,259 | 42,462,000 |
| 1949 | 2,024 | 2,882 | 806 | 5,712 | 2,123 | 3,589 | 38,654,000 |
| 1950 | 2,000 | 2,410 | 841 | 5,251 | 2,070 | 3,181 | 34,291,000 |
| 1951 | 1,970 | 2,010 | 846 | 4,826 | 1,870 | 2,956 | 32,486,000 |
| 1952 | 1,860 | 1,640 | 859 | 4,359 | 1,770 | 2,589 | 28,608,000 |
| 1953 | 1,820 | 1,390 | 850 | 4,060 | 1,590 | 2,470 | 28,000,000 |

(a) Included with Surface Railway.

* Prepared by the American Transit Association from data published in Transit Fact Books and presented to the author.

Total power consumed by transit has obviously declined; use in 1951 was only slightly over half of the 1920 consumption. The cost of the power used in 1951 was somewhat more expensive than earlier, but not significantly so. These figures on power consumption augment those on miles of route operated by type of transit vehicle in disclosing the changing vehicle use by the industry.

While power consumption has declined in past years, the consumption of automotive fuels has risen. The principal fuels used are gasoline and diesel oil, though liquified gases, such as propane and butane, are growing in importance. The properties of each produce specific problems and advantages which must be weighed in the light of local conditions. A detailed consideration is unnecessary for the purposesof this endeavor.

Transit today must scrutinize all costs to retain the essential, eliminate the unnecessary, and to obtain maximum results for dollars expended. Costs haveincreased dollarwise and also in relation to the total income of the transit industry.

The continued viability of privately owned transits, in the opinion of the author, is dependent upon a decline in costs or a great increase in the riding habit to offset the continuing cost increase. It seems inevitable that private transit companies must succumb in increasing numbers if costs continue to soar and riders continue to disappear.

# CHAPTER V

## TODAY AND TOMORROW

### IMPORTANCE OF MASS TRANSPORTATION

In the complex, far-flung urban community of today the means of transportation are vital. The distances traversed by urbanities for pleasure alone would stagger the imagination of our forefathers. Needless to point out, cessation of all means of local transit would quickly bring metropolitan life to a near stop. The ability to move quickly from place to place has become so common it is difficult to conjure a mental picture of what a metropolis would be without transportation.

In this automotive age the prime mover of people is the family car. Throngs of automobiles are seen on city streets at almost hour. Traffic in the critical hours in which most people go to and from work is an orgy, mistakenly called "rush hour". In the midst of this congestion transit vehicles carry fifteen billion passengers a year, a numerous minority.

### ESSENTIAL NATURE

If the important nature of urban mass transit is not demonstrated by the substantial number of people that has continued to ride, we need only look to the pages of our newspapers

when fare increases are requested.

Urban mass transportation is an essential public utility; for some it is the only means of conveyance; to others it is important for use when the family car is disabled, or driving conditions are hazardous.

The service of mass transit today is the skeleton of what it was. It has been reduced as profits diminished due to decreased riding, yet it cannot be superseded and driven into oblivion in our large cities; it is too vital to public welfare. The street which bore horse and buggies cannot carry the volume of automobile traffic that would be needed to transport everyone to and from work. Transit companies throughout the country are approaching the red ledger side of their account books.

Since mass transit cannot be completely replaced, what can be done? In our free enterprise system the ordinary business makes profit or it disappears. Investors do not offer funds needed to purchase equipment or to rejuvenate a lagging business, unless a reasonable interest will be gained. Speculators do not proffer monies to an industry which earlier has defaulted on obligations, which shows littler or no return on current investment, and which evidences little prospect of improved fortune tomorrow.

## SOME CONCLUSIONS

It seems obvious to the author, that if the present trend of rising costs and declining passenger volume continue in

transit, municipalities can retain mass transportation only through municipal ownership.

The review of the history of the transit industry and consideration of its present plight is proof that a policy of expediency by the communities served by transit and by the management of the company will not solve this problem. Ephemeral thinking did nothing to dispel the governing forces of competition; and such thinking cannot enable transit to survive.

Private capital in certainty will not, and should not, be expected to finance a necessary public service without a reasonable return on the investment. If the decline in riding and the rise in costs continues it is certain that even the most stable companies will be compelled to raise fares beyond the point which will permit riding at even today's low volume.

The experience of fare increases in recent years indicates that each increase induces more riders to forsake transit for the private automobile. This has been a vicious cycle; increased fares have resulted in passengers losses which in time requires another fare increase. Who is to demand that private capital furnish service below cost? Who can demand it? Yet how can the millions of transit riders, though a minority, be served? The riders require service.

Study of the writings of many transit executives throughout the country would seem to indicate that they have resigned

themselves to the fates. Even men who fight a daily battle against taxes, rising costs, automobile congestion, and declining riding seem to see little hope for mass transit. Perhaps a note of futility creeps into their thinking. Powell C. Groner, president of Kansas City Public Service, in reply to a question about the future of mass transit expresses the subject clearly enought.

> But if you ask my opinion as to the future of private capital in the transit industry, I would have to be realistic enough to state that I think it has very little future. When the best brains, energy, and ingenuity are unable to produce, on an overall basis, the safest of all investments, a government bond, then how long can we expect private additional funds? [1]

If the present trend of less riding, higher costs, and greater congestion continues to dominate the horizon of the transit industry, the service of these utilities can be continued only through subsidation of private companies or public ownership.

Of these two possible means of insuring to the urban populace an adequate transit system let us consider first the method of subsidation.[2] The subsidation of private transit can be accomplished indirectly or directly. An indirect subsidy would consist of reduction or removal of taxes and stipulated services

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1 Mass Transportation, Vol. 47, No. 1, 31.

2 Webster's Collegiate Dictionary, 5th Edition, G & C Merriam Co., Springfield, Mass. Subsidation, n. from subsidize, v.t. to furnish with a subsidy as a. to purchase the assistance of, by the payment of a subsidy, b. to aid or promote, as a private enterprise with public money.

imposed by the municipality or state. A direct subsidy would be the outright grant of public funds to the transit company.

Subsidies whether direct or indirect are subject to much abuse, but even when abuse is absent we are faced with use of public funds to meet private operating expenses which normally would preclude payment of dividends on invested capital. An example of abuse of subsidation occurred in the Kansas City Public Service Company.

