PROSPECTIVE OWNERSHIP

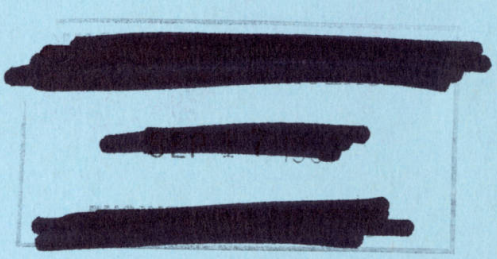
OF

COLUMBUS TRANSIT SYSTEM

prepared for

CITIZEN'S TRANSIT STUDY COMMITTEE

COLUMBUS, OHIO



JUNE 1964

SIMPSON and CURTIN
TRANSPORTATION ENGINEERS
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Municipal planning authorities are nearly unanimous in their conviction that the downtown area of any large city cannot be fully developed as a shopping and commercial center without adequate and extensive transit services. "Good mass transportation makes the centralized big city possible, and good mass transportation is essential to preserve it": that was the conclusion of the editors of Time-Life-Fortune-Architectural Forum following an extensive round-table probing of the national downtown traffic problem by outstanding traffic engineers, transit officials and city planners.

Good mass transportation is especially important to the Columbus metropolitan area due to the active growth rate of this community. Population change by decades - - the most reliable as well as most stable index of community growth - - points up Columbus as one of the fastest growing cities in the industrial northeast. From 1950 to 1960, Franklin County rose by 35%, reaching a figure of 683,000.

Battelle projections expect this to reach 1,000,000 before 1980 and to rise to 1,185,000 by 1985.

Several favorable factors support the active development of the Columbus metropolitan area and continued realization of its growth potential: a balanced mix of industrial, commercial and service activities including the state government and university-research complex, sound local tax structure, retention of suburban living within the City as well as the business community, stable labor relations, active cultural interests and, finally, the provision of services and utilities needed to stimulate expansion.

Significant in this last category is good transportation. It is the recognition of the need for good transportation - - an efficient balance between auto travel and public transportation - - and the development of each which has led this Citizen's Transit Study Committee to inquire into prospective ownership of the Columbus Transit System at this time.

A first consideration in good transportation is not only the matter of balance between autos and common carriers, but also their interrelationship with land use,

population density, motor vehicle ownership and income levels. The trend towards urbanization stimulates land use activities of a high density nature, particularly in the central city areas, creating a demand for space and efficiency in transportation service. Columbus has taken a major step in the direction of establishing its interdependency among land use, transportation and other service facilities by its comprehensive planning program - - The Blue Plan for Franklin County - - designed to provide eventually for a coordinated program among these metropolitan facilities and activities.

In evaluating transportation requirements for Columbus it is important not only to consider the adequacy of the existing system but also to project requirements for a city approaching Cleveland, St. Louis, Pittsburgh and Baltimore in general size in the not-too-distant future. These other cities in the one-million population class began development of their mass transportation networks when they were the same size as Columbus. In planning a large city transportation system, particularly where rapid transit might be involved, a lead time of 10 to 15 years is needed. This is needed to permit public consideration of alternate proposals in the planning stage, followed by design and financing,

with time for construction of the new facilities. Now is the time, therefore, to think of Columbus transportation needs for 1980.

Near-Term Factors Affecting Transit

Apart from these overall planning considerations, near-term questions of primary importance affecting the Columbus transportation picture are in prospect. Foremost is the intention expressed by the owner of the transit system - - Columbus and Southern Ohio Electric Company - - to divest itself of the transit system.

This intention was first expressed two years ago in a proposal made by the Electric Company to exchange the transit system for the municipal power plant and distribution system, excluding the street lighting system. While both properties have approximately the same value, the Electric Company offered to pay the City of Columbus any difference resulting from a higher value of the municipal electric property determined by independent appraisal.

Mr. Harry Miller, President of the Electric Company implemented this position in a statement before City Council

in April 1963. "It is not our desire to sell the Transit Company to persons alien to the city, whose interest, and concern, for the well being of the city might, or might not be, commensurate with ours. We do not think that such a disposition of the Transit Company would, or could, accomplish the desired result of reducing transit fares. In our opinion, the lowest possible fares could be obtained only by the acquisition of the transportation facilities by a transit authority, or its equivalent. At the very least, we respectfully suggest that it would be wise, to give careful consideration to the economic feasibility of such an arrangement."

The Electric Company also has made known its intentions of disposing of its transit subsidiary in trade circles and has invited attention of prospective purchasers. Thus far, no negotiations have been conducted. However, several transportation companies are alerted and ready to present proposals for this system as soon as the Electric Company will entertain them. The Electric Company has had prepared for it valuation studies of real estate, motor coaches and other property in anticipation of negotiations. To some degree, forward motion in this development has been slowed to enable this Citizen's Transit Study Committee to

evaluate its desires and promote such action as the public interest would support.

City's Privilege of Purchase

Officials of the City of Columbus had the foresight to anticipate this eventuality in framing the transit franchise eight years ago. This cost-of-service ordinance for transit operation includes a privilege of purchase (Section 29) whereby the City reserves the right to acquire the transit system under certain terms of price and other conditions as later reviewed, at any time after December 31, 1960. This franchise still has two years to run; the expiration date is June 30, 1966.

In the event of acquisition by a public authority utilizing revenue bond financing, a question might arise of the propriety of assigning the City's privilege of purchase to such a public agency, particularly if the agency's scope of operations extended beyond the City of Columbus and included the whole metropolitan area. However, President Miller of the Electric Company did not hold this as a bar to public authority ownership in his presentation before City Council about a year ago. "We heretofore indicated our opinion as

to the desirability of ownership by a public authority of the facilities of the Transit Company", Mr. Miller declared. "The franchise between the city and the Transit Company grants to the city the right to purchase these facilities. We request that the proposed evaluation include a fair and unbiased survey and report of the economic feasibility of the exercise of that right; and also an exploration of ways and means to preserve and maintain a public transportation system adequate for the immediate and long-term requirements of the city."

The transit franchise also includes a privilege of lease in Section 30 wherein the City reserves the right to lease the transit facilities for periods of one or more years after 1959. However, this section requires the City to give Columbus Transit Company at least two years advance notice of its intention. Since the franchise only has two years to run, it would appear that this option to the City or any other public agency has effectively expired, unless the parties would be willing to wave the notice requirements.

Federal Mass Transportation Act

Another consideration in the present transit

(underlining added)

picture is the pending Urban Mass Transportation Act, recently enacted by Congress and awaiting the President's signature. This measure authorizes a continuing program of financial assistance to state and local governmental bodies for providing, both through public and private transportation systems, the mass transportation facilities needed for orderly growth and development of urban areas. It replaces the temporary program of demonstration grants and loans enacted by Congress in the Housing Act of 1961. The measure authorizes $375 million for transit improvement over the next three years. These federal funds would be allocated as a subsidy to provide for two-thirds of the estimated deficit of approved transit projects. The remaining one-third will have to be borne by a local or state governmental agency.

The funds may be used to assist privately-owned transit systems as well as public operations. However, the local matching portion cannot be advanced by the transit operator; this must be furnished by a local governmental body. Furthermore, if the local grant should be repaid later by a transit company, there also will have to be proportional repayments made of the federal grant.

In addition to the grants on a matching basis, the Act provides for federal loans on low-cost terms for improved transit facilities. Both grants and loans are subject to strict planning requirements. The development of a continuing program for a unified and coordinated transportation system, such as is contemplated in the Blue Plan for the Columbus metropolitan area is a prerequisite for eligibility of federal aid. In this respect, the Act reinforces the provisions of the Federal Highway Act of 1961, requiring a comprehensive regional transportation process to be in active operation by next year, if cities are to be eligible for federal highway aid.

Compounded with these local and national developments is the community's growing concern with the increasing number of private cars congesting Columbus streets - - streets which were never designed to carry such numbers of vehicles. In the downtown area particularly, they are choking the normal flow of people and goods, upon which the growth and life of the community depends. Public officials and community interests in Columbus have done an outstanding job in aiding state and federal highway officials to develop the expressway network which now has become the backbone of

the Columbus transportation system. Most of the grade-separated Innerbelt which surrounds the central business district of Columbus is completed and in operation, as well as two of the four radiating freeways to the outer parts of the urban area.

With completion of each freeway, the problem of mounting congestion in downtown streets becomes more intense. It is estimated that 5,000,000 square feet of off-street parking space is needed to store the auto traffic delivered by each new expressway lane. Because of the compactness of downtown business areas, planners now recognize that they will never be able to develop sufficient street space or off-street parking facilities to take care of all the people driving their cars to the center of downtown.

