

RIDING RED INK: PUBLIC OWNERSHIP OF MASS TRANSIT IN
INDIANAPOLIS

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Dedicated to Elmer “Buck” Wilhite, Jr., a true local historian who never saw his name on a scholarly work but whose road trips and stories influenced and entertained generations of Hoosiers.

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CONTENTS

List of Tables	viii
List of Figures	ix
List of Abbreviations	x
Introduction	1
Chapter One.....	16
The Decline of Privately Owned Mass Transit	
Chapter Two.....	34
Struggling to Survive: Private Ownership in Indianapolis, Milwaukee, and Louisville	
Chapter Three	59
Riding Red Ink: The End of Private Ownership in Indianapolis	
Chapter Four	89
“The Metro Muddle”: Public Ownership in Indianapolis, 1975-1980	
Conclusion	112
Glossary	120
Selected Bibliography	125
Curriculum Vitae	

LIST OF TABLES

Table 1. Population Statistics for Indianapolis, Louisville, and Milwaukee, 1950-1970.	36
Table 2. IPTC Operating Statistics, 1975-1980.....	110

LIST OF FIGURES

Figure 1. Ownership Hierarchy of Midland Transportation	46
Figure 2. “And It’s Only Had One Owner”	81
Figure 3. “End of the Trail”	82
Figure 4. Metro Ad.....	93
Figure 5. “Piggyback!”	108

ABBREVIATIONS

ATU	Amalgamated Transit Union
ATA	American Transit Association
IUMTA	Indiana Urban Mass Transportation Act of 1965
IPTC	Indianapolis Public Transportation Corporation
<i>IN</i>	<i>Indianapolis News</i>
<i>IS</i>	<i>Indianapolis Star</i>
ITS	Indianapolis Transit Systems, Inc.
LTC	Louisville Transit Company
PSCI	Public Service Commission of Indiana
Transport Co.	Milwaukee & Suburban Transport Company
UMTA	Urban Mass Transportation Act of 1964

Cheer Up
This Could Have Been Another Advertisement
By Hank Fincken¹

Things could be worse, you know.
At home the baby's bawling, the neighbor's
Borrowing that bottomless cup of sugar
(Computer software these days),
The wife is still rail-splitting mad
You pioneered new depths last Friday night.

So sit back, quit your bellyaching.
You're cruising along on a whirlwind tour
Riding beside the community's best
On the move . . . going places . . .
Listen to the motor's whirr –
You're already half way home.

¹ Hank Fincken, "Cheer Up This Could Have Been Another Advertisement," in *Poetry on the Buses*, edited by Rita Kohn (Indianapolis: IPTC, 1985), 24.

Introduction

“We know that responsibility for the future lies with the present. How our children and grandchildren will live depends on what we do now. Only time will tell whether we possess the foresight and courage to meet the challenge of this responsibility.”¹

--George Smerk, 1965

Transportation plays a vital role in the development of cities. Adequate, well-maintained streets facilitate the traffic flow of automobiles, trucks, and emergency vehicles. Sidewalks allow residents and visitors to traverse the urban center and explore cultural sites. Highways allow suburban commuters to access downtown jobs and amenities; they also permit the import and export of essential goods, further connecting urban centers and boosting economies. New middle-class housing developments in and around the city are treasured for spacious homes, superior schools, and diverse shopping venues all accessible by car. For some, commuter railroads and buses are vital to their daily transportation routines. Public policy, increased affluence, and advances in transportation technology have allowed cities to expand physically and thrive economically and culturally.

Walking cities dominated the American landscape until the mid-nineteenth century when mule-pulled streetcars began operating. Mule-pulled streetcars increased the range and speed of the daily commute, which allowed residents to escape the dirty downtown for the bucolic suburbs.² Municipalities required transit companies to purchase operating franchises to operate over public streets. These franchises regulated several operating items, including fare price. Streetcar owners tolerated the franchises because the fixed fare, typically between three and five cents, made the company significant profits.

¹ George Smerk, *Urban Transportation: The Federal Role* (Bloomington: Indiana University Press, 1965), 282.

² See Sam Bass Warner, Jr., *Streetcar Suburbs: The Process of Growth in Boston, 1870-1900* (Boston: Harvard University Press, 1962).

Technological innovations in mass transit signaled a growth and the beginning of transit's decline. Using animals was unsanitary, expensive to maintain and animal epidemics devastated service. Streetcar owners searched for a better technology and found it in electricity. The electrification of streetcars in the late nineteenth century made urban public transit more sanitary, increased average speeds and travel distance. Electrification allowed suburbs to develop farther out and the streetcar became the dominant form of travel from 1890-1930.³ Electrification required a significant capital outlay and increased capital maintenance, which coupled with the regulated fare (usually five cents), pinned transit companies under nearly unserviceable debt loads. Mass transit's popularity and profitability peaked in the 1910s, as the automobile's popularity increased with transit unable to expand or upgrade, leaving mass transit in most communities as a last resort transportation option for urbanites.⁴

The urban mass transit industry was in a ragged state by the 1960s, in part because of the decay of downtown. Federal programs designed to provide better housing opportunities and better transportation facilities also aided urban residents in their suburban flight. These new federal programs made suburban living affordable and accessible.⁵ Urban blight and crime continued despite the best efforts of municipal politicians and inhabitants. Fleeing residents took both their furniture and their tax revenues, often leaving cities with those residents unable to move but demanding additional city resources, stretching city budgets.⁶

³ David W. Jones, *Mass Motorization and Mass Transit* (Bloomington: Indiana University Press, 2008), 32-54.

⁴ For a good review of cities and suburbs, see: Kenneth T. Jackson, *Crabgrass Frontier: The Suburbanization of the United States* (New York: Oxford University Press, 1985), especially the earlier chapters. For a good review of the decline of the transit industry, see: Jones, *Mass Motorization*, 32-107.

⁵ Jackson, 190-218; James Flink, *Divided Highways: Building the Interstate Highways, Transforming American Life* (New York: Viking Press, 1997), 125-175.

⁶ Jackson, 242-243 and 265-271.

Transit ridership and revenues declined in correlation with the decline of the city, requiring efficiency tactics and preventing major expansion programs. Expensive suburban routes prohibited cash-strapped private transit companies from suburban service. Suburban residents preferred the privacy of the automobile to the decrepit bus service anyway. The decrepit condition of private transit companies was a result of efficiency tactics, where companies deferred maintenance and capital expenditures. Others chose to raise fares, decreasing ridership. State and municipal transit regulations made raising fares difficult. These regulation boards resisted fare increases unless non-action meant the company's insolvency. Most companies chose to cut service by increasing headways, reducing or eliminating routes. Headway is the time between vehicles on a designated route.⁷ Increasing headway decreases service time. Cutting service was undesirable but easier than raising fares. Almost all transit companies chose to combine one or more of these options. Dirty buses, reduced routes, and long travel times hurt transit's public image. When people could afford to, they purchased automobiles and left transit behind.

Urban politicians showed little concern with struggling mass transportation companies before the early 1960s.⁸ The automobile served the needs of urban residents. Because mass transit was primarily in the private sector, urban politicians rationalized that mass transit was not competitive and that the automobile and taxicabs could meet the urban residents' transportation needs. As mass transit faded, politicians offered little help. Unlike transit's heyday, mass transit was no long a political winner and therefore garnered little political attention.⁹ Local politicians only noticed when their

⁷ Transportation Research Board, *Glossary of Urban Public Transportation Terms*, Special Report 179 (Washington, D.C.: National Academy of Sciences, 1978), 15.

⁸ There are some exceptions. Mayors in metropolitan areas served by commuter railroads were concerned with the condition of their transit service providers.

⁹ The franchise is an exception. This time period (1945-1980) differs greatly from earlier time periods when city politics played a large role in the transit industry and vice versa.

own urban transit systems threatened bankruptcy. Urban transit companies' insolvency forced a decision by politicians, who displayed little enthusiasm for public ownership. Urban politicians in major metropolitan areas with large commuting populations examined the transit problem closer when the companies threatened bankruptcy. Since postwar American cities were in dire financial straits and states played a small role in urban responsibilities, urban politicians turned to the federal government for assistance.

The federal government addressed the issue of mass transit in 1961 with small loans to transit companies. This hardly rectified the issue and urban mayors lobbied for additional funds. Congress passed the Urban Mass Transportation Act (UMTA) in 1964, providing money for capital upgrades, including public purchase, and also created a federal agency to oversee the dispersal of funds. UMTA would spark a series of public takeovers of ailing, privately owned urban transit systems in America. Also significant was the continuation of labor protections guaranteed under UMTA, specifically Section 13c. Any public takeover using federal monies required the continuation of existing labor protections under the new public corporation. UMTA was necessary but not as comprehensive as many transit proponents wished. Federal policy restricted a major restructuring of transit except for its funding sources. Industrial relations needed significant restructuring for transit to return to profitability but labor unions had a strong political lobby. The failure to restructure transit labor costs ensured continued transit deficits. Federal legislators followed UMTA with the National Mass Transportation Assistance Act of 1974, which provided operating subsidies. This act reflected the growing acceptance of urban mass transportation and its role in urban areas.

Public ownership provided the chance to transform American urban mass transit into a real public service. For some urban residents, mass transportation was and is their only transportation option. Managers of privately owned transit systems answered to shareholders and regulators. Dividends and taxes hurt reinvestment. Public

ownership of mass transit promised myriad direct and indirect benefits: decreased pollution, reduced user costs, better buses, and better service. The industry's ownership transition opened transportation debates that provided an opportunity to restructure local mass transit and provide a viable alternative to the automobile. Public ownership of transit in post war America occurred at a critical juncture in urban transportation that saved an industry, and also provided economic and social benefits to urban areas. For example, residents and politicians in Indianapolis, Milwaukee, and Louisville felt that public ownership provided a vital community function.

This thesis examines the desired and real impact of public ownership of the urban mass transit system in Indianapolis. Who owned the system? How did private owners influence the success of public entities? I will answer ownership questions by examining the role of the private holding company Midland Transportation Corporation in Indianapolis as well as Milwaukee and Louisville. These three cities will provide good comparative case studies of postwar transit management and its influence on public ownership. Why did Indianapolis residents and politicians decide to purchase their ailing mass transit provider? What steps were taken to prepare for the transition? What were the short-term and long-term results of this public purchase of a vital urban transit system?

Few histories examine how local political decision in postwar America influenced the current condition of mass transit. Historians provide several hypotheses to transit's decline, focusing mainly between 1900 and 1950. The most recent argument about transit's decline comes from David W. Jones, who argued that disinvestment occurred, as a result of over speculation by streetcar companies, inflation, rising labor costs and a fixed fare.¹⁰ Other arguments include industry undercapitalization, suburbanization and

¹⁰ Jones, *Mass Motorization*, 45-46.

consumer choice.¹¹ A popular misconception is that transit's decline was the result of automotive companies conspiring to purchase ailing traction (streetcar) companies and replaced the popular, but expensive, streetcars with cheaper buses.¹² One of the purposes of this thesis is to show the importance of decisions during the transition from private to public ownership in the explanation for transit's current state.

The originating reason behind public ownership varies by community but economist Peter Pashigian (1976) offered several hypotheses: regulation hypothesis, declining-industry hypothesis, and the externalities hypothesis.¹³ Regulation hypothesis contends that regulated industries, such as transit, reach a critical juncture when regulations prevent necessary cost-cutting measures and the additional losses due to stringent regulation "result in government ownership."¹⁴ The "more popular hypothesis is that urban transit is a declining industry and, under recent cost conditions, an unprofitable one under any combination of fares and service levels."¹⁵ Pashigian argues that the declining industry hypothesis must be accompanied by an externality. The externality hypothesis supposes there are social or economic justifications for public ownership. For example, a city may want to provide transportation to transit captives. Pashigian's own conclusions lean towards the declining industry hypothesis, with the expectation that there exists a segment in every urban area that needs subsidized mass transit.¹⁶

Books and articles written by non-historians suggest certain conclusions to the modern development of urban mass transit as an illuminating urban historical and

¹¹ Ibid.

¹² Bradford C. Snell, *American Ground Transport: A Proposal for Restructuring the Automobile, Truck, Bus and Rail Industries* (Washington, D.C.: Government Printing Office, 1974), 16-24. Automotive companies did purchase stock in ailing transit companies and replace their expensive rolling stock with buses, but the fate of the companies, and the industry, had long been sealed before the involvement of these automotive companies.

¹³ Pashigian, "Consequences and Causes of Public Ownership," 1240-1245.

¹⁴ Ibid., 1240.

¹⁵ Ibid., 1243.

¹⁶ Ibid., 1240-1245.

cultural phenomenon. For instance, civil engineer Robert Howe wrote, "Public Ownership of Mass Transit in Cincinnati" (1976).¹⁷ One explanation for Cincinnati transit troubles was the transit syndrome: reductions in ridership lead to increased fares which lead to further reductions in service in a vicious cycle destructive to transit systems overall.¹⁸ Howe noted that only one national news article covered Cincinnati's municipal takeover, which highlighted the invisibility of public ownership in the national media, and the fragility of the new system. Howe's conclusion is that proper preparation led to a successful and smooth takeover in Cincinnati, which continued transit service with improved coaches and increased ridership.

Howe's article introduces two important ideas concerning the transition to public ownership. First, public takeovers of mass transit systems rarely made national news.

George Smerk confirms:

As an issue with no grassroots public support in 1961, transit had virtually no political appeal save for representatives of large urban areas highly dependent upon transit and commuter rail transportation. In contrast with the push for civil rights legislation, an issue freighted with deep moral as well as political implications, urban mass transportation legislation seemed a picayune matter indeed. Because transit was no longer the player in local urban life it once had been, it was not an issue to stir the senses. It was not a well-understood issue and in its context or urban quality of life, a subject that was relatively unexamined in America at the time, transit as a federal activity was apt to elicit a yawn.¹⁹

Taking this a step further from Howe and Smerk, city residents may not have been cognizant of, or care about, the transition of ownership. Second, public ownership did not guarantee a permanent role for transit. The relationship between the community and public transit could have been temporary.²⁰ Transit's future laid in the hands of

¹⁷ Most books and articles focus on Chicago, Boston, Atlanta, San Francisco, Washington, D.C., or Toronto. These cities are major metropolitan areas with rapid transit systems, not exclusively bus transit.

¹⁸ Robert T. Howe, "Public Ownership of Mass Transit in Cincinnati," *Traffic Quarterly* 35, no. 1 (Jan., 1976): 125.

¹⁹ Smerk, *Federal Role in Urban Mass Transportation*, 78.

²⁰ Howe, "Mass Transit in Cincinnati," 121.

management and the transit board, building mass transit as a necessary community service. Howe's message is that Cincinnati residents developed a vested interest in mass transit, which aided management in obtaining future subsidies.

Only a couple historians have analyzed the industry's transition to public ownership, concluding that federal policy was a failure and that the industry was a public service long before public ownership.²¹ David W. Jones, Jr. dedicates an entire chapter of *Mass Motorization and Mass Transit* (2008) to public ownership.²² Jones concludes that federal policy was a failure because it failed to alter existing conditions, especially industrial relations. His work draws from testimony at federal hearings, with none of his resources coming from local engineering reports or city government records.²³ This criticism should not condemn his findings, but instead challenged by local and regional evidence. That is what my thesis, in part, will accomplish.

Martha Bianco approaches public ownership by tracing the entire transit history in Portland, Oregon, a city with an exceptionally sophisticated and economically complex integrated urban mass transit system. Her doctoral dissertation (1994) concludes that streetcars in Portland were in danger before the advent of the automobile.²⁴ She asserts that transit became a public service long before public ownership, due to stringent regulations, city franchises, and the political five cent fare. Her methodologies and conclusions provide useful analytical tools when examining Indianapolis, but the uniqueness of Portland requires placing her conclusions in an appropriate context.

These two histories constitute the sum total of historical scholarship on public ownership. My thesis addresses this neglected phenomenon and strives to set it in

²¹ The decline of the streetcar and the cultural and social ramifications of highways are two popular topics.

²² Jones, *Mass Motorization*, 137-171.

²³ Jones, *Mass Motorization*, 249-251.

²⁴ Martha Bianco, "Private Profit versus Public Service: Competing demands in urban transportation history and policy, Portland, Oregon, 1872-1970" (Ph.D. dissertation, History Department, Portland State University, 1994), 113.

comparative urban historical and cultural contexts. The gap in historical analyses of midwestern transit systems and their political economies is especially striking and will be filled, in part, by my thesis work. There are local histories by transit enthusiasts that will prove useful in providing background information. Jerry Marlette's *Indianapolis Railways* (2002) traces Indianapolis' railway development from 1864 to 1954, and his work will prove useful in tracing the historical development of mass transit in Indianapolis. I will draw on this, but add to it by analyzing Indianapolis transit from 1955 to 1975 under private ownership and from 1975 to 1980 under public ownership. Marlette's work is the best comprehensive local history, utilizing archival sources. David Miller published a series of articles on Indianapolis transportation between 1864 and 1991, published in an enthusiasts periodical, which is not peer edited. Miller focused more on route additions and subtractions than Marlette. These local histories provide invaluable background information necessary to understanding the precarious financial position of the private owners, but lack any revealing information about public ownership and the socio-political and socio-cultural ramifications that my study will explore in depth.

This study also examines private management, which faced several crises in postwar America. The primary crisis was the industry's decline. Faced with lower revenues and ridership, existing management "developed a strong and understandable concern with cost cutting."²⁵ Management curbed all innovation, saving money for basic operations. New talent could have sparked innovation but the industry's decline failed to attract new blood. Management's conservatism and reliance on internal promotion prevented the industry from focusing on its consumers through marketing and other

²⁵ George Smerk, "The Management of Public Transit," in *Public Transportation: Planning, Operations, and Management*, eds. George E. Gray and Lester A. Hoel (Englewood Cliffs, N.J.: Prentice-Hall, 1979), 424.

improvements. Despite reeling from factors largely outside their control, management received little sympathy from the local community.²⁶

Ownership, however, has the perception of being the evil, greedy aspect of mass transit that everyone abhorred. Arthur Saltzman observes:

Heavily watered stock and other abuses led much of the public, and their political leaders, to mistrust the “transit trusts.” Much of the lack of public empathy with the industry’s problems could be traced to the commonly held image of the companies – that they were socially and financially irresponsible. This was often true and was constantly reiterated by local politicians and newspapers.²⁷

Largely due to a 1974 government report, National City Lines (NCL) became the representation of transit ownership in the public’s eye. NCL began in 1920, operating a small fleet in Minnesota, but then expanded to own or control 29 urban mass transportation companies by 1939. These acquisitions “were financed almost entirely by stock shares sold to GMC and Firestone Tire and Rubber.”²⁸ NCL pursued a business model that included dismantling their streetcar systems and replacing them with General Motors’ buses. A Federal lawsuit accused NCL and its stockholders of violating antitrust laws. After nearly two decades, GMC settled, and signed a consent decree limiting its involvement in mass transit.²⁹ Although the lawsuit was successful, damages leveraged on NCL were minor.

Bradford Snell’s 1974 report introduced the lawsuit to a broader community and presented NCL as not only greedy, but the main culprit in the decline of mass transit. Snell’s main argument contended that GM, through NCL, was culpable in transit’s decline through the replacement of streetcars with rubber-tired buses. Historian Scott

²⁶ Ibid.

²⁷ Arthur Saltzman, “The Decline of Transit,” in *Public Transportation: Planning, Operations, and Management*, eds. George E. Gray and Lester A. Hoel (Englewood Cliffs, N.J.: Prentice-Hall, 1979), 32.

²⁸ Saltzman, “The Decline of Transit,” 36.

²⁹ Ibid., 36; Jones, *Mass Motorization*, 64-66. Jones does an excellent job analyzing Snell’s argument.

Bottles argues that the role of NCL was minimal compared to consumer choice and technological advantage of motorbuses. While Bottles finds some of Snell's arguments to have merit, he notes that Snell's main argument is misplaced. Equipment replacement occurred years before NCL. Streetcars were too capital intensive and motorbuses were cheaper and flexible, providing an ample substitute to streetcars.³⁰ In his analysis of Snell's report, Bottles reviews Snell's perception of transit companies:

The real irony of Snell's report was that he portrayed the traction companies as virtuous, responsible public utilities trying to provide a public service on the one hand while fighting off the evil designs of the automobile manufactures on the other. In reality, the situation was just the opposite.³¹

Bottles' view of ownership as the opposite of virtuous and responsible might apply to Los Angeles and his argument on consumer choice is convincing. Angelenos chose the automobile because their pleas for better transit service fell on the deaf ears of greedy transit companies. My thesis will explore if the actions of transit management and ownership led to its decline and if these managers and owners fit the stereotype as being heartless, greedy businessmen. Determining how they conducted business will assist in evaluating both why the companies failed and the condition of the companies upon public takeover.

A major part of this study is evaluating the perception of ownership and management by the public in Indianapolis. Midland Transportation Corporation, with investors in Milwaukee, Wisconsin, and Chicago, Illinois, held the majority of stock in the Indianapolis Transit Systems (ITS). These men also owned transit facilities in Louisville, Kentucky and Milwaukee, Wisconsin. Their efficiency tactics reduced service but maintained capital equipment and profits. The fact that Midland, and the managers they

³⁰ Scott Bottles, *Los Angeles and the Automobile: The Making of the Modern City* (Berkeley: University of California Press, 1987), 1-4.

³¹ Bottles, *Los Angeles and the Automobile*, 4.

hired, sustained transit in these large markets longer than companies in similarly-sized markets is a testament to their business acumen.

Rapid rail became a hallmark of the new federal legislation to aid cities in revitalizing mass transit. Urban planners argued that rapid rail would promote better land use, possibly reducing urban sprawl, highway spending and increase the standard of living. Rapid rail was expensive to maintain and operate and few communities could justify new rapid rail when recently-constructed highways provided a similar service. A majority of the cities chose buses over rapid transit because of finances. Voters valued the privacy of the highways over the potential long-term benefits of rapid rail. The potential externalities were too unknown and unproven to encourage communities to return to mass transit after recently embracing large infrastructure spending for the automobile.

Cities choose to accept federal money for transit and which mode to choose, many choosing to maintain the status quo while others viewed public ownership and federal monies as an opportunity.³² Atlanta voters reevaluated their future transportation network during the decision to purchase the local bus system. Planners, city officials, and a broad base of support from business and civic groups fueled the decision to build a complex integrated transportation system to make Atlanta more livable and economically competitive.³³ Voters approved a “53-mile network of rails, served by 39 rail passenger stations, and supplemented by 8 miles of bus ways with 2 stations...Estimated to cost \$2.1 billion.”³⁴ Atlanta politicians, planners, and voters hoped that the new system would stabilize the central business district and encourage

³² Brian J. Cudahy, *Cash, Tokens, and Transfers: A History of Urban Mass Transit in North America* (New York: Fordham University Press, 1990), 201-203.

³³ Paul Potter, “Urban Restructuring: One Goal of the New Atlanta Transit System,” *Traffic Quarterly* 33, no. 1 (Jan., 1979): 60.

³⁴ *Ibid.*, 47.

transit-oriented development, and slow urban sprawl.³⁵ Atlanta's experience provides the example of a metropolis capitalizing on the transition from private to public ownership, in an attempt to remake its urban center.

The state's role in transit was important. States regulated the private transit industry, provided legislation for the creation of public transit corporations, and later provided money to public mass transit. For some background, Robert Krause's, "State Policies in Transit: Public and Private" will be useful. Krause explains that state governments were not very involved in urban needs until the mid-1960s.³⁶ Prior to this, federal assistance met urban needs. State politicians created their legislation as a reactionary measure to one or more local transit crises. For instance, a city wanting to qualify for federal monies to purchase a struggling transit company might need state law to change. For this study, the state regulatory agency is pivotal. Transit companies petitioned the regulatory boards for fare and route changes. The fare hearings take center stage in my thesis as venues for residents to voice their concerns and also a mechanism to examine local perspectives on the fight over transit.

The decline of mass transit created a "transit crisis" in postwar American cities. A "transit crisis" is typically a point in time when a community faces a decision on mass transit. There are two types of transit crises. The first type occurs when the community demands increased mass transit service and the private sector is unable or unwilling to provide the increases. This type typically occurred in larger metropolitan areas at the turn of the twentieth century. The second type of transit crisis occurred with the failure of the private sector. Private owners of struggling mass transit companies looked for governmental assistance. This failure necessitated a community decision. The second type occurred more often than the first type and typically between the years 1920 and

³⁵ Ibid., 48.

³⁶ Robert Krause, "State Policies in Transit: Public and Private" (Lexington, KY: The Council of State Governments, 1989).

1980. Milwaukee, Louisville, and Indianapolis experienced the second type, and residents faced experienced and successful owners and managers. The resulting public ownership debate revealed multiple schisms in postwar America in these three midwestern cities. On the one hand, public ownership could provide mobility for transit captives, could potentially reduce pollution and congestion, and might result in higher standards of living in urban areas. Public ownership of mass transit provided an opportunity for urban residents to alter their transportation choices. Instead of a private company with frequent fare increases, the community could take pride in a new publicly-subsidized transit system. On the other hand, public ownership required subsidies, requiring either diverting funding from other public services or higher taxes. In the end, public ownership was merely a transition, guaranteeing mass transit's survival, not mass transit's transformation.

In this thesis, I will explore the impact of public ownership of ITS, the primary private mass transit company in Indianapolis. I will also explore the influence of the decisions of private ownership, using Milwaukee, Louisville, and Indianapolis as comparative case studies. The value of this comparative approach is to bring a regional and local perspective to the public ownership of formerly private transit companies in midwestern cities. I will examine the influence of mass transit, and its survival, in automobile-centric cities in postwar America. Chapter One will introduce the time period during public ownership, from the 1950s to the 1970s. The purpose of the chapter is to put the local act of public ownership into a national context. Chapter Two will introduce the private holding corporation Midland Transportation Corporation. The chapter will also introduce, compare and contrast the three transit companies owned by Midland: Milwaukee and Suburban, Louisville Transit Company, and Indianapolis Transit Systems. The purpose of this chapter is to examine the influence of ownership and management upon the three companies and compare the differing experience from

locality to locality. Chapter Three brings public ownership to the local level, examining the ordeal in Indianapolis from 1973-1975, with some relevant comparisons with Milwaukee and Louisville. The purpose of this chapter is to examine the variables that enter into a public ownership debate, any expectations behind public ownership, and any negative arguments brought against public ownership. Chapter Four studies the first five years of public ownership in Indianapolis, with some minor comparisons between Milwaukee and Louisville. The purpose of this chapter is to show the immediate results of public ownership. The conclusion will summarize the evidence presented and analyze the significance of my findings.

Public ownership did not occur in a historical vacuum. Postwar America was a time of bunny hops, drive-ins, and the brewing of significant social changes. It is in this historical context that mass transit sputtered and nearly ended.

Chapter One:

The Decline of Privately Owned Mass Transit

The Watts Riots, as they are commonly known, were a product of deep racial tensions in the Los Angeles community, awaiting a trigger. On 11 August 1965, a routine traffic stop for suspected drunk driving resulted in an altercation between the two white policemen, the African-American driver, and the driver's mother. This altercation unleashed a sequence of riots that when finished left 34 people dead, over 1,000 injured, and almost 4,000 arrested. Following the riots, the governor of California, Edmund Brown, Sr., appointed a commission to investigate. This commission, also known as the McCone Commission, concluded that the seclusion of the Watts area was one catalyst, fueled in part by inadequate mass transportation:

Our investigation has brought into clear focus the fact that the inadequate and costly public transportation currently existing throughout the Los Angeles area seriously restricts the residents of the disadvantaged areas such as south central Los Angeles. This lack of adequate transportation handicaps them in seeking and holding jobs, attending schools, shopping, and fulfilling other needs. It has had a major influence in creating a sense of isolation, with its resultant frustrations, among the residents of south central Los Angeles, particularly the Watts area.¹

The fare increases and service cuts like those in Watts were endemic in other urban areas. Nationally, suburban development and increased automobile usage reduced both the center city and transit ridership. In turn, transit companies cut both operating and capital expenditures, reducing the size and quality of mass transit in American cities.

The McCone Commission suggested the city “purchase or condemn the multiple uncoordinated bus systems” as one remedy to the seclusion in Watts.² Coordination through public ownership made sense. Servicing suburban developments was either unprofitable or, in some areas, illegal. Uncoordinated transfers between private urban

¹ Governor's Commission on the Los Angeles Riots, *Violence in the City – An End Or A Beginning?* (1965), 65.

² *Ibid.*, 67.

and suburban carriers created cumbersome and time-consuming trips.³ Public purchase of all systems serving Los Angeles could improve urban mobility by creating a coordinated system of mass transit. Proponents of public ownership hoped increased mobility would allow trapped urban residents access to suburban jobs and necessary services.

The significance of the McCone Commission's report is its national visibility due to the riots. As a solution to mobility and urban issues, "local public officials were fairly indifferent to mass transportation...Transit was given a backseat."⁴ Media attention was negative, highlighting fare increase and service cuts. Few media outlets or civic leaders connected declining mass transit with growing urban isolation and poverty. The McCone Commission placed mass transit on a national stage and highlighted the benefits of public ownership to an urban area. The report also was a grave reminder of the consequences of urban isolation and inaccessibility.