> Last year Kansas City Public Service received a subsidy of nearly $100,000 which was used to pay the salaries of the street railway commissioner and members of his staff, the cost of removal of snow and ice and sanding and cindering streets, repair of pavement between tracks and the cost of maintaining electric lights at certain intersection.
>
> But last month, when the subsidy came up for renewal, the city council voted six to three not to grant any additional subsidies to the company. (Although some of the subsidy was later restored.)
>
> The action was taken at a meeting at which council members criticized the board of directors of the transit company for its recent action in declaring a dividend to preferred stockholders while the company was accepting a subsidy from the city.
>
> "I do not see how this council," said one councilman, "can vote any additional subsidy to the company only to have the directors sometime this year give the money to the stockholders in dividends."
>
> "Last year I voted with the others for a subsidy to help the company. About $100,000 of the company's obligations were taken over by the city. And what do the directors do? They voted a $1 dividend before the end of the year to the preferred stockholders, which amounted to $108,000. [3]

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3 Editorial, "The Heart of the Matter", Mass Transportation, February, 1952.

Public subsidy which permits a private corporation to declare a dividend is surely a grave abuse. These funds which are gathered from the public to meet public needs should not become the source of profit for a few.

Public ownership of transit is itself subsidation of transportation service, since public ownership removes some tax burdens, and indeed these properties are sometimes recipients of direct grants.

The publicly owned transit property, however, continues to provide essential public service, without the odium of making profit for private enterprise through subsidation. It is true that public transit seeks funds by loating bond issues, which carry an interest rate. Stock holders in a private transit property receive "interest" as dividends. Hence, the distinction drawn is somewhat fine, yet we believe morally sound: if subsidy is made to public transit it benefits all the people. Bond holders of transit securities, private or public, of course have no stake in ownership of the property, as do stockholders in private corporations.

While public ownership is offered by some individuals as a cure for transit ills, it is decried by others as socialism. Points of view relative to public ownership are many and diverse. If one accepts the essential nature of the industry and realizes its present plight, one must conclude that private ownership

cannot continue to fulfill the transit function if present conditions persist. Public ownership is not a panacea to solve all problems. But it is more justifiable than subsidy of private interests. If a needed function cannot be equitably obtained by the public under private enterprise, then it must be assumed by government. Surely this is not socialism for socialism's sake, but government's acceptance of its role in society.

Over the years since World War I the cumulating pressures described above have driven a number of municipalities to acquire transit properties. Analysis of the results of municipal ownership does not reveal lower fares, nor does it necessarily mean that better service is provided. It does mean, however, that mass transit is available and will continue to serve the transportation needs of the community, without subsidizing private industry from public funds. The municipally owned transit system has still another advantage not possessed by a subsidized private company. The former has an individual political entity, or is a separate department of the municipal government, and is intimately associated with civic projects for betterment, which is difficult if not impossible for private transit.

By the end of 1952 there were forty publically owned transit systems, and three partially owned systems in the United States. They range from Pass-a-Grille Beach, Florida, with a population of 1,000 people to New York City with about eight million people.

million people.

In Table X a summary of the Publicly Owner Transit Companies in the United States is presented. Table XI presents a list of the Publicly Owned Systems of Canada.

TABLE X*

PUBLICLY-OWNED TRANSIT SYSTEMS IN THE UNITED STATES

| City | Population 1950 | Company |
|---|---|---|
| Over 1,000,000 Pop'n | | |
| New York, N. Y. | 7,891,957 | New York City Transit System |
| Chicago, Ill. | 3,620,962 | Chicago Transit Authority |
| Detroit, Mich. | 1,849,568 | City of Detroit, Dept. of St. Rys. |
| 500,000 - 1,000,000 | | |
| Cleveland, Ohio | 914,808 | Cleveland Transit System |
| Boston, Mass. | 801,444 | Metropolitan Transit Authority |
| San Francisco, Cal. | 775,357 | Municipal Ry. of San Francisco |
| 250,000 - 500,000 | | |
| Seattle, Wash. | 467,591 | Seattle Transit System |
| 100,000 - 250,000 | | |
| Phoenix, Ariz. | 106,818 | Phoenix Transportation System |
| 50,000 - 100,000 | | |
| St. Petersburg, Fla. | 96,738 | Municipal Transit System |
| Santa Monica, Cal. | 71,595 | Santa Monica Municipal Bus Line |
| Springfield, Mo. | 66,731 | City Utilities of Springfield |
| San Angelo, Tex. | 52,093 | City of San Angelo Bus Lines |
| 25,000 - 50,000 | | |
| Euclid, Ohio | 41,396 | City of Euclid, Municipal Bus Lines |
| Monroe, La. | 38,572 | City of Monroe Municipal Bus Service |
| Alexandria, La. | 34,913 | Municipal Bus Line |
| Daytona Beach, Fla. | 30,187 | Daytona Beach Municipal Bus |

TABLE X

PUBLICLY-OWNED TRANSIT SYSTEMS IN THE UNITED STATES
Continued

| City | Population 1950 | Company |
|---|---|---|
| Shaker Heights, Ohio | 28,222 | City of Shaker Heights, Dept. of Transpn. |
| Vallejo, Cal. | 26,038 | City of Vallejo Bus Lines |
| **10,000 - 25,000** | | |
| Janesville, Wis. | 24,829 | City of Janesville, (name not avail.) |
| Ashtabula, Ohio | 23,696 | City of Ashtabula, Div. of Transpn. |
| Pasadena, Tex. | 22,483 | City of Pasadena, (name not avail.) |
| Torrance, Cal. | 22,241 | Torrance Municipal Bus Lines |
| Pekin, Ill. | 21,858 | City of Pekin Municipal Bus Division |
| Montebello, Cal. | 21,735 | Montebello Municipal Bus Lines |
| Staunton, Va. | 19,927 | Staunton Transit Service |
| Coral Gables, Fla. | 19,837 | City of Coral Gables Municipal Bus Sys. |
| Culver City, Cal. | 19,720 | Culver City of Municipal Bus Lines |
| Plattsburg, N. Y. | 17,726 | City of Plattsburg, (name not avail.) |
| Ventura, Cal. | 16,534 | Citizens Transit Lines |
| Maple Heights, Ohio | 15,586 | Maple Heights Municipal Bus Line |
| Greenfield, Mass. | 15,075 | Greenfield-Montague Transpn. Area (Owned jointly with City of Montague) |
| Gardena, Cal. | 14,405 | Gardena Municipal Bus Line |
| Winchester, Va. | 13,841 | Winchester City Transit Lines |
| Oceanside, Cal. | 12,881 | City of Oceanside Transpn. Sys. |
| Waynesboro, Va. | 12,337 | City of Waynesboro, (name not avail.) |
| **Less than 10,000** | | |
| Radford, Va. | 9,026 | City of Radford, Dept. of Public Utilities |

