before delving into the creation of National City Lines in 1936, a little background is necessary. In 1925 General Motors bought majority control of Yellow Truck and Coach. Yellow was the largest bus manufacturer, and one of the biggest truck and taxi makers, in the United States.

Yellow Albatross

Yellow was a dud. From 1925—the year Sloan’s company bought the bus manufacturer from entrepreneur John Hertz—until 1935, the company lost money for seven out of ten years. In 1927, with the economy booming, GM’s new baby dropped $6.85 million.

In later years, the maker of Chevies and Buicks would defend its bus conversion tactics by painting itself as the public-minded savior of transit: “Times were hard and public transportation systems were collapsing. GM was able to help with technology, with enterprise and, in some cases, with capital.” This argument would be more convincing had Yellow proven itself able to turn a profit manufacturing buses before developing all its complicated ties with companies like National City Lines, Greyhound, Omnibus and Public Service Coordinated Transportation (PSCT) of New Jersey. Competing head-on with other transit vehicle manufacturers the company was as competent as a plumber making a wedding dress.

Some of GM’s problems with its new bus, taxi and heavy truck division probably had to do with Yellow’s move from Chicago to its prodigious new plant in Pontiac, Michigan, opened in 1928. The Michigan facility was expensive ($8 million), vast (1,250,000 square feet) and had a huge payroll (5,000 workers). While such scale may have been just the thing for an auto plant, for the relatively short runs of specialized vehicles like buses, the factory was a gigantic lump of overhead. Certainly in the future the place would become a burden.
After having its knuckles rapped in Portland and its huge successes in New York City and New Jersey, GM clearly needed to change its bus monopoly strategy. By 1936 it was common knowledge in the transit business that United Cities Motor Transit (UCMT) was owned by the automaker.

What GM needed were some henchmen to do its dirty work while making it harder to see the connections to itself. After all, through all the years of political horse-trading over transportation in New York City in the 1920s and ‘30s, nobody had asked a simple question: Why was a manufacturer of cars and buses buying a streetcar company? The reason nobody asked the question seems to have been that the ownership chain of Omnibus and Fifth Avenue Coach was so convoluted that the connection back to Detroit wasn’t made until years after the streetcars were gone. Another front company was needed: more smoke and mirrors.

*Frères Fitzgerald Sign On*

GM found perfect partners in some entrepreneurial brothers from Minnesota named Fitzgerald. The eldest, Roy, had started by

### General Motors’ Rules for Trashing Electric Railways

(subjective list; author’s opinion)

- work fast
- avoid dealing with city councils, nosy newspapers etc. who ask a lot of questions
- the more complicated the maze of front companies the better
- above all, don’t say you’re connected with General Motors
transporting mineworkers on the famous Mesabi iron range in 1919, then branching into intercity buses. He branched into local transit operations in 1933. Roy brought his brothers into the firm as it grew. Barney Larrick joined the Fitzgeralds in 1930. The brothers created a firm called Rex Finance, which picked up the local bus system in Oshkosh, Wisconsin in 1933. Rex bought tram companies in Montgomery, Alabama and East St. Louis, Illinois in 1935.

Roy Fitzgerald formed National City Lines (NCL) in 1936. GM had no direct stake in the firm initially, but provided a $150,000 loan. UCMT folded on Dec. 31, 1935, and GM engineer Marmion Mills slid over from president of UCMT to NCL vice-president and general manager. Carl Wickman of Greyhound and investment banker Glenn Traer of City Coach Lines paid $750,000 for 30,000 shares. Late in 1936, Rex Finance became Transportation Investors Syndicate.

A big problem NCL and GM faced was that many streetcar companies were plain uncooperative in converting to buses. Irving Babcock, president of Yellow Coach in 1937, testified at the antitrust trials starting in 1947: “We were having great difficulty in convincing the power companies to give up their streetcars. I went to my executive committee and asked for an appropriation to invest $300,000 to help finance a few of these conversions.”

