

## **Congressional full testimony by private turnaround operators**

STATEMENT OF PAUL DITTMAR, CHAIRMAN OF THE BOARD, SOUTH SUBURBAN SAFEWAY LINES, INC., CHICAGO, ILL.

Mr. DITTMAR. Thank you. I am Paul Dittmar. I reside in Evanston, Ill., at 907 Edgemere Court. My office is in Harvey, Ill., 209 East 54th Street. I am president and chairman of the board of the South Suburban Safeway Lines, Inc. I was for 35 years president of the company. I was formerly an instructor in economic subjects at Denver University. I am one of the originators of Trailways. I was in the transportation branch of the Assistant Secretary of Navy's office, during the last World War. I was a member of the State Mass Transportation Commission of Illinois, appointed by the Governor. I am past president of the American Transit Association [now APTA], and the Illinois Bus Association. I have been in this business for 37 years. I think I know a little about it, having learned from experience.

This bill is for \$500 million. Of course, that is not the end, there are other expenses in connection with it. Municipal operations are already heavily subsidized by the Federal Government, by freedom from taxation. Now this bill, as I understand it, would have the effect of encouraging more government operation and discouraging private enterprise, which in my opinion is a step in the wrong direction. And it will make nontaxpayers out of present taxpayers. If private enterprise cannot do it, I wonder if the Government can. I have always heard it said that private enterprise can do it better. I believe that. If private enterprise cannot do it, it must be because of financial shortages, poor management, traffic conditions in the cities, regulation by the State bodies. Will Federal money correct any of those situations except the financial? I maintain that there is no financial crisis among the bus companies, and I shall prove that point. So much for my general introduction.

I am opposed to Federal aid to transit. It is unnecessary. No serious transit problem exists. Transit has problems, but the public does not have problems with transit. It is not a national problem, it is strictly a local problem, for local handling.

I doubt whether the same policies would be effective in New York as in Los Angeles. They are two different cities. One is built vertically; the other is built horizontally. Federal aid to transit is inequitable; it is charging the many, the taxpayers all over the country, through taxes, or through the depreciated dollar, for the benefit of the comparative few. Of course, it extends the hands of Government into yet another enterprise.

I would like to bring out forcefully, as forcefully as I can, that there is no transit problem. There is a serious traffic problem. Who causes that traffic problem? People. What is the Federal Government going to do about it?

Money will not do it. It would require legislation prohibiting any person from using more than 6 square feet at any one time, which would take him out of the automobile and make him walk.

It is people who have left transit, it is not transit that quit. It is people who have left transit, abandoned it. If transit is in trouble, the fault is with the city, traffic and parking, the automobile. Since the automobile stands still, it must be people, people who put the automobile where it is. And taxation. Cities have burdened transit companies with taxation.

A politician thinks here is an easy place to get money. Service demanded that was not needed. If I say that people demand service past their place, I am speaking the truth. If I say the people do not use the service, are not using the service, I am speaking the truth. Why they want it is so that their domestic help might ride at a low fare instead of using a taxicab. That is a generality that is the truth.

Either the cities are at fault for those reasons, or the operator is inefficient. Over-servicing and under-demand, that is where the problem of the local transit company exists. In over-servicing, under-demand, that is a case of management. Federal subsidy would only tend to increase that mistake.

Really, the chief devil in the transit picture is parking on transit streets. I have maintained for years that the existing streets, outside of New York, the existing streets are sufficient for all of today's transportation. They are not sufficient for the parking of automobiles. If you will just think of doubling the streets, you would solve the transit problem, the transportation problem. If you would simply rule out all parking on transit streets, you would solve the transit problem. I want to prove my figures that there is no transit problem, but transit has a problem. Load factor in the old days—I will explain the meaning of the term—load factor in the old days was considered to be fairly good at a minimum of five passengers per revenue mile. That means five paying passengers would get on, on the average, every mile that the vehicle operated. That has been reduced to about three and a half, outside of New York. Three and a half is not enough. To interpret that, it means that transit is giving too much service. The public is not using it. That is where the under-demand is. The supply is there, but the demand is not. Senator

LAUSCHE. May I interrupt at this point? How could you provide stimulation, so as to have passengers get back to the level of five to every revenue mile, instead of the three and a half?

Mr. DITTMAR. By going to the other side and reducing the supply. In other words, instead of operating a bus every three minutes, operate it every four minutes.

The public would never know the difference; there is room on it, if there is room at all. In the rush hours, there is not room on any bus or any vehicle. I will come to mass transportation a little bit later.

Senator LAUSCHE. What would be the result if you gave increased service at a reduced price?

Mr. DITTMAR. That has been tried, Senator, particularly in St. Louis. It has been found wanting. The increase in passengers has been almost nil, and of course the costs of the transportation have gone up.

Senator LAUSCHE. Were you here yesterday?

Mr. DITTMAR. No, I was not.

Senator LAUSCHE. Yesterday Mr. Kohl of the Housing and Home Finance Agency testified that they conducted an 8-week test in Detroit, where they gave increased service, to determine whether increased service would produce increased passengers. And he concluded that while the test was not long enough to demonstrate any conclusive principle, they did find that the increased service did not occur in the morning and evening hours, but occurred in the lull of the day, and occurred especially on Sunday evenings. We also have had testimony that a test is now being made, but not yet completed, at Northwestern University. Part of the testimony given by a Dr. Moses, who is directing this test, was to the effect that if you wanted to induce a 33 percent increase in passengers on buses, you would not only have to carry them for nothing, you would have to pay them 20 cents apiece to use the service.

Mr. DITTMAR. I don't think you could do it by paying them 50 cents. I don't think you could do it. That is an opinion, of course. I have no research to base it on.

Senator LAUSCHE. What is the St. Louis experience, where they gave increased service to procure increased passengers?

Mr. DITTMAR. They put increased service on. I can't give you the figures, because they are not in my mind. I do know the results were unsatisfactory, and it was discontinued. We are already giving too much service, particularly in the off-peak hours, Senator. And in the off-peak hours, we have all of the equipment that is necessary, and certainly we don't need Federal subsidy to buy more equipment for the off-peak hours.

Senator LAUSCHE. Then you would lay it down as a sort of axiom, that increased service will not produce the increased passengers to solve the fiscal problem of the transit companies?

Mr. DITTMAR. We are already servicing, by and large, over-servicing the public. We are overservicing the public. I told Virgil Gunlock this some few years ago, and he wouldn't agree with me. But since then they have been reducing their service in Chicago. If it weren't advertised, nobody would know they are doing it. Because from a minute and a half service, they go to 2 minutes, and things of that nature. It is where you have a bus, you see one bus and another bus right behind it. You don't know the service is being reduced. And they are running empty. I have seen it. I know Chicago. I know that city.

Senator LAUSCHE. Proceed. You were on this subject of the number of passengers per revenue mile.

Mr. DITTMAR. Yes, sir; which proves that by and large in this country we are overservicing now. We have too much equipment now. We do not need Federal subsidy to buy more equipment. Mass transportation is a dead duck. And I want to prove that situation later. Senator Williams said—The ability of private carriers to provide that service, rush hour rail and transit service, is steadily deteriorating. There is no truth in fact in that statement. The service is not deteriorating, it is definitely improved in every large city in the United States. That was a statement in the letter to the Wall Street Journal on April 23, 1962. He continues: The only solution is the injection of public funds.