The McCone Commission had its detractors. Not everyone agreed that a link existed between inadequate transportation and employment. Joseph Mooney, an economist, studied metropolitan decentralization and found that "the separation of inner city Negro females from growing job centers in the suburbs had an almost negligible effect on their employment opportunities."⁵ Another critic concluded that job access for urban residents was a result of the lack of suburban housing opportunities and not transportation.⁶ Historian Robert Fogelson challenged the commission's objectivity, its

³ There are numerous studies of this topic. See Christopher Davies, "Reverse Commuter Problem in Indianapolis" (Ph.D. dissertation, Department of Economics, Indiana University Bloomington, 1970), 90-99; Jay Carlisle, "Some Practical Studies in Public Transportation," in *A Report of the 1966 Conference on Mass Transportation* (New York: Popular Library, 1967), 111.

⁴ Smerk, *Federal Role in Urban Mass Transportation*, 52-53.

⁵ Joseph D. Mooney, "Housing Segregation, Negro Employment and Metropolitan Decentralization: An Alternative Perspective," *Quarterly Journal of Economics* 83, no. 2 (May, 1969): 309.

⁶ Gilbert Paul Verbit, "The Urban Transportation Problem," *University of Pennsylvania Law Review* 124, no. 2 (Dec., 1975): 378-384. His argument here is less cited than in other areas,

short turnaround time, its preconceived notions of Watts, and its fact checking. For example, Fogelson claimed that the percentage of car owners in Watts, cited by the commission at 14 percent, was actually 65 percent.⁷ These claims against the McCone Commission were justified but do not detract from the visibility gained by public ownership as a result of its report.

Public ownership of mass transit in Indianapolis did not exist in a historical vacuum and local efforts to acquire transit companies were (and must be) appreciated in the national context of such acquisitions.⁸ By asking certain research questions, I can more appropriately place public ownership in its historical and national context. What are the historical beginnings of public ownership of mass transit? What was the historical context in which public takeovers occurred?

National Historical Development of Public Ownership of Mass Transit

The idea of public ownership was not novel when the McCone Commission suggested it in 1965. Glenn Yago notes: “Between 1898 and 1920, virtually every major U.S. city was the scene of legal battles, referenda over rate hikes, public ownership

showing either a considerable lack of scholarship for his theory or his attempt at forging new theoretical grounds.

⁷ Robert M. Fogelson, “White on Black: A Critique of the McCone Commission Report on the Los Angeles Riots,” *Political Science Quarterly* 82, no. 3 (Sep. 1967): 355-365.

⁸ For the purpose of this thesis, mass transportation refers to an organized system that moves a large number of people from one location to the next, typically including rail, rapid rail, subways, and buses but excluding travel by air, sea and taxicabs. It is important to note the distinction between ‘urban mass transportation’ and ‘urban transportation:’ the former has previously been explained and the latter encompasses *all* urban transportation modes, including the automobile. The phrases “urban mass transportation,” “mass transit,” and “urban mass transit” are used interchangeably for the purposes of this paper. Excluding taxicabs for the term “mass transportation” is in line with the transportation experts from the 1950s to the 1980s, the main time period of primary and secondary research. Contemporary experts also excluded air, sea craft, and taxicabs because these transportation modes typically did not operate in urban settings over fixed routes. Smerk, *A Dozen Years of Federal Policy*, 4; Wilfred Owen, *The Metropolitan Transportation Problem* (Washington, D.C.: Brookings Institution, 1966), 4. This definition by Wilfred Owen excludes taxis for “mass transportation” but includes taxis for the term “public transportation.” David W. Jones, Jr. makes the same distinction in *Urban Transit Policy: An Economic and Political History* (Englewood Cliffs, New Jersey: Prentice-Hall, 1985), 1-3.

campaigns, and investigations of transit corruption.”⁹ A brief historical overview of the decline of mass transit is necessary to understand early public ownership campaigns.

The period between 1890 and 1920 witnessed the excitement of widespread electrification and then the industry’s struggle to maintain its competitiveness. Investors lacked confidence because of early profiteering, local governments enacted regulatory revenge for perceived excess profits and operating costs increased as a result of an inflationary economy and heavily leveraged traction companies.¹⁰ Executives operating in good faith struggled to attract adequate capital to repair their rolling stock, further eroding rider confidence. Federally mandated wage increases during World War One and the advent of the automobile exacerbated the industry’s decline.¹¹ Mass transit’s centrality to urban living was slipping, evidenced by the fact that “by 1919 one-third of the operating companies were bankrupt.”¹² The once thriving mass transit industry was struggling and the industry needed to find a solution.

President Woodrow Wilson appointed a federal commission in 1919 to review the electric railway problem. Delos Wilcox, a well-respected utility and transportation expert, was chosen to analyze the proceedings and present his findings.¹³ Among his conclusions was that public ownership might be the ultimate solution to the industry’s problems. Wilcox noted:

I have reached the conclusion that there is no ultimate solution of the problem unless we frankly undertake the local transportation function as a public function and perform it through public agencies. Local transportation, in the first place, as I have said, is essentially a part of the city plan. It is a public function. The street railways cannot exist except

⁹ Glenn Yago, *The Decline of Transit: Urban Transportation in German and U.S. Cities, 1900-1970* (New York: Cambridge University Press, 1984), 54.

¹⁰ Jones, *Urban Transit Policy*, 39; Jones, *Mass Motorization*, 55.

¹¹ *Ibid.*

¹² Saltzman, “The Decline of Transit,” 33.

¹³ Delos F. Wilcox, *Analysis of the Electric Railway Problem* (New York: Afferton Press, 1921). Wilcox published the report himself because the commission did not have the funds to publish. On the cover page are Wilcox’s employment, including Chief of the Bureau of Franchises of the Public Service Commission for the First District, State of New York, 1907-1913.

through the possession and use of special franchises in the public streets. Convenient and cheap transit has come to be an essential for the public convenience in large urban communities.¹⁴

Wilcox's conclusion reinforced the concept of transit as a public service, better conducted by public agencies. Wilcox's position came from careful analysis of testimony in front of the commission, collected in one chapter, "The Pros and Cons of Public Ownership." Proponents pointed to efficiencies as a result of lower public financing costs, social benefits, and economic necessity.¹⁵ Opponents cited the possible inefficiencies of public involvement and political interference.¹⁶ The most influential speaker was former President William Taft, who said early in the hearings, "I am personally against government ownership, for the reason that I think it reduces the economy of operation, and therefore greatly increases the cost of something that is essential to the people."¹⁷ Taft's position was significant not only because he was a past president but also because he was one of the commission's first speakers. Other critics agreed with Taft and thought the industry attractive enough for private investment.¹⁸ Taft's remarks, the potential of private investment, and the contemporary political view towards an idea that was "unmitigated evil, and forerunner of Socialism, Bolshevism and various other evil things that may happen" are all good explanations for why public ownership of mass transit was not widespread in the United States until after World War II.¹⁹ There were exceptions. Early public ownership typically occurred in larger metropolitan areas with a large population of transit riders, like New York City and Boston. These major cities were exceptions and without a major economic catastrophe or private failing, the debate on public ownership would dissipate.

¹⁴ Ibid., 141-148.

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Ibid., 140.

¹⁸ Ibid., 140-142.

¹⁹ Ibid., 145.

By the time of the 1919 commission, mass transit had acquired a poor public image.²⁰ Overcrowded streetcars became the norm on transit lines as companies sought to maximize profits by using fewer cars.²¹ Dense downtown areas combined with large streetcars often led to harrowing accidents involving serious injuries and deaths, often highly publicized. Streetcar owners were known to use their companies to increase the value of their real estate holdings. For example, Bottles noted that Los Angeles streetcar baron Henry Huntington would extend railway lines to his own real estate holdings, thereby increasing the property values and creating a tidy profit.²² It appeared that mass transit companies were far more interested in making money than providing a safe, reliable form of transportation. Curtailed service and cramped cars, combined with cheaper automobiles and government-built roads, convinced urban residents to purchase automobiles for their work commuter and entertainment and abandon streetcars run by greedy owners.²³

The reason for inequity in public investment in urban transportation lies in the public's perception. People viewed the road as a public good and the streetcar as a private good.²⁴ Private pressure groups, including merchants, pushed for public financing of streets to reduce traffic congestion that depressed real estate values. Roadway improvements could become self-sustaining because of the property taxes they generated.²⁵ This discrepancy between transit as a private good and roads as a public one proved important when the industry declined and looked towards public

²⁰ Bottles, *Los Angeles and the Automobile*, 69; Jones, Saltzman, "The Decline of Transit," 32; Wilcox, 37-38.

²¹ Paul Barrett, *The Automobile and Urban Transit: The Formation of Public Policy in Chicago, 1900-1930* (Philadelphia: Temple University Press, 1983), 9-17; Bottles, *Los Angeles and the Automobile*, 33-34.

²² Bottles, 29-30.

²³ *Ibid.*, 69. Chapters two and three present the story of residents trying to force transit companies to expand and improve service, finally abandoning streetcars for the more reliable and convenient automobile.

²⁴ Jackson, *Crabgrass Frontier*, 168-170.

²⁵ *Ibid.*, 163-168.

ownership as a solution. While public road agencies obtained funds, private mass transit companies relied on the well of private investors, which was slowly drying up.

Federal antitrust legislation impaired mass transit further. Large holding corporations invested in transit in the 1920s, while retaining stock in other utilities. Management expertise and capital from these large holding corporations maintained transit's level of service, even as transit revenues declined.²⁶ Holding corporations directly controlled 10 percent of the total of revenue passengers in 1931, and some dozen trusts indirectly controlled another 171 transit companies.²⁷ The federal government passed the Public Utility Holding Company Act of 1935, requiring each holding company to limit itself to one public utility. Holding companies happily severed the money-losing operations. The separation dealt a dual blow to transit, as the industry lost access to managerial talent and capital.²⁸

The Great Depression pushed more transit companies into bankruptcy. In 1939, the topic of public versus private operation reappeared. An early article on the merit of public ownership got directly to the heart of the debate:

The objective of a change from private ownership to public ownership should be better conditions. The question is entirely a practical one: Will public ownership produce better service, lower costs on which fares are based, better facilities, or better management, than do private ownership and operation?²⁹

The authors, Thomas Fitzgerald and C.D. Palmer, disagreed that public ownership was the solution, pointing towards the inefficiencies that political pressure would create. "It is only natural that the political objectives to be satisfied will frequently outweigh the

²⁶ Saltzman, "The Decline of Transit," 33.

²⁷ *Ibid.*, 35.

²⁸ *Ibid.*, 34-35.

²⁹ Thomas Fitzgerald and C.D. Palmer, "The Case for Private Ownership and Operation of Street Railways," *Annals of the American Academy of Political and Social Science* 201 (Jan., 1939): 112.

economic.”³⁰ They cautioned that organized labor might abuse their political capital, through unrealistic wage increases. The authors concluded that, “It is not contended that private ownership and operation are ideal. It is contended that private ownership permits better economic adjustments, upon which the success of any enterprise rests, than does public ownership.”³¹ Probably the best reflection of this opinion was that while transit struggled, there were only a handful of publicly owned transit companies in the United States.³²

A short six years later, and another commentator would hint towards the opposite conclusion, “The practices vary widely, but the trend seems to be toward public ownership and operation, particularly in large cities.”³³ Henry Mayer’s prediction might seem puzzling considering that the more than 18 billion revenue passengers carried on all forms of transit in 1945 was the highest recorded.³⁴ The ridership number was an aberration because of wartime rationing on rubber, gas, and automobile production. The unexpected wartime income helped struggling transit companies, but the wartime demands stretched existing equipment and postwar federal taxes depleted reserves gained during wartime. The postwar years meant costly capital upgrades and expansion for survival. For some companies, it meant the real threat of bankruptcy.

Even as mass transit expanded between 1890 and 1920, the expansion, government regulations, and poor ownership decisions contributed to the early campaigns for public ownership in the United States. Transit’s perception as a private good and continued private profit squashed campaigns in nearly every city. Transit’s

³⁰ Ibid., 113.

³¹ Ibid., 116-117.

³² Charles Cheape, *Moving the Masses: Urban Public Transit in New York, Boston, and Philadelphia, 1880-1912* (Cambridge: Harvard University Press, 1980), 16-17.

³³ Harold M. Mayer, “Moving People and Goods in Tomorrow’s Cities,” *Annals of the American Academy of Political and Social Science* 242, Building the Future City (Nov., 1945): 125.

³⁴ American Public Transportation Association, “Trend of Revenue Passengers,” Table No. 6, 7. This number includes surface railways, subways, elevated railways, trolley coaches, and motor buses. A significant number for transit: first year that motor buses had a higher number of riders than surface railways (8,344,700,000 versus 7,080,900,000).

troubles continued with the widespread adoption of the automobile and proliferation of suburbs.

Center City Decline and the Automobile

The ownership transition (1945-1980) occurred during unique circumstances in American history, when the urban areas themselves were undergoing a transformation.

David Jones, Jr. summed it up best:

Transit's conversion to public ownership occurred in the context of profound changes in the growth trends, spatial arrangements, racial composition, and economic prospect of American cities. In many of the nation's most populous and most transit-oriented cities, these changes included decline in the central city's white population, rapid growth of the central city's black population, quickening growth of suburban population and employment, a weakening of downtown's employment base, and increasing dilapidation and blight—both in the shadows of downtown and in lower-income neighborhoods. These trends accelerated white flight, alarmed urban mayors, and mobilized downtown support for urban redevelopment and federal investment in both rapid transit and urban renewal.³⁵

A metropolitan revolution was taking place.³⁶ These new suburban areas included not just shopping malls but businesses as well.³⁷ The factories followed the commercial and residential suburban move, taking their jobs and taxes.

Federal legislation encouraged postwar suburban development. Federally insured housing programs aided the development of detached, single family homes.³⁸ These new suburban developments allowed urban residents to leave the distressed urban environment and fulfill their dream of homeownership with government backed mortgages. Access to these suburban developments increased with the 1956 Federal Aid Highway Act, which created the Interstate Highway System, a system originally consisting of 41,000 miles of limited access highways. The resulting system fueled low

³⁵ Jones, *Mass Motorization*, 137.

³⁶ The term "metropolitan revolution" is borrowed from Jon C. Teaford, *The Metropolitan Revolution: The Rise of Post-Urban America* (New York: Columbia University Press, 2006), 90.

³⁷ *Ibid.*, 98-99.

³⁸ Saltzman, "The Decline of Transit," 37.

density development and sprawl.³⁹ Although the intent may have been different, federal legislation fueled the abandonment of the center cities and suburban sprawl.

The “March to the suburbs necessitate[d] mass transportation to and from the center cities.”⁴⁰ “Mass transportation” in this sense includes automobiles, a notable exception to the established definition. The personal affordability and popularity of the automobile made limited access highways the easy transportation choice for city leaders. Early in postwar America, urban geographer Harold Mayer raised concerns about future urban center and automobile land use:

The congestion would stifle the city and force dispersion of many of its functions. Indeed, that is already happening, and many outlying industrial and commercial districts owe their growth to congestion and lack of parking facilities in the central city. Mass public transit is part of the solution to the congestion problem.⁴¹

Mayer identified two major problems with contemporary urban transportation systems: automobile congestion and automobile land use, including storage of automobiles. Without an increased presence of transit, the central city would deteriorate physically and in significance, replaced by suburban centers.⁴²

Automobile use soared in postwar America. By 1956, the United States had 384 vehicles per 1,000 populations and Jones commented that, “By 1950 it [owning a car] had become ‘essential.’”⁴³ The American populace had fully embraced the automobile, in part because of postwar affluence and automotive reliability. The automobile provided the privacy and comfort expected by Americans, without battling weather conditions waiting for a bus. There were no more fights for neither seats nor the often vain hope

³⁹ Herman Mertins, Jr. and David R. Miller, “Urban Transportation Policy: Fact or Fiction?” from *Urban Transportation Policy: New Perspectives*, ed. David R. Miller (Lexington, Mass: Lexington Books, 1972), 21-24.

⁴⁰ Joseph Boskin, “The Revolt of the Urban Ghettos, 1964-1967,” *Annals of the American Academy of Political and Social Science* 382, Protest in the Sixties (Mar. 1969): 4.

⁴¹ Mayer, “Moving People and Goods in Tomorrow’s Cities,” 124-125.

⁴² Walter Mattison, “Blight and Mass Transportation in Metropolitan Communities,” *Virginia Law Review* 36, no. 7 (Nov., 1950): 869-871.

⁴³ Jones, *Mass Motorization*, 113-114.

during the summer that the bus pulling up had a working air conditioner or, in the winter, a functioning heater.⁴⁴ The benefits of the automobile trumped the financial savings of transit systems and threatened the life of downtown cities across America.

Nearly twenty years later, Robert B. Mitchell, an urban planner, confirmed Mayer's predictions. Older downtown buildings, including businesses, lacked adequate automobile storage for patrons and employees. Congestion had become a major problem, even with city planning and major infrastructure expenses to expand streets and build highways.⁴⁵ Mitchell's solution was comprehensive planning, which became popular in urban planning circles in the 1950s. One of the basic principles of comprehensive planning was the idea that "highway and transit systems must be planned together."⁴⁶ Prior to the 1950s, public planners saw little reason to incorporate privately owned transit into municipal plans, as public officials assumed transit could adapt to the city plans, not vice versa.⁴⁷ Even with comprehensive planning and balanced transportation, few cities gave serious thought to transit planning. This unfortunate oversight would continue the sprawl that characterized cities for decades and would make arguments for transit difficult in light of the geographic dispersal of cities.

Urban Americans in the mid-1960s started to question the real costs of the automobile.⁴⁸ Part of this inquiry came from an increased environmental consciousness. Philip Scarpino noted: "In the 1960s popularization of ecology, a growing concern over

⁴⁴ Smerk, *A Dozen Years of Federal Policy*, 118-126; Richard O. Davies, *The Age of Asphalt: The Automobile, the Freeway, and the Condition of Metropolitan America* (Philadelphia: J.B. Lippincott Company, 1975), 7-15.

⁴⁵ Robert B. Mitchell, "Transportation Problems and Their Solutions," *Proceedings of the American Philosophical Society* 106, no. 3 (June 29, 1962): 170-176.

⁴⁶ Mitchell, "Transportation Problems and Their Solutions," 174.

⁴⁷ Martha Bianco, "Private Profit versus Public Service: Competing demands in urban transportation history and policy, Portland, Oregon, 1872-1970" (Ph.D. dissertation, History Department, Portland State University, 1994), 113.

⁴⁸ J. Allen Whitt, *Urban Elites and Mass Transportation* (Princeton, NJ: Princeton University Press, 1982), 47-48. These pages detail the grassroots fight against freeways in San Francisco.

environmental degradation, and an expanding interest in preserving and enhancing environmental quality stimulated the emergence of a broad-based environmental movement.⁴⁹ Part of the environmental movement focused on the destruction caused by the automobile, including the construction of the Interstate Highway System. The Interstate Highway System, specifically urban highways, became the antagonist in books such as *Superhighway*, *Superhoax* (1970) and *Highways to Nowhere* (1972). *Superhighway* was really a treatise against urban highways while *Highways to Nowhere* examined the impact of automobiles on a select number of smaller metropolises, like Indianapolis. The urban highway portion of the Federal-Aid Highway Act created tension when urban residents witnessed the “dreams” of politicians, highway planners, and engineers as bulldozers swallowed entire neighborhoods and replaced the vibrant communities with concrete ribbons. By the early and mid-1960s, urban residents actively protested the construction of these expensive thoroughfares. As construction continued through the end of the 1960s and into the 1970s, newer projects encountered stiffer opposition and in some instances, grassroots campaigns were successful in stopping projects.⁵⁰ The OPEC Oil Embargo of 1973 raised additional awareness about America’s dependency on foreign oil, pushed Congress to introduce transit operating subsidies, and triggered attention for fuel-efficient imports.⁵¹

While limited access highways provided a quicker downtown commute, municipalities struggled to build or repair crowded urban streets. For example, the surface streets linking to the Interstate System were a sizable expenditure for Indianapolis.⁵² The city and county paid more for local thoroughfares than the state contributed for its 10 percent commitment to the Interstate System within the city.

⁴⁹ Philip V. Scarpino, “Urban Environment,” in *The Encyclopedia of Indianapolis*, eds. David Bodenhamer and Robert Barrows (Indianapolis: Indiana University Press, 1994), 206.

⁵⁰ Davies, *Age of Asphalt*, 5.

⁵¹ Jones, *Mass Motorization*, 172-175.

⁵² “Central City Transportation,” *Nation’s Cities* (February 1970): 14.

Indianapolis, and other cities like it, invested in infrastructure for the automobile, which served a majority of urban and suburban residents. There was little money left over, locally and at the federal level, for transit.⁵³

The group impacted most by both the decline of the center city and transit was transit captives. The departure of department stores, entertainment venues, and jobs from central cities left few options for those unable to afford an automobile and still living in urban settings. The shift especially hurt low-income groups, whose skill set matched the demands of suburban factories, not the demands of the growing downtown financial and government sectors. The suburban factories needed workers with access to transportation and transit services to these areas was poor.⁵⁴ Zimmerman pleaded that action needed to occur to prevent the “quarter of the population most dependent upon public transportation and least able to pay higher fares—children, the handicapped, the unemployed, the underemployed and senior citizens” from being unable to access transportation.⁵⁵ Many others within the transit industry and government shared Zimmerman’s concern for the underprivileged, which are “at the fringes of the total population.”⁵⁶ Public ownership provided the opportunity for governments to expand service and provide job access to those who needed it the most.

⁵³ “Center City Transportation,” 14. “Of those construction programs, the MTA [Mass Transportation Authority] is to build \$8.6 million; the City Board of Public Works, \$12.9 million; the Marion County Commission, \$12.25 million; a total of \$33.8 million....The state, meanwhile, is spending \$31.7 million on the Interstate program in Marion County.”

⁵⁴ Vincent L. Marando, “Metropolitanism, Transportation, Employment for the Central-City Poor,” *Urban Affairs Quarterly* 10, no. 2 (Dec., 1974): 166.

⁵⁵ Zimmerman, 224.

⁵⁶ Walter S. Rainville, Jr., “Urban Transit: What’s the Situation? Where Is It Heading?” *Vital Issues* 14 (Feb., 1965): 1-4. *Annual Report of 1971* (Hereafter *ITS AR* with appropriate year), 3, box 5, folder 8, M0427, Indianapolis Transit System Records, 1955-1975, Indiana Historical Society, Indianapolis, IN (Collection hereafter noted simply “M0427, ITS Records”); John C. Falocchio and Edmund J. Cantilli, *Transportation and the Disadvantaged: The Poor, the Young, the Elderly, the Handicapped* (Lexington, MA: Lexington Books, 1974), 5; K.C. Koutsopoulos and C.G. Schmidt, “Mobility Constraints of the Carless,” *Traffic Quarterly* 30, no. 1 (Jan., 1976): 67-84; Robert E. Paaswell and Joseph Berechman, “The Urban Disadvantaged and the Search for Locational Opportunity,” *Traffic Quarterly* 30, no. 1 (Jan., 1976): 85-100.

End of the Line

Private owners faced significant obstacles to postwar profitability. The widespread adoption of the automobile, suburban living, television, and the shorter workweek decreased the number of transit riders.⁵⁷ Residents no longer needed streetcars for economic or cultural access and urban mayors clamored for federal subsidies. Transit companies continued to struggle, with some abandoning service, leaving communities without any transit service. Bankruptcy forced the government to evaluate the need for transit and whether saving transit service with subsidies would be prudent.

Nationally, transit ridership declined while costs climbed from 1945 to 1970. Focusing on just a ten year period from 1945 to 1955, the industry's problems can be analyzed.⁵⁸ Annual ridership in 1945 totaled 23,245,000. In 1955, ridership totaled only 11,529,000, a loss of more than 50 percent.⁵⁹ Private owners cut routes, delayed maintenance, and delayed capital upgrades to remain solvent. Contemporaneously, two important categories changed dramatically: operating income and operating expense ratio, which is operating expenses divided by operating revenues.⁶⁰ A good operating expense ratio meant money for reinvestment and dividends; a healthy number was considered fewer than 90. In 1945, the operating income shrank from \$148,730,000 in 1945 to \$55,710,000 in 1955. In that same period, the operating expenses ratio

⁵⁷ Walter S. Rainville, Jr., "Urban Transit: What's the Situation? Where Is It Heading?" *Vital Issues* 14 (Feb., 1965): 1-4; George Hilton, "The Rise and Fall of Monopolized Transit," in *Urban Transit: The Private Challenge to Public Transportation*, ed. Charles A. Lave (Cambridge: Ballinger Publishing Company, 1985), 31-48.

⁵⁸ Companies voluntarily submit figures to the APTA. These companies account for nearly 80% of the companies operating in the United States. The *Transit Fact Book* is standard for transportation experts.

⁵⁹ American Transit Association, *Transit Fact Book 1963* (Washington, D.C.: American Transit Association, 1963), 4, table no. 1; *Ibid.*, 11, table no. 13.

⁶⁰ Transportation Research Board, *Glossary of Urban Public Transportation Terms*, Special Report 179 (Washington, D.C.: National Academy of Sciences, 1978), 26.

ballooned from 77.31 to 89.55.⁶¹ Operating income as a percent of operating revenue went from 10.77 to 3.91, leaving little for reinvestment and dividends.⁶² Average annual earnings per employee climbed from \$2,612 to \$4,364, representative of organized labor's strength in transit.⁶³ The dismal outlook of urban transit companies prompted riders and transit companies to look for governmental assistance.

Few states financially supported mass transit. "The Role of the States in Mass Transit" (1971) explained that, "until now less than a handful of states have shown an interest in assisting their cities and urban regions to meet their capital expenditures needs in urban mass transit" and only two states (New York and Pennsylvania) funded operating expenses.⁶⁴ Aside from states with large metropolitan areas and a strong history of transit ridership, most states (and localities) provided no direct financial support, partly because of the long history in the private sector and partly because of a lack of political capital. The hesitancy or outright refusal of states to fund mass transit meant that urban areas relied on revenue bonds or taxes to support (or purchase) ailing transit systems.⁶⁵ With the fiscal instability of municipalities in postwar America, money for mass transit's survival was sparse, at all levels of government. For many communities, financial support was not an option and transit service ceased permanently or until another private owner stepped in.

With states ignoring the problems of transit companies, desperate urban leaders turned to the federal government for aid.⁶⁶ The federal government turned its attention towards mass transit with the passage of the Federal Housing Act (1961), which

⁶¹ American Transit Association, *Transit Fact Book 1963* (Washington, D.C.: American Transit Association, 1963), 4, table no. 1.

⁶² *Ibid.*

⁶³ *Ibid.*; *Ibid.*, 11, table no. 13.

⁶⁴ Anthony Tomazinis, *The Role of the States in Urban Mass Transit* (Philadelphia: University of Pennsylvania, 1971), 38-47.

⁶⁵ Krause, *State Policies in Transit*, 6-7 and 13-14.

⁶⁶ Most of the impetus for federal aid came from the failure of commuter railroads in large metropolitan areas. Urban bus transit benefitted from this attention, receiving funding for public purchase and capital expenditures (i.e., new buses).

included funds for transit demonstration projects and loans. Demonstration projects included free fare, half-fare, and express routes and proved useful in evaluating the potential success of these projects. While some successful demonstration projects encouraged transit ridership, the Federal Housing Act of 1961 did not “do much to help the sagging fortunes of urban commuter railways or mass transit systems.”⁶⁷ The Federal Housing Act was temporary but the Urban Mass Transportation Act (UMTA) of 1964 was more permanent, providing capital grants and extending demonstration projects. Smerk noted three broad goals of UMTA: “(1) to preserve and enhance urban values; (2) to serve the population at the lowest cost and (3) to help shape cities.”⁶⁸ “Shape” meant creating higher population density areas through transit-oriented development. Given that buses were the overwhelmingly vehicle for the industry, this idea had a limited impact. Only cities like Atlanta and Denver, that committed to light rail, witnessed an urban landscape transformation through transit-oriented development. UMTA also created a national mass transit agency, the Urban Mass Transportation Administration, that approved and distributed UMTA funds and enforced federal regulations.⁶⁹ UMTA signaled an opportunity to revitalize mass transit in the United States, saving transportation for transit captives and jobs for thousands of transit workers.

UMTA included an important labor protection clause called Section 13c. This section continued bargaining rights negotiated under private ownership, provided wage security, and allowed for personnel retraining. The heavily unionized transit industry wished to protect these bargaining rights, won after years of exploitation by owners during the early days of streetcars, with a transition from the private sector to the public. The protection clause provided organized labor with significant leverage, as UMTA only

⁶⁷ Smerk, *Federal Role*, 81.

⁶⁸ Smerk, *A Dozen Years of Federal Policy*, 44.

⁶⁹ *Ibid.*, 67-108.

disbursed federal funds with a signed 13c agreement. As Smerk remarked, Section 13c fueled debate because “transit management typically views 13c as a club over its head; labor sees it as protection.”⁷⁰ Critics viewed 13c as detrimental to transforming transit because it protected high labor costs and restrictive work rules. Others, including organized labor, felt Section 13c was necessary and beneficial, allowing adequate compensation for transit workers. Section 13c did both to some degree, but its significance is the preservation of organized labor’s power in transit. Maintaining labor’s power in transit solidified good wages but maintained the status quo, which would necessitate either efficiencies or a greater subsidy.

