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1 LOS ANGELES, CALIFORNIA, TUESDAY, MARCH 25th, 1952, 3:00 p.m.

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3 MR. RALPH P. MERRITT: Mr. Chairman, Members of the
4 Authority, I am very happy to respond to your invitation to
5 appear before you upon the understanding that I am not here
6 to discuss in technical language the legal aspects of the
7 Transit Act, but only to give you the background of the law
8 which created this Authority and the purposes of the Act. I
9 am the one who had the responsibility of writing the plan for
10 a Transit Authority and who steered that plan through the
11 last session of the Legislature, under the instructions of
12 the Southern California Monorail & Transit System, Inc.

13 You are perfectly right, Mr. Chairman, in stat-
14 ing to the Authority that any information of any kind or
15 character that I have on transit matters is available to the
16 Authority upon your request through the companies which I
17 represent. Our engineering records and all of our informa-
18 tion on Monorail and on the proposed solutions of the transit
19 problems of Los Angeles County are at your service.

20 A discussion of the Transit Authority Act,
21 passed by the Legislature of California in 1951, is probably
22 best simplified by first making a statement of the various
23 steps which led to the writing of this legislation and its
24 passage into law.

25 A fuller statement of all of its historical
26 background is being prepared by your Secretary, Mr. Wilson,

1 and this will undoubtedly be of very great value to you as
2 time goes on, in all of its detail.

3 As you all remember, since 1925 more than 40
4 reports, studies and engineering researches have been made
5 on the subject of transportation and transit in Los Angeles.
6 The cost has been estimated as something over a million
7 dollars.

8 At the present time there is before the Board
9 of Supervisors a recommendation by the Chamber of Commerce
10 of Los Angeles, that the Board of Supervisors should appro-
11 priate another \$350,000.00 for a county-wide transit survey
12 recommended by the University Presidents Advisory Committee
13 on Transportation. This recommendation was received by the
14 Supervisors in August, 1950.

15 Out of all of these reports and studies the
16 fact remains that only one definite implemented plan has
17 emerged and this plan is embodied in the Transit Authority
18 Act. Action by this Authority, under the powers created by
19 this law, would not conflict with an over-all transit study
20 since a mass rapid transit from the San Fernando Valley to
21 Long Beach, authorized by this law, is an essential first
22 step in any integrated county-wide transit plan.

23 Credit for this constructive and concrete plan for
24 transit must be given to Citizens of the San Fernando Valley
25 Group. Over a period of 15 years, under the leadership of
26 Mr. Wilson and Mr. Pollard and the Valley Times, the San

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1 Fernando citizens have battled for a program that would give
2 to the Valley a transit system that would meet the needs of
3 their people in the fastest growing community of the State.

4 Nearly two years ago - I think it will be two
5 years in June or July - these same citizens came to the con-
6 clusion that, in spite of victories over the Pacific Electric
7 in two important hearings before the State Public Utilities
8 Commission, their only hope for gaining a transit system was
9 the organization of a corporation by a group of public-
10 spirited citizens who would put their own money up and out
11 of their own planning would come the development of a mass
12 rapid transit system, which would run from the San Fernando
13 Valley to Los Angeles.

14 That group, after careful study concluded that
15 overhead suspended transit known as MONORAIL was the most
16 practical answer and took the corporate name of Southern
17 California Monorail & Transit System, Inc. They made a
18 contract with the Monorail Engineering & Construction Corpora-
19 tion, by which the Monorail Engineering & Construction
20 Corporation agreed to furnish without charge, all the
21 engineering studies which they and their predecessors had
22 made on Monorail over a period of many years, at a cost of more
23 than \$200,000.00. The Monorail Engineering & Construction
24 Corporation agreed to donate the rights to use their patents
25 and all of their other facilities and to give advice and
26 know-how that would assist in the work of creating an

1 operating rapid transit system.

2 The Monorail Engineering & Construction Corpora-
3 tion is made up of stockholders in Los Angeles and San
4 Francisco. The Chairman of the Board is Ray A. Myers of Los
5 Angeles, and the President is Colonel George D. Roberts.
6 The reason Monorail Engineering & Construction Corporation
7 was interested in making such an agreement or a contract with
8 Southern California Monorail was because for some time they
9 have been negotiating in the San Francisco Bay Area with
10 similar groups for Monorail installations. They have also
11 been discussing the matter of Monorail installations in
12 Detroit, Cleveland and in New York.