We already have too much equipment. We are already operating too much service. To inject public funds will not solve a single thing, as far as the transit problem is concerned. People are the problem, people, traffic, but not transit. Transit is there now. It is being used, it is being run, it is being operated. It has equipment, good equipment, new equipment. Chicago is completely rehabilitated. Federal subsidy in this case would be merely rob Peter to make Paul's life easier. It is already easy. Now I want to come to mass transit, which seems to be the thing that they all want money for. Most rails, Senator, have already been abandoned by the public. Using Chicago as an example, the CA & E Railroad in Chicago has been abandoned. It was there, but the public didn't use it sufficiently for it to continue. Federal subsidy could have continued it, but the public wouldn't have used it any more. The North Shore Electric has discontinued their shoreline route, and have applied for abandonment of the Skokie route. Of course, the people who don't use the line, the attorneys and whatnot, are fighting the issue, so that they cannot abandon. But they will sooner or later. Now I ask why invest money to bring back what the public has left? The fares weren't that high. As I said just a moment ago, what fares are high? These people who are complaining about the high fares on these rails—and they have gone to the automobiles because the fare is so high—think nothing of paying \$8 for a ride on the golf course. They rent a car for \$8 on the golf course, think nothing of that, but they bellyache about a 50 cent ride for 25 miles on an electric line. Mostly they use their cars and want their domestics to come out without taxi fare. San Francisco is another illustration.

Senator LAUSCHE. Let's assume the fares are too high, and that you will attract passengers by reducing your fares and maybe go so far as to let them ride for nothing. What is wrong with the Federal Government subsidizing them?

Mr. DITTMAR. Who are you subsidizing? You are subsidizing the businessman, the real estate agent.

Senator LAUSCHE. That was a rhetorical question. You understand that.

Mr. DITTMAR. You are subsidizing the lines, so they will bring people from the outlying areas into the central business district. In that central business district, they want people to come in. Now they are the people you are subsidizing, so that these other people will come in. They are the customers, in other words, that the business in town is charging too much. So the Federal Government has to subsidize these people to come in—instead of lowering their prices, they expect the transit company to lower its prices. Now I will answer that question: It wouldn't make any difference how much subsidy you put in or how many rails you put in, you are not going to stop the disbursing of business from the central business district. Nowhere has it happened. Business is going where the automobile can be parked. Chicago has one small example in what is called the Marina City, where the first six—I think I am right on that number—where the first six floors are ramped for parking automobiles. After that come the apartments. You drive your car into your building, take the elevator up to your apartment. No walking, no rain, no nothing. They are all inside. That is the beginning. You are not going to separate the automobile from the individual. If you think you can, I know you are mistaken, because it hasn't been done. I ask you to look at history, look at the past recent history. It isn't because transit

hasn't been there, transit was there and the people left it—mass transit, I am talking about. The Illinois Central is losing passengers in Chicago. I think one of the best commuter services in the world, the Chicago & Northwestern, recently put on the best of cars, all air-conditioned, double deck, and so on, and the results I cannot give you. But I know in my studies in 1957 with the Mass Transportation Commission, all of the commuter railroads had lost passengers year by year. And I know that has continued with the possible exception of the Northwestern. I don't know about them.

Senator LAUSCHE. There has been testimony on The Northwestern, and it showed that they expended \$40 million for new equipment, and that in 1959 and 1960 they made a profit, but in 1961 they found themselves in competition with a parallel Interstate Highway. That paralleling Interstate Highway took traffic from the Northwestern, leaving them with a loss of about \$1,900,000 in 1961. The building of the Interstate Highway produced a condition where Northwestern was precipitated into a loss of \$1,900,000 in 1961, while it had a profit in 1959 and 1960, before the competition from the Interstate Highway began.

Mr. DITTMAR. Senator, they built two highways, and it only goes to prove my point. There was no way to use the automobile well, or easily, until they put these highways in. Who demanded the highways? The people demanded the highways for the use of their automobiles. And they had this excellent superservice, really excellent service. No one could say a word against it. The results of the Northwestern case merely prove my point. The public has been demanding highways. When they get them, they are going to leave these things after you put them in. They will not ride these things, if they can ride their own car. The expense seems to have no connection with it at all. As you cited Dr. Moses, he said you can pay the people and they still wouldn't ride. They will pay \$2.50 for parking, or even more, and take their car into the central business district. If they ever become a passenger-car rider, unless they go broke, you can't change them. I have tried.

Senator LAUSCHE. We have to go and vote. I will be right back. (Recess.)

Senator LAUSCHE. Mr. Dittmar, you may proceed.

Mr. DITTMAR. I just have a few more things. I did want to finish with the Key System. The Key System, a bona fide rail lines, went to buses, I understand, successfully. Now they want to spend billions in San Francisco to put rails back. I can't understand it. I might say I think Chicago is the best operated large transit operation in the country—I think I am the best small one, but I think it is the best large one—so I am not saying anything against the Chicago Transit Authority. But Virgil Gunlock, the chairman of the Chicago Transit Authority, said: Chicago subways have three times as much capacity as is being used but more and more people are quitting rapid transit cars for their private automobiles. This was in the Chicago Tribune on May 3, 1962. As I said, the public is rapidly abandoning existing rail service, and has already abandoned much past rail service. It will not accept new rail service if they can use their automobiles. If the road is put there for them to use their automobile, they will abandon the rail service. The CTA, rapid transit, this is, in 1956 carried 116 million passengers, or a few hundred less than that. In 1961, 110 million. That is a 1-percent decline, approximately, per year. Now I want to go into the ability of the carriers themselves to finance their own acquisition of

equipment. The CTA reports June and July revenues roughly as \$22 million, an increase of a million and a half for those 2 months. Their net income was \$1,937,000 for those 2 months. Now the CTA—this is the only thing I object to concerning them—they talk about deficits. Their deficit comes about through their requirement, bond requirement, to refund bonds, pay the bonds off, just as any other corporation has to do. But they take their profits, their normal profits, deduct from the profits the retirement on the bonds, and then come to what would be called a cash deficit, which legally is not a cash deficit, because they have put money into a depreciation fund—that is what they call it—which is really a replacement fund, money for the purchase of new equipment. They take it out of there in order to pay the bonds back, and they call that a deficit in their depreciation fund. It is the same as though I retired more bonds in 1 year than my profit was. I would report a deficit. CTA never had any capital stock. All properties have been paid for through the fare box, with some help from Federal Government on subways and the like. But they now have an accumulated surplus of \$35 million. They are not broke. And they are making money.

Senator LAUSCHE. Do you know what the estimated value of the system is?

Mr. Dittmar. I do not, sir. I have the report here. I can find it for you. Let me find it later and turn it in to you. When I heard mention of the number of people for this bill, who testified for it, I might say bears always make a beeline for the honey-tree. Where there is easy money, there are people. Also, I think I have refuted it, but I definitely want to say that transit has not left the people; the people have left transit. The people have gone first. Whatever is necessary for transit to do, it is because the people have abandoned it and this is particularly true of rail service. The buses are doing better, apparently. Mr. Johnson operates buses entirely. He is president of American Transit Association. He testified, I believe, to the need of transit for money. His Milwaukee company made \$341,000 last year, by his own report. The Louisville company made almost \$200,000, and his Indianapolis company made almost \$200,000. Now, with profits, I don't see the need for Federal subsidy. I don't know why he can't go to the bank and borrow it. I do, and have done it and just finished doing it. John C. Vane, who is vice president of the American Transit Association, and will be the new president, undoubtedly, his company in St. Louis made \$722,725. I might say that in all of these companies, the equipment is in first-class condition, no better equipment anywhere, and I have always made the statement that Chicago is completely rehabilitated—except for the elevated structure, which was old, of course—but the rolling stock has been completely rehabilitated. Let me see what is profitable here and doesn't need subsidy. Chicago made a profit in 1961 of \$6-million-some. Cleveland made a profit of \$2,800,000. New York City, \$2,146,000. In Los Angeles the operation made a profit until it was taken over as a municipal operation, and I don't know what has happened since. I do not have their report. Here are two companies that were defunct 10 years ago; they couldn't have been any more broke than they were. Buffalo, who made \$292,000 last year, and Minneapolis—that was an eyesore, if I can use that expression, in our industry—now has been reorganized, and last year made a profit of \$677,000. Only 3 years ago, or 4 years ago, it was operating at a deficit.

