Men with Faith in Business: The Managers Who Insured the Success of the South Shore Line

"A business corporation is organized and carried on primarily for the profit of the stockholders. The powers of the directors are to be employed for that end. The discretion of directors is to be exercised in the choice of means to attain that end and does not extend to a change in the end itself, to the reduction of profits or to the nondistribution of profits among stockholders in order to devote them to other purposes."

In the case of Dodge v. Ford Motor Co*., decided by the Michigan Supreme Court, 1919* [1]

As taught in law schools, in *Dodge v. Ford Motor Co.* the court found that the sole purpose of business is profit maximization for the benefit of its shareholders. This may be a bit of an overstatement. However, for-profit businesses cannot logically bleed working capital for an abstract civic good. Long before the start of the Great Depression, the interurban industry as a whole was bleeding working capital, serving a dwindling public that was more frequently riding around in the assembly line products of Henry Ford's Motor Company and all of its imitators.

Primarily because of automobile competition, during 1925, the year that Insull bought the South Shore Lines, a surge in interurban abandonments began. The states with the greatest interurban mileage were Ohio, Michigan, and Indiana. The network in Michigan was gone by 1929 and the network in western Ohio was abandoned in 1932. Most of the remaining Ohio interurban mileage vanished in 1939, and the interurbans in central Indiana ran their last miles in 1941, putting an end to the Midwest interurban network.[2]

There were areas where the interurban remained relevant for rural and suburban to urban transportation into the early 1950s, notably around Chicago; Milwaukee; St. Louis; Des Moines and Cedar Rapids in Iowa; Salt Lake City; Los Angeles; Portland, Oregon; Montreal, Quebec; in Southern Ontario radiating from the communities of Niagara Falls, Kitchener, and London; and in British Columbia at Vancouver (interurban networks did not develop around eastern cities except Baltimore and Washington and the last was abandoned in 1950). Most of the remaining interurbans failed by the end of the 1950s; all were gone except the South Shore Line on 21 January 1963.

The success of the South Shore Line is notable. The men who insured the South Shore Line's success after its bankruptcy on 30 September 1933 must have had faith in the business and their ability to return it to profitability. The first to succeed to the South Shore Line presidency was John N. Shannahan.

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[1] Dodge v. Ford Motor Co., 170 N.W. 668 (Mich. 1919).

[2] George W. Hilton & John F. Due, *The Electric Interurban Railways in America* 214-26 (1960).

John Newton Shannahan was the first person nominated to the presidency of the South Shore Line after the death of his predecessor, Robert Feustel, on 8 May 1932. Shannahan led the South Shore Line through its most difficult period – the four-year and four-month bankruptcy that began on 30 September 1933 and ended on 31 January 1938.

John Newton Shannahan had no prior affiliation with the Insull Group when he was nominated to the presidency of the South Shore Line on 30 December 1932. By his own admission, Shannahan needed much time to acquaint himself with the Insull Group operations in Indiana.[3] And Shannahan needed to know *all* that there was to know of the Insull Group's Indiana operations.

The day that Shannahan became president of the South Shore Line, he also became president of Insull's Indiana holding company, Midland United. Shanahan also took over the presidencies of the Northern Indiana Public Service Company (NIPSCO), Indiana Service Corporation, Northern Indiana Power, Indiana Railroad, as well as that of West Ohio Gas and the Indiana Hydro-Electric Power Company, and the presidency of three other Insull Group companies.[4] [5] As a result, on 30 December 1932, John N. Shannahan replaced Samuel Insull, Sam's brother Martin, Sam's son Sam, Jr., and Insull lieutenants Robert M. Feustel, George F. Mitchell, and John H. Gulick in the director's chairs and executive suites of the former Insull Group Indiana holdings.

Shannahan came to the Insull Group with a background in public utilities, electric traction, and steam railroading – the three primary areas of Insull's business interests. Born in Troy, New York, in August 1872, Shannahan graduated in 1894 from the Rensselaer Polytechnic Institute with a degree in civil engineering. Shannahan's first railroad job came a year later as a signal inspector on the New York Central's Western Division.[6]

During 1899, Shannahan joined a combination electric interurban and steam railroad – the Fonda, Johnstown & Gloversville (FJ&G) along with its affiliated utility company, Edison Electric Light & Power (EEL&P), in his native New York State. Before Shannahan left the FJ&G and EEL&P, he had risen from chief engineer to general manager. Another interurban gig followed, this time as president of Adirondack Lakes Traction. And another as vice-president and general manager of the Washington, Baltimore & Annapolis. And another with J.G. White and Company where Shannahan had "multifarious jobs" as White contracted to build interurbans as far from New York State as California.[7] [8]

By 1912, Shannahan was president of Peck, Shannahan & Cherry, operator of five public utilities, four of which included interurban and suburban railways. In

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[3] John N. Shannahan, N. Ind. Pub. Serv. Co. Annual Report 4 (1932).

[4] *Trolley Chief Made Midland United Head: John N. Shannahan Succeeds Fuestel and Insull in Large Utility Concern*, N.Y. Times, Jan. 4, 1933, at 28.

[5] *Shannahan, Head of Midland, Dies*, Indianapolis Star, Aug. 17, 1938, at 1.

[6] *John N. Shannahan, The New President*, 64 Elec. Ry. J. 629 (1924).

[7] *Id.*

[8] Hilton & Due, *supra* note 2, at 21.

1924, Shannahan became the president of the American Electric Railway Association, the industry body that set, *inter alia*, standards for electric railway engineering and accounting. By 1927, Shannahan's nickname was "The Doctor of Sick Railways" and he was prescribing medication for the Omaha & Council Bluffs interstate streetcar operation.[9] During Shannahan's tenure at the South Shore Line, he wrote several prescriptions.

The South Shore Line operated at a net deficit in both 1932 and 1933.[10] In order to restore the South Shore Line to profitability, the first prescription under consideration was to discontinue all trains that did not meet their fixed and variable costs of operation. On 14 April 1934, Shannahan ordered a study to determine the earnings capacity of each train to determine where services could be curtailed. The study was completed by Ross W. Harris, a consulting engineer from Madison, Wisconsin. In the Depression year of 1934, only seven of the sixty-three daily trains covered their operating expenses, depreciation, rents, taxes, etc.[11] Harris's recommendation – do not cut any trains; the best result would be achieved "through a stimulation of earnings."[12] But stimulating earnings was tough in the depths of the Depression.

