Report to the Colorado General Assembly:

MASS TRANSIT IN COLORADO

COLORADO LEGISLATIVE COUNCIL

RESEARCH PUBLICATION NO. 31

November 1959

LEGISLATIVE COUNCIL

OF THE

COLORADO GENERAL ASSEMBLY

* * * * *

The Legislative Council, which is composed of five Senators, six Representatives, and the presiding officers of the two houses, serves as a continuing research agency for the legislature through the maintenance of a trained staff. Between sessions, research activities are concentrated on the study of relatively broad problems formally proposed by legislators, and the publication and distribution of factual reports to aid in their solution.

During the sessions, the emphasis is on supplying legislators, on individual request, with personal memoranda, providing them with information needed to handle their own legislative problems. Reports and memoranda both give pertinent data in the form of facts, figures, arguments, and alternatives.

URBAN MASS TRANSPORTATION

IN COLORADO

LEGISLATIVE COUNCIL

REPORT TO THE

COLORADO GENERAL ASSEMBLY

Research Publication No. 31

September, 1959

COLORADO GENERAL ASSEMBLY

OFFICERS
CHARLES CONKLIN
CHAIRMAN
DAVID J. CLARKE
VICE CHAIRMAN

STAFF
LYLE C. KYLE
DIRECTOR
HARRY O. LAWSON
SENIOR ANALYST
PHILLIP E. JONES
SENIOR ANALYST

STATE OF COLORADO
NIL SINE NUMINE
1876

LEGISLATIVE COUNCIL

ROOM 343, STATE CAPITOL
DENVER 2, COLORADO
KEYSTONE 4-1171 — EXTENSION 287

MEMBERS
LT. GOV. ROBERT L. KNOUS
SEN. CHARLES E. BENNETT
SEN. DAVID J. CLARKE
SEN. T. EVERETT COOK
SEN. CARL W. FULGHUM
SEN. PAUL E. WENKE

SPEAKER CHARLES CONKLIN
REP. DEWEY CARNAHAN
REP. JOE DOLAN
REP. PETER H. DOMINICK
REP. GUY POE
REP. RAYMOND H. SIMPSON
REP. ALBERT J. TOMSIC

November 11, 1959

To Members of the Forty-Second Colorado General Assembly:

As directed by the terms of House Joint Resolution No. 6, 1959 session, the Legislative Council is submitting herewith its report and recommendations on urban mass transit industry problems in Colorado.

The committee appointed by the Legislative Council to complete this study submitted its report September 24, 1959. Council members reserved final action until November 6, 1959, at which time the report, with minor amendments, was adopted by the Legislative Council for transmission to the General Assembly.

Respectfully submitted,

Charles Conklin

Charles Conklin
Chairman

CC:cg

COLORADO GENERAL ASSEMBLY

LEGISLATIVE COUNCIL

ROOM 343, STATE CAPITOL
DENVER 2, COLORADO
KEYSTONE 4-1171 — EXTENSION 287

September 24, 1959

The Honorable Charles Conklin, Chairman
Colorado Legislative Council
State Capitol
Denver 2, Colorado

Dear Mr. Chairman:

Your committee appointed to carry out the study assigned the Legislative Council by House Joint Resolution No. 6, 1959 session, relating to "the financial problem confronting mass transportation companies in the State of Colorado and the extent to which taxation and public regulation affect the problem," has completed its consideration thereof and submits herewith its final report and recommendations.

At the May 15, 1959, meeting of the Legislative Council, the following committee members were appointed:*

Senator Paul E. Wenke, Chairman
Representative T. H. Dameron, Vice Chairman
Senator James E. Donnelly
Senator A. Woody Hewett
Representative Harold Adcock
Representative Norman W. Ohlson
Representative William R. Young

---

* Representative Jane Woodhouse was appointed to the committee at the July 17 Legislative Council meeting; however, due to the press of other matters, the appointment was subsequently declined.

Under the terms of H.J.R. No. 6, the findings and recommendations resulting from the study are to be submitted at or before the 1960 session of the General Assembly. With this time element in mind, at its first meeting on June 4, the committee decided to conduct a series of three regional public hearings during the summer in those areas with communities having urban mass transit systems. Public hearings were held in Fort Collins on July 16 (for Boulder, Fort Collins, Greeley, Longmont, and Loveland); in Pueblo on July 30 (for Colorado Springs, Pueblo, and Trinidad); and in Denver on August 13 (for Denver metropolitan area). In addition to the public hearings, the committee held three regular meetings.

The committee extends its thanks to the many people whose cooperation assisted in the conduct of this study. Included are officials and representatives of the urban mass transit companies, chambers of commerce and similar organizations, transit employees' labor union, cities, the Colorado Public Utilities Commission, and the Attorney General's Office.

Respectfully submitted,

Paul E. Wenke

Paul E. Wenke, Chairman

PEW:pca

FOREWORD

In studying the problems of urban mass transit companies in Colorado, the committee instructed the staff to compile various data concerning such things as company revenues and expenditures, passenger trends, local activity and cooperative efforts to maintain transit operations, and activities along this line in other states and cities. Early in the committee's study, staff representatives visited each community in this state having urban transit service, conferring in every instance with officials of transit companies, chambers of commerce and similar organizations, and city officials.

Three public hearings were conducted by the committee in order to allow all interested groups and individuals an opportunity to express their views on the subject. Prior to each public hearing, memorandums based on the preliminary conferences held by the staff in the various communities and on basic operating data furnished by the transit companies were supplied committee members for their consideration. The comments and exhibits submitted were summarized following each hearing and were duplicated in the form of minutes.

A summarization of staff memorandums and committee minutes, together with committee findings and recommendations developed therefrom, provides the basis for most of the report herein.

Mr. Phillip E. Jones, senior research analyst, had primary responsibility for this study, ably assisted by Mr. Peter Rombach.

Lyle C. Kyle
Director

September 24, 1959

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Findings

1. All urban mass transit companies in Colorado are in varying degrees of financial difficulty. Since the committee began its work last June, two of the eight urban transit companies in this state -- in Fort Collins and Greeley -- have served notice that they will cease operations this fall. Future prospects for the other six transit companies in this state are not good. Denver Tramway Corporation appears to be in the best position of any, yet company officials estimate that, unless something is done, the system is on the verge of going out of business if present trends of expenditures and revenue continue much longer.

2. The underlying causes of the financial difficulties of urban mass transit companies are unlikely to change materially in the near future. However, some transit company officials believe that the depths of the passenger decline have been reached, but most transit officials do not share this view.

3. Generally, state and local taxation of urban mass transit companies is an item of operational expense which proportionately is not great. The largest single state tax is the motor fuel tax. Of the eight Colorado cities having mass transit service, four impose no special taxes or fees on transit companies and, in addition, Colorado Springs has waived collection of its gross receipts tax on the Colorado Springs Transit Company for 1957, 1958, and thus far in 1959.

Greeley and Trinidad impose relatively minor license fees. Denver levies a gross receipts tax of one per cent on the passenger revenue of the Denver Tramway Corporation.

4. Public regulation does not appear to pose a problem in Colorado. A few transit companies apparently have not utilized the services of the Public Utilities Commission to the extent available. Others, however, expressed their appreciation of the Public Utilities Commission's interest and concern and the cooperation extended them in regard to such matters as routes, schedules and fares.

5. The condition of urban mass transit companies is primarily a matter of community or local concern in Colorado.

6. Most of the representatives of Colorado cities having mass transit systems expressed their desire for this service to continue. Personal hardships for elderly persons, school children, etc., were cited as one reason, as well as the costs of building more trafficways to handle the resulting increase in passenger-car travel if no mass transit service were available.

On the other hand, on the basis of recent experience in Longmont, Loveland, and Thornton, the loss of urban mass transit service may be absorbed in some instances without too much inconvenience or difficulty. Thus it may be that the over-all effect of the loss of mass transit service may depend to a large extent on the size of the community, i.e., the need increasing as the size of a community increases. The determination of this need rests with the businessmen and merchants, public officials, and the general public of the community concerned.

7. In those areas having urban transit service in this state, cooperation within the community in arriving at methods to alleviate the financial difficulties of transit companies has ranged from fair to excellent. Because of their common interests, businessmen, as well as transit company management and public officials, should assume a more active role of leadership in this respect.

8. All things remaining equal, future prospects of urban mass transit companies in Colorado are not good. Unless the trend in riding habits to private motor vehicles is reversed, subsidization of one kind or another appears inevitable if transit systems are to continue to operate.

9. In the final analysis, the problem of urban mass transit companies, simply stated, is getting people to return to riding the bus rather than using private automobiles.

Recommendations

The seriousness of the financial and operating problems besetting urban mass transit systems in Colorado cannot be minimized. At the same time, however, the problems of urban mass transit systems must be met initially where they are of the most importance and concern, that is, at the local level by cities and their inhabitants.

The committee therefore recommends that each community in this state which desires to retain mass transit service undertake an intensive study and campaign to this end. Such a move, to be successful, must have the wholehearted cooperation of urban transit company officials, city and school officials, the various public service organizations, and other interested citizens and groups.

The committee would point out that, while government can provide or withhold conditions favorable to survival of a private industry, the state alone cannot guarantee its continued existence. Accordingly, concerning the matter of taxes, the committee is by no means convinced of the wisdom of the principle involved, namely the granting of tax relief by the state for one particular industry.

At best the granting of tax relief would merely reduce or postpone the financial imbalance of urban transit operations. Such action would not strike at the causes behind their problems.

If the present trend of increased expenditures and decreased patronage continues, there is a distinct possibility that cities may find themselves in the urban transit business if their communities are to have this service available. While the committee hopes that such a step will not prove necessary, in view of this possibility we strongly suggest that the General Assembly enact permissive legislation authorizing cities, where needed, to operate urban transit systems or to contract for this service from private operators.

In addition, the General Assembly may want to consider authorizing the establishment of local or metropolitan transit authorities as a means by which communities can more effectively cope with their transportation problems.