This issue of transportation planning is fast emerging as the crux of Columbus' overall downtown development. If the hub of the City is to realize its full potential as the commercial and cultural center of a metropolitan community of 1,000,000 people in 10-15 years, it must take progressive steps to regulate the balance between auto travel and mass transportation.

EXISTING TRANSIT OPERATIONS

Columbus Transit Company is an integrated mass transportation system with 149 miles of routes throughout the Columbus metropolitan area. The Company operates two trolley coach lines and 17 motor bus routes.

Over the last eight years, the Company has been gradually replacing trolley coach equipment with motor buses. The two remaining trolley coach lines are scheduled for conversion by 1965. These two routes now use 58 trolley coaches during peak periods and 27 vehicles in midday.

Columbus Transit Company carries about 90,000 revenue passengers daily and operates 24,000 miles of service. The Company has a total fleet of 250 vehicles - - 170 motor buses and 80 trolley coaches. Daily service requirements are 211 vehicles for peak-hour operations and 96 vehicles in midday service.

Operating revenue of the Company amounted to $6,255,000 in 1963. Operating expenses were nearly $6,000,000, leaving a return for the year of $238,133. Under its cost

of service franchise, the Company is allowed to earn between 3 3/8% and 4 1/4% of its rate base in each semi-annual period. Excesses or deficiencies in the return during franchise periods are carried over for consideration in computing the allowable return for a succeeding period. Last year the return realized was about $31,000 less than the amount permitted. This supplemental balance was transferred from accumulated excess franchise return of prior years in making out the Company's net income for 1963.

Columbus Transit is the principal carrier serving the populated area of the City and environs. The Company's network of transit routes provides service within one-quarter mile for over 90% of the City's population. In addition to Columbus Transit, there are a few smaller carriers:

Columbus-Celina Company operates from Arlington and Grandview to downtown Columbus. It has a fleet of 19 buses and total annual revenue of approximately $330,000.

Greenlawn Transit Lines provides local service to areas southwest of Columbus. It has a fleet of six coaches and annual revenue of about $25,000.

Lincoln Village Transit Company has P.U.C.O. rights from Columbus to New Rome, Ohio. This company has four coaches and total revenue of approximately $40,000 per year.

There are also several intercity carriers - - Greyhound Lines, Lake Shore Coach Company, Columbus-Marysville Bus Company and Muskingham Valley Transit Company - - providing service from surrounding cities and towns to Columbus.

Finally, the Columbus Board of Education operates 44 buses, including seven leased vehicles, in local school bus service. Ohio State University also has seven vehicles transporting students between its campuses.

Record of Transit Achievement

Columbus Transit Company has achieved a notable record for its modern, well maintained fleet of vehicles and for providing generous standards of passenger service. "Few cities have as fine, modern and well-kept a fleet of transit vehicles, or as frequent service, as Columbus," The Urban Land Institute concluded in its comprehensive panel study of

Columbus in 1959, "Nor have many cities had bus service extended into new and outlying areas to the extent that Columbus has. Compared with situations in other cities, the Columbus Transit Company has more than held its own. In 1950, its buses carried each day passengers equalling in number two-thirds of the population of Columbus. In 1959, with a population increase of about 18 per cent since 1950, the buses carry about one-third of the population each day, and statistics show that 70 per cent of these riders come into the central business district to shop or work."

The present transit fare of 25¢ with 23¢ tickets (5 for $1.15) became effective on January 1st of this year. This is step 41 in a 45-step scale of adult fares provided for in the transit franchise. As shown on the accompanying Table A, the adult fare in Columbus compares favorably with those of other transit systems in Ohio. The range of these fares for adults is from 20¢ to 35¢, with most other cities making an additional charge for transfers. The only classification on which Columbus compares unfavorably is in student rates; other transit systems have student fares below their prevailing adult rate.

TABLE A

RATES OF FARE

TRANSIT SYSTEMS IN OHIO

City	Adult			Children		Student		
	Cash	Token or Ticket	Weekly Pass	Cash	Token	Cash	Token or Ticket	Transfer
Akron	35¢	(3/$1.00 (6/$1.90 (40/$10.50	-	15¢	-	-	10/$1.50	1¢ (a)
Cincinnati	25¢	5/$1.20	-	15¢	5/70¢	15¢	10/$1.40	2¢ (a)
Cleveland	30¢	5/$1.40	$3.50	15¢	4/50¢	15¢	4/50¢	3¢
Dayton	20¢	-	-	10¢	-	10¢	-	5¢
Toledo	30¢	5/$1.30	-	2¢ (b)	-	9¢ (c)	-	3¢
Youngstown	35¢	(5/$1.60 (40/$10.80	-	-	-	-	20/$3.00	2¢
COLUMBUS	25¢	5/$1.15	-	13¢	-	-	-	Free

(a) Applies to adult fare only.
(b) Under 6 years of age.
(c) 15¢ or 4/50¢ on special school buses.

NEED FOR BALANCED TRANSPORTATION

Despite the rapid population growth in Columbus over the last two decades, there has been a steady decline in use of transit service. In 1948, the Company carried over 80 million revenue passengers. Last year its volume was down to 26 1/2 million - - about one-third of the 1948 volume. Some reductions in service have been made but not nearly commensurate with the decline in passenger riding. From 10,648,000 miles operated in 1948, the Company has thinned out its lines to an aggregate volume of 7,500,000 miles last year.

In terms of miles operated per 100 revenue passengers, the Company is operating twice as much service now as 15 years ago. In 1948, the Company operated 13.2 miles per 100 passengers; this value has risen to 28.5 miles per 100 passengers in 1963. Not only is there a greater proportion of mileage for the amount of traffic but the Company is using larger coaches now, assuring a seat to all passengers except those traveling through maximum load points at peak hours.

Columbus Freeway Network

Principal cause of the Company's traffic decline has been the expanding highway network and the decline of old, densely populated sections in center city, with a widening spread of low-density residential development at the City's outer periphery. The Columbus Innerbelt encloses approximately four square miles of central city, with radial expressways extending out at each major compass point. Most of this $300 million system is on the Interstate highway system, so that the federal government is contributing 90% of its construction funds.

At present, the Innerbelt is more than 75% completed and should be open for traffic over its entire length by the end of this year. Both the North and South Freeways are completed and in operation. The East Freeway is under construction, while the West Freeway is in design stages. Altogether, $180 million has been spent on this expressway network, with another $120 million programmed for its completion.

While major reliance upon expressways and auto travel will continue, it is becoming increasingly apparent

that a balance must be achieved between auto and public transit in order for the community to get the most value for its transportation dollar. The new expressways generate traffic to and beyond their reasonable operating capacity shortly after they are opened. In peak hours particularly, traffic is slowed to the same pace as local streets. The problem, however, is not so much with the expressways or travel in the outer portions of the city but the tangle of cars and demand for parking space after they leave the Innerbelt.

It takes nine times as much space per person in the downtown area traveling by car as it does per individual using buses. If Columbus is going to maintain the concentration of activities which make up the fundamental strength of its downtown area - - its compactness, variety and choice of shopping facilities, its activity and cultural interests - - it will have to provide not only for storage of vehicles but for the free and easy movement of people within the area.

This is one of the major purposes of the Blue Plan - - the comprehensive regional transportation study which will take into account the relationship of transportation needs to

population density and land use. This study will determine henceforth the division of revenues for construction funds to one form of transportation or the other. A vital question in this study is the matter of 'modal split' - - how much total travel should be planned for automobile usage, and how much for public transportation.

The 1960 federal census developed the fact that 22% of Columbus residents used mass transit in traveling to and from work. This compares with 28% transit usage in Cincinnati and 35% in Cleveland for home to work travel. As a city increases in population and size, it is customary for a proportionately greater dependence to be made upon public transportation due to the increased concentration of activities.

Under the newly-enacted federal Urban Mass Transportation Act, federal aid will now become available for transit improvements under a matching formula similar to that which has produced the extensive highway network. What forms of improved facilities are likely to develop over the next decade or two in Columbus will depend upon the modal split developed from its comprehensive Blue Plan and the

availability of public funds, both state and federal. There is every indication, however, that transit is at the threshold of new capital expenditures and construction unlike anything this industry has experienced over the last half century.

Prospective Transit Improvements

Despite declining patronage and the need for balancing rising costs against fare increases and service cuts, the Columbus Transit system has made a valiant effort to expand its operations and improve service over the past ten years. A detailed study of the entire system was made in 1957 by this firm with numerous recommendations concerning operations, including express bus service, park-ride, exclusive transit lanes, and route extensions. Many of these proposals have been adopted. Others have been deferred, in some instances, due to failure of required action on the part of the City.

