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Pacific Greyhound Lines and the Southern Pacific, 1929–1936

Southern Pacific's entry into the bus business upset the two largest entrepreneurs in California's bus industry, Pickwick's Charles Wren and California Transit's Buck Travis. Both had built their respective empires knowing that the California Railroad Commission would prohibit other bus operators from competing with them. Their confidence was shattered in 1928 when the railroad commission granted the Southern Pacific Company a certificate of convenience and necessity to establish bus service in competition with an established bus operator running out of Santa Cruz. After the so-called Santa Cruz decision, Wren and Travis feared that at any time the financially strong railroad might turn its attention from insignificant branch line bus operations to the lucrative trunk routes in the state. The California Railroad Commission showed that it would allow the Southern Pacific to run buses wherever it ran trains, despite the presence of established bus operators.

Travis's reaction to these fears led to the formation of Pacific Greyhound Lines in 1929. California and Chicago bus interests as well as the Southern Pacific Company shared in the ownership and management of what immediately became the largest operating bus company in the United States. Despite the Depression, Pacific Greyhound Lines earned enormous profits by the mid-1930s.

Pacific Greyhound Lines is important to the analysis of rail passenger management efficiency in California for several reasons. First, the bus company figured as an element of Southern Pacific strategy for adjusting to the automobile during the 1930s. Second, collusion between Pacific Greyhound Lines and the Southern Pacific Company provoked the Santa Fe Railway into a great offensive that dramatically altered rail and bus service in California during the latter half of the 1930s. Last, an understanding of
how the bus company did business is useful in evaluating both the efficacy of rail management methods and policies and the conspiracy explanation for rail passenger service decline.

These areas of concern are so closely intertwined that I treat them together. In this chapter I examine the formation of Pacific Greyhound Lines, its management structure and methods, and competition and cooperation between it and the Southern Pacific. I explain why I believe the conspiracy explanation is invalid, and I put forth an explanation for the bus company’s success. In the following chapters I examine rail strategies during the same period and evaluate why they failed while the bus company succeeded.

Shaken by the Santa Cruz decision, Travis in 1928 offered to sell all of his bus interests to a Chicago holding company called the Motor Transit Corporation. Two of Motor Transit’s principle owners, Carl E. Wickman and Glenn Traer, had approached Travis a year earlier with a proposal to buy California Transit. Having pioneered intercity bus service in Minnesota beginning about 1914, Wickman and Traer gradually accumulated capital and organized Motor Transit in 1925 as a holding company to purchase and control bus operating companies in the Midwest. By 1927 they were ready to expand to the West Coast, which prompted their offer to Travis. During the negotiations Travis and his associate, Fred Ackerman, visited Motor Transit’s operations in Chicago and learned about the holding company concept. It impressed them so much that they rejected Motor Transit’s offer and set up a rival holding company to compete with Motor Transit head to head. They called their new company the American Motor Transportation Company.¹

These events happened as Southern Pacific was preparing its bus plans. As Travis began to appreciate their potential later in 1927, he regretted his decision not to accept the Motor Transit offer. He reopened negotiations with Wickman and Traer and in October 1928 reached agreement. Travis and Ackerman turned over all of their bus interests to Motor Transit. In exchange they received sizable stock interests in Motor Transit, seats on the company’s board of directors, and membership on its executive committee. About this time Motor Transit’s board renamed the company the Greyhound Corporation.²

Almost at the same time as Travis reached agreement with what soon became the Greyhound Corporation, the California Railroad Commission decided in favor of the Southern Pacific in the Santa Cruz bus case.³ As a representative of the Greyhound Corporation, Travis then approached Southern Pacific’s management with a proposal. He pointed out that the railroad’s bus operation was losing money and that neither Greyhound’s
California Transit nor the Southern Pacific would benefit from bus competition. It would be far better to have just one bus company in California in which all of the major players would have a stake. Obviously, Pickwick Stages would have to be brought in. So would the Santa Fe Railway. Travis then proposed a grand bus merger between all of the major bus routes in Southern Pacific (Pacific Lines) territory. Primarily these would include California Transit and Pickwick Stages routes, but also all Southern Pacific Motor Transport routes and those of most remaining smaller bus operators in California and Oregon. A new operating company would run these routes, and the major players who contributed to the company would own and control it jointly. It appeared that the owners would be the Greyhound Corporation, the Pickwick Corporation, the Southern Pacific Company, and perhaps the Santa Fe Railway. Because Southern Pacific did not yet operate much bus service, it was to mostly contribute desperately needed cash to the new enterprise. The railroad also promised to refrain from operating its own buses. If the Santa Fe entered, it would have to contribute even more cash, because it operated no buses at all.4

All major parties except the Santa Fe Railway formally agreed to this proposal on 1 January 1929. The Santa Fe informed the Southern Pacific that it had no interest in local passenger transportation and could see no value in contributing to the bus monopoly.5 The remaining three partners formed a New Jersey holding company in early 1929 to hold the securities and certificates for the routes that would become the new bus system. By mid-1930 Pacific Greyhound Lines became an operating reality. The Greyhound Corporation, the Pickwick Corporation, and the Southern Pacific Company each owned one-third of the company and appointed one-third of its directors.6

California’s great bus merger of 1929 absorbed most of the state’s significant intercity bus operations, except for the large Los Angeles suburban bus operation known as Motor Transit (not to be confused with the Chicago holding company). The merger agreement left Motor Transit as a separate company under the joint control of Pacific Greyhound Lines and the Pacific Electric Railway. With two-thirds ownership, the Pacific Electric controlled its former bus rival.7