TABLE OF CONTENTS

LIST OF TABLES

URBAN MASS TRANSPORTATION

Shortly after the end of World War II, the financial condition of urban mass transit companies began to decline, and, for the most part, has continued downward with each passing year. Paradoxically, many of the factors reported as being responsible for this situation reflected, on the one hand, the rising standard of living accompanying this period and, for some, a greater share of the consumer's dollar. But not urban transit systems which, during these same years, generally experienced increased costs while their number of passengers decreased substantially.

This depressed situation was not merely the result of certain isolated or localized factors but was nationwide in scope, including transit companies in Colorado. Numerous studies on this subject have been undertaken in recent years, or are being made at the present time, by cities, states, and the federal government, as well as by private groups.

Factors Underlying Transit Industry Problems

These studies, together with your committee's efforts, reveal several common causes which have contributed, are contributing, and, all things remaining equal, will continue to contribute to the financial detriment of urban mass transit systems.

Automobiles. Ranking foremost among the causes for the decline in transit passengers is the tremendous increase in the number of private automobiles and their use in transporting persons who formerly utilized mass transit service. To illustrate, for those eight counties in Colorado having cities with mass transit systems in July of 1959, passenger-car registrations in 1958 increased 53.1% compared to 1950 totals. The tabulation below gives the detailed figures for each of the eight counties.[1]

County	Number of Passenger Cars Registered In 1950	Number of Passenger Cars Registered In 1958	Per Cent Change
Arapahoe	19,883	42,396	113.2
Boulder	16,129	26,745	65.8
Denver	133,429	192,906	44.6
El Paso	25,782	50,368	95.4
Larimer	15,659	20,684	32.1
Las Animas	5,698	6,103	7.1
Pueblo	26,108	39,602	51.7
Weld	22,163	26,593	20.0
Total	264,851	405,397	53.1

1. A breakdown of passenger-car registrations is not available on a city basis, except for Denver.

A side effect of this increase, in addition to more people driving automobiles to work and the establishment of car pools, includes greater traffic congestion which not only contributes to the inconvenience of transit passengers but adds to the cost of transit operations as well. Also, the greater use of automobiles has led to the establishment of shopping centers in outlying urban areas thereby reducing the need for shoppers to frequent the downtown business district.

Competition from the more widespread use of automobiles also means that urban transit systems are no longer the actual monopolistic operations they once were, although they may still continue to be so recognized and regulated by law. Of course, they are still monopolies to the extent that other mass transit systems are prevented from competing with them except by order of the public body regulating this industry, i.e. the public utilities commission in this state.

Inflation. Not to be overlooked, of course, is the matter of inflation. Urban mass transit companies are particularly vulnerable to the effects of inflation. On the one hand, these companies have had or will have to replace obsolete and worn-out equipment from depreciation funds accumulated on pre-inflated prices, and at the same time meet the higher costs of labor, maintenance, insurance, taxes, etc.[2] On the other hand, revenues to enable transit companies to meet these higher costs have not been forthcoming and, in fact, in many cases have actually declined.

Cultural Changes. Another major factor contributing to the financial plight of urban transit systems consists of what may be called cultural changes. In this category are such things as the advent of the five-day work week, television, a growing number of two- and three-car families, and the attitude of some people that mass transportation is below their standard of living or is not quite socially acceptable.

Factors Inherent Within Transit Industry. Unlike other public utilities, the existence of certain factors inherent within the transit industry tend to produce higher operating costs without a corresponding increase in revenue. Because of peak demands for service for about two hours in the morning and two hours in the late afternoon, transit companies must maintain a substantial amount of its capital investment in equipment which is idle most of the time.

Furthermore, they cannot maintain a minimum or stand-by charge, similar to some other utilities, as the main bulk of transit company revenues are collected from passengers who pay only when using its services. Electric, gas, and telephone utilities, on the other hand, incorporate peak-demand and stand-by charges in their rates so that each customer pays a minimum charge even when no service is used.

---

2. In some of the smaller transit operations in Colorado, it was noted that the lack of revenue and high operating costs did not permit the establishment of a depreciation reserve.

Also, fare increases by transit companies are limited by what is called "passenger resistance." Under this situation, for every given percentage increase in fare rates, a certain number of passengers will quit using the service. Thus, the most immediate means available to the transit industry for increasing revenue may be effectively limited by passenger resistance, with the prospect in some cases that a fare increase may result in a net loss of revenue rather than an increase.

Mass Transit Operations in Colorado

At present,[3] a total of eight urban mass transit companies are operating in Colorado in the following cities or areas:

Boulder	Fort Collins
Colorado Springs	Greeley
Denver	Pueblo
Englewood	Trinidad

However, of these companies, one, in Fort Collins, has served notice of its intention to discontinue operation on November 1, 1959.[4] Similarly, the owner and operator of the Greeley Bus Company has expressed doubt that the condition of his equipment will enable him to continue operating beyond this fall.[5]

In this connection, all of the present transit companies are privately owned and operated, except Pueblo. In Pueblo, the city has leased the transit equipment from its private owners and in turn has contracted with the company to operate the system.

Three other transit systems, not listed in the aforementioned group, were included in the committee's study as examples of areas which recently experienced (1957 or 1958) the discontinuance of transit service. These three systems formerly were in Longmont, Loveland, and Thornton.

Operational Characteristics of Colorado Transit Companies

The size of the urban mass transit companies in Colorado vary greatly. The eight companies may be grouped by the amount of annual revenues collected, as follows:

I. Over $5 million -- Denver Tramway Corporation
II. From $300,000 to $850,000 -- Colorado Springs Transit Company, Pueblo Transportation Company
III. Less Than $50,000 -- Boulder (Public Service Company of Colorado), Englewood (Bussard Bus Service), Fort Collins Transit Incorporated, Greeley Bus Company, Trinidad City Bus Company

3. September, 1959
4. Fort Collins Coloradoan, August 13, 1959.
5. The Greeley Daily Tribune, August 5, 1959.

Obviously, in regard to operational problems, some of these companies have little in common with the other systems because of differences in size. Each, however, has the unwanted common characteristic either of being in or on the verge of financial difficulty.

Before reviewing in detail such operational characteristics as revenues and expenditures, fares, schedules, etc., it may prove of benefit to discuss briefly the individual transit companies. For many of these companies, fairly detailed information is available covering, generally, the period from 1949 through 1958. For others, such as Englewood, Fort Collins, Greeley, and Trinidad, information has been presented or is available only for the more recent years and, in some areas, not at all.

Denver. By far the largest urban mass transit operator in the state is Denver Tramway Corporation and it provides service in and around the City and County of Denver. The company operates buses over some 27 routes in Denver, totaling 290.3 route miles in length, or a total of ten million miles annually. Denver Tramway employs around 600 persons with a payroll of $3 million per year.

In relation to the other transit companies in Colorado, Denver Tramway appears to be in the best financial condition of any. Two major reasons may be cited for this situation.

First, in mid-1950 the company completed its conversion from an electric street railway system to motor buses with the result that it was able to reduce its operating and maintenance expenses substantially. Second, commencing in 1948 Denver Tramway was relieved of paying federal corporation income taxes because of loss carry-forwards occasioned by write-offs of unamortized rail properties in the course of converting to motor buses.

However, Denver Tramway will again be liable for federal income taxes in 1960. Generally this will mean that the corporation's net annual profit will be reduced by approximately 52%. Moreover, the general manager of Denver Tramway reported to the committee that the company will not be able to continue operating with as small amount of net income as is estimated for 1960 and the company is in fact on the verge of going out of business.[6]

Colorado Springs. The Colorado Springs Transit Company, in addition to its routes within the city, provides bus service to the neighboring areas of Manitou Springs, Broadmoor, and Fort Carson in one over-all operation. Transit routes within Colorado Springs are reported as the ones which pull the company down financially.[7] In the past, the company depended on the

6. Minutes of Denver meeting, Senate Chamber, State Capitol, August 13, 1959, p.7.
7. Minutes of Pueblo meeting, Council Chamber, City Hall, July 30, 1959, p.l.

Fort Carson route to provide the revenue needed to offset these losses, but revenue from the Fort Carson route has also declined. Currently, the company is offsetting some of its city route losses by increasing its charter business during the summer months.[8]

So far as the future of the company is concerned, a director's meeting was held early in 1959 at which time it was decided to make one final effort to achieve a profitable operation. As part of this adopted plan, nine new diesel buses were purchased at a cost of $300,000, the down payment of $45,000 being borrowed from a local bank.

These new buses were put into operation on the busiest city lines during June of 1959. Accompanied by considerable advertising, fares were reduced to five cents for the first day of service with the new buses. The number of passengers doubled for that one day, but returned to normal level the following day and has remained there since. In this connection, the company estimates that even twice the current number of transit passengers would be insufficient to break even, let alone show a profit, under present conditions.

At the Purblo meeting, the Colorado Springs Transit Company representative reported that the future financial prospects of his company are not good. In 1957 the company sustained a deficit of $66,200. In 1958, conditions improved somewhat when the company purchased some new cleaning equipment which permitted a reduction in the shop force of seven men, some additional office employees were laid off, and the company showed an operating profit of $220. Added to this were revenues realized from the sale of nine city-type buses, a motorcycle, and some miscellaneous equipment which gave the company a net profit of $19,441, but it was reported that this represented a book figure and not cash profits.

In 1959, unless more surplus equipment is sold, the company estimates it will operate $17,000 in the red. Moreover, the company faces pay raises for its drivers in 1960 which will further increase its operating costs. The company believes, however, that if it obtains certain relief measures it could grant the pay increase in 1960 and still operate at a profit.[9]

Pueblo. Since February 1, 1958, urban mass transit service in Pueblo has been provided by the Pueblo Transportation Company under a lease arrangement with the city. Previously, beginning in 1939, the Southern Colorado Power Company operated the transit system until 1949 when the franchise was transferred to the Pueblo Transit Company. The Pueblo Transportation Company assumed operations on July 1, 1956

8. Op. cit., p.4.
9. Op. cit., p.3.

A steel strike started on July 1, 1956, and the company experienced immediate financial losses as its patronage declined substantially. Service was subsequently reduced in keeping with the patronage demand, but much of the damage had been done. After the strike, the company reported it increased its service but the number of passengers was no longer at the pre-strike level. Apparently, as a result of not riding buses during the strike, travel habits had changed and were to remain changed.[10]

The financial condition of the company continued to decline and eventually, in November of 1957, it filed a petition with the Public Utilities Commission to abandon service as of January 31, 1958. After this request was granted, various merchants, the local chamber of commerce, and city officials decided that there was a definite need for a mass transit system in Pueblo. The lease agreement between the city and the transportation company was the result. The city's decision to enter into the agreement was reached by action of City Council.

