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The economics of railroad commuter transportation in the Greater Boston area

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THESIS

THE ECONOMICS OF
RAILROAD COMMUTER TRANSPORTATION
IN
THE GREATER BOSTON AREA

by

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MASTER OF BUSINESS ADMINISTRATION

1959
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CHAPTER ONE

INTRODUCTION

Throughout the nation, the commuter problem has become one of the most acute problems faced by city and state governments. Boston, New York, Cincinnati, Chicago and other large cities have been faced with a decrease in the use of mass transportation facilities and a corresponding increase in the use of private automobiles for commuting. Metropolitan transit lines and railroad commuter lines have been forced to operate with large deficits in order to maintain service. The publicly owned transit lines are subsidized directly by the communities served, but the railroads have a more serious problem. Privately owned, but forced by state regulatory commissions to continue uneconomical commuter service, they have been caught in the squeeze between higher costs and lower revenues, with little or no help from the communities served.

Metropolitan Boston has been trying to solve this problem since 1935. The Coolidge Report*, issued in 1947#, An earlier report was issued in 1945 by the same Commission.

* 47
#
constituted a comprehensive study of the needs of the community, and it developed an integrated plan to attempt to solve it.

More recently, direct action was taken by the General Court of the Commonwealth of Massachusetts to prevent the cessation of the railroad commuting facilities of the Old Colony branch of the New Haven Railroad. While the bill passed did not attempt to provide a permanent solution to the problem, its enactment points to the realization by the community that the Greater Boston Area needs the railroads as an integral part of its transportation system.

This study is devoted to the railroad commuter problem in the Greater Boston Area. A detailed examination of the roles assigned to the railroads in the various proposals that have been offered to solve the problem will be made. But greater emphasis will be placed on the role of New England Railroads in the New England economy. Basically, the question is: Do the railroads in this area need the support of the community and does the community need the railroads?

# The Greater Boston Area refers to the 65 cities and towns included in the Census Bureau's 1950 definition of the Boston Standard Metropolitan Area. This definition is also used by the Greater Boston Economic Study Committee.
CHAPTER TWO

THE IMPORTANCE OF PASSENGER REVENUE TO NEW ENGLAND RAILROADS

Because of the geographical location of New England, railroads in this region depend on passenger revenues for a larger proportion of their gross revenues than do railroads in other sections of the nation. The Boston and Maine Railroad and the New Haven Railroad are both large carriers of passengers. In 1955, only the New York Central and the Pennsylvania Railroads exceeded the New Haven in terms of passenger revenue, and the New Haven's ratio of passenger revenue to total revenue was higher than any railroad of large size in the country, with the exception of the Long Island. The New England railroads, as a group, obtained almost 19.4% of their gross operating revenues from passengers in 1955, compared with a national average of Class I railroads# of 7.4% and an eastern average, excluding New England, of 9.7%.*

Passenger revenue is very important to the New England railroads. Of the 44,797,373 passengers

# Class I Railroads are companies that operate trains between terminals and stations and have annual revenues over $1,000,000.
* 3, P. 19
carried on the New Haven in 1955, 29,422,177 were commuters.* The total passenger revenue for 1955 was $47,773,559 of which $11,420,474 came from commuters.# Therefore, while passenger traffic is so important to the railroads in this section of the country, commuter traffic is an important part of that total.

While this report is not primarily concerned with fares, it should be pointed out that the railroads face a peculiar series of problems when fixing rates for commuter fares. They must consider that there is a limit on how much a passenger will pay before turning to his own car, or to a car pool, for transportation. For the same reason, rates must be decreased, per mile, as the distance travelled increases. At the same time, the cost of providing commuter service is high, because of the high cost of labor and the idleness of the equipment between the rush hours. Reference is often made, by editorial writers and students of the railroad problem, to the twenty hour week in commuting service. Train crews, who work only about four hours a day, often receive overtime pay because of the time spread between runs, and the equipment is only used during the brief rush hours.

Because of its importance to the Boston area,

* 3, P. 47
# In 1955, commuter service accounted for almost 66% of the passengers on the New Haven and that service produced approximately 24% of all passenger revenue.
the New Haven Railroad will receive the greatest attention in this report. A brief examination of the revenue structure of that road will emphasize the importance of passenger revenue. The railway operating revenue of the New Haven Railroad for the years 1953-1958 is reproduced in TABLE I.

**TABLE I**

RAILWAY OPERATING REVENUES
NEW HAVEN RAILROAD 1953-1958

<table>
<thead>
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<th>(Millions of $)</th>
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<tr>
<td><strong>Operating Revenue</strong></td>
</tr>
<tr>
<td>Freight</td>
</tr>
<tr>
<td>Passenger</td>
</tr>
<tr>
<td>All Other #</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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From 1953-1958, passenger revenues accounted for about one-half of the combined freight and passenger revenues of the railroad, and for about one-third of the total operating revenues.

During the same period of time, profits on the New Haven have been declining. The annual profit or loss for the years 1953-1958 are shown in Table II. Table II

# Rental incomes constitute the largest portion of other income.
shows that the New Haven's profits declined steadily from 1953 to 1956 and that the railroad suffered losses in 1957 and 1958.

**TABLE II**

**NEW HAVEN RAILROAD**

**NET PROFIT OR LOSS 1953-1958***

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit or Loss</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1958</td>
<td>Loss</td>
<td>$4,276,639#</td>
</tr>
<tr>
<td>1957</td>
<td>Loss</td>
<td>2,363,702</td>
</tr>
<tr>
<td>1956</td>
<td>Profit</td>
<td>261,704</td>
</tr>
<tr>
<td>1955</td>
<td>Profit</td>
<td>4,246,534</td>
</tr>
<tr>
<td>1954</td>
<td>Profit</td>
<td>9,090,635</td>
</tr>
<tr>
<td>1953</td>
<td>Profit</td>
<td>6,060,348</td>
</tr>
</tbody>
</table>

# Includes $450,000 paid on subsidy from the Commonwealth of Massachusetts.

* 7, (1959 supplement)
CHAPTER THREE

THE OLD COLONY PROBLEM

The present dilemma of the Old Colony branch of the New Haven Railroad presents a good example of the problems faced by commuter railroads and the communities that they serve.

HISTORY OF THE OLD COLONY

The Old Colony is reputedly the oldest incorporated railroad in the United States. It was built to haul granite from the Quincy quarries to Charlestown, Massachusetts, to be used in the construction of the Bunker Hill Monument.

In 1893, the New York, New Haven and Hartford Railroad Company (the New Haven) took a 99 year lease on the Old Colony and its properties. At that time, the Old Colony was a profitable line, and the prospects for the future were good. The New Haven agreed to pay a rental of $2,500,000 yearly for the lease, but in 1935, the New Haven was forced to file a petition for bankruptcy and reorganization (because of excessive debt burdens piled up in the twenties) and the trustees disaffirmed the lease.

# The lease provided for a 7% return on Old Colony stock. The New Haven assumed all operations on the lines.
REORGANIZATION OF THE NEW HAVEN

The reorganization proceedings of the New Haven were both long and complicated. The Old Colony asked to be considered in the proceedings and this request was granted by the United States District Court in New Haven, Conn., where the reorganization hearings took place.

First, the Old Colony decided to sue the Trustees of the New Haven for damages because of their action in breaking the lease. The District Court awarded the Old Colony damages of $40,000,000. At that time, as well as now, the Old Colony was not capable of operating independently because of a lack of rolling stock. Because they were compelled to operate the Old Colony during the reorganization proceedings, the New Haven kept a careful record of losses in those operations from 1936 to 1939, and the same court that had awarded the forty million dollars to the Old Colony now ordered the Old Colony to pay the New Haven $11,367,000 for the losses.

The New Haven has been dependent on the Boston and Providence Line (the "Shore Line") for continued operation. Because the Old Colony owns that line, the New Haven has never been able to divorce itself from that line.

The reorganization proceedings produced many bitter foes. These were held in the United States District Court in New Haven, Conn. It was 1939 and the New Haven,
even then, wished to discontinue passenger service on the Old Colony. The New York Central Railroad opposed the plan to abandon the Old Colony because it would increase the share that the Central would have to bear of the burden of maintaining South Station in Boston. Representatives of the Railroad Brotherhood opposed the plan because of the curtailment of employment that would be caused by the cessation of service.

**ICC PLAN FOR REORGANIZATION**

On October 14, 1942, the Interstate Commerce Commission issued the final plan of reorganization for the New Haven.

The plan provided that the United States District Court in New Haven should have the final decision on the plan and the power to cure any defect in it.

The portions of the plan affecting the Old Colony were as follows:

The New Haven was to acquire properties, assets and franchises of the Old Colony in consideration for $3,289,600 of fixed interest bonds and $2,467,200 of income bonds. Arrangements would be made to relieve the New Haven and the Old Colony of their obligation to continue the use of South Station.

Both the New Haven Railroad and the Old Colony would be relieved of their obligation to continue passenger
service on the lines of the Old Colony, but, the New Haven would agree to operate such service so long as losses from it did not exceed certain "critical figures".

The plan provided that the New Haven would keep monthly figures on the amount of passenger losses on the Old Colony. This would provide a basis for determining if the "critical figure" has been reached. It was stipulated that the figures would be based on the application of a segregation formula and that the apportionment of the Old Colony's revenue and freight service should be made under the Commissions prescribed rules for separating common revenues and expenses between passenger and freight service.

The final reorganization plan was approved by the United States District Court in New Haven on September 18, 1947, with an effective date of July 1, 1947. Under the final plan, all business affairs and properties of the Old Colony were vested in the New Haven. The provisions of the reorganization that applied to the Old Colony are discussed above. In addition, the Commonwealth of Massachusetts was given an option to buy certain property of the Old Colony Line.

# These figures were $850,000 for any consecutive twelve month period in the first two years of the plans operation and $500,000 in any consecutive 24 month period after that.

### The Boston Group Lines from Boston to Braintree.
CHAPTER FOUR

THE COOLIDGE REPORT

During the period of reorganization, the Old Colony attempted to abandon some fifty stations on the line. The Attorney General of Massachusetts stated in 1939 that the plan to abandon any station was a "de­liberate attempt of the tendency to overlook the in­controvertible fact that they (the railroad) owe a ser­vice to the public."*

So the hassle continued, with the railroad trying to curtail service and the Commonwealth attempting to force them to maintain service. During the war, Massachusetts public officials declared that it was es­sential to the defense of the United States that the service be continued. Meanwhile, losses on the Old Colony piled up, and the road repeatedly threatened to discontinue the commuter service.

THE COOLIDGE COMMISSION

Nothing was done by the Commonwealth to solve the problem until 1947, when the final report of the Metropolitan Transit Recess Commission was published.**

* 17, July 24, 1939
** 47
This Commission had been established, under the chairmanship of Arthur W. Coolidge, by the General Court to investigate the problems of transportation in the Greater Boston Area. At that time, the transit system in Boston was the privately owned Boston Elevated Railway Company. The Company had been operating with a deficit for many years and the Commonwealth was obligated to guarantee payment of interest on its bonds.