Pacific Greyhound Lines management consisted largely of former Southern Pacific employees. Its president, T. B. Wilson, previously served as vice president of Southern Pacific Motor Transport and before that as supervisor of transportation for the Southern Pacific Company.8 Southern Pacific’s superintendent of transportation, Lee D. Jones, who helped design Southern Pacific Motor Transport, forfeited twenty-two years of Southern Pacific service and seniority to become Pacific Greyhound’s general man-
ager. T. Finkbohner, formerly a transportation supervisor for the Southern Pacific Company in Exeter, forfeited nineteen years of employment to become superintendent of transportation for Pacific Greyhound.\(^9\) C. E. Quigley, who succeeded Fred W. Ackerman as general auditor shortly after Pacific Greyhound’s formation, came from the Southern Pacific.\(^10\) M. C. Frailey, Pacific Greyhound’s assistant auditor, previously audited Southern Pacific’s electric railroad subsidiaries.\(^11\) Several other less important positions in the management were filled by ex-Southern Pacific employees.\(^12\)

The new organization left Travis with minor managerial control over Pacific Greyhound Lines. Wickman provided overall supervision as chairman of Pacific Greyhound’s board of directors and moved to California to carry out his responsibilities. Although he also served as president of the Greyhound Corporation, he considered Pacific Greyhound important enough to warrant his personal attention. Under Wickman, Pickwick’s Charles Wren served as chairman of Pacific Greyhound’s executive committee. He also continued to direct the Pickwick Corporation, which owned a bus manufacturing company and other bus operations outside of Pacific Greyhound’s territory. Travis and Ackerman had to content themselves with more passive board roles. Both sat on the Greyhound Corporation’s executive committee, and Travis also sat on Pacific Greyhound’s board.\(^13\)

Pacific Greyhound’s first full year of operation in 1931 coincided with the rapidly deepening Depression, and the company barely survived. Its gross revenues covered little more than its operating costs; none of the three owning corporations could offer much support. The Pickwick Corporation went bankrupt and was dissolved in 1932, while the Greyhound Corporation and the Southern Pacific Company teetered on the edge of bankruptcy. Loans from the General Motors Corporation saved the Greyhound Corporation. The Southern Pacific Company managed to stay afloat with its own resources.\(^14\)

Such trying conditions precipitated what appears to have been a Travis-led coup that took control of Pacific Greyhound in 1932–33. The California bus company’s poor financial performance caused Travis to fear for his investment. In Travis’s eyes, earnings needed to increase substantially. Pickwick’s failure gave him an opportunity to better manage his assets. In 1932 the Greyhound Corporation bought Pickwick’s share in Pacific Greyhound and resold some of the share to the Southern Pacific. By 1936 the Greyhound Corporation owned 61 percent of Pacific Greyhound and appointed six members to the board, including Ackerman, Travis, and W. G. Filer, all original investors in California Transit. Southern Pacific owned 39 percent and appointed three members to Pacific Greyhound’s board.\(^15\) At the request of the Greyhound Corporation, Travis replaced Wren as chairman of
Pacific Greyhound's executive committee in 1932; in 1933, again at the request of the Greyhound Corporation, Travis replaced Wilson as president. Wickman moved back to Chicago. Travis brought his California Transit colleagues, accountant Fred Ackerman and lawyer Earl Bagby, with him into Pacific Greyhound's top management. However, the ex-Southern Pacific bureaucracy below the president remained mostly intact.

Travis turned his attention toward increasing the cost-consciousness of his managers. The early Pacific Greyhound management could design and operate a service that satisfied the public's needs, but it could not operate the service at a low enough cost. Travis believed that this trait derived from railroads, and to get the most out of his ex-railroad managers, he had to alter their consciousness. To illustrate this point, Travis argued that the Pacific Electric mismanaged Motor Transit in Los Angeles, endangering Pacific Greyhound's investment in that enterprise. There was little that Travis could do about this except sell Pacific Greyhound's interest to the Pacific Electric, which he did. In Pacific Greyhound he had greater control. Rather than fire the Southern Pacific management team, he remolded it to fit his own image. This came out in the Santa Fe Case under cross examination by Santa Fe counsel Allan Matthew:

Q. [Matthew] But I have understood you to argue quite insistently that men of railroad experience are not very well fitted to conduct a bus operation?
A. [Travis] It has so proven—and we had to change the spots on the gentlemen and they came over, before they fitted into our transportation scheme.
Q. Then you made a mistake in taking them over in the first instance, is that right?
A. Well, I wouldn't say that; they have all developed and helped work it out to its present successful issue.

The Fred Ackerman protege, Cloyd Kimball, who later served as president of Eastern Greyhound Lines and vice president of the Greyhound Corporation, offered additional reasons why Travis kept the Southern Pacific team. Most of the pioneering bus entrepreneurs lacked the organizational discipline to manage an enterprise as large as Pacific Greyhound. Of the companies that merged to form Pacific Greyhound, only Southern Pacific Motor Transport had a formal management structure. By importing virtually intact this small professional bureaucracy, the original owning corporations were able to obtain the professional management needed for their operating company. Although the original Wickman/Wren/Wilson executive team failed, the iron-fisted executive team of Travis/Ackerman succeeded to mold the bureaucracy into its own image. Kimball believed that some of the ex-Southern Pacific managers became among the best bus men in the industry.
One of the ex-Southern Pacific men, Pacific Greyhound general manager Lee D. Jones, testified in 1936 that economical operation derived from an attitude of cost consciousness that emanated from top management:

The economy of the operation is affected a great deal by the executive direction to department heads and in turn by department heads to the personnel... Hardly a day passes but what the president of the company brings the subject of economy to our attention in one way or another, and inasmuch as he supervises all but routine expenditures and he even supervises them in their original establishment, our personnel is certainly kept on its toes in relation to every avenue through which money may be expended. If I knew of any method whereby the purposes of my department might be accomplished with lesser expenditure, it would certainly be my business to reduce its costs, and if I did not I am sure the president of the company would discover my own inefficiency within a short time.\(^20\)

This attitude pushed company superintendent T. Finkbohner to obtain the maximum use of drivers and buses. The number of miles that a driver drove in a day determined his or her pay, subject to a minimum regardless of miles. Finkbohner, another ex-Southern Pacific manager, strove to assign enough miles to drivers each day that they earned their pay in miles driven and not in sitting around. He calculated the "average normal cost" for driver pay and tried not to exceed this amount when assigning drivers. Finkbohner also sought to get maximum mileage out of a bus. At terminals, drivers usually laid over, but Finkbohner strove to turn buses "in an hour or 30 minutes or 15 minutes at times."\(^21\) A bus sitting several hours in a terminal was unproductive capital and a waste to the company.

To promote cost and efficiency analysis, Pacific Greyhound's accounting department kept various operating statistics. It prepared irregular summaries and, after 1937, regular monthly reports of the number of bus miles operated on each route, the number of passengers boarded, the number of passenger miles carried, the number of seat miles provided, and the revenue earned.\(^22\) The accounting department also prepared statements on the average cost of operating a bus each mile and divided this cost into a variable and fixed component. For 1935, the 20.5 cent average operating cost was made up of 14.9 cents of direct cost and 5.6 cents of overhead expense.\(^23\) The accounting department further prepared statistics of the gross revenue per bus mile for each trip operated on each route.\(^24\)

Such information assisted the superintendent in making schedule changes. He had extra buses placed at key points on the system, so that when more passengers appeared than could sit on a scheduled bus, his subordinates could place the additional buses into service. If managers noted a
persistent pattern of the so-called extra sections being placed into service, they added an additional run to the schedule that might be slightly ahead of or behind the popular bus. Alternatively, it might leave at the same time but run as an express, while the original schedule remained as a local. This process resulted in both expresses and locals serving the major trunk routes by the mid-1930s.25

When revenues fell below costs for particular runs, Travis testified, the company initiated special studies to determine the reason and possible remedies. The study might precipitate a rewriting of the schedule to eliminate certain trips, or it could result in the abandonment of an entire route.26 However, the company guarded against cost-cutting moves that might reduce gross revenues even more. Company culture called for offering a full schedule of services throughout the day and year, even if every run did not pay, or if the entire schedule did not pay for part of the year.27 As Jones explained:

It has been the policy of Pacific Greyhound Lines since its organization, to give a frequency of service throughout the year, even though the revenue shows a serious decrease during the winter months. This policy was maintained during the depression years and caused us to operate in the red for the first 4 months of each year during the depression and left the officials in the position of holding the sack, in the event the later months did not increase revenue to offset the poorer months. Fortunately we were able to do so.28

Pacific Greyhound also practiced Southern Pacific’s policy of accommodating all traffic that showed up. Even if an extra bus scheduled to alleviate an overload carried only two or three passengers, the average filled seats (load factor) of the two buses taken together exceeded 50 percent.29

Such close monitoring of Pacific Greyhound’s service increased the number of passengers on buses, despite the company’s concern for meeting certain service standards even if all schedules were not profitable. Between 1931 and 1935 management increased the number of passengers on board each bus by 60 percent. In the latter year Pacific Greyhound maintained an average systemwide load factor of about 55 percent in its unreserved seat buses. Its trunk routes between southern and central California along the coast and through the San Joaquin Valley enjoyed load factors between 55 and 60 percent during the mid-1930s.30

These practices paid off and enabled profits to increase even as demand, measured by how much the public was willing to pay for service, fell. During 1931, Pacific Greyhound’s first full year of operation, it netted only $.016 for every mile that a bus traveled, as shown in table 13. By 1935 this figure increased almost fivefold to $.080. During this time passenger
fares fell substantially. In 1929 the company collected 3.1 cents from each passenger traveling one mile. This figure fell to 2 cents in 1933, and by 1936 it fell further to 1.8 cents.\(^{31}\)

The widening profit margin reflected Pacific Greyhound management’s obsession with effectiveness and efficiency. Management’s careful monitoring of load factors increased the number of passengers on buses as the fare yield fell. Consequently, the revenue per bus mile did not fall by much. Management’s close control of efficiency significantly lowered the cost per bus mile. Research by the transportation geographer Gordon J. Fielding highlights these two indicators as among the most important in analyzing a transit company’s operations. For Pacific Greyhound Lines, both were moving in the right direction, indicating superior management.\(^{32}\)

The large 1935 profit margin of $0.08 per bus mile, coupled with an ever increasing volume of bus miles, produced large profits. These amounted to about a 30 percent return on the company’s tangible assets of $5,616,721 in terminals, garages, and four hundred buses.\(^{33}\) When it became apparent that the California Railroad Commission would hold investigations into the possibility that excessive profits derived from Pacific Greyhound’s monopoly status, the company further lowered fares. Ridership and gross revenues increased substantially, but so did expenses, and net revenues remained about the same.\(^{34}\)

The development of new bus technology figured in lowered bus costs as well as greater appeal to the public. The Depression, falling rail fares, and the automobile constrained the potential gross revenue that bus operators could squeeze out of each bus mile they operated. If they were going to continue to reap high profits, they had to lower the cost of operating buses. They needed a new, more efficient bus.