TABLE X

PUBLICLY-OWNED TRANSIT SYSTEMS IN THE UNITED STATES
Continued

| City | Population 1950 | Company |
|---|---|---|
| Montague, Mass. | 7,812 | Greenfield-Montague Transpn. Area (Owned jointly with City of Greenfield) |
| North Olmsted, Ohio | 6,574 | North Olmsted Municipal Coach Line |
| Cumberland, Ky. | 4,249 | Cumberland Transit Co. |
| Pass-a-Grille Beach Fla. | 1,000 | Pass-a-Grille Beach Bus Lines |

*Prepared by the American Transit Association and presented to the Author. It should be noted that this list of publicly owned transit systems is reasonably complete although one or two systems may have escaped the attention of the American Transit Association at the time the table was prepared.

TABLE XI*

PUBLICLY OWNED LOCAL TRANSIT SYSTEMS IN CANADA

| City | Population 1951 Prel. | Company |
|---|---|---|
| Over 1,000,000 Pop'n. | | |
| Montreal, Que. | 1,002,713 | Montreal Transportation Commission |
| 500,000-1,000,000 | | |
| Toronto, Ont. | 670,945 | Toronto Transportation Commission (Subs.) Gray Coach Lines, Ltd. |
| 250,000-500,000 | | |
| None | | |
| 100,000-250,000 | | |
| Ottawa, Ont. | 198,773 | Ottawa Transportation Commission |
| Edmonton, Alta. | 158,709 | Edmonton Transit System |
| Calgary, Alta. | 126,631 | Calgary Transit System |
| Windsor, Ont. | 119,550 | Sandwich, Windsor & Amherstburg Ry. Co. |
| York Twp., Ont. | 100,867 | (a) York Twp. & Town of Weston Rys. |
| Weston Twp., Ont. | 8,646 | |
| 50,000-100,000 | | |
| London, Ont. | 74,984 | (London & Port Stanley Ry.<br>(London Street Railway Co. |
| Regina, Sask. | 69,928 | Regina Transit System |
| Saskatoon, Sask. | 52,732 | Saskatoon Transit System |
| 25,000-50,000 | | |
| Kitchener, Ont. | 44,797 | Public Utilities Comm. of Kitchener |
| Oshawa, Ont. | 41,359 | (b) The Oshawa Railway Co. |
| Brantford, Ont. | 36,555 | Public Utilities Comm, of Brantford |
| Ft. William, Ont. | 34,783 | Ft. William Transit |
| Port Arthur, Ont. | 30,741 | Public Utilities Comm. of Port Arthur |
| Guelph, Ont. | 27,246 | Guelph Transportation Commission |

TABLE XI

PUBLICLY OWNED LOCAL TRANSIT SYSTEMS IN CANADA
Continued

| City | Population 1951 Prel. | Company |
|---|---|---|
| 10,000-25,000 | | |
| Lethbridge, Alta. | 22,811 | Lethbridge Transit System |
| West Vancouver, B.C. | 13,850 | W. Vancouver Municipal Transp'n |
| Less Than 10,000 | | |
| Nelson, B.C. | 6,634 | Corporation of the City of Nelson |
| North Yonge, Ont. | - | (a)North Yonge Bus |

*Prepared by The American Transit Association and presented to the author.

To exemplify the trends in transit which we have considered thus far, we shall consider now the story of the development of the Chicago Transit Authority, a municipal corporation for public ownership and operation of transit in the metropolitan area of Cook County.

## CHAPTER VI

## CASE STUDY: THE CHICAGO TRANSIT AUTHORITY

On October 1, 1947 the two principal local transit systems, the Chicago Surface Lines and the Chicago Rapid Transit Company, surrendered their properties in sale to the Chicago Transit Authority. The Authority form of public ownership was authorized by the Chicago City Council, the Illinois legislature, and accepted by the people of the metropolitan area. The Authority succeeded two competitors who had been in receivership for years.

Mass transit in Chicago is not a new thing. In fact it has existed in Chicago for over one hundred years. To better understand the necessity of creating a publicly owned transit system in Chicago, let us review some of the high points in this long history of Chicago Transit.

In May, 1853 the first organized transit made its appearance. "Franklin Parmalee started the first regular omnibus service with five or six busses."[1] The first efforts of Mr. Parmalee to provide transportation were not formalized in relation

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1 "Your Vehicles", The Union Leader, March 29, 1952, 18.

to the local governmental authorities. However, on August 16, 1858 an ordinance was passed which granted him the right to construct horse railways, and to operate them for twenty-five years, and after until such time as the city purchased them.

In a short period several companies were organized to build and operate street railways; among these were North Chicago City Railway Company (North side), the Chicago City Railway Company, and the Chicago West Division Railway Company. The early franchises all were effective for twenty-five years.

It is interesting to note that in February, 1865 the Illinois legislature passed an act which extended the corporate life of the above companies from twenty-five to ninety-nine years, and which provided further, that the rate of fare was subject to review by the General Assembly. A battle developed between the local government and the state legislature concerning the power to grant transit franchises which was finally resolved by a federal court decision.[2] The immediate result of the conflict was passage of the act over the governor's veto. This action roused the people of the state, and eventually their agitation resulted in sweeping changes in the state constitution and statutory law

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2 Blair v. Chicago, 201 U.S. 400, the "ninety-nine" year case was decided on March 12, 1906. The opinion of the high court announced that the Act of February 6, 1865 (to extend the franchise to ninety-nine years) confirmed the contract between the principals, but did not have the effect of extending the terms of the ordinance.

relating to the street railway provisions.

Throughout the early period of Chicago transit, regulation of the companies was accomplished by means of special ordinances which granted the right to install, maintain, and operate transportation facilities. Provisions governing service and rates of fare were embodied in the ordinances. The attempt to regulate in this manner fostered a network of surface transportation that overlapped and bred competition between lines closely paralleling one another. The development of Chicago transit in the early period of ordinance control was unorganized, haphazard, and corrupt. Speculators and politicians abounded in the growing days of Chicago, and the transportation industry was fertile ground for these activities. Since granting the right to operate in city streets was within the dominion of the City Council, the renewal of the franchise frequently proved the occasion for increased exactions from the industry.