THE COOLIDGE COMMISSION'S FINDINGS

The Commission realized that the people who worked in Boston were moving to the suburbs in increasing numbers. Many of them could not use the facilities of the Elevated because it did not serve their areas. The increasing use of the automobile was also causing an intolerable congestion problem in the downtown area. The Commission took a close look at the areas served by the railroads and concluded that the equipment used by the railroads was too costly and too cumbersome to be used in short haul commuter service. It was felt that the railroads concerned could not establish the integrated service which the members of the Commission hoped to see established.

The Commission was interested in all phases of the transportation problem, including the railroad
The problem of the discontinuance of passenger service on the Old Colony System of the New York, New Haven and Hartford Railroad, by force of judicial decree, is no less likely now...It has become apparent that the reorganized New Haven will not become encumbered by the inevitable losses resulting from the commuter-passenger service. The railroads should be restored to their trunk line long haul passenger and essential freight service...the solution...is rapid transit.*

RECOMMENDATION OF COOLIDGE COMMISSION

As a result of their investigation into the over-all problem, the Commission recommended the establishment of a Metropolitan Transit Authority, which would purchase the existing Boston Elevated Railway Company. Recommendations were also made to extend the service that would be offered by the Metropolitan Transit Authority to Braintree. Other recommendations were made which would increase service and facilities in the downtown area and to Metropolitan areas by utilizing New Haven tracks to Dedham and Boston and Albany tracks to Riverside.

The Metropolitan Transit Authority was created.

* 47, Chapter VIII
The Boston Elevated Railway Company was purchased by the Commonwealth. But nothing was done about the railroad commuting problem.
CHAPTER FIVE

THE FIRST SUBSIDY PROPOSAL

Time passed. The New Haven continued service on the Old Colony but was continuously seeking relief from the losses incurred. The public officials of Massachusetts did little or nothing to solve the problem.

PROPOSAL OF A SUBSIDY

George Alpert, President of the New Haven, suggested a subsidy from the public to maintain commuter passenger service.* This represented a bold, new approach to the commuter problem.

According to a count made by the Greater Boston Chamber of Commerce, approximately 900,000 people travel to Boston each day by private automobile from the Greater Boston Metropolitan Area. These people are carried in 575,000 vehicles. The city has been faced with the staggering problem of (1) how to keep those cars moving, and (2) how to provide space to park them. New highways, the widening of streets, and public garages have been the solutions worked out by the city. But a study made by the Chamber of Commerce revealed that when a new, convenient

* 22
garage was recently opened in the city, two additional cars came into the area for every three that parked in the garage. Within a period of three weeks, the streets were more congested than ever.*

Why, then, do people drive their cars into the city? The big answer seems to be convenience. Buses, particularly downtown, do not offer adequate service. And, according to Mr. Alpert, commuter service on the railroads is not complete enough. Trains are too few and far between, he says. This fact alone accounts for many of the cars. But, is it possible to induce people to ride the trains? According to Mr. Alpert, the evidence indicates that it is possible. He points out that, as improvements in service have been made on the New Haven, the number of commuters carried has increased constantly. (This contention of Mr. Alpert's seems quite valid in the light of a recent experiment in Philadelphia, OPERATION NORTHWEST, which will be examined later).

We are still faced with the problem of more and more cars entering the city daily. Naturally, if people will ride the trains, a good deal of this traffic will be eliminated. But can the railroads, without

* 22, P. 30
public aid, offer the type of service that is needed? The figures offered by the Old Colony indicate that they cannot.

The reasons are many and varied. Basically, they are caused by (1) some commuter lines being on branch lines that carry no other kind of traffic, therefore, the commuter service must carry the whole weight of the costs, (2) the seasonal nature of the business on some lines, and (3) rush hour service, requiring peak loads causing losses.

Mr. Alpert sees only one solution to the problem, "Public support of commuter services."*

The best arrangement...is to pay railroads the difference between the revenue and the cost of good service at reasonable fares on vital commuter lines.**

He sees the need for agreements between the railroads and public officials, stipulating the fares to be charged and the services to be provided, including enough off-peak service to make it easy to use the train. Agreements would also have to be made concerning the method of computing costs and provisions for needed improvements.

* 22, P.32
** ibid
CHAPTER SIX

THE NEW HAVEN FORCES THE ISSUE

THE NEW HAVEN ANNOUNCES DISCONTINUANCE OF SERVICE

The New Haven forced the issue when on May 13, 1958, the railroad announced that it intended to discontinue commuter service on the Old Colony Line. It obtained a restraining order from the United States District Court in New Haven prohibiting the officials of the Commonwealth of Massachusetts from interfering with the abandonment. The New Haven contended that its losses in the operation of the Old Colony in 1957 amounted to $2,400,000.

ACTION BY THE COMMONWEALTH

This brought an immediate reaction from the State House. The Attorney General, the late George Fingold, went to the District Court in New Haven and obtained a restraining order from Judge Robert P. Anderson. The order gave the Commonwealth a month to try to solve the problem. Mr. Fingold stated that the transportation of 8500 commuters was at stake, and he asked for an audit of the Old Colony's books. In the
meantime, the Massachusetts General Court established a Special Commission to investigate the problems incurred with the loss of the Old Colony and to suggest some means of solving the problem.

ACTION OF THE FEDERAL COURT

On June 4, 1958, Judge Anderson, the presiding Justice of the United States District Court in New Haven, informed Mr. Fingold that he expected quick action on the Old Colony and he said that he would not allow an audit of the company's books after the June 23, 1958 deadline that he had set. He stated that the Court had already determined the fact that the Old Colony Line had suffered sufficient losses to allow for the discontinuance of the commuter service.

On June 23, 1958, hearings were reopened in the Federal Court. Mr. Charles Greenough, the MDC Commissioner, testified that the abandonment of the Old Colony would cause a serious traffic problem to the Metropolitan area, asserting that Morrissey Boulevard (the main route to the south shore area, the area to be hardest hit) already carried 75,000 vehicles daily. However, Judge Anderson commented that Massachusetts had failed to offer any concrete suggestions to keep the Old Colony running.
HEARINGS OF THE SPECIAL LEGISLATIVE COMMISSION

During this time, the Special Commission had been holding hearings, trying to do something to either keep the Old Colony or find other methods of transportation for the people in the South Shore area.

The Commission heard testimony from Lee Stack, a vice-president of the John Hancock Insurance Company. In 1946, Hancock loaned the New Haven $17 million for flood repairs. Mr. Stack told the Commission that if the New Haven did not get rid of the Old Colony, it would go broke in four months. Other witnesses, like Public Works Commissioner Anthony DiNatale who described a monorail system that could be built at a cost of $650,000 a mile, suggested alternate means of transportation. The Commission did other work, such as boarding an Eastern Massachusetts Street Railway bus for an unofficial and unannounced race with a New Haven train.

But nothing significant was done until June 26, 1958, when Judge Anderson invited various public officials of the Commonwealth to New Haven to discuss plans for the Old Colony. He also set Tuesday, July 8, 1958, at 5:00 p.m. as the final date for the New Haven to be obligated to continue the Old Colony service. On the same day, the auditor appointed by the Attorney General stated that the New Haven had not overstated its losses.
As a result of the meeting with Judge Anderson, the Special Commission of the General Court hastily wrote its report and filed it with the General Court on June 30, 1958.
CHAPTER SEVEN

THE SUBSIDY BILL

COMPOSITION OF THE SPECIAL COMMITTEE

The Special Legislative Committee was composed of five Senators, nine Representatives and four qualified men appointed by the Governor. The Chairman was Senator John E. Powers, of Boston, currently President of the Senate.

FINDINGS OF THE COMMITTEE

The Committee was highly critical of the manner in which the United States District Court had handled the case. The report of the Committee states that Judge Anderson invited officials of the Commonwealth to meet him to discuss the proceedings and plans to continue passenger service on the Old Colony. But, the report continues, the Jurist told the assembled officials that he intended to "enter an

# The Governor's appointees were Calvin D. Crawford of Cotuit, George A. Yarrington of Quincy, Henry W. Huddleston of Whitman and J. Burke Sullivan of Hingham.
order...confirming the right of the New Haven Railroad
to abandon passenger service on the Old Colony Lines."*
Hence, the report states:

...the officials of the Commonwealth present were confronted
by a stark choice: They could either negotiate with the rail-
road, using the Chamber's (Boston Chamber of Commerce) plan as a
basis for negotiation; or, they could permit passenger service
to cease on the Old Colony Lines within a matter of a week.**

The Committee realized that the discontinuance
of the service on the Old Colony would result in serious
traffic problems, loss of employment for 700 workers,
and many other undesirable consequences, such as a
decline in property values in the South Station area.

It was determined, through negotiations with officials
of the New Haven, that this loss of service could be
avoided at a cost of about $900,000. Because of the
poor bargaining position of the Commonwealth, it was
felt that the state should make that amount available
to the railroad as a subsidy for the continuance of the

In order to provide for that payment, the
Committee submitted recommended legislation to the
General Court.

* 48, P. 8
** 48, P. 8
PROVISIONS OF THE BILL

The Bill provided for the establishment of an Old Colony Area Transportation Commission in the Department of Public Utilities, which would be directed to make a contract with the New Haven Railroad on behalf of the Commonwealth. The contract would obligate the Commonwealth to pay the sum of $900,000 to the New Haven in four installments. In return, the New Haven would agree to (1) continue service on the Old Colony until July 1, 1959, and (2) grant to the Commonwealth the option of purchasing the line from Boston to Braintree at the salvage value determined by the plan of reorganization, which was approved in 1945. The Commission would also be charged with the duty of seeing that the New Haven performed its duties under the contract.

The Bill specified that the communities served by the Old Colony would have to bear the burden of paying for the continued service, thus, the proportion of each communities obligation was set forth. Boston would pay the first $225,000, and the balance would be paid by the 37 other cities and towns.

Other sections of the Bill authorized the Treasurer of the Commonwealth to borrow funds in anticipation of payments by the communities, in order to meet
the State's contractual obligation of four equal installments to the New Haven. Another group, the Old Colony Transportation Advisory Council, would also be formed, consisting of the Mayors of the towns which had to pay the subsidy and the Chairmen of the Board of Selectmen of these towns. Each member would be given a vote "in proportion to the amount, exclusive of interest or other charges, paid by his city or town..." toward the deficit. The Council would be charged with the duties of making further recommendations to the General Court for a solution to the transportation problem.