Public tastes also demanded a more modern vehicle. In 1930 people would ride anything, according to T. L. Vaughn, superintendent of the Southern Division of the Southern Kansas Stage Lines. Vaughn observed that by 1936 new streamlined trains and automobiles made the public more particular. The typical intercity bus of the period seemed increasingly dated and uncomfortable.\(^{35}\)

In 1934 executives from the Greyhound Corporation entered into talks with General Motors to design a new bus. The two companies appointed a committee of the maintenance heads from the various Greyhound subsidiaries and Dwight Austin, the late Pickwick Corporation’s highly talented bus designer, whom General Motors had just employed. As the committee developed innovations, it tried them out on production-run buses built by the GM subsidiary company, Yellow Coach. After 1934 the Greyhound Corporation ordered buses for its subsidiaries almost exclusively from Yel-
low Coach. By 1935 Yellow Coach assembled a prototype modern bus, which Greyhound called the Superbus.36

The ancestor to the present-day highway coach, the Superbus incorporated numerous changes to prevailing design. It carried more passengers in far greater comfort, it provided a large amount of space for baggage and express freight, it revolutionized the appearance of buses, it weighed much less, it was more powerful, and it cost less to operate than earlier buses. For all of these advantages, it cost little more to buy. At approximately $13,600 per unit, the Superbus compared very favorably to the $11,400 unit price for Pacific Greyhound’s last order of old-style Yellow Coaches in 1936.37

When production of the Superbus started, General Motors had spent approximately $600,000 on the project, according to Travis’s recollection, and would not accept an order of fewer than three hundred of the new buses.38 Perhaps not coincidentally, the Greyhound Corporation was of sufficient size to place such an order and did so in July 1935. By the fall of 1936 fifty of the first-order Superbuses entered Pacific Greyhound service. The public received them so enthusiastically, according to Travis, that the Greyhound Corporation placed an order for 505 more of the units, with a hundred of them scheduled to enter Pacific Greyhound service in the fall of 1937.39

The history of the Superbus casts doubt on one part of Bradford Snell’s conspiracy theory. Snell charged that General Motors interests forced the Greyhound Corporation to purchase buses exclusively from Yellow Coach, the General Motors subsidiary, since 1926. Pacific Greyhound’s program of purchasing buses shows that this statement is not entirely accurate. Pacific Greyhound’s predecessor companies bequeathed the new organization a diverse collection of buses, a large proportion of which required replacement, according to Travis.40 From January 1929 through 1933 Pacific Greyhound bought 195 new buses, only 72 of which were purchased from Yellow Coach.41 Because of the Superbus program, and perhaps because the Greyhound Corporation controlled Pacific Greyhound for the first time, Pacific Greyhound purchased exclusively from Yellow Coach beginning in 1934. That year it bought 38 Yellow Coaches, followed by 53 in 1935 and 68 in 1936, 50 of which were Superbuses.42

Pacific Greyhound’s increasing profit margin on each passenger explains only part of the company’s large profits. Its rapidly increasing number of passengers explains the other part. Even before the Depression reached its lowest point in 1933, Pacific Greyhound’s passenger traffic trend shifted upward. Based upon the average one-way fare per passenger during various years, Pacific Greyhound carried about 203 million passenger miles in 1931, 168 million in 1932, 210 million in 1933, 285 million in 1934, 345
4.1 Pacific Greyhound Lines, routes in central California, 1931
million in 1935, and 455 million in 1936. Because the average one-way fare exceeded the average yield per passenger mile, these patronage figures are probably low, but they indicate the general upward trend in traffic.43

If one could show that such substantial traffic growth resulted from bus and rail managements colluding to divert train passengers to buses, the conspiracy argument would carry more force. However, the evidence fails to support this contention. Generally, bus passengers did not come from trains. By examining the effects of Pacific Greyhound's service and fare policies on Pacific Greyhound's and Southern Pacific's traffic growth, we can infer three conclusions. First, many bus passengers came from stops not served by trains. Although Pacific Greyhound earned its largest profits on bus routes that directly paralleled Southern Pacific and Santa Fe passenger trains, the trains usually attracted the lion's share of traffic between pairs of stops that the two modes had in common. This occurred even where the train was slower and less frequent. Second, the bus catered to nonbusiness travelers, even where bus service was faster and more frequent than train service. Both points suggest a third conclusion that buses and trains drew many of their passengers from different markets.

The results of Pacific Greyhound's service improvements lead to these conclusions. As Pacific Greyhound gradually lowered fares, speeded up buses, and ran more of them, traffic grew rapidly, but not at the expense of train traffic, which also grew rapidly. Train riders were affluent; bus riders most likely were not. Both classes of riders traveled more as the economy and their respective transportation services improved.