Senator LAUSCHE. On New York City, you say it made a profit. Don't they subsidize the system in New York?

Mr. DITTMAR. Their own report, sir.

Senator LAUSCHE. That is, there was a profit made without the subsidy?

Mr. DITTMAR. It is a profit that they report. It was so reported. Now, to wind this up, I want to say—

Senator LAUSCHE. I am not challenging your word on it. I just wanted clarification.

Mr. DITTMAR. I am not sure I brought all of the reports with me, but if I have the report there, I will find it. And if I can't find it now, I will mail it to you.

Senator LAUSCHE. All right.

Mr. DITTMAR. I want to leave this particular thought—that transit as an industry has problems, as any industry has. You can't name an industry without problems. But there is no transit problem. Transit has the equipment today, it is operating today, in most places at a profit, in almost all places at a profit. Your small, very small communities, do have a transportation problem, because there is none. The people don't want it. They don't use it. We tried to go into Kankakee, Ill., after the previous operator quit. We went in there as a good will measure, subsidized by the chamber of commerce; they guaranteed all expenses. We didn't ask for any profit and they guaranteed the expenses. And we operated as long as they wanted us to operate. They gave up. And they were an energetic bunch. I haven't heard any complaints from Kankakee since, since there is no transportation there. It is a small place. These small places cannot support it, I don't care how much money the Federal Government puts in, the people will not use it to any extent. There are always some people that will use it, and always some people need to use it.

Senator LAUSCHE. This community you were just speaking about, the chamber of commerce guaranteed all out-of-pocket expenses?

Mr. DITTMAR. That is right. And it was at their request that we gave it up, because they were paying for it. We didn't ask any profit, no profit at all. It was just the expense money.

Senator LAUSCHE. How did it end?

Mr. DITTMAR. It ended that not enough came through the farebox to pay the driver.

Senator LAUSCHE. So it was abandoned, the whole system?

Mr. DITTMAR. Yes; and the city is going right along, a prosperous little city, I think about 70,000 people. And my final word is subsidy is easy money that makes prudent men imprudent.

Senator LAUSCHE. I have some questions here, Mr. Dittmar. Why do you think private local transit operators are accepting the American Transit Association's position of support for a subsidy program?

Mr. DITTMAR. Well, as I said facetiously, the bears go for the honey tree. It is free money. I will answer your question with another question: Why don't they borrow the money? You brought that up yourself.

Senator LAUSCHE. That is, with this free money available, it operates as an inducement not to borrow.

Mr. DITTMAR. Why, certainly. It is easy money, sir. If you could get money for 1 percent, you wouldn't pay 6 percent for it. If you can get it for nothing, you wouldn't pay 1 percent.

Senator LAUSCHE. Of the total number of private transit operators in the country, what percentage would you estimate are represented in the American Transit Association?

Mr. DITTMAR. I was president and did know the figures. I think it is about 80, maybe 85 percent. In volume of business it is probably 90 percent.

Senator LAUSCHE. Do you think this program, if enacted, would help or hurt private enterprise operators?

Mr. DITTMAR. I think it would hurt all enterprises, for the reason that when a man gets soft he isn't very good. I think we have to have some competition and something to work against and fight against. We have to go out after business, rather than wait for it to come to us. I think the same thing is true of money. I think if we are deserving of it, we will get it from the bank, and if we are not, I don't think the Federal Government should give it to us.

Senator LAUSCHE. Thank you very much for a fine presentation, Mr. Dittmar.

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## URBAN MASS TRANSPORTATION-1962

Hearings before the Senate Committee on Commerce. September 19, 1962.

STATEMENT OF ROLAND E. ST. JOHN, PRESIDENT AND GENERAL  
MANAGER, ST. JOHN TRANSPORTATION CO., DAYTON, OHIO

Senator LAUSCHE. We are very glad to have you, Mr. St. John.

Mr. ST. JOHN.

Thank you, Senator. Senator, I am not too well prepared here to make a speech, other than to talk about my operation in general. Maybe I can answer questions.

I have been in the transit business since 1928 in Dayton, Ohio, and in the past 10 years I have taken over approximately six or seven defunct operations where the operators said they couldn't make it any more, and decided to quit. I have been able to maintain and operate those. I have made a small profit on them. I don't know as I have any secret, other than the fact that you get a franchise that gives you room to move around, where you can control the business and don't have to take it back to the city government, because each time that is done, you spend anywhere from 6 months to a year, and by that time you have lost so much money you can't hardly recuperate. So if you can go in on a cost-of-service franchise, and do away with much of the red tape as to the fact that you want to change schedules, routes, service, or to eliminate some service that is not profitable, I have found I have been able to do it. I just heard the gentleman from Evansville talk. I



happen to be the one that operates the Evansville transit system. I took that over in February of 1959. At that time the operator just ceased operation one morning and pulled out of town. Within 10 days I had equipment on the street, and it has been a good operation since, and I have improved equipment and service. I took over the Terre Haute, Ind., system on practically the same basis, although I will say in Terre Haute I have not had the cooperation from the city. I have had much more trouble with my operation there than I have had in any other town. I took over Saginaw, Mich., on January 11 of this year. There was a company there, and they just notified the city one day that they were going to quit. The Mayor, knowing of my operation, told me to come in, and I went in and have been operating since January 11, and now have a black figure. I have had to eliminate a lot of unnecessary help, supervisors, secretaries, vice presidents, board of directors, and a good many other things. We don't have all that. Consequently, we don't have that expense. I have been able to keep my cost of operation at around 43 or 44 cents a mile, which is considerably low in this business, and that has been—I can't say it is a secret—it has just been the way I operated. The other thing I do in a good many places, I have quite a number of school contracts, which offsets some of the overhead. In Dayton, Ohio, alone I have been in that property since 1928. I have taken over quite a few lines there, and I am the largest sub-urban operator in the city of Dayton, having about one-third of the city, and the city transit has the balance of the city, but no suburban. There I have quite an enormous school bus operation. I operate 157 school routes along with my transit system, which is composed of about 75 buses. And the overall picture has been an excellent one there, along with the charter work that I have.

But I have had to do the same thing there, keep expenses down, not have too much overhead. The city has been wonderful. They have recently taken off all city taxes, a big relief to us, which we do have in three States that I operate in, the State of Michigan, the State of Indiana, and the State of Iowa, where the States have relieved the State gasoline tax, which has been a big help, on city buses only. We contend that we do not use the State highways, we use the city streets, and we should not have to 'pay the State gasoline tax. The States of Indiana, Iowa, and Michigan have taken off that tax from our city operations, which means \$35,000 or \$40,000 a year to each operation. We had tried to get it in Ohio, and we have a bill now before, or will put a bill before, the next legislature, but the last one got defeated. in fact, we got a 2-cent raise at that time, instead of getting anything off. But we still went along and existed. I don't know if I have helped you or answered too many of your questions, but maybe you have some questions you would like to ask.