Two months later, another study was presented to Shannahan. The second study showed where passengers boarded and detrained. The data was collected to determine whether some trains could turn back to Chicago at either Michigan City or Gary rather than running all the way east to South Bend. Harris did not find any data that convinced him that turning back trains short of the South Bend terminal was in the best interest of the South Shore Line.[13]

A third proposal was drafted that would eliminate either 1) half of the service from Chicago to South Bend, or 2) to eliminate all the Chicago to Gary local trains during the mid-day. Both options would leave the so-called "memory" schedule in place where trains operated at the top of the hour or at the half hour from their respective terminals.[14] Neither option was accepted. Instead, Harris found a means to put the revenue and expense picture in a light most favorable to the passenger service – by taking revenue allocated to the still-profitable freight business and applying it to the passenger trains.

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[9] *Sensing the Public Pulse, Omaha Wonders What Innovation Mr. Shannahan Will Spring Next, Election Coming*. 72 Elec. Ry. J. 695 (1928).

[10] Chi., S. Shore & S. Bend R.R., Annual Report 8 (1933).

[11] Ross W. Harris, A Study of Earning Capacity of Passenger Trains Operated By The Chi. S. Shore & S. Bend R.R. Co. Based On Operating Records First Three Months 1934, 10 (1934).

[12] *Id.* at 2.

[13] *Id.* at 15-6.

[14] *Id.* at 30.

One stream of revenue allocated to the freight service was less-than-carload (LCL) freight handled in the baggage compartments of the passenger trains. By 1934, much of this was newspapers printed in Chicago for delivery throughout Northern Indiana. As this was freight service, it mattered less to freight accounting that it was handled in Merchandise Despatch LCL cars or in the baggage compartments of passenger cars, it was still freight revenue. But what the South Shore Line staff proposed to Harris was to put any revenue that was accrued in the passenger cars on the passenger train side of the ledger even though it was derived from freight service. This fiction made it appear that nearly all the passenger trains operated would be either close to or paying their own way.[15]

By the time that Harris's studies were complete in September 1934, the South Shore Line had returned to profitability – 1932 and 1933 were the only Depression years where the South Shore Line operated at a net deficit. With that, the prescriptions to curtail passenger service went unfilled.

But trouble was coming to the South Shore Line on a parallel track. At the time that the South Shore Line was considering discontinuing at least some train service, the Interstate Commerce Commission (ICC) was asked to regulate the activities of the South Shore Line. The National Mediation Board (NMB), a 1934 creation of the federal government under the amendments to the Railway Labor Act of 1926, requested that the ICC determine whether the South Shore Line was subject to the Railway Labor Act, and therefore subject to the jurisdiction of the ICC.[16] The NMB request came on 9 August 1934, less than a month before Harris completed his train discontinuance studies for the South Shore Line.

At stake for the South Shore Line was regulation by the ICC. Interurbans (as well as street and suburban electric railroads) were not subject to ICC jurisdiction. If the South Shore Line was determined to be an interurban that was part of the general network of steam railroads, the ICC could determine that the South Shore Line was subject to the Railway Labor Act. Further, the ICC would also have jurisdiction over a petition to discontinue some or all train service. Because service cuts were under consideration when the NMB came calling, relief from ICC jurisdiction through the courts was a reasonable strategy. *Shannahan v. United States*, 303 US 596 (1938) made it all the way to the U.S. Supreme Court.

The Court had some experience with the definition of the term interurban in *United States v. Chicago N. S. & M. R. Co.*, 288 U.S. 1 (1933). Here, the Court used a test for the elements of interurban railways from a prior ruling:

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[15] *Id.* at 28, 30.

[16] 45 U.S.C.A. § 151

> 1) railways that use electric power in the transportation of passengers and freight; 2) occupy city streets and highways in addition to private rights of way; 3) stops cars or trains at street intersections and country highways for the reception and discharge of passengers, 4) maintain loading platforms and shelter sheds without agents, 5) have short radius curves, and 6) operate part of their systems under municipal and village franchises, charters and restrictions.

The Court stated that the term interurban had "the sanction of time and common usage."[17]

The South Shore Line's argument before the Court was that it was not subject to ICC jurisdiction because it met the test for being an interurban. But what was at issue in *Shannahan* was not whether the South Shore Line was an interurban, but rather whether federal district courts had jurisdiction over a determination of the ICC under the Urgent Deficiencies Act of 1913. The Court found that federal district courts do not have jurisdiction over ICC determinations; their jurisdiction was limited to ICC orders that could be enjoined, set aside, annulled, or suspended in whole or in part.

Here, the ICC had only made a determination that the South Shore Line was an interurban that was part of the general system of steam railroads. The ICC did not make an enforceable order that was subject to the jurisdiction of a federal district court. Because the ICC did not make an enforceable order, the case of *Shannahan* was not ripe. Said differently, there was nothing for the Court to decide. The status of the South Shore Line did not change as a result of *Shannahan* – it was still an interurban railroad – but it was subject to ICC jurisdiction because as an interurban the South Shore Line interchanged passengers and freight freely with the general system of steam railroads.

What the South Shore Line failed to convince any court of was that it was not subject to 45 U.S. Code § 151. Under 45 U.S. Code § 151, any street, interurban, or suburban electric railroad that operates as part of the general steam railroad system is a carrier subject to ICC jurisdiction. But 45 U.S. Code § 151 does not make any street, interurban, or suburban electric railroad an electrified steam railroad because they interchange with the general system of steam railroads; they are still street, interurban, or suburban electric railroads, but subject to ICC jurisdiction. Therefore, the South Shore Line was still an interurban but operated under regulations promulgated by the ICC.

The Court handed down its decision in *Shannahan* on 4 April 1938, just over two months after the South Shore Line's bankruptcy ended on 31 January 1938.

[17] United States v. Chicago N. S. & M. R. Co. 288 U.S. 1, 5-6 (1933).