Why did Babcock go to GM for cash instead of borrowing or issuing shares? Investigative writer Jonathon Kwitny, in his 1981 Harper’s article on the bus cartel, pointed out the reason was that the banks wouldn’t lend to UCMT. The car giant clearly saw bus conversions as a safer investment than the banks did. UCMT was eventually able to raise nearly $2 million on the capital market in 1936, but only after agreeing to pay over a usurious $450,000 in brokerage fees.

GM’s Depression Woes

The financial market’s reluctance to lend to UCMT in the 1930s was for another big reason: the auto industry was hurting. American automobile sales dropped from over four million in 1929 to just 1.1 million in 1932, and the share price of the world’s biggest car manufacturer nosedived from $73 to just eight dollars over the same period. In 1932, the automaker lost $4.5 million on its automotive operations. Only earnings from other divisions kept GM in the black.

NCL began “motorizing” streetcar systems from Atlantic to Pacific, in cities big and small. When Roy Fitzgerald was asked how he
attracted former trolley users to buses in Joliet, Illinois for example, he replied, “We never done anything about the streetcars. They discontinued operating ... in the city one night, and we started operating modern buses ... the next day.” Yellow Truck and Coach, thanks largely to urban bus sales to affiliated companies, was suddenly profitable, although it still had $9 million in debt piled up from its many years of losses.

National City’s biggest shareholder was by no means a passive one. As Stephen Goddard wrote:

So cooperative was GM that it even provided engineering and marketing surveys; detailed in each city the number of streetcars operating, bus routes, present and projected revenues, and routing and passenger makeup; and walked Fitzgerald’s personnel step by step through the conversion process.

If GM itself didn’t provide the information, it could provide private consultants who would assuredly come up with glowing accounts of bus conversion.

The then-world’s biggest carmaker was so confident in Yellow’s future that in 1936 it shucked out another $800,000 in the Pontiac bus and truck plant for 150,000 more square feet of floor space and two more assembly lines. A lot of firms were in dire straits in 1936, but GM’s bus and heavy truck division suddenly didn’t seem to be one of them.

The Fitzgeralds’ enthusiastic bus conversions were held back only by chronic shortages of cash, since the brothers not only had to pay for the companies, but also for new fleets of buses. As previously noted, at least they often didn’t have to pay for rail removal; the newly-created federal Works Progress Administration (WPA) tore out streetcar systems for free. By December of 1936, the WPA reported that its busiest rail removal state was Illinois, which happened to be the state NCL was most active in.

In 1937, NCL executives decided to push streetcar replacement efforts west. To do this a new subsidiary, Pacific City Lines (PCL) was formed. If anyone would know how to come up with financial backing, it would be PCL executive Glenn Traer, who had been a successful Minneapolis investment banker. He and another financial expert, Matthew Robinson, prevented creditors from pulling the plug on the overextended Greyhound in the first full Depression year of 1930. Traer was also a principal in Truax-Traer Coal, which operated mines in
Illinois, West Virginia, North Dakota and Saskatchewan. Truax-Traer and its subsidiary, Central Barge, were favorite investments of people connected with GM, National City Lines and Greyhound.

One of the emergency financial measures Traer took to keep Greyhound afloat was to arrange a loan of a million dollars from GM. In spite of Traer’s financial acumen, however, he was as unsuccessful as others had been at raising cash for NCL. In 1937, he reported to Yellow president Irving Babcock, “Well, I talked to investment houses, brokers and private capital ... I couldn’t get the money [for bus conversions.]”

No Credit? No Problem!

Striking out with the usual sources of money from financial institutions, Traer and Babcock hit up Standard Oil of California (Chevron). The petroleum company came onside.

Next, NCL talked to Mack Manufacturing, which at that time made buses as well as trucks. Sometime in the winter of 1937-38, a Mack executive named Roy Hauer went to Roy Fitzgerald’s farm to strike a deal. Representatives from GM, Mack and Standard Oil met in Greyhound’s Chicago office to hammer out details.