By the mid-1930s Pacific Greyhound's greatest profits came from its San Joaquin Valley and Coast routes, as shown in table 14. The company substantially improved these services since 1931, while at the same time it trimmed back branch line services. Maps 4.1 and 4.2 show the increasing concentration on trunk line operations as the 1930s progressed, and table 15 shows the rapidly falling use of the company's small-town agencies. By 1936 the rather extensive network of branch line services that in 1931 generally followed the routes of earlier Southern Pacific local train services disappeared from the Greyhound corporate fold. In most cases some bus services still operated over those routes under the banners of assorted local owners, but the fact that Pacific Greyhound discarded them indicates low patronage and poor financial performance. The one branch line route still operating in the valley, that between Selma, Dinuba, and Visalia, grossed only 7.5 cents per bus mile.44

Improvements to the state highway system facilitated faster bus service on the trunk routes. In 1929 the pace of highway funding and construction picked up and remained at a high level through the deepening Depression.
Increasingly the federal government contributed funds to state road departments to help put people to work, and state departments paid increasing attention to urban road improvements, which hard-pressed municipal authorities could not fund. As the Depression continued, California state and highway construction per capita ran about 30 percent ahead of the level in the 1920s (see table 4). Combined with slower but substantial population growth during the 1930s of about 2 percent a year, this effort resulted in major highway improvements during the decade.

The new high-speed highway over the Ridge Route between Los Angeles and Bakersfield opened in late 1933. The $2.9 million project cut fourteen miles from the old route and lowered the summit by about seven hundred feet. By 1934, after it and two other large projects opened on this route, motorists could drive the 111-mile mountain road between Los Angeles and Bakersfield in less than three hours, an hour faster than in the previous year.45 Pacific Greyhound expresses covered the route in about three and a half hours, while Southern Pacific passenger trains still required six to seven hours. The lower summit also greatly increased the competitiveness of high-volume truck traffic between southern and central California.46

Other improvements quickly followed. By the late 1930s, the California Highway Commission completed construction of high-speed roads over all of the passes and grades on the shortest highways linking the state’s major population centers. It constructed those leading into the Bay Area from the San Joaquin Valley as four-lane divided highways.47 In 1935 the highway commission widened the Los Angeles–Bakersfield route to three lanes, and by 1941 it completed four-lane divided stretches along several sections of U.S. 99 in the San Joaquin Valley. In 1938, after the completion of five contracts, 220 miles of unbroken three- and four-lane highway connected Santa Barbara and San Diego. Grade-separated junctions, the first constructed in Manzanita in Marin County in 1930, became commonplace by the end of the decade. Urban freeways also began appearing.48

The opening of these links during the 1930s speeded up auto and bus travel and also improved its reliability. Previously, motorists could drive many of the old mountain passes relatively quickly in light traffic, but most traffic conditions caused maddening delays. A theoretically possible ten-minute drive up Cuesta Grade on the Coast Route north of San Luis Obispo usually took forty-five minutes, for example. The new four-lane semidivided road that opened there in 1938 reduced the time to five minutes under most traffic conditions.49

With the new Ridge Route opening and improvements leading into the Bay Area via Altamont Pass, U.S. 99 through the San Joaquin Val-
ley replaced U.S. 101 along the coast as the main traffic artery linking San Francisco and Los Angeles. By 1936 motorists typically allowed ten hours to complete the 411-mile drive between those points. Since 1931 Pacific Greyhound offered twelve-hour service between San Francisco and Los Angeles via the Coast Route, U.S. 101. In 1936 it also began offering twelve-hour and twenty-minute express bus service between those cities via U.S. 99, while its many locals covered the valley run in fourteen hours.

Pacific Greyhound buses ran every two hours along U.S. 99 on the route between Los Angeles and San Francisco and also every two hours on the route between Los Angeles and Sacramento. Other buses ran only partway up and down the valley. All of these buses in both directions averaged twenty-one buses per day along U.S. 99. Pacific Greyhound operated another seventeen per day along U.S. 101 on the Coast Route.

In comparison, Southern Pacific operated much less frequent service of comparable speed. Along its 470-mile Coast Line it provided one day train, the *Daylight*, which required twelve and a half hours to complete the Los Angeles to San Francisco run in the early 1930s. The railroad cut this time to eleven hours in 1936. It also operated two overnight trains, the *Lark* and the *Sunset Limited*, and an additional local train. On the 484-mile San Joaquin Valley route, the railroad operated a through day train and two through overnight trains, in addition to several locals. The *San Joaquin* day train required fourteen hours and twenty-five minutes for the San Francisco to Los Angeles run, slower than Pacific Greyhound’s local buses.

Pacific Greyhound pegged its fare policy to railroad fares. For short distance traffic it charged higher fares than trains on the grounds that its more frequent service made buses more attractive. For long distance traffic it charged lower fares on the grounds that the greater discomfort of the bus made lower fares necessary. As railroad managers lowered passenger fares to retain traffic, Pacific Greyhound felt compelled to do likewise.

The fares that passengers actually paid to ride trains and buses in 1933 generally reflected this policy. Table 16 summarizes such information for all U.S. western and eastern seaboard points where at least fifty passengers per year used either bus or rail services in 1933. It shows that the rate per mile that passengers actually paid to ride buses in the West approximately equalled the rate they paid to ride trains for markets up to four hundred miles in length. In important California rail markets, bus fares usually were higher, as shown in table 17.

Tables 16 and 17 disprove the contention that collusion between bus and rail managers diverted passengers from mainline trains on the West Coast. If this were true, bus fares would have undercut rail fares in important markets. Table 17 shows that this failed to happen. While West Coast
bus fares generally approximated those on the East Coast, West Coast rail fares were far lower than East Coast rail fares and usually equal or lower than bus fares.