Four months later, on 16 August, John Newton Shannahan died after suffering through several heart attacks. Shannahan had sought medical attention in Belgrade Lake, Maine, on the advice of his doctors in Indianapolis. "The Doctor of Sick Railways" passed away while receiving care at Belgrade Lake at the age of 66.[18] Chicago-based attorney Ray Garrett took over the presidency of the South Shore Line on 22 September 1938.[19] Garrett was general counsel to the South Shore Line and a co-trustee of Midland United, the former Insull Group holding company.[20] Garrett's tenure at the South Shore Line was short. In 1939, the South Shore Line again turned to an outsider for leadership: utilities and electric railway consultant Jay Samuel Hartt.

Jay Samuel Hartt came to the South Shore Line after over two decades in the utility consulting field, and then ran the South Shore Line for over two decades as its president.

[18] *Shannahan, Head of Midland, Dies*, Indianapolis Star, Aug. 16, 1938, at 1.
[19] Chi. S. Shore & S. Bend R.R., Annual Report 9 (1938).
[20] In re Midland United, 64 F. Supp. 399 (1946).

Jay Samuel Hartt was born near the small Michigan hamlet of Keno on 16 December 1893.[21] Armed with a degree in electrical engineering from the University of Michigan, Hartt started in the field of utility valuation working out of an office in Madison, Wisconsin.[22] On 24 February 1938, Hartt was named trustee of Utilities Power and Light Corporation, a holding company for utilities in thirteen states and two Canadian provinces.[23] Later that same year, Hartt was named co-trustee and chief operating officer of the former holding company for the Insull holdings in Indiana, Midland Utilities Company.[24] On 1 August 1939, Hartt ascended to the presidency of the South Shore Line.[25]

Hartt was working with a clean financial slate as the court-supervised reorganization had been in the rearview mirror for over a year. As the Depression began to wane, freight business began to pick-up. The South Shore Line had leased four locomotives from Subsidiary Service Corporation, an Insull Group affiliate, since 1930. The four locomotives, #1011-1014, were purchased by the South Shore Line on 1 March 1939 for $115,000, reducing rental costs by $14,460 per year.[26] [27]This betterment by the Garrett administration set the pattern for the two decades that Hartt managed the South Shore Line – spend scarce capital resources only to reduce operating expenses and to meet the needs of the marketplace.

Continuing the business strategy begun by Garrett, in 1941, Hartt bought four used 97-ton electric locomotives from the Illinois Central Railroad for $119,469.[28] At the same time, two 50-ton locomotives that were too light for freight traffic levels at the South Shore Line were sold for $20,000 to the Niagara Junction Railway to be scrapped for parts there.[29] But the vexing equipment problem was the passenger car fleet. None of the cars were more than fifteen years old, and all could be expected to have an operating life of 35 years. With twenty years of useful life, it made little sense to scrap them. But with the interurban passenger network at an end in 1941, there was no market to sell the South Shore Line cars into either.

When the Insull Group bought the South Shore Line passenger cars in the late 1920s, little thought was given to employee productivity; high standards for

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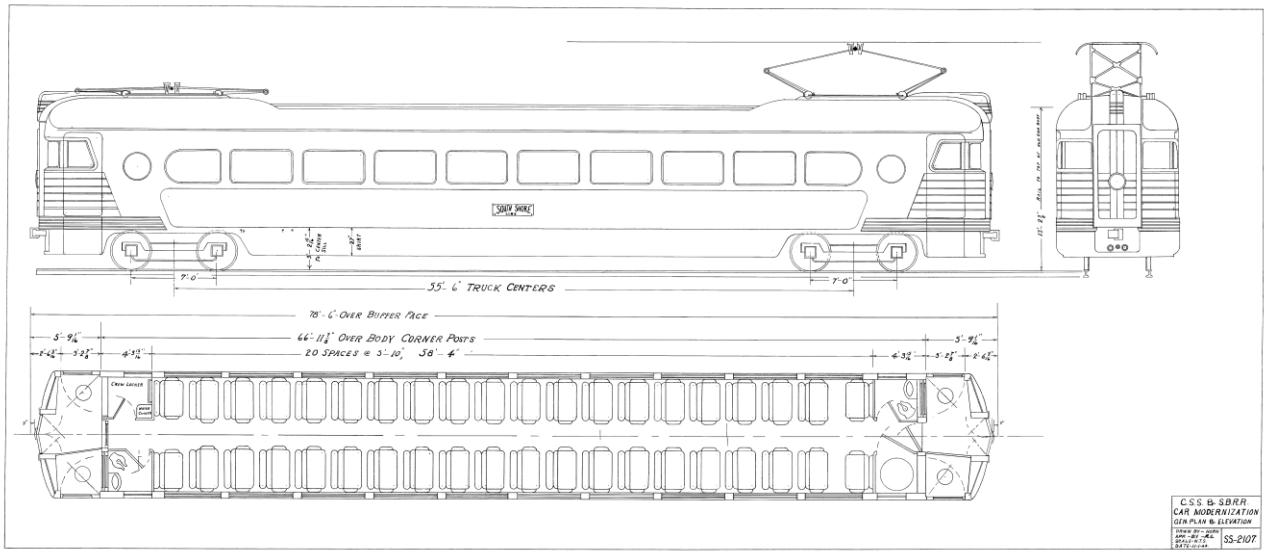
[21] Ancestry, https://www.ancestry.com/search/?name=jay+samuel_hartt&event=_keno-Michigan-USA&birth=1893 (last visited Feb. 4, 2023).
[22] *Jay S. Hartt, Utilities, Rail Official, Dies*, Chi. Tribune, Apr. 14, 1962, at 58.
[23] *New Trustee Named for Utilities Power*, N.Y. Times, Feb. 25, 1938, at 30.
[24] *Hartt Dies, Ex-President of So. Shore*, The Times (Munster, Indiana), Apr. 15, 1962, at 1.
[25] Chi. S. Shore & S. Bend R.R. Annual Report 6 (1939).
[26] *Id.* at 4.
[27] Chi. S. Shore & S. Bend R.R. AFE 839.
[28] Chi. S. Shore & S. Bend R.R. Annual Report 7-8 (1941).
[29] Chi. S. Shore & S. Bend R.R. RO 8125.

appearance and comfort were the objective. By 1941, the low productivity and seemingly dated appearance of the cars had become problematic. The South Shore Line wanted more out of every operating dollar that they spent, and a new look to go with the expanding prosperity that was brought on by the buildup to war.