Recently there has been renewed demand for consideration of rapid transit in Columbus. Feature articles have been carried in both major newspapers pointing up rapid transit as the hope of the future. "Coordinated rapid transit

may be the only workable solution to mounting traffic chaos in metropolitan areas", the Columbus Dispatch stated on March 15, 1964. "Columbus must come to it within the next few years."

Another series of news articles in the Citizens Journal points up the possibility of rapid transit lines for Columbus and suburbs using existing railroad trackage, as shown on Plate I. What form of rapid transit may eventually emerge in Columbus will involve detailed study both of costs and benefits. Most of these proposals concentrate on rail transportation systems; this is natural in view of the fact that five railroads now have extensive facilities in the Columbus metropolitan area.

There is another medium of rapid transit which merits careful analysis by reason of its suitability for cities of this size and its ready application to existing railroad rights-of-way. This is express bus service on paved roadways within these rights-of-way. A two-lane black top surface can be installed at comparatively modest cost to accommodate the bus operations. In addition, flange rails would be installed in the roadway so that freight service

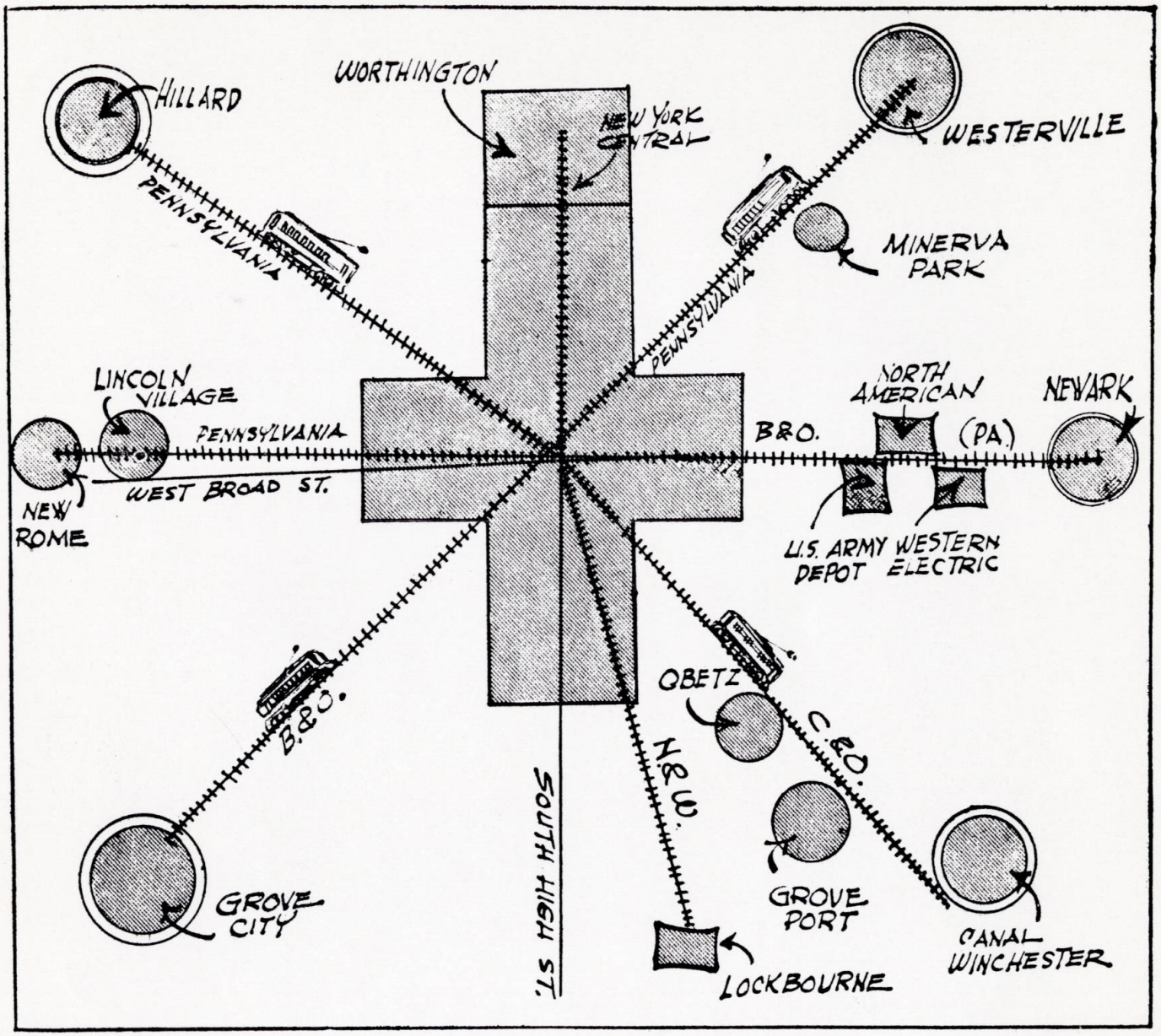

PLATE I

Sketch from Citizen-Journal of February 20, 1964 showing "Existing Rails Ideal for Trolley System" in Columbus Metropolitan area

may be continued. In this manner, existing rights-of-way which are used by only a few trains daily would become valuable supplements to the City's transportation network, with express buses providing door-to-door delivery for commuters more quickly and conveniently than any other means of transportation. The principal advantage of this proposal is that it would require considerably less capital expenditure than a rail system, utilize existing right-of-way facilities for the trunk of the operation and existing roadways for the delivery end (Plate II).

In a recent analysis of the commuter rapid transit problem, "Technology and Urban Transportation", prepared by the White House Panel on Civilian Technology at the request of late President Kennedy, it was pointed out that rail construction costs are extremely high in relation to travel demand. This analysis reached a strong conclusion for express bus service on exclusive rights-of-way as potentially the most satisfactory and most flexible means for conveying passengers to work.

Circulation System for Central Business District

There may be some need ultimately for rapid transit

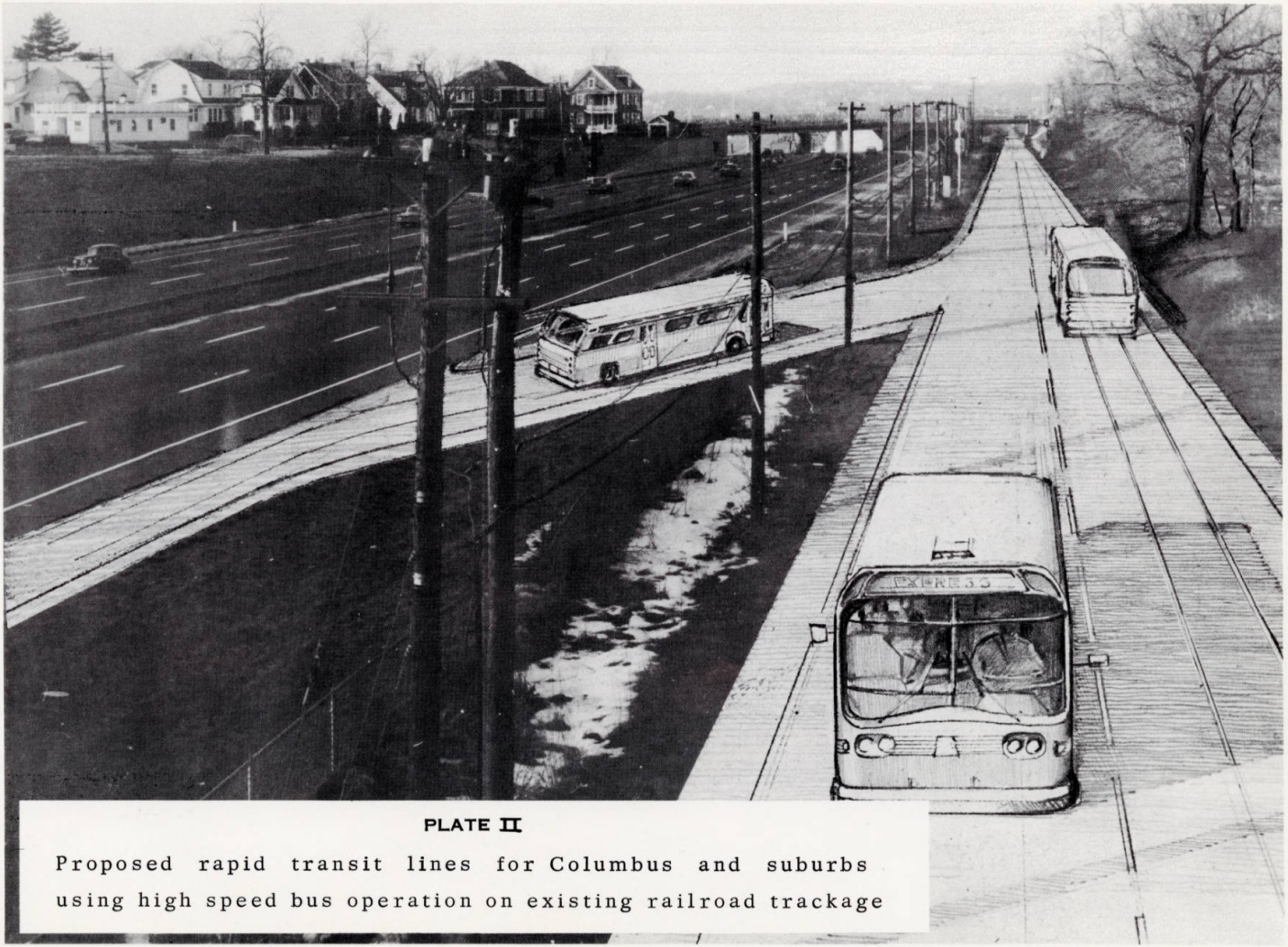

PLATE II

Proposed rapid transit lines for Columbus and suburbs using high speed bus operation on existing railroad trackage