13 It was obvious that a successful operation in
14 Los Angeles would be the basis upon which they could proceed
15 successfully elsewhere; therefore, they were willing to
16 donate the results of their years of effort in order to be
17 able to bring about a successful operation in Los Angeles
18 upon which to predicate national acceptance of Monorail.

19 The plan included the provision that the Mono-
20 rail Engineering & Construction Corporation should have a
21 contract with Southern California Monorail, by which Mono-
22 rail Engineering should be the managers of construction and
23 the supervisors of engineering of the new Monrail installa-
24 tion and for these services were to be paid the standard
25 management percentage fee. It is deemed essential by the
26 Monorail Corporation, that this first Monorail constructed

1 in the United States should be a demonstrated success
2 resulting from the procurement of the best engineering in
3 overhead transit. Associated with Monorail Engineering &
4 Construction Corporation are such industrial engineering
5 companies as General Electric, General Motors, and St. Louis
6 Car Company. Monorail Engineering were not to be contractors
7 or builders but would supervise contracting and supervise
8 engineering and administer and coordinate the project. This
9 type of contract is standard practice in Government and
10 industry.

11 In June or July, two years ago, I became
12 associated with Southern California Monorail. I had at that
13 time returned to California after eight years of Federal
14 service. Friends in Monorail asked me to join with them as
15 a consultant on their problems. At that time they were
16 negotiating for a right-of-way for the monorail down the
17 channel of the Los Angeles River. I accepted largely out
18 of what I conceived to be the public interest that was
19 involved in this general program for providing a needed
20 solution to the problem of mass rapid transit for the metro-
21 politan areas. My services were to be as a consultant and
22 eventually became administrative.

23 The first step in 1950 was the employment of
24 Mr. S. B. Barnes - whom many of you know is a Los Angeles
25 engineer whose office is now largely engaged in Government
26 work - to study the possibility of engineering a right-of-

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1 way for a Monorail system along the bank of the Los Angeles
2 River outside the flood control structures that have already
3 been erected by the U. S. Engineers. Mr. Barnes' organiza-
4 tion worked during the Fall of 1950 on this report; and,
5 when it was completed it was found that it was possible not
6 only to use the river from the San Fernando Valley to Los
7 Angeles, but also from Los Angeles to Long Beach.

8 I was interested, as a negotiator in this
9 matter, not only to determine that the Monorail would be
10 able to secure a satisfactory right-of-way along the River
11 Channel but I was also interested in having a plan upon
12 which to trade with the Pacific Electric if it became neces-
13 sary to discuss alternate rights-of-way. We might then
14 decide whether the River was a better right-of-way or whether
15 the Pacific Electric could offer a more economically
16 advantageous plan. To have no right-of-way would have left
17 us in a poor trading position.

18 Coincidentally with this, in the Fall of 1950
19 the country came into its presently controlled economy
20 whereby it is impossible to acquire either money or materials
21 for a major project of this kind without Governmental
22 approval. So, in January of 1951, the report having been
23 made on the Los Angeles River, the Board of Directors of
24 Southern California Monorail, Inc., requested me to continue
25 my relationship with them under a minimum fee basis and to
26 go to Washington, D.C., and undertake negotiation in

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1 Washington to secure the approval of Federal Authorities for
2 the money and materials.

3 It was estimated by our engineers at that time
4 that we were going to require some 140,000 tons of steel,
5 10,000 tons of copper, 900 tons of aluminum and about Eighty
6 Million Dollars. All that was a large order. Negotiating
7 such a plan in Washington at such a time was beset with more
8 than the usual difficult problems. I had sat on the Govern-
9 ment side of the table through many negotiations in two wars
10 and I knew exactly what might happen to a man who was going
11 to sit on the other side of the table. I knew something of
12 the personnel problems of Government Agencies. I knew I
13 was going to be faced with vague regulations or regulations
14 which change so rapidly that it would be impossible to tell
15 from day to day whether one would get a 'yes' or 'no' answer
16 out of anybody at any time. Further, representatives of war-
17 time agencies might disappear the next day from the agency
18 we were meeting or the agency itself might disappear.

