

# The StreetCar Conspiracy

## How General Motors Deliberately Destroyed Public Transit

by Bradford Snell

The electric streetcar, contrary to Van Wilkin's incredible naïve whitewash, did not die a natural death: General Motors killed it. GM killed it by employing a host of anti-competitive devices which, like National City Lines, debased rail transit and promoted auto sales.

This is not about a "plot" hatch by wild-eyed corporate rogues, but rather about a consummate business strategy crafted by Alfred P. Sloan, Jr., the MIT-trained genius behind General Motors, to expand auto sales and maximize profits by eliminating streetcars. In 1922, according to GM's own files, Sloan established a special unit within the corporation which was charged, among other things, with the task of replacing America's electric railways with cars, trucks and buses.

A year earlier, in 1921, GM lost \$65 million, leading Sloan to conclude that the auto market was saturated, that those who desired cars already owned them, and that the only way to increase GM's sales and restore its profitability was by eliminating its principal rival: electric railways.

At the time, 90 percent of all trips were by rail, chiefly electric rail; only one in 10 Americans owned an automobile. There were 1,200 separate electric street and interurban railways, a thriving and profitable industry with 44,000 miles of track, 300,000 employees, 15 billion annual passengers, and \$1 billion in income. Virtually every city and town in America of more than 2,500 people had its own electric rail system.

General Motors sought to reduce competition from electric railways through a variety of measures, including the use of freight leverage. GM, for decades, was the nation's largest shipper of freight over railroads, which controlled some of America's most extensive railways. By wielding freight traffic as a club, GM persuaded railroads to abandon their electric rail subsidiaries.

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Members of GM's special unit went to, among others, the Southern Pacific, owner of Los Angeles' Pacific Electric, the world's largest interurban, with 1,500 miles of track, reaching 75 miles from San Bernardino, north to San Fernando, and south to Santa Ana; the New York Central, owner of the New York State Railways, 600 miles of street railways and interurban lines in upstate New York; and the New Haven, owner of 1,500 miles of trolley lines in New York, Connecticut, Rhode Island and Massachusetts.

In each case, by threatening to divert lucrative automobile freight to rival carriers, they persuaded the railroad (according to GM's own files) to convert its electric street cars to motor buses -- slow, cramped, foul-smelling vehicles whose inferior performance invariably led riders

to purchase automobiles.

As the largest depositor in the nation's leading banks, GM also enjoyed financial leverage over the electric railways, which relied heavily on these banks to supply their capital needs. According to U.S. Department of Justice documents, officials of GM visited banks used by railways in Philadelphia, Dallas, Kansas City and other locations, and, by offering them millions in additional deposits, persuaded their rail clients to convert to motor vehicles.

Where these measures were unavailing, GM formed holding companies to buy up and motorize the railways directly. Thus, it helped organize and finance United Cities Motor Transit as a wholly owned GM subsidiary, as well as Greyhound, Rex Finance, Omnibus Corporation, National City Lines, Pacific City Lines, American City Lines, City Coach Lines, Manning Transportation and numerous other concerns, which acquired rail systems across the country, including those in New York, Los Angeles, Chicago, Philadelphia, Baltimore, Washington, St. Louis, Salt Lake City, Sacramento, San Diego and Oakland.

With officials of Greyhound and National City, it helped acquire and dismantle the \$50 million North Shore Line, the fastest electric service in the world, providing Wisconsin's lakeshore cities and Chicago's northern suburbs high-speed access to the downtown loop. With a pack of notorious mobsters, it helped purchase and scrap the street railways serving Minneapolis-St. Paul.

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And where rail systems were publicly owned and could not be bought, like the municipal railway of St. Petersburg, Florida, GM bought their officials instead, according to FBI files, providing complimentary Cadillacs to those who converted to buses.

GM admitted, in court documents, that by the mid-1950s, its agents had canvassed more than 1,000 electric railways and that, of these, they had motorized 90 percent, more than 900 systems.

Van Wilkins, in his piece, went to considerable lengths to discount GM's role in the death of the American trolley, perfervidly propounding alternative explanations such as "proliferating" autos (this, properly, not the cause but rather the result of the trolley's demise), government road building (inspired, fundamentally, by GM-organized road lobbies), and unsympathetic traffic engineers (virtually all of whom, at one time or another, studied at GMI, the automaker's private accredited university).

#### National City Lines

He even endeavored to whitewash GM's criminal conviction regarding National City Lines, declaring, not without sarcasm, that "no one was convicted of plotting to destroy the street railway industry." In fact, everyone involved knew that GM's purpose in organizing National City was, precisely, to destroy the electric railways and to replace them with GM buses. The federal prosecutors knew. In their draft indictment, they declared that the rationale underlying GM's financing of National City was "adoption by defendant National of a program to eliminate electrically propelled conveyances...."