Under this agreement, the city leases the operating equipment from the Pueblo Transportation Company and then employs the company to manage and operate the system. All transit revenues are retained by the company and, if losses are incurred in the system's operations, the city offsets these losses by paying up to 8% of the gross revenue of the system in the form of equipment rent. On the other hand, in the event the company shows a net profit from the operation of the system, any rental payments made by the city are to be refunded, after which 15% of the net profits accrue to the city and 85% to the company.

As part of the agreement, which has been extended through June 30, 1960, through purchasing by the city the expenses of the company no longer include payment of the following taxes: federal and state gasoline and diesel taxes, federal oil tax, and the federal tax on tires and tubes. Under this arrangement, the city furnishes the company with city purchase order forms which the company uses in purchasing supplies. Thereupon the city pays these purchase orders and at the end of each month bills the company for the total amount honored during the month.

Concerning general operations, the agreement provides that the right and power to alter fares, routes, and services of the system rest with the city manager and the manager of the transportation company. Furthermore, in the event the city manager directs the extension of any existing route or inauguration of any new route in which the company does not concur, the city must pay an additional sum of not less than the operating cost per mile for every mile actually traveled by bus because of such extended service or new route, less the revenue collected as a result of the extended or new service.

10. Op. cit., p.4.

In the first 16 months of operations under the lease agreement, or through June of 1959, city payments have averaged around $1,000 per month, or about one cent per month per capita in Pueblo.

In regard to the legality of the agreement, Pueblo's city attorney discussed the problems which were explored while drawing up the contract.[11] The first problem involved Article XI of the Colorado Constitution prohibiting the granting of public aid for a private purpose. However, the city used as its authority a provision under the home-rule section of the Constituion (Article XX) which authorizes home-rule cities to lease or buy transportation services.

The legality of the agreement was reported to be questioned by some people in Pueblo, but so far as is known no court action is contemplated.[12] At the Pueblo meeting, the city attorney reported that similar leases are used elsewhere in the nation, citing Ann Arbor, Michigan, and Great Falls, Montana, as two primary expamples. To his knowledge, he added, these agreements have never been challenged. However, if the Pueblo arrangement were to be challenged, the city attorney reported he thought the city could make a very good defense of the contract.

Apparently, the lease agreement between the City of Pueblo and the Pueblo Transportation Company, which has been renewed twice since its inception, has worked to their mutual satisfaction. However, the effects of the current steel strike and similar unknown factors preclude any accurate forecasting on the future of transit operations in Pueblo under the present arrangement.

Boulder. The transit system in Boulder constitutes a unique situation in Colorado in that the Public Service Company of Colorado, as a part of its franchise as sole distributor of electricity and gas, is required to provide mass transportation service for the city. Consequently, despite the fact that the company is steadily losing money on its transit operations, the people in Boulder are assured of mass transit service until April of 1969, when the current franchise expires.

The present franchise provides, in part, that "the electric rates in effect from time to time during the term of the franchise shall be adequate and sufficient to provide a reasonable return... on the property and investment of the company used and useful in supplying electric service and transportation service as a joint enterprise." (Emphasis added.) At first glance this clause might appear to allow the Public Service Company to increase electricity rates to compensate for any losses incurred by the transit system. However, the Public Utilities Commission requires that each operation of the company must be considered separately, and thus

11. Op. cit., p.6.
12. Staff Memorandum, July 24, 1959, p.5.

losses resulting from bus operations cannot be passed on to gas and electricity users through increased rates. Instead, these losses must be borne by the stockholders of the company.

Englewood. The Bussard Bus Service of Englewood consists of a combination of what originally were two separate operations. One line has a certificate from the Public Utilities Commission to operate between Englewood and Littleton, and the other has a permit to operate in Englewood, certain routes in Arapahoe County, and in Lakewood.

The bus line has operated between Englewood and Littleton since 1926. The other line has operated since World War II and has always consisted of a combination of routes in various Denver suburbs and, on occasion, taxi service as well. At different times this company has provided bus service in Aurora, Thornton, and Westwood (now a part of Denver). Because of the combined activities of the Bussard Bus Service, no detailed figures are available for its separate operations.

Fort Collins. Until 1951, Fort Collins maintained a municipally-owned street railway line but, as with other street car systems, patronage declined and operating expenses increased to such an extent that service was discontinued.[13]

In 1946, a privately-owned bus line started operating in Fort Collins to service outlying areas of the city and to supplement the service of the city's street railway line. Following the discontinuance of the city system, the privately-owned bus line expanded its operations to include all of Fort Collins, continuing through December 31, 1955, when service was halted. Apparently, the firm encountered financial difficulties and, in 1954, the City of Fort Collins furnished the company 2,240 gallons of motor fuel per month free of charge for the 13-month period from November 1, 1954, through November 30, 1955.

Subsequently, Fort Collins had no bus service for a few months until a second operator was issued a 90-day temporary certificate by the Public Utilities Commission effective May 1, 1956. With the assistance of $4,000 received under a contract with city merchants for the sale of advertising space, this company provided service until May 1, 1957, when the present operator, Fort Collins Transit Incorporated, took over the bus line.

As reported to the committee, Fort Collins Transit Incorporated was formed by Forney Enterprises not with the intention of making a profit but primarily as a community service after the voters had defeated a proposed municipal system which carried an estimated annual cost to the taxpayers of between $20,000 and

13. Fort Collins Coloradoan, August 16, 1959.

$30,000. At the time it was thought that, since Forney Enterprises already had complete maintenance and traffic departments, the operation of the bus line could be absorbed within the firm rather well, particularly if the city and downtown businesses would add their support to the venture.[14]

However, the company, while offering merchants twice the space at one-half the cost charged by the former operator, has never had a third of its advertising space sold or committed that the former firm had. In its first two years of operations the system lost $11,000, not including any charges for administrative expense.

On August 13, 1959, the transit company notified the city it would discontinue bus service the following November 1. Reasons cited by the manager of the company included the fact that only about 200 local residents use the two buses of the firm with any regularity, and that the average number of passengers had dropped to 91 a day. Also, a local taxi service had filed a protest with the Public Utilities Commission declaring that buses were being operated on irregular routes long after a reasonable trial period had passed and that on numerous occasions passengers had been carried in station wagons and private automobiles.[15]

On November 1, a local taxi company began a "jitney cab" service, i.e., using taxis with fold-down seats which carry passengers between their homes and the taxi company's office on an hourly basis. One-way fares are 25¢.

Greeley. Urban mass transit service has been provided in Greeley for about 30 years, but, as with other urban bus lines in Colorado and elsewhere, it has experienced a rather drastic decline in passengers and revenues in recent years. The present owner is the third since 1950, acquiring the bus line in 1957.

Starting with worn-out equipment, the present owner and operator reported that repair costs had been greater than anticipated. Consequently, the equipment has been mortgaged and re-mortgaged with no money available for investment in equipment.[16]

Because of the poor condition of his equipment and pressing financial difficulties, the owner has informed the Greeley City Council that he will have to discontinue operations this fall. The city, in considering the possibility of purchasing the bus system, received an opinion from the Greeley City Attorney that the acquisition must be adopted by an ordinance approved by a majority of the city's qualified property electors. In addition,

---

14. Minutes of Fort Collins meeting, Larimer County Court House Auditorium, July 16, 1959, p.l.
15. Fort Collins Coloradoan, August 14, 1959.
16. Minutes of Fort Collins meeting, Larimer County Court House Auditorium, July 16, 1959, p.4.

an ordinance must be submitted on the same ballot prescribing the method of financing the purchase.[17] On September 15, the Greeley City Council approved a proposal to submit on November 3, 1959, the question of whether the voters favored or opposed the city entering the urban mass transportation business.[18] Greeley voters adopted the proposal nearly three to one (Yes, 1,519; No, 535), with 44% of the registered voters participating in the election.

The present owner estimates that between 4,000 and 5,000 different individuals use the bus system each year, averaging eight passengers per trip. He believes that the city could assume operation of the system and that the system would pay its own way. He cited as reasons the fact that new buses alone would cut operating costs considerably and that the city would not have to pay various taxes.[19]

Trinidad. Urban transit service has been furnished in Trinidad for more than ten years, with the exception of a few months in 1957 when its owner received permission from the Public Utilities Commission to cease operations. Following this period without service, the present owner started operating the bus line.

The owner drives the bus himself from 6:30 a.m. to about 12:30 p.m. daily when a part-time driver takes over until the last run is made around 6:30 p.m. The owner reports he cannot afford to hire a full-time driver. Only one bus is used and it appears to be rather well worn.

At the time the former operator was authorized to abandon service, passenger travel averaged around 300 fares daily; passenger travel has now dwindled to an average of 120 daily fares. Despite this fact, the present owner reports that he will continue to provide service as long as the bus holds out, but he does not have any idea what he will do when the vehicle completely breaks down. In this connection, although the owner makes a deduction for depreciation, he treats this amount as wages rather than as a reserve.

Revenues and Expenditures of Transit Companies, 1949-1958[20]

During the years 1949 through 1958, revenues of urban mass transit companies generally either held steady or declined in varying degrees while their expenditures increased. Some companies, notably Denver Tramway, reduced operating expenses in keeping with

---

17. The Greeley Daily Tribune, August 15, 1959.
18. The Greeley Daily Tribune, September 16, 1959.
19. Minutes of Fort Collins meeting, Lairmer County Court House Auditorium, July 16, 1959, pp.4-5.
20. As mentioned earlier, complete financial data are unavailable for some companies for the entire ten-year period.

revenue collections and were not as adversely affected as were others. The primary methods used to rectify the drop in passengers and to attempt to maintain a profitable financial operation usually included fare increases, reductions in service, and modernization of equipment.