Attempts at new South Shore Line passenger car styling were made, but none seem as inelegant as this version for 1944. There is little that can be done with car sides; all the styling effort went into these very ugly car ends. Editorializing may be inappropriate here, but the curved ends, French end doors, side skirts, and what appears to be fluted stainless-steel accents, were not adopted for the final version of the lengthened and air-conditioned South Shore Line cars – fortunately. To the designer's credit, the remodeled cars sat 80 passengers comfortably. South Shore Line Drawing SS-2107, 1 November 1944.

Employee productivity was the first issue that was addressed. Union work rules at the South Shore Line were based on the number of cars a conductor or collector was allowed to work.[30] Therefore, employee productivity could be improved by increasing the number of seats in a single car. As built, the South Shore Line coaches seated 48, 50, or 56 seats per car. Specifications for the rebuilt coaches called for seating 80 passengers and a concomitant increase in employee productivity.

Carbuilders responding to the request for proposals for lengthening and modernizing the cars required that the cars be rebuilt in batches of at least ten cars.[31] Because the South Shore Line ridership was increasing with the

[30] Agreement Made and Entered Into and Between Chicago, South Shore and South Bend Railroad and the Order of Railway Conductors and Brotherhood of Railway Trainmen, art. 3(7), Mar. 12, 1930. "All regular passenger trains of three (3) cars shall be manned by a Conductor and Trainman; for each additional two cars added, a Trainman must be added…."

[31] The Mechanical Department, Talk – Management Forum at Purdue Central, Undated at 3.

mobilization for World War II, only one or two cars at a time could be released from service for rebuilding. With that, the South Shore Line determined that the best course would be to lengthen the cars in the company shops at Michigan City.

The increase in seating capacity was accomplished by lengthening each car by 17½'. The first car was lengthened in 1942; 35 more cars were lengthened by 1951. Excepting six lengthened coach trailers, the interiors of the lengthened cars were modernized at the same time with lighting, baggage racks, and seating typical of steam railroad coaches built in the same period. Of the 36 cars lengthened, 18 were rebuilt after the war with air-conditioning. The lengthened cars took on the aesthetics of their steam railroad contemporaries.

Typical car before (left) and after lengthening and air-conditioning (right). The lowered ceiling carried the ventilation system and fluorescent lighting. The new aluminum baggage racks were easier to reach and held larger parcels. The new foam rubber seats rotated on a turntable base as had the original seats so that passengers faced forward with the direction of travel. The interiors of the air-conditioned cars were arranged with a compartment for smoking separated by a swinging door, while the sealed picture windows reduced the levels of outside dirt and noise.

The managers of the mechanical department believed that the lengthening, modernization, and air-conditioning project was a success as passengers were overheard referring to the rebuilt cars as "new cars."[32]

From the time that the US Lend-Lease Act got underway in 1941 through the end of World War II in 1945, freight revenue rose over 60%. Because freight traffic continued in an upward trend after the War, new electric locomotives were needed. However, new electric locomotives were a custom order product by the time that the car lengthening project was underway, and they were expensive; General Electric offered to build new custom order locomotives for the Chicago, Milwaukee, St. Paul & Pacific (Milwaukee Road) for $650,000 apiece.[33]

Meanwhile, General Electric started work on a fleet of twenty 3300vdc locomotives for the Soviet Union in 1947, but delivery was made impossible because of the increasing tensions with the Stalinist dictatorship after the blockade of Berlin in 1948. With that, the Truman administration declared the end of exports of a strategic nature to Russia. Because railroads were considered strategic by the US and the Soviet governments, General Electric found itself with a new fleet of locomotives with the value of scrap metal.

The problem that General Electric faced was the limited market for 3300vdc locomotives. There were only two railroads in the US operating at or near 3300vdc – the Cleveland Union Terminal and the Milwaukee Road. Cleveland Union Terminal operated an electrification only eighteen years old and it did not need new locomotives. The Milwaukee Road electrification was built in 1915-1920 and the managers there wanted to scrap their electrification in favor of Diesel locomotives.[34]

Undeterred, General Electric demonstrated one of the new Russian locomotives on the Milwaukee Road electrified divisions in Montana and Idaho during early 1949. The results were not gratifying. The Russian locomotive could operate at higher speed than the nearly 35-year-old locomotives that they were to have replaced, but wheel slip problems at start-up left the Milwaukee Road unimpressed with their performance – the Russian locomotives had a harder time getting a train in motion. Further, Milwaukee Road policy was to dieselize their railroad thus calling for an end to both steam and electric operations. Therefore, the Milwaukee Road had no further interest.[35]

The Milwaukee Road electrification department was under the direction of electric engineering consultant Laurence Wylie. Wylie was impressed with the

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[32] *Id.* at 4.

[33] Noel Holley, *The Milwaukee Electrics*, 150 (1987).

[34] *Id.* at 146.

[35] *Id.* at 147.

Russian locomotives and negotiated a scrap price of $1 million for all twenty locomotives, a deal that included the spare equipment. But the Milwaukee Road executives refused to ratify the contract. The South Shore Line under Hartt's direction took an offer to General Electric for $273,408.40 for three of the locomotives and spare parts.[36] With the acceptance of the offer by General Electric, the South Shore Line had three brand new locomotives for less than 15% of the expected expense of custom designed locomotives.

When the Korean Conflict began in 1950, the Milwaukee Road was still short electric locomotives. General Electric had sold five of the Russian locomotives and the remaining spare parts to Companhia Paulista in Brazil. When Wylie approached General Electric in 1950, he was told the remaining twelve locomotives were available for $1 million and that all the spare parts were already sold.