The assistant U.S. attorney general knew. The "result" of GM's plans, he declared, "has been

the elimination of electrically propelled vehicles and the substitution of motor buses in a number of cities."

"An organized campaign to deprive the American public of their splendid electric railway systems."

E.J. Quinby, president and founder of the Electric Railroader's Association, who bravely persuaded the government to bring the lawsuit against GM and its powerful automotive allies, also knew. GM, he wrote in a detailed 25-page letter to the U.S. attorney general, had combined with Standard Oil of California (Chevron), Phillips Petroleum, and Firestone, to form National City as part of "an organized campaign to deprive the American public of their splendid electric railway systems..."

Van Wilkins sought to diminish the significance of National City Lines by claiming that, with regard to railways acquired in Tulsa, Salt Lake City and Los Angeles, the decision to abandon at least some of the electric lines had already been made. Yet this was not at all unexpected, for National was but part of GM's multifaceted anti-rail strategy. Tulsa, for example, was acquired and converted by another GM-assisted holding company, Rex Finance, before it was turned over to National. GM agents pressed Salt Lake City to convert to buses before GM's Pacific City Lines bought the system.

Likewise, GM was involved in Los Angeles Railway decades before its acquisition by National. As early as 1923, interests associated with GM threatened to parallel the railway with double-decker buses and "skim the cream" of its short-haul trade, thereby weakening its resolve; by 1939, National and other holding companies allied with GM (namely, Omnibus and City Coach) were jockeying to buy the railway and convert it to GM buses.

[Van Wilkins] claimed, with respect to Baltimore, St. Louis, Philadelphia and Oakland, cities in which National acquired the railways expressly to abandon them, that other factors, including the antipathy of traffic engineers and politicians, might also have contributed to the trolley's demise. Indeed, this was possible, given GM's willingness to generously reward those who promoted its mobilization objectives.

Finally, he derived solace from a list of cities not acquired by National that nevertheless lost all or part of their electric railways. But here, as before, he failed to comprehend that National was but one of myriad devices employed by GM since 1922 to eliminate the trolley. The railways of Boston, Detroit, San Francisco, Seattle, as well as those of Canada were publicly operated and unavailable for purchase; but this did not preclude GM, which was equally active in Canada, from using bribes and other inducements to persuade their officials to motorize.

Indeed, in San Francisco and Seattle, it arranged for one of its former regional bus managers, the ex-president of its United Cities subsidiary, to become manager and transit czar. In northern New Jersey, Atlanta, Kansas City, Denver, Dallas, and Houston, it relied on banking connections to facilitate abandonment; in Chicago and Milwaukee, it relied on Greyhound, Omnibus, City Coach, and National; in Portland, on United Cities, Pacific Cities and Manning Transportation; in Miami, Cleveland, Cincinnati, Louisville, Memphis, and Pittsburgh, on freelance agents and former GM and National officials; in New Orleans and Indianapolis, on gifts to high-placed executives; in Minneapolis, on unprincipled gangsters.

GM Killed the Trolley

The streetcar did not die, as Wilkins contended, because of demographics or economics or

disinvestments or evolution; it died because GM in 1922 made a conscious decision to kill it and, for the next several decades, pursued a strategy designed to accomplish this objective. Yet, by reason of timidity or negligence or ignorance or cowardice, Wilkins simply cannot bring himself to admit that a powerful corporation would seek to maximize profits by eliminating its competition.

He refused, in his piece, to admit GM had motorized a single system: when he alluded, for example, to the motorization of Manhattan, he said only that its railway "came under the control of bus interests."

Which bus interests?

Well, he declined to specify.

Why?

Because they were affiliated with GM -- a corporation he felt obliged to protect.

Take courage, Van Wilkins, before the only rails left in America are those used to reinforce concrete in the double-deck freeways GM has projected for Los Angeles and other metropolitan areas.

The subject of GM and the electric railways is far too complex and detailed to summarize in a few pages. I have attempted briefly to describe some of the major activities undertaken by GM, directly or indirectly, since 1922 to destroy the nation's electric streetcar and interurban systems.

Postscript: For further information, I would direct those interested to my earlier treatise on this matter, "American Ground Transport," which is to be found in Part 4A of Hearings in S. 1167, The Industrial Reorganization Act, before the Subcommittee on Antitrust and Monopoly of the Committee of the Judiciary, U.S. Senate, 93rd Congress, 2nd Session (Washington, D.C.: 1974).

Bradford Snell is a former U.S. Senate Counsel. His 1974 report gave national prominence to the General Motors/National City Lines conspiracy case. His history of GM will be published in 2002 by Alfred A. Knopf.

Editor's Note: The following article was originally published in The New Electric Railway Journal in Autumn 1995. In it, Mr. Snell responded to an earlier article by Van Wilkins, who claimed commuter rail lines vanished due to causes other than the conspiracy by GM and other companies to put them out of business.