Operating expenditures during the same ten years increased generally for such items as labor, capital outlay, and maintenance, largely as a result of the inflation which accompanied this period. At the same time, however, obsolete equipment, for which no replacement funds were available, needed more frequent repairs, thus adding to the companies' operating costs.

Denver. During the years of World War II, Denver Tramway realized substantial earnings under the then-existing adult fare of 10¢ cash or three tokens for 25¢. These earnings continued through 1946, when a total of 80,175,700 adult fare-paying passengers were carried and a net income of $870,074, after taxes and interest, was reported. In 1947, the number of total adult fare-paying passengers dropped to 76,636,200 and costs of labor and materials increased by approximately $600,000 over the previous year, thereby reducing net income after taxes and interest to $263,422. Despite a fare increase to a straight 10¢ cash fare for adults, which became effective July 1, 1948, the pattern of decreased riding and increased costs continued, resulting in a net loss in 1948.[21]

As shown in Table I, Denver Tramway sustained a net loss in 1949 of $24,000 after payment of taxes and interest. A net profit was realized for each year from 1950 through 1958, ranging from $35,000 in 1950 to $575,000 in 1952, when the company was not paying federal corporate income taxes.

In exhibits submitted to the committee, Denver Tramway estimates that for 1959 its net income will be $333,421 before federal income taxes. In 1960, when the company will resume payment of federal income taxes, Denver Tramway estimates its net income will be $51,062 based on total revenues of $4,762,497.

The effect of converting to motor buses, increasing fares, and reducing the number of vehicle miles operated may be examined further in Table II dealing with operating revenues and expenses per vehicle mile. As shown, a fairly substantial increase is reported in the difference between these two items beginning in 1951. Moreover, from 1955 through 1958, Denver Tramway's operating revenues consistently exceeded operating expenses by between 5¢ and 5½¢ per vehicle mile operated.

---

21. Decision No. 41781, December 23, 1953, Colorado Public Utilities Commission, pp.34-35.

Table I

Revenues and Expenditures of Denver Tramway Corporation, 1949-1958
(In thousands of dollars)*

	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
Operating Revenue	$7,138	$6,665	$6,920	$7,219	$6,770	$6,834	$6,167	$5,810	$5,524	$5,150
Operating Expense	7,081	6,430	6,254	6,418	6,447	6,298	5,602	5,194	4,987	4,641
Net Operating Profit	57	235	666	801	323	536	565	616	537	509
Non-Operating Income	1	1	1	5	2	1	15	25	46	27
Non-Operating Expense	82	201	286	231	118	82	91	125	86	30
Net Profit	(24)	35	381	575	207	455	490	516	497	506
Expense										
Maintenance	1,528	1,163	1,106	1,066	1,128	1,011	744	652	597	582
Salaries - Employees	2,480	2,464	2,545	2,678	2,736	2,719	2,432	2,332	2,314	2,248
Fuel and Power (Including Fuel Taxes)	804	630	518	549	527	531	481	415	413	371
Insurance	210	203	177	200	198	174	180	197	168	176
Depreciation	879	837	774	770	770	790	753	743	708	602
Salaries - Management	82	87	78	83	87	101	107	95	89	104
Misc. Administrative Expense	460	424	476	507	560	524	435	431	376	261
Misc. Transportation	73	65	71	75	78	85	79	30	38	30
Advertising	16	17	37	42	22	32	29	40	40	36
Operating Taxes (Except Fuel Taxes)	549	540	475	449	341	331	361	260	246	230
Income Taxes	---	---	16	31	12	21	---	16	18	24
Interest	69	201	268	200	101	61	91	109	68	5
Other	13	---	1	---	5	---	---	---	---	---

* Totals may not balance as a result of rounding.

Table II

Comparison of Operating Revenue Per Vehicle Mile With Operating Expense Per Vehicle Mile, 1949-1958[22]

Denver Tramway Corporation

Year	Operating Revenue Per Vehicle Mile	Operating Expense Per Vehicle Mile	Difference
1949	49.022¢	48.633¢	.389¢
1950	47.316	45.646	1.670
1951	49.479	44.717	4.762
1952	51.880	46.122	5.758
1953	52.588	50.080	2.508
1954	55.209	50.878	4.331
1955	54.858	49.826	5.032
1956	53.741	48.043	5.698
1957	52.325	47.245	5.080
1958	53.257	47.994	5.263

Colorado Springs. The Colorado Springs Transit Company, as reported in Table III, operated at a net loss in six of the ten years from 1949 through 1958. The greatest net profit, $24,031, was realized in 1951, and the greatest net loss was sustained in 1957 -- $66,200.

During the ten-year period, while operating revenue per passenger mile increased from 29.22¢ in 1949 to 36.49¢ in 1958, costs per passenger mile rose proportionately more for the same years, from 28.43¢ to 36.48¢. This increase in costs occurred despite the abandonment of small feeder-shuttle routes and some new experimental lines, reductions in schedules, and an increase in fare rates.

22. Does not include non-operating profit or loss.

Table III

Revenues and Expenditures of Colorado Springs Transit Company, 1949-1958

	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
Operating Revenue	$601,286	$628,091	$805,074	$760,179	$711,613	$779,187	$697,848	$797,637	$642,452	$613,380
Operating Expense	584,865	620,444	771,181	752,737	743,787	798,659	741,486	790,543	708,523	613,160
Net Operating Profit	16,421	7,647	33,893	7,442	(32,174)	(19,472)	(43,638)	7,094	(66,071)	220
Non-Operating Income	3,758	491	1,189	3,071	2,263	433	315	353	809	21,093
Non-Operating Expense	8,349	5,351	11,051	12,241	5,357	4,792	2,793	1,878	938	1,872
Net Profit	11,830	2,787	24,031	(1,728)	(35,268)	(23,831)	(46,116)	5,569	(66,200)	19,441
Expense										
Maintenance	74,935	91,815	121,878	113,115	109,824	112,058	113,447	125,104	122,090	99,085
Salaries - Employees	227,808	258,881	293,651	296,265	302,265	328,223	310,414	333,244	296,868	270,969
Fuel (Including Fuel Taxes)	91,804	91,055	112,140	103,058	98,070	115,100	104,708	103,915	96,714	88,609
Insurance	23,693	18,321	21,012	20,910	23,291	23,953	18,821	19,233	18,665	18,860
Depreciation	89,790	57,232	61,361	56,316	61,380	53,873	41,396	40,904	30,774	4,468
Salaries - Management	22,941	19,288	29,918	31,077	25,605	31,302	30,044	34,218	35,969	35,430
Misc. Administrative Expense	24,939	46,704	52,617	54,384	56,699	53,640	57,293	58,276	56,516	47,415
Misc. Transportation	---	4,422	27,091	26,538	24,363	31,498	27,429	34,207	24,343	20,999
Advertising	2,676	3,104	2,673	3,160	3,032	2,974	2,487	2,230	1,595	2,510
Operating Taxes (Except Fuel)	19,173	22,382	40,715	40,014	31,600	38,043	27,858	31,124	17,677	17,653
Income Taxes	687	315	7,841	---	(2,121)	---	---	200	---	272
Interest	7,662	5,036	3,210	12,241	7,478	4,792	2,793	1,678	938	1,600
Other	7,106	7,240	8,125	7,900	7,658	7,995	7,589	8,088	7,312	7,162

Table IV

Comparison of Operating Revenue Per Passenger Mile With Operating Costs Per Passenger Mile, 1949-1958[23]

Colorado Springs Transit Company

Year	Operating Revenue Per Passenger Mile	Operating Cost Per Passenger Mile	Difference
1949	29.22¢	28.43¢	.79¢
1950	30.35	29.98	.37
1951	36.08	34.56	1.52
1952	35.42	35.07	.35
1953	33.23	34.73	-1.50
1954	35.79	36.69	- .90
1955	35.32	37.52	-2.20
1956	40.02	39.66	.36
1957	35.99	39.70	-3.71
1958	36.49	36.48	.01

Pueblo. For nine years from 1949 through 1958, excluding 1956 for which information is not available, mass transit operations resulted in net losses in Pueblo in five of the years, varying from $6,273 in 1954 to $37,600 in 1958, as reported in Table V. Annual net profits were reported as follows: $8,824 in 1950; $3,025 in 1951; $9,593 in 1952; and $3,769 in 1955.

Beginning with 1953, operating costs per passenger mile exceeded operating revenues by increasing amounts, except in 1955, as shown in Table VI.

23. Does not include non-operating profit or loss.

Table V

Revenues and Expenditures of Transit Operations in Pueblo, 1949-1958

	1949	1950	1951	1952	1953	1954	1955	1957*	1958*
Operating Revenue	$506,613	$597,516	$597,065	$626,198	$603,638	$500,132	$473,787	$389,419	$317,605
Operating Expense	505,225	573,299	583,399	598,104	612,790	526,420	451,625	416,740	346,984
Net Operating Profit	1,388	24,217	13,666	28,094	(9,152)	(26,288)	2,162	(27,321)	(29,379)
Non-Operating Income	2,693	212	152	305	516	18,786	645	58	5,568
Non-Operating Expense	17,566	15,605	10,793	14,806	7,837	(1,229)	(962)	9,310	13,789
Net Profit	(13,486)	8,824	3,025	13,593	(16,473)	(6,273)	3,769	(36,573)	(37,600)
Expense									
Maintenance	92,744	106,630	101,144	103,014	104,807	95,588	83,898	69,979	68,074
Salaries - Employees	185,016	226,401	231,468	234,706	239,968	208,232	199,235	180,968	149,056
Fuel (Including Fuel Taxes)	48,676	58,625	50,814	56,904	55,794	45,603	43,566	38,187	21,566
Insurance	17,235	17,644	17,042	21,677	19,990	16,565	14,415	13,729	9,863
Depreciation	61,118	76,093	75,979	75,406	75,822	60,185	12,815	37,302	36,420
Salaries - Management	17,828	24,610	25,714	26,084	26,978	23,181	24,020	9,523	9,500
Misc. Administrative Expense	49,673	41,141	43,827	41,888	51,667	47,347	47,536	53,010	40,107
Advertising	2,035	1,616	1,113	1,846	2,574	1,519	2,040	1,745	156
Operating Taxes (Except Fuel)	26,270	19,500	25,075	24,865	24,022	17,212	13,262	8,938	7,322
Income Taxes	---	---	2,006	6,692	1,612	(4,658)	(1,454)	---	---
Interest	17,566	15,605	8,787	8,114	6,225	3,429	492	9,273	8,509
Other	4,630	1,039	11,223	11,714	11,168	10,988	10,837	3,397	10,201

* From July 1 of prior year through June 30 of listed year.

