APR 27 1939

Through the President's Office

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New York City Omnibus Corporation

....

Annual Report To Stockholders, Employees and the Public

....

For the Year Ended

December 31, 1938

EXPLANATORY

April 14, 1939

In this presentation of the annual statement of facts concerning the affairs of this Company for the year 1938, financial and otherwise, a marked departure will be observed from the orthodox method so generally in effect in the past in limiting the substance of annual reports to presenting mere arithmetical facts for the information of stockholders (only) as to the financial situation of the Company as of the close of each year.

You will see that this year's report, like that of last year, is addressed to Stockholders, Employees, and the Public.

It has been designed more especially to give—narratively and statistically—and in great detail all such information as to the Company's internal workings as may prove

(a) of information to employees;

(b) of interest to the public;

and

(c) of educational value to those engaged in representing workers in collective bargaining.

The impression seems to be quite general among workers that workers do not receive their full share of what they produce with the plant, equipment and tools provided for them by investors. Whatever the facts may be, is it not a direct obligation of management to those it employs to make known to them—in dollars and cents and percentagewise—the exact extent to which workers do participate in the earnings of industry?

Admittedly, labor, more especially in recent years, has become increasingly suspicious of the integrity and honesty of purpose of management toward labor. It seems to us that the sooner management recognizes at its full face value the prevalence of this view, however unfounded in fact it may be, the better it will be for all concerned.

We should very much prefer dealing with a group thoroughly acquainted and informed on the details of operating methods and practices and in respect to operating revenues and operating costs, as well as in respect to the Company's financial structure and financial status, than to attempt to deal with a group not so informed in respect to all such facts.

Complete knowledge in respect to the foregoing on the part of those engaged in collective bargaining on behalf of workers is not only helpful in correcting erroneous impressions, but is absolutely essential to a frank and intelligent discussion and debate between management and Union officials as to the logic and reason upon which demands for new and additional benefits are premised and as to industry's financial ability to entertain and meet such demands.

On the other hand, lack of knowledge in respect to the foregoing inevitably results in unreasonable and fantastic demands, forced consideration and discussion of which is more apt than not to engender resentment and ill-feeling between the parties interested than to promote harmony and contentment and equitable conclusions.

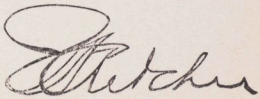
In recent years there have been evolutionary changes in political, social, economic and industrial thinking. These changes have given rise to many new statutes, regulations, etc. Management is kept struggling daily with the many new and old problems which these changes entail. Management experiences great difficulty in keeping abreast of the problems incident to the rapidly changing order of things. How, then, can Union officials representing in collective bargaining workers engaged in many industries keep fully posted on things economic and otherwise concerning each industry's internal affairs without the aid and assistance of management in keeping Union officials informed as to those things so essential in reaching decisions fair to all concerned—economically and socially.

Contrariwise, this program of education presents opportunities to impress upon Union officials and those they represent in collective bargaining that in attempting to set the dollar and cents value of labor, there is involved a very definite responsibility on the part of labor to industry—at least, to the extent that there shall be an honest day's work for a good day's pay.

Therefore, when examining the data included in this report, will you not kindly keep in mind the philosophy or theory upon which the preparation of this report was premised and the objective sought to be accomplished?

Your criticism and comments will be cordially welcomed.

Yours very truly,



President

New York City Omnibus Corporation

DIRECTORS

George J. Atwell
Otis A. Glazebrook, Jr.
John D. Hertz
John D. Hertz, Jr.
John C. Jay
David H. Knott
John A. Ritchie
Charles G. Stachelberg
Harold E. Talbott, Jr.
Frederic T. Wood
Willis D. Wood

EXECUTIVE AND FINANCE COMMITTEE

John D. Hertz, *Chairman*
Otis A. Glazebrook, Jr.
John C. Jay
John A. Ritchie
Frederic T. Wood

OFFICERS

General Offices, 605 West 132nd Street, New York City

John A. Ritchie . . . . . *Chairman of the Board and President*
Frederic T. Wood . . . . . *Vice-Chairman of the Board*
Joseph T. McCarthy . . . . . *Vice-President*
Edmund C. Collins . . . . . *Secretary and Treasurer*
T. George Walker . . . . . *Asst. Secretary and Asst. Treasurer*
Stephen C. Duggan . . . . . *Auditor*
Henry J. Smith . . . . . *General Attorney*

Stock Transfer Agent
The Commercial National Bank and Trust Company of New York

Stock Registrar . . . . . Manufacturers Trust Company

Registrar, Prior Lien Mortgage
Central Hanover Bank and Trust Company

Registrar, Sixth Avenue Purchase Mortgage
Central Hanover Bank and Trust Company

Annual Stockholders' Meeting First Tuesday in June

New York City Omnibus Corporation

605 West 132nd Street

New York, N. Y.

April 14, 1939.

To Stockholders, Employees and the Public:

There is submitted herewith Consolidated Balance Sheet of this Corporation and its wholly-owned subsidiaries, Madison Avenue Coach Company, Inc., and Eighth Avenue Coach Corporation at December 31, 1938 and Statement of Consolidated Income and Surplus for the Year ended December 31, 1938, as certified by Messrs. Arthur Andersen & Co. (See Pages 16, 17 and 18.)

Consolidated Income

The following analysis of Income and Expenses for the year ended December 31, 1938 of New York City Omnibus Corporation and subsidiary companies (Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation) has been taken from the Consolidated Income Account referred to above.

Operating Revenues		$11,959,573.09
Operating Expenses:		
Salaries	$ 82,733.33	
Wages	3,998,499.10	
Other Operating Expenses (see page 5)	3,156,234.39	
Total Operating Expenses		7,237,466.82
Net Operating Revenues		$ 4,722,106.27
Taxes		2,103,541.84
Net Earnings from Operation		$ 2,618,564.43
Interest on Securities Owned (see page 5)		38,296.00
Gross Income		$ 2,656,860.43
Interest and Other Deductions (see page 5)		446,085.93
Net Income before provision for amortization of "amount to be amortized on basis of the Recapture Contract in monthly installments" (see footnote to consolidated balance sheet)		$ 2,210,774.50
Deduct—Amortization under Recapture Contract		238,618.57
Net Income after Amortization		$ 1,972,155.93

Amount of Amortization is Available for Dividends

The provision for "Amortization under Recapture Contract" is a charge against the Earned Surplus of the Corporation. However, a like amount is transferred to Capital Surplus from the Account—"Credit in Respect of Amount to be Amortized on Basis of Recapture Contract". This amount is thus available for distribution as a divdend from Capital Surplus.

Dividends

During the calendar year 1938 the New York City Omnibus Corporation paid two dividends to its stockholders aggregating $4.00 per share. A dividend of $2.00 per share was paid on October 28, 1938, to the stockholders of record on October 19, 1938, on which date there were 472,444 shares outstanding and a further dividend of $2.00 per share was paid on December 15, 1938, to stockholders of record on December 7, 1938, the distribution on this occasion being made to holders of 480,988 shares. The total amount so distributed was $1,906,864.00.

In last year's report, attention was called to the possibility that a substantial portion of the revenues of the Company and of the dividends paid by it to stockholders might be deemed for tax purposes a return of capital and therefore not taxable. In this connection the following communication dated July 18, 1938, was received from the Treasury Department, Washington, D. C.:

> "Reference is made to the information return, Form 1096, on which you reported distributions made to your stockholders during the calendar year 1937.
>
> "On the basis of the data furnished by you (and other information on file in this office) the distributions have been determined to be 49.4901% taxable and 50.5099% non-taxable to the individual shareholders. If additional information is disclosed in connection with the audit of your Income Tax Return, Form 1120, which would materially change this allocation you will be further advised."

The Company has prepared its corporate Federal income tax return for 1938 upon a basis similar to that referred to in the foregoing communication and upon such basis the distributions to stockholders made during 1938 would be 47.8907% taxable and 52.1093% non-taxable to the individual shareholders. However, attention is called to the fact that the foregoing communication is subject to further audit and to the final determination to be made thereon by the Treasury Department. In view of the difficult questions of fact and law which are involved, there may be a considerable delay before the Treasury Department has completed its audit and a final determination has been made. Stockholders will be advised from time to time as to any ruling received from the Treasury Department with respect to this matter.

Retirement of Prior Lien Bonds

The Company has been proceeding with the purchase and retirement of the Prior Lien 6% Bonds of the New York Railways Corporation in accordance with the Sinking Fund provisions of the supplemental indenture securing such bonds and, up to and including December 31, 1938, bonds in the principal amount of $92,000 were retired, and there remained on deposit with the Trustee of the Sinking Fund a balance of $15,492.

In addition, since the close of the year 1938 the Board of Directors have authorized the officers to purchase $400,000 principal amount of Prior Lien 6% Bonds. The retirement of such bonds will result in an annual saving of $24,000 in interest charges. The funds for such purchases are derived from the cash received from the exercise of option warrants.

Reduction in Interest Charges

The original purchase of motor coaches, upon a deferred payment basis, carried an interest rate of 6%. In November, 1936, this rate of interest was reduced to 4¼%. Effective January 1, 1939, a further reduction was made to 3.3%, which will result in a saving in interest charges for 1939 of approximately $38,000.

Traffic

The passenger revenues of New York City Omnibus Corporation, Madison Avenue Coach Company, Inc., and Eighth Avenue Coach Corporation for the calendar year 1938 amounted to $11,913,149.51 representing an increase of $411,738.62, or 3.58% as compared with the passenger revenues of those three companies during the calendar year 1937. The total number of passengers for all lines during 1938, including transfer passengers, was 251,423,024.

Since the close of last year, to date, the passenger revenue is continuing to show a most satisfactory increase. For instance, in the first three months of 1939 the increase in passenger revenue was $155,398.87 which represents an increase of 5.20% over the same three months of 1938.

Demolition of Sixth Avenue Elevated and Construction of New Sixth Avenue Subway

The discontinuance of operation of the Sixth Avenue elevated railway became effective on December 4, 1938, and somewhat increased the patronage on the Broadway and Columbus Avenue route and on the Sixth Avenue route of this Company.

During the period of the demolition of the elevated railway on Sixth Avenue and the process of construction of the new subway, operating conditions of the Sixth Avenue route necessarily have been greatly hampered as compared with what will be the case when the elevated has been entirely removed and the new subway under Sixth Avenue has been built.

The improved operating conditions when Sixth Avenue is cleared of its present obstructions will tend to speed up service and to attract additional patronage because of the greater facility of movement of the buses and better opportunity for them to draw up to the curb to receive and discharge passengers. The accident hazard of operating under the elevated structure will be eliminated.

Purchase of New Coaches

The growth of business and the probable demands which will be made upon the facilities of this Company and its subsidiary companies during the period of the World's Fair rendered it desirable that 50 new buses should be ordered. These 50 buses will be equipped with Diesel engines and will be delivered during the early part of 1939. The cost of this new equipment is approximately $630,000.

Surveys which have been made of motor coach equipment available on a rental basis indicate that no difficulty will be experienced in renting whatever additional equipment may be needed to meet increased demands for transportation accommodations during the World's Fair, thus avoiding the necessity of further capital investment for additional equipment.

Reconstruction of Property at 146th Street and Lenox Avenue

It was found desirable from the standpoint of efficiency and economy to reconstruct in part and to demolish in part the carhouse and office structures at 146th Street and Lenox Avenue. This work was commenced on July 11, 1938. There will be a small portion of the building remaining for use as a Division Office. On the site of the remainder of the property there will be constructed a one-story garage which will house equipment more economically and to greater advantage than heretofore. As a result of this modification of the property at 146th Street and Lenox Avenue, the offices of the New York City Omnibus Corporation, Madison Avenue Coach Company, Inc., and Eighth Avenue Coach Corporation have been consolidated with those of the Fifth Avenue Coach Company at 605 West 132nd Street which consolidation of executive and clerical forces will result in some further savings.

Litigation As To One-Way Operation On Eighth and Ninth Avenues

Under date of March 16, 1938, in an attempt to convert Eighth and Ninth Avenues into one-way streets, the Police Commissioner advised Eighth Avenue Coach Corporation that effective April 4, 1938, no vehicles would be permitted to proceed northbound on Eighth Avenue between Hudson Street and 57th Street, or southbound on Ninth and Columbus Avenues between 64th Street and Hudson Street. This proposed curtailment of the present two-way operation would deprive Eighth Avenue Coach Corporation of a substantial part of its franchise rights and would have a disastrous effect upon its revenues. Accordingly suit was instituted in the New York State Supreme Court asking that the regulation be enjoined.

The lower court denied an application for a temporary injunction, but the Appellate Division reversed the lower court and restrained the enforcement of the police regulation pending the trial of the litigation.

The trial was commenced on June 15th, and after the summer recess the presentation of evidence was completed, and briefs were submitted on November 9th. On February 28, 1939, an opinion was handed down by the Trial Court holding that Eighth Avenue Coach Corporation was entitled to an injunction restraining the enforcement of the police order. It is understood that the Corporation Counsel of the City of New York will appeal this decision.

Distribution of Operating Revenues

Operating Revenues for the year of $11,959,573.09 consist of the following:		
Fares Collected	$11,913,149.51	
Advertising	43,753.04	
Miscellaneous	2,670.54	
Total Operating Revenues	$11,959,573.09	
To which should be added the interest on securities made up principally of amounts required to be placed on deposit on account of Franchise Contracts, Self-Insurance for Workmen's Compensation and Accidents and Damages	38,296.00	
Total Operating and Non-Operating Revenues for the Year were		$11,997,869.09
How the Year's Revenues were Distributed:		
Taxes:		
City Taxes	$ 812,147.37	
State Taxes	787,933.24	
Federal Taxes	503,461.23	
Total Taxes		$ 2,103,541.84
Cost of:		
Materials used in Maintenance and Operation of:		
Buses	$ 720,734.36	
Buildings	65,109.24	
Machinery and Tools	6,890.02	
Snow Plows, Trucks and Other Items	52,890.80	
Gasoline and Lubricants	570,685.78	1,416,310.20
Insurance—Fire, Explosion, Safe Burglary, Excess Public Liability, etc.	$ 44,314.18	
Group Life and Health Insurance for Employees	14,415.68	
Amortization of Organization Expenses	14,812.80	
Legal Services and Expenses (including expense of litigation as to two-way Operation on Eighth and Ninth Avenues and cost of Extensive Traffic Surveys)	111,364.40	
Transfers, Registers, Bus Stop Signs and Rest Room Facilities	26,799.36	
Stationery and Printing	18,361.07	
Sand for Roadway	7,665.19	
Interest on Deferred Equipment Payments	217,659.43	
Interest on Funded Debt	223,734.10	
Rents for Operating Properties	106,433.34	
Miscellaneous Items	22,711.91	808,271.46
Reserves:		
For Injuries and Damages	$ 390,530.30	
For Depreciation of Buses, Buildings and Other Property	987,208.36	
Total Reserves		1,377,738.66
Total of Taxes, Reserves and Other Operating Expenses (Other than Salaries and Wages)		$ 5,705,862.16
Income from Operation—Before Salaries and Wages		$ 6,292,006.93
Salaries	$ 82,733.33	
Wages	3,998,499.10	4,081,232.43
Net Income from Operation (Before Provision for Amortization)		$ 2,210,774.50
Deduct—Amortization Under Recapture Contract		238,618.57
Net Income After Amortization		$ 1,972,155.93

Taxes

The taxes of the New York City Omnibus Corporation and of its subsidiaries absorbed a substantial part of their total revenue and are a heavy burden upon operation. The total amount of taxes assignable to operating and non-operating revenue, including franchise payments, applicable to the year ended December 31, 1938, was $2,103,541.84, which is 17.6% of the total operating revenue of the companies, and 10.19c per bus mile operated. The total amount of taxes for 1938 was $151,226.44 more than for 1937.

THE FOLLOWING SO-CALLED SOCIAL WELFARE AND EMERGENCY TAXES FOR 1938 HAVE BEEN IMPOSED BY LEGISLATION ENACTED *DURING RECENT YEARS:*

New York City Utilities	$126,492.39		
New York City Sales and Personal Property	30,223.66	$156,716.05	
New York State Utilities	$239,174.58		
New York State Gasoline	318,121.96		
New York State Unemployment	109,516.38	666,812.92	
Federal Gasoline	$ 79,530.60		
Old Age Pension	38,616.89		
Unemployment	12,151.15	130,298.64	$ 953,827.61

IN ADDITION TO THE ABOVE SO-CALLED SOCIAL WELFARE AND EMERGENCY TAXES *OF RECENT ORIGIN*, THE FOLLOWING TAXES WERE APPLICABLE FOR THE YEAR 1938.

New York City			
Real Estate	$124,173.40		
Franchise	490,717.92		
Triborough Bridge Tolls	40,540.00	$655,431.32	
New York State			
Franchise, Gross Earnings and Licenses		121,120.32	
Federal			
Income Tax (as per provision made on books) and Capital Stock Tax, etc.		373,162.59	$1,149,714.23
TOTAL ALL TAXES			$2,103,541.84

3% Utility Tax for Emergency Relief

All business generally within the City is taxed for relief purposes at the rate of one-tenth of one per cent. on gross receipts. This compares with the utility tax paid by this Corporation and its subsidiaries amounting to 3% on every dollar of gross earnings.

Relief expenditures, it would seem, should be viewed and accepted as of equal concern and equal responsibility to everyone. They are a burden which should rest upon the entire community with equality to all. It will be observed, however, that in this instance public utilities have been penalized at a ratio 30 times (3,000 per cent.) that imposed on other business generally. In that discrimination there is neither logic nor equity. To the contrary, those responsible originally for the enactment of this arbitrary tax law, as well as those subsequently responsible for its continuance, not only refuse to attempt to justify the reasonableness of this discriminatory measure but apparently admit with frankness that it is unfair and unjust.

There is no desire on the part of this Corporation and its subsidiaries to escape in the slightest measure assuming its full share of the cost of government and, more especially, the cost of relief for those so unfortunate as to be out of employment. To the contrary, we are willing and anxious to do our full share toward the relief of the less fortunate in the payment of taxes, such as everyone else contributes to the welfare of society. Management's contention in respect to this 3% utility tax for emergency relief is that it is decidedly unfair that this Corporation and its subsidiaries, or any public utility transportation company operating in metropolitan New York, should be forced to pay a "special" tax which no other industry pays. In the judgment of your management, this tax is discriminatory and unjust.

Franchise Tax 3% on Routes where Street Railway Properties were Scrapped and 10% on Newly Acquired Crosstown Routes

New York City is understood to be the only city within the State of New York which exacts a percentage of gross earnings from public utility transportation companies as a franchise tax. No other class of business in the City of New York pays a special tax in any measure comparable to this franchise tax.

The operation of buses by this Corporation and its subsidiaries upon its routes is limited in its legal rights to the use of only such streets as are specified in its franchise. Freedom of movement over city streets and state highways is extended to all large trucking concerns. Freedom of movement over all city streets is granted to taxicab operators. Freedom of movement is granted to all other extensive users of city streets, such as trucking companies operating in interstate and intrastate service, as well as for general delivery purposes within the city limits. For the use of the city streets none of these other large users pay any percentage of gross earnings as a franchise tax or the 3% utility tax for emergency relief.

A common carrier public utility company whose rate of fare is fixed by contract, by franchise or by usage cannot pass on to the consumer (in this case the rider) the increased costs of mounting taxes, of higher wages and of greater prices involved in the purchase of all materials and supplies. Other industries can and do pass on to the consumer such increased costs by increasing the price of their products and their service.

To every fair-minded person the foregoing should constitute, it would seem, a cogent reason why public utility transportation companies such as your Corporation doing business in New York City should not be required to pay a franchise tax of 3% and 10% of gross earnings and in addition thereto the 3% utility tax for emergency relief, which latter goes in part (1%) to the City and in part (2%) to the State.

The data immediately preceding relate to the "outgo" of the Corporation and its subsidiaries in the payment of taxes. Excessive tax payments made by the Corporation and its subsidiaries in the past cannot be changed. However, the probable effect of continued excessive tax payments on future income of both worker and Company, is a matter of pressing concern. It is a problem which should immediately excite the searching curiosity and engage the best thought of the workers themselves and those who represent them in collective bargaining.

New Wage Agreement

The agreement with the Transport Workers Union of America dated August 5, 1937, expired on December 31, 1938. During the month of December frequent and protracted negotiations in eleven conferences took place between the management of the Company and the officials of the Transport Workers Union representing the employees.

Favorable consideration of the demands of the employees as originally presented would have imposed upon the Company an estimated additional cost per annum of $1,094,344.96, including $42,090.19 which would have been involved in the form of additional taxes on the increased payroll for unemployment and Federal old age pensions.

The basis of settlement which was finally reached and accepted involved an estimated additional cost per annum of $350,700.76.

Attention is called to the fact that for the calendar year 1938 the total wages amounted to $3,998,499.10 and that total taxes amounted to $2,103,541.84, leaving, after deduction of other operating expenses such as materials, gasoline, oil, supplies, etc., a net operating revenue, after provision for amortization, of $1,972,155.93 for the owners of the property. In the light of these facts, the real financial significance of the original demands as presented to the management by the Transport Workers Union can be appraised and evaluated.

It would be decidedly unfair to fail to state that while the representatives of the Transport Workers Union urged vigorously the granting of the demands which they had made on behalf of the men and which were modified during the course of negotiations, they gladly devoted a great deal of time and patience to honest and serious consideration of arguments and analytical studies presented by your management in support of the contention that the demands as originally made were unwarranted and unjustified on any premise of sound logic or reasoning, or on any standard in respect to the prevailing rate of pay obtaining not only in the transportation industry but in all other industries throughout New York State.

Your management felt, and still feels, in view of the fact that under its expiring labor agreement it was paying the highest rate of pay then prevailing in the industry within the metropolitan area and in view of the present unstable and uncertain economic situation with the menacing threat of still further increases in taxes—Federal, State and City—no adjustments upward in rates of pay were at this time justified.

However, there were two factors vigorously and tenaciously advanced by those representing the men in collective bargaining, in support of their contention that there were equitable grounds which justified some concession, namely

(a) There has been much said in the press and by radio as to the enormous number of visitors who are expected to attend the World's Fair from the nation and Europe. Attention was repeatedly called to the heavy travel on certain of our routes under normal conditions. When there was added to the present heavy travel on certain routes the increased amount of work and responsibility which will be thrown upon the men who man the coaches, as well as those in garages and shops who must keep equipment in condition for safe and efficient operation, due to the increased patronage which will result from the large number of people to whom the City will be host during the World's Fair, the union officials felt strongly that this entitled our employees to additional compensation.

To the management, the foregoing was accepted as an attempt to fix the dollar and cents value of labor on a basis of "speculation," rather than upon demonstrated facts. While, assuredly, this Company will receive increased patronage due to the World's Fair, it is anybody's guess as to what such increased patronage will produce in dollars and cents of either gross or net earnings. On this theory, the management offered to split with its employees, on some equitable basis, the amount of net earnings from operation produced during the World's Fair in excess of the amount of earnings produced this year. To this proposal, the union officials turned a deaf ear.

and

(b) Heretofore it has been the policy of the Transport Workers Union to negotiate contracts for a period of time not longer than a year. To be obliged at the end of this year and the following year again to enter into negotiations for new contracts at a time when every member of the executive staff of this Company will be sorely needed in the conduct of its everyday affairs would have created a situation not easily to be contemplated. As a quid pro quo, therefore, the officials of the Transport Workers Union agreed that, in return for the concessions at this time made, they would, for the first time, enter into an agreement with us extending to February 28, 1941—a period of twenty-six months. This gives management the assurance at least that its largest flexible item of operating costs for that period of time has been definitely "fixed" and, to this extent, enables management, with some assurance, to proceed in the making of plans for expansion and improvement in service.

It is the considered opinion of management that there is no other one thing which would contribute so much and quickly to business recovery and re-employment as the substitution of long-term labor contracts —say, from three to five years—for the existing union policy of one-year contracts.

Your management still has unwavering confidence in the ultimate soundness of judgment and honesty of purpose of the American Workingman when facts are once made available to him.

On the other hand, without knowledge of the facts, and laboring, unfortunately in some instances, under the false impression that labor is not getting its fair share of industry's earned income—whether or not in specific instances there be any income—makes workingmen decidedly emotionally vulnerable to inaccurate, specious and misleading arguments and statements.

At the time of election of Union officials and at the expiration of yearly contracts, more frequently than otherwise, artful and designing appeals are unceasingly and voluminously made, not to the better judgment of the men but to their emotions as to the additional benefits to be wrung from industry in the form of still higher and higher rates of pay for shorter and shorter hours of work, with all sorts of offers, such as vacations, sick leave, pay for holidays not worked and other "arbitrary" demands of various kinds without any thought being given to the ability of industry to pay and the subsequent adverse repercussions which must inevitably follow when final negotiations fall so far short of the expectancy thus unfortunately built up in the minds of the men as to the additional benefits and rewards to be procured for them.

In the last analysis, when situations like the foregoing arise, it is good for neither labor itself, Labor Union officials or management, for whatever labor finally gets less than what labor had been led to expect—no matter what the skill and honest effort displayed by those negotiating in behalf of labor in collective bargaining—it is neither appreciated nor willingly accepted. Under such circumstances, satisfaction to any or all of the interests involved falls short of being achieved. To the contrary, it tends to engender resentment and ill-feeling between the parties interested rather than to promote harmony and contentment.

Average Weekly and Annual Wages of Employees by Classification

Attention is invited to the following table showing (a) average weekly and annual wages of employees by classifications for the year ended December 31, 1938 and (b) potential weekly and annual wages of employees by classifications, based on rates of pay made effective January 1, 1939.

— "A" —

Average Weekly and Annual Wages of Employees by Classifications for the Year Ended December 31, 1938

Classifications	Average Wages Per Week	Average Wages Per Annum
Bus Operators	$37.93	$1,972.60
Garage Employees		
Greasers	$28.74	$1,494.41
Placers	31.73	1,649.71
Gasers	28.33	1,473.08
Oilers	29.70	1,544.48
Floor Cleaners	26.15	1,359.54
Mechanics—1st Class	40.79	2,021.22
Mechanics—2nd Class	33.91	1,763.32
Mechanics Helpers	28.41	1,477.12
Battery Repair Mechanics	38.40	1,996.80
Washers and Cleaners	28.75	1,495.21
Electricians—1st Class	37.31	1,938.98
Electricians—2nd Class	32.64	1,697.44
Register Inspectors	27.51	1,430.28
Truckmen	32.24	1,676.54
Battery Men	29.45	1,531.58

— "B" —

Potential Weekly and Annual Wages of Employees by Classifications Based on Rates of Pay Effective January 1, 1939

Classification	Average Per Hour	Potential Wages Per Week	Potential Wages Per Annum
Bus Operators—6-Day Week			
10-Hour Day	83.6¢	$50.16	$2,608.32
9-Hour Day	83.6¢	45.14	2,347.28
8½-Hour Day	83.6¢	42.64	2,217.28
8-Hour Day	83.6¢	40.15	2,086.76
Garage Employees			
Mechanics	82.0¢	39.36	2,046.72
Other Labor	65.7¢	31.54	1,640.08

The transportation business assures, to an extent greater than obtains in any other industry, continuity and permanency of employment. For this reason, employment with this Company assures to the worker an annual income greater than usually obtains in other industries.