## SETTLEMENT ORDINANCES

> In the latter years of the period of city control, however, important steps were taken toward organizing a comprehensive transit system. The city council enacted in 1907 a series of ordinances, known as the Chicago traction away from the chaos that had been produced by the indiscrimate granting of franchise rights.[3]

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3 Chicago Transit Authority, Local Transit in Chicago, Report of Chicago Transit Authority, November, 1951, 1.

The settlement ordinances were the culmination of the extreme displeasure of the people of Chicago, the municipal government, and of the transit companies. Service offered by the companies was naturally swayed by the uncertainty of franchise renewal, since refunding of capitalization became practically impossible when negotiations faltered. This lack of financial backing led to steadily deteriorating equipment.

The effect of the settlement ordinances was creation of two financially strong systems. Many lesser companies were whooly owned by one or other, and perpetuated by reason of franchise advantage, and sometimes for apparent financial purposes. The two street railways were the Chicago Railways on the North and West sides of the city, and the Chicago City Railway, et al, on the South side. The provisions of the settlement ordinances were numerous. To cite a few provisos; reconstruction of the properties, extension of the systems, authorization for overhead trolley wire, through route for certain lines, and ultimate purchase by the city for fifty million dollars (twenty-one million dollars for Chicago City Railway, and twenty-nine million dollars for Chicago Railways Company). More important than these was the protection offered the companies from competition from newly formed companies, since the City Council prohibited granting of franchises to any other company to operate on specified streets for a period of twenty years.

Section twenty-four of the ordinance has special interest to many since it specifies the major imposition on the company.

> Section 24 provides for an annual accounting and settlement between the company and the city, the payment of an interest return of 5 per cent on the capital investment, and the division of the net receipts--55 per cent to the city and 45 per cent to the company. It also provides that the city may commute its share of the net receipts into an equivalent reduction of fares and that, subject to the action of the City Council, the payments made by the company to the city shall be kept and used for the purpose of the purchase and construction of street railways by the city. [4]

According to Weber in his Outline (p.72), the settlement ordinances climaxed five years of negotiation. To effectuate the provisions of the ordinances the Board of Supervising Engineers was established which included a representative of the city.

While the strengthening of the two major surface lines proceeded after 1907, the service offered proved unsatisfactory on the whole. It was not possible for a passenger to ride on one car over one route for any considerable distance, since the through routing of cars of the cooperating lines was not extensive. To correct this situation the City Council passed a Unification Ordinance on November 13, 1913 which provided that operations should produce "the same and with like effect as though all the surface street railway companies in the City of Chicago were owned

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4 Weber, An Outline History of Chicago Traction, 68.

and operated by one company". This ordinance also required the elimination of scheduled switchbacks in the downtown area and the inauguration of a universal transfer.

UNIFICATION

Unified operation of the street railways began on February 1, 1914. Just one month prior to the commencement of unified operation of a new era dawned for local transit in Illinois and the second major period of local transit in Chicago began. On January 1, 1914 the Public Utilities Commission of Illinois assumed its duties.[5]

The Chicago Surface Lines, as the cooperating lines came to be called, were governed by theUnification Ordinance until 1927. However, questions of fares, service, capitalization etc. were also reviewed by the Commerce Commission. The division of net receipts between company and city established by the Settlement Ordinances of 1908 was restated and provision for division of monies among the companies was made.

> Section II, paragraph 7, Section 2. Provides for division of residue receipts. For the first two years, 59 per cent to the Chicago Railways Company and 41 per cent to the other three companies.[6]

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5 The commission was established on June 30, 1913 when the Illinois Legislature enacted thePublic Utilities Regulation Act.

6 The other companies were the Chicago City Railway Company; the Southern Street Railway Company and the Calumet and South Chicago Railway Company.

During the remainder of the term 60 per cent to the Chicago Railways Company and 40 per cent to the other three companies.[7]

During the early years of the grant the companies enjoyed a period of financial success. Riding was high, automobiles were not a serious competitor, and the only other major transportation was offered by the Rapid Transit Company. In 1922, about 80 per cent, or 763,000,000 revenue passengers, of the total traffic of the surface and elevated companies were transported by the Surface Lines. The weakening of the status of the Surface Lines and of the Rapid Transit after 1922 resulted from the inauguration of competing bus lines which paralleled existing lines. The cessation of World War I also permitted the automobile industry to return to production for the civilian market, where they soon gave promise of competing for the transportation means of people.

Another factor of import to note was the beginning of the decentralization of the city. The population in the 1920's began to expand from the centralbusiness district. The vacated areas, adjacent to the Loop, have produced the profitable 'short-haul' traffic. With the trend away from town mass transit either carried the shifted riders appreciably greater distances or lost them entirely.

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7 Weber, An Outline History of Chicago Traction, 102.

Throughout the period of these great changes, i.e., the rise of auto competition and decentralization, costs were rising and traffic congestion was increasing drastically. The extent to which competition affected the Surface Lines is indicated below in the steady decline in net income before taxes, interest, and dividends after 1929.

TABLE XII*

RESULTS OF SURFACE LINES OPERATIONS
1925 - 1944

| Year | Revenue Passengers | Total Income | Total Expenses Including Depreciation, General Taxes and City Compensation | Net Income Available For Interest on Debt, Federal Taxes and Dividends |
|---|---|---|---|---|
| 1925 | 842,201 | $58,785,881 | $48,880,557 | $ 9,905,324 |
| 1926 | 876,250 | 61,202,272 | 50,884,420 | 10,317,852 |
| 1927 | 882,459 | 61,628,755 | 51,392,762 | 10,235,993 |
| 1928 | 892,815 | 62,396,684 | 52,086,824 | 10,309,860 |
| 1929 | 897,564 | 62,968,270 | 51,941,556 | 11,026,714 |
| 1930 | 812,081 | 56,946,318 | 48,538,792 | 8,407,526 |
| 1931 | 732,096 | 51,228,027 | 42,895,144 | 8,332,883 |
| 1932 | 633,827 | 44,441,767 | 37,711,276 | 6,731,491 |
| 1933 | 651,603 | 45,480,311 | 37,783,557 | 7,696,754 |
| 1934 | 677,533 | 47,349,980 | 40,138,963 | 7,211,017 |
| 1935 | 672,147 | 46,597,770 | 40,414,721 | 6,183,049 |
| 1936 | 720,302, | 49,246,690 | 41,950,167 | 7,296,523 |
| 1937 | 721,350 | 49,278,676 | 44,704,173 | 4,754,503 |
| 1938 | 676,259 | 46,113,576 | 43,083,902 | 3,029,674 |
| 1939 | 679,141 | 46,190,414 | 43,362,424 | 2,827,990 |
| 1940 | 689,263 | 46,704,089 | 43,423,000 | 3,281,089 |
| 1941 | 713,312 | 48,316,198 | 45,970,791 | 2,345,407 |
| 1942 | 774,730 | 58,291,645 | 53,680,648 | 4,610,997 |
| 1943 | 844,791 | 64,691,938 | 59,091,208 | 5,600,730 |
| 1944 | 884,704 | 66,771,559 | 61,316,930 | 5,454,629 |
| Average 1925-1944. . . . . | | | | $6,768,950 |
| Average 1930-1944. . . . . | | | | 5,572,217 |
| Average 1935-1944. . . . . | | | | 4,520,459 |
| Average 1940-1944. . . . . | | | | 4,258,550 |