Table 17 also illustrates that in the early 1930s Pacific Greyhound Lines set much higher fares in markets where it had no bus competition. While the California Railroad Commission prohibited bus competition within California, it had no jurisdiction on interstate bus service. Cut-rate bus carriers operated into California from Arizona and Oregon, compelling Pacific Greyhound to lower rates on those routes.

Bus and rail traffic patterns in the mid-1930s also counter the collusion hypothesis. In the important markets where trains and buses competed head to head, more passengers used trains, as shown in tables 9, 10, and 17. This occurred even where buses were faster and more frequent than trains, such as between San Francisco and Stockton. It also occurred on the East Coast, where train fares substantially exceeded bus fares. Pacific Greyhound's heavy and growing traffic evidently came to a large extent from the many stops along the trunk highways that trains did not serve.

The latter point is corroborated by surveys that Pacific Greyhound Lines made of its passengers in the San Joaquin Valley. During the summer of 1936 the typical valley bus carried eighteen passengers, one of whom was making a short hop of less than fifty miles. Another two to three were making longer trips of between fifty-one and one hundred miles. Approximately four passengers were riding one hundred to two hundred miles, while another two to three were riding between two hundred and three hundred miles. Between four and five passengers rode through between Los Angeles and San Francisco, while the remaining two to three passengers were on one leg of a longer, most likely interstate trip. Pacific Greyhound's market strength came from the company's ability to knit together multitudes of individual markets with a relatively small number of bus routes. No individual market offered much traffic, but all markets taken together provided a large traffic volume.

Because it interconnected many diverse markets, Pacific Greyhound Lines successfully competed with illegal owner-operator bus competition. So-called wildcat sedans operated between the Los Angeles and San Francisco areas since at least 1920, serving traveling salespeople, employment agencies, and transients. The railroad commission had insufficient staff to stop these operations and generally did not try to, instead concentrating on the much more numerous wildcat truckers. In early 1936, between thirty-five and forty eight-passenger sedans operated between second-class hotels in San Francisco, Oakland, Los Angeles, and Hollywood. The sedans also served employment agencies and circulated through industrial districts such
as Vernon, located about four miles south of downtown Los Angeles. They solicited passengers on the street and through hotel clerks, who cooperated for a 20 percent commission on each five-dollar ticket. Clerks worked together via phone to match passenger loads with available vehicles. Employment agencies also used the sedans to send clients to jobs filled in the opposite metropolitan area. On average about twenty-four sedans operated each day, most traveling overnight via the Valley Route. They carried between 60 to 150 passengers per day, compared to Pacific Greyhound’s roughly 300 to 400 and Southern Pacific’s roughly 500 to 600 point-to-point daily passengers. When Pacific Greyhound lowered its fare to $6.25 in mid-1936, the sedan operators lowered theirs to $4.00 and stayed in business at the lower fare until Pacific Greyhound and Santa Fe Trailways jointly forced the railroad commission to put them out of business in 1942.88

The sedans clearly contributed to public welfare by serving specialized markets that Pacific Greyhound would not serve, either in ultra-low fares or in door-to-door pick-up and delivery. However, despite the fact that they could have operated anywhere in the state that they wanted, the sedan operators chose to serve only one, rather limited market. In contrast, the regulated monopoly offered a comprehensive service in California and to eastern and northern points at relatively low fares, including (after mid-1936) a $6.25 fare between Los Angeles and San Francisco, while making a 30 percent return on investment. While the sedans carried roughly 15 million annual passenger miles at a small profit, Pacific Greyhound carried more than 450 million annual passenger miles at a large profit.

Owner-operators could not match Pacific Greyhound’s performance, because the market provided no mechanism by which they could coordinate their operations so as to interconnect a large number of origins and destinations. Each operator could serve a unique point-to-point market. Theoretically this meant that owner-operators could serve the public with a multitude of services tailored to a multitude of individual demands. In reality, by the 1930s auto competition had left such a thin market for the bus that only the huge metropolitan areas of Los Angeles and San Francisco offered enough traffic to make the operation of point-to-point wildcat sedans profitable.

The comparison between Pacific Greyhound Lines and the wildcat sedan operators illustrates that the bus giant’s strength derived in large measure from its size. Its buses, operating frequently along main highways, could stop on demand, making them attractive to passengers riding short distances as well as long distances. Trains stopped much less frequently, so they served fewer markets. This fact alone suggests that the bus and rail
markets grew largely independently of each other, and that the bus company did not steal its passengers from trains.

Evidence from the period also suggests that buses and trains appealed to different classes of people in the markets where they directly competed. This is illustrated by the fact that trains sometimes carried more passengers than buses even when they were slower and less frequent. Jones’s and Travis’s testimony in the Santa Fe Case supported this hypothesis, while Southern Pacific vice president of passenger traffic Felix S. McGinnis offered insight into the two types of travelers. Replying to questioning by Santa Fe’s Allan Matthew, Jones stated that buses and trains tapped different markets:

[Jones:] There is a class of people, Mr. Matthew, that use the rail to-day, always have and probably always will. We have never been able to have them use the bus.