General Electric 273-ton locomotive #803 on the South Shore Line at the Pennsylvania/Wabash railroad overhead crossing in Gary, 27 December 1950. The South Shore Line crews initially called these large locomotives Molotovs*. But after an incident with a Molotov Cocktail in Michigan City, management told crew members that the name Molotov was inappropriate; after that crews simply called the locomotives by their number class – 800s.[37] The same wheel slip problems encountered during the Milwaukee Road demonstration dogged the 800s all their service lives.[38] The 800s lasted in service on the South Shore Line for over 31 years, until 4 February 1981. Photographer credit: Carl Edward Hedstrom, Jr.*

[36] Chi. S. Shore & S. Bend R.R., AFE 1203, 1286.

[37] Interview with Carl Edward Hedstrom, Jr., 1978.

[38] Letter from Wm. C. Janssen, Assistant Superintendent, Chi., S. Shore and S. Bend R.R., to Sy Reich, Technical Editor, R.R. Mag. (June 9, 1972).

Milwaukee Road E76 at Superior, Montana, 21 June 1955. Laurence Wylie tried to get the South Shore Line and Companhia Paulista to resell their Russian locomotives to the Milwaukee Road without success. Some unnamed employee of the Milwaukee Road nicknamed their twelve locomotives Little Joes *after Joseph Stalin, the Soviet dictator. The Milwaukee Road solved the wheel slip problem by adding concrete slabs below the pantagraphs. With the concrete, the Little Joes weighed 20 tons more than the South Shore Line 800s. The Little Joes could operate in multiple with each other and were later modified to run in multiple with Diesel locomotives. The Diesels controlled from the Little Joe cabs were called* Sputniks*. The South Shore Line 800s could only operate as single units as seen above at Gary.*

Upgraded car and locomotive equipment is a visible aspect of railroad life. Upgraded track, signals, and shop facilities are usually invisible to the railroad's customers, but necessary.[39] But no section of South Shore Line track was more visible than the street trackage on Chicago Avenue in East Chicago. But the street-running needed to be eliminated, not upgraded.

[39] Chi. S. Shore & S. Bend R.R., *This is the South Shore Line* 3 (1952).

For two miles, South Shore Line freight and passenger trains on Chicago Avenue in East Chicago fought urban street traffic as well as traffic on other railroads. At the east end of the street trackage, the Indiana Harbor Belt and the Elgin, Joliet and Eastern railroads crossed the South Shore Line at Chicago Avenue near Huish Street. Image taken 16 May 1953. Photographer Credit: Carl Edward Hedstrom, Jr.

Elimination of the street trackage in East Chicago had been contemplated by the Insull Group and a new right-of-way had been purchased in the late 1920s. During 1929, the Hammond city council approved relocating the tracks to a route through their community, but the East Chicago city council took no official action. The unofficial action taken by the members of the East Chicago city council was to demand a bribe from Sam Insull, Jr., for a hearing and favorable action. Insull Jr.'s reaction to the demand for the bribe was also unfavorable – Insull, Jr. "was not going to bribe any tin-horn politicians."[40]

Seeking action, the South Shore Line asked for a hearing at the Public Service Commission of Indiana (PSCI). Hearings were conducted by PSCI at the end of 1929,[41] but the end of 1929 was also just about the end of prosperity in the face of the losses incurred by the Insull Group in subsequent years.[42] [43] The issue dragged along in litigation, nonetheless. In early 1930, PSCI issued an order permitting the track relocation. In July 1930, the City of East Chicago successfully

[40] Interviews with Samuel Insull, Jr., 1978.
[41] Chi., S. Shore & S. Bend R.R., Annual Report, 1929 at 9.
[42] See Chapter 3, Monopoly Man, at 7-13.
[43] See Chapter 4, Man of World Peace, at 2-4.

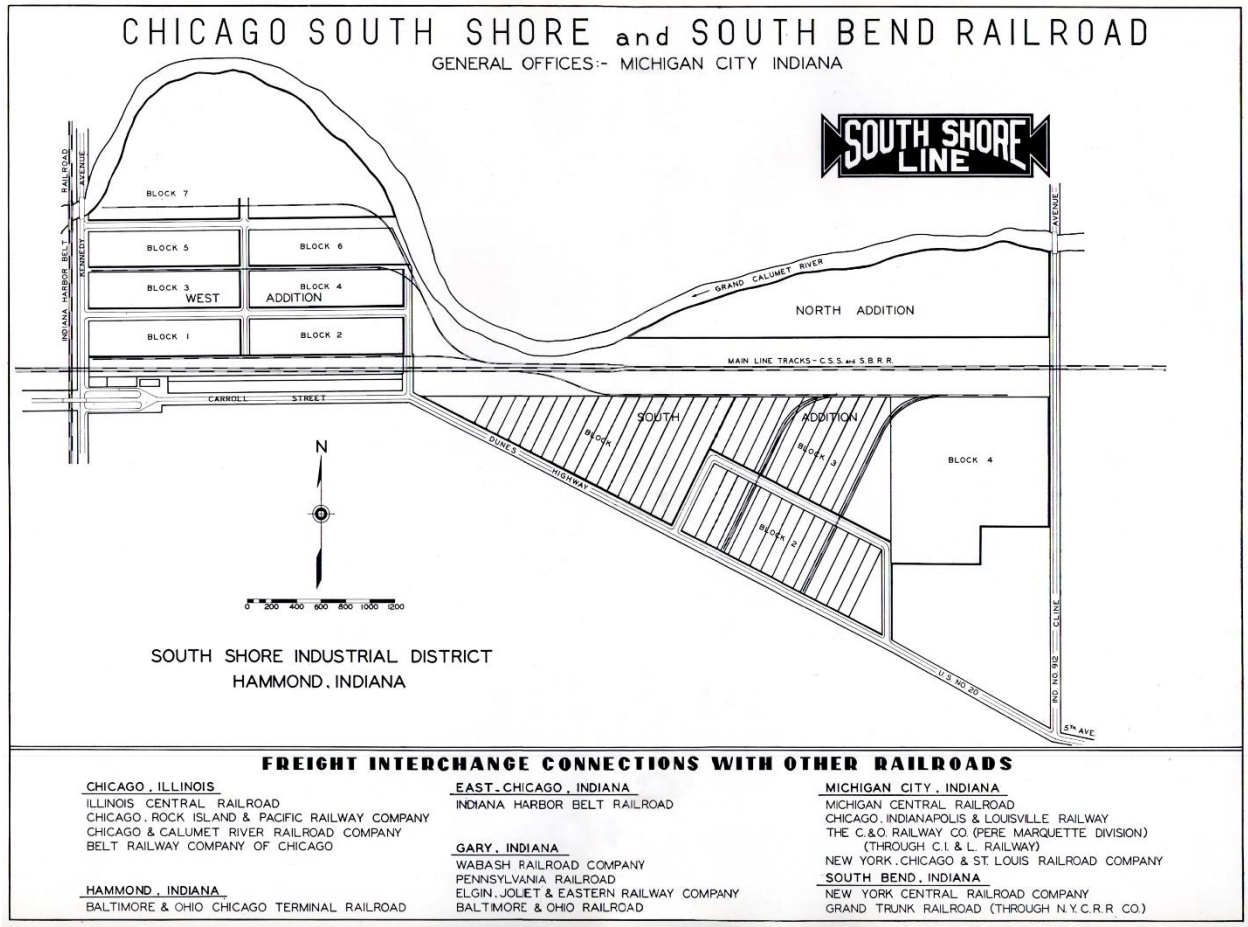
appealed, the Lake County Circuit Court holding that the Commission lacked jurisdiction.[44]