CONSTITUTIONALITY OF THE BILL CHALLENGED

There was some question as to the constitutionality of the proposed Bill. Some felt that it might be construed to be a money bill, which according to Article VII, Section III of the Constitution of Massachusetts "...shall originate in the House of Representatives...", while some wondered if the payment of money to the New Haven was a violation of Section I of Article LXII of the Amendments to the Constitution of Massachusetts, which states that "...the credit of the

# 48, P. 17
Commonwealth shall not in any manner be given or loaned to or in aid of any individual, or of any private organization, or of any corporation which is privately owned or managed", and Article X of the Declaration of Rights, Article IV of Section I and other provisions of the Constitution of Massachusetts, that public money may not be used except for a public service or a public use. Because of these uncertainties, it was decided to ask the opinion of the Supreme Judicial Court of Massachusetts on these issues.

OPINION OF SUPREME JUDICIAL COURT

The Justices delivered their opinions to the General Court on July 15, 1958. The Court held that the Commonwealth was not extending credit to the New Haven. It was felt that the only grant of credit was being made by the New Haven, in accepting the payment in four installments. Because of the critical situation envisioned by the Special Commission, the Court held that this was, indeed, a public service. "The transportation of the people at large in the district served...is a matter in which the public and the government as the representatives of the people have an interest."

# 46, P. 13
The Justices also held that the proposed legislation was not a money bill in the sense of the meaning given in the Constitution. It was, rather, a bill for another purpose in which the raising of funds in the process, is an incidental matter. "Such taxes as are imposed locally to reimburse the Commonwealth for expenditures made by it, are purely incidental to the main objects of the bill."*

CONTROVERSY OVER PROPOSED LEGISLATION

It was, therefore, clear that the proposed bill was constitutional. But there was still great controversy over the Bill itself. The members of the Special Commission expressed their dislike of the legislation that they themselves had to recommend, by stating that:

No member of this Commission likes the idea of making a payment of $900,000, or, indeed, of any amount to the New Haven Railroad. Nothing in this report should be construed as an expression of confidence in the management of the New Haven Railroad...nothing herein should be construed as a commitment of any kind for any such arrangement beyond July 1, 1959.**

It was hoped, the report stated, that another

* 46 P. 16
** 48, P. 9
solution would be found, that the legislation was necessary only to gain a year's time to look for alternative solutions. Indeed, the majority stated that, "It is felt that a year from now the Commonwealth will have more alternatives available to it if for no other reason than that our highway program will be further advanced at that time."

Representative John T. Driscoll of Boston submitted a minority report. While agreeing with a substantial part of the majority report, he stated that he was opposed to the great share of the tax burden that would have to be contributed by the City of Boston, and more importantly, he felt that "...a subsidy, once started, will be continued indefinitely and in ever greater amounts." He felt that the proposed legislation represented a precedent, and he feared that it would be used again and possibly in other situations.

As would be expected, the proposed legislation caused a furor of excitement. The Greater Boston Chamber of Commerce gave the Bill it's full endorsement. John Volpe, President of the organization, stated that the shutdown of the Old Colony would cost the City of Boston

* 48, P.9
*** 48, P.11
taxes, jobs and business. He said that:

As a former Commissioner of Public Works, I know that the influx of passenger cars on Boston's streets which will come about if the Old Colony is shut down will make the city's present traffic and parking problems seem minor in comparison.*

Others were not so enthusiastic about the plan. The Southeastern Massachusetts Economic Council, with a membership comprising of residents of sixty communities, stated that the plan would establish a practice which "...we believe to be not only dangerous, but in contravention to the constitutional rights of the people."** The Committee further stated that the price of continued service on the Old Colony evidently was "...a subsidy which we strongly oppose and a surrender of our right to control our local expenditures."** This Committee, like other groups, wanted continued service, but at no cost to the communities involved.

Other opponents of the Bill consisted of representatives of organized labor. John H. Leonard, President of a local bus drivers union, stated that it is "unfair to private bus companies to place a (fare) ceiling on the Old Colony. The private bus companies will have to

* 15, July 1, 1958
** 15, June 29, 1958
keep the same fares to stay in business."* Many state legislators, particularly from the City of Boston, protested the assessment made against Boston for the subsidy. In reply, Senator Powers, himself from Boston, said that there is always the question of "97.5% of the people paying for the transportation of 2.5%, but the question involves the overall picture of public transportation and the economy of the entire area."**
CHAPTER EIGHT

THE SUBSIDY IS GRANTED

On July 9, 1958, the people of the Commonwealth, as well as the legislators on Beacon Hill, received a real shock when the New Haven Railroad discontinued passenger service on the Old Colony Line. Commuters were told that the railroad could not wait any longer for action on the Bill. Over 400 railroad workers were handed notices of indefinite furloughs and 90 trains were cancelled. Mr. Alpert stated flatly that the Bill under consideration was not acceptable to the New Haven, and that it was not the plan that the railroad had agreed to with officials of the Commonwealth in New Haven.

OBJECTIONS OF THE NEW HAVEN

The chief objection that the New Haven seemed to have to the Bill was in the section concerning the right of Massachusetts to exercise an option to purchase the Boston Group lines under the reorganization plan of 1945. Mr. Alpert did not like the wording of the Bill, because he thought that the State might later say that the $900,000 subsidy was a down payment in the exercise of the option. He was also dissatisfied with the slow progress and endless argument on the Bill.
REACTION AT THE STATE HOUSE

The action was greeted with outcries of "dictatorship" on Beacon Hill. Attorney General Fingold went to the Court of Appeals in New Haven and claimed that the railroad had lost its right to abandon service under the reorganization plan, because it failed to keep segregated the supposed loss figures of the Old Colony from the general statements of the New Haven.

SERVICE RESTORED

Anxious to prevent the prolonged discontinuance of service on the line, representatives of the Chamber of Commerce went to Mr. Alpert to try to persuade him to re-establish it. Mr. Alpert was enraged by some of the statements made by legislators and the Governor of the Commonwealth.* But, through the efforts of the Chamber members, and with assurances that the Bill would be passed, Mr. Alpert relented, and on July 10, 1958, service on the Old Colony was restored.

PASSAGE OF THE SUBSIDY BILL

In the meantime, Mr. Powers was doing everything

* 15, July 9, 1958
possible to accelerate passage of the Bill. Passed finally by the Senate, the House decided that the Bill in its present form was not acceptable. An amendment was added to the Bill which would require the State Auditor to audit the books of the Old Colony and require the railroad to submit quarterly reports on commuter line operations.

The Senate refused to approve the Bill with the audit requirement. Initially, the New Haven said that it had no objection to the audit, but later, a company representative stated that the requirement would cost the railroad another $100,000 a year.

The Bill was finally enacted into law on August 20, 1958, without the audit requirement.

So, Massachusetts had won another reprieve. One year. The cost...$900,000. But the problem was not solved.
In June, 1958, the Greater Boston Economic Study Committee issued a "Policy Statement" on commuting. The statement contains a brief resume of the commuter problem but does not offer any new suggestion to the specific problem of the railroad, other than to reiterate the oft-sung phrase that no one will take the train anymore. The Policy Statement is interesting, though, first because it was issued at the height of the Old Colony crisis, and second, because it does give some valid reasons for the need of mass transportation facilities.

The report states that over a half a million people move into and out of downtown Boston everyday. Of this total, about 9% are carried on commuter trains, while 57%, over one half of the total move by private automobile. The report attributes the decline in railroad passengers to increasing popularity of the automobile, and it is stated that "declining traffic in the face of rising wages and equipment prices has meant rising costs". Because of the loss of short haul freight traffic to trucking firms, the report continues, freight earnings can no longer cover

* 6
** 6 P 10
commuter losses. The report states that commuter lines should be replaced with an improved and expanded Metropolitan Transit Authority. What about subsidy payments to railroads? The report states that:

A public subsidy to the railroads, whether in the form of a direct subsidy, tax relief or public ownership and operation, does not go to the heart of the problem. As long as the subsidy continues, it can perhaps prevent the railroads from abandoning ESSENTIAL commuter service. But it will fail to cure the underlying causes of the railroads' troubles, because it does nothing to make commutation by rail more attractive to the commuting motorist.*

Although attacking the idea of a subsidy at this point, it is later stated in the report that it would be wise for the state to give the railroads a guarantee that it will make up any failure of the railroad to meet out-of-pocket costs on longer distance commuter travel.**

Many other items are covered in the report and they should be of interest to anyone concerned with the overall problem of transportation in the Boston Area. Specific recommendations are made in regard to extension of some facilities of the MTA, including a proposal for a single transit authority. Electrification of the Old Colony is not suggested but

* 6 P 15
** 6 P
the use of a new type Diesel electric car, which can operate above ground as a diesel and underground as electric cars, is recommended.
CHAPTER TEN

THE OLD COLONY AREA TRANSPORTATION COMMISSION

The latest study made of the problem of commuting, as it affects the Old Colony, is contained in the First Report of the Old Colony Area Transportation Commission.*

STATUTORY AUTHORITY

Chapter 663 of the ACTS of 1958, gave this Commission the responsibility of making a study of Old Colony. Specifically, the Commission was charged with determining whether the present subsidy payment should be used as a basis for negotiating a new subsidy or if the right way of the Old Colony should be purchased and electrified.

BASIC OBSERVATIONS MADE BY COMMISSION

First, it is stated that the logical solution to the problem is to have a "single government agency with the power to regulate and to integrate highway planning, traffic control, public parking, and all types
of public transportation within the area."** Another observation made is that the "ultimate goal (of planning) is a single integrated system of rapid transit lines to serve the entire Metropolitan Boston Area."** But because of the financial difficulties of the MTA, the Commission felt that "...new rapid transit lines will have to be financed by independent transit districts..."***

**ACTION TAKEN BY COMMISSION**

Fortified with these observations, and convinced that the railroad could not provide commuter service because of the high costs, the Commission hired a firm of engineers to conduct a study on rapid transit on the Old Colony right of way. It is stated in the Report that the Commission realized that time was of the essence (an astute observation by the members after years of inaction by other groups). The Commission recommends that an independent transit authority, to be called the South Shore Transit District, be established. This group would then be

* 45, P. 6
# This, of course is nothing new, as it had been suggested in the Coolidge Reports and the Greater Boston Economic Study Committee.
** 45, P. 7
*** 45, P. 8
responsible for purchasing from the New Haven Railroad,

... the right-of-way, tracks, station buildings and all other appurtenances within the right-of-way of said railroad between Boston, the city of Quincy, and the town of Braintree, beginning at the point where the two Cape Cod (South Shore) tracks meet the tracks of the Boston Terminal Company in the city of Boston and ending at the Y connection south of the South Braintree station where the Plymouth branch leaves the Cape Cod track in the town of Braintree...*

Provisions are also made for the purchase from the New Haven of the Greenbush branch in the towns of Braintree, Weymouth, Hingham, Cohasset and Scituate, and the Cape Cod line in the towns of Braintree, Holbrook, Avon and Brockton.