Higher labor costs and declining revenues in postwar America further pinched transit companies, especially those in smaller communities. “Between 1954 and 1963, 194 transit companies went out of business. The typical medium-sized community in the country was simply left without a transit system.”⁷¹ In Indiana alone, companies abandoned operations in Columbus, Elkhart, Jeffersonville, Peru, Wabash, and Washington. With the exception of Columbus, these were small communities, with populations averaging 12,000.⁷² Small or large communities could refuse to subsidize failing private companies, leaving transit captives with no alternative but expensive taxicabs or rides from friends.

A demonstration project in Watts concluded transit service as unprofitable but a “vital community function,” allowing urban residents to access suburban jobs and necessary services.⁷³ Watts represented the stereotypical urban neighborhood, with poor, unskilled workers lacking access to necessary services and suburban jobs. The

⁷⁰ Ibid., 95.

⁷¹ Hilton, “The Rise and Fall of Monopolized Transit,” 46-48.

⁷² Subcommittee No. 3 of the House Committee on Banking and Currency, *Urban Mass Transportation Act of 1962: Hearings on H.R. 11158*, 87th Cong., 2nd sess., 7 May 1962, pp. 747-748.

⁷³ Falcocchio and Cantilli, 47-48.

report on the demonstration project was another example in the ideological shift in combating urban poverty and isolation through social programs. Transportation experts highlighted the Watts area as an example of transit's necessity in the community.

This attitude shift from the early twentieth century can be seen in the number of municipalized companies. Private ownership by the 1960s abandoned all hope of continuing operations. Glenn Yago noted, "By the early sixties, urban mass transit faced extinction in the United States. More than 90 percent of the country's transit systems were municipalized in a last-ditch effort to absorb growing deficits and maintain service."⁷⁴ Properties in Louisville, Indianapolis, and Milwaukee remained in private ownership longer than in most metropolitan areas and remained as examples of private ownership's viability. The efficiencies enacted in these communities reveal disgruntled riders, anxious politicians and weary managers. All three recognized the inevitability of public ownership.

In 1921, Delos Wilcox squarely placed the responsibility of transportation preservation on the local community.⁷⁵ National events reflected the local trends as much as they influenced them. How the local actors responded to their own pressures and national influences determined the success (or failure) of the revitalization of mass transit. The important question asked during public ownership discussions was: Would urban residents use public ownership to transform transit or continue the status quo?

⁷⁴ Yago, *Decline of Transit*, 191.

⁷⁵ Wilcox, xviii.

Chapter Two

Struggling To Survive: Private Ownership in Indianapolis, Milwaukee, and Louisville

“You know, somebody can buy a hotel and, pay nothing down and make a big success out of it and he’s a hero, but if you buy a transit system, you are a bum.”¹

-- Henry Mayer, General Manager of
*Milwaukee and Suburban Transport
Co.* (1974)

David W. Jones explored the topic of public ownership in his book, *Mass Motorization and Mass Transit* (2008). He blamed transit’s decline on the industry’s early twentieth century credit woes, postwar central city population decline, and increased affluence.² Increased affluence translated into additional Americans affording a first and second automobile, plus a suburban home.³ Jones concludes that: “transit’s ridership and work-trip market share have been diminished by economic forces and population dynamics well beyond transit’s control.”⁴ Management and ownership, argued Jones, were not the primary factors in transit’s decline.

Jones’ national analysis ignored community perceptions and expectations. The communities of Milwaukee, Wisconsin; Indianapolis, Indiana; and Louisville, Kentucky placed the blame for transit’s decline on management and outside ownership. Efficiency cuts at companies in these communities reduced service but maintained profits and dividends. Declining ridership and rising inflation required companies to request fare increases to remain solvent. The public opposed the fare increases, citing continued dividend payments as a valid reason for denying the company requests. These communities perceived that companies simply wanted to maximize profits, with little regard of their efficiency decisions on the local community. Management argued that their situation was complex and out of their control; fare increases and service cuts

¹ “Henry Mayer: ‘I Have No Idea,’” Milwaukee, *Bugle-American*, 11-18 September 1974, p. 25.

² Jones, *Mass Motorization*, 140-150.

³ *Ibid.*, 140-145.

⁴ *Ibid.*, 149.

meant survival. Politicians, especially local ones, avoided the transit crisis until severe problems developed, a result of a dominant automobile culture and minimal local transit lobby.

The tension between transit's nature as a private business and the community's perception of transit as a social service became clearer as captive riders became the primary riders. Riders blamed ownership and management for the local company's failure; management and ownership tried to operate an ethical business but could only reduce service and raise fares to remain solvent. Transit's perception as an essential public service did not override the dread politicians of automobile-oriented cities harbored for the unknown financial obligations of public ownership. The period from recognizing transit service's termination until public ownership began was the period in which politicians tried to become comfortable with the idea of public ownership. This delay allowed choice riders the time to find alternatives to the current system. Examining the relationships between ownership, management, riders, and local politicians in postwar Milwaukee, Louisville, and Indianapolis will provide perspective into the influence of ownership and management on postwar American mass transit and its transition into public ownership.

Historical Development of Milwaukee, Louisville, and Indianapolis

These three cities are midwestern metropolises. Milwaukee is the most northern and Louisville the most southern, with Indianapolis couched between them. Located just off Lake Michigan, Milwaukee benefits from close proximity to Chicago and its economic prosperity. Indianapolis is centrally located in Indiana, which heralds itself as "The Crossroads of America." Louisville is the river city, benefitting from traffic on the Ohio River. All three had strong ties to manufacturing and transportation services. Table 1 shows the population distribution of the three metropolises.

	1950	1960	1970
Indianapolis	551,777	697,567	1,109,882
Louisville	576,900	725,139	826,553
Milwaukee	871,047	1,194,290	1,403,688

Table 1. Population Statistics for Indianapolis, Louisville, and Milwaukee, 1950-1970. The population statistics for Indianapolis, Indiana; Louisville, Kentucky; and Milwaukee, Wisconsin.⁵

The city's importance in transit trumped state involvement, but the state played three important roles: regulation, providing transit legislation and subsidies. Wisconsin, Kentucky and Indiana passed laws regulating mass transit, typically with politically-appointed regulation boards enforcing the regulations. Wisconsin and Indiana established politically appointed regulation boards while Kentucky employed a single commissioner in a hearing. The three regulatory bodies were the Indiana Public Service Commission (IPSC), the Wisconsin Public Service Commission (WPSC), and the Kentucky Department of Motor Vehicles (KDMV). These state agencies regulated fare and route changes.⁶ Regulatory bodies rarely questioned fare increases and only when stringent public opposition occurred.⁷ Critics viewed the state regulatory agencies as understaffed and business friendly.⁸ These boards provided one of the few venues for communities to oppose fare hikes.

⁵ Todd K. Gardner and Michael R. Haines, "Metropolitan areas — population: 1840–1990 [Part 2]." Table Aa1179-1322 in *Historical Statistics of the United States, Earliest Times to the Present: Millennial Edition*, edited by Susan B. Carter, Scott Sigmund Gartner, Michael R. Haines, Alan L. Olmstead, Richard Sutch, and Gavin Wright (New York: Cambridge University Press, 2006). <http://dx.doi.org/10.1017/ISBN-9780511132971.Aa684-1895>; Table Aa1180, Table Aa1211; Gardner and Haines, "Metropolitan areas – population: 1800–1990 [Part 1]." Table Aa1034-1178, in *Historical Statistics*, Table Aa1211.

⁶ In some cases, like Milwaukee, the city had to be notified before a fare or route change.

⁷ PSC of Wisconsin, Docket No. MC-1859—June 21, 1972, 302-304.

⁸ Randell Ogg, *Utility Regulation in Indiana: Or Everything You Wanted to Know About the Public Service Commission of Indiana but They Were Afraid to Tell* (Bloomington: IN Public Interest Research Group (INPIRG), 1974), 17.

Enabling state legislation was central to creating public corporations communities required and providing subsidies to those new public corporations. Legislation in many states was reactionary to the transit crisis and communities needed the enabling legislation to create the corporation best suited to meet their future transportation needs. Milwaukee politicians determined county purchase and operation as the best choice, but no state legislation authorized county purchase or operation. Wisconsin passed such enabling legislation but legislative hurdles slowed down public purchase, allowing the further deterioration of private transit systems.⁹ Legislation in Kentucky and Indiana mirrored legislation in Wisconsin. Few states were proactive in solving the transit crisis.

The cities remain central when considering public purchase and operation. All three cities have a rich transportation and manufacturing history. A traditional port city, Milwaukee grew through manufacturing, brewing, and socialism. The city “prospered first as a classic port city, a point of exchange between farm products headed east and finished goods coming west. It became a haven for immigrants, particularly Germans and Poles, whose muscle and ambition fueled an industrial revolution.”¹⁰ The prevalence of middle-class factory workers, combined with harsh winter conditions, provided a transit-friendly environment. Louisville developed with Irish and Scottish influence along the Ohio River as an industrial city, influenced by the development of the railroad, and heavily influenced by the railroads development, which provided a spur to the local and regional economy.¹¹ Indianapolis developed itself through transportation. Initially settled as a midpoint in the state for bureaucratic ease, it was also located on the White River for transportation reasons. The White River proved unsuitable for river travel and until “the Central Canal (1836), the completion of the National Road to Indianapolis (1838),

⁹ “Doyle Maps Action for Bus Deal,” *Milwaukee Journal*, 13 September 1973.

¹⁰ John Gurda, *The Making of Milwaukee* (Brookfield, WI: Burton & Mayer, 1999), 434.

¹¹ John Kleber, ed., *The Encyclopedia of Louisville* (Lexington: University of Kentucky Press, 2001), xv-xxxi.

and the arrival of the first railroad (1847),” Indianapolis grew slowly.¹² Indianapolis’ growth came at the turn of the twentieth century, spurred by railroad traffic and as a center for automobile production. The three cities had a similar development, excepting the geographical differences of Milwaukee and Louisville, and Milwaukee’s penchant for socialism. The similarities allowed private owners to develop a standard managerial approach but the differences influenced future mass transit development, options and quality of service.

All three invested heavily in urban highways to accommodate suburban residents and growing automobile demands and few city officials considered mass transit plausible. A Milwaukee infrastructure insider noted, “In the late 1950s and most of the 1960s, freeway construction was very popular...When elected officials and county officials spoke to the commission of freeways, it was to demand faster construction.”¹³ Milwaukee’s experience was not unique, as Indianapolis’ fascination with freeways became a chapter in *Highways to Nowhere*, a book about the impact of the automobile culture on urban areas. Author Richard Hebert criticized Indianapolis politicians for investing too heavily in freeways. The dismissive tone of certain government officials towards mass transit especially outraged Hebert. IDOT head Richard Wetzel dismissed public transit recommendations in a regional transportation study as a “whore’s dream.”¹⁴ Wetzel considered transit upgrades foolish for Indianapolis, especially considering the decline of private transit in the city. Hebert made a note on highway builders: “they build white men’s highways through black men’s homes.”¹⁵ These new urban highways decreased commuting time for suburban residents and were an

¹² James Divita, “Demography and Ethnicity,” in *Encyclopedia of Indianapolis*, eds. David Bodenhamer and Robert Barrows (Indianapolis: Indiana University Press, 1994), 53.

¹³ Richard W. Cutler, *Greater Milwaukee’s Growing Pains, 1950-2000: An Insider’s View* (Brookfield, WI: Burton & Mayer, Inc., 2001), 67. See also 109-118.

¹⁴ Richard Hébert, *Highways to Nowhere: The Politics of City Transportation* (Indianapolis, IN: Bobbs-Merrill, 1972), 80.

¹⁵ *Ibid.*, 87.

incentive for automobile commuting. Heavy highway investment meant cities committed precious taxpayer dollars to highways.

Urban residents utilized urban highways to escape from blighted urban areas, which weakened city finances.¹⁶ In Milwaukee, the county looked new, but the city looked decrepit.¹⁷ Problems collecting tax monies fueled annexation campaigns in Louisville and Milwaukee. Many areas around Milwaukee succeeded in avoiding annexation, creating a hodge-podge of municipal lines and political rifts. Louisville had more success, but a fair number of areas around Louisville incorporated to avoid annexation and higher taxes.¹⁸ Annexation failed to solve Louisville's financial issues, forcing politicians to pass an occupational license tax.¹⁹ The new tax allowed Louisville to expand public welfare and repair infrastructure, substituting for financial losses due to suburbanization.²⁰ Milwaukee's frugality and smart financial moves allowed the city to reinvest in new downtown new cultural attractions, which "signified a community looking to the future with unbounded confidence."²¹ The urban renewal projects had little community involvement and little impact.²² Much like Milwaukee, Indianapolis engaged in an aggressive downtown rebuilding project, constructing new commercial buildings, retail space, and redeveloping blight areas.

Between 1950 and 1980, separate city and county governments existed in Milwaukee and Louisville. The jurisdictional tension was palpable in Milwaukee, much greater than Louisville. Indianapolis unified its city and county governments in 1970, with only a few incorporated cities as exceptions. Indianapolis and Louisville had traditionally conservative political temperament. Milwaukee had a strong socialist

¹⁶ Kleber, *Encyclopedia of Louisville*, xxvii.

¹⁷ Gurda, *Making of Milwaukee*, 343-346.

¹⁸ Kleber, *Encyclopedia of Louisville*, xxviii.

¹⁹ *Ibid.*, xxix.

²⁰ *Ibid.*, xxviii.

²¹ *Ibid.*, 346-355.

²² *Ibid.*, 366-367.

tradition, with a populace that encouraged welfare spending. These political tensions figure prominently in public purchase and ownership, as any delays weakened already weak transit companies.

Transit's anemic response to postwar American affluence was a result of minimal private investment and declining revenues, necessitating operational efficiencies. Nationally, transit companies curbed capital purchases while decreasing service to reduce operational costs. From 1950 to 1970, the pinnacle of purchasing was in 1966, when the 1,000 company industry acquired 3,100 new buses.²³ These efficiencies perpetuated the cycle of transit ridership decline. As a result of these company actions, the community's perception of transit continued to recede and flocked to the automobile.

Enter Frederick Johnson and Midland Transportation Corporation

The three transit companies shared five common investors, two from Chicago and three from Milwaukee. Arthur Kuesel was President of the Kuesel Coal Company in Milwaukee. William C. Coleman was a Milwaukee coal executive. E.P. Thorsen was a Milwaukee businessman. The two Chicagoans were lawyers, J. Roy Browning and Edward P. Madigan. Frederick Johnson was a late addition to the investor group and a veteran transit executive. These investors organized the Milwaukee and Suburban Transport Corporation (Transport Co.) and acquired the Milwaukee Electric Railway and Traction Corporation from Wisconsin Electric Power in 1952 with \$500,000 as a down payment, \$4 million in bonds, and \$6 million in promissory notes.²⁴ For greater efficiency, the investors created three subsidiaries. The first was the Mid-Empire Corporation, which purchased fuel and automotive supplies for Transport Co. Another, Transport-Ads, leased advertising space on company buses, replacing a contracted

²³ American Public Transit Association, *Transit Fact Book 1978-1979* (Washington, D.C.: APTA, 1979), table 15, 37.

²⁴ Russell E. Schultz, "Milwaukee: Part IV: City Lines 1953 to 1975," *Motor Coach Age* (April 1985): 3.

firm.²⁵ Lastly, they opened Midland Industries, which maintained heavy-duty trucks and functioned as a salvage operation, liquidating Transport Co.'s extraneous equipment after modernization, including overhead wires and irrelevant real estate.²⁶ These efficiencies indicated businessmen capable of producing substantial dividends.

The investors acknowledged the need to trim costs at the Transport Co. to maximize profits. The Transport Co. was a model mass transit system, but it employed a significant number of personnel unneeded for the company's basic operation. After the first general manager proved unwilling to enact ownership's desired changes, the owners brought in Frederick Johnson, also known as "Fritz," in 1953. Born in Norfolk, Nebraska, he held a Master's degree in electrical engineering from the University of Colorado in Boulder.²⁷ Prior to the Transport Co., he was president of Louisville Railways Company and a well-respected transit executive. His industry peers recognized his talent by electing him president of the American Transit Association; the industry's lobbying organization, in 1964. He belonged to a number of organizations, both professional and civic.²⁸ Midland investors attracted him by making him an equity partner to help enact the necessary changes to make the Milwaukee operation profitable.²⁹

²⁵ Ibid., 4.

²⁶ Ibid.

²⁷ His thesis, "The thirty passenger trolley coach and its adaptability to small city transportation systems," maintained that trackless trolleys, not streetcars or buses, were the future of transit in small cities. Johnson, Frederick, "The thirty passenger trolley coach and its adaptability to small city transportation systems," (MS Thesis, Engineering Department, University of Colorado -- Boulder, 1933).

²⁸ "Frederick Johnson Dies," *Passenger Transport*, 5 March 1984. Obtained from the American Public Transit Association archival files. www.apta.com He was "one of the first 10 transit pioneers inducted into the newly created Transit Hall of Fame." He was a member of the American Institute of Electrical Engineers, Institute of Traffic Engineers, Beta Theta Pi and he belonged to Columbia Club in Indianapolis

²⁹ Schultz, "Milwaukee: Part IV," 11.

Johnson brought with him a sound management philosophy. This philosophy would remain unchanged during his tenure. He revealed his philosophy in a press interview:

Like Woolworth's, transit is now a five-and-dime business, and to make it work, overhead must be cut to the bone and efficiency developed to the nth degree. Scheduling and maintenance are the heart and soul of any mass transit company and the most important factors in making it a success or failure.³⁰

Mass transit needed to be a skeleton operation to succeed in postwar America, according to Johnson. Johnson called transit management a compromise between "what you'd like to provide and what you know your riders can afford to pay for."³¹ With ridership declining, his philosophy entailed reducing service, eliminating the advertising budget, and cutting employees through attrition. Cutting routes or increasing headways reduced required equipment and personnel.³² These efficiencies allowed Johnson to release 10 percent of the Transport Co. workforce.³³ Johnson also reinvested in Transport Co. In the 1950s, the Transport Co. purchased 164 new buses over a seven year period, replacing streetcars but also upgrading the existing fleet.³⁴ His philosophy of "cookie cutter transit" was profitable, but drew the ire of the local communities, as service reductions and fare increases sustained the companies but reduced coverage for local communities.

Johnson believed cooperation with local politicians could aid in a company's success. After acquisition of the Indianapolis outfit, Johnson wrote,

³⁰ Ibid., 9.

³¹ Ibid.

³² *Milwaukee Area Transit Development Program, 1975-1979* (December 1974), 73. University Archives at University of Wisconsin-Milwaukee. "Over the past decade, the marketing effort of the M&STCo has been to continuously work at good public image through the service it provides." The study then lists some "marketing" tools the company uses, including operating clean and safe buses, training workers, and marking bus stops clearly.

³³ On 31 December 1953, 1,206 of 2,999 employees not operators; by 31 December 1973, only 352 employees of 1,263 were not operators. Information from Schultz, "Milwaukee: Part IV," 9-11.

³⁴ Ibid., 12.

Productive joint effort and constructive action by the municipality, civic leaders and the company can yield large returns to the people of Indianapolis in the form of better transportation through improved traffic flow...We will continue to search for new and better ways of conducting operations, maintaining vehicles and other property, to explore every possibility of increasing the average speed of our transit vehicles, to tailor our service to the changing needs of the riding public and to work for maximum use of the city's streets for the movement of people.³⁵

Johnson found little political support in the strong automobile culture in Indianapolis, but he found success in Milwaukee.³⁶ With great political support, Johnson initiated the Freeway Flyer, an express bus program that utilized newly constructed interstates to shuttle commuters from suburban parking lots into downtown Milwaukee. The program was successful.³⁷ In Louisville, Johnson encountered similar resistance as in Indianapolis, but near the end of private ownership, Louisville politicians subsidized the private corporation to maintain fares.³⁸ This subsidization revealed the politicians' commitment to transit in Louisville. Out of the three cities, Indianapolis politicians seemed the least cooperative. Their failure to cooperate had serious repercussions for mass transit, both during and after private ownership.

Johnson's philosophy proved successful in Milwaukee. In an evaluation of the Transport Co. (1970), the Chicago engineering firm Barton-Aschmann concluded that Transport Co. had lower operating and administrative costs than five similarly-sized cities, buses were "clean and well maintained," and the Freeway Flyer service was innovative.³⁹ The engineers also noted management's fiscal acuity. The company retired all previous stock, successfully met the cost of conversion to diesel buses, and maintained a low average age for buses.⁴⁰ These initiatives were difficult considering

³⁵ *ITS AR 1955*, 3, box 5, folder 7, M0427, ITS Records.

³⁶ Robert Bell, "Urge Transit Express Lanes," *IS*, 4 February 1973.

³⁷ Henry Mayer to Normal Gill, 14 April 1971, box 4, folder 2, MSS 778, Milwaukee County Transit System, Milwaukee County Historical Society, Milwaukee, WI.

³⁸ Van Wilkins, "Louisville, Part Two, Since 1945," *Motor Coach Age* (May 1991): 17.

³⁹ Barton-Aschman Associates, *Analysis of Milwaukee's Transit Service*, Prepared for the Expressway and Transportation Commission (April 1970), 7-11.

⁴⁰ *Ibid.*, 12-13.

the growing operating expenses and decreasing ridership. Johnson made transit profitable and investors enjoyed the dividends he created.⁴¹

Milwaukee's success proved the viability of Johnson's philosophy and provided a blueprint for Indianapolis and Louisville. The ownership of Indianapolis Transit Systems, Inc. (ITS), Louisville Transit Company (LTC), and Transport Co. is complicated and illustrated in Figure 1. In 1954, the five investors, Frederick Johnson and a few other minor investors, incorporated the Midland Transportation Corporation (Midland) in Delaware with the purpose of providing transportation services. They acquired the ITS in 1956 and then acquired LTC through ITS in 1958.⁴² No evidence suggests that Transport Co. was under Midland's umbrella. The investors rewarded Johnson, naming him president of LTC, board chairman and director of ITS, in addition to his presidency at Transport Co.⁴³ There was ownership presence on each board, but if the evidence from ITS is any indication, the role of the board was merely to rubber stamp the decisions made by management. The owners limited their interference, leaving daily operating decisions to Johnson and existing management teams.⁴⁴

The three companies shared other similarities. The Amalgamated Transit Union (ATU) represented the workers of all three companies: Local 1070 in Indianapolis, 998 in

⁴¹ Some of his profits came from the liquidation of capital assets, such as from salvaged material (streetcars, trackless trolleys) and through the sale of unused real estate. From Schultz, "Milwaukee: Part IV," 11.

⁴² Ibid.

⁴³ Ibid. Once LTC came into the fold, Johnson moved back to Louisville, splitting time between Milwaukee and Louisville.

⁴⁴ The complex web of ownership, displayed in Figure 1, benefited the investors, but complications arose in Indianapolis. LTC paid dividends to ITS, and made ITS look more profitable than it was, frustrating ITS' efforts to obtain fare increases through PSCI. To rectify the issue, ITS dissolved its ownership share of LTC, sending their shares to Midland in 1964 from "Streetcar Chronology to 1973," box 10, folder "Streetcar Chronology to 1973," George Yater Papers, Accession 2005-071, University Archives and Records Center, University of Louisville, Louisville, KY. There is no specific page number on the source, but the information can be found on July 17, 1964.

Milwaukee, and 1447 in Louisville.⁴⁵ ATU International philosophies imbedded themselves in local contracts because ATU sent knowledgeable and experienced representatives to aid in local negotiations. The uniqueness of transit workers' skills, combined with ATU's negotiation centralization strategy, provided the unions with negotiating power. The ownership similarity bred familiarity for management's team at the negotiating table, allowing Midland some balance in negotiations. The weakness of the industry in postwar America also favored owners at the negotiating table. Unions leveraged strikes in early twentieth century to their favor, as any strike could halt all urban activities. As transit declined, so did the union's leverage. Concessions workers won rarely outweighed the resulting ridership and goodwill losses.⁴⁶

Investors benefitted from the geographic proximity of the companies, providing a convenient travel area. Board members and executives could easily commute between the three cities for board meetings.⁴⁷ Given the overlapping board members, members could hold different meetings in the same location on the same day.⁴⁸ Holding meetings on the same day was for business efficiency and considering the relative unimportance of the individual boards, this convenience allowed the directors to focus on activities that

⁴⁵ Records for the individual chapters are thin, providing a gap in historical knowledge of the inner workings of the individual union chapters. However, the ATU provided a magazine to affiliates which included both local news and international information. The information included relevant positions on public policy, recent contract negotiations, and the position of the international on certain topics. This magazine provides a significant source of information for the position of the ATU, although the information presented should not be taken to cover the position of ever local within the union. Even with this caveat, this source remains one of the few resources that deal directly with the union.

⁴⁶ For example, after Midland purchased ITS, the new management faced a transit strike over contract negotiations. The 42-day strike negatively impacted the company's bottom-line, the company's image, and union worker's image. Miller, "Indianapolis: Part Two," 11-12.

⁴⁷ Letter from Frederick Johnson to Edgar Claffey, 27 May 1970, box 4, folder 8, M0427, ITS Records; See Box 8, folder 1, MSS 778, "Milwaukee County Transit System" in the Milwaukee County Historical Society for additional information. This is the largest collection of information available on the Midland Transportation Corporation, excluding the information at the Delaware Secretary of State, although those are largely financial records.

⁴⁸ Letter from W. Marshall Dale to members of the Board of Directors of Indianapolis Transit Systems and the Louisville Transit Co., 11 February 1963, Box 4, folder 1, M0427, ITS Records. Letter from Lillian Siegrist to William Coleman, 9 May 1963, Ibid.

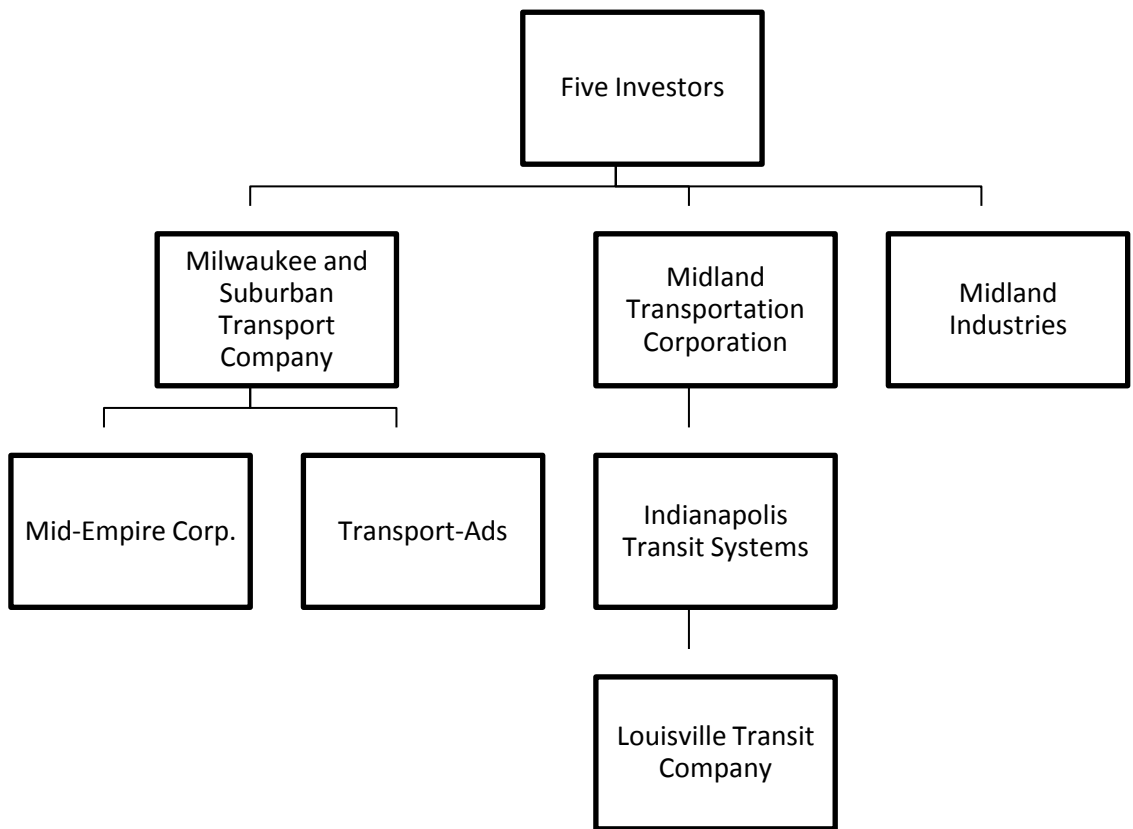


Figure 1. Ownership Hierarchy of Midland Transportation. This is the best visual representation of corporate control of the various transit companies to the period up to 1964 using existing historical documents. After 1964, Louisville Transit Company split from Indianapolis Transit Systems and became directly owned by Midland and Frederick Johnson.

were more important. The board members reviewed the business activities of each company, but merely rubberstamped the decisions of Johnson, trusting his judgment.