* Chicago Transit Authority Ordinance. Proceedings for Reorganization No.63584 (Consolidated) and Proceedings on Reorganization of a Cooperation No72912 (Consolidated),in the District Court of the U.S. for the Northern District of Ill. Eastern Div. Section V, a

Surface lines statistics on the total number of revenue riders show a steady increase throughout the 1920's. Total rides increased from about 769,000,000 in 1920 to about 898,000,000 in 1929. The data presented above relating to income indicates a rather healthy enterprise. The reader should recall however, the provision of the unification ordinance which permited a 5 per cent return on stipulated capitalization, and required division of the net figure after taxes, 55 per cent to the city and 45 per cent to the companies.

Nevertheless the Chicago Surface Lines in 1927 at the end of the twenty year franchise granted by the unification ordinance was a relatively stable concern. Before proceeding with the franchise difficulties of the Surface Lines after 1927, let us turn now to the development of the Rapid Transit Company.

## CHAPTER VII

## THE "ELEVATED"

### ALLEY EL

The elevated system which spreads like a nerve plexus through Chicago furnishes traffic free transportation. The Highline, as it is known among transit people, had its beginning on the South Side. The South Side Rapid Transit began operating on June 6, 1892, over its private right of way in the alley between State Street and Wabash Avenue, which accounted for its colloquial name 'Alley El'. To trace the development of this segment of the elevated network, before proceeding with the inauguration of the rest of the system, the South Side Line was extended from 39th Street to its present terminal at Jackson Park by May 1, 1893, just in time for the opening of the Columbian Exposition. The equipment used on the road consisted of coaches pulled by small steam engines until 1898, when electrical equipment began operating. The Englewood, Normal Park, Stock Yards and Kenwood branches were completed by 1908.

While the Jackson Park extension was being completed, work was also progressing on the Lake Street Elevated Line. Operations commenced on November 6, 1893. The original western

terminal was Laramie Avenue, but subsequently the line was constructed through Austin and Oak Park. The Metropolitan West Side Elevated Railroad was the third elevated line to emerge in Chicago. It began operating on May 6, 1895 from Franklin Street to Marshfield Avenue, and shortly after the western terminal was extended to Damen Avenue. Work was also progressing on the Logan Square and Humboldt Park Branches. The Garfield Park Branch, by June of 1895, extended to Cicero Avenue. Early in 1896 work began on the Douglas Park Line, which stretched, initially to Western Avenue.

While the construction and extension of the Metropolitan Branches progressed, plans were being laid for the 'El' loop, and for the Northside Elevated. The Loop structure was built at last in 1897 permitting the West Side and South Side passengers to transfer directly to the other service upon payment of another fare. The three elevated companies operated over the Loop structure under a joint leasing agreement until 1900 when it was purchased by the Northwestern Elevated Company. The use of theLoop was then governed by contract with the using companies.

Service on the North Side Elevated finally began running as far as Wilson Avenue on May 31, 1900. The North Side Main Line Extension to Evanston was not completed until 1908, a year after the inauguration of service on the Ravenswood Branch.

The present day network of the Rapid Transit is substantially the same as that which existed about 1913 when trains

began to be through routed on the North - South branch under the terms of the Unification ordinance. The major additions are the city owned State Street Subway and theMilwaukee-Congress Subway. The State Street Subway was completed in 1943, and the Milwaukee-Congress Subway was opened in 1951.

In the development period of Chicago Elevated Lines, materials and labor costs were not substantial, hence the companies prospered financially. There was no great difficulty in raising capital to purchase the private right of way and erecting the steel structure. Electric equipment was introduced and after the turn of the century wood and steel cars began to make their appearance. The first all steel cars were introduced just prior to the beginning of World War I.

Financially the companies remained prosperous until the early 1920's when the competition of the automobile began to encroach. After the first blush of auto competition, and parallel motor bus routes, the profitableness of the companies began to decrease. About the time the deterioration began the former distinct but cooperating companies were unified under the title the Chicago Rapid Transit Company. It was organized under Illinois Law in 1924.

There is no better way to depict the declining state of the results of operation. The table below is taken from the

records of the District Court of the United States, Northern District of Illinois, Eastern Division, and expresses revenue passenger traffic, as well as income and expenses.

# TABLE XIII*

## RESULTS OF OPERATIONS OF CHICAGO RAPID TRANSIT COMPANY 1925 - 1944

| Year | Revenue Passengers | Total Income | Total expenses including Depreciation, General Taxes, Rentals Paid and City Compensation | Net Income Available for Interest on Debt, Federal Taxes and Dividends |
|---|---|---|---|---|
| 1925 | 216,046 | $19,281,888 | $15,848,792 | $ 3,433,096 |
| 1926 | 228,813 | 20,420,660 | 16,837,182 | 3,583,478 |
| 1927 | 226,212 | 20,344,752 | 17,031,446 | 3,313,306 |
| 1928 | 207,864 | 20,264,252 | 17,104,076 | 3,160,176 |
| 1929 | 196,774 | 21,329,608 | 18,165,084 | 3,164,524 |
| 1930 | 182,955 | 19,857,417 | 17,601,239 | 2,256,178 |
| 1931 | 152,414 | 16,588,722 | 15,523,925 | 1,034,797 |
| 1932 | 126,990 | 13,491,019 | 13,324,046 | 166,973 |
| 1933 | 124,855 | 12,969,420 | 12,325,969 | 643,451 |
| 1934 | 127,277 | 13,060,997 | 13,052,480 | 8,517 |
| 1935 | 131,421 | 12,896,608 | 12,993,109 | (96,501) |
| 1936 | 149,876 | 13,603,829 | 13,757,461 | 28,368 |
| 1937 | 150,350 | 13,651,657 | 14,322,320 | (670,663) |
| 1938 | 144,559 | 13,024,739 | 13,879,875 | (855,136) |
| 1939 | 145,394 | 13,094,213 | 13,990,050 | (895,837) |
| 1940 | 149,205 | 13,325,316 | 13,909,559 | (584,242) |
| 1941 | 153,895 | 13,790,304 | 14,270,915 | (480,611) |
| 1942 | 163,754 | 15,232,224 | 15,194,759 | 37,466 |
| 1943 | 175,178 | 16,767,956 | 16,214,028 | 553,929 |
| 1944 | 193,270 | 18,116,399 | 17,247,319 | 869,080 |
| Average | 1925__1944 | | | $935,017 |
| " | 1930__1944 | | | 136,384 |
| " | 1935__1944 | | | (209,415) |
| " | 1940__1944 | | | 79,124 |