It is stipulated that the SSTD should make an agreement with the New Haven to provide for the joint use of certain track for the movement of freight cars. The Commissioners would be responsible for the electrification of the line, the acquisition of parking facilities adjacent to stations and agreements with the MTA covering connections. The rest of the proposals of the Commission are routine, covering the issuance of bonds, the hiring of employees and sundry other details, with the exception of two items which should be examined closely.#

# These are the proposals referring to overpasses and deficit financing. A discussion of these items follows this chapter.
* 45, P.19
It is the opinion of the Commission that the new Transit District will be self-supporting. Exhibit I is a reproduction of the Estimated Capital Outlay needed to implement the Commission's plan. Exhibit II shows the Estimated Annual Operating Expenses of the plan, Exhibit III the Estimated Annual Revenues and Exhibit IV, the Estimated Annual Return.

**EXHIBIT I**

**ESTIMATED CAPITAL OUTLAY**

<table>
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<tr>
<th>Description</th>
<th>Amount</th>
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<tr>
<td>Additional trackage</td>
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<td>Gauntlet tracks</td>
<td>846,000</td>
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<tr>
<td>Savin Hill Connection</td>
<td>490,000</td>
</tr>
<tr>
<td>South Braintree Terminal Yard, Office</td>
<td>160,000</td>
</tr>
<tr>
<td>Hingham Terminal</td>
<td>80,000</td>
</tr>
<tr>
<td>Repair Shop (contract)</td>
<td>-------</td>
</tr>
<tr>
<td>Station Improvements</td>
<td>895,000</td>
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<tr>
<td>Electrification</td>
<td>985,000</td>
</tr>
<tr>
<td>Catenary and feeders</td>
<td></td>
</tr>
<tr>
<td>Sub-stations and transmission</td>
<td>1,230,000</td>
</tr>
<tr>
<td>Way and Drainage</td>
<td>182,000</td>
</tr>
<tr>
<td>Right-of-way and Railroad facilities</td>
<td></td>
</tr>
<tr>
<td>Boston to South Braintree</td>
<td>1,200,000</td>
</tr>
<tr>
<td>Braintree-Greenbush (contract)</td>
<td>-------</td>
</tr>
<tr>
<td>Cars-66 MU coaches @ $120,000 each</td>
<td>7,920,000</td>
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<tr>
<td>Service Cars (two used)</td>
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<tr>
<td>Additional Engineering and Contingency Exp.</td>
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<td>Interest during construction</td>
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<tr>
<td><strong>Total Capital Outlay</strong></td>
<td>$19,935,000</td>
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EXHIBIT II

ESTIMATED ANNUAL OPERATING EXPENSES *

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<th>Item</th>
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<td>Maintenance of way and structures</td>
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<tr>
<td>Maintenance of equipment</td>
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<tr>
<td>Power</td>
<td>$140,000</td>
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<tr>
<td>Transportation Labor</td>
<td>$455,000</td>
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<tr>
<td>Injuries and damages</td>
<td>$28,000</td>
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<tr>
<td>Depreciation of way and structures</td>
<td>$80,000</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$77,000</td>
</tr>
<tr>
<td>Fare credit to MTA (7,000,000 @ 20%)</td>
<td>$1,156,000</td>
</tr>
<tr>
<td>Cost of service credit to MTA (6%)</td>
<td>$1,400,000</td>
</tr>
<tr>
<td><strong>Total Annual Expenses</strong></td>
<td><strong>$2,976,000</strong></td>
</tr>
</tbody>
</table>

EXHIBIT III

ESTIMATED ANNUAL REVENUES (25,000 daily riders) **

| Revenues from operations                  | $4,115,000 |
| Revenue from railroad lease               | 240,000    |
| **Total annual revenue**                  | **$4,355,000** |

EXHIBIT IV

ESTIMATED ANNUAL RETURN ***

| Total annual revenue                      | $4,355,000 |
| Total annual expense                      | 2,976,000   |
| Annual gross income                       | 1,379,000   |
| Annual debt service charge ($20,000,000 issue 40 years 3%) | 865,000    |
| **Annual Net Income**                     | **$514,000** |

* 45, P.14
** 45, P.15
*** 45, P. 15
COMMENTS ON COMMISSIONS FIGURES

Although this report has been available for at least two months, there has not been very much public discussion on it. Of course, as the time draws near for the Old Colony to again issue an ultimatum to the Commonwealth, the report will probably evoke some heated debate.

No provisions have been made for repair shops in the estimated capital outlay. In the estimate of annual expenses of operating, only $28,000 is set aside as funds for injuries and damage. In this day of high insurance claims, $28,000 would not be likely to cover the damages from one suit, and any transportation agency must expect many damage suits in the course of a year. In fairness to the authors of the report, it must be noted that the figures given are estimates and are subject to revision. There is another expense which does not appear in any of these estimates. It is a cost which will be borne by the whole Commonwealth. Section 9 of the proposed legislation stipulates that:

All underpasses and overpasses required for elimination of grade crossings where the present railroad tracks cross existing public ways at the same level shall be designed and built by or under the direction of the Massachusetts Department of Public Works and the
cost of such construction shall be paid from the general highway fund. All existing underpasses and overpasses under or over the railroad tracks (used by the Transit District) shall become the property of the Massachusetts Department of Public Works...and the same shall be maintained, repaired and replaced when necessary by the said department with monies from the general highway fund.*

It is difficult to determine the intent of the Commission in proposing that the Department of Public Works build and maintain those properties of the Transit District. It does represent a subsidy to the Transit line of substantial amounts, although the cost of the subsidy will presumably be buried in the gasoline taxes.

Another provision of interest in the proposals of the Commission is Section 19, which provides for means of raising monies if the service does not operate at a profit. Of course, this is a proposal to assess the towns and cities affected by the District an amount equal to the deficit.

**ALTERNATIVE SOLUTIONS IGNORED BY COMMISSION**

The legislation that charged the Old Colony Area Transportation Commission with the responsibility of measuring the advantages of purchasing the Old Colony and electrifying it, also charged it with the responsibility

* 45 p 21
of determining whether or not the subsidization method of continuing commuter service was satisfactory. The Commission quickly turned this idea down with a comment that the railroads cannot do the job.*

No consideration is made of the economic effect on the City of Boston if the railroad ceased operations there. Nothing is said about the needs of the railroads in New England. Nothing is said about the needs of New England for the railroad. But is this not an important factor in any analysis of railroad commuter service?

*45, P. 7
CHAPTER ELEVEN

THE IMPORTANCE OF TRANSPORTATION IN BOSTON

In the preceding pages, the problem of the Old Colony has been discussed without too much reference to the role of railroad commuter transportation in the overall transportation problem of the city. This is understandable, for the Old Colony represents a pressing problem. However, it is important to remember that the transportation problem of the City of Boston exists because of certain very basic economic factors. The problem of the Old Colony cannot be properly solved without reference to those problems. Choosing the best alternative for continuation of service to commuters on the South Shore today will not necessarily result in solving the problem that will be faced tomorrow. No solution to the transportation problem of the metropolitan area will be satisfactory unless basic decisions are made about the future of the downtown area.

The central business district of the city is very small. It consists mostly of office buildings, some hotels and a few manufacturing firms. The working force has moved in increasing numbers to the suburbs. So, twice a day, a mass movement of people occurs into and out of the city. At the same time, shopping centers
have been established near the homes of these workers in the suburbs. Theatres and other amusement facilities are also relocating far from the core of the city. Therefore, there exists a demand for transportation twice a day in the city. To solve this portion of the problem, new concepts of urban development will have to be created. A better balance of population distribution should be effected. It is conceivable that if the city was attractive enough to live in, many people would think twice before moving to the suburbs. The City of Boston and the metropolitan area have the facilities for solving the short run transportation problem, (i.e. three excellent railroad systems and the MTA). The important problem lies in the area of urban redevelopment of which transportation is an important part. If comprehensive urban planning is not accomplished, today's solution to the transportation problem will have no bearing on tomorrow. The community must decide on the role of the city in the metropolitan district. The problem is enormous. It has often been said that what Boston needs is a good fire so we can start from scratch and build a modern city. But good, hard planning and the cooperation of the various governmental bodies in the State can take the place of the fire. A realization that Boston is not an island, but the core of a group of communities is needed before direct
action can be taken. There is no reason why Boston should not be a greater center for the arts, a better shopping center, and the best place to have an office building in this area.

TRANSPORTATION IN THE DOWNTOWN AREA

Some reference has already been made to data concerning the flow of traffic in the downtown area. Because of their importance in discussing the needs of the city, further figures are presented here. These figures were compiled by the Research Bureau of Boston College and were presented at a citizens Seminar at the University.*

From 1950 to 1956, motor vehicle travel in the downtown area increased 10%. The increase of motor vehicle use caused a decrease in the use of mass transportation facilities. The MTA's losses amounted to about 40,000 people a day. From 7:30 to 9:30 in the morning, 70% of the people entering the downtown area use mass transportation facilities, but during the other hours of the day, excluding the evening rush hours, mass transportation is virtually unused.

An interesting factor mentioned in this seminar

* 7
is that if everyone came to Boston by motor vehicle, three times as many parking spaces would be needed. This would require an expenditure by the City in excess of $200,000,000 and would require taking over 40% of the business blocks of the City for parking (assuming 6 story garages were built). Added to this is the fact that 50% of the land area in the downtown section is already devoted to motor vehicle facilities. 40% of the land is used for streets and highways. 10% is used for parking. Because of the scarcity of land in the area, these figures represent a serious loss of revenue for the City and an increasing burden of maintenance expenses.

PROBLEMS OF OTHER RAILROADS IN BOSTON

The commuter problem is not confined to just one railroad in Boston or just one area. The Boston and Albany Railroad, which is part of the New York Central System, and the Boston and Maine Railroad are both plagued with the same problems. No subsidies have been requested by either of these lines, but service on both has been drastically reduced. The New Haven has felt more of an obligation to continue service, even though it has had to ask for financial support to carry on. Therefore, while this study has been devoted to analyzing the Old
Colony problem, the reader should remember that commuters from all parts of the State, coming into Boston, are affected. It is just a matter of time before action will have to be taken to preserve commuter service on the other lines.

THE IMPORTANCE OF RAILROAD TRANSPORTATION TO THE CITY

Senator Powers recently stated that, "On transportation alone, our city (Boston) can rise or fall." Senator Powers has thus aligned himself behind the need for subsidies to transportation companies in order to continue this important service.

Boston's need for industry is obvious. It has been pointed out that more and more automobiles are coming into the city every day, and there is a definite relationship between "...good traffic conditions and good business...when traffic piles up, sales fall off...and...as the hunt for a parking space becomes savagely competitive, business moves into the suburbs."**

THE MTA PROBLEM

One proposed solution to the problem is

* 16, P. 8
** 21, P. 12
the establishment of a new transit authority or the extension of the MTA. What does this proposal mean to the City of Boston?