In response to the court decision, the South Shore Line timely filed a motion for rehearing as well as a motion for a change of venue; both were granted in December 1930. The venue was changed to the Marshall County Circuit Court.[45] But the litigation was not settled in a timeframe that met the financial climate. By the time Shannahan became president of the South Shore Line at the end of 1932, the only capital expenditures were for "additions and betterments … required for adequate service and safe operation…."[46] Moving the South Shore Line off Chicago Avenue in East Chicago was off the table.

By early 1937, the tables had turned. The City of East Chicago wanted the South Shore Line off Chicago Avenue, but the railroad said that there was no money available for the project. As street traffic increased, the City proposed to move the South Shore Line to one side of the street to create a safer highway for automobiles and trucks, but the proposed reconstruction did not take place.[47]

In 1953, the South Shore Line's financial situation was better and the automobile and truck traffic on Chicago Avenue was not. On 25 August, the South Shore Line announced to its shareholders that it had renewed its plans to relocate the line through East Chicago. Also announced was the acquisition of contiguous land north and south of the new railroad alignment for an industrial subdivision.[48]

[44] Chi., S. Shore & S. Bend R.R., Annual Report, 1930 at 9.
[45] Chi., S. Shore & S. Bend R.R., Annual Report, 1931 at 9.
[46] Chi., S. Shore & S. Bend R.R., Annual Report, 1932 at 6.
[47] Chi. Herald & Examiner, Fate of These Tracks an Issue, Mar. 19, 1937.
[48] Chi., S. Shore & S. Bend R.R., Annual Report, 1953 at 4-5.



South Shore Industrial District and South Shore Line East Chicago Relocation Map, 1953. The South Shore Line was enthusiastic about the potential for locating industries dependent on the South Shore Line rail service for shipments. The West Addition of the subdivision was largely taken up by Harbison-Walker, a maker of refractories (fire brick); track to the plant was removed in 2008. In 2023, the South Addition is occupied by Explorer Pipeline; there is no active rail service there.

Construction of the East Chicago track relocation began on 8 December 1953. Soon after the South Shore Line laid the first rails along the new alignment at Cline Avenue, the Indiana Toll Road Commission (the Commission) announced plans to acquire land across the North and West additions of the South Shore Industrial District for a new east-west toll road to connect with a toll bridge in Illinois and the turnpike across northern Ohio. Construction stopped in April 1954 as negotiations with the Commission began.[49]

[49] Norman Carlson, *The Third Time Was the Charm*, First & Fastest, Autumn 1996, at 14.

The first phase of construction of the East Chicago track relocation project was to build west from the existing alignment at Gary near Cline Avenue. All that was completed was some surface grading and the installation of the grade crossing at Cline Avenue before the Indiana Toll Road Commission announced their intent to acquire South Shore Line property for the construction of the Indiana Toll Road through Gary, Hammond, and East Chicago. In 2023, the Indiana Toll Road occupies the land from the right side through the center of this image. Cline Avenue is grade separated from the the South Shore Line and the Indiana Toll Road on an overhead bridge. View west toward Cline Avenue, Gary, Indiana, 13 February 1954. Photographer credit: Carl Edward Hedstrom, Jr.

Under the contract of 20 October 1954 between the South Shore Line and the Commission, the South Shore Line deeded a portion of its lands north of the proposed main tracks to the Commission for the Indiana Toll Road right-of-way. Further, the South Shore Line paid $850,000 to the Commission for the embankments and bridges needed to construct six miles of grade-separated railroad for the South Shore Line. The South Shore Line constructed its own tracks and catenary trolley once the Commission completed its work.[50]

[50] Chi. S. Shore & S. Bend R.R., Annual Report, 1954 at 5.

View west from the South Shore Line bridge at Cline Avenue, October 1960. Compare this view with the image shown above taken ¼ mile to the east. Here, the South Addition parcels to the left are still vacant, and the South Shore Line competes for passenger traffic with the Indiana Toll Road and its connection to Chicago, the Chicago Skyway Toll Bridge. Just over two years after this image was taken, the Dan Ryan Expressway was completed from its junction with the Chicago Skyway to a point southwest of the Chicago Loop at its connection with the Congress and Kennedy expressways.

As favorable as the terms of the contract between the South Shore Line and the Commission were, the opening of the Indiana Toll Road connection to Chicago via the Chicago Skyway Toll Bridge on 16 April 1958 cut deeply into South Shore Line ridership – a loss of 7% from 1957. Ridership held relatively steady into 1962. But with the opening of the Dan Ryan Expressway through Chicago's South Side on 15 December 1962, ridership fell over 10% during 1963.[51]

Despite the loss of passenger traffic, the South Shore Line remained profitable under Hartt's leadership until the full effects of the recession of 1958 were felt the following year. But not all the credit for the South Shore Line's success could be laid at the feet of Jay Samuel Hartt. The Insull Group had left the South Shore Line in good condition even though some of the improvements were not realized until after the end of the Depression and World War II.