Q. [Matthew] Referring to the so-called Pullman passengers?
A. No, I am not.

Q. Day coach passengers?
A. Day coach passengers.\(^{59}\)

Travis shared Jones’s view of different rail and bus markets:

Not all people are bus travelers. Regardless of service or rates, there are certain classes who will not use the bus lines. There is a large group of people who might be called non-travelers who, if they travel at all, do so infrequently, if only a short distance, and then by private car. There is another class which invariably uses the airplane, the steamships and the railroads, both coach and Pullman service. The greatest number of travelers at the present time are those who use their private cars.\(^{60}\)

McGinnis characterized rail passengers as urban and affluent. Rural folk, the uneducated, and the poor did not ride trains, even when fares were very low. For these reasons, McGinnis stated, rail usage per capita in California in 1935 exceed that in the South by 60 percent, even though California’s automobile ownership rate stood at 309 autos per 1,000 population, compared to 114 per 1,000 in the South.\(^{61}\) These views echoed those of F. W. Conner, assistant passenger traffic manager of the Pennsylvania Railroad, who testified that “high-class” commercial traffic constituted the largest component of his and other eastern roads’ passenger traffic, accounting for $32 million out of the Pennsylvania’s $48 million gross passenger revenues for 1933.\(^{62}\)

These statements show that trains and buses appealed to different types of people and that trains carried well-off people. By implication, buses
carried the less well-off. Jones stated that Pacific Greyhound made little attempt to attract motorists to its services and cited the failure of a major attempt when it did try. In mid-1936 Pacific Greyhound introduced scrip books costing ten dollars and good for seven hundred miles of travel over a six-month period. The fare rate was 1.4 cents a mile. Officers in the company believed that this rate and the elimination of the necessity to purchase tickets would attract traveling salespeople, who customarily made short hops on ad hoc itineraries. Pacific Greyhound’s marketing people approached commercial firms, particularly wholesalers, but failed to interest them in the ticket books. Jones commented:

We are constantly told that no matter if we made our fares one-half cent a mile they would still prefer the use of the private car for their business, explaining that it is not conceivable that any common carrier service can be made to equal the necessary flexibility for travel by the commercial man. . . . The commercial man is on the road to get business for his firm and to sell its commodities, and the saving in transportation does not justify any slowing down of the speed in making of sales.63

Over a three-month period, from August to October of 1936, Pacific Greyhound sold only 180 of these books.64 The experiment strengthened Pacific Greyhound’s conviction that it could not divert passengers from the private automobile.

Thus, a pattern well known in the 1950s was already established by the mid-1930s. Trains carried the affluent, and buses did not. While some passengers would shift from trains to buses or vice versa, depending upon who offered the better service and fares, a large number of passengers would not. This would have made it difficult for colluding rail and bus managers to shift passengers from trains to buses.

Pacific Greyhound’s major fare reduction in 1936 provided further evidence that the rail and bus markets remained largely independent of each other. As the economy improved after 1933, Pacific Greyhound Lines earned excessive profits in the eyes of the railroad commission. In 1936 the commission launched a preliminary investigation of Pacific Greyhound’s return on investment; by quickly and substantially reducing its rates, Pacific Greyhound management cut the investigation short. The bus company based its new fares on a rate of 1.5 cents per mile of highway distance for distances in excess of four hundred miles, and higher rates not exceeding 2 cents per mile for shorter distances.65 Because Travis based the new fares on the highway distance rather than the rail distance, bus fares dropped up to 30 percent below rail fares in the many markets where the road distance was shorter. McGinnis and Southern Pacific president Angus McDonald
informally objected to the proposal, but Travis countered that the adjust-
ments had to be made because of popular opinion. The railroad chose not to
formally protest the fare reductions, but it also chose not to match them.\textsuperscript{66}

Pacific Greyhound's fare decrease of 1 July 1936 proved highly suc-
cessful for the bus company, while it affected the Southern Pacific hardly
at all. Before the fare reduction, gross revenue earned by the Pacific Grey-
hound San Joaquin Valley trunk route increased 11 percent over the same
period a year earlier. During the six months following the fare decrease, the
route's gross earnings jumped 32.2 percent over the corresponding period in
the previous year.\textsuperscript{67} The fare decrease apparently spurred additional riding
and additional revenue, revealing an elastic market.

The increased bus traffic largely did not come from trains. In the first
half of 1936 the Southern Pacific Company earned 15 percent more pas-
senger revenue than in the comparable period a year earlier. In the six
months following Pacific Greyhound's fare increase, Southern Pacific pas-
senger trains earned 13 percent more revenue than during the same period
in 1935.\textsuperscript{68} While bus fares fell from $8.00 to $6.25 in the important San
Francisco–Los Angeles market, all but one Coast Line and San Joaquin
Line passenger trains connecting San Francisco and Los Angeles experi-
enced double digit revenue growth before and after the bus fare decrease.
The exception was the slow San Joaquin Valley day train.\textsuperscript{69} During the first
six months of 1936 its passenger revenue increased 16 percent over the cor-
responding period in 1935, but revenues declined by 2 percent in the next
six months compared to 1935.\textsuperscript{70}

Except for the San Joaquin day train, the figures support the conten-
tion that the bus appealed to a different market than the train, and that both
markets grew in the mid-1930s. This behavior and the relative popularity
of the train in those markets where the bus and train directly competed
strongly argue against the conspiracy theory of passenger train decline.
Pacific Greyhound's high profits can be explained by the bus company's
obsession with efficiency and by the fact that its trunk lines served many
more points than did the rail lines.