* Chicago Transit Authority Ordinance

The impact of the Great Depression upon the operations of the Rapid Transit cannot be denied after viewing the above statistics. However, net income before taxes, debt payment and dividends declined even prior to the crash. The resurgence of the economy in the late 1930's did not reflect itself in the receipts of the company, at least not to a satisfactory degree. In 1935, 1937, 1938, 1939, 1940, and 1941 total expenses actually exceeded total income. These years were extremely difficult for the company. It must be remembered that the cost of operating and maintaining an elevated mass transit system is enormous. The painting and repair of miles of steel girders, replacement of ties, and guard rails while expensive in materials is particularly costly in man hours. As the financial condition deteriorated the Rapid Transit Company experienced greater difficult in meeting payroll costs.

On June 28, 1932, receivers were appointed for the Rapid Transit Company by the United States District Court of the Northern District of Illinois on petition of a creditor. Efforts were made to reorganize the company as an elevated system and also as part of a comprehensive transit system, but all failed until the purchase by the Chicago Transit Authority in 1947.

To return to the results of Rapid Transit operation briefly, the decline in elevated riders was temporarily halted by the effects of the war economy, which stabilized wages and prices

and removed automobiles from the streets. Receipts rose with the increase in passengers, and by 1944 net income before debt service, taxes, and dividends approached a million dollars. However the average for the years 1935 to 1944 showed a yearly loss of almost a quarter million dollars.

After the cessation of hostilities, wartime controls were gradually relaxed, and the return of automobiles saw a return to the prewar decline in transit.

In considering the decline of the fortunes of the Rapid Transit Company, it should also be noted that the company was prevented from increasing its fares, and effecting other economies, such as closing stations which no longer met expenses of operation. The Illinois Commerce Commission was refused all petitions for an equitable fare, and would not permit the company to eliminate lightly used service which sapped the remaining strength of the business.

## CHAPTER VIII

### THE CHICAGO SURFACE LINES- CONTINUED

The changing pattern of life in Chicago alluded to previously brought pressure on the financial condition of the major transit companies. As the term of the Chicago Surface Lines' franchise drew to a close it became apparent that refinancing to improve equipment and service was going to be impossible. This followed from the refusal of the municipal government to proffer a franchise that did not provide for unification of the Rapid Transit and the Surface Lines.

### FIRST STRAW TO FALL

The result of this development was the financial collapse of the northside, Chicago Railways Company, which went into receivership on December 15, 1926. The other lines composing the Surface Lines followed shortly after; being placed under receivership on July 7, 1930. These companies were to continue in receivership until September 30, 1947 when purchase by the Chicago Transit Authority was consumated.

The actions of the Chicago City Council in 1927 regarding unification of transit requires closer scrutiny. At the time they seemed obstinate and unreasoning in their attitude. The

decision to press for unified transit was not precipitous. From our vantage point a quarter century later, we might even conclude they were farsighted. The conclusion to press for complete unification was only the last step in a chain of attempts to achieve comprehensive transportation. It follows logically from the creation of unified operation of surface lines in 1913.

CITY COUNCIL ON UNIFICATION

Some of the steps in the evolution are traced below.

1916 - January 31 - Chicago Traction and Subway Commission created by the City Council. Among other things, the Commission was required to "... investigate and report upon the problem of obtaining improved transportation facilities for the City of Chicago through:

(a) "The unified operation as a single system of the existing surface and elevated railroads..."

1918 - August 14 - The City Council passed on ordinance entitled: "An ordinance Authorizing the Chicago Local Transportation Company to Construct, Maintain and Operate a System of Local Transportation, including Street Railways and Elevated Railroads..."

1921 - November 2 - Legislation again proposed to grant a franchise to the Chicago Local Transportation Company - see 1918.

1922 - March 3 - Henry A. Blair, president of the Chicago Surface

Lines, submitted a plan to the City Council for coordinating Surface and Elevated traction under joint operation by the city and the companies.

1922 - March 3 - Ulysses S. Schwartz, Chairman of the Committee on Local Transportation, proposed municipal ownership and operation of the surface and elevated transportation systems.

1922 - June 28 - Counsel of the Committee of Local Transportation submitted a plan. "This provided for the acquisition by the City of the existing surface and elevated lines."

1922 - September - "All Chicago Council" plan for extension of the surface and elevated lines and for the construction of subways.

1923 - May 22 - Kelker Report recommending consolidation of surface lines and elevated railways.

1923 - July 2 - Mayor Dever's plan for consolidation.

1925 - February 13 - 1925 Ordinance recommendation for unified traction.

1925 - December 29 - Recommendation of Alderman J. M. Arvey for unified transit.

1926 - April 16 - Busch plan for consolidation of the Surface Lines and the Elevated Lines.

1927 - January 10 - Lisman Plan.

The foregoing will indicate somewhat the prolonged

pressure for a consolidation of surface and elevated transit which prompted the Chicago City Council to refuse long term franchise to the Surface Lines.

The efforts to achieve an acceptable agreement among the Surface Lines, Rapid Transit Company, and the City were many and prolonged. But for one reason or another all attempts to reorganize the properties as a private company were fruitless. For many years the Rapid Transit Lines were in desperate financial straits. They had not met interest or principal charges on securities for years, and in the latter years were having serious difficulty in meeting payrolls. While the Surface Lines fared better, they, too, were in a weakened condition. Interest payments on first mortgage bonds had been met, with difficulty, but they defaulted over a prolonged period on junior securities. For about sixteen years earnings were insufficient to meet all financial charges. Consequently, the city was uncompensated for use of the streets.