Table VI

Comparison of Operating Revenue Per Passenger Mile With Operating Costs Per Passenger Mile, 1950-1958[24]

Pueblo

Year	Operating Revenue Per Passenger Mile	Operating Cost Per Passenger Mile	Difference
1950	33.6¢	32.3¢	1.3¢
1951	34.6	33.8	.8
1952	38.4	36.9	1.5
1953	38.5	39.1	- .6
1954	38.8	40.9	-2.1
1955	36.8	36.6	.2
1956	(not available)		
1957[25]	41.5	44.4	-2.9
1958[25]	47.2	51.6	-4.4

Boulder. On the basis of a profit and loss relationship, urban mass transit operations in Boulder represent the least profitable system of any in Colorado. Transit operations in Boulder, as shown in Table VII, resulted in losses in each of the ten years from 1949 through 1958, ranging from $13,232 in 1949 to $46,374 in 1955.

As may be noted in Table VIII, while the system managed to increase revenue per passenger mile from 21.0 cents in 1949 to 23.9 cents in 1958, operating cost per mile rose from 27.0 cents to 44.9 cents for the same years. This condition prevailed in spite of various remedial measures adopted such as curtailment of service on Sundays, elimination of service at nights and on holidays, and an increase in passenger rates. Also, transit operating expenses do not include salaries for management which are charged off against the electric and gas operations of the Boulder division of the Public Service Company of Colorado.

24. Does not include non-operating profit or loss.
25. July 1 of prior year through June 30 of listed year.

Table VII

Revenues and Expenditures of Transit Operations in Boulder, 1949-1958

	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
Operating Revenue	$46,301	$40,519	$39,201	$39,565	$38,626	$36,833	$34,499	$36,916	$40,391	$43,723
Operating Expense	59,533	66,557	65,240	70,951	74,715	77,048	80,873	82,845	83,276	82,235
Net Operating Profit	(13,232)	(26,038)	(26,039)	(31,386)	(36,089)	(40,215)	(46,374)	(45,929)	(42,885)	(38,512)
Non-Operating Income	---	---	---	---	---	---	---	---	---	---
Non-Operating Expense	---	---	---	---	---	---	---	---	---	---
Net Profit	(13,232)	(26,038)	(26,039)	(31,386)	(36,089)	(40,215)	(46,374)	(45,929)	(42,885)	(38,512)
Expense										
Maintenance	15,101	19,054	13,993	16,803	15,155	15,403	16,314	14,754	15,016	15,085
Salaries - Employees	28,556	29,495	29,937	32,858	35,490	39,361	41,580	43,748	43,428	45,127
Fuel (Including Fuel Taxes)	8,042	8,903	7,579	7,323	7,591	7,769	8,204	8,317	8,015	8,181
Insurance	3,159	3,172	3,230	3,245	3,257	3,237	3,199	3,468	3,538	2,859
Depreciation	2,400	3,600	8,205	4,600	5,100	4,875	4,800	4,800	4,800	3,840
Salaries - Management	---	---	---	---	---	---	---	---	---	---
Misc. Administrative Expense	514	550	547	4,211	4,936	4,385	4,884	5,507	5,799	4,706
Advertising	---	---	---	---	---	---	---	---	---	---
Operating Taxes (Except Fuel)	730	943	1,044	1,200	1,106	1,398	1,463	1,480	1,615	1,589
Income Taxes	---	---	---	---	---	---	---	---	---	---
Interest	---	---	---	---	---	---	---	---	---	---
Other	1,031	840	705	711	2,080	620	429	771	1,065	848

Table VIII

Comparison of Operating Revenue Per Passenger Mile With Operating Cost Per Passenger Mile, 1949-1958

Boulder

Year	Operating Revenue Per Passenger Mile	Operating Cost Per Passenger Mile	Difference
1949	21.0¢	27.0¢	- 6.0¢
1950	18.5	30.4	-11.9
1951	20.8	34.6	-13.8
1952	21.3	38.2	-16.9
1953	20.3	39.3	-19.0
1954	19.3	40.4	-21.1
1955	17.7	41.5	-23.8
1956	19.0	43.0	-24.0
1957	23.0	47.4	-24.4
1958	23.9	44.9	-21.0

Englewood. Because of the combined activities of the Bussard Bus Service, no figures are available covering its financial situation by separate routes or in the different areas of its operations. However, financial reports filed with the Public Utilities Commission disclose that from 1950 through 1956 the bus line operating between Englewood and Littleton had a net loss in five of the seven years of from $670 to $5,249, or total net losses of $14,788 compared to net profits of $726 during these years.

Fort Collins. Concerning transit operations in Fort Collins, the only financial data available are for the years 1950 through 1953 from reports filed with the Public Utilities Commission and for the period May 1, 1957 through April 30, 1959 from a report submitted by the present operator. From these figures, reported in Table IX, it may be noted that annual operating revenues declined proportionately more than did operating expenses. Thus, whereas some profit was reported each year from 1950 through 1953, net losses totaling $11,299 were recorded by the present transit company in its first 24 months of operations.

Table IX

Comparison of Transit Company Revenues and Expenses

Fort Collins

Year	Operating Revenue	Operating Expense	Non-Operating Income	Net Profit
1950	$22,105	$21,530		$ 576
1951	28,464	26,010		2,453
1952	36,459	36,924	$1,170	1,706
1953	25,155	24,944	(100)	112

1958[26]	5,706	11,465	53	(5,706)
1959[26]	6,949	12,542		(5,593)

Greeley. Based on the annual reports filed by the owners with the Public Utilities Commission, from 1950 through 1957 transit operations in Greeley resulted in net profits every year but 1953 when a loss of $9,497 was sustained. For 1958, while a total of $3,298 of net profit was reported, this total represents wages for the owner as well as the return on his investment.

The financial data are summarized in Table X.

Table X

Comparison of Transit Company Revenues and Expenses, 1950-1958

Greeley

Year	Operating Revenue	Operating Expense	Non-Operating Income	Net Profit
1950	$49,626	$48,211	$(1,103)	$ 312
1951	46,673	43,605	(1,673)	1,394
1952	47,392	44,192	(1,082)	2,118
1953	29,842	38,522	(817)	(9,497)
1954	12,994	10,568	(34)	2,392
1955	12,868	10,234		2,634
1956	13,003	8,811		4,192
1957	5,112	2,866	(238)	2,008
1958	12,155	8,857		3,298

26. From May 1 of prior year through April 30 of listed year.

Trinidad. Little Financial information is available concerning mass transit operations in Trinidad. What information is known is contained in the following table, which reveals a steady operating loss for the last several months of 1956. This probably was one of the reasons the operator at that time was authorized to abandon service.

Table XI

Comparison of Operating Income and Expense, June-December 1956

Trinidad

Month	Operating Income	Operating Expense	Operating Loss
June	$1,363	$1,367	$ 4
July	1,197	1,475	278
August	1,172	1,391	219
September	986	1,227	241
October	1,011	1,135	235
November	(not available)		
December	910	1,191	281

Operating Ratios

Another method which may be used to measure the financial condition of urban mass transit companies is presented in Table XII concerning "operating ratios." As stated by the Public Utilities Commission of Colorado in a 1953 decision involving an application from Denver Tramway for fixing temporary or emergency fares, "in the determination of what a transit utility is entitled to earn as a return for its service to the public, increasing attention has been given in recent years by regulatory agencies to the application of an 'Operating Ratio' theory. This concept of rate regulation is based, not on the percentage of return on the present Fair Value of Property, but rather on the percentage relationship of the total operating expenses, including income taxes, to the total of operating revenue."[27]

In the opinion of one witness appearing before the commission in regard to the 1953 application, an operating ratio of from 90% to 92% would constitute, under a practicable objective standard of measurement, a reasonable return.[28] This agrees with the position of Salt Lake City Lines when, in a 1958 appearance before the

27. Decision No. 41781, December 23, 1953, Colorado Public Utilities Commission, p.41.
28. Ibid., p.41.

Table XII

Transit System Operating Ratios, 1949-1958[a]

System	1949	1950	1951	1952	1953	1954	1955	1956	1957	1958
Denver	100.3	99.5	94.5	92.1	96.9	93.3	92.1	91.2	91.1	90.2
Colorado Springs	98.0	99.6	97.0	100.2	104.9	103.1	106.6	99.3	110.3	96.9
Pueblo	102.6	98.5	99.5	97.8	102.7	101.2	99.2	b	109.4	111.6
Boulder	128.6	164.3	166.4	179.3	193.4	209.2	234.4	224.4	206.2	188.1
Fort Collins	b	97.4	91.4	98.1	99.6	b	b	b	200.9[c]	180.5[d]
Greeley	b	97.1	96.9	95.4	132.7	81.5	79.5	67.8	58.8	72.9[e]

a. Information not available for Englewood (Bussard Bus Service) and Trinidad.
b. Not available.
c. May 1, 1957 through April 30, 1958.
d. May 1, 1958 through April 30, 1959.
e. While a total of $3,298 of net profit was reported, this sum represents wages for the owner-operator as well as the return on his investment.

Public Service Commission of Utah, a company representative stated that "a satisfactory and healthy ratio is in the range of 90 to 92."[29] The Colorado Public Utilities Commission, however, has said that an operating ratio of 88.7% "is within the range of reasonableness."[30] It has also taken the position, on the other hand, that a substantially lower operating ratio than 97% is necessary for an economically sound transit business.[31]

Table XII reflects the financial condition of the urban mass transit companies in Colorado in a more concise manner than is presented in the rather detailed data on revenues and expenditures. The ratio figures in Table XII clearly present the operating condition of these systems for the years 1949 through 1958.