For statistics from the United States Department of Commerce as to per capita wages paid in a few selected industries, together with relative cost of living indices, your attention is especially invited to page 19.

Successive Increases in Rates of Pay

By voluntary agreement directly with the employees, the bus operators of the New York City Omnibus System were accorded the compensation of 61¢ per hour as a minimum and 74¢ per hour as a maximum, effective January 3, 1937.

On July 22, 1937, there was made effective, as a result of the agreement with the Transport Workers Union representing the employees, the same rate as previously prevailed, namely, 61¢ per hour as a minimum for bus operators, and the maximum was increased from 74¢ to 82¢ per hour, or almost 11 per cent.

The schedule effective January 1, 1939, still maintains the minimum rate of 61¢ per hour, but increases the maximum rate to 90¢ per hour, a further increase of about 10 per cent. or a total increase of 22% in eighteen months.

Vacations with Pay

Motormen and other employees paid by the hour did not receive from the New York Railways Corporation any vacations with pay.

On July 1, 1937, a plan was voluntarily made effective by the management under which a vacation of one week with pay was granted annually to each employee of the New York City Omnibus Corporation and its subsidiary companies, who had been in the service at least one year as of July 1, 1937. Subsequently under arrangement made with Transport Workers Union of America the above plan was modified to provide one day's vacation annually for each two months of service to each employee who, as of July 1, 1937, had been in the service for at least six months but who had not been in the service for a period of at least one year.

In July, 1938, the arrangement was further modified to provide for the granting of two weeks' vacation with pay to everyone who had been in the service on July 1, 1938, for a period of five years or more, and the granting of one week's vacation with pay to each employee who, on July 1, 1938, had been in the service for a period of anywhere from six months to five years.

The arrangement as of July 1, 1937, as subsequently modified, cost the Company about $62,000.00 per year for the vacations as therein provided, and the arrangement which became effective on July 1, 1938, involved the payment of $47,000.00 additional to cover the cost of the annual vacations which were provided by that plan.

The arrangement effective as of January 1, 1939, increased this cost for vacations still further by an amount estimated to be about $46,000.00 a year, a total annual cost to the Company for vacations, under the new arrangement, of $155,000.00 in round figures.

Passes

The Company gives to each employee, and to the wives of married employees, passes over the lines of its system, which constitutes a substantial economic saving in the family budget of the men concerned.

The Wage Situation in Retrospect

In this connection it may not be amiss to record here the progressive increase in rates of pay which have taken effect from the last days of the trolley to the present day of motor coach operation.

Motormen Trolley Lines — New York Railways Corporation

Rate of Pay Per Hour

	Minimum	Maximum
January 1, 1935 (slightly more than 4 years ago)	48¢	67¢

Bus Operators (Chauffeurs) — New York City Omnibus System

	Minimum	Maximum
Effective February 1, 1935	50¢	67¢
Effective April 19, 1936	56¢	69¢
Effective January 3, 1937	61¢	74¢
Effective July 22, 1937	61¢	82¢
Effective January 1, 1939	61¢	90¢

How Has it Been Possible to Grant to Employees These Substantial Increases in Rates of Pay and Improved Working Conditions?

Increased Patronage Resulting from Modernization and Motorization

The last full year of street railway operation produced gross passenger revenues of $5,002,160.63. This year's operation with motor coaches produced gross passenger revenues of $11,913,149.51. The annual passenger revenues since the substitution of motor coaches for street cars therefore, has increased $6,910,988.88, or 138.16%, which latter figure includes the gross passenger revenues of the Eighth Avenue, Ninth Avenue, Triborough Bridge, 96th Street Crosstown, 79th Street Crosstown, Spring & Delancey Street Crosstown routes, and a portion of the 86th Street Crosstown route, which routes were not operated as a part of the New York Railways Corporation system during its last full year of street railway operation.

Contributions of Credit and Management

New York Railways Corporation had never been able to earn interest charges on its Income Bonds which were issued in 1925. Its credit therefore, was at the time of the proposed plan of motorization, at a low ebb. There was no past experience upon which to predicate with precision the increase in passenger revenue which would result from the substitution of motor coaches for street cars.

To substitute motor coaches for street cars involved the necessity for the investment of new money and credit to the extent of $9,200,300. Therefore, in order to produce the satisfactory result since obtained it was necessary to place in the hands of the drivers $9,200,300 worth of new tools (new buses) and, in the initial stages of this development, for the Fifth Avenue Coach Company to make outright commitments for the advancing of certain cash, supplying assurances as to certain credit, and placing behind the management of the newly organized company the long experience of the management of the Fifth Avenue Coach Company in bus operation.

The various contributions which the Fifth Avenue Coach Company in cash, credit and management placed behind this new venture of motorization have already been fully set forth in the Plan of Readjustment and Motorization of New York Railways Corporation, dated March 19, 1935, copies of which are available for those who may be interested in again reviewing such plan.

Contribution by Security Holders Under Plan of Readjustment and Motorization

Under the plan of readjustment and motorization of the old New York Railways Corporation which contemplated the substitution of modern equipment in the form of motor coaches for street cars, it was necessary, as the first essential, to create an entirely new financial structure for the new operating company—New York City Omnibus Corporation (including its wholly-owned subsidiaries, Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation). In this as in substantially all plans of financial reorganizations there were involved certain adjustments in and exchange of securities of the old New York Railways Corporation to which investors in such securities had to agree and approve in order to make the plan of substitution of modern buses for street cars financially possible; for instance:

The outstanding securities of New York Railways Corporation immediately prior to financial reorganization and substitution of motor coaches for street cars was as follows:

	Principal Amount
Prior Lien Mortgage Six Per Cent. Bonds, Series A, due January 1, 1965	$ 3,555,306.48
Central Crosstown Purchase Bonds (6%), due May 1, 1940	115,000.00
Sixth Avenue Purchase Mortgage Forty-Year Five Per Cent. Bonds, due January 1, 1965	286,015.00
Forty-Year Six Per Cent. Income Bonds, due January 1, 1965 (on which there was accumulated and unpaid as of December 31, 1934, interest aggregating $12,230,461)	20,384,102.00
	Shares
Preferred Stock (without par value)	170,530
Common Stock (without par value); all owned by Fifth Avenue Coach Company	90,200

Under the Plan of Readjustment and Motorization of the New York Railways Corporation, there were assumed by the New York City Omnibus Corporation the Prior Lien Bonds, the Central Crosstown Purchase Bonds—since purchased and retired—and the Sixth Avenue Purchase Mortgage Bonds above mentioned.

Under that Plan the holders of the Forty-Year 6% Income Bonds, on which there was accumulated and unpaid as of December 31, 1934, interest aggregating $12,230,461.00, were given the opportunity to surrender their bonds in return for stock of the New York City Omnibus Corporation on the following basis:

For each $1,000.00 principal amount of Income Bonds, ten shares of the new Stock, and rights to purchase, at $10.00 per share, twelve additional shares of new Stock (or, at the option of the holder, any lesser number of shares), making a total of twenty-two shares. In other words, the holder of $1,000.00 principal amount of Income Bonds might surrender his Bond, plus $120.00, and receive in return twenty-two shares of stock. The total of the principal amount of the Bond, plus $120.00 is $1,120.00.

The market value of the foregoing twenty-two shares of New York City Omnibus Capital Stock which were received in exchange for each $1,000.00 Income Bond, plus $120.00 in cash (equivalent to a principal amount of $1,120.00), is, at the time of going to press, $748.00.

Holders of the Preferred Stock under the Plan were required to surrender their Stock Certificates, and receive in exchange Option Warrants which entitled them to purchase new Stock for $17.50 per share on the basis of two and one-half shares for each ten shares of Preferred Stock in the old company which they held.

The Common Stock of the New York Railways Corporation, totalling 90,200 shares, was entirely wiped out under the Plan of Readjustment and Motorization.

Further, in this connection, it seems quite appropriate to point out that:

(a) From the date of issuance—April 20, 1925—of the New York Railways Income Bonds in the sum of approximately $20,384,102, to the date of their exchange—March 15, 1937—for Capital Stock of this Company—a period of twelve years—the holders thereof received not one penny in "Capital-Wages" in the form of interest on their investment. "Labor-Wages" were fully paid throughout this period of 12 years;

(b) Holders of the 170,530 shares of Preferred Stock, like the holders of Income Bonds, throughout this period of twelve years received not a penny in "Capital-Wages" in the form of dividends. "Labor-Wages" were fully paid throughout this period of 12 years;

and

(c) Not only did the 90,200 Common shares of the New York Railways receive not a penny in "Capital-Wages" in the form of dividends throughout this period of twelve years, but, as previously stated, at the end of that period of time such Common shares were entirely wiped out under the Plan of Readjustment and Motorization. Again, "Labor-Wages" were fully paid throughout this period of 12 years.

During the above period of twelve years, the New York Railways paid in wages $37,905,338.42, while holders of Income Bonds, Preferred Stock and Common Stock received no returns whatever on their investment in these securities.

Importance of Courtesy and Co-operation

The riding public must be sold on the advantages of mass public transportation over that provided by the private car and taxicab.

Bus operators are accepted by the public as the management's representatives; it is largely by their attentiveness to duty and by theirs acts of courtesy and efficiency and their amiability in answering ques-

tions that the policy of management and the efficiency of our service is judged. They can help greatly in further improving the relationship of passengers and the Company and thus attract additional patronage to our service.

Conversely, through inattentiveness to their duties and through an attitude of arrogance and discourtesy, bus operators can do much toward driving business from us and in bringing not only the Company in general disrepute with the public it serves but, likewise, discourteous and arrogant acts operate to bring into disrepute the reputation of the Transport Workers Union, of which they are members. It must be obvious, therefore, to all members of this organization that when bus operators, through inattentiveness to duties and through discourtesy and arrogance, build up a feeling of ill-will on the part of our patrons, they are working directly against the interest and general welfare of every member of the organization.

It is a fact, however, that cannot be denied that there is evidence of some break-down in the high morale which for years has prevailed throughout the rank and file.

It is most gratifying to say, however, that this let-down in courtesy and efficiency is limited to a minority of our men, the large part of whom have been in our service for a lesser number of years than the majority whose attitude toward those they served and toward management remained steadfast to the virtues of courtesy and efficiency.

The cause of this change in mental attitude toward our patrons and management on the part of a small, unthinking minority, the management has not as yet been able definitely to establish. It appears to be due to an inferiority complex among a few, attempting to assume an attitude of disregarding authority and expressing such attitude by an outward display of false bravado—in brief, to a misunderstanding of the functions, responsibilities and ultimate objectives of unionism itself. Irritating and exasperating as have been the unfavorable impressions made in some instances upon patrons, this unfortunate attitude on the part of a few should, and we are convinced will, yield promptly to educational processes.

Something New, Constructive and Progressive in Unionism

To the credit of officials of the Transport Workers Union, it is only fair to say that they have frankly and freely expressed their concern in respect to the above mentioned change in the attitude of certain of the men.

Since like begets like, the increased instances of discourtesy and arrogance displayed by their members toward patrons, evidenced by the increased number of complaints registered in this office by letters and telephone calls—copies of which complaints, have been sent to Union officials—made it immediately obvious to Union officials that, the work of the men who man the coaches would become increasingly difficult and irksome by an increasing display of arrogance and discourtesy on the part of patrons in the same proportion as such discourtesy and arrogance was displayed toward them. But of still more serious concern to the Union officials was the possibility of loss in revenue to the Company through diminishing patronage, from whence comes the wherewithal to pay wages, thus eventually threatening the ability of the Company financially to maintain the present high rate of pay and improved working conditions.

Last, but not least, union officials were prompt to recognize that, if this attitude of discourtesy and arrogance on the part of this discordant minority, toward those they serve were to be permitted to continue unchecked, it would inevitably bring into disrepute in the public mind the Union itself, in which the employees of this Company have membership.

Therefore, recognizing and accepting fully the responsibility of the union itself and the responsibility of the individual employees toward the riding public, including visitors to the World's Fair, the officials of the Transport Workers Union promptly and most vigorously launched a campaign among transit workers of Greater New York looking toward inculcating a greater spirit of cooperation and an honest effort toward greater efficiency in the operation of all urban transportation service within the metropolitan area.

In view of what has, and still is, taking place in other parts of the country in the way of strife and misunderstanding between management and labor, this rather unusual and progressive step initiated by the Transport Workers Union to bring to those whom they represent a more thorough understanding of the responsibility of each to the other and to the public generally, has been distinctly constructive and in a measure has relieved management of much of its anxiety and concern in this respect.

This campaign is now being carried on through publicity in the press, by radio talks over Station WNYC by Mr. Michael J. Quill, President of the International Transport Workers Union of America, and, through lectures and discussions carried on at all meetings of the various locals of the Transport Workers Union throughout Greater New York.

So much impressed has your management been with what it has learned from discussions with the officials of the Transport Workers Union of its ideals and purposes and the obligation which the union itself feels toward the riding public, the investors and their members, that management has pledged itself to cooperate in every manner possible in making this campaign for greater safety, courtesy and efficiency a most successful one.

The enlightened and intelligent program of education now being carried on by the Transport Workers Union should go a long way toward drawing to the Transport Workers Union not only a favorable public opinion but should greatly aid in solidifying behind the officials of that Union the loyal and unfailing support of its membership.

Is it too much to hope that, out of the thought and careful study of the internal workings of the Company's affairs, which the preparation of this educational campaign quite naturally involves, there may come an acceptance on the part of Union officials and the public of the fact that a new philosophy and a new era in unionism is in the making; that this enlightened and forward-looking step initiated by the officials of the Transport Workers Union may meet with such signal success and beneficial results as to invite thoughtful and serious consideration by leading labor leaders generally to the end that they may be persuaded to pattern somewhat the policy of their own unions along similar lines of cooperation; that strong-arm methods of persuasion may eventually give way to persuasion by discussion and debate; that, by simply prepared, analytical studies and logically marshalled facts, there may come greater recognition of the principle that, in every industrial controversy, there are four factors to be considered—workers, investors, public and management; that there may come a greater realization that injustice or unfairness to any one of these four factors is, in the last analysis, detrimental to society as a whole; and, that industrial peace with justice to all is much more to be desired than threats of strikes and lockouts, to say nothing of strikes themselves, which spell economic waste, human suffering and poverty, and not infrequently loss of life and limb?

Threats of strikes engender bitterness and ill-feeling. Stoppage of work, due to jurisdictional disputes, involve not only economic waste but furnish a most fertile field for the nourishment of the seeds of ill-feeling, and discontent and for intensifying the unfortunate and antagonistic feeling of class against class.

Strikes themselves prove nothing, win nothing—no matter which side comes out the apparent but "temporary" victor—cure nothing permanently, and, definitely end nothing.

In short, may we not apply more generally in industry a practical philosophy which shall be the harbinger of industrial order, cooperation and peace?

Further Problems Confronting Both Employers and Employees

Unionism is here to stay and, apparently, on an increasing scale in membership, as well as on a basis of wider scope in activity.

Industry generally recognizes this fact and has accepted at its full face value the principle of collective bargaining.

There appear to be two things greatly in need of correction before there can be complete satisfaction, harmony and whole-hearted cooperation between managment and labor and an honest desire on the part of each sympathetically to study and understand the problems of the other, namely

(a) necessary amendments to labor laws where there exist discrimination and inequalities in respect to the rights of employer and employee

and

(b) that unionism itself give thought to the psychological effect upon workmen of membership by "compulsion" under the principle of the closed shop.

Concerning paragraph (a) this subject is now engaging the thought and serious consideration of our lawmakers in Washington and of some of the best minds in industry in respect to amendments to the Wagner Act looking toward the introduction of greater equality in its provisions dealing with the rights of employer and employee.

Concerning paragraph (b) apparently what the average American worker desires most is a minimum of restriction and limitation as to his freedom of thought and action consistent with obtaining through collective bargaining, the maximum of economic and social benefits for himself and family.

Too many regulatory prohibitions as to what the workers may or may not do while off or on duty, as well as membership by compulsion is not healthy and must ultimately break down in some degree whole-hearted allegiance on the part of the worker (and his wife and family) toward unionism.

When the efforts of unionism encroach upon the freedom and liberty of workers through the principle of the closed shop, does not unionism unfortunately and unnecessarily engender opposition and resistance among its own members and on the part of society as a whole?

Instead of encouraging a favorable public opinion toward unionism, does not the principle of the closed shop retard full and whole-hearted acceptance of unionism by the workers and the public?

Do the advantages to unionism of the closed shop equal the disadvantages? Would not unionism be accepted more generally and with greater grace by the public at large and be voluntarily embraced by a larger number of workers were unionism to discard all limiting and restrictive measures of unionism such as those here discussed?

Since it has been proved that labor agreements can be amicably and satisfactorily negotiated through discussion and debate, why cannot membership in unions be more successfully solicited and maintained by the same method of logic and reasoning? Or, to put it another way, cannot more be accomplished by "leading" than by "driving"?

The foregoing are questions which many of those holding responsible positions in industry would like to see seriously considered and fully discussed by the responsible leaders of unionism.

Looking Ahead

There always have been opportunities at the "top" for men of proven ability, ambition, integrity and honesty of purpose. Due to the complex problems with which management has been confronted by reason of the evolution which has taken place during more recent years in political, social, economic and industrial thinking and the many new statutes, regulations, etc. resulting therefrom, never before has there been felt the same need for brains and intellect and for those imbued with initiative and with a perspective not dulled by tradition and precedent.

In the past your management has constantly and consistently sought and still is engaged in seeking practical ways and means of stimulating and inspiring greater individual thought for the purpose of improving and perfecting methods and practices observed in the various departments of the organization.

The Company has sought and is still seeking to introduce or perfect forums and various other means for collecting individual thought.

The foregoing policy has unquestionably enabled management intelligently and continually to improve the character of the service to our patrons. It has rendered it possible for management to improve the working conditions and to increase the hourly rate of pay. It is the hope and belief that ultimately this course will result in improved returns to those whose money is invested in the property.

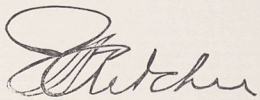
On every hand there is the evidence that throughout industry the executives directing large business enterprises are for the most part those who have risen from the ranks. While there will always be the need in the industrial world for genius and for highly specialized men it will be to the group of so-called "average men" to whom industry must continue to look for those endowed with keen, sound judgment, with balance, and with the essentials of leadership. It is those men upon whose fidelity, integrity and simple humanitarianism that industry must rely in bringing about a more complete understanding by all our fellow workers as to the respective problems of management and labor.

To our way of thinking there is no policy which holds out greater hope for our prosperity than the effort to bring to the average man a full and complete realization of the important part he plays as an individual in the affairs of men and to inspire as well as encourage him in every possible way to measure up to his obligations to society in this respect. Heed should be given to his views voiced in constructive thought or criticism and he should be adequately compensated by reward in career advancement when he makes contributions to the general welfare in excess of what may be reasonably expected of him for the compensation he finds in his weekly envelope.

In Conclusion

There will undoubtedly be an unusually large number of people from other parts of the United States and from over-seas, who will come to this City in order to visit the New York World's Fair, which will open on April 30, 1939. The management feels certain that all those connected with the Company will make a special effort to render safe, convenient and efficient transportation service to the end that those who patronize our lines may receive a favorable impression of the Company and its personnel.

Constructive criticism and suggestions for the improvement of our service to the public are cordially welcomed.



President.

New York City Omnibus

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:		
Cash	$ 528,830.95	
Marketable municipal securities at cost (quoted value $245,237.50)	251,131.50	
Receivables	50,030.12	
Inventories of supplies and repair parts, at cost; quantities and condition determined by the companies	108,059.76	$ 938,052.33
PREPAID INSURANCE, TAXES, LICENSES, ETC.		44,656.34
SPECIAL DEPOSITS:		
Cash proceeds of sale of capital stock to holders of Option Warrants, to be used for retirement of funded debt of New York City Omnibus Corporation, per order of The Transit Commission of the State of New York	$ 394,085.00	
Other Special deposits represented by $689,466.89 of Municipal Securities at cost (quoted value $720,422.50) and $32,012.52 of cash	721,479.41	1,115,564.41
INVESTMENT IN AND ADVANCES TO AFFILIATED COMPANIES, AT COST:		
Including $1,000.00 of capital stock of Street Railway Liquidating Corporation, 100% owned—(equities in total underlying book values $911,136 after deducting reserves based on estimated realization)		263,500.00
PROPERTY AND EQUIPMENT:		
Land and buildings, stated at value accepted by the Transit Commission of the State of New York, plus subsequent additions at cost, less retirements	$ 4,172,480.38	
Equipment at cost to respective owning companies:		
Motor coaches, including $9,188,628.28 subject to equipment purchase obligations $9,200,300.14		
Service equipment, tools, furniture and fixtures, etc. 479,824.01	9,680,124.15	13,852,604.53
AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT IN MONTHLY INSTALLMENTS commencing on January 29, 1935 and ending on December 26, 1958, stated on basis of amount which, less prior amortization, is provided to be paid by The City of New York in the event it shall elect to exercise right granted by the Recapture Contract between The City of New York, New York City Omnibus Corporation and Madison Avenue Coach Company, Inc., dated January 29, 1935 (see note 1)	$ 7,500,000.00	
Less—Amortization for the period from date of contract, January 29, 1935 to December 31, 1938	895,868.16	6,604,131.84
PAYMENT ($475,000) TO THE CITY OF NEW YORK UNDER FRANCHISE CONTRACT OF EIGHTH AVENUE COACH CORPORATION, less amount ($150,048.99) amortized to date		324,951.01
ORGANIZATION EXPENSE, ETC., FOR WHICH A RESERVE IS BEING PROVIDED		304,020.74
DEFERRED AND UNADJUSTED ITEMS (including $126,402.95 of uncompleted construction work in progress)		129,948.02
		$23,577,429.22

NOTES:

(1) Under the Agreement of Transfer dated December 24, 1936, New York Railways Corporation transferred to New York City Omnibus Corporation (1) all rights and claims arising from the abandonment of the perpetual street railway franchises and the conveyance of street railway properties to The City of New York (2) all rights and claims to any benefits under the Recapture Contract dated January 29, 1935, between The City of New York, New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (a subsidiary company), and (3) all rights and claims to the routes of the New York City Omnibus Corporation, subject to the lien of the Prior Lien Bonds. Under the Recapture Contract, the City at its election has the irrevocable right, after ten years from the date of the contract, to terminate the franchises of the New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (which otherwise terminate on December 26, 1958), and to purchase the property and equipment used in the operation of the routes (other than real estate, cash, receivables, and similar items, which are to be retained by the companies) upon payment by the City of (1) the balance which shall remain of the amount of $7,500,000 after being reduced by amortization from the date of the Recapture Contract to the date of recapture upon a cumulative sinking fund basis calculated with interest at the rate of 3% per annum, compounded annually, so that at the end of the twenty-five year term of the bus franchises said amount of $7,500,000 would have been completely amortized, and (2) the value at the date of recapture (to be determined in the manner set forth in the Recapture Contract) of the property and equipment so to be purchased. With further reference to franchises, the franchise of Eighth Avenue Coach Corporation, another subsidiary company, covers a period to October 16, 1945, subject to termination on February 1, 1945, in the event The City of New York exercises its right to purchase the property and equipment of New York City Omnibus Corporation and Madison Avenue Coach Company, Inc.

The aforementioned amount of $7,500,000 has been reflected in the consolidated balance sheet by contra credit to an account entitled "Credit in respect of amount to be amortized on basis of Recapture Contract" as approved by the Board of Directors. Transfers are made monthly from this account to capital surplus in amounts equal to the amortization under such contract.

(2) The companies have ordered 50 new Diesel-powered motor coaches, a portion of the purchase price of which is payable upon delivery of the coaches and the balance over a period of years. None of these coaches had been received at December 31, 1938, and consequently the liability and related asset therefor are not reflected in the above balance sheet.

Corporation and Subsidiaries

DECEMBER 31, 1938

LIABILITIES

CURRENT LIABILITIES (not including equipment purchase obligations of $1,128,135.72 due prior to December 31, 1939):		
Accounts payable (including accrued pay roll)	$ 303,153.26	
Accrued Federal income taxes (subject to review by U. S. Treasury Department)	434,325.96	
Accrued state, local and miscellaneous Federal taxes	157,383.11	
Accrued interest $ 131,678.38		
Less—Deposit for payment of interest due January 1, 1939 111,049.00	20,629.38	$ 915,491.71
EQUIPMENT PURCHASE OBLIGATIONS, 4¼% to December 31, 1938 and 3.3% thereafter, payable in monthly installments ($1,128,135.72 due in 1939)—secured by equipment being purchased under conditional sales contracts		4,558,217.06
BONDS ASSUMED (Originally issued by New York Railways Corporation):		
Prior Lien Mortgage 6% Gold Bonds, Series "A", due July 1, 1958 (secured in part by capital stocks of subsidiaries which have been eliminated in the consolidated balance sheet)	$ 3,463,306.48	
Sixth Avenue Purchase Mortgage Forty-Year 5% Gold Bonds, due January 1, 1965	286,015.00	3,749,321.48
RESERVES:		
Depreciation of property and equipment	$ 3,153,083.97	
Injuries and damages and workmen's compensation	360,597.90	
Miscellaneous reserves	44,558.27	3,558,240.14
CAPITAL STOCK:		
Authorized 700,000 shares, without par value—issued and outstanding 481,044 shares	$ 3,078,888.98	
Reserved for exercise of Option Warrants which entitle the holders thereof to purchase stock at $17.50 per share until March 1, 1947—17,039 shares	——	3,078,888.98
DEFERRED CREDIT, arising from contributions by New York Railways Corporation of receivables from Eighth Avenue Coach Corporation		324,951.01
CREDIT IN RESPECT OF AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT, per contra:		
Balance per previous report $6,842,750.41 less amount equal to amortization ($238,618.57) credited to capital surplus		6,604,131.84
CAPITAL SURPLUS, arising principally from certain rights and benefits contributed by New York Railways Corporation per agreement of transfer dated December 24, 1936		697,150.06
EARNED SURPLUS		91,036.94
		$23,577,429.22

AUDITORS' CERTIFICATE

To the Board of Directors,
New York City Omnibus Corporation:

We have made an examination of the consolidated balance sheet of New York City Omnibus Corporation (a New York corporation) and subsidiary companies as at December 31, 1938, and of the statement of consolidated income and surplus for the year ended that date. In connection therewith we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made a general review of the accounting methods and of the operating and income accounts for the year, but we did not make a detailed audit of the transactions.

In our opinion, based upon the examination referred to above, the accompanying consolidated balance sheet and related statement of income and surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the year under review, the financial position of the companies at December 31, 1938, and the results of their operations for the year ended that date.

New York, N. Y.
February 7, 1939.

ARTHUR ANDERSEN & CO.
Accountants and Auditors.