[51] Ridership data from Chi. S. Shore & S. Bend R.R. annual reports, 1958 - 1963.

Key management personnel that the Insull Group placed at the South Shore Line stayed on through the reorganization and then remained in control. Charles H. Jones continued to lead the South Shore Line as its vice-president and general manager until his death on 14 July 1957. Jones had started his career as an electrical engineer at a predecessor of the Chicago Elevated Railroads (CER) in 1909 and was appointed the head of the engineering department at both CER and the Chicago, North Shore and Milwaukee Railroad (North Shore Line) in 1917; both companies were elements of the Insull Group. Jones was appointed general manager of the South Shore Line in August 1926.[52]

Charles H. Jones, 1944. Jones's tenure as general manager of the South Shore Line was marked with remarkable labor relations – the brotherhoods never called for a strike against the company.

[52] C.H. Jones Heads Ill. Ass'n, 73 Elec. Ry. J. 495 (1929).

The continuity of South Shore Line management and personnel is illustrated here. The occasion for the photograph is the retirement of Carl Edward Hedstrom, Sr. on 30 October 1960. Left to right: Robert C. Reppert, trainmaster; Carl Edward Hedstrom, Jr., motorman; Wilbert J. Hedstrom, dispatcher; Carl Edward Hedstrom, Sr., motorman; Charles Alexander Penfold, Sr., motorman; Harold A. Spears, motorman; Daniel Earl Ferner, president; and Walter Weber, transportation superintendent.

Reppert worked for the South Shore Line for 42 years working his way up from conductor to trainmaster. Hedstrom, Jr., started working at the South Shore Line in 1939 and retired from the South Shore Line on 3 December 1982. Hedstrom, Sr. started working as a motorman in 1921; his retirement in 1960 was after nearly 40 years of service. Penfold worked as a motorman for 27 years. Weber worked for the South Shore Line for 47 years, retiring as transportation superintendent. Ferner may have set a record for employment by an interurban anywhere having started as a conductor in 1908 and rising to president of the South Shore Line before his retirement in 1960; he continued as a director of the South Shore Line until 19 December 1961.

The improvements made by the Insull Group in passenger and freight service, the continuity in management, and the short period of operating losses and quick reorganization, left the South Shore Line in what may have been the best physical and financial condition of any interurban in North America. The South Shore Line was certainly in the best condition of any of the other Insull Group electric railway properties.

By way of fair comparison, the South Shore Line's success can reasonably be viewed in the light of the history of its sister interurbans radiating from Chicago, the Chicago, Aurora and Elgin Railroad (Sunset Lines) and the North Shore Line. The Sunset Lines went into receivership on July 21, 1932; the North Shore Line on September 30, 1932; and the South Shore Line on September 28, 1933.[53] The South Shore Line was reorganized in 1938 after only four years and four months in receivership. The Sunset Lines and the North Shore Line each spent fourteen years in receivership; both were reorganized in 1946. Abandonment did not elude either the Sunset Lines or the North Shore Line. Passenger service on the Sunset Lines ended in 1957, freight service in 1959. The North Shore Line ended all service in the early morning hours of 21 January 1963.

Factors critical to the success of the South Shore Line were—

1) the South Shore Line had less bonded debt than either the Sunset Lines or the North Shore Line and therefore the South Shore Line reorganized more quickly,

2) the reorganized South Shore Line remained in the hands of former Insull Group managers who had faith in the company's future as a railroad,

3) the South Shore Line had a greater percentage of revenues from profitable freight service, and

4) the South Shore Line enjoyed better labor relations than either the Sunset Lines or the North Shore Line and was never struck.

These critical success factors are discussed in the tables below:

A) Bonded Debt in 1932:
South Shore Line – $1,341,000
Sunset Lines – $8,231,050
North Shore Line – $20,802,965

Bonded Debt as a % of Assets in 1932:
South Shore Line – 8.28%
Sunset Lines – 39.35%
North Shore Line – 43.91%

[53] (All financial data and strike dates are from the annual reports of the Chi. Aurora & Elgin R.R. Co., Chi. N. Shore & Milwaukee R.R. Co., and the Chi. S. Shore & S. Bend R.R. for the years indicated).

B) Management of the Companies in 1950:

South Shore Line – Insull Group South Shore Line executives under the direction of an electric utility and railway consultant
Sunset Lines – a Topeka, Kansas, automobile dealer
North Shore Line – bus operator Greyhound Corporation executives

C) Freight Revenue as a Percentage of Total Revenue in 1950:

South Shore Line – 50.0%
Sunset Lines – 8.1%
North Shore Line – 21.6%

D) Labor Strife - Strikes by the Numbers:

South Shore Line – None
Sunset Lines –

1. 1946: 15 days.
2. 1951: 41 days; a loss of 258,361 annual passengers, 3.4% of riders in 1952 from 1950 (which suggests that this strike had no significant long-term effect on Sunset Lines ridership; the South Shore Line lost 110,315 annual passengers or 2.5% in the same period).

North Shore Line –

1. 1938: 42 days.
2. 1942: 18 days; partial service interruption by Chicago Rapid Transit Company employees that kept North Shore Line trains from entering Evanston (Shore Line Route) and Chicago (Skokie Valley Route).
3. 1948: 91 days; a loss of 4,400,665 annual passengers, 33.4% of riders in 1949 from 1947.

Other causes of ridership loss could be considered at the North Shore Line including changes in operations at the Great Lakes Naval Training Center (Great Lakes) near North Chicago. However, Great Lakes did not wind-up operations after World War II as the level of service personnel at Great Lakes during the Cold War remained steady. Because military operations at Great Lakes continued during the Cold War at the same level as they were during World War II, any changes in operations there did not contribute to the decline of North Shore Line ridership during this period.[54]

Because the South Shore Line was successful in attracting freight traffic after World War II, more durable freight locomotives were needed. Once more, the South Shore Line came up with a low-cost solution. A fleet of ten 660vdc electric locomotives used by the New York Central railroad at its terminal in New York City

[54] Recruit Training Command – History, http://www.bootcamp.navy.mil/history.html (last visited Mar. 26, 2017).

was purchased in 1955 and seven were rebuilt by the South Shore Line; three of the New York Central locomotives provided spare parts. The purchase of the former New York Central locomotives allowed the retirement of locomotives bought new during the 1920s.[55]

New York Central electric locomotive #314, in New York State, April 1937. Surplus to the New York Central, ten were sold to the South Shore Line for $9,000 each in 1955. Rebuilding costs varied with each unit, but the first six locomotives had an average rebuild cost of $28,498.71, far below the cost of new locomotives.