Examination of the three types of formal agreements between the
Southern Pacific Company and Pacific Greyhound Lines also fails to sup-
port the conspiracy theory. One type of agreement allowed one carrier to
help the other in emergencies, at specified rates. Pacific Greyhound some-
times routed its passengers on Southern Pacific passenger trains at a rate
of two cents a passenger mile. Occasionally, when snow blocked mountain
passes, Pacific Greyhound chartered Southern Pacific trains at $1.50 per
train mile to continue bus passengers on their way. Far more frequently
the Southern Pacific called on Pacific Greyhound Lines for help. Several
times monthly it chartered Pacific Greyhound buses to take train passengers around wrecks, line washouts, landslides, and general flooding that often blocked the passage of trains. This type of agreement helped rather than hurt rail passengers, because it reduced their delays. Prior to Pacific Greyhound Lines' assistance, passengers had to sit out line closures or endure backtracking and detours of hundreds of miles over other railroads.71

In another type of agreement the Southern Pacific Company guaran-teed Pacific Greyhound Lines a profit of two cents a bus mile to operate buses in addition to the bus company's regular service. Southern Pacific used such supplemental bus services to substitute for discontinued trains, replace ferries once the highway commission opened new bridges, or provide continued service to a town bypassed because of a line relocation, as in the case of Benicia. While this arrangement potentially could divert train passengers to buses, in practice it diverted few passengers.72 Table 18 shows the trains that the Southern Pacific replaced with buses between 1927 and the mid-1930s. I have not found traffic figures for most of these trains, but they connected small towns with each other or a nearby city, or they connected with long distance trains. These are the types of markets that began evaporating after 1910. In the case of trains serving the vicinities of Santa Cruz and Salinas, where traffic figures are available just prior to bus substitution, traffic was light for all but two trains, and its trend was rapidly down (see table 19). By 1936 the Southern Pacific continued to contract for eleven substitute services providing seventy-seven daily schedules, which carried an average of five passengers each.73

In the third type of agreement Pacific Greyhound honored Southern Pacific tickets on its regularly scheduled buses along specified routes, although the Southern Pacific would not honor Pacific Greyhound tickets. Southern Pacific initially entered into such agreements along branch lines where it continued to operate only one or two passenger trains per day but where Pacific Greyhound offered several daily bus trips. This arrangement gave train passengers the option of more frequent bus travel for their return trip. Jones advocated a widespread application of optional routing along Southern Pacific mainlines, but the railroad resisted the program, most likely because it feared loss of traffic on important routes. By 1935 the only important route on which it agreed to establish this arrangement was that between San Francisco and Stockton.74

The Santa Fe Railway forced the two carriers into extending this arrangement in late 1935. In October of that year one of its subsidiaries filed applications with the California Railroad Commission to set up and operate a statewide bus system to compete with Pacific Greyhound Lines. The Santa Fe argued that Pacific Greyhound Lines was a statewide bus
monopoly controlled by another monopoly, the Southern Pacific Company. According to the Santa Fe, these monopolies victimized the public with excessively high fares and the failure to provide coordinated bus and train service. The Santa Fe proposed to remedy such alleged shortcomings with lower fares and coordinated bus and train service.\textsuperscript{75}

The Santa Fe’s aggression, which took Travis and the Southern Pacific management by surprise, persuaded the Southern Pacific to allow its passengers to use Pacific Greyhound buses when traveling between northern and southern California via the San Joaquin Valley.\textsuperscript{76} However, the program failed to attract traffic. Only about fifty railroad passengers used buses each month on the Stockton route. Those who used the Fresno to Los Angeles route amounted to about three-tenths of a percent of the eligible rail passengers.\textsuperscript{77}

Only in one instance did a sizable number of rail passengers use bus services. In 1929 the Southern Pacific bought full control of the Northwestern Pacific, which operated electric suburban trains in Marin County and steam trains as far north as Eureka.\textsuperscript{78} In June 1935 the Northwestern Pacific discontinued all of its remaining nonelectric passenger trains except for two and entered into an agreement with Pacific Greyhound Lines. The bus company increased the amount of its bus service in the Northwestern Pacific territory, and it and the railroad established uniform fares and honored each others’ tickets between all mutual points south of Ukiah.\textsuperscript{79} They divided the profits or losses among themselves.\textsuperscript{80} Under these arrangements about fifty passengers per day bought Northwestern Pacific tickets for travel in the affected territory and traveled one way by train and one way by bus.\textsuperscript{81}

The examination of Pacific Greyhound’s relations with Southern Pacific, their results, and the sources of Pacific Greyhound’s substantial profits lend little support to the argument that General Motors, through the Greyhound Corporation, used its economic muscle to force railroads out of the passenger business. In the early 1930s Pacific Greyhound fare policies protected important rail markets. Pacific Greyhound eventually started fare competition in these markets; however, the Santa Fe Railway, rather than General Motors, caused this changed attitude. In the instances where Southern Pacific and Pacific Greyhound cooperated to replace trains with buses, few passengers rode trains. In most cases, the replacement bus service itself shortly disappeared for want of patronage. Southern Pacific refused to cooperate with Pacific Greyhound in important markets until the Santa Fe forced it to, and when it did, few rail passengers took advantage of the added bus schedules available to them. Both bus and rail markets grew after 1933, but they seemed to draw on different segments of the public. When
Pacific Greyhound lowered its fares in rail corridors, it increased its traffic, but not at the expense of the railroad. Its profits came from the increased traffic combined with increasing profit margins on each passenger carried. The latter derived from management's accurate analysis of the costs and revenues of each service, its consequent efforts to lower costs while simultaneously raising revenues for each service, its discontinuing those services where this was not possible, and its expanding the scope of those where it was.

The Greyhound Corporation offered this type of relationship to other railroads as well, and by 1936 five other railroads participated in Greyhound operating subsidiaries. With the railroad capital thereby gained, the Greyhound Corporation realized its goal of creating a national bus system by the mid-1930s.