New York City Omnibus Corporation and Subsidiaries

STATEMENT OF CONSOLIDATED INCOME AND SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1938

CONSOLIDATED INCOME

OPERATING REVENUES:		
Coach lines	$11,913,149.51	
Advertising and miscellaneous	46,423.58	$11,959,573.09
OPERATING EXPENSES:		
Maintenance	$ 1,447,027.82	
Depreciation	987,208.36	
Traffic and transportation	3,638,193.79	
General	1,165,036.85	7,237,466.82
NET OPERATING REVENUES		$ 4,722,106.27
TAXES:		
State, local and miscellaneous Federal taxes (including gasoline taxes)	$ 1,798,921.01	
Provision for Federal income tax	304,620.83	2,103,541.84
NET EARNINGS FROM OPERATIONS		$ 2,618,564.43
OTHER INCOME		38,296.00
GROSS INCOME		$ 2,656,860.43
INTEREST AND OTHER DEDUCTIONS:		
Interest on equipment purchase obligations	$ 217,659.43	
Interest on bonds	223,734.10	
Federal tax on bond interest, etc.	4,692.40	446,085.93
NET INCOME before provision for amortization of "amount to be amortized on basis of recapture contract in monthly installments" (see note 1 to consolidated balance sheet)		$ 2,210,774.50
Deduct: Provision for such amortization		238,618.57
NET INCOME after provision for such amortization		$ 1,972,155.93

CONSOLIDATED SURPLUS

	Capital Surplus	Earned Surplus
BALANCE, DECEMBER 31, 1937, per previous report	$ 707,828.67	$ 21,004.78
Add:		
Net income for year ended December 31, 1938, after provision for amortization, as above		1,972,155.93
Aggregate of special credits received during the year for defective materials, etc., less Federal income tax ($12,792.97) applicable thereto		64,740.23
Amounts transferred from "Deferred Credit..." representing payments by Eighth Avenue Coach Corporation on account of receivables contributed by New York Railways Corporation	54,357.87	
Amounts transferred from "credit in respect of amount to be amortized on basis of Recapture Contract" representing amortization thereon for the year ended December 31, 1938	238,618.57	
Contribution by New York Railways Corporation pursuant to agreement of transfer dated December 24, 1936	811.58	
	$ 1,001,616.69	$ 2,057,900.94
Deduct:		
Dividends		$ 1,906,864.00
Special appropriation of surplus to reserve for workmen's compensation, as directed by the State of New York Department of Labor (capital surplus appropriation applicable to period prior to the date of operation of New York City Omnibus Corporation for its own account)	$ 10,000.00	60,000.00
Adjustment as of the date of acquisition in the recorded value of a building acquired in 1936 and demolished during the current year as approved by the Board of Directors	294,466.63	
	$ 304,466.63	$ 1,966,864.00
BALANCE, DECEMBER 31, 1938	$ 697,150.06	$ 91,036.94

Wages and Cost of Living

For whatever they may be worth for purposes of comparison with earnings statistics of employees of this Corporation shown on page 9, there is given below the latest available data procurable from the United States Department of Commerce (Bureau of Foreign and Domestic Commerce) as to the per capita wages paid in certain selected industries for the period from 1929 to 1937 inclusive, together with statistics from the Bureau of Labor showing the relative cost of living for each of the eight years from 1930 to 1937 inclusive, as contrasted with the cost of living for the year 1929, which latter serves as the base cost:

Per Capita Total Wages (Full Time Equivalent) Selected Industrial Divisions

	1929	1930	1931	1932	1933	1934	1935	1936	1937
Selected Industries	$1,400	$1,318	$1,181	$ 970	$ 918	$ 995	$1,069	$1,158	$1,266
Mining	1,399	1,291	1,069	872	870	985	1,024	1,127	1,218
Manufacturing	1,299	1,211	1,083	877	852	940	1,014	1,094	1,208
Contract Construction	1,764	1,670	1,519	1,322	1,025	1,032	1,059	1,197	1,360
Transportation(1)	1,630	1,583	1,510	1,301	1,278	1,344	1,488	1,584	1,638

(1) Includes only steam railroads, Pullman, railway express, and water transportation.

Cost-of-Living Index

	Percentage of 1929								
	1929	1930	1931	1932	1933	1934	1935	1936	1937
Bureau of Labor Statistics—									
Cost-of-living index	100.0	97.5	89.1	80.2	76.2	79.1	81.1	82.1	84.7

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Marvyn Scudder Libra

New York City Omnibus Corporation

* * *

Annual Report To Stockholders, Employees and the Public

* * *

For the Year Ended

December 31, 1939

EXPLANATORY

March 20, 1940

Again for the year 1939, as for last year, a marked departure will be observed from the orthodox method so generally in effect in the past in limiting the substance of annual reports to presenting mere arithmetical facts for the information of stockholders (only) as to the financial situation of the Company as of the close of each year.

It will be observed that this year's report, like that of last year, is addressed to Stockholders, Employees, and the Public.

It has been designed more especially to give—narratively and statistically—and in great detail all such information as to the Company's internal workings, as may prove

(a) of information to stockholders and employees;

(b) of interest to the public;

(c) of informative value to those engaged in representing workers in collective bargaining.

The impression seems to be quite general among workers that workers do not receive their full share of what they produce with the plant, equipment and tools provided for them by investors. Whatever the facts may be, is it not a direct obligation of management to those it employs to make known to them—in dollars and cents and percentagewise—the exact extent to which workers do participate in the earnings of industry?

Admittedly, labor, more especially in recent years, has become increasingly suspicious of the integrity and honesty of purpose of management toward labor. It seems to us that the sooner management recognizes at its full face value the prevalence of this view, however unfounded in fact it may be, the better it will be for all concerned.

We should very much prefer dealing with a group thoroughly acquainted and informed on the details of operating methods and practices and in respect to operating revenues and operating costs, as well as in respect to the Company's financial structure and financial status, than to attempt to deal with a group not so informed in respect to all such facts.

Complete knowledge in respect to the foregoing on the part of those engaged in collective bargaining on behalf of workers is not only helpful in correcting erroneous impressions, but is absolutely essential to a frank and intelligent discussion and debate between management and Union officials as to the logic and reason upon which demands for new and additional benefits are premised and as to industry's financial ability to entertain and meet such demands.

On the other hand, lack of knowledge in respect to the foregoing inevitably results in unreasonable and fantastic demands, forced consideration and discussion of which is more apt than not to engender resentment and ill-feeling between the parties interested than to promote harmony and contentment and equitable conclusions.

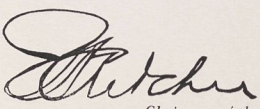
In recent years there have been evolutionary changes in political, social, economic and industrial thinking. These changes have given rise to many new statutes, regulations, etc. Management is kept struggling daily with the many new and old problems which these changes entail. Management experiences great difficulty in keeping abreast of the problems incident to the rapidly changing order of things. How, then, can Union officials representing in collective bargaining workers engaged in many industries keep fully posted on things economic and otherwise concerning each industry's internal affairs without the aid and assistance of management in keeping Union officials informed as to those things so essential in reaching decisions fair to all concerned—economically and socially.

Contrariwise, this program of education presents opportunities to impress upon Union officials and those they represent in collective bargaining that in attempting to set the dollar and cents value of labor, there is involved a very definite responsibility on the part of labor to industry—at least, to the extent that there shall be an honest day's work for a good day's pay and that the right to share in fruits of industry cannot be divorced from the responsibility to produce.

Therefore, when examining the data included in this report, will you not kindly keep in mind the philosophy or theory upon which the preparation of this report was premised and the objective sought to be accomplished?

Your criticism and comments will be cordially welcomed.

Yours very truly,



Chairman of the Board

New York City Omnibus Corporation

DIRECTORS

George J. Atwell
Otis A. Glazebrook, Jr.
John D. Hertz
John D. Hertz, Jr.
David H. Knott
John E. McCarthy
Joseph T. McCarthy
John A. Ritchie
Charles G. Stachelberg
Harold E. Talbott, Jr.
Frederic T. Wood
Willis D. Wood

EXECUTIVE AND FINANCE COMMITTEE

John D. Hertz, *Chairman*

Otis A. Glazebrook, Jr.
John E. McCarthy
John A. Ritchie
Frederic T. Wood

OFFICERS

General Offices, 605 West 132nd Street, New York City

John A. Ritchie	*Chairman of the Board*
Frederic T. Wood	*Vice-Chairman of the Board*
John E. McCarthy	*President*
Joseph T. McCarthy	*Vice-President*
Edmund C. Collins	*Secretary and Treasurer*
T. George Walker	*Asst. Secretary and Asst. Treasurer*
Stephen C. Duggan	*Auditor*
Henry J. Smith	*General Attorney*

Stock Transfer Agent
The Commercial National Bank and Trust Company of New York

Stock Registrar . . . . . Manufacturers Trust Company

Registrar, Prior Lien Mortgage
Central Hanover Bank and Trust Company

Registrar, Sixth Avenue Purchase Mortgage
Central Hanover Bank and Trust Company

Annual Stockholders' Meeting First Tuesday in June

New York City Omnibus Corporation

605 West 132nd Street

New York, N. Y.

March 20, 1940.

To Stockholders, Employees and the Public:

There is submitted herewith Consolidated Balance Sheet of this Corporation and its wholly-owned subsidiaries, Madison Avenue Coach Company, Inc., and Eighth Avenue Coach Corporation, at December 31, 1939 and Statement of Consolidated Income and Surplus for the year ended December 31, 1939, as certified by Messrs. Arthur Andersen & Co. (See Pages 14, 15 and 16.)

Consolidated Income

The following analysis of Income and Expenses for the year ended December 31, 1939 of New York City Omnibus Corporation and subsidiary companies (Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation) has been taken from the Consolidated Income Account referred to above.

Operating Revenues		$12,780,695.98
Operating Expenses:		
Salaries	$ 98,220.88	
Wages	4,531,991.16	
Other Operating Expenses	3,435,035.53	
Total Operating Expenses		8,065,247.57
Net Operating Revenues		$ 4,715,448.41
Taxes		2,190,069.71
Net Earnings from Operation		$ 2,525,378.70
Interest on Securities Owned		37,662.55
Gross Income		$ 2,563,041.25
Interest and Other Deductions		365,132.89
Net Income before provision for amortization of "amount to be amortized on basis of the Recapture Contract in monthly installments" (see footnote to consolidated balance sheet)		$ 2,197,908.36
Deduct—Amortization under Recapture Contract		245,777.67
Net Income after Amortization		$ 1,952,130.69

Amount of Amortization is Available for Dividends

The provision for "Amortization under Recapture Contract" is a charge against the Earned Surplus of the Corporation. However, a like amount is transferred to Capital Surplus from the Account—"Credit in Respect of Amount to be Amortized on Basis of Recapture Contract." This amount of $245,777.67 is thus available for distribution as a dividend from Capital Surplus.

Dividends

During the calendar year 1939 the New York City Omnibus Corporation paid two dividends to its stockholders aggregating $4.00 per share.

A dividend of $2.00 per share was paid on September 26, 1939, to the stockholders of record on September 14, 1939, on which date there were 483,983 shares outstanding.

A further dividend of $2.00 per share was paid on December 22, 1939, to stockholders of record on December 14, 1939, the distribution on this occasion being made to holders of 486,014 shares.

The total amount distributed in dividends for the year was $1,939,994.00.

In prior reports to stockholders, attention has been called to the possibility that a substantial portion of the revenues of the Company and of the dividends paid by it to stockholders might be deemed for tax purposes a return of capital and therefore not taxable. In this connection, the following communication dated February 17, 1940, has been received from the Treasury Department, Washington, D. C.:

> "Reference is made to the information return, Form 1096, on which you reported distributions made to your shareholders during the calendar year 1939.
>
> "On the basis of the data furnished by you, and other information on file in this office, it has been tentatively determined that the distributions are 46.0241 percent taxable and 53.9759 percent nontaxable to the individual shareholders. If additional information is disclosed in connection with the audit of your income tax return which would materially change this allocation, you will be further advised."

Similar letters were received with respect to 1937 and 1938, except that the percentages stated in the earlier letters were as follows:

1937	49.4901% taxable	50.5099% non-taxable
1938	47.8907% taxable	52.1093% non-taxable

However, attention is called to the fact that the communication dated February 17, 1940, and the earlier letters from the Treasury Department are subject to further audit and to the final determination to be made thereon by the Treasury Department.

In view of the difficult questions of fact and law which are involved, there may be a considerable delay before the Treasury Department has completed its audit and a final determination has been made.

Stockholders will be advised from time to time as to any ruling received from the Treasury Department with respect to this matter.

Retirement of Prior Lien Bonds

The Company has been proceeding with the purchase and retirement of the Prior Lien 6% Bonds of the New York Railways Corporation from the Option Warrant Account and in accordance with the Sinking Fund provisions of the Supplemental Indenture securing such bonds. Up to and including January 1, 1940, bonds in the principal amount of $558,000 were retired, and there remained on deposit at the close of the year a balance of $67,464 with the Trustee of the Sinking Fund and $50,964 in the Option Warrant Account.

Litigation as to One-Way Operation on Eighth and Ninth Avenues

In the annual report for 1938, the stockholders were advised that the Police Commissioner had attempted to convert Eighth and Ninth Avenues into one-way streets, thus curtailing the present two-way omnibus operation and adversely affecting the revenues of Eighth Avenue Coach Corporation, and that, in a suit by Eighth Avenue Coach Corporation, the Trial Court had handed down a decision permanently enjoining the enforcement of the police regulation. The Corporation Counsel of the City of New York has taken an appeal from this decision, and it is expected that this appeal will be heard by the Appellate Division, First Department, in the near future.

Traffic

The passenger revenues of New York City Omnibus Corporation, Madison Avenue Coach Company, Inc., and Eighth Avenue Coach Corporation for the calendar year 1939 amounted to $12,724,671.12, representing an increase of $811,521.61, or 6.81% as compared with the passenger revenues of those three companies during the calendar year 1938.

The total number of passengers accommodated during 1939, including transfer passengers, was 268,083,566.

Since the close of last year, to date, the passenger revenue is continuing to show a satisfactory increase. For instance, in the first two months of 1940 the increase in passenger revenue was $54,388.43 which represents an increase of 2.69% over the same two months of 1939.

Source and Distribution of Operating Revenues

Operating Revenues for the year of $12,780,695.98 consist of the following:

Fares Collected	$12,724,671.12	
Advertising	43,800.00	
Miscellaneous	12,224.86	
Total Operating Revenues	$12,780,695.98	
To which should be added the interest on securities made up principally of amounts required to be placed on deposit on account of Franchise Contracts, Self-Insurance for Workmen's Compensation and Accidents and Damages...	37,662.55	
Total Operating and Non-Operating Revenues for the Year Were		$12,818,358.53

How the Year's Revenues Were Distributed:

Taxes:		
City Taxes	$ 846,665.49	
State Taxes	828,158.31	
Federal Taxes	515,245.91	
Total Taxes		$ 2,190,069.71
Cost of:		
Materials used in Maintenance and Operation of:		
Buses	$ 809,385.18	
Buildings	63,536.44	
Machinery and Tools	4,276.18	
Snow Plows, Trucks and Other Items	63,830.48	
Gasoline, Fuel Oil and Lubricants	552,644.82	1,493,673.10

Insurance—Fire, Explosion, Safe Burglary, Excess Public Liability, etc.	$ 44,270.49	
Group Life and Health Insurance for Employees	23,137.45	
Amortization of Organization Expenses	14,812.80	
Legal Services and Expenses	25,237.54	
Transfers, Registers, Bus Stop Signs and Rest Room Facilities	28,171.50	
Stationery and Printing	14,758.73	
Sand for Roadway	4,572.68	
Interest on Deferred Equipment Payments	152,624.94	
Interest on Funded Debt	208,765.64	
Rents for Operating Properties	131,500.00	
Miscellaneous Items	19,510.70	667,362.47
RESERVES:		
For Injuries and Damages	$ 466,489.87	
For Depreciation of Buses, Buildings and Other Property	1,173,642.98	
TOTAL RESERVES		1,639,132.85
TOTAL OF TAXES, RESERVES AND OTHER OPERATING EXPENSES (Other than Salaries and Wages)		$ 5,990,238.13
INCOME FROM OPERATION—Before Salaries and Wages		$ 6,828,120.40
SALARIES	$ 98,220.88	
WAGES	4,531,991.16	4,630,212.04
NET INCOME FROM OPERATION (Before Provision for Amortization)		$ 2,197,908.36
DEDUCT—AMORTIZATION UNDER RECAPTURE CONTRACT		245,777.67
NET INCOME AFTER AMORTIZATION		$ 1,952,130.69

TAXES

The taxes of the New York City Omnibus Corporation and of its subsidiaries absorbed a substantial part of their total revenue and are a heavy and ever increasing burden upon operation.

The total amount of taxes assignable to operating and non-operating revenue, including franchise payments, applicable to the year ended December 31, 1939, was $2,190,069.71, which is 17.1% of the total operating revenue of the companies, and 10.30¢ per bus mile operated or one-fifth of the total cost of operation per bus mile.

The total amount of taxes for 1939 was $86,527.87 more than for 1938.

THE FOLLOWING SO-CALLED SOCIAL WELFARE AND EMERGENCY TAXES FOR 1939 HAVE BEEN IMPOSED BY LEGISLATION ENACTED DURING RECENT YEARS:

New York City Utilities	$134,582.55		
New York City Sales and Personal Property	36,803.58	$171,386.13	
New York State Utilities	$255,440.76		
New York State Gasoline and Fuel Oil	333,282.98		
New York State Unemployment	123,909.00	712,632.74	
Federal Gasoline	$ 80,214.52		
Federal Old Age Pension	44,936.46		
Federal Unemployment	13,774.67	138,925.65	$ 1,022,944.52

IN ADDITION TO THE FOREGOING SO-CALLED SOCIAL WELFARE AND EMERGENCY TAXES OF RECENT ORIGIN, THE FOLLOWING NORMAL-BUSINESS TAXES WERE APPLICABLE FOR THE YEAR 1939:

New York City:			
Real Estate	$109,707.76		
Franchise	521,061.60		
Triborough Bridge Tolls	44,510.00	$675,279.36	
New York State:			
Franchise, Gross Earnings and Licenses		115,525.57	
Federal:			
Income Tax (as per provision made on books) and Capital Stock Tax, etc.		376,320.26	$ 1,167,125.19
TOTAL ALL TAXES			$ 2,190,069.71

It will be observed that:

(a) The so-called social welfare and emergency taxes for 1939, amounting to $1,022,944.52, all of which has been imposed by legislation enacted during recent years has come within $144,180.67 of "doubling" the normal tax burden of the Company:

(b) Total taxes accrued for the year amounted to	$2,190,069.71
Net Income after Amortization amounted to	1,952,130.69
Government's "take" in the form of taxes exceeded that which was left for the owners of the property by	$ 237,939.02

and

(c) Taxes must be provided for before wages are paid. The "direct" taxes paid by the Company, per person employed, for the years 1937, 1938 and 1939, were as follows:

	Average Number of Persons Employed	Average Compensation, including unskilled, part time and seasonal employment	"Direct" Taxes per Employee Borne by Company	Per Cent of "Direct" Taxes Paid by Company per Employee to Average Compensation
1939	2192	$2,067.51	$998.59	48.30%
1938	2142	1,866.71	981.50	52.58%
1937	2155	1,784.21	905.53	50.75%

It will be noted that, for each $100 paid in wages to employees, the Company paid in taxes, in 1937 $50.75; in 1938 $52.58; and, in 1939 $48.30.

3% UTILITY TAX FOR EMERGENCY RELIEF

All business generally within the City is taxed for relief purposes at the rate of one-tenth of one per cent. on gross receipts. This compares with the utility tax paid by this Corporation and its subsidiaries amounting to 3% on every dollar of gross earnings.

Relief expenditures, it would seem, should be viewed and accepted as of equal concern and equal responsibility to everyone. They are a burden which should rest upon the entire community with equality to all. It will be observed, however, that in this instance public utilities have been penalized at a ratio 30 times (3,000 per cent.) that imposed on other business generally. In that discrimination there is neither logic nor equity. To the contrary, those responsible originally for the enactment of this arbitrary tax law, as well as those subsequently responsible for its continuance, not only refuse to attempt to justify the reasonableness of this discriminatory measure but apparently admit that it is unfair and unjust.

There is no desire on the part of this Corporation and its subsidiaries to escape in the slightest measure assuming its full share of the cost of government and, more especially, the cost of relief for those so unfortunate as to be out of employment. To the contrary, we are willing and anxious to do our full share toward the relief of the less fortunate in the payment of taxes, such as everyone else contributes to the welfare of society. Management's contention in respect to this 3% utility tax for emergency relief is that it is decidedly unfair that this Corporation and its subsidiaries, or any public utility transportation company operating in New York City, should be forced to pay a "special" tax which no other industry pays. This tax is discriminatory and unjust.

Franchise Tax 3% on Routes Where Street Railway Properties were Scrapped and 10% on Newly Acquired Crosstown Routes

New York City is understood to be the only city within the State of New York which exacts a percentage of gross earnings from public utility transportation companies as a franchise tax. No other class of business in the City of New York pays a special tax in any measure comparable to this franchise tax.

The operation of buses by this Corporation and its subsidiaries upon its routes is limited in its legal rights to the use of only such streets as are specified in its franchise. Freedom of movement over city streets and state highways is extended to all large trucking concerns. Freedom of movement over all city streets is granted to taxicab operators. Freedom of movement is granted to all other extensive users of city streets, such as trucking companies operating in interstate and intrastate service, as well as for general delivery purposes within the city limits. For the use of the city streets none of these other large users pay any percentage of gross earnings as a franchise tax or the 3% utility tax for emergency relief.

A common carrier public utility company whose rate of fare is fixed by contract, by franchise or by usage cannot pass on to the consumer (in this case the rider) the increased costs of mounting taxes, of higher wages and of greater prices involved in the purchase of all materials and supplies. Other industries can and do pass on to the consumer such increased costs by increasing the price of their products and of their services.

To every fair-minded person the foregoing should constitute, it would seem, a cogent reason why public utility transportation companies such as this Corporation doing business in New York City should not be required to pay a franchise tax of 3% and 10% of gross earnings and in addition thereto the 3% utility tax for emergency relief, which latter goes in part (1%) to the City and in part (2%) to the State.

The data immediately preceding relate to the "outgo" of the Corporation and its subsidiaries in the payment of taxes. Excessive tax payments made by the Corporation and its subsidiaries in the past cannot be changed. However, the probable effect of continued excessive tax payments on future income of both worker and Company, is a matter of pressing concern. It is a problem which should immediately excite the searching curiosity and engage the best thought of the workers themselves and those who represent them in collective bargaining.

Average Weekly and Annual Wages of Employees by Classification

Attention is invited to the following table showing average weekly and annual wages of employees by classifications for the years ended December 31, 1939 and 1938.

Average Weekly and Annual Wages of Employees by Classifications for the Years Ended December 31, 1939 and 1938

	Per Week		Per Annum	
	1939	1938	1939	1938
CLASSIFICATIONS				
Bus Operators (Chauffeurs)	$42.05	$37.93	$2,186.65	$1,972.60
GARAGE EMPLOYEES				
Greasers	$31.37	$28.74	$1,631.31	$1,494.41
Placers	36.59	31.73	1,902.42	1,649.71
Gasers	30.70	28.33	1,596.41	1,473.08
Oilers	32.20	29.70	1,674.62	1,544.48
Floor Cleaners	31.61	26.15	1,643.81	1,359.54
Mechanics—1st Class	40.29	38.87	2,095.24	2,021.22
Mechanics—2nd Class	—	33.91	—	1,763.32
Mechanics Helpers	31.24	28.41	1,624.45	1,477.12
Battery Repair Mechanics	39.35	38.40	2,046.31	1,996.80
Washers and Cleaners	31.31	28.75	1,628.22	1,495.21
Electricians—1st Class	38.82	37.31	2,018.50	1,938.98
Electricians—2nd Class	—	32.64	—	1,697.44
Register Inspectors	30.14	27.51	1,567.38	1,430.28
Truckmen	38.62	32.24	2,008.15	1,676.54
Battery Men	30.41	29.45	1,581.09	1,531.58

The average annual wage of $2,067.51 in 1939 compares with an average annual wage of $1,722.00 in 1939 for employees of the Electric Railway and Motor Bus Operation and Maintenance Industry, according to the latest reports issued by the United States Department of Labor.

PASSES

The Company gives to each employee, and to the wives of married employees, passes over the lines of its system, which constitutes a substantial economic saving in the family budget of the men concerned.

WAGES AND COST OF LIVING

The transportation business assures, to an extent greater than obtains in any other industry, stability of employment which makes for improved morale and benefits every one. For this reason, employment with this Company assures to the worker an annual income greater than usually obtains in other industries.

For purposes of comparison with earnings statistics of employees of this Corporation, there is given below the latest available data procurable from the United States Department of Commerce (Bureau of Foreign and Domestic Commerce) as to the per capita wages paid in certain selected industries for the period from 1929 to 1938 inclusive, together with statistics from the Bureau of Labor showing the relative cost of living for each of the nine years from 1930 to 1938 inclusive, as contrasted with the cost of living for the year 1929, which latter serves as the base cost:

PER CAPITA TOTAL WAGES (Full Time Equivalent) SELECTED INDUSTRIAL DIVISIONS

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
Selected Industries	$1,400	$1,318	$1,181	$ 970	$ 918	$ 995	$1,069	$1,158	$1,266	$1,159
Mining	1,399	1,291	1,069	872	870	985	1,024	1,127	1,218	1,113
Manufacturing	1,299	1,211	1,083	877	852	940	1,014	1,094	1,208	1,090
Contract Construction	1,764	1,670	1,519	1,322	1,025	1,032	1,059	1,197	1,360	—
Transportation(1)	1,630	1,583	1,510	1,301	1,278	1,344	1,488	1,584	1,638	1,677

(1) Includes only steam railroads, Pullman, railway express, and water transportation.

Cost-of-Living Index

	Percentage of 1929									
	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
Bureau of Labor Statistics—										
Cost-of-living index	100.0	97.5	89.1	80.2	76.2	79.1	81.1	82.1	84.7	83.4

Wage Rates

In this connection it may not be amiss to record here the progressive increase in rates of pay which have taken effect from the last days of the trolley to the present day of motor coach operation.

Motormen Trolley Lines — New York Railways Corporation

Rate of Pay Per Hour

	Minimum	Maximum
January 1, 1935 (slightly more than 5 years ago).....	48¢	67¢

Bus Operators (Chauffeurs) — New York City Omnibus System

Rate of Pay Per Hour

	Minimum	Maximum
Effective February 1, 1935.....	50¢	67¢
Effective April 19, 1936.....	56¢	69¢
Effective January 3, 1937.....	61¢	74¢
Effective July 22, 1937.....	61¢	82¢
Effective January 1, 1939.....	61¢	90¢

How Has it Been Possible to Grant to Employees These Substantial Increases in Rates of Pay and Improved Working Conditions?

Increased Patronage Resulting from Modernization and Motorization

The last full year of street railway operation by New York Railways Corporation produced gross passenger revenues of $5,002,160.63. Operation during 1939 with motor coaches produced gross passenger revenues of $12,724,671.12. The annual passenger revenues since the substitution of motor coaches for street cars therefore, has increased $7,722,510.49 or 154.4%, which latter figure includes the gross passenger revenues of the Eighth Avenue, Ninth Avenue, Triborough Bridge, 96th Street Crosstown, 79th Street Crosstown, Spring & Delancey Street Crosstown routes, and a portion of the 86th Street Crosstown route, which routes were not operated as a part of the New York Railways Corporation system during its last full year of street railway operation.