along High Street to tie together both ends of the central business district. Columbus has a long and narrow central core area with two shopping focal points. One of these is the Lazarus-Morehouse Fashion complex at the intersection of High and Town Streets. The second department store group is four blocks north at the intersection of High and Long Streets.

The two shopping groups are tied on the east side of High Street by hotels, banks and a series of variety stores. However, this linkage is broken on the west side by the State Capitol. There might be some value in a short rapid transit facility to tie together these two department store groups for the accommodation of shoppers. One means of accomplishing this would be with a carveyor structure, utilizing small cars on an elevated continuous belt, as shown on Plate III. This would provide grade separated movement along the major axis of the downtown area on an elevated structure which is reasonably harmonious with surrounding buildings.

These are just a few of the alternatives for downtown circulation, commuter travel and other public carrier

needs which will increasingly be brought to the community's attention for consideration and adoption over the next decade.

A shifting emphasis to public transportation from expressway development can be expected as the city's job of handling traffic and retaining its central magnetism becomes more difficult. Expressways are disrupting established neighborhoods and becoming progressively more expensive. Furthermore, they remove wide swaths of land from the tax roles, in addition to consuming capital funds. The new federal legislation encourages development of transit improvements in urban centers so as to overcome these disadvantages. It is appropriate, therefore, for the City and its business interests to gear their thinking to the form of transit ownership which will enable it to maximize their opportunities under these emerging concepts in transportation planning.

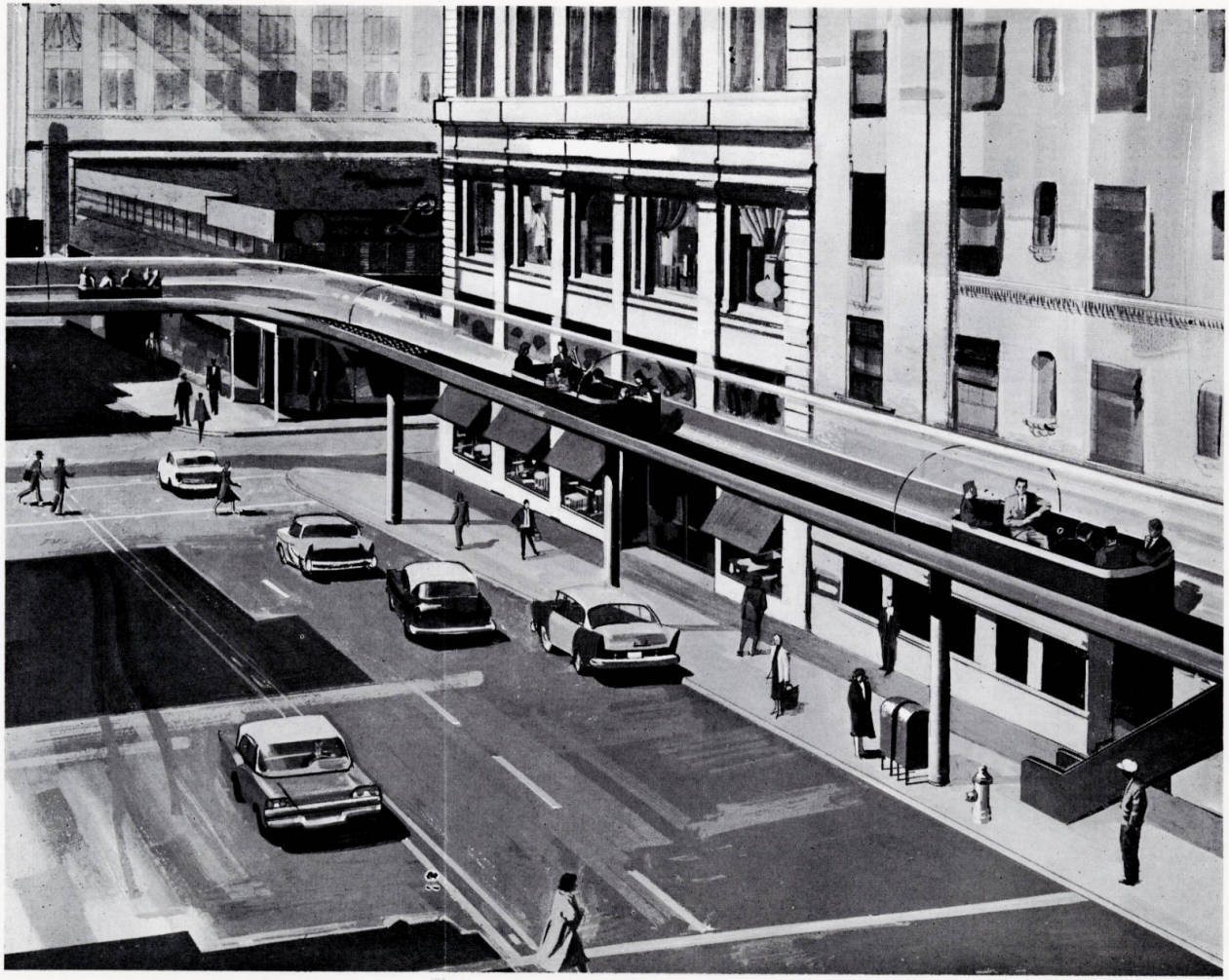

PLATE III

Artist's sketch of Carveyor on typical downtown business street

PUBLIC OWNERSHIP OF TRANSIT

There has been an accelerating trend in the post war years toward public ownership of transit systems serving large metropolitan areas. Public authorities have acquired transit systems in nine major cities throughout the Nation - - New York, Chicago, Cleveland, Los Angeles, Oakland, Miami, San Francisco, St. Louis and Pittsburgh — as well as several smaller cities (see Appendix).

Underlying factors of public policy and economics in this industry favor public ownership, particularly in large cities. Transit systems can avoid payment of substantial levies - - federal and state income taxes - - as well as excise, property and gross receipts taxes under public ownership. Also, the tax-exempt quality of its securities generally affords a city or other public authority a lower cost of financing. The impact of these is heightened by a prevailing public policy of keeping transit fares low.

Highly significant in the case of large cities has been the need of funds for capital improvements - -

involving millions of dollars - - which the private transit industry cannot entertain serious hopes of underwriting. There is little doubt that the subways in Cleveland and Toronto would still be on the drawing boards if it were not for the fact that both of these Cities had municipal credit to finance the construction. This consideration now has been overcome in part by the Urban Mass Transportation Act, making available capital funds for transit improvement under both private and public management.

The one big handicap of public ownership among transit systems is inefficient operation. In this as in any other business, the real incentive for efficiency is the profit motive. Remove that and it is only a short time until small political favors develop into excessive hiring, preferential award of contracts and other forms of waste and mismanagement characteristic of political influence. In analyzing the issue of municipal ownership, the Massachusetts Legislative Study Commission found that "private operators have strong incentives to hold costs to a minimum, to operate the system profitably and to provide service promptly where patronage justifies the expense". On the other hand, the Study Commission's analysis shows that "public systems

find it more difficult to control rising costs, more difficult to resist demands for service in uneconomical areas, and more difficult to make adjustments in services and costs to meet changing conditions. A maximum effort should accordingly be made to continue private ownership and operation of transit systems".

Between these alternatives - - public and private ownership - - there is a variety of choices which merits consideration:

(a) Private ownership, locally controlled.