As significant as their similarities were, their differences were equally significant. The similarities allowed private owners to profit while the differences allowed each transit system to grow differently and to take different manifestations under public ownership. Milwaukee enjoyed a stronger base of transit riders, due to its age, geography, and higher density. The stronger transit culture allowed owners more flexibility in innovative techniques, such as the Freeway Flyer. Milwaukee and Louisville operated under

franchises, while Indianapolis did not.⁴⁹ The franchise dictated management's operational responsibilities and outlined the procedure for public takeover or private cessation of services. In Indianapolis' case, state and local law outlined the procedure to allow for public purchase and operation. Another difference was the physical structure of each system. ITS had a radial layout, with routes originating from downtown and with limited cross town routes. The Transport Co. and LTC enjoyed a grid layout, which had more cross town routes, enabling better service and transfers.⁵⁰ Johnson adjusted the structures initially but a complete overhaul was unnecessary.

Johnson's philosophy encouraged cost-effective modernization. A tenth anniversary advertisement for the Transport Co. highlighted their modernization program. Since new ownership, Transport Co. had purchased 267 new buses, plus other vehicles, for \$7,300,000; expanded the garage and service facility for \$550,000; and completed other facility upgrades totaling \$1,300,000, putting the overall investment at \$9,000,000.⁵¹ Schultz noted both the success of the modernization program and its uniqueness in the industry:

M&ST was well pleased with the results of its modernization program, especially because in addition to the expected benefits, patronage increased in 1965 over the preceding year for the first time in 20 years. This was a local situation, not a national trend, and management attributed the increase to an improved image brought about by the new-look bus fleet, new routings, and high employment levels in the Milwaukee area.⁵²

The modernization program improved the transit company's image and ridership.

Capital upgrades meant better, more reliable buses with amenities like air conditioning and better seating. The program's success convinced management to continue

⁴⁹ It is unclear whether Indianapolis operated under a franchise. There are no records of a negotiated franchise in the Common Council of Indianapolis for the years between 1955 and 1973.

⁵⁰ Robert Koski, "Bus Transit," in *Public Transportation: Planning, Operations, and Management*, eds. George E. Gray and Lester A. Hoel (Englewood Cliffs, N.J.: Prentice-Hall, 1979), 124-131.

⁵¹ Schultz, "Milwaukee: Part IV," 18-19.

⁵² *Ibid.*, 20.

purchasing new equipment.⁵³ The modernization program also meant the retirement of gasoline buses, streetcars, and trackless trolleys, and equaled greater maintenance efficiencies.

This goal [uniform equipment roster] was a perfectly standard one for the industry at that time, in the face of steady declines in patronage and increases in costs. It represented quite a change from 10 years earlier, when M&ST was operating streetcars, trackless trolleys, gasoline buses, and diesel buses from six different manufacturers.⁵⁴

Reducing the variety of vehicles and models increased efficiency. Maintenance men no longer needed training on how to maintain several different vehicles, nor would the various vehicle parts needed to be stored. Modernization occurred at both ITS and LTC.⁵⁵ These modernization campaigns revealed a desire by Johnson to reinvest in the companies. Declining ridership limited reinvestment, and Johnson's efficiencies erased much of the goodwill modernization created.

Johnson's efficiencies benefitted investors and himself through annual dividends. All three transit companies paid reasonable dividends. While the first year of LTC ownership yielded no dividends, from 1959 to 1971, LTC paid dividends totaling \$2,044,720.⁵⁶ ITS paid out similar dividends during this time period.⁵⁷ Johnson benefited as well, with shares in Midland, Transport Co., ITS, and LTC.⁵⁸ For example, every LTC dividend, on average \$4, Johnson netted at least \$22,000. Johnson's investment in all three meant considerable return when dividends were paid. The

⁵³ Ibid. Management purchased 90 new buses from 1966 to 1967.

⁵⁴ Ibid., 20-21.

⁵⁵ Van Wilkins, "Louisville: Part II," 15. In Louisville, LTC purchased 125 new GM buses between 1961 to 1967; ITS purchased new buses from 1964 to 1968 at a total cost of over one million dollars; restructured the system's layout for the benefit of the rider; and won seven straight maintenance awards. From *ITS AR 1966*, box 5, folder 7, M0427, ITS Records; *ITS AR 1967*, box 5 folder 8, Ibid.; *ITS AR 1968*, 2-3, Ibid.; *ITS AR 1972*, 2, Ibid.

⁵⁶ This information gathered from *LTC AR's 1959 -1971*.

⁵⁷ *ITS AR's 1959-1971* and Barton-Aschman Associates, "Analysis of Milwaukee's Transit Service," prepared for the Expressway and Transportation Commission, County of Milwaukee, WI, April 1970, xii.

⁵⁸ Johnson owned 600 shares of Midland stock and 5,000 shares of LTC. His ownership in the Transport Co. and ITS is unknown, but both companies paid dividends to Midland.

dividend of these companies met all legal standards for investment return, but as efficiency efforts continued, local communities attacked the payouts as raids on the company coffers.

Communities complained of the dividends while watching service cut, but each community passed early opportunities to purchase the companies. Milwaukee skirted with public ownership in 1951, but the city Public Utilities Committee denied the purchase.⁵⁹ Indianapolis passed had an opportunity in the early 1930s.⁶⁰ Louisville's franchise allowed for public takeover when service was deemed unsatisfactory.⁶¹ Each community lionize While communities cried foul at company efficiency tactics, each community had an early chance at public ownership but failed to capitalize.

Midland and Johnson capitalized on the refusal of politicians to subsidize mass transit, utilizing the cookie-cutter transit philosophy to yield dividends. Modernization programs improved each system and investors received annual dividends. Riders enjoyed the benefits of modernization and service improvements. Johnson's philosophy proved only a stopgap measure to transit's decline.

Transit Struggles

Veteran management and ownership stability could only mitigate, not prevent, the outside factors undermining the entire industry. Among them, the most damaging was industrial relations and inflation. The only tools to counteract these outside factors were reactionary and forced company decisions that communities disliked.

The combination of declining ridership and increasing costs trapped the companies in an inevitable downward spiral. LTC ridership decreased nearly 50 percent

⁵⁹ Schultz, "Milwaukee: Part IV," 3.

⁶⁰ Jerry Marlette, *Indianapolis Railways: A Complete History of the Company and Its Predecessors from 1864 to 1957* (Terra Alta, WV: Pioneer Press of West Virginia, 2002), 111-116.

⁶¹ Wilkins, "Louisville: Part II," 17.

from 1961 to 1971, while operating expenses rose nearly 15 percent.⁶² Beginning in 1967, inflation increased rapidly, pushing operating expenses higher. Cost-of-living clauses in their collective bargaining agreements resulted in staggering wage increases. The increased wage increases, combined with declining ridership, required management to increase fares, which reduced ridership and necessitated service reductions. This resulting deficit sparked a series of fare increases: 1963 (25¢), 1967 (30¢), 1969 (35¢), and 1971 (40¢).⁶³ This cycle was also known as the vicious cycle.⁶⁴ Indianapolis and Milwaukee encountered similar operational problems and employed a similar strategy, encountering similar public resistance as the cycle continued.⁶⁵

Looking for efficiencies, the companies petitioned to raise fares and eliminate student subsidized fares. Management argued that any discounted pass subsidized that rider, transferring the cost to the company and other riders. ITS' *Annual Report of 1968* outlined Johnson's position:

Certainly the major source of additional revenue to be considered will be in school fares...These younger people require more supervision than adults and moreover their service requirement overlap the morning break during which time adults are being carried to work and this requires more buses and drivers and the conduct and the ensuing vandalism by these students has become almost unbelievably bad. No privately-owned enterprise can reasonably be expected to take the abuse that our company has experienced from the students during the past year.⁶⁶

Student vandalism caused headaches for management, especially for ITS, where the problem was severe enough that management stopped replacing broken windows because of the prohibitive replacement costs. The petition created a stir, as parents and educators argued that higher student fares might increase absenteeism. In the case of

⁶² *LTC AR 1961, 2; LTC AR 1971, 2*. Ridership totaled 29,739,648 in 1961 and then 15,676,339 in 1971. Operating expenses went from \$4,162,757 in 1961 to \$4,830,629 in 1971.

⁶³ *TARC Transit Improvement Program, 1979-1983*, Louisville Free Public Library, 36.

⁶⁴ Barton-Aschman Associates, *Analysis of Milwaukee's Transit Service*, xi.

⁶⁵ *ITS AR 1967, 2*, box 5, folder 8, M0427, ITS Records.

⁶⁶ *ITS AR 1968, 3*, box 5, folder 8, M0427, ITS Records.

students, the historical nature of subsidization made elimination of the subsidization difficult for management.

The company fare increases prompted petitions for a subsidized senior fare by senior citizen groups and advocates. Johnson addressed the petitions:

The Company's position in this case is that a reduction in fares for senior citizens would result in a net loss of revenue and it would be necessary to increase the fares of other riders to make up the loss. This cost should be met by the entire community and not solely by other bus riders.⁶⁷

Advocates justified the reduced fare based on the precarious financial position of senior citizens, since most senior citizens riding transit lived on a fixed income. For these riders, transportation was necessary for medical services, grocery shopping, and community events. In Indianapolis and Louisville, requests by senior citizens for discounted fares met similar resistance. The company position against both subsidized fares further damaged transit's image and the image of private ownership.⁶⁸ The lack of existing subsidized senior citizen fares and transit's financial precariousness made implementation of a subsidized fare nearly impossible.

The efficiency tactics and company position on reduced fares damaged transit's fragile public image and stirred public opposition. To complicate matters further, marketing departments were victims of Johnson's efficiency cuts, leaving the companies with few avenues to repair their public image while cutting service and increasing fares.⁶⁹

LTC's petition in 1972 to raise adult fares to 50 cents stirred the Louisville community.

The Louisville city government formally opposed the fare increase.⁷⁰ In a letter to the

⁶⁷ *Annual Report of 1971 for the Milwaukee and Suburban Transport Company* (Hereafter *MSTC AR* with appropriate year), 3, box 4, folder 1, MSS 778, Milwaukee County Transit System, Milwaukee County Historical Society, Milwaukee, WI (Hereafter "MSS 778, MCTS").

⁶⁸ *MSTC AR 1969*, 1-2, *Ibid.*; similar calls in *MSTC AR 1970*, 2-3, *Ibid.*

⁶⁹ Johnson believed the best marketing was the friendly demeanor of the drivers. Richard Hébert, *Highways to Nowhere: The Politics of City Transportation* (Indianapolis: Bobbs-Merrill Co., 1972), 89-92.

⁷⁰ "1973 Public Hearings," conducted by the City of Louisville Aldermanic Committee on Transit, prepared by Schimpeler-Corradino Associates (18 April 1973), 1, University of Louisville Archives, Louisville, KY.

KDMV, Louisville Mayor Frank Burke attacked LTC's profitability and the company's failure to purchase new equipment since 1968.⁷¹ KDMV reluctantly granted LTC's petition, forcing Louisville residents to pay some of the highest fares in the country. A Louisville government public transit report commented, "The controversy surrounding this latest fare increase [1972] has brought the present transit condition into the forefronts of the minds of the citizenry of the entire Louisville community."⁷² Louisville's reaction echoed outcries in Milwaukee and Indianapolis. As fares rose, so did the volume of opposition. The public perception of the companies continued to fall and it was clear by the time of the fare increase that the communities were in the middle of a transit crisis.

Since ownership was not local, opponents noted the companies' complete disregard of community values by decreasing service and increasing fares. Manuel Gottlieb, professor of economics at University of Wisconsin at Milwaukee, was one of the biggest contemporary opponents. In a speech at a WPSC fare hearing, he outlined several negative tactics employed by Transport Co management:

They or their principal officers have a contemptuous attitude toward the transportation needs of Milwaukee citizens, they have a wholly unimaginative concept of pricing policy, and they have carelessly permitted inconvenient forms of service to develop which have actually penalized many bus passengers and have further hastened the decline of the bus service.⁷³

Gottlieb's statement echoed sentiments by Milwaukee politicians. A resolution by a city alderman assailed Transport Co. policies:

The local consumer has been ruthlessly exploited in the interest of preserving corporate profits...the unconscionable operating cuts recently [1974] requested will further erode the means of travel available to our most needy citizens and accelerate the loss of ridership; and Whereas,

⁷¹ Ibid., 121.

⁷² Ibid., 1.

⁷³ Manuel Gottlieb, "Mass Transit in Milwaukee," 5, box 2, folder 44, MSS 2080, Milwaukee County Transit Collection, Milwaukee County Historical Society, Milwaukee, WI (Hereafter "MSS 2080, MCTC").

This concern has systematically pursued a course of action designed to threaten the Milwaukee public with a total loss of mass transportation.⁷⁴

Gottlieb's accusations were common among all three communities. Residents felt as though Johnson and Midland were guilty of unethical actions by cutting operations and increasing fares all while paying dividends. As such, the public perception was that the managers were simply puppets for greedy, profit-hungry oafs of owners with little concern for the consequences of their decisions upon the local community.

Aside from ignoring community values, Gottlieb accused the company of ignoring employee safety during a rash of violent armed robberies. The robberies plagued companies nationwide in the 1960s, and initial solutions were either too expensive or ineffective. Violence in Milwaukee did not escalate to the point where management needed to take drastic measures, like in Louisville. The surprising string of bus driver beatings and shootings at the LTC prompted management to place armed policemen on some night runs.⁷⁵ The industry found a suitable solution, the Ready-Fare program, which reduced armed robberies significantly.⁷⁶ Management's handling of robberies in Milwaukee was a lesson in cost-benefit analysis. Placing armed police on every run was cost-prohibitive, as were most of the other alternatives. As evidenced by LTC, when attacks became routine and especially violent, management acted to resolve the issue as quickly as possible. Management gained nothing from ignoring robberies that threatened their employees and their bankroll.

Opponents to management pointed to other deficiencies, especially the declining service. In a 1968 *Louisville Times* article, reporter David Diaz called existing public transportation to industrial areas "spotty," and cited examples where residents lacked job

⁷⁴ Milwaukee, Common County-City Clerk, "Proceedings of the Common Council of the City of Milwaukee for the year ending April 15, 1974," file no. 74-1936."

⁷⁵ "Streetcar Chronology," George Yater Papers, University of Louisville. Information found at July 2, 1965.

⁷⁶ ATU lobbied the Ready-Fare idea, which required passengers to pay the exact fare, completely eliminating the need for drivers to carry change.

access because of the state of public transportation.⁷⁷ University of Wisconsin-Milwaukee students created their own transit guide, alarmed by the paucity of material available for the layman. Comparing Transport Co.'s historical service, they argued:

It is important to understand these trends because the demand for a transit service is dependent upon how the transit rider here in Milwaukee perceives the quality of service s/he currently is paying for, in relation to what it formerly was and will be in the future. That transit rider is not affected by the quality of service offered in other cities. It is also the same perception of quality that often determines whether a transit rider will continue to ride the bus, or whether s/he will switch to the automobile.⁷⁸

The authors distinguish their publication from government reports, which compared service to similarly-sized cities. After analyzing the service trend, the authors concluded, "When all of these indicators of service are compared, it is clear that there has been a substantial decline in the overall quality of the system."⁷⁹ The community based their perception of transit service on the local historical service trend, which continued to decline. However, the busses continued to run. Management was able to sustain operations while other companies went bankrupt.

The regularity of fare increases concerned local politicians, who recognized the critical service mass transit provided for the fringe populations of their communities. The Milwaukee Transportation Committee declared "substantial concern" over fare increases and urged some level of government to subsidize mass transit.⁸⁰ The city council also resisted the Transport Co.'s 33 percent increase, but the resistance was superficial for two reasons. First, the Transport Co. was legally entitled to enough revenue to make a reasonable profit. Second, Milwaukee politicians were not eager to enter into the mass

⁷⁷ David Diaz Jr., "Getting a Job's Easier than Getting to a Job," *Louisville Times*, 12 February 1968.

⁷⁸ Peter C. Weingarten and others, "Mass Transit in Milwaukee: A Citizens' Guide," Student Association of the University of Milwaukee -- Wisconsin (1974), 5.

⁷⁹ *Ibid.*, 7.

⁸⁰ "City Panel Concerned Over Transit Woes," *Milwaukee Journal*, 1 May 1970.

transit business.⁸¹ These two points were universal in Indianapolis and Louisville, where government bodies spouted rhetoric over fare increases and the increases harmful effect on the poorest urban element.⁸² Politicians acknowledged the plight of mass transit in their communities, but acted slowly to solve the problem, uninterested in carrying the burden of a publicly-owned mass transit system.

Regulatory boards legislated to protect residents ended up spending the final years of private ownership protecting private investment while increasing the financial burdens of transit captives. Members of regulatory boards in Milwaukee and Indianapolis voiced concern over fare increases, but acknowledged their own legal responsibility. After approving a ten cent increase in adult fares, WPSC Chairman William Eich wrote a concurring opinion that outlined reasons and concerns over the recent fare increase. The higher fares maintained existing service, while maintain fares reduced service. Eich and the WPSC hoped the increase allowed local government the opportunity to agree, “on a method of public operation or support of the transit system, the service and equipment will not have deteriorated to the extent that the entire system will have to be rebuilt from scratch.”⁸³ Eich also recognized the board’s legal responsibility to allow the Transport Co. to recover a reasonable investment. The regulatory entities in all three states recognized the mass transit problem as both social and local, and hoped fare increases maintained service until government intervention.

The fare increases only delayed the inevitable end of private ownership.

Juxtaposing two ITS annual reports highlights the industry’s volatility. The *Annual Report of 1967* featured Johnson welcoming the stabilization of ridership over the

⁸¹ “We Have A Transit Crisis,” *MJ*, 24 April 1970.

⁸² Bill Kurtz, “Private Transit, End of the Line?” 23, box 4, folder 2, MSS778, MCTS; “City Plans to Fight Bus Firm’s Effort to Increase Fares,” *Courier-Journal*, 12 March 1969; Vincent Crowds, “Louisville Plans to Oppose Increase In City Bus Fares,” *Courier-Journal*, 1 February 1972

⁸³ “Concurring Opinion of Chairman William Eich, MC-1859,” 14, Milwaukee, Common Council-City Clerk, Proceedings of the Common Council of the City of Milwaukee for the year ending April 9, 1973, index p. 454 – file no. 72-237 (p. 77) a-b – May 25, 1972.

previous three years. Johnson noted, "To keep the system sound and vital, we intend to pursue our present policy of acquiring more new equipment and improving service."⁸⁴ A steep ridership drop and increased operating expenses prompted Johnson to write one year later, "There is growing concern at this writing about the economic future of the company."⁸⁵ Management recognized and emphasized that transit could not continue in private ownership, even with aggressive efficiency steps and fare increases. In Transport Co.'s 1969 *Annual Report*, Johnson confessed that private ownership could no longer survive. Johnson continued:

The time has come for a community decision. The Company, of course, wishes to continue to provide the best possible transit service but it needs an adequate fare structure to recover the costs of operations as well as to provide a reasonable return to the investors. If the Milwaukee community desires a higher quality of service than riding will justify and wants to keep transit fares below the cost of this service, then a subsidized public ownership of this transit operation is the only alternative.⁸⁶

This paragraph summed up ownership's position on fare increases and the continuation of operations. The community would have to decide whether continued transit service at existing levels was worth subsidization. If not, the community would experience continued service decreases and fare increases until bankruptcy.

The tense relationship between management, riders, and local politicians erupted into outright hostility during the final years of private ownership. Outside factors negated management attempts to provide transportation at a reasonable cost with adequate return. Management efficiencies outraged residents who perceived Midland and Johnson as opportunistic vultures. Local politicians initially hoped for continued private ownership, but regular fare increases prompted denunciations of private tactics and undesired steps towards government intervention.⁸⁷ Politicians were careful to distance

⁸⁴ *ITS AR 1967*, 3, box 5, folder 8, M0427, ITS Records.

⁸⁵ *ITS AR 1968*, 3, box 5, folder 8, M0427, ITS Records.

⁸⁶ *MSTC AR 1969*, 3, box 4, folder 1, MSS 778, MCTS.

⁸⁷ Editorial, "Transportation Tangle – 3," *Milwaukee Journal*, 4 April 1973.

potential public ownership from the tactics of private management and to promote the potential benefits of public ownership. Public ownership, argued politicians and advocates, would put the interests of riders first, not the interests of stockholders. Communities hesitated to subsidize mass transit, but the growing recognition of the importance of mass transit to transit captives forced communities into the mass transit business.

Midland's experiment into mass transit was a success, despite all three succumbing to public ownership. Johnson and the investors managed to tailor the particular systems to maintain the company. Midland left the companies with clean, albeit used, buses, talented management, and veteran employees. Their careful bus maintenance and prudent financial moves benefitted both the communities and Midland. Midland maximized their return and communities acquired well-run, if skeleton, mass transit systems. These same business decisions strained relations between the community and ownership, creating hostile environments during public meetings and regulatory hearings. Management became a scapegoat for the largely-uncontrollable demise of privately-owned transit. For the communities, management was the embodiment of cruel capitalists, exploiting the weakest people in the population. The negative stigma placed on private ownership overshadowed management's efforts, especially their aggressive modernization campaigns. Lastly, Midland's purchase provided riders with experienced, talented, and devoted managers who tried to provide safe, reliable, and friendly service.

As these three companies entered the 1970s, each had a tenuous financial position and pressed the need for public involvement. Settled in the crossfire were the mainly politically ineffective transit riders, the uninvolved politicians, and the weary managers. The local debate over mass transit in Indianapolis provides a glimpse into

the multitude of actors and externalities that combine, in urban areas, to determine the identity of the urban area.

Chapter Three:

Riding Red Ink: The End of Private Ownership in Indianapolis

On Monday, 4 October 1971, two hundred Indianapolis residents, including “senior citizens...and representatives of labor union, youth and other groups, “attended a City-County Council meeting to “urge the city to take over the operation of the Indianapolis Transit System, Inc.”¹ Thirty-six citizens addressed the council during the two and one-half hour session following the regular council session. The newly-formed Coalition for Adequate Transportation (CAT), represented by Reverend T. Garrott Benjamin, Jr., was present. Rev. Benjamin wrote, “We are saying we want fair, first-class public transportation in Indianapolis and we are willing to stand up for a city that will assume that responsibility.”² Reduced fares for senior citizens dominated most agendas. The turnout was in response to a ten cent fare increase by ITS. A reporter noted, “Councilmen have indicated a reluctance to favor a city takeover of the transit system, mainly because bond issue would be required and property tax revenue of about \$1.8 million a year would be lost.”³

The fare increase and resulting public outcry were early indicators of a transit crisis. This community transit crisis was a result of growing recognition of ITS’ inevitable cessation of service. Local experience with private ownership produced a certain expectation for public ownership to distance itself from the vicious cycle and provide necessary service for transit captives. Government publications, and transit advocates, concluded that transit was necessary for transit captives. Politicians agreed that urban areas needed mass transit, even as the subsidization of the necessary service concerned politicians, suburbanites, and the local media. Indianapolis politicians and

¹ Robert Bell, “200 At Council Hearing Ask City Run Bus Firm,” *Indianapolis Star (IS)*, 5 October 1971.

² Ibid.

³ Ibid.

voters faced balancing the needs of captives and with the economics of a public transit corporation. Guided by professional engineering reports, politicians negotiated the future mobility of Indianapolis and maintained the built landscaped dedicated to automobile travel.

Public ownership in Indianapolis, largely ignored by local historians, presents an opportunity to examine the origin of modern mass transportation services in Indianapolis.⁴ Examining community expectations for a publicly owned transportation corporation aids in understanding the priorities of that corporation and transit in Indianapolis. The Public Service Commission of Indiana (PSCI) provides the perfect forum for examining the tension between the cast of historical actors and analyzing the community conversation on mass transit. From newspaper articles and PSCI hearings, riders emphasized mobility, not environmental benefits, downtown revitalization, or transit workers' wages. In legal lexicon, the community was concerned with "adequate transportation."⁵ Negotiations between state and local bureaucrats, influenced by suburbanites, riders, and community organizations, determined the future mobility of Indianapolis residents.

"We must have adequate bus service": The Beginning of the End in Indianapolis

Citizens Street Rail Road Company of Indianapolis introduced mass transit, via the mule-pulled streetcar, to the Circle City. Enthusiastic residents utilized the new transportation mode for work and pleasure. Thirty years later, electrified streetcars

⁴ For Indianapolis urban mass transportation histories, note David Miller, "Indianapolis: Part Two," *Motor Coach Age* (July-September 1995); Jerry Marlette, *Indianapolis Railways: A Complete History of the Company and Its Predecessors from 1864 to 1957* (Terra Alta, WV: Pioneer Press of West Virginia, 2002); or Rodney Coeller, "From Rails to Highways" (MA Thesis, History, IUPUI, 2005).

⁵ Each community determines the definition of adequate transportation; there was no state required minimum level of service, number of buses, or headway speeds. The enforcement of adequate transportation was also a community function, although how it was enforced is unclear.

replaced the odorous, overworked, and expensive mules and horses.⁶ Due to high capital costs, the existing private companies consolidated in 1899 under the new name, Indianapolis Street Railways, Inc., but the system continued to struggle. Indianapolis Street Railways enacted a modernization program to attract new riders, upgrade the system, and generate revenue. Successful implementation of modernization preceded the hardships of the Great Depression. World War II rubber and petroleum rationing boosted ridership, but strained existing equipment. Ridership declined with the lifting of wartime rationing, increased affluence, increased automobile production, and road improvements. Indianapolis sprawled over central Indiana as automobiles allowed residents to move farther from downtown, into new suburban homes, and away from established mass transit routes.

With ridership in decline, Midland purchased ITS in 1953 and turned ITS into a profitable enterprise while retaining existing management personnel.⁷ The retention of management showed confidence in the manager's ability to enact efficiency cuts. Edgar Claffey, president from 1963 to 1975, was a good example of the veteran transit management that existed at ITS. Claffey distinguished himself enough to be elected ATA president, a position that Johnson once held.⁸ Existing veteran management employed Johnson's efficiency cuts successfully. As one engineering firm explained: "Management, being skillful, knowledgeable and desirous of profit undoubtedly pared the 'fat' if any existed."⁹ Management replaced old equipment, instituted a strict

⁶ George Smerk, "The Development of Public Transportation and the City," in *Public Transportation: Planning, Operations, and Management*, eds. George E. Gray and Lester A. Hoel (Englewood Cliffs, N.J.: Prentice-Hall, 1979), 12.

⁷ Marlette, 125. See Chapter 2 of this thesis for additional information on Midland Transportation and Frederick Johnson.

⁸ "Biography of Edgar Claffey," American Public Transportation Association, www.apta.com. Available upon request from the American Public Transportation Association. Claffey belonged to the Press Club, a prestigious local organization that represented the interest of Indianapolis media and was politically connected.

⁹ *Preliminary Transit System Investigation of Indianapolis Transit System, Inc.* (hereafter cited as *Preliminary Investigation*) Prepared for the Indianapolis Department of Transportation by Gannett

maintenance program, and substituted trackless trolleys with buses. Cheaper Buses were cheaper capital purchases, and required little additional capital investment, unlike streetcars and trackless trolleys. Additionally, ITS profited from the salvaging of overhead wires, rails, and equipment.¹⁰ The numbers speak for themselves: ITS lost \$810,944.71 in 1954 but recorded a profit of \$80,482.28 the following year.¹¹ Profitability continued for nearly twenty years, an aberration in the industry.¹²

Management's success could not overcome several external and internal problems, which continued to erode the already small ridership numbers at ITS. ITS recorded 44 million riders in 1954 and the number went down thereafter. Gannet and Fleming determined that ITS lost 35.9 percent of its total revenue passengers between 1962 to 1972.¹³ Postwar affluence, expressed through suburbanization and increased automobile sales, misbehaving students, and political apathy presented problems for management.

Organized labor presented both a temporary and continuing challenge to management. The organized workforce enjoyed adequate benefits and wages through collective bargaining agreements that typically lasted two years. Renegotiated contracts increased operational costs, contributing to the vicious cycle, a persistent problem for management. The temporary issue came in 1954 when Local 1070 went on strike, demanding better pension benefits, after Midland refused arbitration. The 42 day strike allowed choice riders the opportunity to explore other transportation options, namely the automobile. Automobile retailers promoted bargains for stranded riders and downtown

Fleming Corddry and Carpenter, Inc. (March 1972), 23, box 6, folder 8, M0427, ITS Records. "This is evident in the number of 'other' employees on the payroll since 1962."

¹⁰ Arthur Saltzman, "The Decline of Transit," in *Public Transportation: Planning, Operations, and Management*, eds. George E. Gray and Lester A. Hoel (Englewood Cliffs, N.J.: Prentice-Hall, 1979), 30-32.

¹¹ *ITS AR 1955*, 2, box 5, folder 7, M0427, ITS Records.

¹² *Preliminary Investigation*, 29, box 6, folder 8, M0427, ITS Records.

¹³ *Ibid.*, 30.

retailers marketed their phone order business.¹⁴ The 1954 strike was “a setback from which the system never fully recovered.”¹⁵ Johnson in the *Annual Report of 1955* that, “our employees, aware of the lower level of riding following the strike and the resulting financial losses, notified the management of their desire to continue the present contract until its expiration date.”¹⁶ The 1954 strike revealed the waning leverage of a transit strike and highlighted the fragility of mass transit in Indianapolis. This was the last strike under private ownership, but the renegotiated collective bargaining agreements, granting higher wages, contributed to the vicious cycle and highlighted the critical role organized labor played in ITS’ final years.