Senator LAUSCHE. I would like to ask you about Dayton. Who owns the system that serves the city of Dayton on the inside?

Mr. ST. JOHN. Well, you see, about 4 years ago that was held by five operators, and then they made all of the operators but two merge. The City Transit took over all of the operations, but for some reason or other the city didn't see fit to let them take over my operation, and I had only a small part of the total operation. So City Transit has about, I would say, two-thirds of the city of Dayton, and I have about one-third of the city and all of the suburban.

Senator LAUSCHE. Is City Transit a privately owned system?

Mr. ST. JOHN. Yes, it is. I think probably you had a letter from Bill Owens, Dayton, Ohio, in regard to that.

Senator LAUSCHE. And you are a private operator? Mr. ST. JOHN. Yes.

Senator LAUSCHE. And serve about one-third of the transportation facilities within Dayton?

Mr. ST. JOHN. Yes, and all of the suburban. My suburban operations are quite large. I have Wright-Patterson Field, which of course moves a lot of people into that area. We have had a great growth in the suburban business. In fact, on routes 202 and 201 there, which I think you might be familiar with, one gentleman came in there and built 10,000 houses. We put service in there, and we have increased that service about four times in the last 3 years, and it has been very profitable.

Senator LAUSCHE. What tax relief has been provided for you, first from the local level, county, and municipality? Have you had any relief?

Mr. ST. JOHN. From Dayton, we just had the relief of the 1 percent gross receipts tax. They took that off in January of this year.

Senator LAUSCHE. Do you pay any gross receipts tax in Dayton?

Mr. ST. JOHN. Not now, not since January 1.

Senator LAUSCHE. So they gave you that dispensation, relieved you of paying the 1 percent gross receipts tax?

Mr. ST. JOHN. That is right.

Senator LAUSCHE. What, if any, tax relief has been given to you by the State of Ohio?

Mr. ST. JOHN. None whatsoever in the State of Ohio. I take that back. About 3 years ago we did get a relief on our license tags, from the original cost to \$10 for a city bus, that is, a bus that operates solely within the city, which was a savings of about, in our particular case, \$5,000 or \$6,000 a year. But immediately they went around in the next 6 months and raised the gasoline tax 2 cents, which of course wiped that out.

Senator LAUSCHE. You thought you should have relief on the gasoline taxes because you operate solely on city streets and not on the interstate system?

Mr. ST. JOHN. That is right, sir.

Senator LAUSCHE. Or rather on the State system.

Mr. ST. JOHN. The State system; yes. We do have a relief of 2 cents on the Federal.

Senator LAUSCHE. What about this proposal that the Federal Government would make grants to a governmental agency, and it could then lease to you buses, facilities, and terminals?

Mr. ST. JOHN. Well, as I said, the big advantage in that is going to be to your municipal-owned operations, because they are the ones that are going to get the bulk of it. That is the way it has been pointed out by many operators. And the operators of my size cannot

compete for it. I might say this, in January of this year we had in Springfield, Ohio, a fellow who came in there from the Government, representing the Housing and Home Finance Agency. They surveyed the city of Springfield for a subsidy—where they were going to add additional service, and put on extra routes, extra buses—and we got together with them, and they got a figure for the city of Springfield which came to \$20,000 at that time. Well, the city, while it was anxious to go along with it, had no place to get \$20,000. So consequently they came back to the bus company and wanted to know if we wanted to get in it, and of course we did not have the \$20,000 to put up, so that still is laying dormant.

Senator LAUSCHE. Do you serve Springfield?

Mr. ST. JOHN. Yes, we do; and also Hamilton, Ohio.

Senator LAUSCHE. All right, thank you very much.

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House Banking Committee Hearings on the Urban Mass Transportation Act of 1962.  
May 1-11, 1962.

STATEMENT OF O. ROY CHALK, PRESIDENT, D.C. TRANSIT SYSTEM, INC

Mr. Chalk. Thank you, Mr. Congressman, Mr. Chairman.

Mr. Multer. We ought not fail to state, however, that you came into the District of Columbia at a time when we had a transit system but no transportation, and today we have good, clean, efficient, and rapid least on the system that you are running

Mr. Chalk. Thank you, Mr. Chairman. My name is O. Roy Chalk. I am president of D.C. Transit System, Inc. I wish to thank this subcommittee for the opportunity to appear before you to express the views of D.C. Transit on the important issues raised by H.E. 11158 You, as well as many of the members of your committee, know that I appeared before your committee, as well as the Subcommittee on Housing of the Senate Committee on Banking and Currency approximately a year ago, in support of the first bill on the subject of urban mass transportation At that time, I urged an amendment to the bill in order to make it applicable to private enterprise. Similarly, I believe H.R. 11158 must be amended in order to protect private enterprise and to make sure that it does not become an instrument which can be used to defeat private enterprise in this most important field of large urban center transportation Unquestionably, private enterprise can do a better job in the field of urban transportation than can a municipally owned system, provided there is no unfair discrimination in favor of a publicly owned system. However, as I urged last year, private enterprise needs adequate money and must receive the moral and fiscal support of our Government. I am certain that each of you gentlemen is personally aware of the fine job which D.C. Transit, operating as private enterprise, has done to make the transit system in Washington second to none, be it privately or municipally owned As a further indication of the job which private enterprise is doing here in the District of Columbia, D.C. Transit on Tuesday of this week signed an order for an additional 80 new air-conditioned buses vestment in new equipment since 1958 to

approximately \$15,500,000. An example of the recognition which has been and is being given to the job which D.C. Transit is doing is set forth in a 6-page article which appeared in the April 1962 issue of "Metropolitan Transportation," reprints of which have been appended to my statement for your ready reference. This article points out that Washington, D.C., is planning for the future with emphasis on private enterprise. Significantly, the article quotes Mr. Delmer Ison, executive director of the Washington Metropolitan Area Transit Commission, as stating that he favors private enterprise, under regulatory control. In my judgment, however, H.R. 11158 in its present form is critically deficient in failing to make adequate provision for existing privately-owned transit systems. This deficiency is particularly objectionable where the private transit companies have actively participated in and made positive contributions toward urban redevelopment programs in their cities, and where they want to continue to do so in the future. In its present form, the proposed legislation will destroy private initiative and will inevitably result in public ownership for all transit equipment and facilities in all areas where urban redevelopment programs result in the construction or acquisition of new equipment or facilities. This will be so because H.R. 11158 in its present form requires that all such new equipment and facilities purchased with funds loaned by the Federal Government will have to be publicly owned. A cursory examination of H.R. 11158, and I quote from page 3— No grant or loan shall be provided under this section unless the Administrator determines that the applicant has or will have \* \* \* (B) satisfactory continuing control, through operation or lease or otherwise, over the use of the facilities and equipment — clearly indicates that it requires no great amount of imagination to visualize the utter confusion which would result in a system such as D.C. Transit if these provisions of the act were applied. We might well have the situation in which our company, owning a large number of buses, is required through force of circumstances to lease from the District government or its agency an additional number of buses to round out its operations. The provision just quoted would prevent the District government or its agency from leasing the necessary equipment to D.C. Transit unless it could satisfy the Administrator that it, the District, would have satisfactory continuing control over the use of the facilities leased to D.C. Transit. Under such conflicting ownership and control between private enterprise and public ownership, it would be utterly impossible to conduct a satisfactory operation. Public ownership of the transit industry of our large urban centers would be the first step toward public ownership throughout the transportation industry, including land, sea and air. Since our industry is the economic lifeline of our great Nation, public ownership of all large transit systems would represent a tragic surrender of private enterprise, to the eternal detriment of the average taxpayer. I refer this committee to its own knowledge of conditions existing in several of our larger cities whose transit industry is municipally operated at an annual loss of staggering amounts. Public ownership is insidious and, like a disease with its contagious effect, will inevitably spread through other related industries. When the original bill was being considered last year, I urged certain amendments which would make the benefits of the bill available to privately owned mass transit operators. As you well know, the bill was not so amended. As a result, very little use has been made of the provisions of the initial bill. I understand that, according to a statement by Dr. Robert C. Weaver, Housing and Home Finance Agency Administrator, only one demonstration project grant has been made by his Agency to date. I also understand that that grant was made to a municipally