(b) Private ownership, controlled outside Columbus.

(c) Cooperative ownership.

(d) City ownership with municipal management.

(e) Authority ownership, owned and operated by its own staff.

(f) Authority ownership under management contract.

(g) Authority ownership with local lease-management arrangement.

(h) Public ownership with leasback to management syndicate outside Columbus.

Private Ownership, Locally Controlled, is still the most widespread form of transit operation among medium-sized

cities - - those in the 250,000 to 750,000 population range - - and, in many respects, the most satisfactory. Private ownership retains the inherent efficiency of the profit system; this is important especially where operating costs are primarily a function of managing labor rather than capital outlays. In small and medium-sized cities, the control of day-to-day operating expenses is more significant in achieving overall economy than heavy capital outlays for subways and other such investments, characteristic of large cities.

Local control is important also as assurance of integrating the transit operations with the growth and development of the community. Tax abatement has been offered by some legislatures as a means of retaining private ownership.

In the case of Columbus Transit, the local management has achieved a notable record of satisfying the community's aims for service and development while at the same time producing a satisfactory margin of profit regularly. It is surprising, therefore, that local investing groups have not been more alert in seeking to acquire the transit

system from the Electric Company. Transit operations that formerly were subsidiary to electric utilities in other cities - - Atlanta, Birmingham and Providence, to name a few - - have been reorganized under local syndicates with a general measure of overall satisfaction and success. Up to this point, no such development appears in the offing in Columbus.

Private Ownership, With Outside Control, retains the same advantage of profit motivated efficiency. Several of the leading national transit organizations have expressed interest in acquiring the Columbus system. These firms - - National City Lines and American Transportation Enterprises, to name only two - - have operations in a dozen or more cities throughout the country with experienced personnel in these operating systems. The depth of their organizations provides an assurance of efficient management. The principal shortcoming in this form of control is the fear held by many community leaders and expressed by the Electric Company President, "It is not our desire to sell the Transit Company to persons alien to the city, whose interest, and concern, for the well being of the city might, or might not be, commensurate with ours".

'Cooperative Ownership' is a variation of private control which has been suggested locally, flowing perhaps from the outstanding successes of Nationwide Insurance which developed as a cooperative venture. This idea is not entirely untried in the transit industry; the local transit system of Wheeling, W. Va. was acquired by its employees as a job-saving venture in the depth of depression. There is no essential difference between cooperative ownership and a local private syndicate insofar as tax advantages, identity with community interests, etc., are concerned. Therefore, this former may well be considered as a variation of the first alternative previously reviewed.

Municipal Ownership and Operation is the form of control existing among the transit systems first acquired by cities. Cleveland, Detroit, Seattle and San Francisco are among the earliest transit systems brought under public direction; these were acquired and have continued as branches of the city government functioning under the direction of city council and elected city officials.

The advantages of city ownership are tax avoidance, availability of capital funds and use of other municipal

services for accounting, legal, police and other administrative functions. The disadvantage is open exposure to political pressures, as previously discussed.

Public authority ownership and operation was a successor step to municipal ownership designed to overcome certain of the latter's disadvantages. Usually, but not always, the public authority has a wider geographical territory than the central city which is an important consideration for transit in reaching out to serve the growing suburban sections beyond municipal limits. Another advantage is the insulation which authority-type operation provides by being autonomous from the direct political climate of municipal government. Chicago Transit Authority, Metropolitan Transit Authority in the 14 cities comprising Boston and Suburbs and Los Angeles Metropolitan Transit Authority are notable examples of this form of ownership. A significant feature of public authority control is revenue bond financing, compelling a measure of operating efficiency to sustain the investment quality of outstanding obligations.

Authority Ownership With Professional Management is another development in the effort of cities to promote transit

improvements and realize the tax advantages from public ownership, while at the same time striving to retain the competence of day-to-day operation by a locally experienced and capable management. In the recent public takeovers at Memphis, Miami and St. Louis, the acquiring authorities made arrangements to farm out management functions to experienced operating organizations in these cities concurrent with acquisition of the physical transit properties.

Generally the management organizations are made up of officials of the predecessor company. In St. Louis, for example, the management contract is for a five-year period, with provisions for an extension, and adjustment of the compensation fee at 18-month intervals. The management organization comprises the five principal officials of the transit system; it also furnishes six other department heads and staff members. It is responsible for daily operations, maintenance of equipment, schedule planning, labor relations, accounting and other administrative duties. The Bi-State Development Agency functions as a policy making body responsible for fixing rates, service and other matters of public interest as well as to safeguard the financial well-being of the system.

Public Ownership With Leaseback to Private Management is another endeavor to combine the financial benefits of public ownership with the operating advantages of private management. The most notable illustration of this is the arrangement prevailing in Nashville, Tennessee. Here a private Company, Nashville Transit Company, operates bus service under a lease agreement with Nashville Transit Authority. This agreement is a dual purpose instrument; it provides for leasing the garage, shop and office buildings used in this bus service from the City of Nashville to the operating company, and at the same time governs the financial aspects - - rates of fare, net profit formula, capital investment and other physical matters of this privately-owned transit system.

The Nashville Transit Authority is essentially a regulating agency - - it exercises general supervision and control over bus service including fares, routes, vehicles, safety regulations, etc; in addition, it acquires and leases property to the operating transit company for these services. The Authority functions in this dual role of regulatory agency and owners' agent; it cannot, however, compete with the operating company. In Nashville, the Authority owns

and leases the garage and office building, while the operating company owns the buses and shop facilities. There is nothing in this principal, however, to prevent the Authority from owning vehicles, shop machinery, spare parts, garage and office equipment, as well as the land and buildings.

It appears that this arrangement is well suited for the application of matched funds for transit improvement under the Urban Mass Transportation Act, especailly where private companies will continue in the operating capacity. Similar arrangements have been created in Philadelphia in PSIC, a non-profit public passenger improvement service corporation, with indications of other installations to follow.

FINANCIAL RESULTS OF TRANSIT OPERATIONS

Under its franchise, the Columbus Transit Company is entitled to an "investment return" between 3 3/8% and 4 1/4% of its rate base in each semi-annual period. The Company has realized a return within or close to this range in each of the eight years it has been in operation, producing a record of financial stability which is unusual for a transit company. With a rate base of about $3 1/2 million, the annual return has consistently been in the range of $200,000 to $300,000.

This return would be nearly tripled if the system were publicly owned. Principal expense reductions would be tax savings - - federal income taxes and excise taxes primarily, with some reduction also in local levies. In addition, there are prospects for reduction of some operating expenses not necessary under public management. The extent of such savings would depend upon whether the system is continued as a branch of the municipal government or whether it would be operated as a separate public authority.

Federal Taxes

At present, Columbus Transit Company pays federal taxes in three general areas - - employee benefit (social security and unemployment) levies, income taxes and excise taxes on fuel, tires, buses, repair parts, etc. The employment welfare taxes would most likely be continued under any form of ownership, public or private. However, both the income and excise levies imposed by the federal government would be eliminated entirely under public ownership.

Federal income taxes have amounted to approximately $250,000 annually, varying with the investment return of the Company. The 2¢ federal levy on motor fuel aggregates over $24,000 while taxes on other purchases aggregate 30-50 thousand dollars annually. It is estimated, therefore, that the prospective reduction in federal taxes alone under public ownership would amount to $315,000 per year.

State Taxes

The principal state tax borne by the transit system is the 7¢ motor fuel levy, amounting to $80,000 annually. This would be unaffected by any change in

ownership; public transit systems in Ohio, such as Cleveland Transit System, pay the state motor fuel tax the same as private transit systems.

Another state levy which would be unaffected by change in ownership would be the unemployment tax which amounts to more than $11,000 per year.

However, a public operation would be relieved of payment of vehicle license and public utility commission certificate fees which total about $5,000 per year. In addition, a public transit operation would no longer be required to pay the state sales and use tax amounting to approximately $2,500. The sum total of savings from state levies under public ownership would, therefore, amount to $7,500 per year.

City and County Taxes

Principal local tax burden borne by the transit system is the property levy totaling about $27,000 annually. This charge, together with the city income tax of $4,600 and domestic franchise levy of $6,300 annually, would be eliminated under municipal ownership. Another expense

currently borne by the transit system is the annual franchise payment of $20,000 to the City. The prospective reduction in local taxes, therefore, is $58,000 under public ownership.

Other Operating Economies

Further reductions in operating expenses are possible under public ownership by reason of similar functions being performed by other municipal agencies, as well as the change in attitude toward a public agency. Snow removal expense is one such item. The Transit Company now spends about $15,000 in added labor costs during winter months; this would be performed by city street crews for a public transit operation.