Denver Tramway has the best consistent operating experience during the ten-year period, but it should be remembered that the company did not have to pay federal income taxes in these years. On the other hand, the operating ratios for Boulder show only too vividly that expenditures were around twice as great as revenues for most of the ten-year period.

Passenger Travel, 1949-1958

For those systems for which information is available, the number of transit passengers generally decreased 50% from 1949 as compared to 1958, as may be noted in Table XIII. Pueblo, with 24 passengers in 1958 for every 100 passengers it had in 1950, experienced the sharpest decline.

Table XIII

Passenger Decline in Transit Passengers, 1949-1958

Denver, Colorado Springs, Pueblo, and Boulder

Year	Denver	Colorado Springs	Pueblo	Boulder
1949	100.0%			100.0%
1950	92.3	100.0%	100.0%	89.4
1951	91.4	109.7	95.5	85.1
1952	88.2	97.9	85.4	87.5
1953	79.8	80.8	74.9	85.4
1954	69.8	83.1	55.4	81.2
1955	62.5	75.4	45.9	75.2
1956	57.1	76.2	38.3	71.4
1957	53.6	71.8	34.0	59.4
1958	50.3	51.8	23.9	50.9

29. Case No. 4506, April 26, 1958, Public Service Commission of Utah, p.3.
30. Decision No. 41781, December 23, 1953, Colorado Public Utilities Commission, p.42.
31. Decision No. 45686, April 18, 1956, Colorado Public Utilities Commission, p.7.

At the same time, however, 1957 population estimates prepared by the Colorado State Planning Division for these four cities all show substantial gains as compared to 1950, as follows: Denver, 23.9%; Colorado Springs, 69.3%; Pueblo, 42.6%; and Boulder, 60.0%.

Operational Changes

During the ten-year period from 1949 through 1958, various operational changes were instituted by urban mass transit systems in Colorado in efforts to combat the declining passenger trend. These changes generally included increasing fares and reducing transit schedules.

Fare Increases. Base cash fare rates for transit passengers in 1958 were approximately 50% greater than the fares charged riders in 1949 in Denver, Colorado Springs, and Boulder. Fares in Pueblo doubled during the same period, as shown in Table XIV.

Table XIV

Comparison of Base Cash Fare Rates in 1949 with 1958

Denver, Colorado Springs, Pueblo, and Boulder

Transit Company	Base Cash Fare Rates 1949	1958
Denver Tramway		
Full Fare	10¢	15¢
Half Fare	5	7½
Colorado Springs		
Full Fare	10	15
Half Fare	5	10
Pueblo		
Full Fare	10	20
Half Fare	5	10
Boulder		
Full Fare	10	15
Half Fare	5	10

Schedule Reductions. Reductions in transit system schedules are designed to reduce operating costs through decreasing the number or length of routes and increasing the "headway" or time between buses on any one route. Of particular concern to transit operators in this respect is the reduction or elimination of non-paying routes or schedules such as night runs.

Most of the smaller transit companies no longer provide service at night or on Sundays or on holidays, and only reduced service is available in the other systems.

In regard to vehicle miles operated, Denver Tramway reported a reduction of one-third from 1949 through 1958, or from 14,561,000 miles to 9,669,000 miles. Similar reductions were made by three other systems, as follows:

Company	Passenger Miles Operated 1949	1958
Colorado Springs	2,057,528	1,681,029
Pueblo	1,775,992[32]	672,643
Boulder	220,610	182,979

Transit Company Relations With Public Officials and Merchants

Transit companies, on the basis of their reports to the committee, expressed somewhat mixed reactions in regard to their relations with public officials and merchants. On the one hand, public officials and chambers of commerce were reported as having worked closely with transit companies to assist them with their operations. Yet, on the other hand, one company specifically objected to the competition it was encountering from public school buses. Another company reported difficulties in obtaining cooperation from city officials and merchants similar to that which had been extended the previous transit operator.

Suggested Changes by Transit Companies and Others

In the course of its study, the committee received various recommendations to alleviate or to solve the financial difficulties of urban mass transit systems. Some of the persons appearing before the committee, however, said that they frankly did not know what the answers were.

Generally, the recommendations proposed were designed to maintain the existing framework of transit operations, i.e., by private enterprise as opposed to public ownership. Only a relatively small amount of sentiment for municipal ownership and operation was expressed, most of which was conditioned by the statement that this means be considered only as a last resort.

Tax Relief. Direct or indirect tax relief for urban transit companies was frequently suggested to the committee. Such relief measures would exempt these companies from state motor fuel taxes, ton-mile and passenger-mile taxes, specific ownership tax, and motor vehicle registration fees. Advocates of these exemptions stated that revenues from these taxes are principally used for state highway purposes, whereas transit companies largely travel on city streets.

32. 1950 figure; 1949 not available.

Exempting urban mass transit companies in Colorado from various state taxes, however, would not have a uniform effect. That is, for many of the companies the financial relief resulting from such a measure would not offset their operating deficits. In addition, if as a result of the state exempting various taxes a company reported a profit, the federal government through its corporate income tax would collect up to 52% of this amount.

Community Cooperation. In addition to tax relief, the need for cooperation from city officials and local merchants was mentioned. Included here are such items as the regulating of traffic and parking by cities, the cooperation of merchants in promotional campaigns, and sales of advertising space. Also, the possibility of school boards contracting with transit companies for the hauling of school children rather than by public buses was recommended.

Municipal Operation. If urban transit companies do not receive financial assistance shortly, the committee was told, it will be just a matter of time until some public body will have to provide transit service if any is to be provided. In general, the prospect of municipally-owned-and-operated transit systems was viewed with disfavor by these persons appearing before the committee. Yet, on the other hand, support was noted in some areas for such a system rather than there being no transit service available in their cities.

State Participation. Because of the size and nature of the problems affecting urban mass transit companies, the only lasting solution involves the establishment of a state transit authority, according to the chairman of the Colorado Public Utilities commission. In order for the public need for mass transit service to be fulfilled, a state authority should be empowered to order adequate service in some communities, with the prospect that the state would have to subsidize part of the operations until profits reached a point where subsidies could be withdrawn, similar to the experience of the Federal Civil Aeronautics Board with airlines Furthermore, in the long run it might be better to subsidize a transit system rather than to build wider streets or more freeways to relieve traffic congestion.

At the state level, Denver Tramway recommended that it would be helpful if highway planning would take into account the use of new highways, expressways, and freeways by transit companies. The same company also recommended that a greater freedom of managerial discretion in adjusting fares and service be given them.

Other Recommendations. In addition to the aforementioned recommendations, another suggestion was that a continuing study of urban transit systems in Colorado should be made. Also, better promotion by transit systems of their service was offered for consideration, and the establishment of a group insurance program and a central purchasing agent for bus companies was advocated.

Summary of Financial Relief Measures Granted Mass Transit Companies 1947-1959

During the period from 1947 through the first few months of 1959, an increasing number of states and cities granted financial relief to urban mass transit companies by eliminating or reducing various taxes imposed on those firms. In some cases a substitute tax was imposed, but the over-all effect was a reduction in the amount of taxes paid by a transit company. In other cases, transit companies received financial relief as a result of the elimination or reduction in the performance of such obligations as street maintenance and snow removal.

From 1947 through 1951, 20 relief measures were reported as being adopted as compared to around 130 since that time. The five types of relief measures granted most often, either through the elimination of or reduction in the amount of the tax, and the governmental unit adopting the measures are as follows:

Type of Relief Measure	States	Cities	Federal
Gross receipts tax	8	62	
License fees	6	11	
Franchise tax		16	
Motor fuel tax	9	3	1
Registration fees	7	4	

Additional relief measures involving mass transit companies included eliminations or reductions in the following charges or obligations:

Type of Relief Measure	States	Cities	Federal
Bridge tolls and rentals		3	
Excise tax	1	1	
Inspection fees	1	1	
Occupation tax	1	6	
Paving obligations		4	
Property tax	2	4	
Real estate tax		3	
Sales tax		1	
Seat-mile tax	3	3	
Snow-removal obligation		8	
Transportation tax			1
Utility tax		2	
Weight tax			1

Sampling of Effect of Relief Measures Granted

In order to ascertain the effect of these measures, if any, on the financial conditions of urban mass transit companies, a sampling was undertaken of cities and states where relief measures were adopted. Replies were received from four states - Georgia, Michigan, Vermont, and Wisconsin - and four cities - Houston, Texas; Pontiac, Michigan; Tulsa, Oklahoma; and Wichita, Kansas.

Because of the rather limited number of replies, no over-all generalizations or conclusions of the effect of the relief measures can be made. However, solely for these four states and four cities, the measures adopted did not provide a final solution.

Georgia. In 1951, the State of Georgia repealed a specific ownership tax amounting to $100 annually per bus on hand as of January 1 and reduced the state motor fuel tax from 7¢ to 6¢ per gallon. However, the Georgia Legislative Counsel has reported that these acts were not specifically passed for the benefit of any transit companies, but rather were part of a tax "package" -- the enactment of a 3% sales tax and the repeal of over 100 so-called "nuisance" taxes, fees, and assessments.

He added that transit companies have indicated that they are in dire straits and are in need of financial relief, but that he does not know whether the General Assembly intends to enact any measures which would furnish financial relief, nor does he know whether this relief is actually needed by the companies.

Michigan. In 1952, the Michigan Legislature granted a refund of 1½ cents per gallon on gasoline and a refund of 1 cent per gallon on diesel fuel for city and suburban bus lines. In 1955, under the special highway act for trunk lines, the Legislature granted another 1½¢ per gallon refund on gasoline, but no additional refund on diesel fuel was authorized.

In the opinion of the director of the Michigan Legislative Service Bureau, the refund measures have not improved the situation for transit systems to the point where they are now earning a profit, largely because 99% of their equipment uses diesel fuel rather than gasoline. Further, the transit industry in Michigan has indicated that it is still in financial distress despite the tax relief granted.