At the present time, Boston bears the heaviest portion of the deficit burden of the MTA. In 1958, the MTA suffered a deficit of $15,780,896. Boston must pay 65% of that deficit, or $10,878,301. (The deficit for 1958 was $4,366,083 above the deficit for 1957. It represented an increase in the tax rate of Boston of $2.10 a thousand, and brings the total cost of the MTA to the Boston taxpayer to $7.48 per thousand of his real estate valuation).

By comparison, Boston had to contribute only $225,000 to the $900,000 Old Colony subsidy (25%). And this money actually produced tax revenue for the city.

Boston receives over $1 million dollars in taxes each year from the New Haven Railroad. This is based on the 1958 tax rate of $93. It is about three times the amount of money spent by the City on the subsidy. Mayor Hynes has repeatedly stated that discontinuance of commuter service on the Old Colony Railroad would mean that South Station would have to be reassessed, with a resultant large decrease in tax revenue for the City. President Alpert has gone even further, stating that if the New Haven were forced to discontinue commuter service
on the Old Colony, South Station would probably not be used by his railroad at all. New Haven trains would stop at Back Bay, for there would be no justification for going all the way to town. If this should happen, said Mr. Alpert, it would "jeopardize and effect the entire South Station area...and Boston would be just one step more advance toward it's return to the village state that it occupied 150 years ago."

That idea might be a little strained, particularly if commuter service were replaced by a rapid transit line. However, the fact remains that Boston will lose over $1,000,000 a year in tax revenue, money that is badly needed. There is, in addition, no guarantee that the City will not be asked to share a portion of a rapid transit deficit for the benefit of the South Shore Authority that has been proposed.

OTHER FACTORS IN THE BOSTON AREA

The movement of business to the suburbs has been mentioned. This movement is of vital concern to the City, for the growth and well being of any community is dependent on a sound central business area.

# These comments were made by Mr. Alpert during a radio interview on NEWSMAKERS 1959, Station WBZ, Boston
If the mass means of commutation are allowed to be abandoned, what other costs would Boston be faced with? There would have to be more off-street parking. Garages cost money and are, in effect, subsidized ventures. Valuable land is taken to build them on and no tax money is generated from them. Streets would have to be widened and the steadily increasing use would cause more rapid deterioration and replacement.

THE IMPORTANCE OF RAILROADS TO NEW ENGLAND

The New England region, as a whole, is more dependent on good transportation facilities than other areas of the nation. Producers in this section of the country are already at a competitive disadvantage with other producers because of the high cost of transportation. Raw materials and fuel must be shipped into this area and manufactured goods must be sent from here to other parts of the country. Good transportation is a necessity. The railroads that serve the New England area must be kept solvent. Continuation of unprofitable service, such as commuter service, will not help the competitive position of the railroads.
CHAPTER TWELVE

THE EXPERIENCE OF OTHER AREAS

COMMUTER PROBLEM IS NATIONWIDE

The railroad commuter problem is not unique in the City of Boston. Metropolitan areas throughout the nation are experiencing the same difficulties. Let us first see what makes people turn from railroad commuter transportation and what would tempt them to return to it. Then we will examine action taken in two other metropolitan areas.

SURVEY AMONG DRIVERS

In an effort to find out how people felt about the problem of transportation to work, Fortune magazine conducted a survey among drivers in large cities.* The cities chosen were Los Angeles, San Francisco, and Washington, D. C. The drivers' responses, reproduced below, give us some insight of the motivations of commuters who chose to use their automobiles for transportation to work.

* 1, P. 53
1. How do they feel about their work trip.
   a. Do not enjoy driving in today's traffic; would almost certainly switch to public transportation if it came reasonably close to competing with auto in time, cost, convenience.  
   b. Driving to work convenient; but would seriously consider switching to a first class transit system  
   c. Enjoy driving: cannot imagine switching to public transportation.  

2. Could now use public transportation but do not.  

3. Believe transportation and traffic problem best solved in their area by:  
   a. New public rapid transit  
   b. New highway  

4. Type of transit preferred  
   a. Bus  
   b. Rail  

5. Would use transit system of choice if:  
   a. Round trip time matched present driving time.  
   b. Only if it offered a substantial round trip saving (10-60 minutes)  
   c. Doubt if use under any circumstance.  

6. Facts about present auto trip:  
   a. Car pool  

<table>
<thead>
<tr>
<th>QUESTION</th>
<th>L.A.</th>
<th>S.F.</th>
<th>WASH.</th>
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<tr>
<td>1. How do they feel about their work trip.</td>
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<tr>
<td>a. Do not enjoy driving in today's traffic; would almost certainly switch to public transportation if it came reasonably close to competing with auto in time, cost, convenience.</td>
<td>34%</td>
<td>39%</td>
<td>32%</td>
</tr>
<tr>
<td>b. Driving to work convenient; but would seriously consider switching to a first class transit system</td>
<td>32%</td>
<td>39%</td>
<td>37%</td>
</tr>
<tr>
<td>c. Enjoy driving: cannot imagine switching to public transportation.</td>
<td>34%</td>
<td>22%</td>
<td>31%</td>
</tr>
<tr>
<td>2. Could now use public transportation but do not.</td>
<td>42%</td>
<td>90%</td>
<td>85%</td>
</tr>
<tr>
<td>3. Believe transportation and traffic problem best solved in their area by:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. New public rapid transit</td>
<td>66%</td>
<td>78%</td>
<td>47%</td>
</tr>
<tr>
<td>b. New highway</td>
<td>34%</td>
<td>22%</td>
<td>53%</td>
</tr>
<tr>
<td>4. Type of transit preferred</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Bus</td>
<td>35%</td>
<td>21%</td>
<td>41%</td>
</tr>
<tr>
<td>b. Rail</td>
<td>65%</td>
<td>79%</td>
<td>59%</td>
</tr>
<tr>
<td>5. Would use transit system of choice if:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Round trip time matched present driving time.</td>
<td>64%</td>
<td>68%</td>
<td>60%</td>
</tr>
<tr>
<td>b. Only if it offered a substantial round trip saving (10-60 minutes)</td>
<td>19%</td>
<td>18%</td>
<td>22%</td>
</tr>
<tr>
<td>c. Doubt if use under any circumstance.</td>
<td>17%</td>
<td>14%</td>
<td>18%</td>
</tr>
<tr>
<td>6. Facts about present auto trip:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Car pool</td>
<td>12%</td>
<td>46%</td>
<td>54%</td>
</tr>
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</table>
**QUESTION**

<table>
<thead>
<tr>
<th></th>
<th>L.A.</th>
<th>S.F.</th>
<th>WASH.</th>
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</thead>
<tbody>
<tr>
<td>b. Average one way distance in miles</td>
<td>11.4</td>
<td>14.1</td>
<td>9.1</td>
</tr>
<tr>
<td>c. Average time home to work (minutes)</td>
<td>27</td>
<td>29.5</td>
<td>28.5</td>
</tr>
<tr>
<td>d. Work to home (minutes)</td>
<td>32.5</td>
<td>33.5</td>
<td>33.5</td>
</tr>
<tr>
<td>e. Average speed homeward</td>
<td>21</td>
<td>25</td>
<td>16</td>
</tr>
</tbody>
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NOTE: 1958 population figures for L.A., 1,970,358; S.F., 775,360; Washington, 902,178; Boston, 801,444.

Thus over half of the present drivers would either switch or seriously consider switching to another means of transportation, if it was of good quality. Well over half of the drivers could now use mass transportation facilities, but do not. It must be concluded, therefore, that they do not consider those facilities to be adequate. There is an overwhelming preference for rail transit service among the drivers interviewed, and only about 15% stated that they would not consider using this type of service.

San Francisco is the only city of the three with transportation problems roughly similar to Boston. But the survey does indicate how some drivers in a few major cities feel about the problem.

**OPERATION NORTHWEST**

Philadelphia has tried to solve its commuter
problem with close cooperation between railroads and city officials.

The Chestnut Hill lines of the Pennsylvania and Reading Railroads is the main commuter line of the city. Operation Northwest was launched in October 1958, in an effort to ease the cities traffic problem and get the shoppers and commuters out of their cars and onto mass transportation facilities.

Under this plan, which is really an experiment, riders on the Chestnut Hill line pay only a 30¢ fare, instead of fares ranging up to 54¢, which had been in effect. The rider is allowed to transfer to or from buses and trolleys of the Philadelphia Transit Company for only 10¢ instead of the former 18¢ or 20¢. More frequent train service is also an important feature of the plan.

SUCCESS OF PROGRAM

The figures for the first fourteen weeks of the plan indicate that the program is meeting with widespread public approval and acceptance. During that period, 42,082 MORE passengers were carried than in the same period in 1957 - 1958. In addition, eight bus routes, which feed into Germantown area stations of the Chestnut Hill lines, have also shown steady passenger
increases. The city is paying $160,000 during the test period, most of the money being used for 218 additional trains. It has been estimated that there will have to be a 30% increase in passenger traffic in order to offset the reduction in fares.*

The experiment is not over, but it represents a concrete effort to do something about the problem. It represents cooperation between city government and the railroads, something that has not been in evidence in the Boston area.

NEW YORK COMMUTER PROBLEM

Of the nine railroads that serve the New York area, six have been in bankruptcy. The Long Island Railroad, the largest commuter road in the nation, operates only because New York State and the localities that it serves have been abating about one half of it's taxes. So again, the railroads problems are financial. Like other commuter railroads, the New York railroads have suffered from lagging fare adjustments, decreased revenue, increased costs, destruction of intrinsically

* 20
valuable capital investment, delayed expansion of facilities and poor maintenance of equipment.

The problem in New York is particularly difficult because commuters from three states are involved. Connecticut, New York, and New Jersey all have a share in the problem. This had led some to attempt to create a tri-state agency to deal with the problem, but this has met with little real success. The governors of those three states have met repeatedly to try to work out a solution. New Jersey passed a bill authorizing the creation of a bi-state agency (with New York) but the bill specifically forbids the taxation of local property holders to pay for deficits on commuter roads. With the many diverse points of view there, and the complexity of the whole problem, there has been much confusion. In a speech delivered in Chicago before transportation experts, Mayor Wagner of New York called for income tax deductions for commuter fares.

The New Haven is asking New York for a subsidy, similar to the one that it received from the Commonwealth of Massachusetts. President Shoemaker of the Delaware, Lackawana and Western said that his railroad lost more than $800,000 from all operations in the first months of 1959, after losing $3,934,000 last year.
The Delaware, Lackawana and Western serves 20,000 New Jersey commuters daily, and is an important part of New York's transportation complex. Mr. Shoemaker stated that his road should get full tax relief on all property and facilities used for passengers, broader latitude on curtailment of services, and joint payment by the State and the Port of New York Authority for out-of-pocket losses incurred by the railroad on service which the community requires. Mayor Wagner has stated his support for income tax deductions for commuter fares and subsidies to the railroads. He is also in favor of federal aid for the railroads, and in this respect, he has support from Major General George Hickman, who, speaking for the Secretary of the Army before a Congressional Committee stated that the railroad passenger service is vital for the defense of the United States. He said that, "it is clear that railroad passenger equipment has approached a point where further reductions may impair the national defense." In case of war, the mass movement of troops will depend on railroad facilities.