Contributions of Credit and Management

New York Railways Corporation had never been able to earn interest charges on its Income Bonds which were issued in 1925. Its credit therefore, was at the time of the proposed plan of motorization, at a low ebb. There was no past experience upon which to predicate with precision the increase in passenger revenue which would result from the substitution of motor coaches for street cars.

To substitute motor coaches for street cars involved the necessity for the investment of new money and credit to the extent of $9,865,120. Therefore, in order to produce the satisfactory result since obtained it was necessary to place in the hands of the drivers $9,865,120 worth of new tools (new buses) and, in the initial stages of this development, for the Fifth Avenue Coach Company to make outright commitments for the advancing of certain cash, supplying assurances as to certain credit, and placing behind the management of the newly organized company the long experience of the management of the Fifth Avenue Coach Company in bus operation.

The various contributions which the Fifth Avenue Coach Company in cash, credit and management placed behind this new venture of motorization have already been fully set forth in the Plan of Readjustment and Motorization of New York Railways Corporation, dated March 19, 1935, copies of which are available for those who may be interested in again reviewing such plan.

Contribution by Security Holders Under Plan of Readjustment and Motorization

Under the plan of readjustment and motorization of the old New York Railways Corporation which contemplated the substitution of modern equipment in the form of motor coaches for street cars, it was necessary, as the first essential, to create an entirely new financial structure for the new operating company —New York City Omnibus Corporation (including its wholly-owned subsidiaries, Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation). In this as in substantially all plans of financial reorganizations there were involved certain adjustments in and exchange of securities of the old New York Railways Corporation to which investors in such securities had to agree and approve in order to make the plan of substitution of modern buses for street cars financially possible; for instance:

The outstanding securities of New York Railways Corporation immediately prior to financial reorganization and substitution of motor coaches for street cars were as follows:

	Principal Amount
Prior Lien Mortgage Six Per Cent. Bonds, Series A, due January 1, 1965	$ 3,555,306.48
Central Crosstown Purchase Bonds (6%), due May 1, 1940	115,000.00
Sixth Avenue Purchase Mortgage Forty-Year Five Per Cent. Bonds, due January 1, 1965	286,015.00
Forty-Year Six Per Cent. Income Bonds, due January 1, 1965 (on which there was accumulated and unpaid as of December 31, 1934, interest aggregating $12,230,461)	20,384,102.00
	Shares
Preferred Stock (without par value)	170,530
Common Stock (without par value); all owned by Fifth Avenue Coach Company	90,200

Under the Plan of Readjustment and Motorization of the New York Railways Corporation, there were assumed by the New York City Omnibus Corporation the Prior Lien Bonds, the Central Crosstown Purchase Bonds—since purchased and retired—and the Sixth Avenue Purchase Mortgage Bonds above mentioned.

Under that Plan the holders of the Forty-Year 6% Income Bonds, on which there was accumulated and unpaid as of December 31, 1934, interest aggregating $12,230,461.00, were given the opportunity to surrender their bonds in return for stock of the New York City Omnibus Corporation on the following basis:

For each $1,000.00 principal amount of Income Bonds, ten shares of the new Stock, and rights to purchase, at $10.00 per share, twelve additional shares of new Stock (or, at the option of the holder, any lesser number of shares), making a total of twenty-two shares. In other words, the holder of $1,000.00 principal amount of Income Bonds might surrender his Bond, plus $120.00, and receive in return twenty-two shares of stock. The total of the principal amount of the Bond, plus $120.00 is $1,120.00.

The market value of the foregoing twenty-two shares of New York City Omnibus Capital Stock which were received in exchange for each $1,000.00 Income Bond, plus $120.00 in cash (equivalent to a principal amount of $1,120.00), is, at the time of going to press, $704.00.

Holders of the Preferred Stock under the Plan were required to surrender their Stock Certificates, and receive in exchange Option Warrants which entitled them to purchase new Stock for $17.50 per share on the basis of two and one-half shares for each ten shares of Preferred Stock in the old company which they held.

The Common Stock of the New York Railways Corporation, totalling 90,200 shares, was entirely wiped out under the Plan of Readjustment and Motorization.

Further, in this connection, it seems quite appropriate to point out that:

(a) From the date of issuance—April 20, 1925—of the New York Railways Income Bonds in the sum of approximately $20,384,102, to the date of their exchange—March 15, 1937—for Capital Stock of this Company—a period of twelve years—the holders thereof received not one penny in "Capital-Wages" in the form of interest on their investment. "Labor-Wages" were fully paid throughout this period of 12 years;

(b) Holders of the 170,530 shares of Preferred Stock, like the holders of Income Bonds, throughout this period of twelve years received not a penny in "Capital-Wages" in the form of dividends. "Labor-Wages" were fully paid throughout this period of 12 years;

and

(c) Not only did the 90,200 Common shares of the New York Railways receive not a penny in "Capital-Wages" in the form of dividends throughout this period of twelve years, but, as previously stated, at the end of that period of time such Common shares were entirely wiped out under the Plan of Readjustment and Motorization. Again, "Labor-Wages" were fully paid throughout this period of 12 years.

During the above period of twelve years, the New York Railways paid in wages $37,905,338.42, while holders of Income Bonds, Preferred Stock and Common Stock received no returns whatever on their investment in these securities.

Importance of Courtesy and Co-operation

The riding public must be sold on the advantages of mass public transportation over that provided by the private car and taxicab, and no other one thing will aid more in the selling of our service to the general public than unfailing courtesy and strict attention to the needs and wishes of our patrons.

Bus operators are accepted by the public as the management's representatives; it is largely by their attentiveness to duty and by their acts of courtesy and efficiency and their amiability in answering questions that the policy of management and the efficiency of our service is judged. They can help greatly in further improving the relationship of passengers and the Company and thus attract additional patronage to our service.

Conversely, through inattentiveness to their duties and through an attitude of arrogance and discourtesy, bus operators can do much toward driving business from us and in bringing not only the Company in general disrepute with the public it serves but, likewise, discourteous and arrogant acts operate to bring into disrepute the reputation of the Transport Workers Union, of which they are members. It must be obvious, therefore, to all members of that organization that when bus operators, through inattentiveness to duties and through discourtesy and arrogance, build up a feeling of ill-will on the part of our patrons, they are working directly against the interest and general welfare of every member of the organization.

It is a fact, however, that cannot be denied that there is evidence of some break-down in the high morale which for years has prevailed throughout the rank and file.

It is most gratifying to say, however, that this let-down in courtesy and efficiency is limited to a minority of our men, the large part of whom have been in our service for a lesser number of years than the majority whose attitude toward those they served and toward management remained steadfast to the virtues of courtesy and efficiency.

Looking Ahead

There always have been opportunities at the "top" for men of proven ability, ambition, integrity and honesty of purpose. Due to the complex problems with which management has been confronted by reason of the evolution which has taken place during more recent years in political, social, economic and industrial thinking and the many new statutes, regulations, etc. resulting therefrom, never before has there been felt the same need for brains and intellect and for those imbued with initiative and with a perspective not dulled by tradition and precedent.

In the past the management has constantly and consistently sought and still is engaged in seeking practical ways and means of stimulating and inspiring greater individual thought for the purpose of improving and perfecting methods and practices observed in the various departments of the organization.

The Company has sought and is still seeking to introduce or perfect forums and various other means for collecting individual thought.

The foregoing policy has unquestionably enabled management intelligently and continually to improve the character of the service to our patrons. It has rendered it possible for management to improve the working conditions and to increase the hourly rate of pay. It is the hope and belief that ultimately this course will result in improved returns to those whose money is invested in the property and to bring to every man in the organization a chance to come to his own best self.

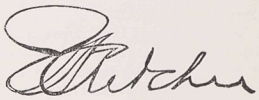
On every hand there is the evidence that throughout industry the executives directing large business enterprises are for the most part those who have risen from the ranks. While there will always be the need in the industrial world for genius and for highly specialized men it will be to the group of so-called "average men" to whom industry must continue to look for those endowed with keen, sound judgment, with balance, and with the essentials of leadership. It is upon those men with their fidelity, integrity and simple humanitarianism that industry may rely in bringing about a more complete understanding by all our fellow workers as to the respective problems of management and labor.

To our way of thinking there is no policy which holds out greater hope for our prosperity than the effort to bring to the average man a full and complete realization of the important part he plays as an individual in the affairs of men and to inspire as well as encourage him in every possible way to measure up to his obligations to society in this respect. Heed should be given to his views voiced in constructive thought or criticism and he should be adequately compensated by reward in career advancement when he makes contributions to the general welfare in excess of what may be reasonably expected of him for the compensation he finds in his weekly envelope.

In Conclusion

There will undoubtedly be a large number of people from other parts of the United States who will come to this City this summer in order to visit the New York World's Fair, which will open its second year on May 11, 1940. The management feels certain that all those connected with the Company will make a special effort to render safe, convenient and efficient transportation service to the end that those who patronize our lines may receive a favorable impression of the Company and its personnel.

Constructive criticism and suggestions for the improvement of our service to the public are cordially welcomed.



Chairman of the Board.

New York City Omnibus

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:		
Cash	$ 533,150.27	
Marketable municipal securities at cost (quoted value $231,875.00)	228,219.00	
Receivables	74,869.27	
Inventory—Gasoline and Oil, etc.	8,110.79	$ 844,349.33
PREPAID INSURANCE, TAXES, LICENSES, ETC.		37,736.98
SPECIAL DEPOSITS:		
Cash funds to be used for retirement of funded debt of New York City Omnibus Corporation	$ 164,718.00	
Other Special deposits represented by $712,379.39 of Municipal Securities at cost (quoted value $764,717.50) and $46,407.62 of cash	758,787.01	923,505.01
INVESTMENT IN AND ADVANCES TO AFFILIATED COMPANIES, AT COST:		
Including $1,000.00 of capital stock of Street Railway Liquidating Corporation, 100% owned—(equities in total underlying book values $741,030.81 after deducting reserves based on estimated realization)		200,137.11
PROPERTY AND EQUIPMENT:		
Land and buildings, stated at value accepted by the Transit Commission of the State of New York, plus subsequent additions at cost, less retirements	$ 4,709,849.96	
Equipment at cost:		
Motor coaches, including $9,853,376.84 subject to equipment purchase obligations $9,865,119.54		
Service equipment, tools, furniture and fixtures, etc. 537,476.99	10,402,596.53	15,112,446.49
AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT IN MONTHLY INSTALLMENTS commencing on January 29, 1935 and ending on December 26, 1958, stated on basis of amount which, less prior amortization, is provided to be paid by The City of New York in the event it shall elect to exercise right granted by the Recapture Contract between The City of New York, New York City Omnibus Corporation and Madison Avenue Coach Company, Inc., dated January 29, 1935 (see Note)	$ 7,500,000.00	
Less—Amortization for the period from date of contract, January 29, 1935 to December 31, 1939	1,141,645.83	6,358,354.17
PAYMENT ($475,000) TO THE CITY OF NEW YORK UNDER FRANCHISE CONTRACT OF EIGHTH AVENUE COACH CORPORATION, less amount ($197,894.55) amortized to date		277,105.45
ORGANIZATION EXPENSE, ETC., FOR WHICH A RESERVE IS BEING PROVIDED		304,020.74
DEFERRED AND UNADJUSTED ITEMS		28,809.40
		$24,086,464.68

NOTE:

Under the Agreement of Transfer dated December 24, 1936, New York Railways Corporation transferred to New York City Omnibus Corporation (1) all rights and claims arising from the abandonment of the perpetual street railway franchises and the conveyance of street railway properties to The City of New York (2) all rights and claims to any benefits under the Recapture Contract dated January 29, 1935, between The City of New York, New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (a subsidiary company), and (3) all rights and claims to the routes of the New York City Omnibus Corporation, subject to the lien of the Prior Lien Bonds. Under the Recapture Contract, the City at its election has the irrevocable right, after ten years from the date of the contract, to terminate the franchises of the New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (which otherwise terminate on December 26, 1958), and to purchase the property and equipment used in the operation of the routes (other than real estate, cash, receivables, and similar items, which are to be retained by the companies) upon payment by the City of (1) the balance which shall remain of the amount of $7,500,000 after being reduced by amortization from the date of the Recapture Contract to the date of recapture upon a cumulative sinking fund basis calculated with interest at the rate of 3% per annum, compounded annually, so that at the end of the twenty-five year term of the bus franchises said amount of $7,500,000 would have been completely amortized, and (2) the value at the date of recapture (to be determined in the manner set forth in the Recapture Contract) of the property and equipment so to be purchased. With further reference to franchises, the franchise of Eighth Avenue Coach Corporation, another subsidiary company, covers a period to October 16, 1945, subject to termination on February 1, 1945, in the event The City of New York exercises its right to purchase the property and equipment of New York City Omnibus Corporation and Madison Avenue Coach Company, Inc.

The aforementioned amount of $7,500,000 has been reflected in the consolidated balance sheet by contra credit to an account entitled "Credit in respect of amount to be amortized on basis of Recapture Contract" as approved by the Board of Directors. Transfers are made monthly from this account to capital surplus in amounts equal to the amortization under such contract.

Corporation and Subsidiaries

DECEMBER 31, 1939

LIABILITIES

CURRENT LIABILITIES (not including equipment purchase obligations of $1,224,135.72 due prior to December 31, 1940):			
Accounts payable (including accrued pay roll)		$ 389,064.68	
Accrued Federal income taxes (subject to review by U. S. Treasury Department)		628,070.78	
Accrued state, local and miscellaneous Federal taxes		182,672.67	
Accrued interest	$ 113,477.49		
Less—Deposit for payment of interest due January 1, 1940	98,021.50	15,455.99	$ 1,215,264.12
EQUIPMENT PURCHASE OBLIGATIONS, 3.3%, payable in monthly installments ($1,224,135.72 due in 1940)—secured by equipment being purchased under conditional sales contracts			3,948,256.84
BONDS ASSUMED (Originally issued by New York Railways Corporation):			
Prior Lien Mortgage 6% Gold Bonds, Series "A", due July 1, 1958 (secured in part by capital stocks of subsidiaries which have been eliminated in the consolidated balance sheet)		$ 3,041,306.48	
Sixth Avenue Purchase Mortgage Forty-Year 5% Gold Bonds, due January 1, 1965		274,915.00	3,316,221.48
RESERVES:			
Depreciation of property and equipment		$ 4,323,526.73	
Injuries and damages and workmen's compensation		347,911.82	
Miscellaneous reserves		60,046.67	4,731,485.22
CAPITAL STOCK:			
Authorized 700,000 shares, without par value—issued and outstanding 486,015 shares		$ 3,165,881.48	
Reserved for exercise of Option Warrants which entitle the holders thereof to purchase stock at $17.50 per share until March 1, 1947—12,068 shares		——	3,165,881.48
DEFERRED CREDIT, arising from contributions by New York Railways Corporation of receivables from Eighth Avenue Coach Corporation			277,105.45
CREDIT IN RESPECT OF AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT, per contra:			
Balance per previous report $6,604,131.84 less amount equal to amortization ($245,777.67) credited to capital surplus			6,358,354.17
CAPITAL SURPLUS, arising principally from certain rights and benefits contributed by New York Railways Corporation per agreement of transfer dated December 24, 1936			990,773.29
EARNED SURPLUS			83,122.63
			$24,086,464.68

AUDITORS' CERTIFICATE

To the Board of Directors,
NEW YORK CITY OMNIBUS CORPORATION:

We have examined the consolidated balance sheet of New York City Omnibus Corporation (a New York corporation) and subsidiary companies as of December 31, 1939, and the statement of consolidated income and surplus for the year ended that date. In connection therewith we examined or tested accounting records of the companies and other supporting evidence and have reviewed the system of internal control and the accounting procedures of the companies by methods and to the extent we deemed appropriate, but we did not make a detailed audit of the transactions.

In our opinion the accompanying consolidated balance sheet and related statement of consolidated income and surplus fairly present the financial position of New York City Omnibus Corporation and subsidiary companies at December 31, 1939 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles maintained by the companies on a basis consistent with that of the preceding year.

New York, N. Y.
March 5, 1940.

ARTHUR ANDERSEN & CO.

New York City Omnibus Corporation and Subsidiaries

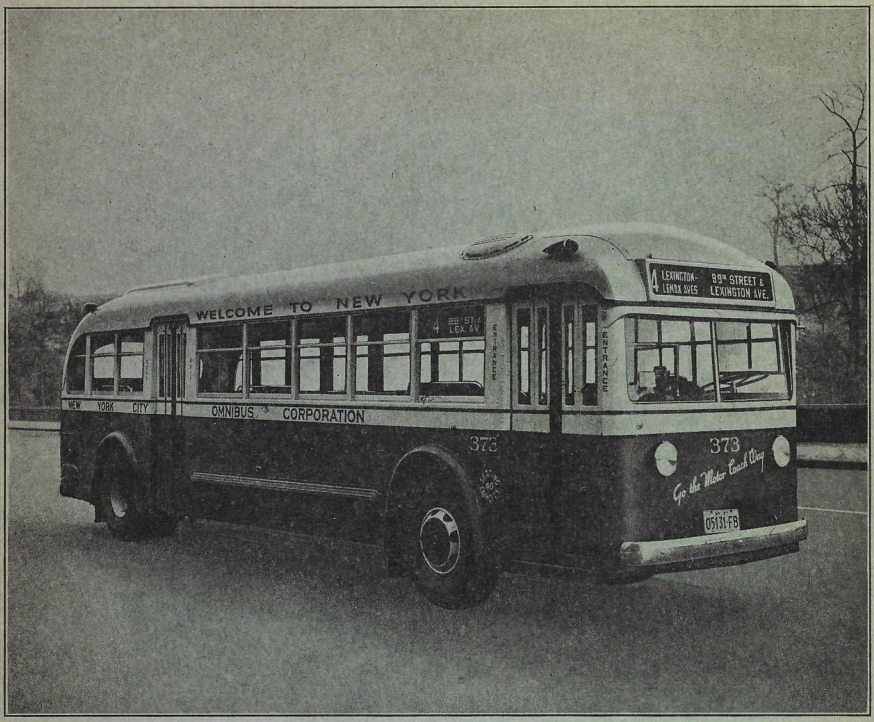
STATEMENT OF CONSOLIDATED INCOME AND SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1939

CONSOLIDATED INCOME

OPERATING REVENUES:		
Coach lines	$12,724,671.12	
Advertising and miscellaneous	56,024.86	$12,780,695.98
OPERATING EXPENSES:		
Maintenance	$ 1,593,633.57	
Depreciation	1,173,642.98	
Traffic and transportation	3,971,724.63	
General	1,326,246.39	8,065,247.57
NET OPERATING REVENUES		$ 4,715,448.41
TAXES:		
State, local and miscellaneous Federal taxes (including gasoline taxes)	$ 1,861,843.94	
Provision for Federal income tax	328,225.77	2,190,069.71
NET EARNINGS FROM OPERATIONS		$ 2,525,378.70
OTHER INCOME		37,662.55
GROSS INCOME		$ 2,563,041.25
INTEREST AND OTHER DEDUCTIONS:		
Interest on equipment purchase obligations	$ 152,624.94	
Interest on bonds	208,765.64	
Federal tax on bond interest, etc.	3,742.31	365,132.89
NET INCOME before provision for amortization of "amount to be amortized on basis of recapture contract in monthly installments" (see note to consolidated balance sheet)		$ 2,197,908.36
Deduct—Provision for such amortization		245,777.67
NET INCOME after provision for such amortization		$ 1,952,130.69

CONSOLIDATED SURPLUS

	Capital Surplus	Earned Surplus
BALANCE, DECEMBER 31, 1938, per previous report	$ 697,150.06	$ 91,036.94
Add:		
Net income for year ended December 31, 1939, after provision for amortization, as above		1,952,130.69
Amount transferred from "Deferred Credit..." representing payment by Eighth Avenue Coach Corporation on account of receivables contributed by New York Railways Corporation	47,845.56	
Amounts transferred from "credit in respect of amount to be amortized on basis of Recapture Contract" in amount equal to amortization on $7,500,000 for the year ended December 31, 1939	245,777.67	
	$ 990,773.29	$ 2,043,167.63
Deduct:		
Dividends		$ 1,939,994.00
Net excess of cost over principal amount of bonds reacquired and retired		20,051.00
		$ 1,960,045.00
BALANCE, DECEMBER 31, 1939	$ 990,773.29	$ 83,122.63



Go the Motor Coach Way

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New York City Omnibus Corporation

* * *

Annual Report To Stockholders, Employees and the Public

* * *

For the Year Ended

December 31, 1940

New York City Omnibus Corporation

DIRECTORS

George J. Atwell
Otis A. Glazebrook, Jr.
John D. Hertz
John D. Hertz, Jr.
David H. Knott
John E. McCarthy
Joseph T. McCarthy
John A. Ritchie
Charles G. Stachelberg
Harold E. Talbott, Jr.
Benjamin Weintraub
Frederic T. Wood
Willis D. Wood

EXECUTIVE AND FINANCE COMMITTEE

John D. Hertz, *Chairman*

Otis A. Glazebrook, Jr.
John E. McCarthy
John A. Ritchie
Frederic T. Wood

OFFICERS

General Offices, 605 West 132nd Street, New York City

John A. Ritchie	*Chairman of the Board*
Frederic T. Wood	*Vice-Chairman of the Board*
John E. McCarthy	*President*
Joseph T. McCarthy	*Vice-President*
Edmund C. Collins	*Secretary and Treasurer*
T. George Walker	*Asst. Secretary and Asst. Treasurer*
Stephen C. Duggan	*Auditor*
Henry J. Smith	*General Attorney*

Stock Transfer Agent
The Commercial National Bank and Trust Company of New York

Stock Registrar — Manufacturers Trust Company

Registrar, Prior Lien Mortgage
Central Hanover Bank and Trust Company

Registrar, Sixth Avenue Purchase Mortgage
Central Hanover Bank and Trust Company

All communications with respect to changes in address, transfers and dividend payments, should be addressed to The Commercial National Bank and Trust Company of New York, 46 Wall Street, New York, N. Y.

Annual Stockholders' Meeting First Tuesday in June

New York City Omnibus Corporation

Office of the Chairman of the Board

605 West 132nd Street

New York, N. Y.

March 28, 1941.

To Stockholders, Employees and the Public:

There are submitted herewith Consolidated Balance Sheet of this Corporation and its wholly-owned subsidiaries, Madison Avenue Coach Company, Inc., and Eighth Avenue Coach Corporation, at December 31, 1940 and Statement of Consolidated Income and Surplus for the year ended December 31, 1940, as certified by Messrs. Arthur Andersen & Co. (See pages 22, 23 and 24.)

Consolidated Income

The following analysis of Income and Expenses for the year ended December 31, 1940 of New York City Omnibus Corporation and subsidiary companies (Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation) has been taken from the Consolidated Income Account referred to above.

Operating Revenues		$12,890,291.55
Operating Expenses:		
Salaries	$ 117,108.39	
Wages	4,640,988.14	
Other Operating Expenses	3,486,339.44	
Total Operating Expenses		8,244,435.97
Net Operating Revenues		$ 4,645,855.58
Taxes		2,396,921.85
Net Earnings from Operation		$ 2,248,933.73
Interest on Securities Owned		40,499.55
Gross Income		$ 2,289,433.28
Interest and Other Deductions		281,021.42
Net Income before provision for amortization of "amount to be amortized on basis of the Recapture Contract in monthly installments" (see footnote to consolidated balance sheet)		$ 2,008,411.86
Deduct—Amortization under Recapture Contract		253,150.62
Net Income After Amortization		$ 1,755,261.24

Amount of Amortization is Available for Dividends

The provision for "Amortization under Recapture Contract" is a charge against the Earned Surplus of the Corporation. However, a like amount is transferred to Capital Surplus from the Account "Credit in Respect of Amount to be Amortized on Basis of Recapture Contract." This amount of $253,150.62 is thus available for distribution as a dividend from Capital Surplus.

Dividends

During the calendar year 1940, the New York City Omnibus Corporation paid dividends to its stockholders aggregating $3.25 per share. Such dividends consisted of four quarterly dividends of 75¢ per share each, and one extra dividend of 25¢ per share. The total amount distributed in dividends for the year was $1,583,639.25.

On March 29, 1940, a quarterly dividend of 75¢ per share was paid to stockholders of record on March 20, 1940, at which time there were 1,982 stockholders with 486,542 shares outstanding.

On June 26, 1940, a quarterly dividend of 75¢ per share was paid to stockholders of record on June 14, 1940, at which time there were 2,056 stockholders with 487,179 shares outstanding.

On September 26, 1940, a quarterly dividend of 75¢ per share was paid to stockholders of record on September 13, 1940, at which time there were 2,113 stockholders with 487,302 shares outstanding.

On December 27, 1940, a quarterly dividend of 75¢ per share, and an extra dividend of 25¢ per share, were paid to stockholders of record on December 18, 1940, at which time there were 2,163 stockholders with 487,872 shares outstanding.

Portion of Dividends Not Taxable

In prior reports to stockholders, attention has been called to the possibility that a substantial portion of the revenues of the Company and of the dividends paid by it to stockholders might be deemed for tax purposes a return of capital and therefore not taxable. In this connection, the following communication dated February 13, 1941, has been received from the Treasury Department, Washington, D. C.:

> "Reference is made to the information return, Form 1096, on which you reported distributions made to your shareholders during the calendar year 1940.
>
> "On the basis of the data furnished by you, and other information on file in this office, it has been tentatively determined that the distributions are 47.59 percent taxable and 52.41 percent non-taxable as dividends to the individual shareholders. If additional information is disclosed in connection with the audit of your income tax return which would materially change this allocation, you will be further advised."

Similar letters were received with respect to 1937, 1938 and 1939, except that the percentages stated in the earlier letters were as follows:

1937 — 49.4901% taxable	50.5099% non-taxable	(See next page)
1938 — 47.89 % taxable	52.11 % non-taxable	
1939 — 46.0241% taxable	53.9759% non-taxable	

However, attention is called to the fact that the communication dated February 13, 1941, and the earlier letters from the Treasury Department are subject to further audit and to the final determination to be made thereon by the Treasury Department.

In view of the difficult questions of fact and law which are involved, there may be a considerable delay before the Treasury Department has completed its audit and a final determination has been made.

As explained in a letter to stockholders dated February 10, 1941, the Company on February 3, 1941 after various conferences had been held with representatives of the Bureau of Internal Revenue, submitted to the Internal Revenue Agent in Charge an offer to settle all issues involved in its 1937 return. If such offer is accepted and the basis thereof applied to the dividends received by stockholders, it is estimated that the dividends received by stockholders during 1937 would be 66.05% taxable and 33.95% non-taxable.

Stockholders will be advised from time to time as to any ruling received from the Treasury Department with respect to this matter.

Retirement of Prior Lien Bonds

The Company has been proceeding with the purchase and retirement of the Prior Lien 6% Bonds of the New York Railways Corporation from the Option Warrant Account and in accordance with the Sinking Fund provisions of the Supplemental Indenture securing such bonds. Up to and including January 1, 1941, bonds in the principal amount of $1,046,000 were retired, and there remained on deposit at the close of the year a balance of $81,546 with the Trustee of the Sinking Fund and $20,215 in the Option Warrant Account.