In 1959 the Governor twice vetoed legislation designed to give additional tax relief to the transit industry (House Bill No. 356 and Senate Bill No. 1050).

Vermont. Annual license fees for mass transit vehicles in Vermont were reduced from $150 to $450 per bus to $30 per bus in 1957 for a two-year period. As the companies are still having financial difficulties, the 1959 legislature amended the law to make the fee reduction permanent. It was further reported, however, that no additional tax relief measures are being considered at this time.

Wisconsin. The 1955 Wisconsin Legislature exempted mass transit companies from municipal license taxes and the state motor fuel tax, and fixed their annual registration fee at $1 per vehicle. However, the chief of the Wisconsin Reference Library reported that "it looks suspiciously as though the 1955 law is not the answer."

A tabulation prepared by the Wisconsin Public Service Commission, which compares operating revenues and expenses and operating ratios of bus companies in that state for 1954 and 1958, provides the basis for the above opinion. In 1958, some nine transit systems had operating ratios greater than 100%, i.e., expenditures exceeded receipts, while only two, Milwaukee and Appleton, had operating ratios around 92% or less. Seven reported operating ratios in 1958 of between 93% and 100%.

Houston, Texas. On December 31, 1952, Houston reduced its gross receipts tax on the transit firm operating in that city from 3% to 2%. The tax was again reduced on January 4, 1956, from 2% to 1%.

The director of the city's public service department has reported that operating statistics indicate that the company is still not earning an adequate return. The Houston Transit Company is allowed a 4½% operating ratio by city ordinance, but for the 12 months ending May 31, 1959, its operating ratio totaled 2.63%. However, no further tax relief measures are being considered at the present time.

The company has been requested to air-condition its buses as a move to improve the load factor. The city feels that the company has been slow and somewhat backward in providing fast, comfortable transit service in Houston. The city has underway a comprehensive mass transit study for the Houston metropolitan area, including the possible use of monorail lines.

Pontiac, Michigan. In 1954, the City of Pontiac replaced an annual 2% gross receipts tax with a yearly $10 license fee for each bus in use or available for use. The city reports, however, that the transit company is still financially distressed, although it is continuing to operate. One major factor contributing to this condition is the definite loss in the number of passengers riding buses since 1954.

While no further tax relief measures are being considered in Pontiac, the city has approved an operating agreement with the transit company which is "very liberal as to rate adjustments and service." The merchants in Pontiac are reported to be considering a fare-validating program, and some are already doing so. Since 1954, the company has improved its income position by operating a truck rental agency.

Tulsa, Oklahoma. Tulsa, in 1956, reduced its gross receipts tax imposed on Tulsa City Lines from 2% to 1%, which is the minimum rate permitted under Oklahoma Statutes. However, according to the transit company, this reduction still did not result in a reasonable profit and Tulsa City Lines ceased operating there on July 1, 1957.

Effective July 1, 1957, the M. K. & O. Transit Lines took over the operation of the public bus transportation system in Tulsa with an increase in fares. In addition, the franchise tax was waived for the first five years of operations and the company has been permitted changes in its headways and routes almost at its own discretion.

While no further financial relief measures are being considered in Tulsa, an application for separate downtown bus lanes is being taken under advisement.

The present transit company claims that it is not operating at a profit, but it has not filed an application for a rate increase, believing that such would be against its own interest. Not only has there not been any improvement in the number of passengers using the system since 1956, but it has gone downward at the rate of some one million per year.

Tulsa's assistant city attorney, in summarizing the situation, said:

> We frankly do not know the solution. It is obvious that people here will not use public transportation as long as they can drive an automobile, even though they will spend several times the cost of riding the buses.
>
> Our bus company people are experienced in the operation of inter-city systems, are home town people, and we consider them highly competent. But even so, they have not yet come up with the apparent right answers.

Wichita, Kansas. In 1955, Wichita enacted an ordinance that relieved the Wichita Transportation Corporation from paying any franchise tax until it had first earned a net profit of $90,000, but imposed a 4% tax on any earnings above $90,000. In 1957, following the sale of the corporation to the Wichita Bus Company, Incorporated, a new franchise was adopted which provided that no tax will be paid unless the company makes a 6% return on its depreciated investment. Any earnings above 6% would be paid entirely to the City of Wichita, along the lines of an excess profits tax.

Wichita's city manager reported, however, that the reduction in franchise taxes has not improved the situation to the point where the transit system is operating at a reasonable profit. In fact, the last two years have been loss years, probably due to a large extent to the steady decline in the number of transit passengers.

The firm has indicated that while financial distress is present, it is not critical at this time. Some relief was given by a fare increase which became effective July 1, 1959.

No further local tax relief measures are being considered at this time. During the 1959 session of the Kansas Legislature, a bill was enacted which authorizes the governing body of any city to provide for reimbursement of all or any part of the motor fuel tax or special fuel tax paid by a franchised mass transportation system, but that such reimbursements are to be paid from the city's share of the annual motor fuel distribution money. (While the city manager did not say specifically whether Wichita was going to utilize this 1959 authority, the impression is that the city will not.)

The governing body of the City of Wichita has appointed a special study committee to analyze the problems confronting the bus company. The ten-man committee is gathering data and expects to submit a final report during the fall of 1959. Some measures, other than financial relief, may result from this study.

Committee Findings

House Joint Resolution No. 6, 1959 session, directs the Legislative Council "to make a study of the financial problem confronting mass transportation companies in the State of Colorado and the extent to which taxation and public regulation affect the problem." Also, "the findings and recommendations resulting from this study shall be reported to the General Assembly at or before its next regular session."

The committee adopted a schedule at its first meeting on June 4, 1959, providing for three area meetings to be held during the summer. These meetings presented an opportunity on the part of urban transit companies, merchants, city officials, and other interested persons to appear before the committee on the the problems of urban transit systems. Meetings were held in Fort Collins on July 16 for transit operations in Boulder, Fort Collins, Greeley, Longmont, and Loveland; in Pueblo on July 30 for Colorado Springs, Pueblo, and Trinidad; and in Denver on August 13 for the Denver metropolitan area.

Through its work the committee not only devoted its attention to the financial problems of urban mass transit companies and the matter of taxation and public regulation, but also to such basic questions as do cities want, do cities need, and can cities afford mass transit service. As a result of its study, the committee submits the following findings.

1. <u>All urban mass transit companies in Colorado are in varying degrees of financial difficulty.</u> In fact, since the committee began its work last June, two of the eight urban transit companies in this state -- in Fort Collins and Greeley -- have served notice that they will cease operations this fall.

Future prospects for other six transit companies in this state are not good. Denver Tramway Corporation appears to be in the best position of any, yet company officials estimate that, unless something is done, the system is on the verge of going out of business if present trends of expenditures and revenues continue much longer.

The Colorado Springs Transit Company is reportedly making one final effort to achieve a profitable operation through the purchase of nine new diesel buses. While the company estimates the system will lose approximately $17,000 this year, it also believes that, with the adoption of various relief measures, the company could continue to operate, at least for a few more years.

As a result of the lease arrangement between the city and the bus company, the transit situation in Pueblo has been stabilized somewhat. How well the program will do in the future depends to a great extent on the patronage decline leveling off and whether some agreement can be effected for replacing the buses as they become worn out.

Boulder, on the other hand, is assured of mass transit service until 1969 under the terms of the city's franchise agreement with the Public Service Company of Colorado. Transit operations in Boulder over the past ten years, however, showed the greatest proportionate financial loss of any in the state.

In Englewood, transit operations appear to be more or less on a personal basis, with the future of the company being largely dependent on the feelings of the owner. How much longer the transit company will operate in Trinidad apparently rests on the life of the system's present bus. Since no replacement funds are available, when the bus can no longer be profitably repaired the present owner has indicated that he will quit operations.

2. <u>The underlying causes of the financial difficulties of urban mass transit companies are unlikely to change materially in the near future.</u> These causes include such factors as the increased use of automobiles, inflation, cultural changes, and certain factors inherent within the transit industry. Yet, on the other hand, some transit company officials believe that the depths of the passenger decline have been reached and operating conditions will begin to improve. Most transit officials, however, do not share this view.

3. Generally, state and local taxation of urban mass transit companies is an item of operational expense which proportionately is not great. The largest single state tax is the motor fuel tax. The state also imposes on transit companies a passenger-mile tax for transit operations outside the corporate boundaries of a city, as well as motor vehicle registration fees, corporate income tax, and a few minor miscellaneous taxes.

At the local level, of the eight Colorado cities having mass transit service, Boulder, Englewood, Fort Collins, and Pueblo impose no special taxes or fees on these companies. Colorado Springs, which imposes a gross receipts (franchise) tax on the Colorado Springs Transit Company, waived collection of the tax in 1957, 1958, and thus far in 1959. Denver levies a gross receipts tax of 1% on the passenger revenue of the Denver Tramway Corporation. Greeley imposes a license fee of \$10 on each bus with a seating capacity of less than 30 and \$12 per bus with a seating capacity of 30 or more. An annual \$50 license fee is charged the mass transit company in Trinidad.

The effect of exempting various state and local taxes on the three transit companies for which information is available -- Denver, Colorado Springs, and Boulder -- is reported in Table XV. State and local ad valorem taxes and the state's specific ownership tax have been excluded from the calculations therein. The last two columns contain the actual operating ratios of the three companies for 1949 or 1950 through 1958 and their operating ratios had they been exempted from the various state and local taxes listed during this period.

On the basis of this assumption, Denver Tramway's annual operating ratio would have fallen within the "range of reasonableness" of 90% to 92%, or less, in seven of the ten years as compared to five of the ten years of actual experience. It may be recalled, however, that Denver Tramway had no federal income taxes during this ten-year period, a condition which will change in 1960 when this company will again be paying this tax of approximately 52%.

For the Colorado Springs Transit Company, while this tax exemption would have improved the company's operating ratio, only in one year, 1951, would it have been below 92%. Also, the company would still have operated at a deficit in two of the years, 1955 and 1957.