owned system in the city of Detroit. Moreover, in referring to the demonstration and research aspects of the program, Dr. Weaver stated that there is a need to explore the physical side, the technology, of urban transportation. Dr. Weaver stated that there had been much talk of new systems, the monorail for instance, but very little actual development upon which to base practical evaluation. In an effort to give Washington, D.C, the most advanced type of rapid mass transit, D.C. Transit, at its own expense, retained the services of a nationally known transportation consulting and engineering firm to prepare a proposal for submission on the practicability of a superail system. After many months of study and effort on the part of the consulting firm, as well as staff members of D.C. Transit, a detailed proposal was informally submitted to the Housing and Home The proposal, as submitted, recommended a demonstration grant for the construction and operation of a superail system over a 5.6-mile route on right-of-way presently owned by D.C. Transit Because D.C. Transit is a privately-owned system, it was advised that it would be necessary for it to arrange for some governmental agency to sponsor the proposed demonstration program. This D.C. Transit sought to do by consulting with the Washington Metropolitan Area Transit Commission, where it found the staff members of the Commission to be most receptive to the proposal. However, it developed that before the Washington Metropolitan Area Transit Commission could act as a sponsoring agency of the proposed demonstration program, it would be necessary to obtain the consent of the National Capital Area Transportation Agency. An effort was made to secure such approval from the Agency head, Mr. C. Darwin Stolzenbach. However, Mr. Stolzenbach had previously stated that monorail had been considered by his Agency and ruled out as being impracticable. In addition, he advised that his Agency could not comment on D.C. Transit's demonstration proposal until after it had filed its recommendations with the President in November 1962, a mere 9 months later The alleged reason for this was that his Agency had not determined what form its recommendations would take for mass transit in the Washington area assume that the National Capital Area Transportation Agency would agree to any such demonstration project unless that project would fit into and become a segment of its overall recommendation provided for in the act Thus, we have a perfect example of the desire and willingness on the part of a privately owned system to help implement and carry out the intent of the legislation, but its efforts have been stymied by the fact that the existing legislation does not permit direct dealing with private enterprise. We of D.C. Transit are here again to urge and plead the case of private enterprise. We do not stand alone in urging modification of H.R. 11158 by the inclusion of certain proposed amendments, copies of which are attached to my statement and which have been supplied to your committee. (See Appendix, p. 896) Significantly, the proposed amendments have been agreed to by the other three mass transportation companies in the Washington metropolitan area, and it is my understanding that a witness will appear before you to testify on behalf of two of these companies, the Washington, Virginia & Maryland Coach Co., Inc., and the A.B. & W Transit Co Moreover, on Monday of this week, these proposed amendments which I have just referred to were discussed by representatives of approximately 100 privately owned transit companies, and after a review of the proposed amendments, these owners and operators of privately owned mass transit companies adopted, without a single dissenting vote, the following resolution, and I quote : Resolved, That we are opposed to H.R. 11158 and S. 3126 unless the proposed

amendments are incorporated in the bills. These owners and operators of privately owned companies in 100 important cities further instructed Mr. Manuel J. Davis to appear before your committee, and make known to you the content of the resolution which I have just quoted, as well as to go into detail concerning each of the proposed amendments. It is my understanding that Mr. Davis is scheduled to appear before your committee tomorrow afternoon. We believe that private enterprise is vital to a free society and that this principle is as valid in the transit industry as in any other industry. Private ownership and industry leadership are indivisible. Private ownership alone has the incentive and drive to take the initiative and provide creative thinking in the American tradition. It should be remembered that in many areas of our country, private enterprise is still the leader of imaginative mass transportation thinking. In such areas, the privately-owned transit company may well serve as the catalyst for action, particularly where the private company knows that, if the mass transportation plan is adopted, the private company may be permitted to participate in its conventional and traditional transit role and assignment. One good example is here in the District of Columbia. We of D.C. Transit stand ready, willing and able to undertake any role required of a mass transportation system, and we believe we can do it more efficiently and more effectively than any public authority. All we ask is that the transportation plan assign us the mass transit responsibility and we'll find imaginative ways to fulfill the responsibility.

Last year I concluded with a quotation from the late Franklin D. Roosevelt. Now, in what I believe to be a fitting end to my testimony, I should like to direct your attention to that portion of President John F. Kennedy's transportation message dealing with the intent of the urban mass transportation program, and I quote: The program is not intended to foster public, as distinguished from private, mass-transit operations. Each community should develop the method or methods of operation best suited to its particular requirements. I believe that all I have said here today falls squarely within the President's expressed intention. Again I urge your serious consideration of the amendment I have suggested. Thank you for the privilege of appearing before you.

Mr. Vanik. Thank you very much for your testimony. I want to point out at this time for the purposes of the record and those present that the other members have seen called to the floor for a quorum call and vote on the floor. They will be back in a few moments to resume their places in connection with the deliberations on this bill. In connection with your statement, I appreciate your philosophy as to free enterprise and the role of free enterprise, Mr. Chalk. I was down at Buenos Aires a few weeks ago and I heard one of the Latin American businessmen discuss free enterprise this way. He said a great question arises as to where free enterprise ends and where the community begins. He replied by saying there is no beginning, there is no ending. The free enterprise private profit corporation is an instrument of the community, and I think this was a very apt way of putting it. As an instrument of the community, the community is anxious to know fully how free enterprise or a private enterprise corporation is conducting its affairs, particularly when they relate so much to and affect so much the public welfare, as any company involved in mass transit. Now, as a matter of background on this very issue, you have a franchise now that expires in 1975, isn't that correct?

Mr. Chalk. 1976

Mr. Vanik. And this franchise is up for renewal, or certain portions of it, in 1965; is that not so?

Mr. Chalk. No, sir.

Mr. Vanik. What do we consider in 1965?

Mr. Chalk. Nothing that I can think of.

Mr. Vanik. Nothing under the terms of your franchise?

Mr. Chalk. No. It is a franchise which goes until 1976 and on the basis of precedent unless we have done a job that could be criticized would go indefinitely.

Mr. Vanik. It goes on indefinitely but it is up for review in 1975 ?

Mr. Chalk. It is a 20-year franchise and historically when franchises expire, unless there is some good reason not to continue, they just continue indefinitely.

Mr. Vanik. Now, your franchise agreement is a matter of public record, is it not?

Mr. Chalk. Yes, it is a matter of law.

Mr. Vanik. We have it.

Mr. Chalk. The franchise was passed by the unanimous vote of the Congress of the United States in 1956.