Traffic

The passenger revenues of New York City Omnibus Corporation, Madison Avenue Coach Company, Inc., and Eighth Avenue Coach Corporation for the calendar year 1940 amounted to $12,867,743.23, as compared with $12,724,671.12 in 1939; $11,913,149.51 in 1938 and $11,501,410.89 in 1937.

During the year ended December 31, 1940, the second year of the World's Fair, the total number of passengers accommodated, including transfer passengers, was 272,355,856. This compares with 268,083,566 for 1939; 251,423,024 for 1938 and 241,591,531 for 1937.

Extension of Routes

During the year 1940 there were granted for a temporary period of six months, the following extensions to the existing bus system:

Ninth Avenue Extension — 3.20 Miles. — **Operation began on October 7, 1940.**

This extension makes it possible to run the Ninth Avenue buses to South Ferry, whereas formerly they ran to Gansevoort Street only. The route followed, in general, is through Hudson Street, Church Street, Trinity Place, State Street and other thoroughfares to the South Ferry, returning via Whitehall Street, Trinity Place, Church Street, Hudson Street, and other thoroughfares to Gansevoort Street.

Sixth Avenue Extension — .95 Miles. — **Operation began on October 7, 1940.**

This extension involves the operation of the Sixth Avenue buses to the South Ferry. Formerly the buses of this line were not operated south of Fulton Street. They are now being run along Church Street, Trinity Place, State Street and other thoroughfares to the South Ferry, returning via Whitehall Street, Trinity Place, Church Street, and other thoroughfares.

Franchise Granted for Additional Routes

Houston Street-Avenue C Route — 3.72 Miles. — **Operation began on August 26, 1940.**

This route extends from 26th Street and First Avenue, via First Avenue, Avenue C, Houston Street, Washington Street, Desbrosses Street and other thoroughfares to the Desbrosses Street Ferry. On the return route, the buses pass through Charlton Street, Houston Street, Stanton Street, Avenue C and other thoroughfares to the point of beginning.

Pitt and Ridge Street Route — 1.31 Miles. — Operation began on August 26, 1940.

This route runs, in general, from Houston Street and the East River Drive, via Houston Street, Ridge Street, Montgomery Street, and South Street to Clinton Street, returning via Clinton Street, Water Street, Gouverneur Street, Pitt Street, Houston Street and other thoroughfares to the East River Drive.

Source and Distribution of Operating Revenues

Operating Revenues for the year of $12,890,291.55 consist of the following:

Fares Collected	$12,867,743.23	
Advertising	8,238.70	
Miscellaneous	14,309.62	
Total Operating Revenues	$12,890,291.55	
To which should be added the interest on securities made up principally of amounts required to be placed on deposit on account of Franchise Contracts, Self-Insurance for Workmen's Compensation and Accidents and Damages, etc.	40,499.55	
Total Operating and Non-Operating Revenues for the Year Were		$12,930,791.10

How the Year's Revenues Were Distributed:

Taxes:		
City Taxes	$ 811,184.04	
State Taxes	839,878.60	
Federal Taxes	745,859.21	
Total Taxes		$ 2,396,921.85
Cost of:		
Materials used in Maintenance and Operation of:		
Buses	$ 826,452.78	
Buildings	73,159.58	
Machinery and Tools	3,753.10	
Snow Plows, Trucks and Other Items	64,551.00	
Gasoline, Fuel Oil and Lubricants	531,831.68	1,499,748.14
Insurance—Fire, Explosion, Safe Burglary, Excess Public Liability, etc.	$ 42,513.91	
Group Life and Health Insurance for Employees	13,711.61	
Amortization of Organization Expenses	14,812.80	
Legal Services and Expenses	46,389.51	
Transfers, Registers, Bus Stop Signs and Rest Room Facilities	27,349.41	
Stationery and Printing	11,620.28	
Sand for Roadway	3,590.88	
Interest on Deferred Equipment Payments	93,773.93	
Interest on Funded Debt	180,858.67	
Rents for Operating Properties	123,066.66	
Miscellaneous Items	47,921.47	605,609.13
Reserves:		
For Injuries and Damages	$ 479,090.19	
For Depreciation of Buses, Buildings and Other Property	1,182,913.40	
Total Reserves		1,662,003.59
Total of Taxes, Reserves and Other Operating Expenses (Other than Salaries and Wages)		$ 6,164,282.71
Income from Operation—Before Salaries and Wages		$ 6,766,508.39
Salaries	$ 117,108.39	
Wages	4,640,988.14	4,758,096.53
Net Income (Before Provision for Amortization)		$ 2,008,411.86
Deduct—Amortization Under Recapture Contract		253,150.62
Net Income After Amortization		$ 1,755,261.24

Taxes

The taxes of the New York City Omnibus Corporation and of its subsidiaries absorbed a substantial part of the total revenue of the system and are a heavy burden upon the operation.

The total amount of taxes assignable to operating and non-operating revenue, including franchise payments, applicable to the year ended December 31, 1940, was $2,396,921.85, which is equal to 18.6% of the total operating revenue of the companies, and 11.31¢ per bus mile operated. The total amount of taxes for 1940 was $206,852.14 more than for the year 1939.

The Following So-Called Social Welfare and Emergency Taxes for 1940 Have Been Imposed by Legislation Enacted During Recent Years:

New York City Utilities	$135,745.96		
New York City Sales and Personal Property	31,394.20	$167,140.16	
New York State Utilities	$257,330.72		
New York State Gasoline and Fuel Oil	343,038.30		
New York State Unemployment	123,993.58	724,362.60	
Federal Gasoline	$ 99,989.58		
Federal Old Age Pension	45,925.79		
Federal Unemployment	13,777.06	159,692.43	$1,051,195.19

In Addition to the Foregoing So-Called Social Welfare and Emergency Taxes of Recent Origin, the Following Normal-Business Taxes were Applicable for the Year 1940:

New York City:			
Real Estate	$ 79,628.82		
Franchise	523,768.86		
Triborough Bridge Tolls	40,646.20	$644,043.88	
New York State:			
Franchise	$ 38,571.64		
Gross Earnings	67,736.81		
Vehicle Licenses	9,207.55	115,516.00	
Federal:			
Income (as per provision made on books)	$543,067.46		
Capital Stock	39,286.85		
Miscellaneous	3,812.47	586,166.78	1,345,726.66
Total All Taxes			$2,396,921.85

It will be noted that:

(a) The so-called social welfare and emergency taxes for 1940, amounting to $1,051,195.19, all of which have been imposed by legislation enacted during recent years, have come within $294,531.47 of "doubling" the normal tax burden of the Company:

(b) Total taxes accrued for the year amounted to	$2,396,921.85
Net Income after Amortization amounted to	1,755,261.24
Government's "take" in the form of taxes exceeded that which was left for the owners of the property by	$ 641,660.61

and

(c) Taxes must be provided for before wages are paid. The "direct" taxes paid by the Company, per person employed, for the years 1937, 1938, 1939 and 1940, were as follows:

	Average Number of Persons Employed	Average Compensation, Including Unskilled, Part Time and Seasonal Employment	"Direct" Taxes per Employee Borne by Company	Per Cent of "Direct" Taxes Paid by Company per Employee to Average Compensation
1940	2,248	$2,039.16	$1,065.77	52.27%
1939	2,192	2,067.51	998.59	48.30%
1938	2,142	1,866.71	981.50	52.58%
1937	2,155	1,784.21	905.53	50.75%

It will be seen that, for each $100 paid in wages to employees, the Company paid in taxes, in 1937 $50.75; in 1938 $52.58; in 1939 $48.30, and in 1940 $52.27.

3% Utility Tax for Emergency Relief

All business generally within the City is taxed for relief purposes at the rate of one-tenth of one per cent. on gross receipts. This compares with the utility tax paid by this Corporation and its subsidiaries amounting to 3% on every dollar of gross earnings.

Relief expenditures, it would seem, should be viewed and accepted as of equal concern and equal responsibility to everyone. They are a burden which should rest upon the entire community with equality to all. It will be observed, however, that in this instance public utilities have been penalized at a ratio 30 times (3,000 per cent.) that imposed on other business generally. In that discrimination there is neither logic nor equity. To the contrary, those responsible originally for the enactment of this arbitrary tax law, as well as those subsequently responsible for its continuance, not only refuse to attempt to justify the reasonableness of this discriminatory measure but apparently admit that it is unfair and unjust.

There is no desire on the part of this Corporation and its subsidiaries to escape in the slightest measure assuming its full share of the cost of government and, more especially, the cost of relief for those so unfortunate as to be out of employment. To the contrary, we are willing and anxious to do our full share toward the relief of the less fortunate in the payment of taxes, such as everyone else contributes to the welfare of society. Management's contention in respect to this 3% utility tax for emergency relief is that it is decidedly unfair that this Corporation and its subsidiaries, or any public utility transportation company operating in New York City, should be forced to pay a "special" tax which no other industry pays. This tax is discriminatory and unjust.

Franchise Tax 3% on Routes Where Street Railway Properties were Scrapped and 10% on Newly Acquired Crosstown Routes

New York City is understood to be the only city within the State of New York which exacts a percentage of gross earnings from public utility transportation companies as a franchise tax. No other class of business in the City of New York pays a special tax in any measure comparable to this franchise tax.

The operation of buses by this Corporation and its subsidiaries upon its routes is limited in its legal rights to the use of only such streets as are specified in its franchises. Freedom of movement over city streets and state highways is extended to all large trucking concerns. Freedom of movement over all city streets is granted to taxicab operators. Freedom of movement is granted to all other extensive users of city streets, such as trucking companies operating in interstate and intrastate service, as well as for general delivery purposes within the city limits. For the use of the city streets none of these other large users pays any percentage of gross earnings as a franchise tax or the 3% utility tax for emergency relief.

A common carrier public utility company whose rate of fare is fixed by contract, by franchise or by usage cannot pass on to the consumer (in this case the rider) the increased costs of mounting taxes, of higher wages and of greater prices involved in the purchase of all materials and supplies. Other industries can and do pass on to the consumer such increased costs by increasing the price of their products and of their services.

To every fair-minded person the foregoing should constitute, it would seem, a cogent reason why public utility transportation companies such as this Corporation doing business in New York City should not be required to pay a franchise tax of 3% and 10% of gross earnings and in addition thereto the 3% utility tax for emergency relief, which latter goes in part (1%) to the City and in part (2%) to the State.

The data immediately preceding relate to the "outgo" of the Corporation and its subsidiaries in the payment of taxes. Excessive tax payments made by the Corporation and its subsidiaries in the past cannot be changed. However, the probable effect of continued excessive tax payments on future income of both worker and Company, is a matter of pressing concern. It is a problem which should immediately excite the searching curiosity and engage the best thought of the workers themselves and those who represent them in collective bargaining.

Upward Trend of Wage Rates

In the years immediately prior to entering into contractual relations with the Transport Workers Union, the Company had granted voluntary increases as follows:

Motormen Trolley Lines—New York Railways Corporation

Rate of Pay Per Hour

	Minimum	Maximum
January 1, 1935 (slightly more than 6 years ago)	48¢	67¢

Bus Operators (Chauffeurs)—New York City Omnibus System

Rate of Pay Per Hour

	Minimum	Maximum
Effective February 1, 1935	50¢	67¢
Effective April 19, 1936	56¢	69¢
Effective January 3, 1937	61¢	74¢

Subsequent to entering into contractual relations with the Transport Workers Union the following increases have been granted:

Effective July 22, 1937	61¢	82¢
Effective January 1, 1939	61¢	90¢

The following statement shows the average weekly and annual wages actually paid to employees of the Company:

Average Weekly and Annual Wages of Employees by Classifications for the Year Ended December 31, 1940

Classifications	Average No. of Employees Working	Average Wages	
		Per Week	Per Annum
Bus Operators (Chauffeurs)	1,423	$40.89	$2,126.51
Garage Employees:			
Greasers	3	29.41	1,529.14
Placers	20	34.77	1,807.88
Gasers	4	30.23	1,572.08
Oilers	8	29.61	1,539.83
Floor Cleaners	13	29.60	1,539.04
Mechanics	152	39.09	2,032.64
Mechanics Helpers	18	33.56	1,744.88
Battery Repair Mechanics	2	37.59	1,954.48
Washers and Cleaners	81	30.13	1,566.51
Electricians	12	38.34	1,993.43
Register Inspectors	4	28.91	1,503.09
Truckmen	3	38.51	2,002.33
Battery Men	4	28.96	1,505.66
*Average Wage of all employees — skilled and unskilled		$39.21	$2,039.16

*Exclusive of Officers.

Average hourly rate, average weekly hours worked and average weekly earnings in the Urban Transportation Industry generally, as reported by the United States Department of Labor as of January 1941:

Average Hourly Rate	72 cents
Average Weekly Hours	45.5
Average Weekly Earnings	$33.45

For purposes of comparison with earnings statistics of employees of this Corporation, below are shown statistics from the United States Department of Commerce (Bureau of Foreign and Domestic Commerce) as to the per capita wages paid in certain selected industries for the period from 1929 to 1939 inclusive, together with statistics from the Bureau of Labor showing the relative cost of living for each of the ten years from 1930 to 1939 inclusive, as contrasted with the cost of living for the year 1929, which latter serves as the base cost:

Per Capita Total Wages (Full Time Equivalent) Selected Industrial Divisions

	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939
Selected Industries	$1,400	$1,318	$1,181	$ 970	$ 918	$ 995	$1,069	$1,158	$1,266	$1,159	$1,237
Mining	1,399	1,291	1,069	872	870	985	1,024	1,127	1,218	1,113	1,184
Manufacturing	1,299	1,211	1,083	877	852	940	1,014	1,094	1,208	1,090	1,172
Contract Construction	1,764	1,670	1,519	1,322	1,025	1,032	1,059	1,197	1,360	—	—
Transportation (1)	1,630	1,583	1,510	1,301	1,278	1,344	1,488	1,584	1,638	1,677	1,710

(1) Includes only steam railroads, Pullman, railway express, and water transportation.

Cost-of-Living Index

	Percentage of 1929										
	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939
Bureau of Labor Statistics— Cost-of-living index	100.0	97.5	89.1	80.2	76.2	79.1	81.1	82.1	84.7	83.4	82.6

Trend of Living Costs in New York City as Reported by

National Industrial Conference Board

	Index Number Jan. 1939 = 100
Jan. 1941	101.8

United States Department of Labor

	Index Number 1935-39 = 100
Jan. 1941	101.2

Wage Agreements Negotiated with Officials of Transport Workers Union

First Contract

On June 22, 1937 the employees of New York City Omnibus Corporation, Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation, other than clerical and supervisory employees, held an election in which the Transport Workers Union of America, affiliated with the Congress of Industrial Organization, was selected as the bargaining agency to represent them in negotiations with the management with respect to wages and working conditions.

Subsequent conferences with the Union officials resulted in an agreement for a closed shop and an increase in the wage scale, effective July 22, 1937. Under this agreement the maximum rate for bus operators was increased from 74¢ per hour to 82¢ per hour, or almost 11 per cent.

Second Contract

The first agreement with the Transport Workers Union of America expired on December 31, 1938. During the month of December, frequent and protracted negotiations in eleven conferences took place between the management of the Company and the officials of the Transport Workers Union representing the employees, which finally resulted in the contract effective January 1, 1939. Under this contract the maximum rate for bus operators was increased from 82¢ per hour to 90¢ per hour, a further increase of about 10 per cent., or a total increase of 22 per cent. in eighteen months.

Union Comments on Second Contract with New York City Omnibus Corporation

(From the February 1939 issue of the Transport Bulletin, Page 1-14)

"The Transport Workers Union established the highest hourly rates and won many outstanding improvements for two thousand members employed by the N. Y. C. Omnibus Corporation, largest bus system in the City, under a contract signed with the management of the company on December 31, 1938, when the old agreement expired. A rise of eight cents an hour brought the top rate for drivers up to 90 cents, the highest in the U. S. for such type of transportation, and corresponding increases were won for all other operators and garage employees."

Additional Costs Involved by Contracts with the Transport Workers Union

Translated into dollars and cents, the "cumulative" effect of the awards granted the men in collective bargaining with officials of the Transport Workers Union has—for the period from July 22, 1937 to February 28, 1941 inclusive (January and February 1941 estimated)—caused the Company an additional cost in operation of $2,557,192.22.

To put it another way:

The estimated cost of the increase in rates of pay and for additional concessions was for last 5 months, 10 days of 1937 and the full year 1938	$ 578,603.55
2 Years—1939 - 1940	1,820,288.06
Estimate—First 2 months—1941	158,300.61
Total	$2,557,192.22

Vacations With Pay

Motormen and other employees paid by the hour did not receive any vacations with pay from New York Railways Corporation.

On July 1, 1937, a plan was voluntarily made effective by the Company under which a vacation of one week with pay was granted annually to each employee of the New York City Omnibus Corporation and its subsidiaries, who had been in the service at least one year as of July 1, 1937. In the contract made with the Transport Workers Union of America the above plan was modified to provide one day's vacation annually for each two months of service to each employee who, as of July 1, 1937, had been in the service for at least six months but who had not been in the service for a period of at least one year.

In July, 1938, the arrangement was further modified to provide for the granting of two weeks' vacation with pay to everyone who had been in the service on July 1, 1938, for a period of five years or more, and the granting of one week's vacation with pay to each employee who, on July 1, 1938, had been in the service for a period of anywhere from six months to five years.

In January, 1939, the arrangement was further modified to provide for the granting of two weeks' vacation with pay to everyone who had been in the service on June 1, 1939, for a period of three years or more and the granting of one week's vacation with pay to each employee who on June 1, 1939, had been in the service for a period of anywhere from six months to three years.

The arrangement as of July 1, 1937, as subsequently modified, cost the Company about $62,000.00 per year for the vacations as therein provided, and the arrangement which became effective on July 1, 1938, involved the payment of about $47,000.00 additional to cover the cost of the annual vacations which were provided by that plan.

The arrangement effective as of January 1, 1939, increased this cost for vacations still further by an amount estimated to be about $46,000.00 a year, a total annual cost to the Company for vacations, under the new arrangement, of $155,000.00 in round figures.

Free Transportation

The company gives to each employee, and to the wives of married employees, passes over the lines of its system, which constitute a substantial saving in the family budget of the men concerned.

Negotiations for New Wage Agreement

The agreement with the Transport Workers Union dated January 18, 1939, expired by limitation on February 28, 1941. On February 19, 1941, the Union submitted demands for wage increases and other concessions.

On March 4th, the Company submitted to the Union an analysis of the demands presented by the Union and an estimate showing the annual additional cost of the demands to be $2,002,681.04. This figure applies to that portion of the demands which can be estimated. There are certain phases of the demands, the cost of which it is not possible to estimate at this time. The analysis of these demands—by items—will be found on Pages 18, 19 and 20 of this report.

In the conferences which ensued, the Company proposed to the Union that the existing rates of pay be continued, and that all other terms and provisions of the contract which expired on February 28, 1941, and all working conditions be continued; except that the Company proposed (a) the elimination of the

Sick Benefit Fund and (b) the elimination of pay for employees not working on holidays, because it felt that there was no justification for these two provisions in precedent, in logic or in fairness. The Company informed the representatives of the Union that the Company was willing (a) to mediate or (b) to arbitrate or (c) to extend the existing contracts for 30, 60 or 90 days or such time as might be necessary to iron out any differences. The Union representatives refused all of these offers.

On Saturday evening, March 8th, the following telegram was received by the Company from the Union:

FOLLOWING RESOLUTION UNANIMOUSLY ADOPTED BY MEMBERS OF TRANSPORT WORKERS UNION EMPLOYED NEW YORK CITY OMNIBUS CORPORATION AND SUBSIDIARY COMPANIES MEETING MARCH 7 AND 8 1941 WHEREAS AFTER PROLONGED NEGOTIATIONS THE NEW YORK CITY OMNIBUS CORPORATION HAS ARBITRARILY REJECTED EACH AND EVERY ONE OF THE DEMANDS OF THE TRANSPORT WORKERS UNION OF AMERICA FOR INCREASED WAGES SHORTER WORKING HOURS AND IMPROVED WORKING CONDITIONS BE IT RESOLVED THAT ALL EMPLOYEES OF THE NEW YORK CITY OMNIBUS CORPORATION GO OUT ON STRIKE IN SUPPORT OF SAID DEMANDS ON MONDAY MARCH 10TH 1941—

AUSTIN HOGAN PRESIDENT TRANSPORT
WORKERS UNION OF GREATER NEW YORK

On Sunday, March 9th, the Company sent the Union the following telegram in reply:

RECEIPT IS ACKNOWLEDGED OF YOUR TELEGRAM OF LAST EVENING ANNOUNCING CALLING OF STRIKE FOR MONDAY MARCH TENTH NINETEEN FORTY-ONE THIS COMPANY URGES THAT YOU RECONSIDER THIS ACTION AND WISHES TO REPEAT ITS OFFER TO ARBITRATE OR TO MEDIATE OR TO EXTEND EXISTING CONTRACT FOR THIRTY SIXTY OR NINETY DAYS OR WHATEVER TIME MAY BE NECESSARY TO IRON OUT ALL DIFFERENCES.

NEW YORK CITY OMNIBUS CORPORATION
JOHN A RITCHIE CHAIRMAN OF THE BOARD

On March 8th and 9th, Mayor LaGuardia intervened and endeavored to persuade the Union officials to enter into arrangements for the determination of the matter without resorting to a strike. The strike was nevertheless called by the Union on the early morning of March 10th. There followed repeated conferences of the Mayor with the Union officials and with the officials of the Company.

On March 12th, the Mayor announced that both parties to the controversy had agreed to meet with Arthur S. Meyer, Esq., Chairman of the State Board of Mediation. The latter reached New York City on the morning of March 13th and mediation conferences at once ensued. Mr. Meyer's efforts were not successful and he retired as mediator on March 15th. Further efforts were thereupon made by Mayor LaGuardia to induce the men to return to work and agree that the matters in controversy should be settled by arbitration. This suggestion to arbitrate—which this Company prior to the strike and repeatedly during the strike had proposed—was again declined by the Union officials. The Union, however, modified its demands upon the Company to provide that acquiescence therein should not cost the Company in excess of $750,000 a year.

Then on the evening of March 19th, in accordance with the Mayor's program, as previously announced, the Mayor named as members of a Fact-Finding Board, Dr. Noel T. Dowling, Nash Professor of Law at Columbia University; William S. Menden, Esq., former President of the Brooklyn and Manhattan Transit System and Thomas E. Murray, Esq., former Federal Receiver of the Interborough Rapid Transit Company.

This Board after holding hearings made its report to the Mayor on the evening of March 20th in which it recommended that the men should immediately return to work and that the matters of wage increases and other concessions (with the top limit of additional cost of $750,000 per year) be submitted to an arbitrator acceptable to the Company and to the Union.

On March 21st, the Mayor announced that William H. Davis, Esq., formerly Chairman of the New York State Board of Mediation, and at present a member of the National Defense Mediation Board would act as arbitrator with the consent of both parties. Full bus service on the lines of this System was resumed on the morning of Saturday, March 22nd.

The arbitration proceedings will not be completed until after this annual report of the Company has gone to press.

New Philosophy of Employee Relations

The philosophy of certain of those presently representing workers in collective bargaining, as well as that of some of the workers themselves, as evidenced by their demands and their attitude in negotiations for new rates of pay and other concessions, appears to be premised entirely on the theory of "take-everything" and "give-nothing," **without any thought of future consequences to workers and all others concerned.**

The foregoing attitude is in no small measure due to the encouragement and instructions given workers immediately preceding negotiations for a new labor contract, to submit every possible concession they could think of to be incorporated in the new demands, without adding any caution as to the reasonableness of such demands and the financial ability of the Company to entertain them.

This results in the submission of many thoroughly unreasonable and wholly fantastic demands, consideration of which is forced upon those representing the men in collective bargaining, many times contrary to their own best judgment and despite their realization that it is financially impossible for the Company to meet such demands.

This, in turn, is more apt to engender resentment and ill-feeling between the two organizations than to promote harmony, inspire confidence and engender the good will and patience essential amicably to reach equitable conclusions.

It would be unfair if we failed to acknowledge, at this point, that, after having been confronted with the necessity of presenting many unfair and financially impossible demands, those representing the men in collective bargaining with the Company have never shown, prior to these recent negotiations, a lack of patience or an unwillingness to devote whatever time seemed necessary to complete consideration of all arguments and data which management has advanced and submitted; but, at no time in the past

has a settlement finally been reached on logical and reasonable consideration of economic facts. The result is that the existing level of rates of pay and other benefits cannot and should not be accepted as a proper basis or starting point for the consideration of additional new demands. That this is true is clearly shown by the present progressively downward trend in net earnings notwithstanding increase in gross earnings, as follows:

	1940	Percent	1939	Percent	1938	Percent	1937	Percent
Gross Operating Revenues	$12,890,291.55	100	$12,780,695.98	100	$11,959,573.09	100	$11,552,019.57	100
Operating Expenses	$ 8,145,263.55	63.2	$ 7,954,343.32	62.3	$ 7,135,471.38	59.6	$ 6,782,723.52	58.7
Taxes Assignable to Operation	2,372,004.19	18.4	2,165,308.74	16.9	2,079,711.56	17.4	1,922,294.01	16.6
Rents, Interest on Equipment Obligations, etc.	373,486.41	2.9	473,857.08	3.7	547,940.37	4.6	586,002.47	5.1
Total Charges Against Operation	$10,890,754.15	84.5	$10,593,509.14	82.9	$ 9,763,123.31	81.6	$ 9,291,020.00	80.4
Net Earnings from Operation	$ 1,999,537.40	15.5	$ 2,187,186.84	17.1	$ 2,196,449.78	18.4	$ 2,260,999.57	19.6
Add Non-Operating Income from Interest on Investment (less taxes applicable to such Non-Operating Income)	8,874.46	.1	10,721.52	.1	14,324.72	.1	**4,379.65**	**.1**
Net Income before provision for amortization of "amount to be amortized on basis of recapture contract in monthly installments"	$ 2,008,411.86	15.6	$ 2,197,908.36	17.2	$ 2,210,774.50	18.5	$ 2,256,619.92	19.5
Deduct—Provision for such amortization	253,150.62	2.0	245,777.67	1.9	238,618.57	2.0	231,668.84	2.0
Net Income after provision for such amortization	$ 1,755,261.24	13.6	$ 1,952,130.69	15.3	$ 1,972,155.93	16.5	$ 2,024,951.08	17.5

Bold face figures indicate loss.

Collective Bargaining

The National Labor Relations Act and the laws of this State make it clear that the employer is **obligated** to bargain collectively with the representatives of a majority of his employees.

In an annual report of two years ago, this management publicly evinced its complete recognition of this obligation in the following language:

> "Unionism is here to stay, and apparently, on an increasing scale in membership, as well as on a basis of wider scope in activity.
>
> Industry generally recognizes this fact and has accepted at its full face value the principle of collective bargaining."

A fair, unbiased interpretation of any statute presupposes the intent of Congress to have been that there shall be **reasonable** equality of obligations and rights between all groups of the citizenry.

The rights of labor are fully protected by Federal and State statute.

The rights of capital are traditional in our political philosophy, which recognizes and protects property, as well as personal rights even to the extent of imposing restraints upon Government in the Federal and State Constitutions.

Labor, as a matter of equity, is entitled to a fair wage—a wage sufficient to provide an adequate standard of living—and to proper working conditions.