In the case of the transit operations in Boulder, exempting the company from the payment of the state motor fuel tax and motor vehicle registration fees would have had little beneficial effect in view of the size of the annual operating loss reported.

In connection with Table XV, it should be noted that, unlike actual operating ratios generally, the hypothetical operating ratios in the last column therein do not take into

Table XV

Effect of Eliminating State and Local Taxes[1]
On Transit Companies in Denver, Colorado Springs, and Boulder[2]

City	Year	State Taxes: Motor Fuel	State Taxes: Registration Fees	State Taxes: Passenger Mile	State Taxes: Corporate Income	State Taxes: Misc.	State Taxes: Total	Local Taxes: Franchise	Total State & Local Taxes[3]	Operating Ratio: Actual	Operating Ratio: If Taxes in Prior Columns Exempted[4]
Denver	1949	$ 64,568	$ 8,308	$ 4,130		$1,237	$ 78,243	$68,687	$146,930	100.3	98.3
	1950	89,744	11,651	3,528		1,203	106,126	62,871	168,997	99.5	96.9
	1951	90,825	13,380	2,886	$16,000	1,186	124,277	65,500	189,777	94.5	91.5
	1952	93,920	12,485	2,486	31,000	1,193	141,084	67,726	208,810	92.1	88.7
	1953	89,961	12,450	12,321	11,683	1,222	127,637	63,769	191,406	96.9	93.9
	1954	98,921	13,822	4,664	21,000	1,050	139,457	64,386	203,843	93.3	90.1
	1955	129,635	19,235	5,621		3,720	158,211	57,790	216,001	92.1	88.6
	1956	138,684	19,782	4,775	16,000	787	180,028	54,809	234,837	91.2	86.8
	1957	137,141	19,350	1,566	18,044	661	176,762	52,091	228,853	91.1	86.5
	1958	117,938	18,168	3,474	24,418	531	164,529	48,433	212,962	90.2	85.6
Colorado Springs[5]	1950	21,103		4,957	35	876	26,971	5,814	32,785	99.6	94.3
	1951	25,989		9,063	974	3,002	39,028	16,574	55,602	97.0	90.2
	1952	25,020		6,501		6,922	38,443	11,106	49,549	100.2	93.7
	1953	25,521		5,946		761	32,228	11,305	43,533	104.9	98.8
	1954	26,763		5,913		928	33,604	15,844	49,448	103.1	96.7
	1955	24,843		4,767		1,037	30,647	6,778	37,425	106.6	101.2
	1956	24,662		5,831	200	1,430	32,123	8,703	40,826	99.3	94.2
	1957	22,700		3,641		908	27,249	(waived)	27,249	110.3	106.1
	1958	20,219		2,722	272	806	24,019	(waived)	24,019	96.9	92.9
Boulder[6]	1949	2,211	169				2,380		2,380	128.6	123.4
	1950	2,086	169				2,255		2,255	164.3	158.7
	1951	2,003	169				2,172		2,172	166.4	160.9
	1952	1,879	183				2,062		2,062	179.3	174.1
	1953	1,899	194				2,093		2,093	193.4	188.0
	1954	1,931	194				2,125		2,125	209.2	203.4
	1955	1,984	194				2,178		2,178	234.4	228.1
	1956	1,886	194				2,080		2,080	224.4	218.8
	1957	1,884	194				2,078		2,078	206.2	201.0
	1958	1,880	194				2,074		2,074	188.1	183.3

1. Excluding ad valorem taxes.
2. Transit companies for which generally complete information is available.
3. As shown in prior columns.
4. Before federal corporation income tax payments, if any.
5. No registration fees reported separately.
6. City of Boulder does not levy any special local tax on transit system.

account federal corporate income taxes. Under normal circumstances, when a company has an operating ratio of less than 100.0% it will be liable for this tax. Consequently, in order to allow for the federal income tax, which has a maximum rate of 52%, a more reasonable hypothetical ratio figure may be one-half the difference between the figure reported in the final column and 100.0%.

4. Public regulation does not appear to pose a problem in Colorado. A few companies apparently have not utilized the services of the Public Utilities Commission to the extent available. Others, however, expressed their appreciation of the Public Utilities Commission's interest and concern and the cooperation extended them in regard to such matters as routes, schedules, and fares.

5. The condition of urban mass transit companies is primarily a matter of community or local concern in Colorado.

6. Most of the representatives of Colorado cities having mass transit systems expressed their desire for this service to continue. A definite need was established for urban transit service for elderly persons, school children, and the majority of families with none or only one car. Furthermore, if these transit systems were to cease operating, the resulting traffic load in the more populated areas would be substantially more than present trafficways could handle, of which some of the more recently constructed expressways or freeways are already obsolete by present-day standards.

In Denver alone, of the estimated daytime population in the downtown business district of 150,000, approximately 100,000 are transported by Denver Tramway. Based on the estimate that the private automobile carries an average of 1.5 persons per vehicle, this would mean an additional 75,000 motor vehicles using the trafficways. The cost of expanding the present traffic network to handle peak periods of operation for this additional load would, of course, be substantial.

On the other hand, on the basis of recent experiences in Longmont, Loveland, and Thornton, the loss of urban mass transit systems may be absorbed in some instances without too much inconvenience or difficulty. Thus it may be that the over-all effect of the loss of a mass transit system may depend to a large extent on the size of the community. That is, the need for a mass transit system increases as the size of a community increases. The determination of this need rests with the businessmen and merchants, public officials, and the general public of the community concerned.

7. In those areas having urban transit service, cooperation within the community in arriving at methods to alleviate the financial difficulties of transit companies has ranged from fair to excellent. While local business interests have reported

that mass transit is a necessity, some apparently have failed to realize the extent of their responsibility in effecting the continuation of this service. Because of their common interests, businessmen, as well as transit company management and public officials, should assume a more active role of leadership in this respect.

8. <u>All things remaining equal, future prospects of urban mass transit companies in Colorado are not good.</u> Unless the trend in riding habits to private motor vehicles is reversed, subsidization of one kind or another appears inevitable if transit systems are to continue to operate. Moreover, if this trend is not reversed some authorities believe that the downtown district as a marketing and economic center as we know it today may be destroyed; either that or the people in the urban areas, in order to get to the downtown district, will be driving over gigantic networks of costly streets and freeways.

9. <u>In the final analysis, the problem of urban mass transit companies, simply stated, is getting people to return to riding the bus rather than using private automobiles.</u>

Committee Recommendations

The seriousness of the financial and operating problems besetting urban mass transit systems in Colorado cannot be minimized. Already within the past few months two of the existing urban mass transit companies in this state have decided to cease operations, mainly for financial reasons. At the same time, however, the committee believes that the problems of urban transit systems must be met initially where they are of the most importance and concern, that is, at the local level by cities and their inhabitants.

The committee therefore recommends that each community in this state which desires to retain mass transit service undertake an intensive study and campaign to this end. Such a move, to be successful, must have the wholehearted cooperation of urban transit company officials, merchants, city and school officials, the various public service organizations and other interested citizens and groups.

In most of the Colorado communities having mass transit systems, considerable activity in this direction was brought to the committee's attention. Almost universally, however, the results were reported as being unsuccessful. While these activities are certainly commendable, the committee is of the opinion that there is considerable room for improvement.

Examples of successful efforts at the local level to effectuate improvements in mass transit company operations and financial status in other states are available involving merchants (free shuttle service), school districts (school bus service provided by urban transit company), and city officials (lease arrangements for bus service between city and transit company).

The committee would point out that, while government can provide or withhold conditions favorable to survival of a private industry, the state alone cannot guarantee its continued existence. Accordingly, concerning the matter of taxes, the committee is by no means convinced of the wisdom of the principle involved, namely the granting of tax relief by the state for one particular industry.

At best the granting of tax relief would merely reduce or postpone the financial imbalance of urban transit operations. Such action would not strike at the causes behind their problems. Moreover, the committee is reluctent for the state to adopt a policy of relinquishing tax revenues only to have the federal government reap upwards to 52% of these benefits in some cases through its corporate income tax. In addition, even if the state were to provide various tax exemptions for urban transit companies, this in itself would be insufficient to allow sound operating ratios for the most part or, for Boulder and possibly others, profitable operating ratios.

If the present trend of increased expenditures and decreased patronage continues, there is a distinct possibility that cities may find themselves in the urban transit business if their communities are to have this service available. While the committee hopes that such a step will not prove necessary, in view of this possibility we strongly suggest that the General Assembly enact permissive legislation authorizing non-home rule cities to operate urban transit systems or to contract for this service from private operators. No additional legislation is necessary for cities operating under home rule charters as Article XX of the state's constitution already grants them this power.

The committee believes that the foregoing recommendations, if carried out fully, will do much at the local level to relieve present operation conditions of urban transit companies. Nonetheless, the state cannot overlook its role in assisting urban areas with their problems. As mentioned previously, numerous studies have been and are being made in regard to problems of the urban transit industry. To our knowledge no generally applicable solutions have resulted from these studies.

In this connection, the committee received a recommendation to establish a state-wide transit authority designed to insure adequate service and, at the same time, profitable operations for transit companies through outright state subsidization. Such a move, however, would be in direct conflict with the committee's finding that the problems of urban mass transit companies are matters to be handled by the communities concerned and not by the state. In this connection, the General Assembly may want to consider authorizing the establishment of local or metropolitan transit authorities as a means by which communities can more effectively cope with their transportation problems.

In conclusion, your committee would like to emphasize the role of the citizen at the local level in improving transit conditions. All too often citizen attitude is reflected by the writer of a recent letter to the editor of a Los Angeles newspaper. In his letter, the citizen took public officials to task for their failure to support a sound transit program for Los Angeles. He could not understand, in view of all the traffic problems in Los Angeles, how the public agencies could sit aside and do nothing about mass transportation. The author concluded his letter by saying, "Just think tomorrow morning as you drive on the freeway how wonderful it would be if the guy behind you and the guy in front were on public transportation."[33]

33. Planning for Urban Transportation, Proceedings of the Second Annual Spring Conference of the Organization of Cornell Planners, March 20-21, 1959, p.41.