Mr. Vanik. Yes, I remember having voted on that franchise issue. Now, I would like to ask you this question: Relating to the amendment you suggested, and I think this goes to the very issue of your discussion. Does this not require the Administrator to accept the regulatory controls as satisfactory wherever such agency exists? What if the regulatory authority is corrupt, doesn't this mean that the locality would be unable to get any assistance in such cases? Don't you think that the Administrator should have the discretion to arrange "for other controls by the municipality, or the proper authority in cases where the regulatory agency is inadequate or unable to exercise adequate control ?

Mr. Chalk. Under the law as presently established, a private enterprise mass transit system with an intervening governmental agency could be indefinitely stymied in obtaining the benefits of this legislation for that particular community. There is no question about that

Mr. Vanik. I am talking about the effect of your amendment

Mr. Chalk. The effect of my amendment.

Mr. Vanik. What controls would remain under your amendment?

Mr. Chalk. The normal controls which any public utility would have. In this particular case, our transit system is controlled by the regulatory body which sets fares, passes on adequacy of fares, and so on, but this is not the sort of control we are talking about. We are talking about under the present law, as it is written for that particular privately owned transit system, there would be a disadvantage with a publicly owned transit system which could go to the source of this mass transit moneys and get a direct grant if he had a justified request or some justified experiment that he wanted to put into effect in that city

This would be the privilege of a publicly owned transit system, but it would not be under the privilege of a privately owned transit system, although he has his regulation as to the operation of the business but as to the benefits under the bill he would have no recourse whatsoever. He could not get the benefits of the bill by going directly, say, to the Federal Housing and Home Agency and asking for an appropriation for a worthy cause, which even though the Housing and Home Agency would approve because of its worthiness, it could not deal with that private transit system, it would have to say "See Mr. Stolzenbach," and why Mr. Stolzenbach when the publicly owned transit system does not have to see Mr. Stolzenbach?

Mr. Vanik. Well, on the other hand, if the Administrator of the program were to find that local controls that were in effect did not produce the result which he would deem desirable and necessary, he could then refuse to go along on the program, on the basis that there is no adequate Mr. Chalk. The Federal Housing and Home Agency could, yes, that is sufficient control in any event, so I am only asking parity with public ownership. We don't Mr. Vanik. Then the community would get no assistance unless it modifies its control system to such an extent as would satisfy the Administrator. Mr. Chalk. That is correct

Mr. Vanik. At this point I will turn the chair over to the chairman, Mr. Multer

Mr. Multer. Thank you

May I interrupt for a moment. I wonder if you would mind very much, Mr. Chalk, if we asked our distinguished colleague from New York, Mr. Santangelo, to offer his statement for the record, and then we can continue with your testimony, because he has to get back to another committee meeting

Mr. Chalk. I would be delighted.

...

Mr. Miller. Page 3 of your testimony, and section 3 of the bill

You refer to the fact that— This will be so because H.R. 11158, in its present form, requires that all such new equipment and facilities purchased with funds loaned by the Federal Government will have to be publicly owned

Now I thought I had read this section 3 pretty carefully and while it doesn't leave too many loopholes, it does leave some, and we have professional people known as attorneys busy finding them. It doesn't seem to me that this section 3(B) does that, and I would like to have it pointed out for the record exactly where. It says "Otherwise" in section 3(B) and this seems to allow plenty of room for masterminds of the legal profession, at least, to find other ways than public ownership. I wondered whether you would care to comment on it. If you don't care to comment on it

Mr. Chalk. Yes, I would be perfectly willing to comment on any thing I said here

Under the present wording of the bill, unless one were willing to turn over the control of these buses to a Government agency, we would have no freedom to operate them, unless we leased them from the Government. They would have to be bought through a governmental agency



That is my interpretation of the section that you are referring to in the form that it is presently written

Mr. Miller. Well, that is your conclusion, let's let it go at that. Do you feel —and perhaps it is possible to divorce yourself from some of the things that you have said here about public ownership, some of them harsh, like "public ownership is insidious" —I suppose this means that pollution control works must be insidious, but in any case, do you really believe that management prerogatives are seriously interfered with in the transportation field by section 3 (B) of this act ?

Mr. Chalk. I certainly do

Mr. Miller. That it cannot operate simply because the vehicle may be owned elsewhere? What about the fact that Hertz Automobile rents out —we have many corporations renting vehicles which they lease to other large corporations? Those corporations don't seem to be inhibited from having those vehicles go where they wish when they please. I am trying to get at an answer, I am not trying to badger you in any way. I am trying to find out if there is some basis upon which we can get a bill up here which might still satisfy the needs and requirements of private enterprise to operate its business with its own prerogatives, and yet have control over public needs

Mr. Chalk. If private enterprise has choice of lease or purchase, I would say it is perfectly all right. If you go to Hertz and you feel least like it is to your advantage to lease an automobile, this is just fine. At least you make the choice

This is the right of anyone engaged in private enterprise as a private owner. But if he has no choice, it is an entirely different picture

Now, as long as you take away my individual right to choose, as long as you take away my right to buy it if I want to without having to deal with governmental rights insofar as equipment I am going to operate, if you do not take away these rights, this is just fine. But if have no choice, I don't agree with it

Mr. Miller. Well, without intending to argue with you, is there not choice on the part of alert management when it refuses to avail themselves of the borrowing and the lending and the grant provisions of this act at all ? They have the choice to proceed just as individually as they wish. Then, those communities which may feel that they do need rolling stock through grants might be willing to submit to the control elements that are listed in 3(B). Does not that offer you a choice?

Mr. Chalk. It offers you a very bad choice but it sure does offer you a choice. Either you have a progressive type of transportation in your city or you don't have it. That is your choice. If that is what you mean, you are a hundred percent right

Mr. Miller. Then do you feel that these grants and loans should be made to individual private concerns directly?

Mr. Chalk. Yes, sir, based upon the merits of their application to be ruled upon by the Housing and Home Finance Agency in the same fashion as a publicly owned one

Mr. Miller. Of course, you realize that as a subcommittee of the Congress, faced with a continual plea to give local government initiative, to permit them to make decisions and

so on, wouldn't this inter pose the Federal Government as an arbiter directly with private citizens ? Would it not eliminate local governmental initiative and local governmental administration and planning?

Mr. Chalk. Well, local governmental initiation and operation of a transit system is just what I am talking about. We certainly want to eliminate the local operation. As long as private enterprise can do the job, subject to regulations insofar as the public is concerned, but as long as private enterprise can do the job, we do not want that type of regulation where you have to go on bended knee to buy a bus or build a terminal or do something good for the community

Mr. Miller. Then you are opposed to local and regional planning?

Mr. Chalk. Well, that is a pretty broad statement. If you would be more specific, I would probably be able to answer that question, but

Mr. Miller. Well, we have had witness after witness here who testified in glowing terms to the need for coordinated planning, not only on a geographical and political entity basis but also between the means of transport to be employed in their given community

Also, while a number of witnesses have talked a great deal about choice and the consumer having the right to choice of transport, when you get down to it, what they have been telling us is that in some way the consumer should be directed, not with an armed guard or a police man standing on the corner, but he should be directed into a certain means of transportation as a way of doing it

**Final note:** In February 1973, The Washington Metropolitan Area Transit Authority (WMATA) condemned DC Transit and took over its assets.

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STATEMENT OF DELMAR F. DRUMM, WAUSAU AREA CHAMBER OF COMMERCE, WAUSAU, WIS.

Mr. DRUMM. My official capacity here is representing our board of directors, our national affairs committee, and a special mass urban transportation committee which we have had in existence for some time.