Capital, as a matter of equity, is entitled to a fair return on its investment. Whether such a return will be realized represents a risk assumed wholly by the investor.

On the other hand, labor assumes none of the financial risks involved in supplying necessary plant and equipment for the production of goods and service.

It is by the investor's willingness to "risk" his capital that old jobs are maintained and new jobs created, with the "job-holder" holding first lien on gross earnings, regardless of whether the investor wins or loses in the venture.

Other Considerations

It is one thing, however, to approach collective bargaining with no other thought in mind than to procure for the workers through their representatives for collective bargaining every conceivable concession in respect to increases in rates of pay, improved working conditions, vacations, sick leave, and the like, and quite another thing to approach the subject intelligently from the standpoint of what is reasonable both as applied to the **prevailing rate of wage in the industry, in the community and generally throughout the country** and as applied to the ability of the Company to meet such demands. To ignore the rights, comfort and benefits of any one group of those vitally concerned—the riding public, the employee, the investor and management—is in the last analysis to defeat the very purpose of collective bargaining, since to impose upon any one of these four groups economic and social conditions which are destructive must in the end weaken the structure as a whole, financially and otherwise.

Among a small minority of workers there appears to have developed in recent years a philosophy that their personal interests lie in "doing everything we can to get more for less work and in doing nothing which might be beneficial or helpful to the company for which we work." The fallacy of such philosophy is so apparent as to require no extended elaboration.

In the interest of the worker it would seem that a much more constructive and reasonable philosophy would be, "Let's do all we can to improve the financial status of the Company so that when reasonable demands are made, it cannot in fairness refuse to grant them."

Under such a philosophy the man, who at any time fails to give of his best, would be acting against the interest of his fellow workers.

The prompt establishment of such an enlightened economic philosophy therefore is a matter of pressing social importance. This calls for greater general knowledge on the part of workers and those who represent them, of the political and the economic problems which confront public utility carriers. It would seem that this may be accomplished in three ways:

(a) By placing at the disposal of workers with great simplification the essential economic factors

and

(b) By inculcating a greater spirit of cooperation and a greater trust and confidence as between the worker and management

and

(c) By more complete understanding of the fact that the economic welfare of the worker and of the Company for which he works are in the last analysis inseparable; and that the prosperity of one is dependent upon the prosperity of the other.

Contractual Relations

Every forward looking and enlightened contract between management and labor should recognize three cardinal principles, namely

Reciprocal Rights
Reciprocal Advantages
and
Reciprocal Responsibilities.

There are many recent instances of enlightened Union leadership giving complete and full recognition to these three cardinal principles.

To cite a few:

(*Extract taken from the speech given by Daniel Tobin, President of the Teamster's Union, at the recent convention in Washington*):

"Our organizations have it in their blood that every time a wage contract expires there must be an increase in wages in the new contract. I now state to you that there is a point of saturation for wages and hours, and that if you go beyond that point, or even if you reach that point in some instances, you can rest assured that you will destroy the employment and thereby destroy yourselves. Those of us who worked 12 hours a day never thought we could establish the eight-hour day. Those of us who received $12 a week never believed we could establish an almost universal wage of $35 to $40 per week. Still we find our members are not satisfied, and the pity of it all is that we find officers who will not courageously advise their members that they are treading on dangerous ground in demanding conditions and wages that the industry cannot carry."

"THERE SHOULD BE AN AMENDMENT TO THE TEAMSTERS' CONSTITUTION," MR. TOBIN STATED, "NOT EMPOWERING BUT COMPELLING THE INTERNATIONAL UNION TO PUT OUT OF OFFICE LOCAL OFFICERS OF OUR UNION WHO ENCOURAGE AND FOSTER AND INCITE THE MEMBERSHIP TOWARDS ASKING FOR IMPOSSIBLE CONDITIONS, THEREBY RISKING THE DESTRUCTION OF THE EMPLOYMENT AND THE UNION."

(*From New York Times of Dec. 28, 1940*)

LABOR IN A NEW ROLE

When employers and unions agree on a plan for the benefit of their industry, and of the community which it serves, before proceeding to discuss a new contract for hours, wages and working conditions, the public may well pay respectful attention. This has actually happened in the case of the International Ladies Garment Workers Union and the employers with whom they deal. On the initiative of Julius Hochman, general manager for the Union's Dress Joint Board, the industry's spokesmen yesterday accepted a two-fold program.

First, there will be a promotion campaign to study and stimulate the distribution of women's dresses produced in the New York area. Advertising, publicity, educational work with retailers, research into costs and prices, and, it is hoped, two big fashion shows a year in New York City will be among the means used.

Second, the union has made, and the employers are studying, *suggestions for eliminating waste and increasing efficiency in manufacture.* The industry has grown without planning and on an individualistic scale. There is probably a wide field for improvements which will centralize at least some of the manufacturing processes, with resultant gains to business, labor and the consumer.

A promotion budget of $1,500,000, of which the employers will furnish two-thirds, has already been accepted by the industry's leaders. President David Dubinsky of the I.L.G.W.U. has pledged $100,000 from his organization. The outlook is bright, not only for a widely beneficial progress in the industry, but for increasingly harmonious relationships between employers and employed. If, as has been stated, this is the first time in American labor history in which a program of this nature has been proposed by a union, it is a precedent full of promise.

Commenting on the Hochman plan, Time, in its issue of February 24, 1941 (Page 86) has this to say:

Julius Hochman, like his boss David Dubinsky, is an old-line Socialist who never lets his Marxian precepts interfere with the practical job of running a union. This was not his first venture in "class collaboration"; Dress Joint Board has been policing the chaotic dress industry's standards of competition (as well as its labor standards) for many years. Nor is D.J.B. the only union to have done so. Philip Murray's own S.W.O.C. claims to have saved three steel companies from bankruptcy by cooperating in efficiency programs; last week it offered similar assistance to unprofitable Lebanon Steel & Iron Co., whose stockholders were about to vote on a plan to liquidate.

But Hochman's "efficiency clause" represented a new high-water mark in labor statesmanship — a genuine union effort to make its industry profitable. Said he: "The state of the industry is . . . not something remote and foreign to the workers but something on which their very bread and butter depends."

Importance of Courtesy and Co-operation

The riding public must be sold on the advantages of mass public transportation over that provided by the private car and taxicab, and no other one thing will aid more in the selling of our service to the general public than unfailing courtesy and strict attention to the needs and wishes of our patrons.

Bus operators are accepted by the public as the management's representatives; it is largely by their attentiveness to duty and by their acts of courtesy and efficiency and their amiability in answering questions that the policy of management and the efficiency of our service is judged. They can help greatly in further improving the relationship of passengers and the Company and thus attract additional patronage to our service.

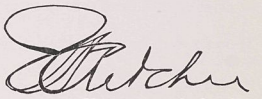
Conversely, through inattentiveness to their duties and through an attitude of arrogance and discourtesy, bus operators can do much toward driving business from us and in bringing not only the Company into general disrepute with the public it serves but, likewise, discourteous and arrogant acts operate to bring into disrepute the reputation of the Transport Workers Union, of which they are members. It must be obvious, therefore, to all members of that organization that when bus operators, through inattentiveness to duties and through discourtesy and arrogance, build up a feeling of ill-will on the part of our patrons, they are working directly against the interest and general welfare of every member of the organization.

It is a fact, however, that cannot be denied that there is evidence of some break-down in the high morale which for years has prevailed throughout the rank and file.

It is most gratifying to say, however, that this let-down in courtesy and efficiency is limited to a minority of our men, the large part of whom have been in our service for a lesser number of years than the majority whose attitude toward those they served and toward management remained steadfast to the virtues of courtesy and efficiency.

Analytical Study of Union Demands

An analytical study has been made of the demands addressed to the New York City Omnibus Corporation by the Transport Workers Union and in this study, statistical and historical data have been assembled. As long as the supply lasts the Company will be glad to send a copy of this study to those who may request it.



Chairman of the Board.

New Demands on New York City Omnibus Corporation Presented by The Transport Workers Union on February 19, 1941 and Estimated Increased Cost Thereof

Transportation

	Estimated Increases In Annual Cost Based on 1940 Operation
1. Starting rate of 75¢; top rate of $1.12½ per hour to be paid upon completion of one year of service. Ten cents an hour extra to be paid for driving buses with a seating capacity exceeding that of the present buses	$ 799,514.53
2. No employee shall receive less than $25. per week	No Estimate
3. No regular employee shall be paid for less than eight (8) hours per day; swing time exceeding one hour shall be paid for at regular hourly rates; work performed in excess of eight (8) hours and work performed after the expiration of ten (10) hours from the time of reporting shall be paid for at the overtime rate of time and a half	381,905.34
4. Extras shall receive pay for not less than eight (8) hours on any day during which they take out a run, and they shall be paid overtime at the rate of time and a half for all work performed in excess of eight (8) hours as well as for all work performed after the expiration of ten (10) hours from the time of reporting	Included in figures shown for Item No. 3
5. Employees having more than one (1) year of service shall receive three (3) weeks vacation with pay	131,475.25
6. All employees shall receive eight (8) holidays with pay in each year. Employees whose services are necessary on any holiday shall, within thirty (30) days after such holiday occurs, be allowed another day off with pay	74,844.89
7. $25,000 per year for sick leave allowances to be distributed according to rules promulgated by the Union	15,789.25
8. Employees performing snow work shall be paid 10¢ per hour in excess of regular rates, and snow work performed after nine (9) hours of work or after the expiration of ten (10) hours from the time of reporting shall be paid at the rate of one and one-half times the regular snow rate. In addition, employees performing such snow work shall receive 75¢ for lunch after four (4) hours of work	346.76
9. Fifteen (15) minutes with pay shall be allowed for turning in money	115,123.19
10. The company shall provide insurance against hold-ups while on the job	2,000.00
11. Pay shall be given for time spent in travelling from one garage to another to obtain or deliver a bus or to turn in money	—
12. Seniority shall be restored to employees who lost same as a result of 1916 strike	—
Total Transportation	$1,520,999.21

Maintenance

1. The rates of mechanics shall be increased so as to equal the top rate of bus drivers; the rates of all other garage employees shall be increased by 25%, but in no event shall any employee be paid less than $25. per week	$ 165,970.29
2. Greasers, batterymen and oilers shall be classified as and receive the rates of mechanics' helpers	9,247.81
3. Bodymen shall receive the same rates as mechanics; bus placers shall receive the same rates as helpers	8,640.06
4. Cleaners on the night shift shall receive 5¢ more per hour than cleaners on the day shift	6,342.30
5. Engine cleaners shall receive 5¢ per hour more than other cleaners	939.60
6. Firemen and boiler-room men shall receive fifty-two (52) weeks of employment in each year	19,245.22
7. Drivers of heavy trucks shall receive the mechanics' rates; drivers of light trucks shall receive helpers' rates	2,221.01
8. Building mechanics shall receive mechanics' rates	4,705.29
9. No work which can be done in the garage shall be done by outsiders	No Estimate
10. Eight holidays with pay for all employees. One-half of the night crew shall take its holiday with pay on the night immediately preceding the holiday and the other half of the night crew shall take its holiday with pay on the night of the holiday. Employees who are required to work on any of the eight (8) holidays shall be paid therefor at the rate of double time	23,716.95
11. The provisions as to vacations and sick leave shall be the same for maintenance employees as for bus operators	31,530.50
12. Store room clerks shall be required to be members of the union	No Estimate As proposed rates are not shown
Total Maintenance	$ 272,559.03

General Provisions

1. Employees attending court as witnesses for the city or the company shall be paid not less than the amount they would have earned on their run, or regular working hours, but in no event shall they be paid for less than eight (8) hours for the day on which they attend court	No Estimate
2. Dues shall be checked off	—
3. Provision for pay differential, seniority and reinstatement of conscripts shall be made	No Estimate
4. Provision for arbitration of differences or disputes, including those in connection with ability of men to continue in service	—
5. Arrangements satisfactory to the union to be made concerning the administration of New York City Omnibus Employees Association	—
6. Establishment of an adequate pension	No Estimate
7. All hiring through the union	—

Summary of Increased Annual Cost on Those Items Where Increased Costs Could Be Calculated

Transportation		$1,520,999.21
Maintenance		272,559.03
General Provisions		—
Total		$1,793,558.24
Add — 4% for Social Security Taxes on total of all items exclusive of the following items —		
Transportation Sick Leave Allowance	$ 15,789.25	
75¢ Supper Money after working 4 hours on snow work	280.50	
Insurance Against Holdups	2,000.00	
Sick leave allowance for garage employees	4,318.65	
	$ 22,388.40	
4% on balance of $1,771,169.84		70,846.79
Total—Before Repair Shop Increases in Cost		$1,864,405.03
New York City Omnibus Corporation uses 70% of the shop employees' hours for repairs to their buses. The estimated cost of annual increases are as follows—		
Increase Rates of Pay	$129,852.44	
Increased Cost for Paid Holidays	14,146.44	
Increased Cost of Vacations	21,316.97	
Allowance for Cleaning Tools	15,346.25	
Allowance for Cashing Pay Checks	3,131.41	
Increase in Wages for Storeroom Employees	2,490.80	
Total Labor Increases Subject to Tax	186,284.31	
Social Security Tax — 4%	7,451.37	
Total Labor Increases Including Tax	193,735.68	
Increase in Sick Benefit Allowance	1,485.20	
Differences between Amount Paid for Workmen's Compensation and Potential Wages for Duration of Disability	2,316.28	
Total of Increased Shop Cost	$197,537.16	
Approximately 70% of which is borne by New York City Omnibus Corporation		138,276.01
Total Increased Annual Cost exclusive of items that cannot be estimated		$2,002,681.04

* * * * *

Statement of Net Income for Last Four Calendar Years

1937	$2,256,619.92
1938	$2,210,774.50
1939	$2,197,908.36
1940	$2,008,411.86

On the following pages will be found the Consolidated Balance Sheet of New York City Omnibus Corporation and Subsidiaries at December 31, 1940 and Statement of Consolidated Income and Surplus for the Year Ended December 31, 1940.

New York City Omnibus

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:		
Cash	$ 744,717.63	
Marketable municipal securities at cost (quoted market value $206,642.50)	193,819.00	
Receivables	18,696.62	
Inventory of gasoline, oil, etc.	5,786.58	$ 963,019.83
PREPAID INSURANCE, TAXES, LICENSES, ETC.		59,430.74
SPECIAL DEPOSITS:		
Cash funds for retirement of funded debt	$ 174,361.00	
Other special deposits represented by $746,779.39 of municipal securities at cost (quoted market value $818,777.50) and $12,211.62 of cash	758,991.01	933,352.01
INVESTMENT IN AND ADVANCES TO AFFILIATED COMPANIES, AT COST (Equities in total underlying book values $508,896 after deducting reserves based on estimated realization)		275,208.07
PROPERTY AND EQUIPMENT:		
Land and buildings, stated at value accepted by the Transit Commission of the State of New York, plus subsequent additions at cost, less retirements	$ 4,714,458.12	
Equipment at cost—		
Motor coaches (including $9,803,884.09 subject to equipment purchase obligations) $9,917,858.27		
Service equipment, tools, furniture and fixtures, etc. 555,117.27	10,472,975.54	15,187,433.66
AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT IN MONTHLY INSTALLMENTS commencing on January 29, 1935 and ending on December 26, 1958, stated on basis of amount which, less prior amortization, is provided to be paid by The City of New York in the event it shall elect to exercise right granted by the Recapture Contract (see note)	$ 7,500,000.00	
Less—Amortization from January 29, 1935 to December 31, 1940	1,394,796.45	6,105,203.55
PAYMENT ($475,000) TO THE CITY OF NEW YORK UNDER FRANCHISE CONTRACT OF EIGHTH AVENUE COACH CORPORATION, less amount ($245,740.11) amortized to date		229,259.89
ORGANIZATION EXPENSE, ETC., FOR WHICH A RESERVE IS BEING PROVIDED		304,020.74
DEFERRED AND UNADJUSTED ITEMS		26,788.64
		$24,083,717.13

NOTE:

Under the Agreement of Transfer dated December 24, 1936, New York Railways Corporation transferred to New York City Omnibus Corporation (1) all rights and claims arising from the abandonment of the perpetual street railway franchises and the conveyance of street railway properties to The City of New York (2) all rights and claims to any benefits under the Recapture Contract dated January 29, 1935, between The City of New York, New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (a subsidiary company), and (3) all rights and claims to the routes of the New York City Omnibus Corporation, subject to the lien of the Prior Lien Bonds. Under the Recapture Contract, dated January 29, 1935, the City at its election has the irrevocable right, after ten years from the date of the contract, to terminate the franchises of the New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (which otherwise terminate on December 26, 1958), and to purchase the property and equipment used in the operation of the routes (other than real estate, cash, receivables, and similar items, which are to be retained by the companies) upon payment by the City of (1) the balance which shall remain of the amount of $7,500,000 after being reduced by amortization from the date of the Recapture Contract to the date of recapture upon a cumulative sinking fund basis calculated with interest at the rate of 3% per annum, compounded annually, so that at the end of the twenty-five year term of the bus franchises said amount of $7,500,000 would have been completely amortized, and (2) the value at the date of recapture (to be determined in the manner set forth in the Recapture Contract) of the property and equipment so to be purchased.

The franchise of Eighth Avenue Coach Corporation, another subsidiary company, covers a period to October 16, 1945, subject to termination on February 1, 1945, in the event The City of New York exercises its right to purchase the property and equipment of New York City Omnibus Corporation and Madison Avenue Coach Company, Inc.

Corporation and Subsidiaries

DECEMBER 31, 1940

LIABILITIES

CURRENT LIABILITIES (not including equipment purchase obligations of $1,224,135.72 due prior to December 31, 1941):		
Accounts payable (including accrued pay roll)	$ 192,731.59	
Accrued Federal income taxes (subject to review by U. S. Treasury Department)	942,464.83	
Accrued state, local and miscellaneous Federal taxes	185,045.33	
Accrued interest	$96,617.14	
Less—Deposit for payment of interest due January 1, 1941	84,064.00	12,553.14	$ 1,332,794.89
EQUIPMENT PURCHASE OBLIGATIONS, 2.25% — Payable in monthly installments ($1,224,135.72 due in 1941)—secured by motor coaches (see contra)			2,704,121.12
BONDS ASSUMED (Originally issued by New York Railways Corporation):			
Prior Lien Mortgage 6% Gold Bonds, Series "A", due July 1, 1958 (secured in part by capital stocks of subsidiaries which have been eliminated in the consolidated balance sheet)	$ 2,578,306.48		
Sixth Avenue Purchase Mortgage Forty-Year 5% Gold Bonds, due January 1, 1965	274,615.00	2,852,921.48
RESERVES:			
Depreciation of property and equipment	$ 5,458,542.39		
Injuries and damages and workmen's compensation	381,940.47		
Amortization of organization expense, etc.	72,154.27	5,912,637.13
CAPITAL STOCK:			
Authorized 700,000 shares, without par value—issued and outstanding 487,872 shares	$ 3,198,378.98		
Reserved for exercise of Option Warrants which entitle the holders thereof to purchase stock at $17.50 per share until March 1, 1947—10,211 shares	——	3,198,378.98
DEFERRED CREDIT, arising from contributions by New York Railways Corporation of receivables from Eighth Avenue Coach Corporation			79,259.89
CREDIT IN RESPECT OF AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT, per contra:			
Balance per previous report $6,358,354.17 less amount equal to amortization ($253,150.62) credited to capital surplus			6,105,203.55
CAPITAL SURPLUS, arising principally from certain rights and benefits contributed by New York Railways Corporation per agreement of transfer dated December 24, 1936			1,666,769.47
EARNED SURPLUS			231,630.62
			$24,083,717.13

AUDITORS' CERTIFICATE

To the Board of Directors,
NEW YORK CITY OMNIBUS CORPORATION:

We have examined the consolidated balance sheet of New York City Omnibus Corporation (a New York corporation) and subsidiary companies as of December 31, 1940, and the statement of consolidated income and surplus for the year ended that date. In connection therewith we examined or tested accounting records of the companies and other supporting evidence and have reviewed the system of internal control and the accounting procedures of the companies by methods and to the extent we deemed appropriate, but we did not make a detailed audit of the transactions.

In our opinion the accompanying consolidated balance sheet and related statement of consolidated income and surplus fairly present the financial position of New York City Omnibus Corporation and subsidiary companies at December 31, 1940 and the results of their operations for the year ended that date, in conformity with generally accepted accounting principles maintained by the companies on a basis consistent with that of the preceding year.

New York, N. Y.,
March 1, 1941.

ARTHUR ANDERSEN & CO.

New York City Omnibus Corporation and Subsidiaries

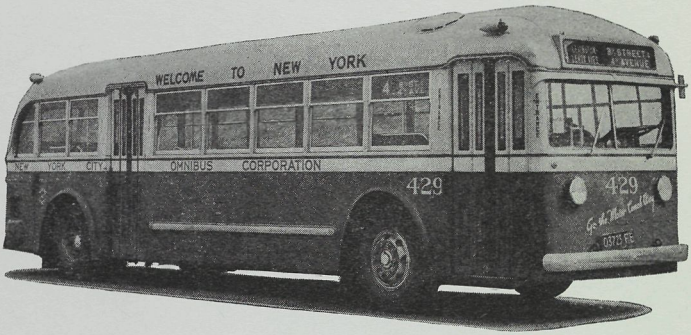
STATEMENT OF CONSOLIDATED INCOME AND SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1940

CONSOLIDATED INCOME

OPERATING REVENUES:		
Coach lines	$12,867,743.23	
Advertising and miscellaneous	22,548.32	$12,890,291.55
OPERATING EXPENSES:		
Maintenance	$ 1,637,380.86	
Depreciation	1,182,913.40	
Traffic and transportation	4,033,265.71	
General	1,390,876.00	8,244,435.97
NET OPERATING REVENUES		$ 4,645,855.58
TAXES:		
State, local and miscellaneous Federal taxes (including motor fuel taxes)	$ 1,853,854.39	
Provision for Federal income tax	543,067.46	
Provision for excess profits tax	—	2,396,921.85
NET EARNINGS FROM OPERATIONS		$ 2,248,933.73
OTHER INCOME		40,499.55
GROSS INCOME		$ 2,289,433.28
INTEREST AND OTHER DEDUCTIONS:		
Interest on equipment purchase obligations	$ 93,773.93	
Interest on bonds	180,858.67	
Other interest, etc.	6,388.82	281,021.42
NET INCOME before provision for amortization of "amount to be amortized on basis of recapture contract in monthly installments" (see note to consolidated balance sheet)		$ 2,008,411.86
Deduct—Provision for such amortization		253,150.62
NET INCOME after provision for such amortization		$ 1,755,261.24

CONSOLIDATED SURPLUS

	Capital Surplus	Earned Surplus
BALANCE, DECEMBER 31, 1939, per previous report	$ 990,773.29	$ 83,122.63
Add:		
Net income for year ended December 31, 1940, after provision for amortization, as above		1,755,261.24
Amount transferred from "Deferred Credit"—representing payment by Eighth Avenue Coach Corporation on account of receivables contributed by New York Railways Corporation	197,845.56	
Amounts transferred from "credit in respect of amount to be amortized on basis of Recapture Contract" in amount equal to amortization on $7,500,000 for the year ended December 31, 1940	253,150.62	
Distribution received from Street Railway Liquidating Corporation (a 100% owned subsidiary company not consolidated)—declared out of that company's paid-in surplus	225,000.00	
	$ 1,666,769.47	$ 1,838,383.87
Deduct:		
Dividends		$ 1,583,639.25
Net excess of cost over principal amount of bonds reacquired and retired		23,114.00
		$ 1,606,753.25
BALANCE, DECEMBER 31, 1940	$ 1,666,769.47	$ 231,630.62



WHEN TRAVELLING AROUND NEW YORK

Go the Motor Coach Way

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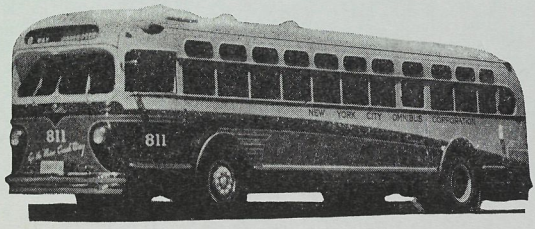
Go the Motor Coach Way

New York City Omnibus Corporation

Annual Report
To
Stockholders, Employees and the Public

For the Year Ended

December 31, 1941



EXPLANATORY

In examining the numerous tabulations included in the letter of the Chairman of the Board, mostly concerning wages and taxes, some of which may appear repetitious, special attention is invited to the fact the report is prepared for the information of employees and the public as well as for stockholders.

Your Management feels that employees are entitled to know and have access to all the most pertinent and detailed facts concerning the affairs of the Corporation.

To the average stockholder his investment in securities of this Corporation may be and usually is but one of many investments from which the investor derives his annual income, and he can shift from securities of one company to another as his judgment may dictate.

Compensation of the worker gained from employment with the Corporation usually represents his whole source of income, upon which he and members of his family depend for their livelihood.

The worker cannot as easily shift from one employment to another, nor does he desire frequent changes of employment, much preferring permanency in employment—a "career" position.

Therefore it is of the utmost importance to the worker that he be kept fully informed as to the factors which may affect his continuity of employment and the maintenance of desirable working conditions.

If workers are going to permit those who represent them in collective bargaining to attempt to fix the dollars and cents value of their labor, then workers must share in the responsibility for making the necessary money out of which their wages are paid or must share in the responsibility for the loss of their jobs.

New York City Omnibus Corporation

DIRECTORS

George J. Atwell
Otis A. Glazebrook, Jr.
John D. Hertz
John D. Hertz, Jr.
David H. Knott
John E. McCarthy
Joseph T. McCarthy
John A. Ritchie
Charles G. Stachelberg
Harold E. Talbott, Jr.
Benjamin Weintraub
Frederic T. Wood
Willis D. Wood

EXECUTIVE AND FINANCE COMMITTEE

John D. Hertz, *Chairman*

Otis A. Glazebrook, Jr.
John E. McCarthy
John A. Ritchie
Frederic T. Wood

OFFICERS

General Offices, 605 West 132nd Street, New York City

John A. Ritchie . . . . . *Chairman of the Board*
Frederic T. Wood . . . . . *Vice-Chairman of the Board*
John E. McCarthy . . . . . *President*
Joseph T. McCarthy . . . . . *Vice-President*
Edmund C. Collins . . . . . *Secretary and Treasurer*
T. George Walker . . . . *Asst. Secretary and Asst. Treasurer*
Stephen C. Duggan . . . . . *Auditor*
Henry J. Smith . . . . . *General Attorney*

Stock Transfer Agent
The Commercial National Bank and Trust Company of New York

Stock Registrar . . . . . Manufacturers Trust Company

Registrar, Prior Lien Mortgage
Central Hanover Bank and Trust Company

Registrar, Sixth Avenue Purchase Mortgage
Central Hanover Bank and Trust Company

All communications with respect to changes in address, transfers and dividend payments, should be addressed to The Commercial National Bank and Trust Company of New York, 46 Wall Street, New York, N. Y.

Annual Stockholders' Meeting First Tuesday in June

New York City Omnibus Corporation

Office of the Chairman of the Board

605 West 132nd Street

New York, N. Y.

March 25, 1942.