19 We first presented this plan to the Defense
20 Transport Administration, which is the one agency most con-
21 cerned with services to national defense through the building
22 of a very important and new type of rapid transit system in
23 the Los Angeles area. This is the second largest production
24 area for defense materials in the United States and the
25 largest in the volume and value of many types of many types
26 of production. Approximately 300,000 workers are employed

1 in Government contracts and services in the area under con-
2 sideration; 86% of these workers now go to work in privately-
3 owned automobiles. Therefore, we first had the problem of
4 dealing with the Defense Transport Administration and then
5 with Reconstruction Finance Corporation, for the plans of
6 finance.

7 We also met with the National Resources Security
8 Board, which disappeared during the middle of the discussion,
9 when Mr. Symington went over from that Chairmanship to the
10 Reconstruction Finance Corporation. Later we met with
11 officials of the Department of Defense, who were interested,
12 of course, in the services a new transit system would render
13 to the production of defense materials in this area. These
14 negotiations and discussions went on from January until May.
15 In May, a plan of procedure suddenly seemed to jell. The
16 Monorail plan was accepted as a first step in the solution
17 of mass rapid transit to increase productive manpower.

18 The Agencies of the Government then said they
19 were willing to go along with the program providing we had
20 necessary economic and transit engineering reports and the
21 necessary mechanism by which we might borrow money and to
22 which might be given the necessary permits for materials.

23 In the Pentagon Building on the 25th day of May,
24 1951 -- which was a Saturday -- there was a meeting attended
25 by all of these Agencies I have mentioned: Reconstruction
26 Finance Corporation, Defense Transport Administration, the

1 Munitions Board of the Department of Defense. These Washing-
2 ton authorities indicated a very deep interest in this transit
3 plan for Los Angeles as a service to the national defense,
4 in that it would freely move manpower from Long Beach to San
5 Fernando.

6 They raised this question: "What means are you
7 going to use to borrow the money from the Government, if we
8 are willing to lend it?"

9 During this five month period of last year, I
10 had realized that sometime in the near future there was going
11 to be a need of legislation in California to create a Transit
12 Authority for the Los Angeles area. A new interurban transit
13 system cannot now be created by any other means. To prepare
14 for this I had been in New York meeting officials of the Port
15 of New York Authority. I had spent some Saturday afternoons
16 and Sunday mornings in discussions with General William
17 Draper, who had been Vice President of Dillon Reed & Company
18 and who was then Chairman of the Long Island Transit Author-
19 ity. I had the privilege of advice and counsel from the
20 best engineers in this particular field. I went to Chicago
21 and studied the Chicago Transit Authority. I had many notes
22 on what a Transit Authority was and what we had to do to set
23 it up. The basic plan was ready to meet the needs of a broad
24 concept of coordinated transit including street cars, busses,
25 subways and Monorail.

26 On the morning of May 25th, the question was

1 then put to me: "Why don't you organize a Transit Authority
2 for the benefit of the Los Angeles County area? The Recon-
3 struction Finance Corporation can, under the regulations,
4 then finance the project on a Revenue Bond basis loaning
5 100% of the cost, whereas with a private corporation, they
6 may only loan 50%?"

7 I pointed out that the California Legislature
8 had been in session since January and it was then the end of
9 May and that the Legislature was going to adjourn on the
10 23rd of June. The plan had to be written in legal language
11 by attorneys, expert in Authority matters, and presented to
12 the Legislature and passed in less than thirty days.

13 If there were any feelings that were hurt in
14 the course of the fast development of this program, may I
15 say that it was not intentional but there was no time in
16 which to confer. Fast action was imperative! I left
17 Washington and came to California on May 30th and met with
18 the Board of Directors of Southern California Monorail, who
19 instructed me to proceed to develop legislation and present
20 it to the Legislature in the hope of securing passage before
21 adjournment. No provision for State funds was possible to
22 finance the Authority as the date for introduction of
23 appropriations had long since passed.