My reason for testifying here is the fact that we have resolved our local mass urban transportation problem. I would like to tell you just how we have done this, what our problems were, and what the current situation is to date.

Our problems were manifold. Basically, however, our company, our local company, which services more than Wausau—it services an area. of Schofield, Rothschild, and Wausau Townships—had declining patronage due to many reasons, and as a result they had an operation deficit from 1955, 1956, 1957, and 1958, of upward of \$8,000 per year.

The employer-employee relationship was poor. This company was a private company acquired from a large public utility in our area. The utility had sold out this portion of their assets, and this local company acquired the franchise rights to service our area.

We had absentee ownership. The ownership and top management of the company resided in the Chicago area. so there was a sort of a feeling of mistrust that existed between business people of the community and the absentee owners.

We had no local municipal understanding of the problems that existed, such as a change of routes, of schedules, or a number of other little factors, including parking facilities on the main discharge.

From 1954 to 1957 a retail council executive committee, a division of our chamber of commerce, met at least twice annually with the company management to try to gain a personal acquaintance with the problems they were faced with. In December 1957, they appointed a special study committee, and this committee obtained information from transit companies in communities across the Nation-jitney service in Atlantic City, coupon service out in Denver, special cut rates in New Orleans.

The study committee examined the company's financial records, with their permission.

We analyzed the type of riders they had, the frequency of service, the cost of such service. And in June of 1958, this committee of ours, which consisted of 10 business leaders in the community, put the following plan of action into effect, a plan of action which we think any community in the United States can put into effect.

First, we curtailed service by one-third, and we did so without developing any customer complaints. Less frequent vehicles were placed on each of the routes. The time element was extended. Instead of 12-minute service we went to 30-minute service.

Instead of running until 9 o'clock every night, we closed down at 6 o'clock. Instead of running on Sunday morning, when it was unprofitable, we omitted it from the entire schedule.

Second, we held many meetings with the officials of the local school board, and we did convince them that the cost of hauling the students from outside of the 2-mile radius, based on the tickets that were redeemed by these students should be increased from 12¢ to 16¢ cents per student.

We had to obtain the approval of the city council finance committee, which ultimately provides the school board with their funds; or, in this case, the school board is reimbursed to a amount of dollars from the State through the city. The increased school fares were incorporated in the board's budget, with the approval of all committees. What was most important here is that this fare increase was approved by the Wisconsin Public Service Commission without any public hearing, without the expense of a public hearing; and all parties had indicated this approval in writing.

Third-this was the summer of 1958-the company had no cash reserve funds with which to operate over the summer period, and this is the tough period for our transit company. They lack the school business\_ They told us they would need a minimum of \$7,500 to carry them over the summer months. We agreed, and did raise \$2,500 from retail

businessmen in denominations of \$5, \$10, and \$15, up to \$200, \$300, and \$400, as a loan to the transit company, to be repaid as soon as possible.

We did convince the school board to purchase tickets for their students who reside out of the 2-mile radius in advance, in a gross amount of \$2,500.

We did convince the employees of the company, through their union, to agree to loan the company \$2,500. I am very sorry to say that this latter proposal was reneged upon.

At this point we had a transit company that had \$22,000 in outstanding obligations, -of which a major portion was owed to the Bureau of Internal Revenue. We went to the public and asked them for help.

In July 1958 a strike was threatened by the union. The negotiations were satisfactorily completed by my committee, and a new contract, for 1 year, was signed.

In September of 1958, Internal Revenue informed the company that they were definitely going to foreclose, because of the failure of this company to pay taxes, including funds withheld from employees for social security and withholding. The taxpaying record of this company was very poor. The total past due obligations to Internal Revenue exceeded \$7,000. We met almost daily during this period, negotiating with Internal Revenue; convincing them that the only way they would obtain these funds, this money, was to permit this company to operate. But it became very apparent at this stage of the game that we would have to have some more definite concrete information.

So my retail executive committee authorized our subcommittee to prepare an operating projection. by a reputable accountant residing locally. This was completed, and it indicated what we had believed to be true. That the company did stand a chance of breaking even by June 1959. But the 1959 summer would result again in a \$12,000 to \$15,000 loss due to the lack of the summer patronage.

In October 1958 the company lacked the cash to meet their payroll. We agreed with management that they should issue two checks--one that could be cashed immediately, and one that could be cashed a week later when sufficient income was obtained.

A strike -was again threatened. The company also owed the union pension fund \$1,800. It also owed an \$893 payment on the building which had been acquired through the union fund. Our committee sat many times at the bargaining table, along with the Wisconsin labor relations representatives, and we successfully concluded negotiations.

We averted the strike.

But in June of 1959 the creditors, the local creditors, became impatient. so each day we had a new crisis occurring, and each day a member of our committee would sit down and work out this crisis.

For example, we needed spare parts, and no spare parts firm would provide these on credit to the company-and logically so. We made arrangements with a Chicago company to give us those parts on a consignment basis. Buses were sold as far away as South Dakota, to provide the necessary cash to meet payrolls, and these were buses that were no longer used because we had curtailed service.

The school board agreed that they would pay semimonthly, based on tickets redeemed, instead of monthly.

By February of 1959 the president of the transit company asked anyone for any proposal by which \$15,000 to \$18,000 could be raised by the coming summer to cover their expected deficit. I am very happy to say that although we did not raise the money at that moment we were able to work out satisfactory arrangements. But in February 1959, because there was nothing formal in writing that the company could count upon, they petitioned the Wisconsin Public Service Commission to abandon service as of May 29, 1959.

The hearing was held March 12. Another hearing followed that. There was very little public opposition to this hearing; in fact, even my retail executive committee did support the abandonment of the company, indicating they had done all they could along this line.

The projection we prepared was analyzed by the Wisconsin Public Service Commission, and they felt as we did that if this company were given enough time in which to work out its own problems it could do so. So they denied the petition to abandon service, feeling it was premature, but put itself in a position whereby no additional public hearing would be necessary should they have to abandon service because of lack of operating capital for that summer period.

We might say that it pretty much repeats the first summer period. We worked out most of the arrangements for the second time. The commitments made by the company were all paid as agreed.

Their current status is this, and this is the thing I think you would be most interested in: They are expanding their service into the urban areas surrounding our community.

They are expanding their service on a competitive basis with the school systems in the suburban area for schoolchildren; and to do this they had to go back through their own employee organization to revise their working rules to "permit them to pay a lower rate of pay to the part-time drivers they have. They have been able to find credit to buy new diesel equipment, the newest equipment they could possibly afford.

They have a local and open line of credit at local financial institutions which, of course, they use with discretion; but they use it wisely.

And they have been successful. They are operating with a small profit each year.

This is the story of our transit system, and the committee that helped them solve their problems.

We feel very strongly that our problem was a local problem and one that only can be effectively dealt with at the local level.

Financing was just a small part of this thing. It is the cooperation between people and the understanding between the various organizations and people that really was the reason for the success.

We think it is extremely unfair to use public funds to support a mass urban transportation system that services few people as compared to the national scope by using, perhaps, tax funds from our company. In our opinion a subsidized transit system is a dead one, one that will continue to look for handouts, one which will merely prolong the problems.

Thank you very much.

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Article about Bernard Calkins of Rapid Transit Inc. entered into Senate testimony by Senator Lausche.

[From Highway Highlights, October-November 1962]

#### THE WONDER WORKER OF HOUSTON AND WICHITA

(Bernard Calkins, who has revitalized bus operations in both cities, believes strongly in free enterprise.)