Mayor Wagner believes that because of the vital interest that the federal government has in continued

# 18
railroad operation, federal subsidies should be granted. He suggests that these could be in the form of low interest rate loans to the railroads or in a guarantee of bonds of an appropriate interstate authority, outside the federal debt limit.*

But, like Boston, New York has not done anything concrete in solving her commuter problem. The City is looking toward the State, the State toward other States, and everyone at the Federal Government. The problem remains.

* 19
CHAPTER THIRTEEN

THE PROBLEM RESTATED

SUMMARY OF THE PROBLEMS DISCUSSED

We have discussed the importance of passenger revenues to the New England railroads. In detail, we have studied the commuter problem and its effect on the New Haven Railroad and the City of Boston. The Coolidge Report, with its plea for a unified transit authority, has been studied together with reports of other economic study groups. An examination has been made of the evolution of a subsidy payment to the New Haven and its effects. The latest efforts of the Old Colony Area Transportation Commission have been mentioned and a brief excursion was made to study the commuter problem in other metropolitan areas, and to study their proposals in the light of their own situations.

Other proposals have been made to solve the commuter problem. The remainder of this study will be devoted to discussing these various proposals.

PROPOSALS TO SOLVE COMMUTER PROBLEM

1. Creation of a separate transit authority to purchase the right-of-way of the Old Colony. (This
would presumably be used as a precedent for the establishment of other transit authorities in other sections of the metropolitan area).

2. The extension of the responsibilities of the present MTA in Boston to include operation of rapid transit trains on the Old Colony.

3. The continuation of the payment of a subsidy to the Old Colony by the State.

4. Payment of a subsidy by the Federal Government.

5. Government ownership of the railroad.

6. Relaxation of government regulation of railroads, permitting them to have more latitude in determining their own policy.

7. Encouragement by the public to the railroads to consolidate operations in order to gain economies of scale.
CHAPTER FOURTEEN

THE PROPOSALS STUDIED

TRANSIT AUTHORITIES

Proposals have been made for the extension of the authority of the MTA and for the creation of a separate transit authority. Both of these plans would entail the purchase of the existing right-of-way of the Old Colony Railroad, and the electrification of the lines. It might, therefore, be appropriate to consider the proposal for outright government ownership at this time.

GOVERNMENT OWNERSHIP

Historically, the American public has never been receptive to the idea of outright government ownership of any industry. There is no doubt that government ownership of railroads in France, Germany and other European nations has had a beneficial effect on their whole economy. I have had the good fortune of travelling on European trains, as a third and second class passenger as well as first class. In terms of convenience, comfort and service, it is difficult to compare the railroads in Europe, which are much more efficient, to railroads in the United States. But would government ownership be the best alternative in
our situation? Is there any reason to believe, that as conditions presently exist, that the government could offer sufficient savings in the operation of the railroad to make it worthwhile? Who would benefit?

RIDERS MIGHT BENEFIT

One of the chief objections of the riders of commuter railroads is that they have not been willing to pay for the actual cost of service. Presumably, with government ownership, fares would be kept at a minimum. This has been the experience with the MTA which has a flat 15¢ local fare and 20¢ 'transfer' fare. The cost of the service is borne by the property owners and not the riders.

RAILROADS MIGHT BENEFIT

There is little doubt that the railroads that have been losing money on the operation of commuter lines would breathe a sigh of relief if the government took over only the commuting services. It is equally certain, going a step further, that they would scream loudly if the government took over the profitable freight service. This the railroads deem to be their own domain.
COMMUNITY MIGHT BENEFIT

There would certainly be advantages for the community in that there would be a guarantee of continued commuter service. Better scheduling of trains and the ability of the government to use its taxing power to obtain funds for new equipment would make the service more attractive. However, the increased tax burden on businessmen and property owners in the city might negate this advantage. Someone will have to pay for the service.

PARTIAL GOVERNMENT OWNERSHIP

The Coolidge Report envisions only partial government ownership, that is, ownership and operation of commuter service only through rapid transit. The railroads would continue to operate long haul passenger service and freight service. This would, of course, put the burden of both ownership and operation of those lines on the governing bodies of the communities served. The Coolidge Commission felt that the railroads could not handle the short haul commuter service, but that a local transit authority could not only handle it effectively but would also make a profit. The Commission applied the same reasoning to the rapid transit lines within the City (The Elevated Railway) and from their recommendations, the MTA was born. The MTA has not only been unable to
operate at a profit, but it's deficit has become more and more of a burden each year on the communities that it serves. For someone must pay for the service, if not the riders, then the taxpayers. No matter who the recipient of a subsidy might be, a private railroad or a publicly owned transit line, the government must obtain funds from the taxpayers to make the payments.

By limited government ownership of transportation facilities, we are referring to ownership of a segment of those facilities, in this case, ownership and control of commuter transportation service. The proposed legislation which would establish an independent South Shore Transit Authority would be an example of this type of ownership. The railroads would retain their freight service and long-haul passenger service. Again, as in the case of government ownership, better scheduling, lower cost of service (to the rider) and some benefits to the community might result. The question remains for this area, Can an independent authority really do the job? If we speak in terms of granting a subsidy if the authority does not operate at a profit, then there would be no question. But the elimination of a subsidy or the discontinuance of a subsidy to a private firm is not the only question. One of the prime reasons for concern is the increased congestion in the City of Boston caused by
the great influx of automobiles. Merely transferring
the ownership and control of the commuter lines from
private hands to the government will not ease this
traffic. The final solution to the problem must include
methods of making travel by means of mass transportation
more desirable than transportation by private auto-
mobile.

In the present situation in Boston, there are
two ways in which the public can become owners of the
commuter services. The establishment of the South Shore
Transit Authority is one method, and the expansion of the
responsibilities of the MTA is the other. But, would the
implementation of either of these two methods materially
improve the type of service offered? As in the case of
government ownership, better scheduling and more certain
service would probably result. But would the service im-
prove enough to lure the commuters away from their auto-
mobiles? Of course, we do not know the answer. The MTA
experience on the Highland Branch of the Authority, which
is now being converted for the use of rapid transit trains,
will probably be helpful in answering the question. At
best, anything that we can say at this point would be
merely conjectural. However, it does remain clear that the
service offered must be better than the service that is
presently offered on the MTA. Even the occasional rider
gets discouraged by the crowding techniques employed by the line, i.e. packing as many people as possible into each car. Certainly the railroad commuter, used to riding on a train with two abreast seating, will not be enthusiastic over being herded like the present MTA rider. Improvement in service is the key to retaining and regaining the commuter to the rails, regardless of who offers the service.

EASING GOVERNMENT REGULATION

The nation's railroads are today one of the most heavily regulated industries. A brief study of some of the areas of government interest and control will suffice to support this contention.

INFLUENCE OF GOVERNMENT ON WAGES

Wages constitute about one-half of the total operating costs of the railroads, and the government influences those wages through provisions of the National Railway Labor Act. Under this Act, certain agencies pass on interpretations of wages and hour contracts of the railroads and their employees. More important, there is no coordination between the bodies that influence the wages and the bodies that grant fare increases. When a fare increase is actually needed to pay for a wage increase, the time lag between the two may represent a
serious drain on the working capital of the railroad.

CONTROL OVER RATES

The Interstate Commerce Commission, as well as state regulatory commissions (such as the Department of Public Utilities in Massachusetts), exercises a very high degree of control over the nation's railroads. All proposed rates and fares must be filed by the railroads with the appropriate State or Federal agency. The regulatory commissions may suspend rates, hold hearings, and may actually set minimum and maximum rates which the railroads may charge for their services.

GOVERNMENT TAXING POLICIES

In addition to the control exercised over the revenues of the railroad inherent in the rate fixing policy of the regulatory agencies of the government, the special taxes placed on the railroad and railroad services also furnish the government with positive controls over earnings. Taxes are paid on all physical property (as opposed to other common carriers who pay taxes only on their vehicles and warehouses but use public facilities for their 'right-of-way', i.e. the highways).
GOVERNMENT REPORTING REQUIREMENTS

For many years, railroads have been required to submit detailed statements to state and federal regulatory agencies. These reports are executed according to prescribed procedures established by the agencies. This gives these bodies complete statistical data on the operation of the railroads. This is necessary in order to exercise the supervision and control that the agencies have over the railroads.

GOVERNMENT CONTROL OVER RAILROAD SAFETY

The ICC has extensive jurisdiction in the matter of railroad safety. It regulates the number of hours that railroad employees may work, the safety of the railroad equipment, and the proper maintenance of safety equipment, including switches, signals and other automatic devices. All accidents must be reported to the ICC and are subject to investigation.

GOVERNMENT CONTROL OVER MERGERS

Government control over the securities of the railroads is complete. All security issues must meet the approval of the ICC and all transactions in railroad securities by the railroads in this country are subject to ICC scrutinization. In addition, the Commission has
complete authority over mergers and consolidations, having the power to approve or disapprove them.

OTHER GOVERNMENT CONTROLS

Two other important government controls are the jurisdiction of state regulatory commissions over the discontinuance of unprofitable service in intrastate traffic and the jurisdiction of the ICC over all abandonments.

THE NECESSITY OF GOVERNMENT CONTROLS

The governmental controls that have been listed are certainly vital to the continuation of service, particularly in metropolitan areas. While it may be true that certain of these controls, or elements of the controls, (like taxing policies) should be changed, the overall effect of government regulation is to assure uniform, fair, service to all users of railroad transportation. There is no doubt that there would be no service on the Old Colony today if it were not for the intervention of government agencies. The Old Colony would have been abandoned years ago.
CONSOLIDATION OF RAILROADS

There has been much discussion recently over the advantages of consolidation of New England railroads. Many good arguments have been advanced for this course of action, and indeed, many people think that consolidation will help solve the commuter problem.

ADVANTAGES OF CONSOLIDATION

The probable effects of a merger on the Old Colony and other commuter lines in Boston are not too clear. However, proponents of consolidation say that it would accomplish the following:

1. The financial structure of railroads could be better integrated. This would lead to better long range planning and a reduction in the amount of working capital required for the expansion of services.

2. Substantial savings could be made in operating expenses and interest charges.

3. Many overhead expenses of the consolidated railroads would be reduced.

4. Equipment on a consolidated, integrated system could be put to most efficient use. There would be no duplication of effort.

5. Policies and rate making would be simplified.
6. There would be possibilities of reducing the number of non-operating employees.

7. Government regulation would be simplified.

These advantages would accrue to any type of industrial combination. It is important to decide whether or not the consolidation of New England railroads would be desirable from an economic point of view, and whether such consolidation would have any effect at all on the problem at hand, the commuter problem.