24 From Los Angeles I went to San Francisco,
25 because in the R.F.C. discussions they said they wanted me
26 to consult with the firm of Orrick, Dahlquist, Harrington

1 issues of the San Francisco Bay Bridge Authority. The funds
2 thereunder had been provided by R.F.C. We had to have an Act
3 that would be drawn according to the requirements of the
4 R.F.C. and so I arrived in San Francisco and took this
5 matter up with Mr. Orrick, the head of the firm. I should
6 like to say that this law firm did a very remarkable service
7 in this matter. Some of their top men worked with me on
8 framing the legislation for the period of Thursday, Friday,
9 Saturday and Sunday; and by Monday noon the work was complet-
10 ed. The cost charged to the Southern California Monorail
11 & Transit System, Inc., for this service was the nominal fee
12 of \$500.00.

13 On the 7th of June, I arrived in Sacramento
14 with the Transit Authority Act in my hand. I immediately
15 went to see Assemblyman Burkhalter from the San Fernando
16 Valley, who had a Transit Act which had not been considered
17 because it was predicated on the power of a district to tax
18 private property. I asked him if he would permit us to use
19 the skeleton of A.B. #3112. Mr. Burkhalter promptly agreed
20 to amend out all of his Bill and to amend our Bill into its
21 place. He also enthusiastically supported the program. We
22 owe much to Mr. Burkhalter and his very able legislative
23 assistant, Mr. Murray Stravers. They did everything that
24 could be done to get this Act passed and they share in its
25 success. Mr. Russell Quisenberry, of the San Fernando Valley
26 Times, came to Sacramento and voluntarily contributed his

1 valuable time and counsel.

2 The Act was opposed by the California Transit
3 Association, for which Mr. Stanley Lanham of the Los Angeles
4 Transit Lines was the spokesman. Their lobby, including the
5 railroads and some allied public utilities, was very power-
6 ful. More than once defeat seemed inevitable, but the Act
7 finally passed on the last day of the Session.

8 The Act as it was originally drawn conformed
9 to the principles of other successful Authority legislation,
10 following a plan by which there would be a seven man self-
11 perpetuating Board, appointed by the Governor. The seven
12 members of the Authority would have the right of issuance of
13 Revenue Bonds for the construction of transit systems or the
14 purchase of any transit systems in Los Angeles County. The
15 Authority would have no power of taxation of private property.
16 The Authority would have the right to operate or coordinate
17 all types of public transportation in Los Angeles County;
18 urban or interurban, streetcars, busses, monorails, subways,
19 or anything else. That is a necessary part of any program
20 that will give, in the last analysis, maximum service to a
21 county like this. The Act did not give the right of condem-
22 nation of public transit systems except on mutual agreement
23 to such legal action.

24 The geographical area which was described in
25 the Act was all of Los Angeles County. The Authority was
26 made exempt from the State Public Utilities Commission and

1 exempt from taxation. Under the law of California, a public
2 corporation, which this Authority is, does not pay taxes and
3 its rates are not fixed by the Public Utilities Commission.
4 Our Board of Water and Power Commissioners in Los Angeles
5 and other similar institutions come under that general de-
6 scription and are free from taxes and control by the Commis-
7 sion.

8 There were four basic amendments made to the
9 original Act by the tremendous pressures put on the Legis-
10 lature through various channels by the California Transit
11 Association and the Railroad Lobby. The first amendment made
12 to the original Act is that the Authority is made subject
13 to the Public Utilities Commission. The second is that it
14 pays taxes like any private operator. The third is that the
15 type of transit system which may be constructed and operated
16 at the present is limited to a Monorail system with service-
17 feeder bus lines. The fourth is that the area which can be
18 served is only a portion of Los Angeles County, approximately
19 500 square miles, including all of the San Fernando Valley
20 and a strip eight miles wide, following the general path of
21 the Los Angeles River to Long Beach. In this area are
22 approximately Two Million people. There, also, is approxi-
23 mately 75% of the war production potential of this area.

24 THE LAW AS IT NOW STANDS, WITH THESE AMENDMENTS, IS
25 STILL WORKABLE AND SOUND AND SUFFICIENTLY POWERFUL TO
26 ACCOMPLISH ALL THE MAJOR PURPOSES IN FINANCING AND CONSTRUCT-