To Stockholders, Employees and the Public:

There is presented herewith the Consolidated Balance Sheet and Statement of Consolidated Income and Surplus for the year ended December 31, 1941, as certified by Messrs. Arthur Andersen & Co. (See pages 12, 13, 14 and 15.)

The results of the year's Operation are set forth in the following short form:

Revenue received from Operation, including $39,722.79 from interest on securities owned, etc.		$12,379,018.26
Which was disposed of as follows:		
Goods and Services Purchased from others, etc.		2,154,431.61
Motor Coaches, Buildings, Shop Tools and other Equipment wearing out (Depreciation and Obsolescence)		1,125,531.97
For Injury and Damage Claims		457,236.11
Taxes (Federal, State and Municipal)		2,080,345.31
Total		$ 5,817,545.00
Balance remaining before Salaries and Wages		$ 6,561,473.26
Salaries (Executive Officers)	$ 113,267.50	
Wages	4,850,208.38	4,963,475.88
Net Income before provision for Amortization of Recapture Contract		$ 1,597,997.38
Deduct—Provision for such Amortization		260,745.42
Net Income after provision for Amortization		$ 1,337,251.96

Note: For further detailed information as to income and expenses see Page 16 from which the foregoing tabulation has been compiled.

It will be noted that before the owners of the property received any return:
Taxes absorbed an amount equivalent to one and one-half times Net Income
and
Wages absorbed an amount equivalent to three and one-half times Net Income

Dividends

During the calendar year 1941, the New York City Omnibus Corporation paid dividends to its stockholders aggregating $2.25 per share. Such dividends consisted of one quarterly dividend of 75¢ per share, and three quarterly dividends of 50¢ per share each. The total amount distributed in dividends for the year was $1,098,082.50.

On March 28, 1941, a quarterly dividend of 75¢ per share was paid to stockholders of record on March 20, 1941, at which time there were 2,198 stockholders with 488,028 shares outstanding.

On June 26, 1941, a quarterly dividend of 50¢ per share was paid to stockholders of record on June 13, 1941, at which time there were 2,229 stockholders with 488,041 shares outstanding.

On September 29, 1941, a quarterly dividend of 50¢ per share was paid to stockholders of record on September 24, 1941, at which time there were 2,226 stockholders with 488,041 shares outstanding.

On December 29, 1941, a quarterly dividend of 50¢ per share was paid to stockholders of record on December 18, 1941, at which time there were 2,219 stockholders with 488,041 shares outstanding.

Portion of Dividends Not Taxable

In prior reports to stockholders, attention has been called to the possibility that a substantial portion of the revenues of the Corporation and of the dividends paid by it to stockholders might be deemed for tax purposes a return of capital and therefore not taxable. In this connection, the following is quoted from a communication dated February 5, 1942, received from the Treasury Department, Washington, D. C.:

"Reference is made to annual information return, Form 1096, reporting distributions of $1,098,082.50 made to your shareholders during the calendar year 1941, which you claim to be partly non-taxable.

"On the basis of the information furnished, it has been tentatively held that these distributions are 26.85 percent taxable and 73.15 percent non-taxable as dividends to the individual shareholders, pending the final audit of the Corporation income tax return."

In previous reports tentative figures have been given with respect to the years 1937, 1938, 1939 and 1940 with regard to the classification of dividends paid in those years, to indicate what proportion of them might be considered as taxable and what proportion as non-taxable.

Since the publication of the annual report of this Corporation for the calendar year 1940, further modification of the tentative figures has been made as stated in a letter dated August 21, 1941 addressed by the President of this Corporation to Stockholders.

The tentative percentages stated in the annual reports of this Corporation as the taxable and non-taxable portions of such dividends were based upon the Corporation's Federal tax returns as filed and were necessarily provisional and subject to change upon the audit of such returns by the Treasury Department.

The New York Office of the Internal Revenue Agent in charge has completed its audit of the Corporation's 1937, 1938 and 1939 returns and the adjustments made have been agreed to by the Corporation.

Based upon such adjustments, the taxable and non-taxable portions of the dividends distributed by the Corporation in 1937, 1938 and 1939 are as follows:

Year	Taxable as a Dividend	Regarded as a Return of Capital
1937	69.25%	30.75%
1938	58.47%	41.53%
1939	68.18%	31.82%

The action of the New York Office is not yet final, as it is subject to review by the Bureau of Internal Revenue in Washington.

After this agreement was reached with the New York Office of the Treasury Department this Corporation filed an amended return for 1940, in which adjustments were made comparable to those above set forth for the years 1937, 1938 and 1939. Based upon the amended return as filed, the comparable percentages for 1940 are as indicated below:

Year	Taxable as a Dividend	Regarded as a Return of Capital
1940	73.12%	26.88%

In view of the difficult questions of fact and law which are involved, there may be a considerable delay before the Treasury Department has completed its audit for the years 1940 and 1941 and before a final determination has been made in regard to the years 1937 to 1941 inclusive.

Stockholders will be advised from time to time as to any ruling received from the Treasury Department with respect to this matter.

Amount of Amortization is Available for Dividends

The provision for "Amortization under Recapture Contract" is a charge against the Earned Surplus of the Corporation. However, a like amount is transferred to Capital Surplus from the Account "Credit in Respect of Amount to be Amortized on Basis of Recapture Contract." This amount of $260,745.42 is thus available for distribution as a dividend from Capital Surplus.

Retirement of Prior Lien Bonds

The Corporation has been proceeding with the purchase and retirement of the Prior Lien 6% Bonds of the New York Railways Corporation from the Option Warrant Account and in accordance with the Sinking Fund provisions of the Supplemental Indenture securing such bonds. Up to and including January 1, 1942, bonds in the principal amount of $1,224,000 were retired, and there remained on deposit at the close of the year a balance of $85,098 with the Trustee of the Sinking Fund and $72.50 in the Option Warrant Account.

Traffic

The passenger revenues of the New York City Omnibus Corporation and Subsidiaries for the last five years are as follows:

Calendar Year 1941 — $12,279,871.62
Calendar Year 1940 — 12,867,743.23
Calendar Year 1939 — 12,724,671.12
Calendar Year 1938 — 11,913,149.51
Calendar Year 1937 — 11,501,410.89

The falling off in volume of passenger traffic in 1941 as compared with 1940, is due largely to the fact that service on the lines of these companies was suspended for twelve (12) days in March 1941, because of a strike, and that in 1940, the companies had the benefit of the increased riding on their lines due to the World's Fair.

Taxes

The taxes of the New York City Omnibus Corporation and of its subsidiaries absorbed a substantial part of the total revenue of the system and are a heavy burden upon the operation.

The total amount of taxes assignable to operating and non-operating revenue, including franchise payments, applicable to the year ended December 31, 1941, was $2,080,345.31, which is equal to 16.9% of the total operating revenue of the companies, and 10.17¢ per bus mile operated.

The Following So-Called Social Welfare and Emergency Taxes for 1941 Have Been Imposed by Legislation Enacted During Recent Years:

New York City Utilities	$125,838.59		
New York City Sales and Personal Property	29,743.07	$155,581.66	
New York State Utilities	$246,168.03		
New York State Gasoline and Fuel Oil	322,887.76		
New York State Unemployment	129,773.77	698,829.56	
Federal Gasoline	$108,948.61		
Federal Old Age Pension	48,064.36		
Federal Unemployment	14,419.33	171,432.30	$1,025,843.52

In Addition to the Foregoing So-Called Social Welfare and Emergency Taxes of Recent Origin, the Following Normal-Business Taxes were Applicable for the Year 1941:

New York City:			
Real Estate	$134,171.66		
Franchise	500,163.61		
Triborough Bridge Tolls	34,360.00	$668,695.27	
New York State:			
Franchise	$ 31,716.40		
Gross Earnings	63,677.10		
Vehicle Licenses	9,813.60	105,207.10	
Federal:			
Income	$244,036.55		
Capital Stock	24,442.95		
Miscellaneous	12,119.92	280,599.42	1,054,501.79
Total All Taxes			$2,080,345.31

Relation of Taxes to Workers' Wages and Owners' Income

It will be noted that:

(a) The so-called social welfare and emergency taxes for 1941, amounting to $1,025,843.52, all of which have been imposed by legislation enacted during recent years, have come within $28,658.27 of "doubling" the normal tax burden of the Corporation:

(b) Total taxes accrued for the year amounted to $2,080,345.31
Net Income after Amortization amounted to 1,337,251.96

Government's "take" in the form of taxes exceeded that which was left for the owners of the property by ..... $ 743,093.35

and

(c) Taxes must be provided for before wages are paid. The "direct" taxes paid by the Corporation per person employed, for the years 1937, 1938, 1939, 1940 and 1941, were as follows:

	Average Number of Persons Employed	Average Compensation, Including Unskilled, Part Time and Seasonal Employment	"Direct" Taxes per Employee Borne by Corporation	Per Cent of "Direct" Taxes per Employee to Average Compensation
1941	2,240	$2,182.49*	$ 928.24	42.53%
1940	2,248	2,039.16	1,065.77	52.27%
1939	2,192	2,067.51	998.59	48.30%
1938	2,142	1,866.71	981.50	52.58%
1937	2,155	1,784.21	905.53	50.75%

*1941 figures represent 50½ weeks because of strike March 10 to 21.

It will be seen that, for each $100 paid in wages to employees, the Corporation paid in taxes, in 1937, $50.75; in 1938, $52.58; in 1939, $48.30; in 1940, $52.27, and in 1941, $42.53.

3% Utility Tax for Emergency Relief

All business generally within the City is taxed for relief purposes at the rate of one-twentieth of one per cent. on gross receipts, a reduction of 50% as contrasted with the rate heretofore applying to general business. A similar percentage reduction from 1/5 of 1% to 1/10 of 1% has been made, as applied to the tax on financial institutions. This compares with the utility tax paid by this Corporation and its subsidiaries amounting to 3% on every dollar of gross earnings.

Relief expenditures, it would seem, should be viewed and accepted as of equal concern and equal responsibility to everyone. They are a burden which should rest upon the entire community with equality to all.

There is no desire on the part of this Corporation and its subsidiaries to escape in the slightest measure assuming their full share of the cost of government and, more especially, the cost of relief for those so unfortunate as to be out of employment. To the contrary, we are willing and anxious to do our full share toward the relief of the less fortunate in the payment of taxes, such as everyone else contributes to the welfare of society. Management's contention in respect to this 3% utility tax for emergency relief is that it is decidedly unfair that this Corporation and its subsidiaries, or any public utility transportation company operating in New York City, should be forced to pay a "special" tax which no other industry pays. Certainly since reduction of tax rates to financial institutions and general business has been granted, a public utility such as ours, catering as we do to the transportation needs of the general public, is entitled to equal consideration.

Franchise Tax 3% on Routes Where Street Railway Properties were Scrapped and 10% on New Crosstown Routes Acquired at Time of Motorization

New York City is understood to be the only city within the State of New York which exacts a percentage of gross earnings from public utility transportation companies as a franchise tax.

The daily operation of the routes of this Corporation and of its subsidiaries is confined to those thoroughfares which have been approved by the public authorities for such use.

A greater freedom of movement in the streets of this city, as well as along the highways of the State, except those specifically reserved for other traffic, is accorded to all large trucking operators engaged in interstate and intrastate service and to those whose business is the making of general deliveries within the city limits.

Furthermore, taxicab operators are permitted to use all streets of this city utilized by other traffic.

Such general freedom of movement is allowed to all those who make extensive use of the city's streets.

So far as is known, none of the groups above mentioned is required to pay a percentage of its gross earnings as a franchise tax, nor an additional tax of 3% of its gross earnings in the form of a utilities tax for emergency relief.

It is manifest that a coach company whose fare is definitely fixed either by the terms of its contract or of its franchise, or is determined by usage, is unable to pass on to its riders increased costs which it must meet in the form of mounting taxes, higher rates of wages and higher total wages, and higher prices which it must pay for the purchase of supplies and materials. Industries other than public utility corporations can and do pass on to the consumer such increased costs by increasing the price of their products and their services.

To every fair-minded person the foregoing should constitute, it would seem, a cogent reason why public utility transportation companies such as this Corporation doing business in New York City should not be required to pay a franchise tax of 3% and 10% of gross earnings and in addition thereto the 3% utility tax for emergency relief, which latter goes in part (1%) to the City and in part (2%) to the State.

The data immediately preceding relate to the "outgo" of the Corporation and its subsidiaries in the payment of taxes. However, the probable effect of continued excessive tax payments on future income of both worker and Corporation, is a matter of pressing concern. It is a problem which should immediately excite the searching curiosity and engage the best thought of the workers themselves and those who represent them in collective bargaining.

Upward Trend of Wage Rates

In the years immediately prior to entering into contractual relations with the Transport Workers Union, the Corporation had granted voluntary increases as follows:

Motormen Trolley Lines—New York Railways Corporation
Rate of Pay Per Hour

	Minimum	Maximum
January 1, 1935 (slightly more than 7 years ago)	48¢	67¢

Bus Operators (Chauffeurs)—New York City Omnibus Corporation System
Rate of Pay Per Hour

	Minimum	Maximum
Effective February 1, 1935	50¢	67¢
Effective April 19, 1936	56¢	69¢
Effective January 3, 1937	61¢	74¢

Subsequent to entering into contractual relations with the Transport Workers Union the minimum and maximum rates below indicated became effective on the dates specified:

Effective July 22, 1937	61¢	82¢
Effective January 1, 1939	61¢	90¢
Effective March 1, 1941	65¢	94¢

The following statement shows the average weekly and annual wages actually paid to employees of the Corporation for 1940 and 1941:

Average Weekly and Annual Wages of Employees by Classifications for the Years Ended December 31, 1940 and 1941

Classifications	Average Number of Employees Working		Average Wages			
			Per Week		Per Annum	
	1940	1941	1940	1941†	1940	1941†
Bus Operators (Chauffeurs)	1,423	1,435	$40.89	$44.29	$2,126.51	$2,236.59
Garage Employees:						
Greasers	3	3	29.41	33.76	1,529.14	1,704.66
Placers	20	19	34.77	36.82	1,807.88	1,859.55
Gassers	4	4	30.23	31.68	1,572.08	1,599.74
Oilers	8	9	29.61	32.97	1,539.83	1,664.99
Floor Cleaners	13	13	29.60	30.88	1,539.04	1,559.58
Mechanics	152	151	39.09	42.62	2,032.64	2,152.43
Mechanics' Helpers	18	19	33.56	36.62	1,744.88	1,849.33
Battery Repair Mechanics	2	2	37.59	40.68	1,954.48	2,054.09
Washers and Cleaners	81	78	30.13	32.31	1,566.51	1,631.66
Electricians	12	12	38.34	42.27	1,993.43	2,134.83
Register Inspectors	4	3	28.91	32.59	1,503.09	1,645.70
Truckmen	3	3	38.51	43.10	2,002.33	2,176.54
Battery Men	4	3	28.96	33.10	1,505.66	1,671.45
*Average Wage of all employees — skilled and unskilled			$39.21	$43.10	$2,039.16	$2,182.49

*Exclusive of Officers.
†1941 figures represent 50½ weeks because of strike March 10 to 21.

Earnings of Urban Transportation Industry Generally

Average hourly rate, average weekly hours worked and average weekly earnings in the Urban Transportation Industry generally, as reported by the United States Department of Labor as of December, 1941:

Average Hourly Rate	78 cents
Average Weekly Hours	47 hours
Average Weekly Earnings	$37.15

For purposes of comparison with earnings statistics of employees of this Corporation, there are given below statistics from the "Survey of Current Business", June, 1941 issue, published by the United States Department of Commerce as to the average wages paid in certain selected industries for the periods specified.

Average Salary-Wage of Employees (Full Time Equivalent) By Industrial Divisions

	Calendar Year				
	1933	1936	1937	1939	1940
Mining	$ 976	$1,199	$1,269	$1,321	$1,326
Manufacturing	1,065	1,268	1,358	1,347	1,423
Contract Construction	1,116	1,269	1,419	1,423	1,473
Power & Gas	1,368	1,592	1,696	1,766	1,782
Communication	1,225	1,415	1,485	1,563	1,590
Trade	1,190	1,325	1,378	1,400	1,411
Finance	1,595	1,704	1,759	1,726	1,748
Railroad Employees	1,439	1,722	1,774	1,878	1,915
Transportation—Street Railways	1,433	1,590	1,642	1,733	1,765

Average Salary of Employees of New York City Omnibus Corporation System

	Calendar Year		
	1937	1939	1940
New York City Omnibus Corporation System—All Employees	**$1,784.21**	**$2,067.51**	**$2,039.16**

Award By Arbitrator

In the printed report of this Corporation for the year ended December 31, 1940 information was given in detail with reference to the occurrences which ultimately culminated in a strike upon the lines of this Corporation and of its subsidiaries, commencing on the morning of March 10, 1941. Service was resumed commencing on the morning of March 22, 1941.

On March 21, 1941 the Mayor of the City of New York announced that William H. Davis, Esq., who had formerly been Chairman of the New York State Board of Mediation and was at that time a member of the National Defense Mediation Board, would act as arbitrator with the consent of both parties.

Accordingly arbitration proceedings were instituted and many hearings were held before the Arbitrator.

Finally on July 15, 1941 the Arbitrator announced his conclusions, of which a summary is given below and which took effect as of March 1, 1941.

Transportation Department

The rate of compensation of bus operators, clockmen, fare collectors and tallymen was **increased** by 4¢ per hour.

The award specified that the then existing practices as to "give away" time should be continued, and that in addition bus operators should be paid at the rate of time and a half for all bus hours in excess of eight hours a day or forty-eight hours a week; that they should be paid at straight time hourly rates for time they might be compelled to wait between one assignment on a given day and another assignment on the same day, known as "swing" time, to the extent that such swing time exceeded one hour per day or six hours per week, with certain provisions as to the methods of calculating the time as applied to certain specific schedule requirements and arrangements of schedules.

Garages

The rates of compensation of employees in garages were **increased** as follows:

(a) Mechanics, electricians, battery repair mechanics and truckmen on heavy trucks	8¢ an hour
(b) Greasers, oilers, battery service men, engineers and firemen	6¢ an hour
(c) All other employees in the garages classified as mechanics' helpers, gassers, register inspectors, washers and cleaners, floor cleaners, elevator operators, bus placers and truckmen on light trucks	4¢ an hour

Building Department and Inspection Bureau

The rates of compensation of the employees in the Building Department and Inspection Bureau were **increased** as follows:

(a) Elevator inspectors and truckmen	8¢ an hour
(b) Carpenters, electricians and plumbers	6¢ an hour
(c) All other mechanics employed in the Building Department classified as utility men and stop sign and curb painters	4¢ an hour
(d) All employees in the Inspection Bureau classified as watchmen, janitors and elevator operators	4¢ an hour

Estimated Cumulative Cost of Various Increases In Rates of Pay and Other Considerations Already Granted By Contracts With Transport Workers Union

Translated into dollars and cents the cumulative effect of the awards granted to men, in collective bargaining with officials of the Transport Workers Union, under the two contracts as below indicated, and as a result of the award by the Arbitrator fixing rates which have been embodied in the contract of March 1, 1941, has caused the Corporation an additional cost in operation of $3,657,022.97 for the period from July 22, 1937 to December 31, 1941 inclusive as indicated below:

First Contract—July 22, 1937 to December 31, 1938	$ 578,603.55
Second Contract—January 1, 1939 to February 28, 1941	$1,969,623.14
Third Contract—March 1, 1941 to December 31, 1941	$1,108,796.28
Total	$3,657,022.97

NOTE: The third contract expires April 30, 1942.

NEW YORK CITY OMNIBUS CORPORATION AND SUBSIDIARIES

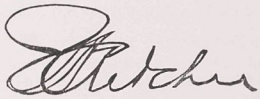
The following is a Detailed Analysis of Income and Expenses for the Calendar Years Ended December 31, 1937 to 1941

	1941	1940	1939	1938	1937
The Total Revenues for each year were as follows:					
Fares Collected	$12,279,871.62	$12,867,743.23	$12,724,671.12	$11,913,149.51	$11,501,410.89
Advertising Space in Coaches	21,711.99	8,238.70	43,800.00	43,753.04	43,867.38
Rent of Buildings	37,711.86	14,309.62	12,224.86	2,670.54	6,741.30
Interest on Securities owned, etc.	39,722.79	40,499.55	37,662.55	38,296.00	25,641.74
Total Revenues	$12,379,018.26	$12,930,791.10	$12,818,358.53	$11,997,869.09	$11,577,661.31
How each Year's Revenues were distributed:					
City, State and Federal Taxes	$ 2,080,345.31	$ 2,396,921.85	$ 2,190,069.71	$ 2,103,541.84	$ 1,952,315.40
Cost of:					
Materials used in Maintenance and Operation of Buses, Trucks, Snow Plows, Buildings and Machinery	967,530.86	967,916.46	941,028.28	845,624.42	752,599.38
Gasoline, Fuel Oil and Lubricants	592,036.59	531,831.68	552,644.82	570,685.78	652,448.20
Insurance, Rents, Interest and Other Miscellaneous Expenses not indicated below	594,864.16	605,609.13	667,362.47	808,271.46	756,907.13
Reserves:					
For Injuries and Damages	457,236.11	479,090.19	465,489.87	390,530.30	304,089.07
For Depreciation of Buses, Buildings and Other Property	1,125,531.97	1,182,913.40	1,173,642.98	987,208.36	1,062,493.33
Total Taxes and Expenses—Other than Wages and Salaries	$ 5,817,545.00	$ 6,164,282.71	$ 5,990,238.13	$ 5,705,862.16	$ 5,480,852.51
Income from Operation Before Wages and Salaries	$ 6,561,473.26	$ 6,766,508.39	$ 6,828,120.40	$ 6,292,006.93	$ 6,096,808.80
Salaries	$ 113,267.50	$ 117,108.39	$ 98,220.88	$ 82,733.33	$ 81,883.30
Wages	4,850,208.38	4,640,988.14	4,531,991.16	3,998,499.10	3,758,305.58
Total Salaries and Wages	$ 4,963,475.88	$ 4,758,096.53	$ 4,630,212.04	$ 4,081,232.43	$ 3,840,188.88
Net Income from Operation Before Provision for Amortization of Recapture Contract	$ 1,597,997.38	$ 2,008,411.86	$ 2,197,908.36	$ 2,210,774.50	$ 2,256,619.92
Deduct—Provision for such Amortization	$ 260,745.42	$ 253,150.62	$ 245,777.67	$ 238,618.57	$ 231,668.84
Net Income After Provision for Amortization	$ 1,337,251.96	$ 1,755,261.24	$ 1,952,130.69	$ 1,972,155.93	$ 2,024,951.08

Importance of Courtesy and Co-operation

The riding public must be sold on the advantages of mass public transportation over that provided by the private car and taxicab, and no other one thing will aid more in the selling of our service to the general public than unfailing courtesy and strict attention to the needs and wishes of our patrons.

Bus operators are accepted by the public as the management's representatives; it is largely by their attentiveness to duty and by their acts of courtesy and efficiency and their amiability in answering questions that the policy of management and the efficiency of our service is judged. They can help greatly in further improving the relationship of passengers and the Corporation and thus attract additional patronage to our service. Conversely, through inattentiveness to their duties and through an attitude of arrogance and discourtesy, they can do much toward driving business from us and in bringing the Corporation into general disrepute with the public it serves. It is gratifying to report that there has been a marked improvement in recent months among our employees as regards courtesy and general attentiveness to their duties.



Chairman of the Board.

New York City Omnibus

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:			
Cash		$ 524,275.85	
Marketable municipal securities at cost (quoted market value $214,940.00)		202,767.75	
Receivables		26,946.74	
Inventory of gasoline, oil, etc.		7,451.07	$ 761,441.41
INVESTMENT IN AND ADVANCES TO MOTOR COACH SUPPLY CORPORATION FOR THE PURCHASE OF MATERIALS AND SUPPLIES			332,500.00
PREPAID INSURANCE, TAXES, LICENSES, ETC.			53,390.54
SPECIAL DEPOSITS:			
Cash funds for retirement of funded debt		$ 193,380.50	
Other special deposits represented by municipal securities at cost of $911,370.39 (quoted market value $997,317.50) and $12,616.12 of cash		923,986.51	1,117,367.01
PROPERTY AND EQUIPMENT:			
Land and buildings, stated at value accepted by the Transit Commission of the State of New York, plus subsequent additions at cost, less retirements		$ 4,924,774.98	
Equipment at cost—			
Motor coaches (including $10,297,178.05 subject to equipment purchase obligations)	$10,411,152.23		
Service equipment, tools, furniture and fixtures, etc.	575,666.28	10,986,818.51	15,911,593.49
AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT IN MONTHLY INSTALLMENTS commencing on January 29, 1935 and ending on December 26, 1958, stated on basis of amount which, less prior amortization, is provided to be paid by The City of New York in the event it shall elect to exercise right granted by the Recapture Contract (see Note 1)		$ 7,500,000.00	
Less—Amortization from January 29, 1935 to December 31, 1941		1,655,541.87	5,844,458.13
PAYMENT ($475,000) TO THE CITY OF NEW YORK UNDER FRANCHISE CONTRACT OF EIGHTH AVENUE COACH CORPORATION, less amount ($293,585.67) amortized to date			181,414.33
ORGANIZATION EXPENSE, ETC., FOR WHICH A RESERVE IS BEING PROVIDED			304,020.74
DEFERRED AND UNADJUSTED ITEMS			6,648.07
			$24,512,833.72

NOTES:

(1) Under the Agreement of Transfer dated December 24, 1936, New York Railways Corporation transferred to New York City Omnibus Corporation (1) all rights and claims arising from the abandonment of the perpetual street railway franchises and the conveyance of street railway properties to The City of New York (2) all rights and claims to any benefits under the Recapture Contract dated January 29, 1935, between The City of New York, New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (a subsidiary company), and (3) all rights and claims to the routes of the New York City Omnibus Corporation subject to the lien of the Prior Lien Bonds. Under the Recapture Contract, dated January 29, 1935, the City at its election has the irrevocable right, after ten years from the date of the contract, to terminate the franchises of the New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (which otherwise terminate on December 26, 1958), and to purchase the property and equipment used in the operation of the routes (other than real estate, cash, receivables, and similar items, which are to be retained by the companies) upon payment by the City of (1) the balance which shall remain of the amount of $7,500,000 after being reduced by amortization from the date of the Recapture Contract to the date of recapture upon a cumulative sinking fund basis calculated with interest at the rate of 3% per annum, compounded annually, so that at the end of the twenty-five year term of the bus franchises said amount of $7,500,000 would have been completely amortized, and (2) the value at the date of recapture (to be determined in the manner set forth in the Recapture Contract) of the property and equipment so to be purchased.

The franchise of Eighth Avenue Coach Corporation, another subsidiary company, covers a period to October 16, 1945, subject to termination on February 1, 1945, in the event The City of New York exercises its right to purchase the property and equipment of New York City Omnibus Corporation and Madison Avenue Coach Company, Inc.

(2) The companies have ordered 64 new Diesel-powered motor coaches, a portion of the purchase price of which is payable upon delivery of the coaches and the balance over a period of years. None of these coaches had been received at December 31, 1941, and the liability and related asset therefor are not reflected in the above balance sheet.