## COSTS OF OPERATIONS

From the statistics presented earlier we can obtain a relationship of receipts to operating costs that is most revealing. The increase of operating costs has been significant. While the fare charged passengers remained constant during the 1930's the proportion of cost to income increased. This tendency of operating costs to absorb a greater portion of income was

temporarily slowed during the period of wartime controls (and increased riding), but the trend was not significantly reversed.

TABLE XIV

ANALYSIS OF SURFACE OPERATIONS

| Year | Total Income | Total Expenses | Expenses as (Rounded) Per Cent of Income |
|---|---|---|---|
| 1925 | $58,785,881 | $48,880,557 | 83 |
| 1930 | 56,946,318 | 48,538,792 | 85 |
| 1935 | 46,597,770 | 40,414,720 | 87 |
| 1940 | 46,704,089 | 43,423,000 | 92 |
| 1941 | 49,316,198 | 45,970,791 | 95 |
| 1942 | 58,291,645 | 53,680,648 | 92 |
| 1943 | 64,691,938 | 59,091,208 | 91 |
| 1944 | 66,771,559 | 61,316,930 | 93 |

Obviously the ever increasing proportion of income devoted to operating costs, when unaccompanied by a very great rise in total income, presages an approaching collapse.

It is again worthy of note that throughout this period there were few purchases of new equipment. These were the purchase of a few gas busses, and enough modern street cars to equip Madison Street. Service charges on borrowed funds to provide a substantial replacement of antiquated equipment would have required a fare increase. Without fare increase this replacement was yearly farther from possibility. Efforts to obtain this increase were repeatedly denied by the Illinois Commerce Commission.

* The figures on income and expenses were obtained from Chicago Transit Authority Ordinance.

## CHICAGO CARS

As has frequently been avered, the rise in costs of transit operation has been accompanied by an extraordinary increase in automobile use. Presented below are statistics on automobile registration in the City of Chicago. In perusing these figures it is essential to bear in mind that many people traverse the city in automobiles registered in surrounding communities. The suburban areas, wherein many Chicago workers reside, have been growing in populace at a much faster rate than the urban area.

### TABLE XV

### MOTOR VEHICLES LICENSED BY THE CITY OF CHICAGO MAY 1, 1912 TO DECEMBER 31, 1951

| Date | | Passenger Autos 35 HP or less | Over 35 HP | Trucks Light | Trucks Heavy |
|---|---|---|---|---|---|
| 5/1/1912 | to 4/30/13 | 14,593 | 2,264 | 1,680 | 1,153 |
| " 13 | " 14 | 19,485 | 2,651 | 2,448 | 1,759 |
| " 14 | " 15 | 24,034 | 2,791 | 3,067 | 1,977 |
| " 15 | " 16 | 32,441 | 2,777 | 4,867 | 2,517 |
| " 16 | " 17 | 45,565 | 2,977 | 7,738 | 3,792 |
| " 17 | " 18 | 55,689 | 2,797 | 9,412 | 5,423 |
| " 18 | " 19 | 57,599 | 2,366 | 9,953 | 6,648 |
| " 19 | " 20 | 71,271 | 2,519 | 11,539 | 8,007 |
| " 20 | 12/31/20 | 83,026 | 3,644 | 13,516 | 9,316 |
| 1/1/1921 | to12/31/21 | 132,901 | 4,849 | 18,429 | 10,810 |
| " 22 | | 167,483 | 5,172 | 22,549 | 11,946 |
| " 23 | | 213,440 | 5,551 | 26,145 | 13,907 |
| " 24 | | 255,020 | 5,867 | 29,365 | 15,566 |
| " 25 | | 283,955 | 5,993 | 32,013 | 16,247 |
| " 26 | | 311,305 | 6,128 | 33,802 | 17,278 |
| " 27 | | 328,734 | 6,529 | 34,376 | 17,687 |
| " 28 | | 352,929 | 8,056 | 35,685 | 18,743 |
| " 29 | | 391,799 | 10,299 | 37,349 | 20,247 |

TABLE XV

MOTOR VEHICLES LICENSED BY THE CITY OF CHICAGO
MAY 1, 1912 TO DECEMBER 31, 1951 (Continued)

| Date | Passenger Autos 35 HP or less | Over 35 HP | Light Trucks | Heavy Trucks |
|---|---|---|---|---|
| 1/1/1930 | 395,301 | 11,615 | 36,129 | 20,622 |
| " 31 | 409,878 | 13,908 | 36,245 | 20,384 |
| " 32 | 382,671 | 14,112 | 34,287 | 17,641 |
| " 33 | 354,337 | 13,065 | 31,830 | 16,891 |
| " 34 | 356,054 | 12,531 | 30,980 | 17,914 |
| " 35 | 385,305 | 11,718 | 32,922 | 18,790 |
| " 36 | 448,820 | 12,707 | 35,032 | 22,704 |
| " 37 | 489,780 | 14,427 | 34,206 | 26,158 |
| " 38 | 490,900 | 15,171 | 32,437 | 26,405 |
| " 39 | 500,251 | 15,877 | 32,223 | 26,480 |
| " 40 | 532,293 | 17,244 | 32,045 | 27,476 |
| " 41 | 566,226 | 18,993 | 31,772 | 28,524 |
| " 42 | 525,725 | 20,052 | 25,691 | 32,768 |
| " 43 | 449,002 | 18,441 | 22,581 | 31,603 |
| " 44 | 415,414 | 18,466 | 20,775 | 31,792 |
| " 45 | 409,794 | 17,985 | 21,490 | 32,361 |
| " 46 | 442,124 | 19,597 | 24,157 | 36,043 |
| " 47 | 490,351 | 22,459 | 25,569 | 40,740 |
| " 48 | 539,697 | 28,029 | 70,199 | |
| " 49 | 598,846 | 35,506 | 71,464 | |
| " 50 | 656,925 | 48,272 | 74,382 | |
| " 51 | 668,157 | 66,628 | 76,624 | |

Between 1932 and 1931 the number of licensed autos rose from 396,783 to 734,785 an increase of over 85.2 per cent. Any mature resident of the city need not view these figures to realize the growth of automobile ownership and use. The streets are jammed with parked and moving vehicles at all hours. The crucial time of street congestion is of course the rush hours. Traffic at these times is stagnated beyond all rhyme or reason.

* Bureau of Automobile Registrations, City of Chicago.