DISADVANTAGES OF CONSOLIDATION

The disadvantages of a combination of New England railroads are well summed up in a report made to the New England Governors by the Governor's Committee on Public Transportation.* The report states that:

Impressed with the valuable contribution of competition as a means of stimulating efficiency and promoting better service and lower rates, your committee concludes that competition should be retained to the extent that it now prevails among the New England railroads.

Careful consideration has been given to the merits of consolidating the Boston and Maine and the New Haven (the two major commuting lines in Boston) and it has been found that such a merger would not be in the best interests of New England.

*3
Combination of the two would destroy important competition that now exists at the common points now served as well as at other points... While there would be some economies in operation, some of them could probably be achieved by closer cooperation. Consolidation would mean a combining of similar weaknesses which can be overcome better through independent managements working intelligently and assiduously in their limited spheres and in the circumstance peculiar to each carrier. No financial advantage would be realized by combining carriers that already have poor credit standings and cannot individually attract capital for modernization of plant...#

Based on the advantages and disadvantages listed above, there would be no value to consolidation from the point of view of better or more efficient service on commuter lines. In addition, it must be remembered that the commuter lines servicing Boston all come from different directions. While some economies might exist, it is extremely difficult to measure them and they fail to seem too important in arriving at a solution of the commuter problem. In some respects, it might add to the problem, for the railroad interests would be much stronger and would, therefore, be able to negotiate with the public on the basis of increased strength and power. This would not be desirable for the community. Certainly, for the short run, a scheme permitting consolidation of the railroads in New

* 3, P. 8
England would do nothing towards solving the commuter problem.
CHAPTER FIFTEEN

SUBSIDIZATION

Before going into details on the question of subsidization, the element of emotionalism connected with the concept must be eliminated. Here again, editorial comments, letters to editors and public comments, all too often stress the emotional aspects of government aid without reference to the real issue involved.

SUBSIDIZATION IS NOT EVIL

First, the notion that the payment of a subsidy to a railroad (or any other industry) represents socialism and is therefore bad should be dismissed. A. M. Rosenthal in his essay "SHOULD SOCIALISM BE A SCARE WORD?"* stated that "Many people equate socialism with communism, giving rise to confusion and error."** Many times we have heard men earnestly warning the nation that we are 'on the road to socialism'.

It is not the purpose of this paper to measure the relative advantages of one form of political system against another. But it is important, in a discussion

* 38
** ibid
of subsidies, to remember that many people do fear 'creeping socialism'. And, when the General Court of the Commonwealth decided to grant a $900,00 subsidy to the New Haven, many similar gasps of socialism were heard.

Social legislation is not evil, per se. Therefore, in a discussion of subsidies to railroads, it is not enough to dismiss the alternative of such a payment because of its socialistic nature, if in fact, a subsidy is needed.

There is no question that when the crisis of the discontinuance of commuter service occurred in 1958, the State had no alternative. Without the subsidy payment, railroad commuter service would have been lost and a vacuum would have existed. But now alternatives exist and the concept of a subsidy payment must be measured against those alternatives that prove to be workable.

OPPONENTS OF SUBSIDIES

Not all railroad men are in favor of granting government subsidies to the railroads, and they have raised their voices in protest against it. Clair M. Roddewig, President of the Association of Western
Railroads has stated that, "As soon as you give a subsidy you are perpetuating inefficiency; you have destroyed the incentive to economize... (subsidies are) a short cut to government ownership". H. E. Simpson of the Baltimore and Ohio Railroad has repeatedly stated that there would be no need for a subsidy if the government would apply the same regulatory rules to all forms of public transportation. This would include the same rules, similar taxes and the recognition of the principle of self support. Mr. Simpson points out that the excise tax on the transportation of people and freight was applied during World War II in order to keep people and goods other than military off the trains. The tax accomplished that purpose then, he said, and it is doing the same thing today.

While we know that there is no excise tax on commuter's fares, we must yet bear in mind that the commuter business is just one segment of the railroads total business. If the railroads were making more money on other operations, they would not be trying so desperately to get rid of the unprofitable commuter service. In fact, they might be able to make the commuter business

* 33, P. 83
**39, P. 14
*** 39
more profitable if there were funds available to make the needed improvements in service.

George Alpert of the New Haven has been a consistent champion of the subsidy payment to the railroad. It is his contention that the public needs the service, but the railroad just cannot afford the losses that the continuation of the service would bring. Therefore, whereas the service is so important to the public, the public should be willing to pay for part of the cost. In opposition to the position taken by Mr. Roddewig, Mr. Alpert has stated that the US Merchant Marine and the Airlines have been subsidized for years. Socialization of these industries is not in sight in the near future.*

In the preceding pages, elements of government regulation of the railroad industry were discussed. It is important now, to discuss how the railroads' competitors are regulated. Are the railroads up against any unfair advantage in offering passenger and freight service? (Once again, it must be remembered that the financial position of the railroad will determine its attitude toward continued commuter passenger service. One cannot isolate one factor from the other. Our immediate concern is still the local situation, but these

* 39
other factors, heretofore mentioned, must be considered.)

The Association of American Railroads feels that their companies are over-regulated. In a bulletin published in 1958,* the Association presented the favorable division of editorial comment on the subject of railroads from the first of March to the end of June, 1958. A total of 4,537 newspaper editorials were culled from the nations' press on various phases of the railroad situation. The first subject, discussed by 1488 editorialists, concerned regulation. Of the 1488 editorials on this subject, 1434, or 99%, felt that today's regulations are out of date. The second phase concerned subsidized competition. Of 522 editorials on this subject, 509 expressed the opinion that such competition places an unfair burden on the railroads. 603 editorials of 608 on the subject of taxation stated that the railroads are unfairly taxed, while 984 out of a total of 987 editorials dealing with the question of wartime federal excise taxes on transportation, favored the removal of those taxes. On this vital issue of whether or not the railroads should be allowed to dispense with deficit operations, 1151 out of 1301 said 'yes'. 111 said 'no', while 39 said that they were not sure.

* 14
Of course, it cannot be said that editorial comments alone reflect the will of the people, but there must be some public support for easing the financial burdens of the railroads for the figures are overwhelming in their accord.

SUBSIDIZED COMPETITION

The nation's railroads have been suffering from the effects of subsidized competition for many years. In 1946, Professor William J. Cunningham of the Harvard Graduate School of Business stated that:

The government itself is in the transportation business. It is furnishing facilities and service to some carriers at less than cost, but not to others...

The question of the equity of taxation is a difficult one in any field. It is particularly vexatious in connection with the transportation agencies because of the fact that some of them use government owned property not subject to taxation, while others, principally the railroads, do not have that opportunity...
Each agency of transportation should assume not only its fair share of the cost of providing and maintaining the government owned facilities it uses but its fair share of the general cost of government as well...

All the taxes paid by the railroads are devoted to general government purposes such as the support of schools and courts, fire and police protection, and other general costs. A part is even used to cover the costs of aid to air carriers...

...the present situation in which one form of transportation is singled out for separate and preferred promotional treatment remedied...

Another student has pointed to the double role that railroads have had to play throughout their history in this country. They are expected to operate just like any other enterprise, he says, and try to make a reasonable profit (which is dependent on general economic conditions and managerial efficiency). In other words, they are judged on results by economic or commercial criteria, like all other businesses. However, he continues, public policy has emphasized a variety of non-economic and social-political roles for the railroads. Some of these roles are specifically mentioned by the author. They include the Hoch-Smith

* 30, P. 73 (Also 12, P. 345)
** 43
Resolution, passed in 1925, which would require the ICC to consider the conditions prevailing in any industry when adjusting freight rates. This would then mean that the railways would have to subsidize any depressed industry. Therefore, if any segment of the economy was in trouble, for instance agriculture, the railways would have to come to their aid. (This resolution was later deemed unadvisable, but the important factor is that it was considered quite seriously). In summation, the railroads at various times have been required or expected to act as "instruments of governmental policy to bolster a sagging economy or industry, to help balance the budget, to offset inflation, to effectuate antitrust policy, to stimulate competitors and provide service where it is not vitally needed."*

So the railroads have been burdened with a social obligation as well as subsidized competition. The question may be asked, 'Do not all businesses have certain social obligations that must be met?' The answer is yes, of course, but no other segment of the economy has been expected to perform such a great variety of social tasks and still have their efficiency measured by a"strictly commercial yardstick".** What about the

* 43
** 43
effect of subsidized competition? What does it consist of? Does it have any bearing on a discussion of railroad commuter problems?

THE RAILROADS' COMPETITORS

Besides the automobile, with its direct effect on commuter travel, the railroad has many strong competitors. The airplane, the ship and the motor truck receive public aid in one way or another. The two most serious competitors are the motor truck and the airplane.

MOTOR TRUCK COMPETITION

Even the casual newspaper reader is familiar with the many inequalities that exists in the competitive situation between the railroads and the trucking industry. It has been pointed out that the railroads own their right-of-way and pay taxes on them, while the trucking industry's right-of-way, i.e. the highways, are built with federal, state and municipal funds. While members of the trucking industry claim that they, too, pay taxes back to these governments, many of the 'taxes' that they quote are, in fact, user charges. A toll paid to enable one to use a road is not a tax but a charge made only for the use of the road. A similar situation exists when a railroad
leases part of its right-of-way to another carrier. The charge is not a tax, but a user charge. Therefore, highway expenditures made by the government may be regarded as a subsidy to the trucking industry.

Trucking lines, being engaged only in the transportation of freight, are not bothered with the necessity of maintaining unprofitable passenger service, as are the railroads. Concentrated in the transportation of freight, the industry can enjoy the relatively higher returns on this segment of the business.

Highway transportation of freight offers many advantages, particularly for short hauls. The added tax burden carried by the railroads in addition to the large amounts of money needed to maintain their right-of-way, places the railroad in a serious competitive disadvantage as a result of public policy.

AIRPLANE COMPETITION

Airline competition is serious to the railroads, both in freight and passenger service. It was the development of the airplane as a vehicle for the mass movement of people that caused a reduction in the number of people using trains for long distances. The airplane has grown with government funds and subsidies.

The regulation of the airlines in the United
States has been unique in its objectives. One feature of the Act (Civil Aeronautics Act) is that it directs the Administration to encourage and foster the development of civil aeronautics and air commerce, both in the United States and abroad. In addition, Section 406 of the CAA has a feature that cannot be found in any provision of the Interstate Commerce Act. It provides the Civil Aeronautics Board (CAB) with the authority to fix airmail rates, and it specifies that the rate of payment for the airmail should be in accordance with the need of each carrier, in order to maintain and continue the development of air transportation. In effect, it is a guarantee of the continued solvency of a certified air carrier. The only limit to the rate of payment is that it must be within the amount appropriated each year by Congress for the transportation of air mail.