Labor’s prominence in mass transit overshadows the primary reason for ridership loss, which was increased affluence, displayed best in increased suburbanization and automobile ownership. Indianapolis’ outer townships showed tremendous population growth from 1950-1970.¹⁷ Suburban residential growth contributed to suburban commercial development and Indianapolis saw a 40 percent loss of downtown businesses between 1950 and 1970, which was “much higher than the general experience in the transit industry.”¹⁸ These residential and commercial losses contributed to the decline in ridership numbers, in part because of ITS’ radial route structure, which emphasized downtown routes. Lacking cross town options, riders faced high commute times traveling east to west, or vice versa. Suburbanites faced tougher commutes because state law prevented ITS from operating outside Indianapolis municipal borders. The law forced transfers between private suburban and urban carriers, who failed to position stops properly to allow for easy transfers. The poor

¹⁴ Miller, “Indianapolis: Part Two,” 3-20.

¹⁵ *Ibid.*, 11.

¹⁶ *ITS AR 1955*, 3, box 5, folder 7, M0427, ITS Records.

¹⁷ Lamont Hulse, *The Suburbanization of Indianapolis: An Outline of Metropolitan Development in Marion County, 1870-1980* (Indianapolis: POLIS Research Center at IUPUI, 1991).

¹⁸ *Preliminary Investigation*, 20, box 6, folder 8, M0427, ITS Records.

coordination increased travel time and frustrated choice riders, who the abandoned transit for the automobile. ITS offered several outside reasons for declining passenger numbers, including industrial work stoppages, a flu epidemic, inflation and poor economic conditions, and the “unbelievably bad conduct” of students.¹⁹

Poor student conduct and the historical reduce fare for students became a source of contention for management. ITS management did not support it or any reduced fare, evidenced in the *Annual Report of 1967*:

The transportation of students continues to be a growing problem and, as has been said many times before, there is no logical reason for reduced student fares. Not only is the basic cost of transporting students higher than that of providing regular service, but vandalism from this riding group is reaching a critical stage.²⁰

Already dealing with low ridership numbers and robberies, management needed no further hurdles to a profitable business. This sentiment continued in subsequent writings, “the conduct and the ensuing vandalism by these students [have] become almost unbelievably bad” and that vandalism and lost time should be factored into considering a full fare for students.²¹ The students were constant nuisances and broke the windows with such frequency that management considered window replacement cost prohibitive.²² A *Star* letter to the editor entitled, “Tarzan of Apes on Bus?” captured one incident of student misbehavior. “About the 1200 block a big fight started in the rear of the bus, and about 20 kids were jumping up and down like Indians...I can imagine what powers the bus driver might have—none.”²³ The author, Morgan Ray, witnessed boys swinging from the bars of ITS Bus No. 1408. Students were a distraction for the

¹⁹ *ITS AR 1967*, 3, box 5, folder 8, M0427, ITS Records; *ITS AR 1968*, 3, *Ibid.*; *ITS AR 1969*, 3, *Ibid.*; *ITS AR 1970*, 3, *Ibid.*; *ITS AR 1971*, 3, *Ibid.*

²⁰ *ITS AR 1967*, 3, *Ibid.*

²¹ *Ibid.*; *ITS AR 1968*, 3, box 5, folder 8, M0427, ITS Records; *ITS AR 1969*, 3, *Ibid.*

²² *Preliminary Investigation*, 11, box 6, folder 8, M0427, ITS Records.

²³ Morgan Ray, letter to the editor, “Tarzan of Apes on Bus?,” *IS*, 10 November 1973.

bus drivers and their behavior alienated other patrons, contributing to the loss of additional ridership.

Minimal local government attention towards mass transit and counterproductive public policies hindered ITS operations further. Johnson's policy towards government entities was one of cooperation. Johnson's philosophy included government cooperation. He wrote, "Productive joint effort and constructive action by the municipality, civic leaders and the company can yield large returns to the people of Indianapolis."²⁴ One ITS initiative to increase service using downtown bus express lanes received initial cooperation but ultimately failed as a result of an enforcement failure.²⁵ This particular failure marks one of the few instances of Indianapolis cooperation with ITS. Another frustration came as a government response to a myriad of urban ills, the Model Cities program. As part of the program, a free mini-bus system operated in a rebuilding downtown neighborhood. ITS management responded: "The company is in complete accord with the efforts to aid the underprivileged but it cannot overlook the fact that the loss of regular patrons is the major problem with which it is constantly confronted."²⁶ It took months of negotiation, but the city and ITS reached a compromise that replaced the Model Cities buses with two ITS routes. The Model Cities program was just another obstacle for ITS. Individually, the obstacles were minor but the accumulation of obstacles began to hinder profitable operation.

Beginning in the mid-1960s, the precarious balance between operating expenses and the fare box buckled. The greatest change in this period was the combination of

²⁴ *ITS AR 1955*, 3, box 5, folder 7, M0427, ITS Records.

²⁵ Robert Bell, "Urge Transit Express Lanes," *IS*, 4 February 1973. Bell quotes Claffey as saying that "the company used special lanes on Washington Street and Massachusetts Avenue 'years ago' but stopped the practice because 'so many trucks and cars were parking in the lanes that the whole purpose was defeated.'" Claffey warned that special lanes "must be accompanied by strict enforcement by the police department." Additionally, a general apathy towards incorporating mass transit recommendations from regional transportation plans irritated mass transit supporters and ITS.

²⁶ *ITS AR 1971*, 3, box 5, folder 8, M0427, ITS Records.

increasing inflation and declining ridership. The cost-of-living escalator clause included in most collective bargaining agreements and in the local agreement in 1967 maintained the real wage by providing compensation tied to the consumer price index. As inflation ratcheted upwards in the late 1960s, the escalator clause provided workers with compensation additional to any negotiated annual raises. The increased wages strained company finances. The 1967 collective bargaining agreement accelerated the vicious cycle of service reductions, fare hikes, and ridership decline.²⁷

The rapid acceleration of the vicious cycle in 1967 began the rhetoric of public ownership. The year 1967 was a successful one for ITS, as it realized the stabilization of ridership. Johnson wrote: "To keep the system sound and vital, we intend to pursue our present policy of acquiring more new equipment and improving service."²⁸ The future looked more promising than in recent years. This opinion was short lived as just two years later, ITS warned, "There is growing concern at this writing about the economic future of the company."²⁹ Management amplified those concerns the next year, writing, "It is increasingly obvious that public ownership in some form is inevitable."³⁰ ITS discontinued purchasing new buses, reasoning that additional purchases required additional revenues or reduced service.³¹ With ridership still slumping in 1972, ITS knew its survival required public assistance.³² In a short span, the vicious cycle consumed all hope of continued private ownership and assured that Indianapolis needed to subsidize ITS.

²⁷ *ITS AR 1967*, Ibid.; *ITS AR 1971*, 2, Ibid. Operators' top hourly rate for 1967 was \$3.00, with fringe benefits pushing the cost even higher. In the *Annual Report of 1971*, the company reported operators' top hourly wage to be \$3.93. Fringe benefits put the real labor costs at \$5.18 per hour.

²⁸ *ITS AR 1967*, 3, Ibid.

²⁹ *ITS AR 1968*, 3, Ibid.

³⁰ *ITS AR 1969*, 3, Ibid.

³¹ Ibid.

³² *ITS AR 1970*, 3, Ibid.

ITS met with Lugar in 1973, to make him “cognizant of the company’s perilous situation,”³³ and emphasized the “necessity of immediate action by the City of Indianapolis to avoid the abandonment of transit operations.”³⁴ The city had prepared itself, ordering an evaluation of ITS after the fare increase in 1971. This report became the first official publication to echo the inevitable: “We predict that private enterprise will not continue to provide transit service in Indianapolis and that the end of private enterprise is rapidly approaching.”³⁵ Lugar’s administration had avoided what Johnson knew for three years and now needed to prepare itself for public ownership. Indianapolis would not purchase a lemon. The engineering company found that management was excellent, the company had “one of the better physical plants in the transit industry,” “schedules [were] models of efficiency,” and operations were good to excellent.³⁶ The report revealed that ITS might not provide the best service but it was an efficient operation.

Community groups were not impressed with ITS’ efficient operation and hoped public ownership could create comprehensive coverage for community residents, especially transit captives. Leading the campaign for public ownership was the Coalition for Adequate Transportation (CAT), created in the summer of 1971 and focused on improving all of transportation in Indianapolis. The “inadequacy of ITS routes and the great infrequency of service available” especially concerned CAT members.³⁷ CAT believed in a comprehensive urban transportation system to provide Indianapolis

³³ *ITS AR 1972*, 3, *Ibid.*

³⁴ *ITS AR 1972*, 3, *Ibid.*; *Indianapolis Transit System Board of Director’s Minutes* (hereafter known as *Minutes*), 1972, box 2, folder 5, M0427, ITS Records.

³⁵ *Ibid.*, 32.

³⁶ *Preliminary Investigation*, 2-17, box 6, folder 8, M0427, ITS Records.

³⁷ Coalition for Adequate Transportation, *Buses Are For People*, Box 128, folder 15, M0476, Indianapolis Urban League Records 1933-1983 (IULR), Indiana Historical Society, Indianapolis.

residents with alternatives to the automobile.³⁸ In the handout, “Buses Are For People: Mass Transportation For Greater Indianapolis,” CAT proposed the immediate acquisition of ITS; a “no-fare public bus system”; 500 new, air-conditioned buses; passenger shelters; and eight new bus routes. CAT representatives attended public meetings with regularity and claimed a diverse and large number of community organizations under its umbrella, including the AFL-CIO Central Labor Council, Butler-Tarkington Neighborhood Association, Church Federation of Greater Indianapolis, Federation of Associated Clubs, Indiana-Indianapolis Jewish Community Relations Council, and Urban League. The broad spectrum of support from such a diverse group is the important aspect of the CAT. Most of the groups had the primary objective of remedying urban ills. The support of the Federation of Associated Clubs and the Urban League, influential African-American community organizations, reflected the growing concern of the African-American community towards the issue of urban mobility. Absent from the CAT roll call were suburban community groups, an indication of the limited suburban involvement in the transit crisis. CAT’s main spokesperson was Reverend James E. Kohls. He strongly opposed ITS’ fare increases, stating that ITS would “have to stop high-handing this community,” especially transit captives.³⁹

ITS’ fare increases and service reductions considerably affected transit captives, particularly senior citizens who lived on a fixed income. Frustrated with fare increases, senior citizens and the CAT demanded a discounted fare from ITS. After negotiations with ITS failed to produce a discounted fare, the CAT petitioned the PSCI.⁴⁰ Interested parties signed a petition, while others voiced their opinions in letters, including state

³⁸ James Kohl, Statement given to Public Service Commission of Indiana, Exhibit 1, 1, Public Service Commission of Indiana, Docket No. 32838 (hereafter cited as Docket 32838), Public Service Commission of Indiana Records, Indiana State Archives, Indianapolis, IN; *Buses Are For People*, box 128, folder 15, M0476, IULR.

³⁹ Docket 32838, 2, Public Service Commission Records, Indiana State Archives.

⁴⁰ Ibid.

Attorney General Thomas Sendak and a multitude of senior citizens.⁴¹ One letter, from N. Hawking, lambasted ITS, writing “the ITS are very arbitrary and regardless of civic duty and obligation to the riding public. ITS has never shown any care or consideration for anything except the big fat buck in their pockets of their shareholders.” Hawking saw “no reason, why ITS in all its arrogance and selfishness should be allowed to so thoroughly and completely disrupt our city...We must have adequate bus service.”⁴² Hawking represented a growing number of residents who denigrated ITS management and hoped for better mass transit. The PSCI agreed with Hawking and the CAT, ordering a one year experiment for reduced senior citizen fares.⁴³ The victory only further confirmed the CAT’s role as the consistent community voice for mass transit in Indianapolis. The role of the CAT would be significant in informing Indianapolis residents, challenging ITS, and establishing mobility expectations. ITS’ opposition in this matter further solidified the image of private management as greedy and removed from community values.

Politicians and community organizations in Indianapolis believed local regulation would better reflect the local concerns, instead of the PSCI. State Representative E. Henry Lamkin (R-Indianapolis) introduced a bill transferring regulation from the PSCI to IDOT. Republican Mayor Richard Lugar supported the bill, and emphasized that Indianapolis will not spend public funds on transportation unless Indianapolis obtains regulatory control.⁴⁴ The *News* endorsed the PSCI, writing, “the regulatory agency watching over the company’s final struggle ought not to be an arm of the governmental unit waiting to take over . . . the power of regulation ought to remain with the PSC[I].”⁴⁵

⁴¹ Theodore Sendak to W.W. Hill, 25 February 1972. Ibid.

⁴² N. Hawking to W.W. Hill, Jr., 19 February 1972. Ibid., Slide 2.

⁴³ Ibid.

⁴⁴ “Statement by Indianapolis Mayor Richard G. Lugar in favor of House Bill #1328,” box 4, folder 11, M0427, ITS Records.

⁴⁵ Editorial, “Saving Bus Service,” *Indianapolis News (IN)*, 24 February 1973.

CAT leader Kohls disagreed, arguing that the conclusion that the “Public Service Commission can solve the problem [ITS financial troubles]...is like seeing a man drowning and announcing to your friends ‘that’s the duty of the lifeguards’—when the lifeguards are off duty.”⁴⁶ Lamkin agreed that local regulation would protect affordable transportation without damaging ITS and its workers.⁴⁷ State legislators disagreed, voting the bill down. William Crawford (D-Indianapolis) opposed fragmenting PSCI authority and others opposed the notion that the PSCI would bankrupt ITS.⁴⁸ Regulation could not force a profitable enterprise into subsidization. Whether the regulatory body was local or state, fare increases would continue to sustain ITS and its investors.

The effectiveness of the PSCI attracted attention outside of Indianapolis. A non-profit organization based out of Bloomington, Indiana, the Indiana Public Interest Research Group (INPiRG), had lost an extensive battle with Indiana Bell over consumer rate increases. INPiRG decided to evaluate the PSCI and after an extensive examination, they concluded that the PSCI was not neutral and its decisions were products of poor funding, politics, and corporate connections. Their conclusions portrayed the PSCI as a business friendly regulator and a political stepping stone. Unlike the powerful telecommunication companies, favoring the declining transit companies benefitted no one within the PSCI. The PSCI operated under legal authority, which required them to weigh in the concerns of business and consumers, but their decisions could not require companies to operate in a deficit. Approving ITS’s fare increases made the PSCI a target of public criticism.⁴⁹

⁴⁶ James Kohls, letter to the editor, “Raps Editorial,” *IS*, 10 March 1973.

⁴⁷ E. Henry Lamkin, letter to the editor, “City Being Forced To Take Part In Public Transport, Lamkin Says,” *IS*, 5 April 1973.

⁴⁸ “Bill Giving DOT Transit Authority Fails,” *IS*, 10 March 1973.

⁴⁹ Randell Ogg, *Utility Regulation in Indiana: Or Everything You Wanted to Know About the Public Service Commission of Indiana but They Were Afraid to Tell* (Bloomington: IN Public Interest Research Group (INPiRG), 1974), 17.

The PSCI occupied a critical role in the transit crisis. The only formal venue to challenge fare increases, it also approved fare increases. For riders and politicians, the PSCI came to represent just another obstacle in a series of frustrations surrounding service cuts, fare hikes, and company excuses. PSCI testimony reveals another dimension of the transportation debate, supplementing the frustrations voiced in community meetings and newspapers. Company testimony in PSCI hearings also indicates a company grappling with the differing interests of providing service and paying out dividends. The frequency of fare increases alarmed the PSCI, which voiced its concerns about the future of ITS and transit in Indianapolis.

“Time is Running Out”: Creating A Municipal Corporation?

On 18 May 1973 at ITS headquarters, ITS shareholders voted on a resolution to surrender ITS' Certificate of Public Convenience and Necessity. The resolution outlined the reasons for ceasing operations, including declining ridership and increasing costs, despite aggressive efficiency cuts.⁵⁰ Midland's presence on the board and its majority ownership stake relegated the meeting to a mere legal formality.⁵¹ There was no timeline for surrender, but ITS hoped to sell the company, as a going concern, to Indianapolis, where Midland would receive fair market price for the enterprise.⁵²

Local media outlets showed concern both for the cessation of service and future public ownership.⁵³ A 19 May 1973 *Star* editorial observed, “The necessity for an adequate public transportation system is well understood. It appears that such a system cannot much longer be maintained without some form of increased support from the

⁵⁰ *Indianapolis Transit System Closing Stock Transfer Books and Notice of Annual Meeting*, 13 April 1973, box 6, folder 10, M0427, ITS Records.

⁵¹ Fremont Power, “It's ‘High Noon’ Now In The Bus Business,” *IN*, 16 May 1973.

⁵² Frank Salzarulo, “ITS Stockholders Vote To Quit; Date Is Open,” *IN*, 18 May 1973.

⁵³ Editorial, “Future of Mass Transit,” *IS*, February 11, 1973; Editorial. “Saving Bus Service,” *IS*, 24 February 1973; Fremont Power, “City Grabbing A Stick To Hunt Transit Bears,” *IN*, 12 March 1973.

community.”⁵⁴ The increased community support included possible subsidization but not public ownership. The unknown future costs of public ownership concerned the *Star*.⁵⁵ The more progressive *News* echoed those concerns and warned that the public sector, “subject to all the political pressures, horse-trading, bureaucratic empire-building, Federal guidelines and other ills that plague government-run functions, would do even worse” than ITS.⁵⁶ Both newspapers agreed that mass transit served a role in the community but that public ownership was not an appealing option.

The entire community showed concern over the possibility of the government’s handling of mass transit. Even the CAT, which placed public ownership as the community’s first step towards solving the transit crisis, feared the resulting public corporation after political compromises. Reverend Kohls dreaded “that the approach the city might just provide for operating a ‘skeleton’ bus system.”⁵⁷ Such a system would hardly be an improvement over ITS, once again relegating transit as the transportation for the poor in Indianapolis. Residents shared Kohls’ concern. A survey done by the Department of Metropolitan Development indicated, “There is a general lack of confidence on the government’s ability to run an efficient transit system.”⁵⁸ Lugar’s studious approach towards subsidized transit did little to alleviate the communities’ concerns, instead agitating transit supporters who demanded speedier decisions. Any delays meant the inevitable public corporation would inherit an even more skeleton system, with decreased service and ridership.⁵⁹

⁵⁴ Editorial, “To Keep the Busses Running,” *IS*, 19 May 1973.

⁵⁵ *Ibid.*

⁵⁶ Henry Ward, “Transit System’s Losses Mount,” *IN*, 15 May 1973.

⁵⁷ Editorial, “Fare Hike Won’t Extend Bus Service,” *North Topics (NT)*, 5 September 1973.

⁵⁸ Indianapolis-Marion County Department of Metropolitan Development, Division of Planning and Zoning, *Indianapolis Transit Community Attitude Survey*, Swenson Yang, paper no. 95 (1973), 2.

⁵⁹ According to IC 19-5-2-8, the City-County Council could only acquire a transit system if the management “shall be of the opinion that public acquisition of the system is necessary to enable the system to render adequate service within the city.” From *Urban Mass Transportation Act of 1965*, ch. 337, §1, *Burns Indiana Statutes Annotated*, Ch.2, § 48-8808.

Lugar's administration refused to let the community rush its decision, largely because of estimated operating expenses and national problems with public ownership.⁶⁰ Consultants estimated the annual operating deficit to be from \$300,000 to \$500,000, to which Wetzel responded, "I'm not ready to take a half-million-dollar bath."⁶¹ For Wetzel and others, the main problem was the long-term financial responsibility of public ownership. Public ownership in other cities faced financial hurdles that Indianapolis wanted to avoid. Frank Salzarulo highlighted the troubled Bay Area Rapid Transit System (BART) in San Francisco and asked, "How much tax money will it take 10 years from now to keep buses running in Indianapolis, if it is publicly owned? It's an established fact such systems don't pay for themselves via the fare box."⁶² Subsidization and its future costs, combined with ITS' low ridership numbers, fueled the city's desire to delay any decision until the last possible moment. The politicians faced no dilemma until an official notification from ITS, at which point a decision was necessary.

In June, Claffey requested that Indianapolis "make a determination 'whether it is in the public interest that the public acquire the system.'"⁶³ The request prompted a rhetorical question from the *Star*: "Does Indianapolis need public transport?" With 40,000 regular riders of ITS, the *Star* editors concluded that Indianapolis needed mass transit for transit captives.⁶⁴ Wetzel agreed and asserted, "it's not our job to get people out of cars and into buses."⁶⁵ These statements were foreboding, indicating that mass transit would receive few support for a complete overhaul of transit, instead maintaining

⁶⁰ Hugh Rutledge, "Won't Stampede into Buying Bus System, Says Lugar," *IN*, 10 May 1973.

⁶¹ Art Harris, "DOT Chief 'Not Ready for Costly Bus Bath,'" *IN*, 15 May 1973.

⁶² Frank Salzarulo, "Top Transit System In Financial Squeeze," *IN*, 8 May 1974.

⁶³ Edgar Claffey to City-County Council, 4 June 1973, slide 12, Public Service Commission of Indiana, Docket No. 33352 (hereafter known as Docket 33352), Public Service Commission of Indiana Records, Indiana State Archives, Indianapolis, IN.

⁶⁴ Editorial, "Down The Trail," *IS*, 28 July 1973. The editors hypothesized that one day "environmental regulations may eventually mandate use of public in lieu of private transport."

⁶⁵ Robert Basler, "Sky's the Limit In Transit Game," second in a series, *IN*, 19 June 1973.

ITS' system for captive riders. Still unsure about the direction of mass transit, Lugar convened a three man blue-ribbon committee.⁶⁶ Comprised of prominent local businessmen, the committee concluded that private ownership could not continue. The report put the final touches on the argument for public acquisition. Indianapolis continued to delay in deciding over the form of public ownership and revenue source, and the vicious cycle continued to plague ITS.⁶⁷

Government delays cost riders further as spiraling costs forced ITS to raise fares by ten cents. Claffey outlined ITS' fragile position in a letter to the PSCI, listing economics as reason one and "the changing habits of people" as reason two. Claffey emphasized labor costs as another major factor under economics but supported the wage levels.

Some might argue that this being the case, payroll rates and wages are too high. The irrefutable logic, however, lies in the fact that these employees are entitled to fair wages commensurate with those paid to others in jobs of a comparable nature. This is the case.⁶⁸

Claffey's statement was a rare instance of management supporting organized labor, placing labor as a victim of the vicious cycle, not a conscious actor. Claffey blamed the "increasing number of automobile sales," "home T.V. viewing," and the "decentralization and development of business and industry into the suburban areas" as factors that hurt ITS.⁶⁹ Claffey squared ITS' demise on the shoulders of externalities, not managers or workers. At this time in 1973, management recognized a fare increase as the only solution to the myriad of problems facing ITS.

⁶⁶ Frank Salzarulo, "Bus Company Asks City To Decide On Purchase," *IN*, 5 June 1973.

⁶⁷ Robert Bell, "Creating Corporation To Operate Transit System May Fail to Get Council Unit OK," *IS*, 2 August 1973.

⁶⁸ Edgar Claffey to W.W. Hill, Jr., 25 June 1973, Docket No. 33352.

⁶⁹ *Ibid.*

The CAT called the latest fare increase a “fleecing,” and presented an array of witnesses to testify against the fare increase. Among the witnesses was Sara Chenoweth, Speaker Pro-Tempore for the IUPUI Consolidated Student Government. She opposed the fare hike, citing its negative impact on captive riders and the increase’s “adverse multiplier effect.” This adverse multiplier effect “reduces the desirability...to ride the city buses. This encourages the auto-commuter-syndrome which is presently engulfing the university quarter with cars.” Chenoweth worried that the influx of automobiles would prompt a campus wide outcry for new parking lots and garages.⁷⁰ These witnesses believed that a fare increase would have greater ramifications than simply isolating transit captives; it could have an impact on the entire community.

Lawyers for the CAT argued against the fare increase considering ITS continued to pay dividends or, as the lawyers called them, “systematic raids.”⁷¹ The dividends became one of the few legitimate arguments against fare increases. ITS issued an annual dividend for almost the entire duration of Midland’s ownership. Shareholders held management accountable for adequate dividends. The PSCI examined the dividends, but did not consider them exorbitant, merely just an adequate return on investment. In each fare hearing, the PSCI examined dividends and came to this similar conclusion.⁷² The dividends were legitimate investment returns but to the community the

⁷⁰ Sara Chenoweth, Statement to Public Service Commission, 25 June 1973, Docket No. 33352.

⁷¹ Paul Doherty, “Dividends of Transit Firm Are Questioned,” *IS*, 26 June 1973.

⁷² There was one questionable transaction that benefitted shareholders. In the early 1960s, ITS purchased Class B Monon Railroad stock. During negotiations for a new loan, ITS negotiated with American Fletcher National Bank that the loan allow for dividend payments on any stock profits, instead of reinvesting those gains, ITS eventually sold the stock for a sizeable profit and issued special dividends. From Secured Loan Agreement with American Fletcher National Bank and Trust Company, 10, box 6, folder 3, M0427, ITS Records. “In computing the net profits of the Company earned subsequent to December 31, 1964, the increase in the earned surplus of the Company which may result from any sale of the 35,356 shares of the common capital stock of Monon Railroad Company shall not be taken into account. The Company may pay additional cash dividends up to an amount equal to two-thirds of the original cost price of the Monon stock of \$176,780.00, so long as such sale price after applicable taxes and the expense of sale thereof are equal to or in excess of the sum of such cash dividends to be paid and the original cost of the Monon stock.” (10).

dividends represented ITS' lack of respect for struggling transit captives and the community as a whole.

At stake at the hearings was more than a simple fare increase. To comply with laws to receive government funds, Indianapolis needed ITS to be a going concern in order to purchase the company. Without a fare increase and with finances weak, management did not even speculate about its future. The petition's denial would push ITS into bankruptcy and complicate the beginning of a public corporation. Some in the local media believed ITS' insolvency argument was merely a ploy to obtain additional monies from Indianapolis transit riders before public purchase.⁷³ Possible ulterior motives aside, fare increases and delays had consequences. News reporter Robert Basler noted, "For both sides, time is running out, and beneath all of the dollars and cents considerations, there is still the question of quality of service."⁷⁴ Any delay in public involvement meant more service cuts by ITS, further eroding the service level Indianapolis would inherit.

Recognizing the complicated issues involved in the transit crisis, the PSCI still refused the fare increase, calling it unjust and unreasonable. The PSCI determined that the fare increase "would not result in a profit for the bus company, would further accelerate the decline in passengers, would not encourage a reduction in expenses and would not prevent the ITS from terminating operations."⁷⁵ The denial of ITS' petition was both legal and political. The PSCI and the CAT hoped that denying the increase forced Indianapolis to make a decision concerning mass transit.⁷⁵

The Greater Indianapolis Progress Committee's transit task force released their report that substantiated the claims of the PSCI and the CAT. Led by Lamkin and including prominent business and civic leaders, the report highlighted urban mobility: "No

⁷³ Robert Basler, "Sky's The Limit In Transit Game," *IN*, 19 June 1973.

⁷⁴ *Ibid.*

⁷⁵ Gerry LaFollette, "Bus Firm Is Denied Hike To 50¢ Fare," *IN*, 11 July 1973.

factor is more important to the quality of urban life than motility. For many citizens this mobility will not be available unless adequate, affordable public transportation is provided.” Transit captive mobility took center stage, but the task force also highlighted the “rapidly developing difficulties for any city which relies almost exclusively upon the private automobile for transportation. The city can no longer afford the investments in land and capital to serve the automobile.”⁷⁶ Relying on the automobile for the sole provider of urban transportation could cost the city in both precious urban land and in property taxes. The task force supported public ownership of transit, with the caveat that comprehensive transportation was the future. An urban transportation network that included multiple forms of transportation, including light rail, would improve the quality of life in Indianapolis. Such a transportation network could reduce sprawl, encourage higher-density development, and reduce automobile dependency. This network would place Indianapolis in the competitive mix of progressive cities looking to avoid the unintentional negative consequences of automobile dependence.

Frustrated residents voiced their concern over the transit crisis. Carolyn Goode, member of the Transportation Committee of the League of Women Voters, called Indianapolis’ decision to expand roads equivalent to “pushing a dead horse.” She also criticized ITS, which had “a notable lack of responsiveness to community needs” and did not “do the job they were intended to do.”⁷⁷ Earlier in the year, Peggy Simpson compared ITS to the human body and begged for a blood transfusion. Simpson urged ITS to, “Give the public a good dose of incentive to ride the buses,” rather than fare

⁷⁶ *Summary of The Greater Indianapolis Progress Committee Transportation Task Force*, Department of Metropolitan Development (1973), 35.

⁷⁷ Carolyn Goode, letter to the editor, “Transit System Needs,” *IN*, 19 June 1973.

increases.⁷⁸ By mid-1973, informed participants of the transit crisis knew that only a public agency could boost mass transit.