Advertising and charitable contributions are current and necessary expenses which might come under closer scrutiny with public management. Charitable contributions amount to $7,000 annually while advertising aggregates nearly $45,000. These items could not be eliminated but a reduction of $10,000 to $15,000 would be in prospect if the system were municipally owned.

Another expense area to come under more limiting restrictions by reason of the climate associated with public ownership is injuries and damage expenses. The Columbus Transit Company now pays over $200,000 annually in settlement of accident claims. This could be reduced as much as 30% to 40% if the system were publicly owned by reason of less generous jury awards and generally greater difficulty in collecting such claims from public agencies.

Another category of overhead expense subject to possible reductions is lease payments made by the Transit Company to the Electric Company for the West Broad Street coach station, bus loops owned by the electric system and some trolley coaches. These lease payments aggregate $94,000 annually. Depending upon terms of acquisition, a public agency could either continue to lease some of these facilities, acquire them with other properties obtained from the Transit Company, or eliminate trolley coaches entirely and consolidate all operations at the Cleveland Avenue operating headquarters. The cost of replacement facilities would offset, to a significant degree, the reduction in lease payments. It is not possible, therefore, to estimate the prospective savings from these changes without a more

detailed analysis of the alternatives.

Excluding possible savings in lease payments from trolley coach conversion, the aggregate amount of cost reduction possible under public ownership is approximately $100,000.

Additional Overhead Costs

There are several benefits from association with the electric system which the transit operation would lose in the event of its separation. Some of these - - services of directors, certain corporate officers' salaries, tax counsel and accounting, etc. - - would result in higher operating expenses to another private operator and, to a lesser degree, to a public operator. For the most part, however, these benefits are intangible and, therefore, difficult to place a price upon. Under public ownership, they would be offset by the availability of other municipal services such as police and detective investigation, city health department and city solicitor's office for legal counsel.

Economies from Acquiring Other Transit Operations

The well established and trained organization needed for administering the Columbus Transit System could be used also for managing any other transit operation or bus services in the Columbus metropolitan area acquired by a public authority. This might include other transit companies such as Columbus-Celina Company and Greenlawn Transit Lines, as well as the school bus service operated by the Columbus Board of Education and by Ohio State University. Most of the present overhead expenses of these systems would be eliminated by such consolidation. Prospective economies from this overhead elimination as well as tax savings could aggregate more than $100,000 annually.

Summarizing these tax savings and operating economies, it is evident that an average return of $250,000 annually under private ownership would generate as much as $750,000 for debt service, reduced fares or more transit service under public operation.

CAPITAL FINANCIAL CONSIDERATIONS

The City of Columbus has drawn heavily upon its borrowing capacity in promoting industrial, cultural and utility service to foster overall community growth. More than $100 million of general obligation bonds are outstanding for such diverse improvements as sewers, zoo, airport, waterworks, health center, off-street parking, traffic control, recreation building, street lighting, expressways, and other municipal activities. General obligations of the City of Columbus enjoy an Aa rating by Moody's. A $13.19 million bond issue by the City of Columbus for various municipal purposes was underwritten last month by a syndicate headed by First National City Bank of New York with 3 1/8% and 3 1/4% coupons. If the City were to acquire the transit system and include this with other municipal improvements supported by the faith and credit of the City, it is reasonable to expect that interest costs would not exceed the range required in this recent financing.

As previously shown, the Columbus Transit system in its present form can generate upwards of $750,000

annually for debt service after operating expenses, including applicable taxes and depreciation. At the prevailing rate of interest to the City, this would be more than sufficient to sustain the issuance and sale of bonds on satisfactory terms and in a sufficient amount to finance the purchase of present transit facilities.

In recent transit acquisitions by public agencies, the trend has been distinctly towards creation of a single purpose agency - - usually a transportation authority - - having broader geographic jurisdiction than the central city, with financing powers limited to issuance of revenue bonds without pledge of the general credit and revenue of the City. Both the principal and interest of these bonds are payable from the revenues of the transportation system immediately following expenses for maintenance and operation. Usually, but not always, the issuing public agency agrees to maintain rates of fare sufficient to meet these expenses and bond requirements. This revenue bond financing arrangement was the basis under which Cleveland acquired its local transit facilities more than 20 years ago. The original $17 1/2 million revenue bond issue has been retired. Since then the Cleveland Transit System has issued another

$28,885,000 revenue bond at 4% due serially to 1974 for the construction of its East-West rapid transit line.

The public transit acquisitions in St. Louis, Miami and Los Angeles have similarly been financed on revenue bonds supported solely by transit system revenues. In the recently enacted Act creating the Rhode Island Public Transit Authority, the Legislature specifically provided that revenue bonds for this purpose "shall not be deemed to constitute a debt of the state, or of any political subdivision thereof, or a pledge of the faith and credit of the state, or of any such political subdivision, but shall be payable solely from the funds provided therefor from revenues".

Revenue bonds for transit facilities ordinarily require 30% to 40% higher yield than tax-secured issues. Despite the comparative unattractiveness of the transit industry generally, revenue bonds issued by public authorities in this field have had an excellent experience. Increasingly, transit revenue bonds are being accepted by institutions and pension funds, as well as individuals interested in tax-exempt securities. The publicly-owned

transit industry has a uniform record of meeting its debt service requirements promptly and in full, with the result that transit revenue bonds are generally quoted at or above par. In fact, these utility issues have a better record in this respect than the revenue bond issues on traffic facilities and toll roads.

An important question in Columbus is whether or not the transit system is large enough to support a public bond issue secured only by this activity. Most transit bond financing handled by underwriters and sold to the general public have amounted to $10 million or more. These were the issues on the large city systems such as Chicago, Cleveland and Los Angeles. There has not been a sufficient experience with public acquisition of transit systems in medium-sized cities to establish their general marketability. The public acquisition of transit facilities by Memphis and Dallas are particularly interesting not only because these cities acquired their public transportation operations recently, but also because the systems were quite comparable in size to the Columbus operation.

In Memphis, the City purchased the system in 1961

with funds from general obligation bonds, then set up the public operations under a city-owned authority with the system managed by a local group under management contract. The City of Dallas acquired Dallas Transit Company at the first of this year for $5 1/2 million. This takeover was arranged by four Dallas banks purchasing the $5 1/2 million issue of revenue bonds, bearing interest at 3% for two years and thereafter at 4 1/2% for 25 years. The City of Dallas in this instance intends not only to issue bonds sufficient for the purchase price of the Dallas Transit Company assets but also to provide for a fleet of 100 new buses. In Dallas, unlike Memphis and some other recent public acquisitions, the City set up the transit system as a municipal department, hired its own manager and created a new public transit board.

ASSETS OF TRANSIT COMPANY

The Columbus Transit Company is an integrated transportation system with three well-equipped maintenance bases and an extensive fleet of motor buses and trolley coaches. If this system is to be acquired by the City or public authority, careful consideration should be given to the physical items of transit property and also to intangible items which go to make integration of the transportation service.

The utility plant of the Company consists of several classes of property.

Physical Assets

Land and Land Rights
Buildings
Motor Buses
Trolley Coaches
Overhead Trolley Distribution System
Service Cars and Equipment
Communications System
Shop and Garage Equipment
Furniture and Office Equipment
Materials and Supplies

Intangible Assets

Coach Routes
Operating Traffic Schedules

Operating Systems, Procedures and Records
Trained Personnel
Layout of Garages and Shops
Operating Rights and Franchise

The physical assets are recorded in the Company's utility plant by account number at their original cost, together with depreciation accrued on each account. It is possible also to determine their value from inspection of these physical items and evaluation of their remaining usefulness in the transportation system.

The intangible elements are not so susceptible to quantitative appraisal. These items, normally classified in the general category of going concern value, represent the time and effort over and above the physical equipment needed to coordinate the transportation facility as an efficient operating concern. While substantial values are represented in trained personnel, operating schedules and other intangibles, the extent to which it may be necessary to assess these items separately will depend upon the form of public acquisition. Usually, it is sufficient to deal with the intangible items on a summary basis under the general heading of going concern value.

Land and Improvements

The Company's operations are concentrated at three sites - - Cleveland Avenue station, West Broad Street station, and Kelton Avenue shops. The first two of these are used as operating headquarters with facilities for coach storage, servicing, inspection and minor maintenance. The Kelton Avenue shops not only provides the same service but also accommodates major repairs including engine work, body rebuilding, carpentry, painting, etc. This location also has a storage yard for materials.

In addition to these three operating and maintenance centers, the Company has 13 loop sites used for turnaround of trolley coaches and buses. The improvements on these usually consist of paving with some wood posts as barriers.