By far the largest amount of public aid for the airlines comes from the publicly built and publicly maintained airports throughout the nation. The airlines pay nothing for their right-of-way, i.e. the use of the federal airways, or for aids to navigation or signal and traffic controls. Continuous weather observation service is provided without cost, and federal employees staff the control towers of the publicly supported airports. Other indirect public aids include financial assistance the federal
government provides to aircraft manufacturers for research and development of new types of airplanes.

In fact, according to a study made by the Railroad Committee for the Study of Transportation, the

...aggregate of these various financial aids to air transportation exceeds the value of land grants to railroads in their early days. They are greater than the cost of the Panama Canal, or the expenditures for navigation on inland waterways. The value of the lands granted to the railroads to stimulate their construction and open up undeveloped territories has been repaid tenfold by reduced rates to the government on freight and personnel, and the operating expenses and carrying charges of the Panama Canal are financed from the tolls paid by the users...*#

IMPORTANCE OF SUBSIDIES TO RAILROAD COMPETITORS

It is difficult to find a justification for public aid to the trucking industry. There does not seem to be any valid reason for aiding truckers with public funds. On the other hand, the nation has a need for a complete transportation system. Integrated highways are essential for defense and for the growth of the economy. The nation cannot be dependent on just

* 12, P. 356
one form of transportation. A similar situation exists in the case of the airlines. The defense requirements of the country necessitate an adequate supply of airplanes for air transportation of men and goods. On the question of public aid, it is extremely doubtful that the airlines could have reached their present stage of development and service without public funds.

The need for an integrated system of transportation in the United States is clear. It must be determined, however, whether or not it is right to aid some members of the transportation industry at the expense of other members. Are the needs of the nation really met in this way? Are not the railroads as important, both in peacetime and wartime?

There is no question but that this subsidized competition has seriously affected the earning power of the railroads, and this in turn has caused the squeeze on profits which makes it necessary for the railroads to discontinue unprofitable service...commuter service.

The automobile, the immediate cause of the decline in the number of railroad commuter passengers, is very heavily subsidized by public funds. The roads and bridges used by the driver are built with public funds. Traffic controls and other safety devices, the policemen who direct the traffic, the engineers that plan
traffic flow patterns - all these services are provided by public funds and must be considered a subsidy to the automobile owner.

Whatever action is taken to solve the commuter crisis in Boston, it should be remembered that all of the railroads competitors are heavily subsidized by the public.
CHAPTER SIXTEEN

TWO ALTERNATIVES

OTHER ALTERNATIVES ELIMINATED

Various proposals have been mentioned for solving the commuter problem. Certain of these can be eliminated at this point. Others have possibilities, but would require more time than is now available to the State. A combination of action may be required. Government ownership of all segments of railroad transportation would not solve the immediate problem, for it would require many years of negotiation and a change in the attitude of the general public. Of course, it could be a long range objective, in which case, the continued payment of a subsidy would assure continued operation of the commuter service. Relaxation of regulatory rules governing the railroads would not help, for the regulation is needed. Without it, continuation of railroad commuter service in the Boston area would not be possible. A consolidation of railroads in the New England area would not help the problem either. The same conditions and factors would plague a consolidated road as they do the existing corporate structures. In addition, a merger would consume time, and would not help the immediate situation. It has
also been pointed out that such a merger might concentrate too much power in the hands of the railroad interests, too much power for the good of the public.

There are only three alternatives left. The creation of an independent transit authority to purchase the existing right-of-way of the Old Colony and operate a rapid transit line; the extension of the authority of the MTA to include purchase of the Old Colony and the operation of rapid transit therein; and continued subsidy grants to the railroads by either the State or Federal governments. The only alternative compatible with future governmental ownership or a combination of the roads is the subsidy. The first two will result in local government ownership of the commuter branch of the railroad.

A TRANSIT AUTHORITY

It is not clear just why the Old Colony Area Transportation Commission recommended the establishment of a separate transit authority to deal with the problem. The report states that "...in the field of mass transit, the ultimate goal is a single integrated system of rapid transit lines and bus lines to serve the entire Metropolitan Boston area."* The Commissions' objection to

* 48, P.7
extending the MTA apparently rests in the basis of financing that body, for the report states that "Until an entirely new basis of financing is developed for the MTA, new rapid transit lines will have to be financed by independent transit districts in the west, the north and the south of the present transit district."* It is further stated that if the MTA is put on a sound financial basis, then all of the separate districts should be merged into one district. (This is called 'passing the buck' to a future generation). The problem of consolidating a number of transit authorities will not be any easier in the future than beginning with an integrated system, if an integrated system is the community's goal. Certainly, the property owners in cities outside the present district would not welcome any change that reduces the 65% deficit burden borne by Boston and increases or requires them to pay a share of the burden themselves. But is there any reason to believe that people will change with the passage of years? Will taxpayers in those districts ever wish to assume part of the burden? Probably not. In addition, the whole success of the plan presented by the Commission is dependent on the cooperation of the MTA. The plan envisions full transfer privileges to the MTA

* 48 P.7
so that most of the riders of the proposed South Shore Transit Authority will be able to enjoy the facilities of the MTA without paying a penny toward it's deficit. A clear case of politics is readily seen. The Commission wants to establish the rapid transit, but it also wants the support of the riders of the Old Colony, support that might not be forthcoming if suggestions were made that they help pay for the MTA deficits. Of course, this is aside from the main issue, for the relative advantages and disadvantages of rapid transit service are the same whether the service is provided by the MTA or by an independent authority. But the waste that will be incurred if the principle of independent authorities is accepted must be considered. The duplication of administration, supply and other factors is obvious. And the principle is in direct opposition to every study that this writer has seen dealing with the transportation problem.

Chapter Ten dealt with the report of the Old Colony Area Transportation Commission. Certain observations were made about the estimates presented by the Commission. It was pointed out that no provisions were made for the cost of repair shops and that only $28,000 was allocated for damage costs. It was also pointed out that the Commonwealth would have to design, build and
maintain all new underpasses and overpasses and existing underpasses and overpasses. This would be paid for with money from the general highway fund and would constitute a considerable subsidy payment by the state to the transit line. The Old Colony must not only maintain and pay taxes on its overpasses and underpasses, but must build new ones when the officials of a town feel that one is needed.

An examination of Exhibit I reveals that the Authority will have an initial capital outlay of at least $20,000,000. The actual figure will probably be well in excess of that amount. In addition, the estimated annual expense will be about $3,000,000. It is hoped that the line will enjoy an annual income of $4,355,000. There is reason to believe, on the basis of the experience of the MTA, that the figure will not be anywhere near that amount. It is more probable that a deficit operation will exist.

CONTINUATION OF A SUBSIDY PAYMENT

The present subsidy payment to the Old Colony is $900,000 a year. There are indications that if a new agreement is made with the New Haven, the subsidy will be higher.

It has been stated that certain advantages are
gained by the City by the payment of the subsidy. Reference was made to the fact that Boston receives over 1½ million dollars a year in taxes from the New Haven, three times the amount that the City had to pay toward the subsidy. In addition, the continued use of South Station by the New Haven preserves the property values in the area around the structure. This in turn, preserves tax revenue for the City.

Another advantage to the subsidy concept is the fact that the huge initial outlay of funds required for a rapid transit line would not have to be made. This initial investment might be good, however, for the long run.

The subsidy payment leaves the operation of the railroad in the hands of the railroad. The community does not gain too much in improved service. True, the railroad cannot discontinue existing service, but it is very unlikely that any new service would be initiated.

We are left, then, with a series of advantages and disadvantages inherent in both the continuation of subsidy payments and in the establishment of rapid transit. A decision must be made by the General Court on one of these two alternatives. The concluding chapter contains this writer's recommendation for action.
CHAPTER SEVENTEEN

A PROPOSAL FOR ACTION

The railroad commuting problem is only part of the whole problem of transportation in the Greater Boston area, and the problem of transportation is, in turn, only a part of the whole problem of the proper economic development of the City of Boston.

It is evident that the railroads, particularly the New Haven, are losing money by providing commuter service. The losses incurred by commuter operations are seriously affecting the earning positions of the railroads. While the railroads do not enjoy subsidization (with the exception of the 1958 payment to the New Haven for the Old Colony), their principle competitors, the automobile, the bus, the airplane and the truck, all enjoy a very high degree of subsidization and special treatment. Railroads cannot be written off as a passing phase of the transportation scene. Military experts have repeatedly testified as to the importance of railroads to the national defense, both for the movement of men and the movement of materials. The railroads are also important in the peacetime economy, especially for the movement of bulk goods.

Because of the geographical location of the New England region, the railroads play an important role in
its economy, particularly in the transportation of raw materials and food into the region.

The railroads must be kept solvent. Their subsidized competitors are making their operations increasingly costly, and the added burden of maintaining the unprofitable service on commuter lines for the benefit of the community is further reducing their earning capacities. But, railroad commuter service in Greater Boston, especially on the Old Colony, is needed. It is vital. A decision must be made on how to continue the service on the Old Colony, and that decision is sure to influence the other railroads that serve the community with commuter operations. It is becoming increasingly clear that the cost of providing this service cannot properly be relegated to the railroads alone.

The alternatives are clear. The State can negotiate with the railroad and, if needed, subsidy payments can be made. Or, as has been suggested with the Old Colony, the State can establish a new transit system to replace the railroad service.

The establishment of a new transit system (or the extension of the MTA) would be putting the cart before the horse. The central problem is the redevelopment of Boston. Transportation is only part of that program. Therefore, a comprehensive program of urban redevelopment
must be initiated first. The groundwork for the establishment of an integrated Metropolitan community, with Boston at the core, must be laid immediately. Boston must be revitalized. While this program is taking place, subsidy payments, if needed, should be continued to the New Haven. In this way, Boston will receive tax money from the New Haven and the continued use of South Station will be assured. The New Haven has the equipment and the ability to continue the operation if the needed relief is granted. As an alternative, a program similar to Operation Northwest might be tried. The results of that program will soon be available and they should be studied closely. Perhaps some of the ideas might be applicable to this area.

When the program of redevelopment is near completion, the transportation situation should be reviewed. If it is felt that the railroad cannot do the job, then the MTA should be given the responsibility of composing a comprehensive rapid transit plan for the whole metropolitan area. For after a program of redevelopment is completed, there might not be a need for any service on the Old Colony lines. But if there is, then the planning can take place with full knowledge of the needs of a renewed city.

Of course, it would be far easier for the General Court to create a new Authority or extend the MTA rather than to attack the real problem of Boston and its place in the
Metropolitan area. But only when this is accomplished can a comprehensive transportation plan be made. It might be that rapid transit will be needed, that the railroads will not have a place in the commuter business. Or, their role might become more important. The City must be replanned first, then the transportation system reviewed. For the present, a continuation of a reasonable subsidy, which will guarantee the continuation of service, is both fair and equitable. It is unnecessary to commit large funds of money now to electrify the Old Colony or any other local railroad. Let the real problem be attacked first.
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