At left, South Shore Line electric locomotive #707 (ex-New York Central #342) in the shop in Michigan City, September 1966. Locomotive #707 was the last rebuild of the New York Central locomotives to be completed, this at a cost of $54,390.64. At right, South Shore Line electric locomotive #704 switching the freight lead on the west side of South Bend, October 1960. All the 700 series locomotives were removed from service on 19 April 1976 and replaced with Diesel locomotives.

[55] Reginald E. Jamieson, One Hundred Years of Enduring Tradition: South Shore Line 26 Norman Carlson ed. (2008).

But even as the South Shore Line continued to succeed under Hartt, there were events that impacted profitability and the course of South Shore Line management strategy as well as corporate ownership: 1) the decentralization of the central core diminished Chicago as a work destination after 1950,[56] 2) the recession of 1958 caused the first negative earnings since 1933,[57] and 3) consolidation in the railroad industry was squeezing out that form of railroad freight business known as bridge traffic.

An example of bridge traffic on the South Shore Line was traffic that originated on say, the Baltimore and Ohio Chicago Terminal Railroad in Chicago that was delivered to the South Shore Line at Miller and then delivered to the Chesapeake & Ohio Railroad at Michigan City. When the Chesapeake and Ohio took financial control of the Baltimore and Ohio in 1963, bridge traffic between the two railroads over the South Shore Line ended. Other railroad consolidations had already occurred, and more were foreseeable when Jay Samuel Hartt resigned the chairmanship of the South Shore Line in January 1962.[58]

To achieve the profitability owed to its shareholders, the South Shore Line had three strategies: 1) improvements were made only to improve productivity,[59] 2) money losing services were curtailed,[60] and 3) management sought a merger with a stronger carrier. The former two strategies meant that improvements to passenger equipment and facilities were at an end; the latter meant fending off control from any weak suitors. The weak suitor was the Chicago, Indianapolis and Louisville Railroad (the Monon).

The Monon was a steam railroad with operating mileage on par with Indiana's largest interurban – the Indiana Railroad. The South Shore Line wanted a merger partner with the ability to supply the car needs for the Port of Indiana (the Port), then being developed by the State of Indiana at Burns Harbor and Portage. The South Shore Line was expected to share the traffic from the Port with the New York Central System, one of the three large carriers in the Northeast.[61]

When the Monon had acquired approximately 40% of South Shore Line common stock in 1964, the South Shore Line's response was to seek relief through an injunction barring further purchases. The first complaint alleged that the

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[56] Harold M. Mayer & Richard C. Wade, Chicago: Growth of a Metropolis 418, 424-30 (1969).
[57] Chi. S. Shore & S. Bend R.R., Annual Report, 1959 at 2.
[58] Chi. S. Shore & S. Bend R.R., Annual Report, 1962 at 9.
[59] *Id.* at 7.
[60] *Id.* at 7-8 (curtailed services included some discontinued trains; station food service counters at South Bend, Michigan City, Gary, and Hammond; and sale of subsidiary Shore Line Motor Coach).
[61] Chi. S. Shore & S. Bend R.R., Annual Report, 1964 at 4.

Monon violated Sections 5(2) and 5(4) of Part 1 of the Interstate Commerce Act requiring Interstate Commerce Commission (ICC) approval of control by one carrier of another. The second complaint alleged that the Monon had not reported its stock purchases as required by Sections 16(a) and 27 of the Securities and Exchange Act of 1934. The South Shore Line petition for injunctive relief for both complaints failed in court and on appeal at the U.S. District Court for the Northern District of Illinois, Eastern Division.

At the first trial, the Court held that jurisdiction for the matter rested with the ICC. The South Shore Line appealed the first decision after an amicus curae brief was filed. But on appeal the Court found that although they had jurisdiction to make a ruling, the South Shore Line could not show private harm warranting an injunction barring the Monon from purchasing the shares of the South Shore Line.[62] [63]

The Monon Railroad at the South Shore Line crossing at 10th Street, Michigan City, August 1960. The Monon connected Indianapolis and Michigan City via branches in 1970. The Monon found a merger partner on 30 July 1971, the Louisville & Nashville Railroad (L&N). L&N discontinued service to Michigan City on 18 April 1981 severing its connection with the South Shore Line.

[62] Chi. S. Shore & S. Bend R.R. Co. v. Monon R.R., 235 F Supp. 984.
[63] Chi. S. Shore v. Monon R.R., 1965 U.S. Dist. LEXIS 9413.

Others were interested in the South Shore Line. Throughout the 1950s, Cyrus Stephen Easton, chairman of the Chesapeake and Ohio Railway, had received regular letters from railroad industry analysts regarding a purchase of the South Shore Line. Earlier, efforts had begun in 1939 to establish what would become the Port of Indiana near Burns Ditch on the Lake Michigan shore. In 1961, as the Port complex became more likely, Eaton responded to one analyst that if the Port were to become a reality, he would make a bid for the South Shore Line.[64]

When the Port was established in 1965, Eaton moved to acquire the shares of the former Insull interurban by offering $42.50 per share and outmaneuvering the Monon at the ICC. When the tender offer for the South Shore Line shares was over on 2 February 1967, 94% of the South Shore Line's stock was under the control of Cyrus Stephen Eaton, a man of world peace.[65]

[64] Various letters and notes to Cyrus Eaton (1959-1963) (on file at the W. Reserve Historical Soc'y, Cleveland, O.).

[65] Chi. S. Shore & S. Bend R.R., Annual Report, 1966, Letter to the shareholders.