Most of the land and buildings used by Columbus Transit system are owned by the Company. The West Broad Street trolley coach station and nine bus loops are owned by the Electric Company and leased to Columbus Transit. These properties are not included in the Company's rate base; the transit system, however, includes a rental payment

for this property in its operating expenses. At a few other locations, the transit system leases land for bus loops with the improvements thereon owned by Columbus Transit Company.

Buses and Trolley Coaches

The operating fleet of Columbus Transit Company comprises 185 motor buses and 85 trolley coaches.

169 of the motor buses are modern diesel vehicles ranging in capacity from 45 to 53 seats, all manufactured by General Motors Corporation within the past ten years. 73 of these are the so-called 'new look' buses with large glass area and 45 of them are air-conditioned. These vehicles all have been purchased within the last three years.

This bus fleet is modern in appearance and in excellent mechanical condition, hardly reflecting the fact that several vehicles have accumulated over 250,000 miles in service. In addition to the diesel equipment, the Company has 16 gas-powered buses - - 11 made by Twin Coach Company and five by General Motors.

The trolley coach fleet will be reduced to 70

vehicles on July 1st, 15 of which are owned by Columbus Transit Company with the remaining 55 leased from its parent - - Columbus & Southern Ohio Electric Company. These vehicles are still quite serviceable, attractive in appearance and provide a smooth, vibration-free ride. With only two trolley coach lines remaining, it is expected that these vehicles will be retired within the next two years, as previously discussed.

Service Cars and Equipment

Columbus Transit Company owns 20 trucks, 14 cars and four trailers, together with other miscellaneous automotive equipment. Fourteen of these trucks are special purpose vehicles such as tower trucks for trolley overhead maintenance, heavy duty dump trucks, an earth boring machine and a van used by the cashier's department for transferring money. The remaining six trucks are light pick-up vehicles, while the passenger cars are used by the road supervisory staff.

Communications System

Most of the Company cars and trucks are equipped

with transmitter-receiver sets and alternators for mobile communications. This shortwave system enables the operating department to handle any service adjustments or emergencies on short notice.

Shop and Garage Equipment

The Company owns about 1,600 items of shop equipment and special tools used to maintain its buses and trolley coaches at the various garages and shops. This equipment includes lathes, milling machines, drill presses, various types of grinding equipment and testing equipment, woodworking machinery, welding equipment, special spray paint booths, hydraulic bus hoists, bus washing machines, and an assortment of shop tools, such as impact wrenches, electric drills and numerous other items.

Furniture and Office Equipment

Similarly, the Company owns nearly 1,500 pieces of office furniture, accounting machines, typewriters and other office equipment at its three operating bases as well as at the Company general offices at 43 West Long Street.

Overhead Power Distribution System

The overhead trolley distribution system has gradually been dismantled as the Company has converted from trolley coaches to buses. The facilities serving the two remaining trolley coach lines include poles and fixtures, as well as power conductors and accessories. This property is being used by various divisions of the City of Columbus as well as the other utilities. The Transit Company usually makes arrangements with these other users, either donating the poles to the City or selling them to other utilities, as trolley coach operations are discontinued on each route.

Materials and Supplies

Physical property includes an extensive inventory of coach materials and supplies in storerooms at the various operating and maintenance depots. The Company carries a stock of repair parts and supplies, valued in the range of $150,000 to $200,000, to keep its vehicles in ready condition for street operations.

If the City or public authority elect to acquire the transit system, the foregoing physical assets should be

inventoried and appraised in order to apprise the negotiators with a measure of the Company's value. The depth to which this analysis of the Company's property and operations, as well as the detailed inventory of property to be made, will depend upon the method of public acquisition. In a negotiated purchase, the appraisal should be sufficient to identify the items being transacted and their overall current value. If acquisition is to be made by eminent domain, however, a much more precise description and documented appraisal will be needed in order to support close scrutiny in the condemnation court.

METHODS OF PUBLIC ACQUISITION

The transit franchise enacted by City Council (Ordinance No. 738.56) in May 1956 includes not only a right to purchase the utility plant of Columbus Transit Company but also provides a formula for price and other terms of such a transaction. The purchase price is fixed at 126% of original cost of the Company's plant as shown on its books, less any reserve accrued for depreciation. In addition, the City will purchase the stock of materials and supplies on hand and on order at the cost to the Transit Company at time of purchase. This 126% factor applied to the Company's real estate and fixed investment represents an allowance for appreciation of property from the time of its original acquisition, together with consideration of going concern value in the selection and development of an organization to manage it.

In the rate base calculation submitted by the Company at December 31, 1963, the gross utility plant amounted to $5,968,542, while the reserve for depreciation aggregated $3,292,461. Under the franchise formula, the

purchase price for this property to the City would be $4,227,902, plus approximately $250,000 for materials and supplies and certain expensed items not reflected on the Company's books.

This price of $4,478,000 would include the Cleveland Avenue and Kelton Avenue shops as well as bus loops and other property owned by Columbus Transit Company including its motor coaches and trolley coaches. However, as previously pointed out, the Company's property records do not include the West Broad Street trolley station, 70 leased trolley coaches and the nine bus loops owned by the Electric system, all of which are leased to Columbus Transit Company. If the City should acquire the system, it would be necessary to negotiate for such of these items as are deemed necessary in its continued operations. This would not necessarily involve purchase; the City has the right to take over the Company's leases under the franchise agreement. The terms of these leases extend to 1970.

On the other hand, it may be desirable both from the standpoint of the Electric system and the City to negotiate for the sale of this leased property to the public

operating agency. No specific formula for acquisition price or other terms for leased equipment are set forth in the City's privilege of purchase.

One other noteworthy feature is that the City, in reserving a privilege of purchase under the terms outlined in this franchise, did not relinquish its right to acquire the Company's transit system by eminent domain under provision of the City Charter and Constitution or laws of the State of Ohio. Several recent transit systems have been acquired by public domain by public authorities, the Fifth Avenue Coach Lines and Surface Transit bus operation in New York City as well as the Pittsburgh Railways system. Court proceedings in each of these takings are still pending; meanwhile, the public agencies are operating the systems and building substantial financial reserves for both the acquisition price ultimately to be paid and replacement facilities.

CONCLUSIONS AND RECOMMENDATIONS

Most instances of public takeover have been the result of a deterioration of transit services and facilities culminating in a general measure of community dissatisfaction. In some cases, the companies have been bankrupt or near bankrupt. In many instances, transit equipment has been run down and lacking means of replacement. Neither of these circumstances are present in the instant case. Columbus Transit system has a modern and well maintained fleet. While not fully motorized, the Company is quite capable financially of converting its two remaining trolley coach lines. Not only are the facilities in excellent condition, but the Company has achieved an impressive record of efficient and convenient service in the community.

The Columbus Transit fare is low; in Akron and Youngstown, adult fares are up to 35¢, with three tokens for $1.00. Yet the Columbus system is profitable. It is unusual to find in the transit industry a company which satisfies the measures of public interest this well and still succeeds in realizing its full allowable return.

These are the reverse of the ordinary circumstances leading to public ownership.

The reason for raising this issue now is not the inability of a private operator to provide satisfactory service, but the Electric Company's desire to divest itself of this system. Therefore, the most satisfactory approach from a community standpoint is to duplicate as nearly as possible the existing relationship under private management. If a syndicate with substantial business or financial interests in Columbus could be organized to take over this operation, it would provide an easy solution. The significant consideration here is not ownership per se, but making certain that the transit facilities continue to be operated by persons whose interests are harmonious with those promoting the growth and development of Columbus.

Alternative — Public Ownership

As an alternative to private management with local control, the community should give consideration to public ownership with a local management team directing daily operations, in order to approach as nearly as possible the business climate achieved under private operation.

A transit authority would be created to finance the acquisition of present facilities and new transportation facilities as needed to serve the Columbus metropolitan area. By reason of the broad area of its operations, this authority would probably be a state agency with extensive representation from Columbus in its membership. The authority would function in a dual role of regulatory agency and bondholder's agent or trustee; on the one hand, it would exercise general regulation and control of transit service, fares, routes, acquistion of vehicles, safety regulations, etc., while on the other, it would finance the acquisition and oversee the disbursement of revenues collected by the operating transit company for these services. Financing would be achieved principally by transit revenues, with a supplementary pledge of other public funds, either from general taxation, motor vehicle funds or the like or by a lien on the transit property itself, as needed to assure an attractive interest rate. In its bond indenture, the authority would covenant to keep the transit service self-liquidating and to provide a satisfactory margin of coverage on debt service.