On September 6, 1961, there was a long parade up Main Street in Houston, Tex. Under police escort, 100 brand new blue and silver buses drove up the street, one after another, before the admiring view of about 50,000 Houston residents. The air-conditioned, luxury transit equipment represented a new era in mass transit in the Texas metropolis. And it was a typical bit of master showmanship by Bernard E. Calkins, a hard-driving, imaginative businessman who is looked on as somewhat of a miracle worker in Houston and Wichita, Kans. For in both cities Calkins, with his Rapid Transit Lines, Inc., in an amazingly short period of time has pumped new life into deficit-ridden bus lines, put their operation in the black, provided many new services and sold the public on bus transportation.

#### SORRY CONDITION

By the fall of 1960, the bus transit operations in Houston were in a sorry state. The number of riders was declining steadily, equipment was sadly outdated, the service was poor, and a general attitude of defeatism prevailed. Now, after less than a year and a half under Calkins' direction a completely different situation exists. Of the 379 active buses, 235 are the new air-conditioned Dreamliners, the latest in equipment. And Calkins promises that by 1963 he will have completely re-placed Houston's outdated old fleet of buses with new air-conditioned ones. Route miles have been extended from 374.3 to 394.1. Most significant of all, ridership thus far in 1962 has increased more than 12 percent, which represents an additional 9,000 riders a day. The Houston Chronicle commented editorially: "It seems that Calkins has proved his case. Aggressive management and the new air-conditioned buses have pulled the mass transit business in Houston out of the doldrums. We can go on from here to enjoy good and improving mass transit facilities if enough people will ride the buses. Certainly the results of the first year are encouraging. When all the old equipment is replaced there should be further improvement in volume of riders and in revenues." To top it off, while Calkins was revitalizing the bus operations in Houston, he also was making what he terms "a good profit."

## STARTED AT BOTTOM

Calkins started in the bus business 30 years ago as a mail clerk with the Southern Kansas Stage Lines in Wichita. He subsequently was promoted to the accounting department, and in 1936 was transferred to Chicago as office manager and auditor of a newly acquired subsidiary company named the Santa Fe Trails of Illinois, Inc. Three years later, when the office was consolidated with the home office in Wichita, he became auditor of disbursements and in charge of storeroom accounting for the consolidated companies, by then known as the Santa Fe Trailways. He left the company in 1945 to become a director and secretary-treasurer of the M.K. & O. Lines, Inc., in Tulsa, Okla. With M.K. & O., Calkins formed a subsidiary company to take over the operation of the Airport Limousine Service in Tulsa in 1955. But it was in 1959 that he made his big move. Hearing that the Wichita transit system was in trouble, and that municipal ownership appeared imminent, he formed a new company with some outside financing, named it Rapid Transit Lines, Inc., and secured the transit franchise from the city officials. The franchise was acquired on November 3, 1959, and became effective on June 4, 1960, at which time Calkins put a complete new fleet of 60 air-conditioned Dreamliners in operation. Wichita thus became the first American city to have an all air-conditioned transit system. The energetic Calkins was also keeping busy on other fronts in 1959. He acquired the contract for operation of the ground transportation at Oakland International Airport, in Oakland, Calif., and has operated it since. This operation includes buses, limousines, and taxicabs.

## HOUSTON SITUATION

In the fall of 1960, Calkins learned of the situation in Houston, which by then was so bad that the city was preparing to take over the bus operations. He made a trip to Houston and in private conversations with the mayor and other officials convinced them he could do the job. He said he would purchase 100 new Dreamliners as soon as possible and replace the entire outmoded fleet within 3 years. In return he asked for a modern franchise which would give management needed latitude on routing, service, and fares. He demanded elimination of any possible stalling by officials or politicians when changes might be necessary to forestall bankruptcy. Houston accepted-but only after due deliberation. There was much debate in the newspapers about the desirability of giving him the franchise. Houston residents discussed him pro and con. One skeptical city councilman made a secret trip to Wichita, where he rode Calkins' buses, talked with citizens, and discussed the transit operations with city officials. He returned to Houston as one of Calkins' biggest boosters. Houston hasn't regretted its decision. In May 1961, Calkins, with good financial backing from Kansas and Oklahoma interests, bought out the old Houston Transit Co. for a figure close to \$2.5 million. By June 27, 1961, he announced the first route extensions. In August the first of the new Dreamliners were brought into Houston under cover of darkness and wrapped in black plastic sheets. Getting the maximum promotional value from them, Calkins held a formal sneak preview at the Shamrock Hilton Hotel, and then on September 6, 1961, unveiled them to the public in the mammoth parade through downtown Houston. He made other changes, too: The company name was changed to Houston Rapid Transit Co., even though it was an all-bus operation, to encourage a public feeling of speed in public transportation. A plastic covered schedule was installed at each transit stop so that riders could know

immediately how long they would have to wait for the next bus. The drivers were outfitted in brand new, attractive uniforms.

## HIS OUTLOOK

"The philosophy I have about running a good transit system," Calkins explained in a Highway Highlights interview, "is to give as good a service possible as the revenue will justify, seek new business, and above all use equipment that will attract riders, and hold the old ones. "Today, with people living in better homes that are furnished better, and with air conditioning in homes, offices, plants, and cars, I say you must provide modern air-conditioned equipment or you lose your customers." The transit systems in Houston and Wichita are operated in a similar manner, the only difference being in their size and scope. Calkins has 60 buses and 107 employees in Wichita; 418 buses and 980 employees in Houston. There is an average of 130,000 daily riders in Houston, 18,000 in Wichita. Calkins actively manages both the Wichita and Houston operations, with other key personnel in charge of departments. He commutes 650 miles between the two cities by plane each week. His Oakland operation he runs more by remote control, with key personnel overseeing things there for him. The rate structures vary somewhat in his two bus operations. In Houston adult fares are 20 cents, with two 5-cent zones; students, 10 cents; children 8 cents, and a downtown shoppers' special 5 cents. In Wichita, adults are 25 cents (or five tokens for \$1); students, two tokens for 25 cents, and children 10 cents. During off-peak hours in Wichita, a round trip can be had for 30 cents. Calkins is a strong advocate of the free enterprise system. "I favor it due to the fact that municipal ownership invariably leads to the payrolls being padded with political patronage that the executive director finds he must adhere to in order to keep his job, or he is unable to accomplish economies due to political pressure."

## A VIEW ON SUBWAYS

What about the growing campaign for subways in some cities, such as Washington, D.C., and San Francisco?

"I feel the same about them as I do about any other fixed rail operation. The passengers simply cannot get from their origin to their destination without transferring to a surface transportation vehicle, which causes loss of time and inconvenience to the passenger. Actual experience in my Houston operation has demonstrated that if you eliminate the necessity of transferring, you increase your number of riders. "If subways were used at all—or elevated—they should be paved for the use of rubber tired vehicles in areas where congestion exists and laid out so that the rubber-tired vehicles could leave them after getting out of the congested areas and traverse over the regular streets, thereby discharging or picking up passengers as close to their doors as possible, without the necessity of transfer." Calkins feels that the best moves he has made in his bus operations have been going to new air-conditioned equipment, maintaining good public and press relationships, and the posting of times buses leave each stop throughout the cities. And as to the future? "I feel that the future of all cities rests with the development of adequate transit systems, particularly for the peak-period travelers, thereby leaving streets and parking spaces for those who have to drive their cars. "I do not believe that people should



be forced to ride transit--but that they should be encouraged to do so after it has been made convenient for them."