The numerous transit reports convinced Lugar to request the City-County Council to form a public corporation to acquire ITS and operate transit, which drew the ire of some local media outlets.⁷⁹ One suburban newspaper considered the purchase “a regrettable decision in view of the other options open to the city.” The *Northeast Topics* criticized Lugar’s choice and suggested one alternative, one that Lamkin proposed. Instead of ITS or a fixed route service, Indianapolis would contract taxi companies to provide transportation to transit captives. Lamkin’s proposal was temporary, a stopgap measure to allow Indianapolis leaders additional time to examine their options. This delay would be costly, as in the end Indianapolis would have to create a new transit system. This new system would cost millions more to create than simply overtaking the ITS operation. The short-term cost of Lamkin’s proposal looked sound, but in the long-term, the more economical option was simply to acquire ITS.⁸⁰

The continued delay in the transit crisis sparked a satire piece by journalist David Rohn, in which he presented the story of Mayor Richard Frugal and the Swell Telephone Co. The Telephone Co. threatened to go out of business “because of a rejection of a \$223 million rate increase proposal,” which Swell needed so the company “can continue to operate on a profit margin of only 15 per cent.” Frugal appointed “three task forces to make thorough examinations of how to meet the crisis,” an obvious condemnation of Lugar’s insistence to convene multiple committees. Rohn explained the alternatives if Swell went bankrupt, including a smoke signal system or “flagmen located on the tallest buildings. At night we could have a system of flashing lights to transmit

⁷⁸ Peggy Simpson, letter to the editor, “Peggy Simpson Offers Transit Suggestions,” *IN*, 30 May 1973.

⁷⁹ Art Harris, “Lugar Will Seek Council Action to Buy Bus Line,” *IN*, 12 July 1973.

⁸⁰ Editorial, “Bus Purchase Regrettable,” *Northeast Topics (NT)*, 18 July 1973. The *NT* was a small newspaper that circulated in northern Indianapolis.

communications.”⁸¹ Rohn portrayed both sides negatively, but he paid careful attention to the profits of ITS, Lugar’s delaying tactics, and the lack of adequate alternatives. This satire is another example of the media’s growing frustration and disappointment, also evidenced by the usually anti-public purchase bias of editorial cartoons (Figures 2 and 3). For example, one cartoon featured Lugar convincing a beleaguered taxpayer to purchase ITS. The cartoonists, especially for the conservative *Star*, critiqued the public purchase, portraying ITS as rundown and the acquisition as a fleecing of local taxpayers.

Indianapolis leaders could delay no longer. The deadline for municipal budgets loomed in August, and a board without financial support could jeopardize purchasing negotiations and the transportation of thousands of transit captives. After some inactivity, the City-County Council had to vote to create a public transit agency and approve a board all in the same night. That same board would only have three days to approve a working budget.⁸² The *News* questioned the speedy decision and noted that there was “no decent interval permitted between the hearing of testimony and the hour of decision . . . once again the public has been effectively blocked out from knowing what the council and city administration are doing.”⁸³ The *News* polled the council on their possible vote. Donald Griffith (R) explained, “I plan to vote for it because I don’t see any alternative” which echoed Alan Kimbell (R), “I’m supporting the administration because the alternatives are unacceptable to me.” Critics of the proposal observed that Indianapolis would be “taxing areas where they are not going to get the service.”⁸⁴ Indianapolis politicians felt the lack of alternatives and ITS’ failure forced public ownership.⁸⁵

⁸¹ David Rohn, “Mayor Holding the Phone,” *IN*, 14 July 1973.

⁸² Hugh Rutledge, “Vote For Agency To Acquire ITS Likely,” *IN*, 4 August 1973.

⁸³ Editorial, “The Wrong Way,” *IN*, 1 August 1973.

⁸⁴ Hugh Rutledge, “Vote For Agency To Acquire ITS Likely,” *IN*, 4 August 1973.

⁸⁵ The idea of “forced public ownership” is borrowed from Arthur Saltzman, “The Decline of Transit,” 32.

As testament to the idea of forced public ownership, the reactionary City-County Council waited until the last session before deciding on the tax levy. After a successful vote to amend the resolution, a discussion followed and then a request by several Democrats to recess, which was defeated. After the defeated recess motion, six of the eight Democrats left the chambers.⁸⁶ The remaining members voted to exclude the members during the vote. Even with a Republican majority, the proposal met with resistance. After forty minutes of discussion, the proposal passed with the minimum of fifteen votes and only after Councilman Dwight Cottingham changed his vote.

Cottingham admitted that he changed his mind only because “‘there [was] no real good alternative.’ He said there was no ‘arm-twisting’ to get him to change his vote.”⁸⁷ The *Star* considered Cottingham’s explanation, “a wishy-washy reason to vote for something that may prove more and more costly to the taxpayers as time goes on” and called the Council vote “bobtailed.” The editors noted, “the action the council eventually took seems to have been pretty high-handed and a long way short of the good government citizens hope for, but so seldom seem to get these days. But the deed is done.”⁸⁸ Seven members voted nay, citing high taxes, the hasty proceedings, and concern over public efficiency.⁸⁹ The tense environment surrounding the creation of the new public transit corporation created a poor atmosphere for public trust in the government revamping transit.

The city and its politicians created the new public corporation as a reaction to the reality that a first-class city must have mass transit, regardless of the subsidies needed

⁸⁶ A voice vote, according to the United States Senate online glossary, is a vote in which members are called upon to vote by either saying “Yes” or “No,” at which point the President uses his or her judgment to determine the winner.
http://www.senate.gov/reference/glossary_term/voice_vote.htm Accessed March 30, 2008.

⁸⁷ Robert Bell, “Public Corporation Created to Run Buses,” *IS*, 7 August 1973.

⁸⁸ Editorial, “To Best Advantage,” *IS*, 8 August 1973.

⁸⁹ Robert Bell, “Public Corporation Created to Run Buses,” *IS*, 7 August 1973.

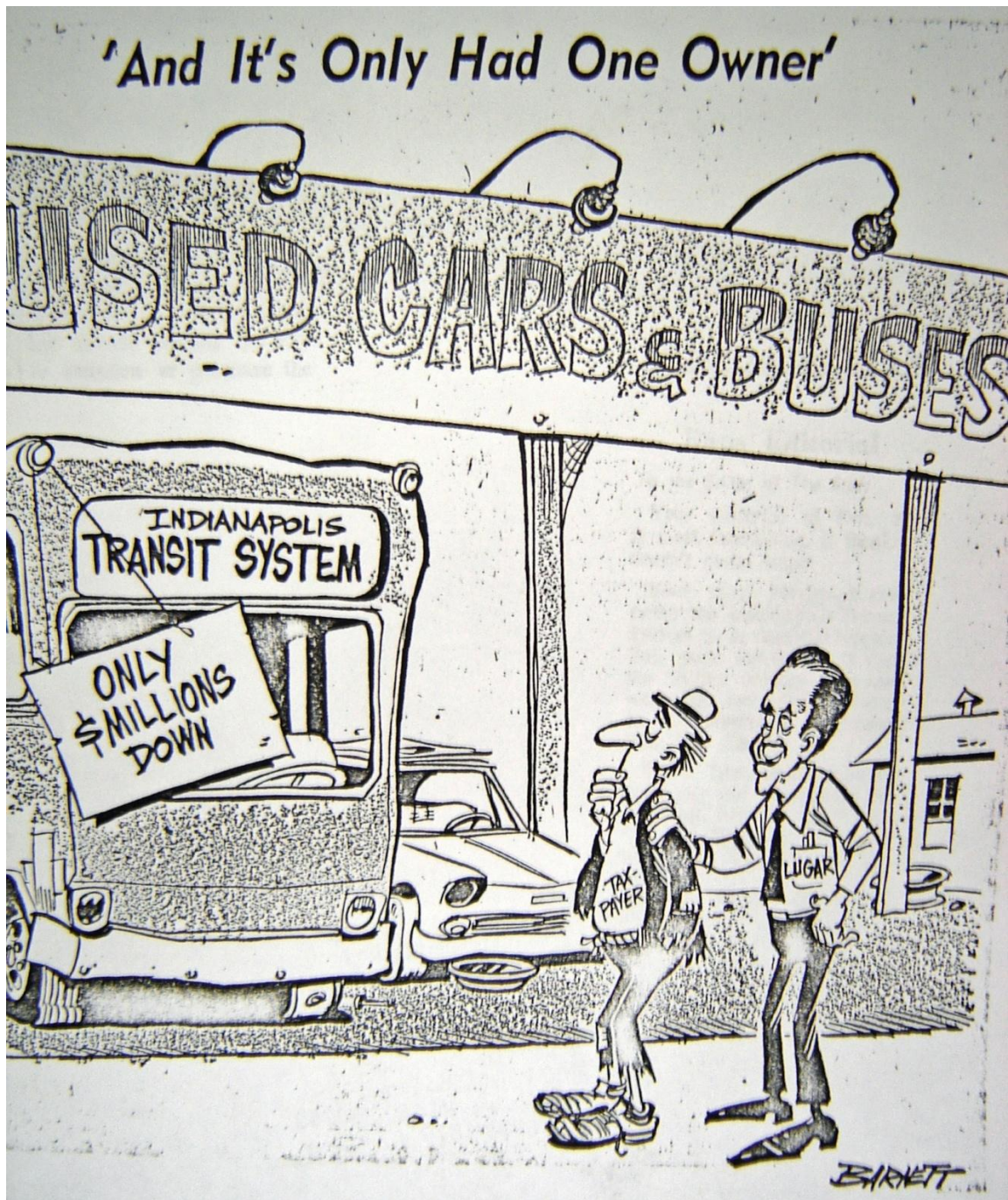


Figure 2. "And It's Only Had One Owner!" Typical of editorial cartoons surrounding the purchase, a sharp-dressed Lugar is shown trying to convince a worn and tattered taxpayer to purchase ITS. The bus is in poor condition, with flat tires, a broken headlight, and a hole fixed with duct tape. Barnett, of the *News*, portrayed ITS' equipment as dilapidated. Barnett, editorial cartoon, "And It's Only Had One Owner," *IN*, 30 June 1973.

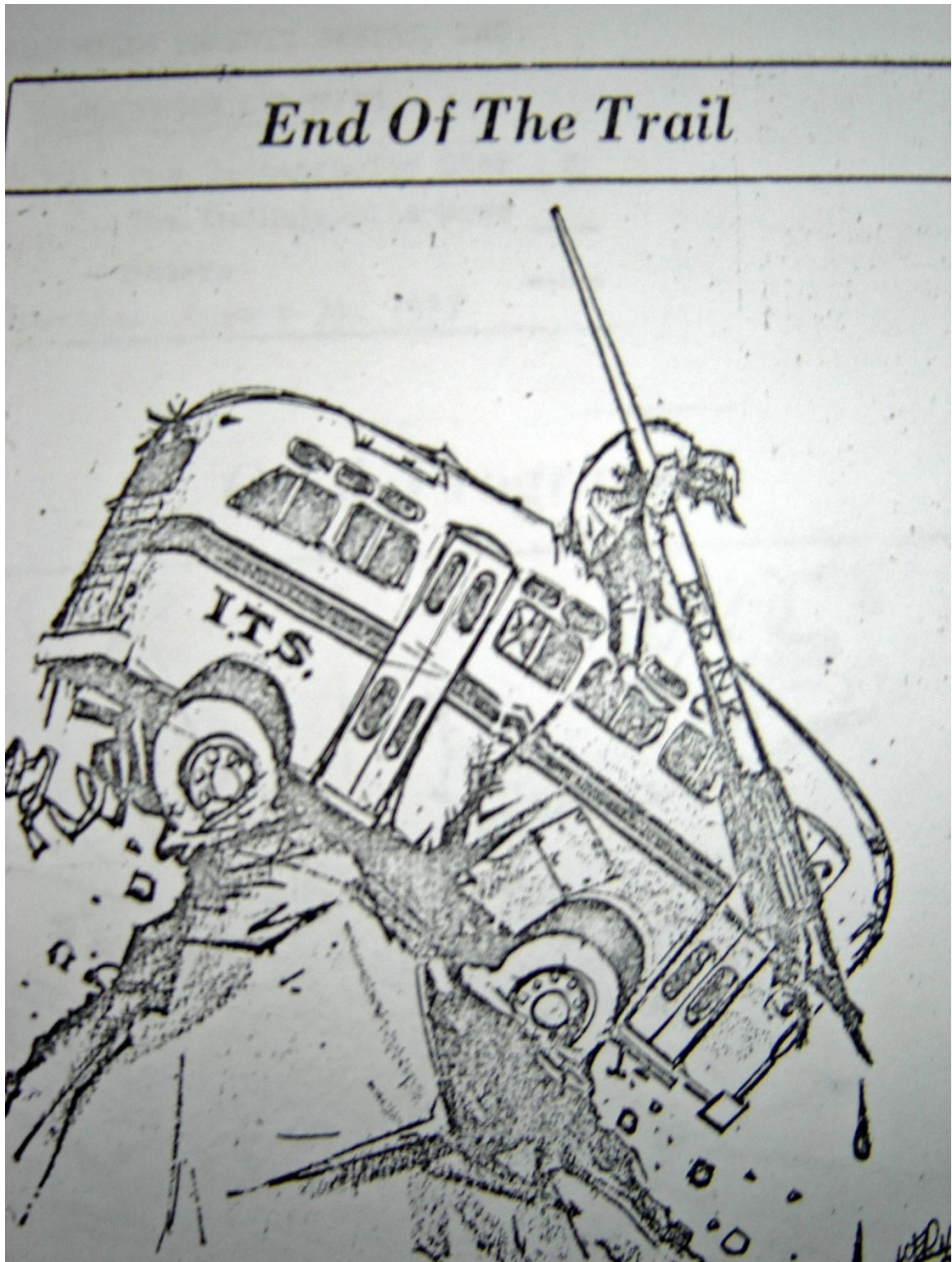


Figure 3. "End of the Trail" The words on the pen read, "RED INK." Drawn right after the vote to create a public transportation corporation, this picture typified how the community viewed ITS. Werner, editorial cartoon, "End of the Trail," *IS*, 17 August 1973.

to keep the system operational.⁹⁰ ITS' bankruptcy required Indianapolis political leaders to take on a public service few wanted the government to run. The language of the accepted ordinance reflected the attitude of public transit as a minimal service. The second section justified the creation of urban mass transportation system as "essential to relieve traffic congestion which would otherwise prevent the rapid and efficient movement of persons and goods in and about the City, thus interfering with the primary purpose of the streets." Section Three established the need for transportation for the "proper utilization" of commercial, retail and industrial properties. As almost a final thought, the Council inserted that was

necessary to the welfare of the general public in that it expands the economic and social opportunities available to the residents of the City and particularly those who...cannot freely move about except through the services rendered by an urban mass transportation system.⁹¹

The following sections reveal that mass transit would serve to aid automobile travel, not encourage balanced transportation or efficient land use.⁹² In conjunction with earlier statements by Wetzel, this final ordinance squarely placed mass transit and transit captives as the afterthought of the automobile. The creation of the public corporation was a reaction to the growing concern by politicians and urban residents over transit captives and the fragility of Indianapolis' aspiration as a first-class city.

For the African-American community, the process of the creation of the new public transit corporation was another instance of the Indianapolis white power structure overlooking the needs of the African-American community. The City-County Council records offer little explanation for the Democrat walkout. The media reported that Democrats felt Republicans passed the amendment to reduce the number of board

⁹⁰ Editorial, "In Any Case, More Money," *IS*, 26 December 1973.

⁹¹ *Journal of the City-County Council: General Ordinances, 1973*, Regular Meeting, 6 August 1973, 445-463, City-County Building, Room 241, Indianapolis, IN.

⁹² *Journal of the City-County Council: General Ordinances, 1973*, Regular Meeting, 6 August 1973, 445-463. City-County Building, Room 241, Indianapolis, IN.

members to close membership of the board to white men.⁹³ Former judge and civil rights activist Henry Richardson, Jr. agreed, explaining the purpose of the amendment was “to keep from putting a minority on the operating policy powerful board for acquisition and operation of the surface transportation system in this community.”⁹⁴ Lugar and the Council aided this perception when they appointed five white men to the new board. The lack of diversity bothered some politicians. William Schreiber, chairman of the Marion County Democratic Committee, “criticized the corporation, saying it is not representative of those who use buses frequently, such as women, Negroes and elderly persons.”⁹⁵ Although the five white men might not have presented the perfect representation of ridership, the men were well-respected community members who could give the new corporation a chance at success.

Just a few months after denying an ITS fare increase, the PSCI approved one. The reason for the reversal was the creation of the new corporation and imminent public takeover. Claffey pleaded bankruptcy before the PSCI and ITS financial data supported Claffey’s claim. ITS posted nearly a \$71,000 operating loss in the month of July alone. ITS attorney C. Wendell Martin “painted a gloomier picture for bus riders, summing up the transit firm’s case saying, ‘If the increase is not granted, I don’t see how there can continue to be bus service in the city.’”⁹⁶ Without ITS operational, public takeover could not happen. This latest request and Indianapolis’ slow action on public purchase frustrated PSCI Chairman W. W. Hill, Jr., who wrote that the new fare was “preferable to no bus ride at all.”⁹⁷ The PSCI declared the increase necessary, even though it

⁹³ Robert Bell, “Public Corporation Created to Run Buses,” *IS*, 7 August 1973.

⁹⁴ Henry J. Richardson, Jr. to Dr. Gene Sease, 8 August 1973, box 3, folder 6, M0472, Henry J. Richardson, Jr. Papers 1910-1992, Indiana Historical Society, Indianapolis, IN.

⁹⁵ “Transit Firm Accused of ‘Blackmail,’” *IS*, 17 August 1973.

⁹⁶ Editorial, “ITS May Fail Before City Takeover: Claffey,” *IN*, 15 August 1973.

⁹⁷ Editorial, “Fare Hike Won’t Extend Bus Service,” *NT*, 5 September 1973.

promised no additional routes, capital expenditures, or return for the company.⁹⁸ The CAT offered token resistance to the emergency fare increase, understanding that the new public corporation needed ITS to be operational.

Funding proved a problem for the new corporation, the Indianapolis Public Transportation Corporation (IPTC). The IPTC planned its budget based on a combination of government monies, fares, and a ten cent property tax in Marion County.⁹⁹ Residents viewed subsidization of mass transit unfavorably. Respondents to a transit attitude survey favored increased user fees (fares) over taxes. If a tax was necessary, a sales tax was the favorite.¹⁰⁰ The fact that the respondents felt user fees should pay for mass transit indicates both the lack of community support for mass transit and a general ignorance of transit financing. First, the user fee implied the community did not want to pay for a service they felt they did not use. Second, ITS proved user fees were inadequate to sustain mass transit. The price for mobility would have to be borne by the entire community.

The IPTC faced a funding hurdle. Governor Otis Bowen was cutting property taxes by 20 percent statewide and a state tax board had to approve additional increases. The board rejected the ten cent property tax increase, instead suggesting that IPTC issue bonds to pay for the acquisition, which would still qualify the IPTC for a Federal grant.¹⁰¹ The implication for IPTC's future was clear. The requested levy would have aided IPTC in their future plans. The state tax board rejected limited the future financial burdens that IPTC could handle. The state tax board eventually granted only a two and one-half cent tax levy, with the rest of the acquisition funded through a temporary capital tax levy and a bond issue. The full levy benefitted IPTC more than it adversely affected

⁹⁸ Ibid., 5 September 1973.

⁹⁹ Hugh Rutledge, "\$12 Million Bus Budget Proposed," *IN*, 9 August 1973.

¹⁰⁰ *Indianapolis Transit Community Survey*, 12-13. Only 22 percent favored a sales tax.

¹⁰¹ Jack Averitt, "10-Cent Transit Levy Rejected by Tax Board," *IN*, 17 May 1974.

taxpayers. Under the proposed levy, a homeowner of an \$18,000 home paid \$5 a year, but the approved levy required the homeowner to pay only \$1.25 annually. The state tax board was comfortable with the IPTC budgeting. Although the proposal requested \$7.109 million, IPTC had only budgeted to receive \$5,580,295.¹⁰² There is little explanation for the discrepancy but city and IPTC controller Fred Armstrong felt the two and one-half cent property tax increase would adequately fund IPTC.

The IPTC board realized the long road they faced, and expressed hesitation at their operating competency, noting an “awesome responsibility to provide continuing bus service” and its “considerable reluctance” in beginning operations.¹⁰³ Chairman John Walls would offer insight into IPTC’s strategy: “While we recognize our obligations to continue to serve those who have no alternative to riding coaches, the Metro will become successful only by increasing ridership, and that means attracting people who do have a choice.”¹⁰⁴ The IPTC hoped to revitalize mass transit through modernization and aggressive marketing.¹⁰⁵ The first step was purchasing ITS, which lingered through 1974 but finally struck an agreement in late 1974. The purchase price of ITS ended up being \$4.5 million dollars.¹⁰⁶ UMTA approved the capital grant, ATU 1070 signed off, and the IPTC was poised to begin the new system, nicknamed Metro.

In advocating for public ownership, the community desperately sought to distance itself from the philosophies and strategies of ITS. The constant fare increases and service reductions lingered in the memories of riders and transit advocates. The CAT and board members of the IPTC offered hope that public ownership would

¹⁰² Robert Mooney, “2.5 Cent Levy, Bond Issue OKd To Buy Transit Firm,” *IS*, 25 May 1974.

¹⁰³ Statement by Board of Directors, Indianapolis Public Transportation Corporation, 8 August 1973, box 6, folder 12, M0427, ITS Records.

¹⁰⁴ Art Harris, “City-Owned ‘Metro’ Buses Roll Tomorrow,” *IN*, 6 January 1975, 1.

¹⁰⁵ When the City-County Council created the IPTC they “suggested” that IPTC extend routes and give budgetary control back to the city.

¹⁰⁶ *Agreement Between Indianapolis Transit System, Inc. and Indianapolis Public Transportation Corporation* (1974) Indianapolis Public Transportation Corporation, Indianapolis, IN.

distinguish itself from those strategies. Whatever hopes the community harbored for the IPTC, the political compromising during the creation of the IPTC curtailed any truth in revamping mass transit. The opportunities available to Metro after 1975 did not match the opportunity the Indianapolis community missed in transitioning from private to public ownership. The years from 1973 to 1975 provided the opportunity to alter Indianapolis' urban transportation system, including creating an extensive mass transportation network. The aggressive comprehensive plan suggested by the GIPC would have potentially placed Indianapolis urban transportation at the national forefront in coordinated transportation and mass transit. Implementation of the GIPC plan could have sparked urban redevelopment in Indianapolis and reduced the community's dependence on the automobile. Instead, the IPTC board faced a perfect storm of disinterested local politicians, a statewide property tax increase, and an uninterested automobile community. These factors, combined with the reactionary nature of Indianapolis politicians and conservative media, resulted in a minimalist system with little chance of meeting the high expectations of the Indianapolis community. In the end, these outside factors forced the local players to negotiate Indianapolis' future mobility.

Metro assumed operating responsibilities on 7 January 1975.¹⁰⁷ Public ownership of mass transit started in Indianapolis with little media fanfare. The *Star* made no mention of the transfer of ownership and the *News* provided minimal coverage. The media provided no editorials about the optimistic future of mass transit, no hard-hitting series on the potential growth under public ownership, and certainly little excitement. The success of Metro hinged on two groups that provided IPTC's success hinged on two groups: automobile drivers and politicians. The IPTC could only accomplish its goals if it could lure choice riders and if politicians supported it. Failure to sell either group on mass transit would doom IPTC to become what Kohl termed a

¹⁰⁷ Art Harris, "City-Owned 'Metro' Buses Roll Tomorrow," *IN*, 6 January 1975, 1.

“skeleton system,” fit for only transit captives. The IPTC faced a difficult task in convincing the community to ride mass transit.

Chapter Four

“The Metro Muddle”: Public Ownership in Indianapolis, 1975-1980

The Indianapolis Public Transportation Corporation (IPTC) board issued a statement in 1973 outlining its creation and responsibility. In this statement, the Board of Directors clearly delineated its primary purpose: “It is our full intent to work very closely with the City Administration and its Department of Transportation toward the goal of full and adequate transportation service for this community.”¹ The IPTC recognized its fiscal responsibility was the efficient use of taxpayer dollars to provide adequate transportation. Metro’s secondary goal was increased ridership by attracting choice riders.² Some of the tasks designed to accomplish these goals were to acquire the suburban service providers, maintain the 50 cent fare, decrease headway, and increase service. Metro managers deviated from ITS by pursuing an aggressive marketing campaign to achieve their goals. Metro advertised in newspapers, on the radio, and on television, touting the savings and convenience of mass transit. Transportation experts throughout the country heralded the benefits of marketing in resurrecting the stagnant industry. Metro’s private management firm, American Transit Enterprise (ATE), believed in aggressive marketing.

Clearly established goals were a prime factor to successful public ownership of urban mass transit. The focus of ATE and the IPTC was service quality and patronage, not profits at the expense of service quality.³ A public transit corporation was created for public service, not profits, although efficiency should not be abandoned because of

¹ Statement by Board of Directors, Indianapolis Public Transportation Corporation, 8 August 1973, box 6, folder 12, M0427, ITS Records.

² Choice riders are those riders who are not dependent on the mass transit system for transportation.

³ Smerk, *A Dozen Years of Federal Policy*, 250-275.

limited resources.⁴ Transit as a public service should serve both transit captives and choice riders.

ATE and the IPTC board believed in the transformative powers of marketing to break the vicious cycle, improve its public image, and foster public support.⁵ Transit management possessed few tools to stimulate demand and increase revenues, and marketing was the best tool.⁶ Transit companies could research consumer behavior, price competitively, and market the system.⁷ Lewis Schneider suggested in *Marketing Urban Mass Transit* (1965) that marketing strategy was “the only strategy...directly concerned with the problem of maintaining and stimulating demand.”⁸ Marketing was a powerful tool to improve IPTC’s image and its ridership. Schneider warned that management’s failure would support mass transit as a public service for transit captives and “one step below that of the sanitation department.”⁹ The sentiment of transit as nothing more than a vehicle for the poor was exactly what transit advocates and Metro administration wanted to avoid; management was key to implementation.

The deployment of marketing certainly required skilled, creative, and aggressive management. Transit’s decline left the industry with few young managerial talents, leaving most transit agencies with, “Old style, nonmarketing, nonconsumer-oriented managers.”¹⁰ Indianapolis benefitted from their contract to ATE, who combined veteran management with new-school aggressiveness and creativity. Although IPTC General Manager William “Bits” Bell was a veteran transit manager, Bell worked for ATE and ATE believed strongly in marketing. Bell combined his numerous decades of transit

⁴ Ibid., 275.

⁵ Ibid., 83. Harry Ross, “The Developing of Community Support for Public Transit Systems,” in *Essentials for Success in Transit* (Division of Research, School of Business, Indiana University, Bloomington, 1979), 20.

⁶ Lewis M. Schneider, *Marketing Urban Mass Transit: A Comparative Study of Management Strategies* (Boston: Harvard University, 1965), 74.

⁷ Smerk, *A Dozen Years of Federal Policy*, 276.

⁸ Schneider, *Marketing Urban Mass Transit*, 74.

⁹ Ibid., 83.

¹⁰ Smerk, *A Dozen Years of Federal Policy*, 260.

experience with the new marketing strategies ATE believe could transform mass transit under public ownership.

A new marketing campaign did not ensure immediate success for the IPTC, especially with three outside problems confronting the IPTC: adequate funding, downtown attraction, and consumer choice. Inadequate funding could strangle any aggressive expansion program. The temporary nature of grants and political whims frustrated managers who needed to make accurate budgets. The second problem was downtown's attraction. Metro managers needed Indianapolis to focus on downtown redevelopment to begin to accomplish their goals. Downtown redevelopment benefitted from the long tenures of two Indianapolis mayors – Richard Lugar (1968-1976) and William Hudnut III (1976-1992). Both believed in a strong downtown and committed resources to achieve that end. Successful downtown redevelopment could translate into strong ridership growth.

Marketing provided some hope for the IPTC, but real success came in garnering support from consumers and politicians. A downtown revival in Indianapolis did not necessarily equal the IPTC's success, especially if public policies continued to support automobile usage in downtown areas.¹¹ If politicians refused to support mass transit and residents remained in their automobiles, the IPTC could become merely a minimal public service.

Best Bus Forward, 1975-1977

For a public transit corporation, the first year is critical to garnering public support by reversing transit's negative image.¹² "A major necessity in promoting METRO has been to dispel the negative stigma placed upon public transportation. It has been most important to enhance and carefully analyze the image of METRO as well as the attitudes

¹¹ Schneider, *Marketing Urban Mass Transit*, 82.

¹² Interview with David L. Ringo, president of ATE Management and Service Co., Inc., *Bus Ride: The Journal of Bus Transportation* (March-April): 16, box 4, folder 3, MSS 778, MCTS.

of riders and non-riders.”¹³ Success depended upon adjusting service to meet community expectations, and garnering support from business and political communities, civic interest groups, and grassroots supporters.¹⁴ Support depended upon a greatly improved public image, developed through affordable, timely service.