Operation of the system would be conducted by a

management company, made up of experienced transit administrators who know the system and are residents of the area, organized for the purpose of managing this public transportation system.

The duties and responsibilities of the management company would be substantially the same as present officers; it would prepare operating budgets for the authority's approval, hire the necessary personnel, negotiate labor agreements and generally furnish the active management and direction of the system.

Two forms of arrangement between the authority and the management company are possible. One would be a lease agreement under which the management company would pay a fixed rental for use of the authority's facilities and operate the service under prescribed rates and conditions which include a reasonable margin for services and contingencies. This would be similar to the Nashville arrangement. The lease would run for a five or ten-year term with adjustments of fares and service standards at six-month intervals as in the present franchise.

The alternative arrangement would be to pay the

management company a fee for its services and have the authority absorb either the excess or deficiencies from the amounts needed for operating expenses and debt service. Under this alternative, the managment company's fee would consist of two parts - - a fixed amount sufficient to cover adequate salaries and expenses for the officers provided directly by the management company, and a contingent amount designed to compensate for superior performance. Incentive payments are widely used in private business as a means of stimulating executives to achieve more profitable results. Similar means are ordinarily not available in public service due to the inability to find a single measure expressing public satisfaction similar to the profit motive. In transit service, however, there is a means of reflecting good service, low fares, courteous operations, frequent schedules and other public desires; this measure is the volume of revenue passengers carried. Essentially, this is what the community is seeking to achieve - - an increase in transit riding to promote more downtown activity and to relieve the burden upon public highways. Therefore, an incentive fee should reward the management company for its improvement in the volume of transit riding in contrast

with the transit industry's general experience.

Defining this fee proposal more definitely, the management company would receive

(a) A fixed amount in the order of 1 1/2% to 2% of gross revenues as compensation for its services and expenses, plus

(b) an incentive payment of 1/4 of 1% of gross revenue for each 1% by which the passenger traffic of Columbus Transit exceeds the experience of the transit industry generally.

Each month, the American Transit Association reports revenue passengers carried on transit lines throughout the country by various population groups. It is proposed that the total for all cities be used as a measure of industry experience, after eliminating the figures for rapid transit lines.

This all-cities experience for 1963 was a decline of 3.93%, as reported by ATA in February of this year.

Columbus Transit had a decline of 2.3% in the same year. Therefore, Columbus Transit's experience was 1.6% better than the industry norm, which under this proposal would entitle the management to an incentive fee of 0.40% of gross revenue in 1963, or a bonus amount of $25,000.

Other public transit operations have turned to management companies as a means of realizing the full tax benefits from public ownership, while at the same time holding the business climate and efficiency of private operation. When the City of Memphis acquired its transit facilities a few years ago, it immediately entered into a management contract with the men who had been managing the system to continue their services under a fixed-fee management agreement. Similarly, in St. Louis last year, one of the principal considerations in the sale agreement was negotiation of a contract with five men who had been the principal officers of the predecessor system to continue under a newly-formed management company. Similar conditions prevailed on the public takeover of the four bus systems serving the Miami metropolitan area.

This arrangement would not only assure the

continuation of present policies which have proven satisfactory to the community, but would also provide a satisfactory balance in the regulatory function. Broadening the Public Utility Administrator's responsibilities to include the interests of public bondholders as well as the riding public would assure a wider measure of financial interest and, ultimately, a more successful overall transportation program.

The authority would be empowered to enter into matching arrangements for transit improvements within the federal aid program and raise the local share under its borrowing capacity. Similarly, it could make agreements for service extensions under subsidy payment from suburban communities or for special student fares by cost-sharing with the Columbus Board of Education.

At an overall cost of about 2% of the expressway network, this would be a relatively cheap investment in balanced transportation.

A P P E N D I X

APPENDIX

PUBLICLY OWNED TRANSIT SYSTEMS IN UNITED STATES CITIES

City	Date	
San Francisco	May 1, 1912	City acquired Geary Park and Ocean Railroad Co. and organized San Francisco Municipal Railway.
Seattle	April 1, 1919	City acquired privately owned transit system which had been serving the entire city.
St. Petersburg	July 1, 1919	City acquired privately owned transit system which had been serving the entire city.
Detroit	May 15, 1922	City acquired Detroit United Railways and organized Detroit Department of Street Railways.
New York	Sept. 10, 1932	City commenced operation of the IND rapid transit system.
New York	June 2, 1940	City acquired Brooklyn Manhattan Transit Company.
New York	June 12, 1940	City acquired Interborough Rapid Transit Co. and became the operator of all rapid transit lines in the city.

PUBLICLY OWNED TRANSIT SYSTEMS IN UNITED STATES CITIES
(continued)

City	Date	
Cleveland	April 29, 1942	City acquired Cleveland Railways Company and organized Cleveland Transit System.
San Francisco	Sept. 29, 1944	City acquired Market Street Railway Co. and combined it with San Francisco Municipal Railway.
New York	Feb. 23, 1947	City acquired Isle Transportation Company, serving Borough of Richmond, and New York City Transit Authority commenced operation.
New York	March 30, 1947	City acquired North Shore Bus Co., serving most of the eastern half of the Borough of Queens, and New York City Transit Authority commenced operation.
Boston	August 29, 1947	Metropolitan Transit Authority, a State agency, acquired Boston Elevated Railway Co. The company had been operated since 1919 by a Board of Public Trustees.

PUBLICLY OWNED TRANSIT SYSTEMS IN UNITED STATES CITIES
(continued)

City	Date	
Chicago	Sept. 30, 1947	Chicago Transit Authority acquired Chicago Rapid Transit Co. and Chicago Surface Lines and commenced operation of all transit service in the City of Chicago except that furnished by Chicago Motor Coach Co.
New York	Sept. 23, 1948	City acquired East Side Omnibus Corporation and Comprehensive Omnibus Corporation, serving the easterly portion of the Borough of Manhattan, and New York City Transit Authority commenced operation.
San Francisco	1951	City acquired California Street Cable Railroad Co. This completed the public ownership and operation of all transit facilities in the City of San Francisco.
Chicago	Oct. 1, 1952	Chicago Transit Authority acquired Chicago Motor Coach Company. This completed the public ownership and operation of all transit facilities in the City of Chicago.

PUBLICLY OWNED TRANSIT SYSTEMS IN UNITED STATES CITIES
(continued)

City	Date	
Sacramento	Sept. 23, 1955	City acquired privately owned transit system which had been serving the entire city. Sacramento Transit Authority commenced operation.
Los Angeles	March 3, 1958	Metropolitan Transit Authority acquired Los Angeles Transit Lines, Metropolitan Coach Lines and Asbury Rapid Transit System. The companies provided almost all of the transit service in the City of Los Angeles and suburbs.
San Antonio	May 1, 1959	City acquired San Antonio Transit Company and San Antonio Transit System commenced operation.
Savannah	July 7, 1960	Savannah Transit Authority acquired Savannah Transit Company.
Oakland	Oct. 1, 1960	Alameda-Contra Costa Transit District acquired Key System Transit Lines which had been serving Oakland, Berkeley and surrounding communities and providing trans-bridge service to San Francisco.

PUBLICLY OWNED TRANSIT SYSTEMS IN UNITED STATES CITIES
(continued)

City	Date	
Memphis	Jan. 8, 1961	City acquired Memphis Transit Company and contracted with Memphis Transit Management Co. for operation.
Tacoma	Feb. 1, 1961	City acquired Tacoma Transit Company and Tacoma Transit Department commenced operation.
Fresno	Nov. 1, 1961	City acquired Fresno City Lines, Inc. and City Department of Transportation commenced operation.
Miami	Feb. 9, 1962	Metropolitan-Dade County Transit Authority acquired Miami Transit Co., Miami Beach Railway Co., South Miami Coach Lines, Inc. and Keys Transit Inc. and commenced operation of all transit service in the Miami metropolitan area, management being provided under a private management contract.
New York	March 23, 1962	City acquired Fifth Avenue Coach Lines, Inc. and Surface Transit, Inc. and Manhattan and Bronx Surface Transit Operating Authority commenced operation.

PUBLICLY OWNED TRANSIT SYSTEMS IN UNITED STATES CITIES
(continued)

City	Date	
New York	Sept. 1, 1962	Port of New York Authority acquired Hudson & Manhattan Railroad Co. and Port Authority Trans-Hudson Corporation commenced operation.
St. Louis	April 1, 1963	Bi-State Development Agency acquired Bi-State Transit System, including transit routes previously operated by St. Louis Public Service Co.
Pittsburgh	March 1, 1964	Port Authority of Alleghany County acquired Pittsburgh Railways Company and began acquisition of thirty suburban transit companies and two incline railways.