Part of the resulting contract was that Mack and GM would carve the bus market created by NCL between them: a minimum of 42.5% of bus sales would go to each company, with the remaining 15% discretionary. Of course, all this violated antitrust laws, but of far greater importance in all NCL contracts were provisions that required any transit company, whether or not it was still owned by NCL, to use gasoline engines. (The wording of contracts was later changed to allow diesel equipment). The companies involved saw the benefits of Alfred Sloan’s crush-the-enemy strategy.

As NCL converted city after city from streetcars to buses, it continued to look for other partners. After being rebuffed by Texaco, National found an enthusiastic new shareholder in Phillips Petroleum. Both Frank Phillips, the oil company’s founder and chairman, and Phillips’ president Kenneth Adams gave personal approval to their company’s involvement with NCL. Roy Fitzgerald later testified that Frank Phillips told him that, “anywhere along the line that I might feel that his people were doing anything to us that might change this deal, he would be glad to have me come back and talk to him.”

In the tire industry, NCL found the same pattern as when it had
approached the oil companies: rejection by the first prospective partner (BF Goodrich), acceptance by the second (Firestone).

Texaco paid a price for not joining the bus cartel. By 1939, according to FBI testimony at the 1949 antitrust trial, Texaco supplied almost 100% of the market for fuel and lubricants at National City operations. By 1946, it was down to only supplying four per cent. The business went instead to Phillips Petroleum, which jumped from supplying zero percent to 96% of NCL's oil product needs over the same period. Less dramatic but still substantial was the benefit to Firestone, whose share of NCL's tire business jumped from 60 to 90 per cent over the same period.

According to writer and historian Christopher (Bradford) Snell, the market was divided between Phillips in the east and Standard Oil of California in the west. (Western operations were run by American City Lines or Pacific City Lines; all essentially the same company).

It was hard to nail down just how much money GM and other NCL shareholders actually sunk into the bus cartel. One detailed estimate said that the total amount came to less than $10 million. Another estimate from trial testimony, however, put the number at $37 million.

JG Brill of Philadelphia, the biggest streetcar manufacturer, decided to drop out of the PCC consortium and build its own advanced tram, the Brilliner. It was styled by the renowned designer Raymond Loewy. Unfortunately for Brill, it sold very poorly. This is in Baltimore (thetrolleydodger.com).
NCL had a lot of purchasing power in the Depression. The streetcar system in Champaign-Urbana, Illinois, for example, cost just $32,000. For an expensive property like Los Angeles Railway ($13 million), it would manage to come up with the cash.

**Tell Me No Secrets**

Secrecy pervaded NCL’s operations. In a letter to Frank Phillips, a Firestone executive suggested that Phillips Petroleum should follow Firestone’s lead and keep its involvement in National City Lines secret by working through nominated employees. Standard Oil of California also operated this way. Phillips treasurer BF Stradley wrote to GM vice president Harry Grossman:

> From our conversation, it appears there may be a difference of opinion between us in respect of the propriety and perhaps the legality of certain requirements which we have in mind in respect of the agreement covering the purchase of stock in American City Lines. We shall be glad to present our views to you at any time ... although it occurs to me that it might not be well to discuss the problem jointly with the American City Lines group since by so doing it would become obvious that our meeting was prearranged.

In addition to using employees to mask its involvement, NCL sometimes operated under yet another front name, Andover Finance Company, in order “to make investments in situations beyond the legal limits”, in the words of an aide to Roy Fitzgerald.

In August 1943, NCL and shareholder companies formed American City Lines, which in December 1944 bought the Los Angeles Railway (LARy). Conversion of 19 of LARy’s 25 streetcar lines to buses began within four months.

In spite of GM’s blanket of secrecy and front companies its bus conversion trail proved to be a bumpy ride: ornery city councilors, lawsuits and opposition from community and shareholder groups. The biggest burr under GM’s saddle, however, would turn out to be a quixotic train enthusiast from New Jersey named Jay Quinby.