Public ownership brought with it the necessary enthusiasm to revamp its image. Contrasted with the plain, uniform annual reports of ITS, Metro’s first annual report was colorful and included a catchy tagline (Figure 4): “...so when we say that we’re the time-savin’, penny-pinchin’, fuel-conservin’, mass-movin’ METRO machine, we’re not kidding. We’ve earned the title, and we’re darned proud of it.”¹⁵ The IPTC developed ambitious goals, among them increasing public awareness, offering reliable service, and “doing the best job in the most financially efficient manner.”¹⁶ The IPTC approached the first year with optimism, hoping to attract choice riders. The IPTC employed a multi-faceted plan to attract ridership. First, Metro created a Marketing Department, which created catchy slogans and cartoons, introduced a new color scheme and a new company name. They also purchased 60 new coaches to replace the aging fleet. These tactics distanced the IPTC from the unpopular ITS, a great step in reversing transit’s reputation.¹⁷ The creative measures attracted industry recognition and were exactly the steps contemporary transit experts recommended to revive mass transit.¹⁸ The company received industry recognition for its efforts.

The IPTC board estimated that better service, in conjunction with aggressive marketing, would also improve its image. The IPTC restored service curtailed under ITS, increased service on existing routes by decreasing headways, and added 10 new

¹³ Indianapolis Public Transit Corporation, *Annual Report of 1975* (hereafter *IPTC AR* with appropriate year), 10, Indianapolis Public Transportation Corporation, Indianapolis, IN.

¹⁴ Schneider, *Marketing Urban Mass Transit*, 160-161.

¹⁵ *IPTC AR 1975*, 1, IPTC, Indianapolis, IN.

¹⁶ *Ibid.*, 12.

¹⁷ *Ibid.*, 10.

¹⁸ Metro won the Vehicle Color Design Award from *Fleet Owner* in 1976.



Figure 4. Metro Ad. Although the author has never heard it, there was a jingle featuring this tagline. *IPTC AR 1975, 1, IPTC.*

routes. Some of the expanded routes served major shopping centers, which proved unprofitable under ITS. Metro could allow the route to develop, especially to areas like Lafayette Square and Glendale malls.¹⁹ As another step, Metro implemented two services designed to aid the elderly and disabled. The first was Open Door, an on call, mini-bus service designed to aid disabled riders. Fixed labor costs forced Metro to

¹⁹ David Miller, "Indianapolis – The Metro Era," *Motor Coach Age* 51, no. 1 (January-March 2000):13.

charge a higher fare but Open Door offered door-to-door service. The second service was the Half-Fare program, which provided a reduced fare for the elderly and disabled. Half-Fare's implementation completed a decade-long fight by the community.²⁰ Emma Thompson, director of an organization dedicated to helping elderly residents with transportation, remarked, "METRO has met that need [economic and efficient transportation for elderly and handicapped] with better service and a reduced 25 cent fare for the elderly and handicapped."²¹ These increased services allowed transit captives access to necessary services and reflected an aggressive leadership that was committed to better mass transit. These new and improved services continued to build goodwill for the IPTC.

These improvements translated into ridership gains, with Metro recording a significant ridership increase in 1976. Bell credited the increases to "a comprehensive marketing and consumer awareness program conducted during this period."²² The improved situation impressed riders.²³ One wrote in a letter to the *Star*: "The new Metro bus system has helped make Indianapolis a good place in which to live...The drivers are courteous, and so are the women who give schedule information by telephone. I hope many people in Indianapolis who have the car habit will try their local Metro lines."²⁴ A local television station produced a special mass transit report promoting transit as an alternative and a way to alleviate congestion and pollution.²⁵ The public image of mass transit was improving slowly in Indianapolis, largely as a result of the leadership of the IPTC Board and ATE.

²⁰ "1/2 Fare Bus Plan Begins Today for Aged, Impaired," *IS*, 6 July 1976.

²¹ *IPTC AR 1975*, 4. This is a note written by Emma Johnson that is included in the *Annual Report of 1975*.

²² *Ibid.*, 7.

²³ Art Harris, "Metro Improved, Riders Report," *IS*, 5 April 1976.

²⁴ Letter to the editor, "Try Metro," *IS*, 24 February 1976.

²⁵ Letter to the editor, "TV Show on Mass Transit Convinces," *IN*, 29 July 1976.

Two familiar problems challenged the leadership abilities of Metro. The first was financial. The aggressive efforts were costly and expenses exceeded expectations.²⁶

Controller Fred Armstrong observed

Looking at our financial condition, you will note that our revenues have increased approximately three percent (3%) and that our expenses, due to a high rate of inflation, have caused a greater increase in subsidy to the passenger fare revenues. Transit systems, in general, are not in a profit mode which puts a demand on governmental agencies to subsidize and support a public transportation system.²⁷

Armstrong's comments on subsidization were expected but the rise in expenses held serious consequences for the IPTC. Higher expenses could mean the curtailment of service and, in turn, undermine the effort to revitalize mass transit.

The second Metro problem only exacerbated the first. Metro's promising ridership gains fell short of expectations.²⁸ Metro projected a 5 to 7 percent increase for 1975, but only experienced a 4.3 percent increase. The "low-gear progress" disappointed Metro officials, who blamed, in part, Indianapolis residents.²⁹ Bell commented, "Apparently those who said a modern, publicly owned bus service would be a great idea really meant it would be a great idea for someone else."³⁰ The low ridership gains, despite aggressive marketing approaches and media support, indicate the community's lackluster desire for mass transit.

The future of Metro rested on the "willingness of the taxpayers to absorb the system's losses."³¹ Chairman of the Board Stanley Cederquist noted looming financial problems for 1977 and speculated that unless Metro received a "new and greater commitment from our revenue sources," there could be "highly visible" immediate

²⁶ Metro posted a \$2,846,768 loss before local and federal assistance, but even after subsidies Metro posted a \$870,687 net loss. A transit operating fund bore the brunt of the first year loss. Indianapolis Public Transit Corporation, *Annual Report of 1975*, 16.

²⁷ *IPTC AR 1976*, 3. Message from Controller Fred Armstrong.

²⁸ Howard Smulevitz, "Metro Needs More Riders – or Taxes," *IN*, 6 September 1976.

²⁹ *Ibid.*

³⁰ *Ibid.*

³¹ Editorial, "Empty Bus Seats," *IS*, 8 September 1976.

reductions in service and future curtailment.³² Local taxes were the revenue sources Cederquist highlighted. Metro hoped that taxpayers would be amenable to additional funds to buttress the low ridership numbers and spiraling operating costs. The IPTC proposed replacing the property tax with a payroll tax, levied on all Marion County employees and employers. The payroll tax would generate greater revenues and assist Metro in obtaining a larger federal match. The outcry of concerned suburban residents prevented the payroll tax from gaining steam in 1976. The failure of the payroll tax once again highlighted the political power of suburban interests and the weakness of urban politicians to support adequately the IPTC in its attempt to revitalize itself.

The major issue in 1976 was the first labor contract between IPTC and Local 1070. The two sides could not reach an agreement on the first full contract negotiated under public ownership. As Metro dealt with financial uncertainty, the two sides entered binding arbitration. The decision of the arbitration could determine the trend of labor wages for the IPTC and held significant implications for the immediate financial future of the IPTC.

“The Great Heel Flap”: Labor Relations Under Public Ownership

The third year of public ownership started inauspiciously. An unfortunate state error temporarily jeopardized state aid, which threatened federal transit funding, and could curtail transit service statewide.³³ Government financing compared poorly to similarly-sized cities like Louisville and Cincinnati.³⁴ The implications statewide meant a quick resolution to the state aid mess, but Metro still needed to save \$500,000, as operating expenses outpaced operating revenues. To counteract this trend, Metro cut a

³² *IPTC AR 1976*, 1. Message from Chairman of the Board Stanley Cederquist.

³³ “Matching Funds for Transit Eliminated from Indiana Budget,” *Passenger Transport*, 7 January 1977.

³⁴ Art Harris, “Mass Transit Aid Depends on State,” *IN*, Clippings File, IPTC, Indianapolis, IN.

service extension phase and reduced headway on some routes, allowing labor cuts through attrition.

Entering only its third year, Metro started to resemble ITS. The service cuts were exactly what politicians and transit supporters said would be reversed under public ownership. Management hoped the continued service expansion program and marketing would reverse the ridership trend and negative image. Reducing the expansion program signaled trouble for Metro. Clearly, increases in operating expenses hampered Metro's ambitious plans. There were bright spots, as Metro opened a new downtown service center and introduced a new monthly pass, both intended to provide better customer service.³⁵ Challenges presented themselves but Metro still maintained its fare despite the financial struggles.

The media evaluated Metro and wondered, "The question is not how to make Metro fiscally sound but, rather, providing through Metro the mass transit which this city needs and letting the general taxpayer help pick up the tab."³⁶ Subsidization was a sore topic. Persistent attacks from editorial cartoonists of both local newspapers highlighted the subject's sensitivity. Even more damaging was suburban influence over central-city decisions. As Mann noted, "Furthermore, for Indianapolis to abandon Metro would be a blow to its reputation as a city on the move and that, too, would not seem tenable."³⁷ What continued to save IPTC was its integral place in the definition of a successful metropolis.

One hurdle for IPTC was a new collective bargaining agreement between ATU Local 1070 and the IPTC. Section 13c mandated the continuation of existing bargaining rights but the foray into public ownership meant transit workers could no longer strike.³⁸

³⁵ "Metro Opening Service Center," *IN*, 23 February 1977.

³⁶ Wade Mann, "City Must Expect to Subsidize Metro," *IN*, 28 April 1977.

³⁷ *Ibid.*

³⁸ Barnum, *From Private to Public*, 80.

The inability to strike did not hinder Local 1070 because ATU historically encouraged arbitration settlements, even before public sector involvement. The simple reason was ATU's success in arbitration, accomplished through their philosophy: "(1) arbitration should be used only when it would result in the highest settlement possible; (2) it was necessary to clearly define and limit the issues to be arbitrated; and (3) the advocates presenting the case should be experts."³⁹ ATU's philosophy easily trumped management, who usually utilized local counsel and rarely cooperated with each other.⁴⁰ Simply, "Management unorganized [was] no match for labor organized."⁴¹

The ATE was anything but unorganized. Part of their contract included providing experienced negotiators for IPTC during contract disputes. The negotiations in the public sector were usually a formality:

The public manager must respond to two competing pressures. On one side, the workers pressure him to grant large wage increases, while on the other, the public pressures him to keep fares low and service up . . . the demands of the public are a very important consideration. The manager can solve his dilemma by agreeing to fact finding or arbitration. This allows the union to receive a competitive increase and allows the manager to direct public ire over a potential fare increase to a third party. Likewise, arbitration in particular is an easy way out for union negotiators. They can pass unreasonably high demands to please their members and direct blame for the "low" settlement on the arbitrator. Arbitration is also usually preferred to a strike, since it is normally less costly to union members, does not alienate the public against the union, and does not result in the permanent decline in passengers (and hence transit jobs) that often occurs after a strike.⁴²

Arbitration prevented costly strikes that could adversely affect a community.⁴³ Being the first real arbitration, these hearings had serious implications for the future of public

³⁹ Ibid., 52-54.

⁴⁰ Ibid., 50.

⁴¹ John F. Curtin, "Unity in Labor," *Mass Transportation* (September 1949): 55, as quoted in Barnum, *From Private to Public*, 69.

⁴² Barnum, *From Private to Public*, 98.

⁴³ State law and the agreement signed between ATU and IPTC prohibited strikes.

ownership. They also provide a rare glimpse into the working relationship between Local 1070 and management.⁴⁴

A rare incident of public visibility came from a newspaper article. For driver safety, Bell limited heel thickness to one inch for drivers. The union took exception and Bell's order became a contentious issue. Management exacerbated the issue when during a board meeting, "Byrum [IPTC general counsel] told Jackson [Local 1070 president] he was 'naïve' and his compliant over heel thickness was 'frivolous' and then delivered a parting shot to Jackson by saying, 'See you at the shoe store.' By this time Jackson was crimson."⁴⁵ The relationship between the young Jackson and veteran Bell had consequences for the firm.

The animosity clearly had consequences in regard to industrial relations because a tense working relationship increased the likelihood of arbitration instead of a contract negotiation.⁴⁶ Negotiations were an exercise in futility. Major concessions by management seemed unlikely with Metro's fiscal situation in flux. Union workers, however, wanted wages comparable to other transit properties. Local 1070 wanted a major pay increase, plus a long list of other additional concessions from the IPTC. The IPTC countered with several demands of its own, including several work rules changes. Local 1070 would not subsidize mass transit operations by taking pay cuts or sacrificing benefits.⁴⁷ As Barnum pointed out, the negotiations became an exercise in extremes, leading to binding arbitration.

Binding arbitration involved an impartial judge rendering a binding decision. The two sides choose representatives and then those representatives choose the final

⁴⁴ The limited commentary on the working relationship during private ownership was a direct result of a lack of sources.

⁴⁵ Art Harris, "Contract Talks Won't Halt Metro," *IN*, 1 November 1976.

⁴⁶ Perry and Angle, *Labor Management Relations*, chapter 5 passim.

⁴⁷ John M. Elliott, "Transit Workers Should Not Be Obligated to Subsidize Transit Managements' Financial Problems," *In Transit* 80, no. 11 (Dec., 1972): 5.

arbitrator, who also chaired the proceedings. Arbitration proceedings maintained courtroom formality. During the proceedings, each side presented an opening argument, rebuttals, and then a closing statement. The chair's role was to maintain decorum and settle procedural questions. The board's decision was final. In the case of Indianapolis, the IPTC chose John Dash and the union chose I.J. Gromfine. Dash and Gromfine chose Lewis Gill as the chair.⁴⁸ All three men were well-respected arbitrators and familiar with the issues of publicly owned systems.

In their opening arguments, each side delineated their demands. Among their demands, the union emphasized wage raises (75 cents every 6 months) and a better cost-of-living escalator.⁴⁹ Management emphasized changing numerous work rules and altering the existing wage scale progression as important cost-saving mechanisms. Wages and the cost-of-living escalator had the greatest implications. For union drivers, the proposed semi-annual wage increases and cost-of-living adjustment meant a better real wage.⁵⁰ Gromfine reflected on ITS' struggles and its impact on the union. Decreased service meant fewer union members and lower compensation compared to similar industries, like trucking.⁵¹ For the IPTC, increases meant a greater financial responsibility. In rebuttal, management put Indianapolis' situation in perspective. Now under public ownership, the IPTC struggled to balance the existing budget. The community, IPTC representatives argued, wanted no part of additional subsidization of IPTC. Any concessions by management would require either subsidization or efficiency cuts, neither which were viewed positively by Indianapolis residents.

⁴⁸ "Arbitration Proceedings between IPTC and ATU 1070," VanCamp Room, Stouffer's, Indianapolis, IN, March 7, 1977, vol. 1, 28, box 2, "1977 Labor Negotiations," Administration shelving area, IPTC, Indianapolis, IN.

⁴⁹ *Ibid.*, 35-40, box 2, IPTC.

⁵⁰ Ken Strobel, "Stop This Squeeze Play..." *In Transit* 81, no. 1 (Jan., 1973), 24.

⁵¹ "Arbitration Proceedings between IPTC and ATU 1070," vol. 1, 22-25, box 2, IPTC.

The arbitration continued for several days, involving hundreds of exhibits. For the most part, the proceedings consisted of debating over comparative methodology. Each side presented evidence that supported its argument or counter argument. Since transit was a monopolistic industry, arbiters used the top operators' wages nationally for comparison. Arbiters might utilize one group of transit systems, while another argued the same point but with a completely different group of transit systems, coming to a different conclusion. The union used intra-industry comparisons of comparable cities to Indianapolis while Dash, at times, used local wages of closely-related industries or a slightly different national sample.⁵² How each side used their comparables, including their methodology, determined the outcome of labor negotiations. As such, debates over methodology were contentious and evoked strong emotions from both sides.

Hostility brewed throughout the negotiations. For example, John Dash presented IPTC's problem with absenteeism before and after key holidays. IPTC hoped to solve the problem by preventing employees from taking sick days around key holidays without a doctor's note. The union vehemently denied an absenteeism problem, and Dash quipped, "Put away your fiddle, and let me say something."⁵³ A better example of the tense relationship occurred the following day, when Bell and the union representatives debated about the inclusion of secretaries in the collective bargaining unit. Bell expressed that secretaries should be excluded and Jackson retorted, "Everybody should, is that right? Everybody should be that way, is that right?"⁵⁴ Jackson's explosion represented his frustration towards management that he considered apathetic towards his union.

⁵² "Arbitration Proceedings between IPTC and ATU 1070," University Room, Marrott, Indianapolis, IN, March 23, 1977, vol. 8, 1166-1261, box 2, IPTC.

⁵³ "Arbitration Proceedings between IPTC and ATU 1070," University Room, Marrott, Indianapolis, IN, March 21, vol. 6, 774-896, box 2, IPTC.

⁵⁴ "Arbitration Proceedings between IPTC and ATU 1070," University Room, Marrott, Indianapolis, IN, March 22, vol. 7, 1075, box 2, IPTC.

Revelation of the working relationship aside, for the most part, experienced professionals conducted the actual arbitration hearings. The bottom line in the hearings was that Indianapolis wages lagged behind similarly-sized cities.⁵⁵ Company representative John Dash pleaded, “You can’t spend what you don’t have and the money is not available to continue what exists today. This is a fact.”⁵⁶ Typical transit labor negotiations favored the more centralized and organized labor unions. IPTC benefitted from the involvement of ATE, combined with the former ITS managers, brought more balance to the negotiations. The ruling had the potential to hinder the plans to restore mass transit as an alternative in Indianapolis.

As the arbitration concluded, the IPTC reintroduced the payroll tax to reinvigorate the struggling corporation. IPTC’s persistence for the payroll tax was due to the lack of available options. IPTC had maintained fares to help pay for expansion, tax rates were frozen, and the county option tax was a political nonstarter. Metro explained that a 30 percent cut in service would be necessary without the payroll tax. The Chamber of Commerce first suggested the payroll tax, “as a means of building a good working balance in Metro’s budget for the next few years, even though the immediate needs are for less than the \$2.2 million the 30 cent rate will bring.”⁵⁷ The payroll tax also drew additional support from the Coalition of Adequate Transportation, Deputy Mayor Hasbrook, and Yellow Cab.

The conservative *Star* opposed and argued that taxing companies would increase costs on goods and services within Marion County. Additionally, the *Star* found no equality in taxing out-of-county residents, who saw little benefit of the taxes.⁵⁸ The

⁵⁵ “Arbitration Proceedings between IPTC and ATU 1070,” University Room, Marrott, Indianapolis, IN, March 31, vol. 12, 1719, box 2, IPTC.

⁵⁶ “Arbitration Proceedings between IPTC and ATU 1070,” University Room, Marrott, Indianapolis, IN, March 23, vol. 8, 1137, box 2, IPTC.

⁵⁷ “Hearing Set Thursday on Metro Bus System Funding Proposal,” *IS*, 27 May 1977.

⁵⁸ “The Sting,” *IS*, 1 June 1977.

Star cartoonist, never missing an opportunity to lampoon the bus company, penned another cartoon over Metro's woes.⁵⁹ The *Star's* comments undermined mass transit as a public service while offering no alternative to a public mass transit company. The constant conservative commentary presented a significant hurdle for obtaining additional financial support.

Metro's financial situation became more tenuous with the decision by the arbitration board. Local 1070 was awarded \$483,000 in unbudgeted wages and benefits, which were 7 to 8 percent higher than 1977.⁶⁰ The award signaled a victory for organized labor even if the increases were less than union negotiators requested. Metro achieved minor victories, including the reduction of wages for new hires.⁶¹ The labor negotiations result benefited union members, even if they did not receive all their demands. Increased benefits and wages meant Metro managers needed to squeeze more service from fewer dollars. The new labor contract provisions limited the funding impact of the payroll tax.

Even if the payroll passed, Metro would need an additional funding source after 1978 to continue expansion.⁶² Unexpected cost increases, in conjunction with lower than expected ridership numbers, quickly hampered the optimism surrounding Metro. Parts of the private and public sector supported the payroll tax. The *News* supported the payroll tax as well but observed that, "With a future financial crisis guaranteed, Metro

⁵⁹ "What a Drag," *IS*, 1 June 1977.

⁶⁰ Basic wages moved from \$5.80 on Jan 1, 1977 to \$6.50 on Jan 1, 1978 and then to \$6.60 on July 1, 1978, including a cost of living escalator. The union was granted four raises over the period of the contract, totaling 80 cents, in addition to a night shift differential, and higher insurance benefits.

⁶¹ Howard Smulevitz, "Metro Drivers Awarded \$483,000 Benefits," *IS*, June 7, 1977; Art Harris, "Bus Contract Spelled Out," *IN*, 7 June 1977.

⁶² Hugh Rutledge, "Tax for Metro Aid Likely," *IN*, 14 June 1977; "Merchants Group Indorses Payroll Tax for City Metro," *IS*, 15 June 1977; Howard Smulevitz, "Proposed Metro Bus Tax Backed by 2 Council Units," *IS*, 8 June 1977.

has become a self-fulfilling prophecy.”⁶³ The decision by the State Tax Board to limit the funding of Metro had proved catastrophic but the *Star* laid the blame on management:

There surely ought to be a promising future for mass transit in this thriving and growing community. The promise lies in luring more people away from the convenience of their increasingly costly private automobiles. Metro managers have taken some measures to try to do that, and with some success. They should keep trying.⁶⁴

Suburban residents and legislators agreed. Both blasted the measure as taxation without representation and letters to both Indianapolis newspapers reflected that attitude.⁶⁵ Despite support from a broad spectrum of Indianapolis groups, the payroll tax fizzled.

Although public officials argued unfamiliarity with the new tax was the reason for its failure, a newspaper report revealed an alternative story. Art Harris’ sources revealed that suburban politicians threatened to prevent any Marion County legislation from passing in the State General Assembly if the City-County Council passed the payroll tax.⁶⁶ The *News* denounced the caving of urban politicians to suburban pressures and tied the success of mass transit to the success of the city. State Senator Julia Carson agreed and called for reconsideration for transit captives.⁶⁷ The same editorial commented: “Logic suffered at the hands of political expediency, ignorance...and indecisive leadership.”⁶⁸ Mayor Hudnut was likely the “indecisive leadership” cited in the *News* editorial. Hudnut waited until after the vote to voice his opposition, calling the tax an administrative nightmare.⁶⁹ The defeat of the payroll tax was another defeat in the growing number of frustrations for the IPTC.

⁶³ Teryl Zarnow, “The Testimony of An Easy Rider,” *IN*, 10 June 1977.

⁶⁴ Editorial, “For Metro’s Future,” *IS*, 9 June 1977.

⁶⁵ Hugh Rutledge, “Tax for Metro Aid Likely,” *IN*, 14 June 1977; Letter to the editor, “Against Buses, Against Taxes,” *IN*, 17 June 1977.

⁶⁶ Art Harris, “Councilmen Got Bus Tax Message,” *IN*, 20 June 1977.

⁶⁷ “Council Urged to Reconsider Rejection of Metro Bus Tax,” *IS*, 18 June 1977.

⁶⁸ Editorial, “The Metro Muddle,” *IN*, 17 June 1977.

⁶⁹ “Metro Bus Cautioned on Service,” *IS*, 17 June 1977.

Metro's financial issues remained. Reacting, the *Star* editorial board focused on finding alternative funding and lamented Metro's service cuts. Just shortly after opposing the payroll tax, the *Star* commented, "If the need for additional aid is as urgent as it has been said to be, the city should look hard for a reasonable way to meet it."⁷⁰ With few options, Metro even placed flyers on their buses, pleading for riders to lobby their councilmen.⁷¹ Another alternative could have been concessions on recently won wages and benefits. Thomas Jackson responded: "At no time [should] you think this union is going to subsidize the operational costs."⁷² Despite Hudnut's opposition to the payroll tax, he promised city funds to cover the operating deficit. The City-County Council delivered on his promise, sending \$250,000 in federal revenue sharing dollars.⁷³ The *News* was encouraged by Metro's progress but noted that the amount provided was a temporary solution.⁷⁴ For mass transit to be successful, funding needed to be adequate and stable.

The Metropolitan Development Commission (MDC) and the GIPC hoped upgrades would encourage ridership and prompt better funding. In an updated thoroughfare plan, the MDC called for \$38 million in transit upgrades, including express bus routes.⁷⁵ Metro planned for the future as well, which led them to offering an unlimited monthly ride ticket, with the idea to sell employers on the monthly pass. The employers would in turn sell the tickets at a reduced rate to employees, further encouraging mass transit.⁷⁶

⁷⁰ Editorial, "Help for Metro," *IS*, 18 June 1977.

⁷¹ Howard Smulevitz, "Metro Makes Bids for Funds, Riders," *IS*, 5 July 1977.

⁷² Art Harris, "Bus Union 'Won't Give up Raises,'" *IN*, 22 June 1977.

⁷³ Howard Smulevitz, "Hudnut commits City to Give Metro Support If Necessary," *IS*, 22 June 1977; "Hudnut to Ask City-County Council for Metro Funds," *IS*, 10 July 1977.

⁷⁴ "Council OKs Bus Subsidy," *IN*, 23 August 1977.

⁷⁵ "Plans Unit OKs Transit Blueprint," *IN*, 22 September 1977.

⁷⁶ "Metro's Plan for More Riders," *IN*, 14 December 1977.

The future did not seem as bright as it did just two years earlier. The momentum and optimism during the initial months of public ownership quickly faded as ridership numbers failed to meet expectations and deficits soared. The IPTC encountered annual fights over financing, largely losing due to the increased political power of wealthy commuting suburbanites who were unwilling to pay for the new public service. State Senator John Mutz (R-Indianapolis) seemed to strike the heart of the matter when he noted, "This city has an obligation to keep the present bus system fiscally sound because we will need a viable system in the future."⁷⁷ Public transit was not "now," but maybe could be tomorrow. The IPTC should be maintained, not expanded, reflecting the apathy of the community towards transit, a result of two factors: the automobile culture and the poor public image developed by the private owners, ITS especially.

Frustrated Fight, 1978-1980

Three numbers illustrated the tumultuous first five years of public ownership: 13,554,499; 51,932; \$1,172,778. The first number is 1978 ridership. Metro added 613,405 riders from 1975 to 1978, a meager number considering the company's aggressive plans. The second number is daily ridership in 1978 – nearly 6,000 more daily riders than in 1975. This number indicated a growing regular ridership, a positive sign. The third number is far more revealing. After federal and local assistance, the loss in 1978 was \$1,172,778, slightly higher than the \$870,687 recorded in 1975.⁷⁸ The numbers were not as positive as hoped and it was largely a result of unexpected cost increases and politicians' refusal to pass the payroll tax because of suburban pressure. Metro remained unfazed and continued its improvements. They introduced a successful route connecting IUPUI and downtown, funded in part by downtown merchants.⁷⁹ Metro

⁷⁷ Ibid.

⁷⁸ *IPTC AR 1978*, 1-6, IPTC.

⁷⁹ "Metro's IPI-Downtown Shuttle Early Success," *IS*, 22 February 1978; "Another Promising Step?" *IS*, 22 February 1978.

continued its marketing efforts but there were critics.⁸⁰ Governor Bowen's transportation advisor, William Watt, critiqued the advertising job of Metro up to 1978, commenting that IPTC was doing a rotten job and that the optimism and promises of the development of mass transit in the 1970s was nothing but hot air.⁸¹ Metro struggled and reintroduced the payroll idea in mid-1978. Hudnut and the *Star* opposed the proposed tax, as evidenced by Figure 5.⁸²

The 1978 payroll tax proposal occurred before a 1979 oil shortage that forced Indianapolis to promote transit use, briefly quieting the opposition of the payroll tax. The energy shortage caused a transit ridership hike nationwide. In cities like Chicago, New York, and Philadelphia, riders jam-packed subways and buses. A dearth of investment in mass transit had left the equipment old and transit companies were overwhelmed by the demand created by the oil shortage. There was an adequate amount of buses in reserve in case of a ridership jump for Metro. Indianapolis made its own case for increased investment with a 6 percent ridership gain over 1978.⁸³

Some notable changes occurred near the end of 1979. Bell left Metro and was replaced by the much younger Robert Lorah. Bell's lost experience could be compensated for by ATE's structure.⁸⁴ Second, the Metro board attempted to redefine monthly pass revenue as local funding, in an attempt to obtain additional federal funding.⁸⁵ The tactic failed but showed the lengths with which Metro went to obtain additional funding for the system. Third, Metro learned that a zoo, part of a new state park, would replace its existing facilities. It was an ambitious plan to reinvigorate

⁸⁰ "Get It On," *Indianapolis Home and Garden*, May 1978.

⁸¹ "Public Transit Needs to 'Advertise': Watt," *IN*, 13 October 1978.

⁸² Werner, "Piggyback!" *IS*, 7 June 1978.

⁸³ Robert Bell, "Fuel Pinch Causing Metro Ridership Hike," *IS*, 23 May 1979.

⁸⁴ "Metro Head to Help Build Saudi Transit," *IS*, 13 July 1979.

