D. C. Heads Prefer Public Authority Plan

Dying CTC Franchise Now Coveted by Four Rival Groups

McNamara Harris McLaughlin Fitzgerald Broadwater McDonald Chalk Solomon

. . . they have helped keep the transit tempo at a terrific pace as the Capital Transit Company's franchise is expiring.

By Wes Barthelmes
Staff Reporter

Washington's transit franchise, shunned a few months ago, has suddenly attracted four suitors within the last 10 days.

The transit tempo has thus hit a hectic pace with prospective operators, a couple clutching large wads of cash, shuttling between the District Building, Capitol Hill and Capital Transit offices in their bid for the franchise. Today, for example, New Yorker O. Roy Chalk goes to Capitol Hill to drum up support for his proposal.

Such feverish activity is the reverse of the situation on the morning of June 15.

Then, the thorny transit situation stood this way:

In the lap of Senate-House conferees, headed by Sen. Pat McNamara (D-Mich.), were two pieces of widely different legislation. One was a Senate-passed public authority bill; the second, a House-passed measure restoring the CTC franchise with greate financial and operational advantages than the traction company possessed when Congress revoked its franchise last summer. The revocation is effective 52 days from now.

The only other possible way out was a plan, advanced by Washington banker Daniel W. Bell, to reorganize CTC without its controversial chairman of the board, Florida businessman Louis E. Wolfson.

Then, shortly before noon on June 15, into Commissioner Robert E. McLaughlin's office walked CTC President J. A. B. Broadwater. He startled the Commissioners by unveiling a signed agreement by which National City Lines, a coast-to-coast transit "chain," would buy CTC physical assets for $6.72 million in cash and an equal amount in 15-year debentures bearing 5 per cent interest. The deal was contingent upon approval of CTC's stockholders and a grant of a franchise acceptable to National City, headed by E. Roy Fitzgerald.

Quicker than you can say "Capital Transit Co.," these rapid-fire developments broke;

- Bell bowed out.
- Local trucker Morris Fox, whose earlier bid months back had failed to register, stepped forward with the financial support of Chalk, president of Trans Caribbean Airways Co. Chalk offered $8 million as a down payment—in cash.
- A former chairman of the Securities and Exchange Commission, Harry A. McDonald, said he and a group of local businessmen stood ready to buy controlling interest in CTC by paying $14 a share for its stock. His was a modified version of the Bell plan.

The transit pot was boiling. It hasn't stopped since.

Before sundown came reverberations.

Commissioner McLaughlin said the conditions of the National City-CTC agreement were "unacceptable." The sales terms included congressional approval of the House-passed restoration bill, which included tax concessions; exemption from an obligation to remove streetcar tracks and repave the streets during a planned conversion to an all-bus system; and setting 10 per cent as a fair return NCL would be permitted to earn over operating ratio basis.

Rep. Oren Harris (D-Ark.) who piloted the CTC restoration bill through the House agreed with McLaughlin on the track removal phase.

Walter J. Bierwagen, head of the transit union which represents CTC drivers, said NCL's "refusal" to arbitrate collective bargaining disputes had "forced" strikes in communities where NCL operated.

The Commissioners, the next day, evidenced interest in the Chalk-Fox proposal to buy CTC for $13.4 million, thereby matching NCL's offer. Moreover, Chalk and Fox agreed to pay the cost of streetcar track removal, agreed to "impartial and birding" arbitration of contract issues, and a six-year timetable for converting the existing system to buses. Chalk reported CTC had turned down an offer to buy CTC for $11 million in cash.

Nevertheless, McLaughlin cautioned over the weekend, there existed two points in dispute. Chalk and Fox asked that there be written into a franchise a rate base of $18 million, albeit $2.4 million less than the base in the House restoration bill, and a statement that 6½ percent be considered a fair and reasonable rate of return on investment.

Then, last Monday, Chalk, minutes after he flew here by plane from New York City, pulled from his pocket a letter of credit for $500,000 from Chase Manhattan Bank—payable to CTC if stockholders approve his offer.

"We believe they are serious," commented McLaughlin.

But the next day, the Commissioner turned thumbs down on the trio of bidders—NCL, Chalk-Fox and McDonald. The Commissioners returned to their prior recommendation, the Senate-approved bill establishing an interim public authority for three years. In this time, the city fathers would be obligated to search further for a satisfactory private operator. If none was found, the authority would become permanent.

With the approach of Aug. 14, CTC's scheduled execution date, insufficient time remains to work out a private enterprise solution, McLaughlin said. NCL's conditions put it beyond consideration and the Chalk-Fox proposal for franchise terms rules it out, he said. McDonald, he continued, is closest but still out of step.

Late last week, transit-minded Washingtonians almost had to read their newspapers edition-by-edition to keep up.

Thursday morning, Senate-House conferees received the Commissioners' recommendation for a public authority. A matter of hours later, the city fathers put out the announcement acceptable franchise terms had been agreed upon with the McDonald group. Then, S. J. Solomon of Silver Spring, president of California Eastern Aviation, Inc., said he was interested in operating local transit. He made the fourth.

But at the moment all other private proposals are stymied by the NCL agreement to buy CTC if its conditions are met. If this falls through, then presumably the others could knock on CTC's door. This Thursday, CTC directors are scheduled to meet on the NCL matter.

The Commissioners' position is they indorse McDonald if he succeeds in buying out CTC, an effort over which they have no control. But at the same time, they feel an authority should be readied should private plans fail.