Transit's loss of riders has not only deprived them of income but has abetted the rise in traffic. Traffic congestion also adds to transit costs since it requires an increase in the scheduled time for transportation vehicles to traverse the streets to their destination.

## PUBLIC OWNERSHIP

With obsolete equipment, traffic congestion, rising costs, and declining riding the possibility of securing reorganization of the transit facilities under private enterprise became more and more an impossibility. Private capital would not assume the risk inherent in investing in a declining industry without a strong assurance of safety. When all efforts failed to organize a privately owned unified transit system, Mayor Edward Kelly proposed on October 13, 1943, that public ownership and operation be examined as a means of furnishing transportation.

On November 17, 1943, the City Council of the City of Chicago approved in principle the Mayor's proposal, and authorized the Committee on Local Transportation and the Mayor to investigate the possibilities. Negotiations were commenced with a committee appointed by the Presiding Officer of the District Court of the United States, in which both the Surface Lines and the Rapid Transit Company were engaged in reorganization plans. The judge before whom the proceedings were pending suggested to the Mayor of Chicago and the Governor of the State that they cooperate to bring

the plans for reorganization to an early conclusion.

On February 17, 1945, the Mayor and the Governor met and issued a joint statement outlining a public corporation to own and operate the transportation facilities. This program was approved in principle by the City Council, and enabling legislation was prepared and introduced into the General Assembly of Illinois.

In general, the bills presented to the legislature, subsequently enacted by the 64th General Assembly, (1) created the Chicago Transit Authority as a municipal corporation; (2) amended certain sections of the Public Utility Act to exclude and exempt a publicly owned utility from control by the Illinois Commerce Commission; (3) exempted publicly owned transit from state property tax by amending Section 19 of the Revenue Act of Illinois; (4) amended Sections 15-2 and 70-5 of the Cities and Villages Act and added Section 23-28.1 to authorize public authorities for local transit to own and operate systems when approved by referendum; (5) amended Section 7 of the Chicago Park District Act to permit use of boulevards by motor busses of the Chicago Transit Authority without permission of the Park Board but with payment for such use; (6) amended Sections 1 and 2 of the Park District Act to permit the Park District to authorize the construction and operation of electric railways in any park under its control. These Acts were passed by the Assembly on either April 5, 1945, or June 28, 1945 and were approved by Governor Green on April 12, 1945 and

July 24, 1945.

The Chicago City Council passed an enabling ordinance on April 23, 1945, which granted the Chicago Transit Authority the exclusive right to acquire, construct, maintain and operate local transit facilities for fifty years. On April 30, 1945, it was approved by the Mayor. On June 4, 1945, at an election it was approved by referendum 285,596 in favor and 46,594 against.

With the completion of preliminary legislation and compliance with the suggestions of the Federal Securities and Exchange Commission's recommendations, regarding securities the Chicago Transit Board was appointed to seek fulfillment of the plan. The Transit Board labored two years to perfect the plans, obtain capital funds of $105,000,000, and to effect the purchase.

## CHAPTER IX

## IMPORTANT PROVISIONS OF THE ACT AND COMMENT

The Chicago Transit Authority Act created a self regulating municipal corporation which is a separate entity from all other governmental agencies. The governing or regulating body is the Chicago Transit Board composed of seven members. Three members are appointed by the Governor of Illinois with the consent of the Senate and four members are appointed by the Mayor of Chicago with the consent of the City Council. The Governor and the Mayor must concur in appointments. The terms of the initial members were staggered but each successor serves for seven years, unless removed for incompetency, neglect of duty, or malfeasance.

The Board is obliged "as promptly as possible, to rehabilitate, reconstruct and modernize all portions of any transportation system acquired by the Authority..." To achieve this goal the Board has power to fix the rate of fare. The fare must be sufficient to pay all expenses, since there is no provision for substantial aid in the form of direct subsidy from any source. The Board is also required to:

(1) make all rules and regulations necessary for the operation of transit;

(2) adopt rules and procedures for competitive bids on purchases exceeding $2,500. Whenever possible contracts involving less than $2,500 must also be by competitive bid.

(3) classify all positions of regular employment, and make rules for advancement and appointment on the basis of merit and efficiency.

THE POWERS OF THE CHICAGO TRANSIT AUTHORITY AND BOARD.

The first is obviously the power to operate unified transit in the Chicago area. The Authority may acquire other local transit companies by purchase or it may lease them. In the course of furnishing inter-urban transit the Authority may use any public way in the metropolitan area. To do these things the Authority is empowered to issue bonds payable out of operating revenues solely, and to borrow money for modernization or acquisition of other transit companies.

The estimated purchase price of the Chicago Surface Lines was $75,000,000, and the estimated price of the Elevated was $13,100,850. The estimated total of $88,100,850 was subject to adjustment and the ultimate cost of the two systems was $87,162,500. However, net cost approximated $62,000,000 since $25,000,000 renewal fund of the Surface Lines was acquired with the purchase.

The proceedings, resolutions, and ordinances of the Chicago Transit Authority are open to public inspection and are public documents. However, records of documents kept or prepared for negotiation, legal action or proceedings which involve the

Authority are excepted.

## TRANSIT PROBLEM UNSOLVED

The Chicago Transit Authority like all human institutions is not perfect. The Authority has not solved the transportation problem of the City of Chicago. But it is illogical to assume that those active in the birth of publicly owned transit in Chicago felt it would solve this problem.

The decision to seek public ownership wasn't reached quickly or easily; it developed from a very early sowing. For many years the city had sought to purchase the means of transit. It seems reasonable that the financial crises through which the company had passed, together with the prospect of declining passenger volumes due to automobile competition and increasing operating costs combined to create a situation where some drastic action was needed if public transportation were to survive.

The major objective of the publicly owned Chicago Transit System, in the author's opinion, was the survival of essential public transportation, without recourse to direct tax supported subsidy. Privately owned transit could no longer fill the need. Passengers were forsaking public transit and costs were increasing. If the substantial minority who couldn't afford private auto transportation, or preferred public transportation to battling ever increasing traffic, were to continue to have this vital public service, then a government body must provide it.

The major objectives, then, was achieved when the Chicago Transit Authority, assumed control of the major transit facilities in Chicago.

The creation of the Public Authority was not the end sought by any agency, public or private, rather it was sought as a means of preserving mass transit for the people of Chicago. Chicago today has its system of public transportation. Although many American cities still have privately owned transit systems, they may sooner or later be compelled to follow Chicago's solution of it's transit problem.

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