⁸⁵ "Metro Transit Officials Approve 'Private Contribution Program'," *IS*, 19 September 1979.

downtown. The plan included no funds for a replacement facility. Metro would be moved and become homeless.⁸⁶

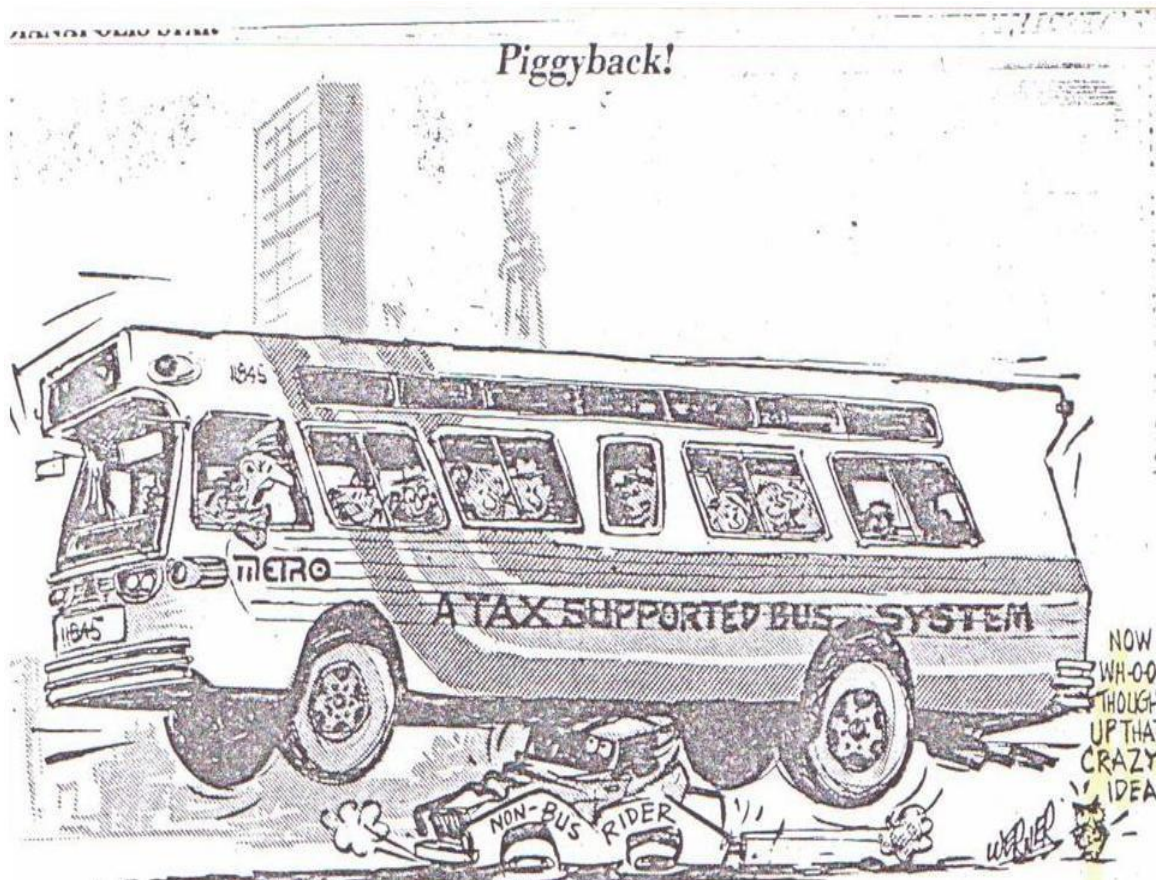


Figure 5. "Piggyback!" Another editorial cartoon opposing the idea of a publicly owned bus system, sparked by new calls for a payroll tax. *IS*, 7 June 1978.

Over 14 million passengers enjoyed Metro's services in 1979, a 4.1 percent increase over 1978.⁸⁷ Metro's popularity became a problem as riders overwhelmed existing buses. Increased peak hour passengers meant the increased possibility of standing riders, or "straphangers."⁸⁸ Metro essentially shrugged off the many customer complaints: "We're going to have a whole new generation of straphangers in Indianapolis."⁸⁹ Straphangers were common in the heyday of mass transit and

⁸⁶ Art Harris, "Metro Cool on Park Plans," *IN*, 28 November 1979.

⁸⁷ "Metro Mark Best in 20 Years," *IN*, 17 January 1980.

⁸⁸ Straphanger is an industry term and refers to riders who had to stand and hang on the straps.

⁸⁹ Eric Schoch, "Crowding on Buses to Stay," *IS*, 28 April 1980.

contemporary executives considered them an indication of prosperity. For choice riders, strap hanging was intolerable and compared poorly to the comforts of the automobile. Indianapolis residents, accustomed to their own automobile, would likely not continue to ride mass transit if they could not find a seat. Metro's success prompted calls for an expanded mass transit system, including light rail. The national outlook on rail transit splashed water on those ideas.⁹⁰ Rail transit programs were struggling across the United States and these struggles were highly publicized. Recent successes aside, the Indianapolis sentiment remained wary of mass transit.

Into the Future

The first five years of public ownership provided a roller coaster ride for those involved. For five years, Metro management faced one problem after another while managing to build slowly a ridership base in Indianapolis. The future looked bleak. Metro could not muster enough political support for a needed revenue boost and expenses climbed faster than projections, a sure recipe for future financial crises.

Table 2 below displays the quantitative successes and struggles Metro experienced during the first five years of public ownership. Metro's passenger count increased by nearly 2.1 million riders annually while expenses nearly doubled. Only through subsidies could Metro continue to operate buses around Indianapolis. Statistically, it seemed as though Metro was a mixture of success and failure.

Metro underwent several changes between 1980 and 2007, but ridership and funding issues remained. The construction of the Indianapolis Zoo in the White River State Park forced ITS to move its headquarters. Metro's equipment replacement program continued until 1987, when the company took a ten-year hiatus largely as a

⁹⁰ Harvey Jacobs, "The Mass Transit False Alarm," *IN*, 24 April 1980.

Year	Passengers	Revenues	Expenses	(Loss) before local and federal assistance	Net (loss)
1975	12,941,094	\$5,554,312	\$7,780,683	(\$2,857,952)	(\$870,687)
1976	13,271,933	\$5,718,273	\$9,402,205	(\$4,650,014)	(\$1,382,063)
1977	13,242,745	\$5,619,024	\$9,799,831	(\$5,251,726)	(\$1,061,246)
1978	13,554,499	\$5,885,944	\$10,643,660	(\$5,863,693)	(\$1,172,778)
1979	14,089,501	\$6,217,637	\$12,119,867	(\$6,886,489)	(\$1,430,178)
1980	15,022,585	\$6,137,428	\$13,996,680	(\$8,840,388)	(\$852,885)

Table 2. IPTC Operating Statistics, 1975 to 1980. Information obtained from *IPTC AR 1975-1980*.

result of funding problems. Despite the issues with funding, Metro maintained a reasonable fare level, with fares reaching \$1.75 in 2007. Changing political winds brought the idea of privatization. Stephen Goldsmith became mayor in 1991 and decided to shake up the system. He replaced its attorney, the chairman of the board, and several board members. “In three years all pre-takeover managers and key support people were gone, along with their expertise.”⁹¹ IPTC had fallen into a rut but the lost operational knowledge of former ITS managers and support staff could not easily be replaced. The replacements provided limited improvement, although Metro experienced its first passenger increase in a decade in 1994.⁹²

Goldsmith hogtied Metro further when he persuaded state lawmakers to divert Metro’s portion of the state sales tax dedicated to transit to Indianapolis. Metro needed to bid for everything but heaviest weekday routes. Goldsmith expected this bidding strategy to force Metro to become thrifty. Local 1070 recognized a dire situation and agreed to a new contract that froze wages for three years and offered early retirement

⁹¹ Miller, “Indianapolis – The Metro Era,” 33.

⁹² *Ibid.*, 34.

that 50 employees accepted. Metro won but a new agency was created to oversee all transportation operations. The organization set out to revamp Metro, including a new name: IndyGo. The major revamping sparked public outrage when the plans hit the media. Indianapolis scrapped everything but the new name. Goldsmith's privatization efforts subsided in 1999 and all privatized routes folded back under the IPTC. The IPTC still operates today, although ATE no longer manages the system.

David Miller captured the essence of Metro in one simple phrase: "By now it was a matter of coping with a mixture of growth and decline."⁹³ This did not have to be the case. Portland, Oregon found success in their Smart Growth strategy, increasing transit's visibility, accessibility, and commuter share.⁹⁴ Public management in Indianapolis tried every conceivable tactic to obtain political and financial support. Conservative politics and media in Indianapolis, however, discouraged increased mass transit investment while encouraging downtown investment. Paltry private sector support between 1975 and 2009 has hampered efforts to improve mass transit. These outside factors contributed to the erosion of the fresh optimism of Metro and the continued marginalization of mass transit in Indianapolis.

⁹³ Ibid., 27.

⁹⁴ Jones, Jr., *Mass Motorization*, 157-160.

Conclusion

“Transit is identified as the transportation of the poor, the black, and the Hispanic. Transit is not part of the American dream; it is not viewed as the transportation for the upwardly mobile.”¹

-- George Smerk, 1991

Public ownership of mass transit is an overlooked, but important piece, of the changing cultural and social trends in postwar America. The purchase was recognition that mass transportation was a necessary public service; no resident should be deprived of that civil right. Grassroots movements recognized the crisis of mass transit and pleaded for government action but it was only when urban planners and engineers published reports that civic leaders responded to the crisis by purchasing ailing transit companies. These new public corporations rarely received adequate money to revive mass transit but the purchase saved mass transit

In general, transportation experts considered public ownership a failure of expectations. George Hilton, a persistent UMTA opponent, concluded ten years after its passage that the federal program failed to generate expected externalities, especially increased mobility for transit captives.² Fare decreases meant to encourage ridership contributed to spiraling deficits but failed to boost ridership significantly.³ Pucher blamed the federal subsidy formula and declining labor productivity and rising labor costs.⁴ According to Hilton, the failure was a result of a misinterpretation of transit's decline, a criticism shared by most scholars. This misinterpretation maintained the protection of work rules in the transit industry, a protection guaranteed by UMTA. Subsidies propped

¹ Smerk, *Federal Role in Urban Mass Transportation*, 265.

² George Hilton, "The Urban Mass Transportation Assistance Program," in *Perspective on Federal Transportation Policy*, edited by James C. Miller, III, (Washington, D.C.: American Enterprise Institute for Public Policy Research, 1975), 133-143. Successful amelioration of these externalities was due to other means. For example, increased automobile ownership lessened the immobility of the urban poor and new pollution controls lessened urban pollution. Pucher attributed the deficits to higher federal operating subsidies and the poor financial condition in states with rapid transit systems.

³ Despite the real transit fare falling by 34% from 1970 to 1980, there was only a 6% rise in ridership. John Pucher, "A Decade of Change for Mass Transit," 6-7.

⁴ Ibid.

up an industry that needed an overhaul, not an infusion of federal money predicated on maintaining a self-defeating status quo. The cost-benefit analysis applied to UMTA suggested that program was a failure – high operating deficits, few new riders, and the failure to diminish certain externalities.

George Smerk challenged economists who dismissed the federal program as a failure based upon cost benefit analysis. Smerk argued that applying the cost benefit analysis to transit was ill-conceived, especially considering factors outside transit's control that encouraged suburbanization and automobile dependence.⁵ Federal policy, and public ownership, failed to transform transit's image, continuing the perception of transit, especially exclusively bus systems, as transportation of the poor and not the upwardly mobile.⁶ Localities failed to redefine the image of transit, to increase substantially the number of transit riders, and to reshape American cities.

Smerk placed the blame squarely on the failure of public transportation corporations to transform transit's image and create good will in the community. With the eradications of Federal operating subsidies under Reagan, the firms required more local assistance. Even with the subsidies and aggressive marketing campaigns, the industry failed to “institutionalize transit as a vital part of the community.”⁷ Communities remained tied to the notion of transit as a private, for-profit service that should rely on user fees not local subsidies.⁸ Judgment on UMTA is then a matter of perspective; UMTA preserved transit systems, raised public awareness, and provided new hardware and fixed facilities.⁹ While Smerk remained hopeful that mass transit could eventually become an alternative, he recognized that the statistics for the federally funded “revival” of mass transit indicated a clear policy failure.

⁵ Ibid., 286-287.

⁶ Ibid., 264-265.

⁷ Smerk, *Federal Role in Urban Mass Transportation*, 196.

⁸ Ibid., 196.

⁹ Ibid., 289.

Historians were just as pessimistic about UMTA's results and the future of public transportation in the United States. Glenn Yago criticized the federal subsidy formula, limited subsidization, and the hidden expense of highways in *The Decline of Transit* (1984).¹⁰ The fare growth and ridership decline in the 1980s concerned Yago, who pointed towards increased automobile reliance as reason for a decline in transit investment and opposition to transit subsidies.¹¹ Yago believed balanced transportation was the recipe for a healthy urban environment and considered transit part of the solution for infrastructure and mobility problems.¹²

The most recent discussion of public ownership occurred in *Mass Motorization and Mass Transit* (2008), written by David Jones, Jr. His discussion of public ownership is quite extensive. He concluded that,

With hindsight, we can say that public ownership and reinvestment were necessary but insufficient to restore transit's competitiveness. Missing was any serious effort to reorganize street transit in the process of its conversion to public ownership. . . Federal funding made a soft landing possible for transit, but the decades that followed have produced neither vigorous recovery of central city ridership nor a broadly based increase in transit rides per capita or transit's commute share.¹³

Jones laid his criticism directly upon the misinterpretation by the government of the causes of transit's decline. Instead of tackling the fare structure, work rules, and service mix, Congress appropriated money towards capital expenditures and guaranteed the preservation of work rules under Section 13c. Public ownership failed to attract significant ridership gains and Jones highlighted four specific reasons for its failure:

Gains in market share have proved elusive for four primary reasons. One is that federal policy was premised on the historically faulty proposition that transit's difficulties were the result of unbalanced public policy, a premise that ignored the many forms of obsolescence that plagued the transit industry by 1945 and the financial difficulties it had experienced

¹⁰ Glenn Yago, *The Decline of Transit: Urban Transportation in German and U.S. Cities, 1900-1970*, (New York: Cambridge University Press, 1984), 192.

¹¹ *Ibid.*, 195.

¹² *Ibid.*, 212-213.

¹³ Jones, *Mass Motorization*, 138.

since World War I. Another reason that gains in market share have proven elusive is that the population of the central cities has declined both in absolute terms and as a share of the national population. The third reason is that the sunbelt's share of the national population has increased, while the share of the population that lives in the frostbelt's transit-oriented industrial centers has declined sharply. The fourth reason is that increasing women's participation in the workforce has enabled an increasing number of households to afford both a second car and a suburban home. For all of those reasons, public ownership and federal investment have been unable to produce any broadly based or sustained increase in either transit rides per capita or transit commute share.¹⁴

Jones' conclusion matched those of Pucher, Yago, and Smerk. Jones placed the blame on Congressional zeal and changing social and cultural trends; transit management held little blame in Jones' text. In fact, Jones placed transit managers as victims rather than ineffective actors. The statement that resounds from Jones was that, "The unfortunate consequence is that transit's conversion to public ownership was missed as an opportunity to modernize and reorganize public transportation in more than cosmetic ways."¹⁵ Jones' analysis kept the historiography of public ownership nearly consistent. Public ownership prevented an industry from near eradication but fell short of all Congressional expectations.

The most important characteristic of public ownership was the sustainability of mass transit. An existing bus system could be the groundwork for a larger transit revival when public consciousness about energy use, land use or a combination of either increased to a point that the community considered a more balanced transportation network, including a comprehensive mass transit system. Indianapolis residents expected an expanded system, a system that emphasized residential mobility, not shareholder profitability. In some ways, the public system met those expectations. New buses, new bus shelters and expanded routes were a direct result of the influence of

¹⁴ Ibid., 139.

¹⁵ Ibid., 140.

public subsidies. The injection of public monies failed to overturn the status quo of mass transit in Indianapolis. Initial success met with increased costs and little community support, especially in regards to higher subsidies. The IPTC did not develop the community support necessary to convince politicians to increase its subsidy. Continued automobile ownership and population dispersal hurt IPTC ridership numbers. By 2007, annual ridership was only 10 million, a loss in annual ridership of 5 million since 1980.

Public ownership was a failed attempt at creating an urban identity. Indianapolis politicians and residents passed up the opportunity to redefine their urban area and their identity, much as Atlanta tried to do with the Metropolitan Atlanta Rapid Transit Authority (MARTA).¹⁶ Politicians disregarded the benefits of an expanded mass transit system, despite evidence from their own studies, instead continuing to rely on the personal convenience of the automobile.¹⁷ Indianapolis politicians, especially then Mayor Richard Lugar, were trying to create an identity for Indianapolis. Lugar's administration realized Indianapolis would lose national credibility without universal mobility. Mass transit was part of the identity of a major metropolitan area in the United States.

The decline of the private mass transit corporation provided the opportunity for an informed public discussion on Indianapolis' transportation future. The media attention, combined with myriad of government studies, allowed Indianapolis residents the opportunity to become more acquainted with the complex issue of urban transportation. Political apathy and little public will resulted in a squandered opportunity and the continuation of mass transit in Indianapolis as a skeleton system.

The blame for mass transit's failure to transform itself could lay on the early opportunities for municipalities. Streetcar companies struggled with high debt loads but

¹⁶ Paul E. Potter, "Urban Restructuring: One Goal of the New Atlanta Transit System," *Traffic Quarterly* 33, no. 1 (Jan., 1979), 48.

¹⁷ Coeller, "From Railways to Highways," 112-116.

ridership was high and companies would have required little subsidy.¹⁸ The prevailing *laissez-faire* economic theory and anti-socialist sentiment led to a very outspoken opposition to public ownership in the early part of the twentieth century. Forced public ownership characterized the period between 1950 and 1980 and, with some exceptions, systems created during this period, despite high expectations, have hardly increased transit's commute share.¹⁹

A growing public consciousness of the disenfranchised manifested itself in public ownership and subsequent decisions by the public corporation. Discounted fares for senior citizens, Dial-A-Ride and the federal requirement for handicapped accessible buses are all reflections of the heightened social awareness of the rights of the disenfranchised. Private owners faced little market pressure to enact any of these changes. In Indianapolis' case, the state regulatory agency protected the private transit company from having to provide reduced fares for the disabled and the elderly.

Public ownership became part of the tail-end of a national movement for urban revival. Using a public-private partnership, the program sought to remove blight areas and revive downtown areas. Indianapolis achieved a considerable amount of success in its downtown revival program, mainly through the construction of a downtown shopping center, multiple sports arenas and an urban university. Indianapolis has continued to grow, but mainly on the periphery in places like Zionsville, Carmel, Noblesville and Fishers. The continued sprawl of Indianapolis has hindered Metro's ability to sustain or grow ridership numbers. The success of downtown Indianapolis indicates that a comprehensive mass transit system is unnecessary for downtown revival.

Labor's relative invisibility in Indianapolis is a consequence of few primary documents, not its influence. Nationally, organized labor leveraged its significant

¹⁸ Smerk, *Federal Role in Urban Mass Transportation*, 347.

¹⁹ Jones, *Mass Motorization*, 167-170.

political influence within the industry to include labor protection in the Urban Mass Transportation Act of 1964. Public corporations needed organized labor's approval prior to obtaining federal monies. The absence of a highly publicized labor opinion in the media could reflect the local's disorganization or inability to muster public opinion. The power of the national unions covered the stumbling of the local chapter and allowed labor to obtain wage concessions from management. In the case of Indianapolis, significant financial restraints of the system did not prevent the arbiter from awarding labor some of their demands. Labor's role in the transition is unquestionable. Organized labor fought successfully for continuing the rights won under private ownership.

ITS management deviated from the generalized notion of incompetent management. Frederick Johnson and his techniques sustained mass transit in Indianapolis years after other transit companies in similarly sized cities failed. His techniques left the Indianapolis public with old, but well-maintained buses and facilities, which allowed for gradual replacement instead of a wholesale replacement. The community criticized ITS management for being conservative but their business techniques allowed the IPTC to inherit a well-maintained fleet and good facilities.

Circumstances forced political decisions to purchase ITS but the decision reflected the growing political consciousness about the community's responsibility to the disenfranchised. Handicapped, the elderly and the poor required transportation but lacked access to the automobile; these population segments necessitated mass transit as a public service. Politicians disliked subsidizing a historically private enterprise relying on user fees. The general community refused to consider mass transit a public service, continuing to utilize the term "deficit" and becoming outraged when the enterprise does not breakeven.

Public ownership is a microcosm of historical changes in twentieth-century America. A once proud industry was a victim of nearly every major event in post-war America. The increase of public sector unionism, inflation, automobile dominance, suburbanization, increased federal spending, and the decline of the central city all greatly impacted transit. The failure of public ownership to redefine urban transportation was a missed opportunity for Indianapolis and many other American cities. The new public corporations provided a usable service for urban residents and continued the necessary service. The recognition of transportation as a civil right, requiring subsidy, is the legacy of public ownership.

GLOSSARY

Absenteeism – unjustified failure to report to work when scheduled.²⁰

Arbitration – a method of settling disputes between labor and management through recourse to an impartial third party, whose decision is usually final and binding.²¹

Bargaining —

Collective – negotiation between an employer and union representatives usually on wages, hours, and working conditions.

Joint – the negotiation of an agreement between two or more unions and a single employer.²²

Bargaining right – the legally recognized right of a union to represent workings in dealings with employers.²³

Captive transit rider – a person who does not have immediate access to private transportation or who otherwise must use public transportation in order to travel.²⁴

Cost-of-living allowance – a regular increase in employee's' wages or salaries made on the basis of an escalator clause or other agreement.²⁵

Disadvantaged, transportation – people whose range of transportation alternatives is limited, especially in the availability of relatively easy-to-use and inexpensive alternatives for trip making, e.g., the young, the elderly, the poor, the handicapped, and those who do not have automobiles.²⁶

Escalator clause – a provision in a labor agreement that stipulates that wages are to be automatically increased or reduced periodically according to a schedule related to changes in the cost of living as measured by a designated index or other standard, e.g., average earnings; may also apply to any tie between employee benefits and the cost of living, as in a pension plan.²⁷

Expenses—

Operating – the cost of maintaining property and conducting transportation and incidental services, including accrued depreciation.²⁸

²⁰ Transportation Research Board, *Glossary of Urban Public Transportation Terms*, Special Report 179 (Washington, D.C.: National Academy of Sciences, 1978), 4. All definitions are verbatim from source.

²¹ *Ibid.*, 4.

²² *Ibid.*, 5.

²³ *Ibid.*

²⁴ *Ibid.*, 8.

²⁵ *Ibid.*, 10.

²⁶ *Ibid.*, 11.

²⁷ *Ibid.*, 13.

²⁸ *Ibid.*

Transportation – cost of drivers' wages, wages and salaries of other employees in the transportation department, motor fuel and oil costs (exclusive of taxes), and tolls for the use of highways, bridges, tunnels, and ferries.²⁹

Fare – the authorized payment for a ride on a passenger vehicle, whether cash, token, transfer, or pass.

Average – the arithmetic average of all fares paid by all passengers, including those who received special or reduced fares.

Basic – the one-zone fare with no discounts, i.e., what it costs an adult paying a single cash fare to take a one-zone ride.

Reduced – a special fare for children, students, senior citizens, or others that is less than the regular fare.³⁰

Fringe benefit – a supplement to a worker's wages or salary that is paid for by the employer, e.g., paid vacations, pensions, health and life insurance plans.³¹

Grievance – any complaint or dissatisfaction expressed by an employee in connection with his job, pay, or other aspect of his employment.³²

Grievance procedure – a formal plan specified in a labor agreement that provides a channel for the adjustment of grievances through discussions at progressively higher levels of authority in the company and the union, usually culminating in arbitration if necessary; formal procedures may also be provided in nonunion companies, but there is no union to represent the workers.³³

Headway – the spatial distance of time interval between the front ends of vehicles moving along the same lane or track in the same direction.

Base – the scheduled time between transit vehicle trips during an off-peak (usually midday) period.³⁴

Marketing – the performance of business activities that directs the flow of goods and services from producer to consumer or user.³⁵

Mediation (conciliation) – an attempt by a third party to help in negotiations or in the settlement of a dispute between an employer and a union through suggestions, advice, or other ways of fostering agreement short of dictating its provisions (a characteristic of arbitration); most of the mediation in the United States is undertaken through federal and state mediation agencies.³⁶

Off peak – a period of day or night during which travel activity is generally low and a minimum of transit service is operating.³⁷

²⁹ Ibid.

³⁰ Ibid., 14.

³¹ Ibid.

³² Ibid., 15.

³³ Ibid.

³⁴ Ibid.

³⁵ Ibid., 19.

³⁶ Ibid.

³⁷ Ibid., 22.

Operator – an employee of a transit system who spends his or her workday in the operation of a vehicle, e.g., bus driver, streetcar motorman, trolley coach operator, cable car gripman, rapid transit train motorman, and conductor.³⁸

Paratransit – forms of public transportation services that are more flexible and personalized than conventional fixed-route, fixed-schedule service but not including such exclusory services as charter bus and exclusive-ride taxi; vehicles are usually available to the public on demand, by subscription, or on a shared-ride basis.³⁹

Park and ride (park ‘n’ ride) – a procedure that permits a patron to drive a private automobile to a transit station, park in the area provided for that purpose, and ride the transit system to his or her destination.⁴⁰

Passenger – a person who rider a transportation vehicle, excluding the driver or the crew members of a public transportation vehicle

Revenue – a passenger from whom a fare is collected

Transfer – a passenger who transfers to a line or route after paying a fare on another line or route.

Patronage – the number of transit passengers carried during a given time period.⁴¹

Peak – the hours, usually in the morning or afternoon, when demand for transportation service is heaviest.⁴²

Peak hour – that hour during which the maximum amount of travel occurs; may be specified as the morning peak hour or the afternoon or evening peak hour or as both combined.⁴³

Productivity – the ratio of unites of output to units of input, e.g., vehicle-kilometers per operator-hour.⁴⁴

Ratio —

Operating – the ratio of operating expenses to operating revenue.⁴⁵

Revenue —

Federal operating assistance – funds obtained from the federal government to assist in paying the cost of operating transit services.⁴⁶

Local operating assistance – funds obtained from local government units to assist in paying the cost of operating transit services, excluding assistance-in-

³⁸ Ibid.

³⁹ Ibid., 23.

⁴⁰ Ibid.

⁴¹ Ibid., 24.

⁴² Ibid.

⁴³ Ibid.

⁴⁴ Ibid., 25.

⁴⁵ Ibid., 26.

⁴⁶ Ibid., 27.

kind and forgiven indebtedness but including grants and reimbursements for general operating assistance, demonstration project assistance, fare subsidies, tax payments, and interest payments.

Regular passenger – revenue received from regular passenger operations, including special fare subsidies received to make up reduced fares (e.g., for school children or senior citizens) but excluding revenue received from charter operations.

State operating assistance – funds obtained from one or more state governments to assist in paying the cost of operating transit services, excluding assistance-in-kind and forgiven indebtedness.⁴⁷

Reverse commute – movement from a residence to a place of employment in a direction opposite to the main flow of traffic, such as from the central city to a suburb.⁴⁸

Rider – a passenger on any revenue-service vehicle.

Captive – a person limited by circumstances to use one mode of transportation

Captive transit – a person who does not have a private vehicle available or cannot drive for any reason and who must use public transportation in order to travel.

Choice – a rider who has a variety of modes of travel available and selects one to use.⁴⁹

Ridership – the number of persons using a transit system within any given period (expressed as hourly, daily, or yearly ridership).⁵⁰

Right to strike – the right of employees represented by a collective bargaining unit to engage in a work stoppage if negotiations reach an impasse (in most states this is not applicable to public transit system employees, i.e., it is illegal for such employees to strike the publicly owned system that employs them).⁵¹

Route – 1. The geographical path followed by a vehicle or traveler from start to finish of a given trip; several routes may traverse a single portion of road or line. 2. In traffic assignments, a continuous group of links that connects two centroids, normally the path that requires the minimum time to traverse.⁵²

Run – 1. The trip of a transit vehicle in one direction from the beginning of a route to the end of it. 2. A transit driver's assignment of trips for a day of operation.

Base (straight run) – a regular run that has no unpaid breaks and is normally 8 h in duration.⁵³

Section 13c – a section of the Urban Mass Transportation Act of 1964 related to labor protection that is designed to protect transit employees against any worsening of

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Ibid.

⁵⁰ Ibid.

⁵¹ Ibid.

⁵² Ibid., 28.

⁵³ Ibid.

their position with respect to their employment as a result of assistance granted to any organization under the provisions of the act.⁵⁴

Stop – a waiting, boarding, and alighting area, usually designated by distinctive signs and by curb or pavement markings.⁵⁵

Strike (walkout) – a temporary stoppage of work by a group of employees (not necessarily members of a union) that is designed to express a grievance, enforce a demand for changes in the conditions of employment, obtain recognition, or resolve a dispute with management.

Wildcat – a strike that is not sanctioned by the union and that violates an agreement.⁵⁶

Transit, public (mass transit) – passenger transportation service, usually local, that is available to any person who pays a prescribed fare; it operates on established schedules along designated routes with specific stops (e.g., bus, light rail, rapid transit).⁵⁷

Transportation system – a system that provides for the movement of people and goods.

Balanced – a system in which all facilities and services for intrametropolitan travel are treated as part of a single system and each component is planned in a manner that most effectively uses its special characteristics in combination with other elements.

Urban – the system of elements that supports the movement of people and goods in a city (e.g., transit services, highways, traffic engineering, and operations), including both private and publicly owned carriers.⁵⁸

⁵⁴ Ibid., 28-29.

⁵⁵ Ibid., 31.

⁵⁶ Ibid.

⁵⁷ Ibid., 34.

⁵⁸ Ibid., 35.

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