Corporation and Subsidiaries

DECEMBER 31, 1941

LIABILITIES

CURRENT LIABILITIES (not including equipment purchase obligations of $1,237,699.40 due prior to December 31, 1942):		
Accounts payable (including accrued pay roll)	$ 261,439.54	
Accrued Federal income taxes (subject to review by U. S. Treasury Department)	214,190.51	
Accrued state, local and miscellaneous Federal taxes	211,760.38	
Accrued interest	$90,554.63	
Less—Deposit for payment of interest due January 1, 1942	79,651.50	10,903.13	$ 698,293.56
EQUIPMENT PURCHASE OBLIGATIONS 2.25% — Payable in monthly installments ($1,237,699.40 due in 1942) — secured by motor coaches (see contra)		2,075,480.88
BONDS ASSUMED (Originally issued by New York Railways Corporation):		
Prior Lien Mortgage 6% Gold Bonds, Series "A", due July 1, 1958 (secured in part by capital stocks of subsidiaries which have been eliminated in the consolidated balance sheet)	$ 2,434,306.48	
Sixth Avenue Purchase Mortgage Forty-Year 5% Gold Bonds, due January 1, 1965	267,315.00	2,701,621.48
RESERVES:		
Depreciation of property and equipment	$ 6,463,311.80	
Injuries and damages and workmen's compensation	592,126.67	
Amortization of organization expense, etc.	87,605.47	
Contingencies	187,876.42	7,330,920.36
CAPITAL STOCK:		
Authorized 700,000 shares, without par value — issued and outstanding 488,041 shares	$ 3,201,336.48	
Reserved for exercise of Option Warrants which entitle the holders thereof to purchase stock at $17.50 per share until March 1, 1947 — 10,042 shares	——	3,201,336.48
CREDIT IN RESPECT OF AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT, per contra:		
Balance per previous report $6,105,203.55 less amount equal to amortization ($260,745.42) credited to capital surplus		5,844,458.13
CAPITAL SURPLUS, arising principally from certain rights and benefits contributed by New York Railways Corporation per agreement of transfer dated December 24, 1936		2,229,685.93
EARNED SURPLUS		431,036.90
		$24,512,833.72

AUDITORS' CERTIFICATE

To the Board of Directors,
NEW YORK CITY OMNIBUS CORPORATION:

We have examined the consolidated balance sheet of New York City Omnibus Corporation (a New York corporation) and subsidiary companies as of December 31, 1941, and the statements of consolidated income and surplus for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We had previously made a similar examination for the year ended December 31, 1940.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated income and surplus present fairly the position of New York City Omnibus Corporation and subsidiary companies at December 31, 1941, and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.,
February 25, 1942.

ARTHUR ANDERSEN & CO.

New York City Omnibus Corporation and Subsidiaries

STATEMENT OF CONSOLIDATED INCOME
FOR THE YEARS ENDED DECEMBER 31, 1941 AND 1940

	1941	1940
OPERATING REVENUES:		
Coach lines	$12,279,871.62	$12,867,743.23
Advertising and miscellaneous	59,423.85	22,548.32
TOTAL OPERATING REVENUES	$12,339,295.47	$12,890,291.55
OPERATING EXPENSES:		
Maintenance	$ 1,654,117.14	$ 1,637,380.86
Depreciation	1,125,531.97	1,182,913.40
Traffic and transportation	4,335,691.45	4,033,265.71
General	1,363,722.98	1,390,876.00
TOTAL OPERATING EXPENSES	$ 8,479,063.54	$ 8,244,435.97
NET OPERATING REVENUES	$ 3,860,231.93	$ 4,645,855.58
TAXES:		
State, local and miscellaneous Federal taxes (including motor fuel taxes)	$ 1,836,308.76	$ 1,853,854.39
Provision for Federal income tax	244,036.55	543,067.46
Provision for excess profits tax	——	——
TOTAL TAXES	$ 2,080,345.31	$ 2,396,921.85
NET EARNINGS FROM OPERATIONS	$ 1,779,886.62	$ 2,248,933.73
OTHER INCOME	39,722.79	40,499.55
GROSS INCOME	$ 1,819,609.41	$ 2,289,433.28
INTEREST AND OTHER DEDUCTIONS:		
Interest on equipment purchase obligations	$ 55,617.43	$ 93,773.93
Interest on bonds	161,902.97	180,858.67
Other interest, etc.	4,091.63	6,388.82
TOTAL INTEREST AND OTHER DEDUCTIONS	$ 221,612.03	$ 281,021.42
NET INCOME before provision for amortization of "amount to be amortized on basis of recapture contract in monthly installments" (see note to consolidated balance sheet)	$ 1,597,997.38	$ 2,008,411.86
Deduct—Provision for such amortization	260,745.42	253,150.62
NET INCOME after provision for such amortization	$ 1,337,251.96	$ 1,755,261.24

New York City Omnibus Corporation and Subsidiaries

STATEMENT OF CONSOLIDATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1941

	Capital Surplus	Earned Surplus
BALANCE, DECEMBER 31, 1940, per previous report	$ 1,666,769.47	$ 231,630.62
Add:		
Net income for year ended December 31, 1941, after provision for amortization, as above		1,337,251.96
Amount transferred from "Deferred Credit"—representing payment by Eighth Avenue Coach Corporation on account of receivables contributed by New York Railways Corporation	79,259.89	
Amounts transferred from "credit in respect of amount to be amortized on basis of Recapture Contract" in amount equal to amortization on $7,500,000 for the year ended December 31, 1941	260,745.42	
Net book value of assets received upon liquidation of Street Railway Liquidating Corporation, a wholly-owned subsidiary	222,911.15	
Reduction of accrual for Federal income taxes, applicable to prior years		268,980.48
	$ 2,229,685.93	$ 1,837,863.06
Deduct:		
Dividends		$ 1,098,032.50
Additional provision for injuries and damages		268,980.48
Loss on demolition of building, less estimated saving in Federal income taxes applicable thereto of $14,957.80		33,293.18
Net excess of cost over principal amount of bonds reacquired and retired		6,470.00
		$ 1,406,826.16
BALANCE, DECEMBER 31, 1941	$ 2,229,685.93	$ 431,036.90

New York City Omnibus Corporation and Subsidiaries

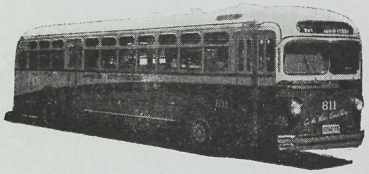
Source and Distribution of Operating Revenues

Operating Revenues for the year of $12,339,295.47 consist of the following:		
Fares Collected	$12,279,871.62	
Advertising	21,711.99	
Miscellaneous	37,711.86	
Total Operating Revenues	$12,339,295.47	
To which should be added the interest on securities made up principally of amounts required to be placed on deposit on account of Franchise Contracts, Self-Insurance for Workmen's Compensation and Accidents and Damages, etc.	39,722.79	
Total Operating and Non-Operating Revenues for the Year		$12,379,018.26
How the Year's Revenues Were Distributed:		
Taxes:		
City Taxes	$ 824,276.93	
State Taxes	804,036.66	
Federal Taxes	452,031.72	
Total Taxes		$ 2,080,345.31
Cost of:		
Materials used in Maintenance and Operation of Buses, Buildings, Machinery, Trucks, Snow Plows, etc.	$ 967,530.86	
Gasoline, Fuel Oil and Lubricants	592,036.59	1,559,567.45
Transfers, Registers, Bus Stop Signs and Rest Room Facilities	$ 26,727.58	
Stationery and Printing	9,477.94	
Strike Expenses	67,955.88	
Sand for Roadway	2,073.91	
Insurance—Fire, Explosion, Safe Burglary, Excess Public Liability, etc.	42,450.93	
Group Life and Health Insurance for Employees	22,880.22	
Amortization of Organization Expenses	14,812.80	
Legal Services and Expenses	27,009.92	
Interest on Deferred Equipment Payments	55,617.43	
Interest on Funded Debt	161,902.97	
Rents for Operating Properties	123,816.68	
Miscellaneous Items	40,137.90	594,864.16
Reserves:		
For Injuries and Damages	$ 457,236.11	
For Depreciation of Buses, Buildings and Other Property	1,125,531.97	
Total Reserves		1,582,768.08
Total of Taxes, Reserves and Other Operating Expenses (Other than Salaries and Wages)		$ 5,817,545.00
Income from Operation—Before Salaries and Wages		$ 6,561,473.26
Salaries	$ 113,267.50	
Wages	4,850,208.38	4,963,475.88
Net Income (Before Provision for Amortization)		$ 1,597,997.38
Deduct—Amortization Under Recapture Contract		260,745.42
Net Income After Amortization		$ 1,337,251.96

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GO THE MOTOR COACH WAY

New York City Omnibus Corporation



Annual Report to Stockholders, Employees and the Public

For the Year Ended December 31, 1942

EXPLANATORY

In examining the numerous tabulations included in the accompanying report, mostly concerning wages and taxes, some of which may appear repetitious, special attention is invited to the fact the report is prepared for the information of employees and the public as well as for stockholders.

Your Management feels that employees are entitled to know and have access to all the most pertinent and detailed facts concerning the affairs of the Corporation.

To the average stockholder his investment in securities of this Corporation may be and usually is but one of many investments from which the investor derives his annual income, and he can shift from securities of one company to another as his judgment may dictate.

Compensation of the worker gained from employment with the Corporation usually represents his whole source of income, upon which he and members of his family depend for their livelihood.

The worker cannot as easily shift from one employment to another, nor does he desire frequent changes of employment, much preferring permanency in employment—a "career" position.

Therefore it is of the utmost importance to the worker that he be kept fully informed as to the factors which may affect his continuity of employment and the maintenance of desirable working conditions.

If workers are going to permit those who represent them in collective bargaining to attempt to fix the dollars and cents value of their labor, then workers must share in the responsibility for making the necessary money out of which their wages are paid or must share in the responsibility for the loss of their jobs.

New York City Omnibus Corporation

DIRECTORS

George J. Atwell
Otis A. Glazebrook, Jr.
John D. Hertz
John D. Hertz, Jr.
David H. Knott
John E. McCarthy
Joseph T. McCarthy
John A. Ritchie
Charles G. Stachelberg
Harold E. Talbott, Jr.
Benjamin Weintraub
Frederic T. Wood
Willis D. Wood

EXECUTIVE AND FINANCE COMMITTEE

John D. Hertz, *Chairman*

Otis A. Glazebrook, Jr.
John E. McCarthy
John A. Ritchie
Frederic T. Wood

OFFICERS

General Offices, 605 West 132nd Street, New York City

John A. Ritchie . . . . . *Chairman of the Board*
Frederic T. Wood . . . . . *Vice-Chairman of the Board*
John E. McCarthy . . . . . *President*
Joseph T. McCarthy . . . . . *Vice-President*
Edmund C. Collins . . . . . *Secretary and Treasurer*
T. George Walker . . . . *Asst. Secretary and Asst. Treasurer*
Stephen C. Duggan . . . . . *Comptroller*
Henry J. Smith . . . . . *General Attorney*

Stock Transfer Agent
The Commercial National Bank and Trust Company of New York

Registrar, Prior Lien Mortgage
Central Hanover Bank and Trust Company

Stock Registrar
Manufacturers Trust Company

Registrar, Sixth Avenue Purchase Mortgage
Central Hanover Bank and Trust Company

ANNUAL MEETING

The annual meeting of stockholders will be held on Tuesday, June 1, 1943. Notice of the meeting, request for proxies, proxy statement and form of proxy will be mailed to stockholders about May 20, 1943.

All communications with respect to changes in address, transfers and dividend payments should be addressed to The Commercial National Bank and Trust Company of New York, 46 Wall Street, New York, N. Y.

New York City Omnibus Corporation

Office of the President
605 West 132nd Street
New York, N. Y.

March 30, 1943.

To Stockholders, Employees and the Public:

There is presented herewith the Consolidated Balance Sheet and Statement of Consolidated Income and Surplus for the year ended December 31, 1942, as certified by Messrs. Arthur Andersen & Co. (See Pages 12, 13, 14 and 15.)

The results of the year's Operation are set forth in the following short form:

Gross Revenues from Operation, including $73,149.60 from interest on securities owned, etc..		$13,815,471.25
Which Gross Revenues were disposed of as follows:		
Goods and Services Purchased from others, etc.		$ 2,016,305.09
Motor Coaches, Buildings, Shop Tools and other Equipment wearing out (Depreciation and Obsolescence)		1,176,229.26
For Injury and Damage Claims		683,323.96
Taxes (Federal, State and Municipal)		2,648,799.56
Total		$ 6,524,657.87
Balance remaining before Salaries and Wages		$ 7,290,813.38
Salaries (Executive Officers)	$ 126,362.50	
Wages	5,252,326.51	5,378,689.01
Net Income before provision for Amortization of Recapture Contract		$ 1,912,124.37
Deduct—Provision for such Amortization		268,567.65
Net Income after provision for Amortization		$ 1,643,556.72

Note: For further detailed information as to income and expenses see Page 16 from which the foregoing tabulation has been compiled.

It will be noted that before the owners of the property received any return:
Taxes absorbed an amount equivalent to one and three-fifths times Net Income
and
Wages absorbed an amount equivalent to three and one-fifth times Net Income

Dividends

During the calendar year 1942, the New York City Omnibus Corporation paid dividends to its stockholders aggregating $2.25 per share. Such dividends consisted of three quarterly dividends of 50¢ per share each, and one quarterly dividend of 75¢ per share. The total amount distributed in dividends for the year was $1,098,092.25.

On March 27, 1942, a quarterly dividend of 50¢ per share was paid to stockholders of record on March 19, 1942, at which time there were 2,257 stockholders with 488,041 shares outstanding.

On June 27, 1942, a quarterly dividend of 50¢ per share was paid to stockholders of record on June 24, 1942, at which time there were 2,263 stockholders with 488,041 shares outstanding.

On September 25, 1942, a quarterly dividend of 50¢ per share was paid to stockholders of record on September 18, 1942, at which time there were 2,280 stockholders with 488,041 shares outstanding.

On December 29, 1942, a quarterly dividend of 75¢ per share was paid to stockholders of record on December 17, 1942, at which time there were 2,308 stockholders with 488,041 shares outstanding.

Portion of Dividends Not Taxable

In prior reports to stockholders attention has been called to the possibility that a substantial portion of the revenues of the Corporation and of the dividends paid by it to stockholders might be deemed, for tax purposes, a return of capital and therefore not taxable. In this connection the following is quoted from a communication dated February 17, 1943 received from the Treasury Department, Washington, D. C.:

> "Reference is made to annual information return, Form 1096, reporting distributions totaling $1,098,092.25 paid to your shareholders during the calendar year 1942, which you claim to be partly nontaxable.
>
> On the basis of the data submitted, it has been tentatively held that distributions are 86.00 percent taxable and 14.00 percent nontaxable as dividends to the individual shareholders, pending the final audit of the corporation income tax return."

In previous reports tentative figures have been given for the years 1937, 1938, 1939, 1940 and 1941, indicating what portion of the dividends paid in those years might be considered as taxable and what portion as nontaxable.

Since the publication of the Corporation's 1941 Annual Report, the Corporation's Federal income tax returns for 1937 and subsequent years have been under review by the New York Division of the Technical Staff. To date the Corporation has not been able to reach a satisfactory agreement with the representatives of the Technical Staff regarding the Corporation's correct net income for 1937 and subsequent years principally because of a disagreement as to the amount of the annual deduction to which the Corporation is entitled for the purpose of amortization of its franchises.

The taxable and nontaxable portions of the dividends distributed by the Corporation in 1937, 1938, 1939, 1940 and 1941, as set forth in last year's Annual Report, are:

Year	Taxable as a Dividend	Regarded as a Return of Capital
1937	69.25%	30.75%
1938	58.47%	41.53%
1939	68.18%	31.82%
1940	73.12%	26.88%
1941	26.85%	73.15%

The foregoing information is based upon the latest communications received from the Treasury Department but, in view of the reexamination of this matter now being made by the Technical Staff, cannot be considered as final.

In view of the difficult questions of fact and law which are involved, there may be considerable delay before a final determination is made with regard to the correct taxable portion of the dividend distributions of the Corporation. Pending such final determination, stockholders will be advised from time to time of any ruling received from the Treasury Department with respect to this matter.

The Amount of Amortization is Available for Dividends

The provision for "Amortization under Recapture Contract" is a charge against the Earned Surplus of the Corporation. However, a like amount is transferred to Capital Surplus from the Account "Credit in Respect of Amount to be Amortized on Basis of Recapture Contract." (See Pages 14 and 15.) This amount of $268,567.65 is thus available for distribution as a dividend from Capital Surplus.

Retirement of Prior Lien Bonds

The Corporation has been proceeding with the purchase and retirement of the Prior Lien 6% Bonds of the New York Railways Corporation from the Option Warrant Account and in accordance with the Sinking Fund provisions of the Supplemental Indenture securing such bonds. Up to and including January 1, 1943, bonds in the principal amount of $1,389,000 were retired, and there remained on deposit at the close of the year a balance of $90,300 with the Trustee of the Sinking Fund and $72.50 in the Option Warrant Account.

Traffic

The passenger revenues of the New York City Omnibus Corporation and Subsidiaries for the last six years are as follows:

Calendar Year 1942 —	$13,683,274.65
Calendar Year 1941 —	12,279,871.62
Calendar Year 1940 —	12,867,743.23
Calendar Year 1939 —	12,724,671.12
Calendar Year 1938 —	11,913,149.51
Calendar Year 1937 —	11,501,410.89

Total passenger revenues of the New York City Omnibus Corporation and Subsidiaries for the calendar year 1942 exceeded those of 1941 by the sum of $1,403,403.03, an increase of 11.43%. In part, this increase is due to the fact that in 1941 the strike caused the suspension of operation on the lines of this system for twelve days in March. The restrictions curtailing the use of private automobiles brought about by the rationing of tires and of gasoline were also a factor in increasing the passenger revenue in 1942 as compared with 1941.

In accordance with the instructions of the Federal Office of Defense Transportation, this Corporation near the close of 1942 commenced the revision of its schedules to provide for the reduction of its service by 15%. This readjustment in the schedules was not completed until early in 1943 and the amount of reduction in service actually made effective in 1942 was, therefore, relatively small.

Taxes

The taxes of the New York City Omnibus Corporation and of its subsidiaries absorbed a substantial part of the total revenue of the system and are a heavy financial burden upon the operation.

The total amount of taxes assignable to operating and non-operating revenue, including franchise payments, applicable to the year ended December 31, 1942, was $2,648,799.56, which is equal to 19.3% of the total operating revenue of the companies, and 12.65¢ per bus mile operated.

The Following So-Called Social Welfare and Emergency Taxes for 1942 Have Been Imposed by Legislation Enacted During Comparatively Recent Years:

New York City Utilities	$137,321.02		
New York City Sales and Personal Property	14,205.60	$151,526.62	
New York State Utilities	$274,580.95		
New York State Gasoline and Fuel Oil	302,085.14		
New York State Unemployment	140,106.60	716,772.69	
Federal Gasoline	$ 96,113.79		
Federal Old Age Pension	51,891.35		
Federal Unemployment	15,567.44	163,572.58	$1,031,871.89

In Addition to the Foregoing So-Called Social Welfare and Emergency Taxes of Comparatively Recent Origin, the Following Normal Business Taxes were Applicable for the Year 1942:

New York City:			
Real Estate	$112,259.90		
Franchise	554,200.48		
Triborough Bridge Tolls	32,473.75	$698,934.13	
New York State:			
Franchise	$ 14,022.17		
Gross Earnings	70,913.52		
Vehicle Licenses	10,068.10	95,003.79	
Federal:			
Income	$765,389.53		
Capital Stock	35,312.50		
Miscellaneous	22,287.72	822,989.75	1,616,927.67
TOTAL ALL TAXES			$2,648,799.56

Taxes per Share of Capital Stock of New York City Omnibus Corporation as Compared with Net Earnings per Share—1938 to 1942

Year	So-Called Social Welfare and Emergency Taxes per Share	Federal Income Taxes per Share	Normal Business Taxes per Share*	Total Taxes per Share	Net Earnings per Share
1942	$2.11	$1.57	$1.74	$5.42	$3.36
1941	2.10	0.50	1.66	4.26	2.74
1940	2.15	1.11	1.65	4.91	3.59
1939	2.10	0.67	1.73	4.50	4.01
1938	1.98	0.63	1.76	4.37	4.09

*Exclusive of Federal Income Taxes.

Relation of Taxes to Workers' Wages and Owners' Income

It will be noted that:

(a) The so-called social welfare and emergency taxes for 1942 amounting to $1,031,871.89, all of which have been imposed by legislation enacted during comparatively recent years, are equal to 62.78% of this year's normal business taxes:

(b) Total taxes accrued for the year amounted to $2,648,799.56
Net Income after Amortization amounted to 1,643,556.72
Government's "take" in the form of taxes exceeded that which was left for the owners of the property by $1,005,242.84

and

(c) Taxes must be provided for before wages are paid. The "direct" taxes paid by the Corporation per person employed, for the years 1937, 1938, 1939, 1940, 1941 and 1942 were as follows:

Year	Average Number of Persons Employed	Average Compensation, Including Unskilled, Part Time and Seasonal Employment	"Direct" Taxes per Employee Borne by Corporation	Per Cent of "Direct" Taxes per Employee to Average Compensation
1942	2,161	$2,453.89	$1,225.23	49.93%
1941	2,240	2,182.49*	928.24	42.53%
1940	2,248	2,039.16	1,065.77	52.27%
1939	2,192	2,067.51	998.59	48.30%
1938	2,142	1,866.71	981.50	52.58%
1937	2,155	1,784.21	905.53	50.75%

*1941 figures represent 50½ weeks because of strike March 10 to 21.

It will be seen that, for each $100 paid in wages to employees, the Corporation paid in taxes, in 1937, $50.75; in 1938, $52.58; in 1939, $48.30; in 1940, $52.27; in 1941, $42.53; and in 1942, $49.93.

3% Utility Tax for Emergency Relief

All business generally within the City is taxed for relief purposes at the rate of one-twentieth of one per cent. on gross receipts, a reduction of 50% as contrasted with the rate previously applying to general business. A similar percentage reduction from 1/5 of 1% to 1/10 of 1% has been made, as applied to the tax on financial institutions. This compares with the utility tax paid by this Corporation and its subsidiaries amounting to 3% on every dollar of gross receipts.

Relief expenditures, it would seem, should be viewed and accepted as of equal concern and equal responsibility to everyone. They are a burden which should rest upon the entire community with equality to all. Furthermore, the total amount paid on the relief rolls is now very greatly reduced as compared with the amount previously paid for such purposes.

There is no desire on the part of this Corporation and its subsidiaries to escape in the slightest measure assuming their full share of the cost of government and, more especially, the cost of relief for those so unfortunate as to be out of employment. To the contrary, we are willing and anxious to do our full share toward the relief of the less fortunate in the payment of taxes, such as everyone else contributes to the wel-

fare of society. Management's contention in respect to this 3% utility tax for emergency relief is that it is decidedly unfair that this Corporation and its subsidiaries, or any public utility transportation company operating in New York City, should be forced to pay a "special" tax which no other industry pays. Certainly since reduction of tax rates to financial institutions and general business has been granted, a public utility such as ours, catering as we do to the transportation needs of the general public, is entitled to equal consideration.

Franchise Tax 3% on Routes Where Street Railway Properties Were Scrapped and 10% on New Crosstown Routes Acquired at Time of Motorization

New York City is understood to be the only city within the State of New York which exacts a percentage of gross earnings from public utility transportation companies as a franchise tax.

The daily operation of the routes of this Corporation and of its subsidiaries is confined to those thoroughfares which have been approved by the public authorities for such use.

A greater freedom of movement in the streets of this City, as well as along the highways of the State, except those specifically reserved for other traffic, is accorded to all large trucking operators engaged in interstate and intrastate service and to those whose business is the making of general deliveries within the City limits.

Furthermore, taxicab operators are permitted to use all streets of this City utilized by other traffic.

Such general freedom of movement is allowed to all those who make extensive use of the City's streets.

So far as is known, none of the groups above mentioned is required to pay a percentage of its gross earnings as a franchise tax, nor an additional tax of 3% of its gross receipts in the form of a utilities tax for emergency relief.

It is manifest that a coach company whose fare is definitely fixed either by the terms of its contract or of its franchise, or is determined by usage, is unable to pass on to its riders increased costs which it must meet in the form of mounting taxes, higher rates of wages and higher total wages, and higher prices which it must pay for the purchase of supplies and materials. Industries other than public utility corporations have, heretofore, freely passed on to the consumer such increased costs by increasing the price of their products and of their services.

To every fair-minded person the foregoing should constitute, it would seem, a cogent reason why public utility transportation companies doing business in New York City should not be required to pay a franchise tax of 3% and 10% of gross earnings and in addition thereto the special 3% utility tax for emergency relief, which latter goes in part (1%) to the City and in part (2%) to the State.

The data immediately preceding relate to the "outgo" of the Corporation and its subsidiaries in the payment of taxes. However, the probable effect of continued excessive tax payments on future incomes of both worker and Corporation, is a matter of pressing concern. It is a problem which should immediately excite the searching curiosity and engage the best thought of the workers themselves and those who represent them in collective bargaining.

Upward Trend of Wage Rates

In the years immediately prior to entering into contractual relations with the Transport Workers Union, the Corporation had granted voluntary increases as follows:

Motormen Trolley Lines—New York Railways Corporation

Rate of Pay Per Hour

	Minimum	Maximum
January 1, 1935 (slightly more than 8 years ago)	48¢	67¢

Bus Operators (Chauffeurs)—New York City Omnibus Corporation System

Rate of Pay Per Hour

	Minimum	Maximum
Effective February 1, 1935	50¢	67¢
Effective April 19, 1936	56¢	69¢
Effective January 3, 1937	61¢	74¢

Subsequent to entering into contractual relations with the Transport Workers Union the minimum and maximum rates below indicated became effective on the dates specified:

Effective July 22, 1937	61¢	82¢
Effective January 1, 1939	61¢	90¢
Effective March 1, 1941	65¢	94¢
Effective May 1, 1942	71¢	$1.00

The following statement shows the average weekly and annual wages actually paid to employees of the Corporation for 1941 and 1942:

Average Weekly and Annual Wages of Employees by Classifications for the Years Ended December 31, 1941 and 1942

Classifications	Average Number of Employees Working		Average Wages			
			Per Week		Per Annum	
	1941	1942	1941†	1942	1941†	1942
Bus Operators (Chauffeurs)	1,435	1,362	$44.29	$49.35	$2,236.59	$2,565.95
Garage Employees:						
Greasers	3	2	33.76	36.00	1,704.66	1,872.15
Placers	19	19	36.82	39.93	1,859.55	2,076.10
Gassers	4	4	31.68	35.29	1,599.74	1,835.10
Oilers	9	9	32.97	36.05	1,664.99	1,874.47
Floor Cleaners	13	12	30.88	34.84	1,559.58	1,811.71
Mechanics	151	150	42.62	45.76	2,152.43	2,379.36
Mechanics' Helpers	19	18	36.62	39.61	1,849.33	2,059.73
Battery Repair Mechanics	2	2	40.68	45.26	2,054.09	2,353.26
Washers and Cleaners	78	76	32.31	34.55	1,631.66	1,796.77
Electricians	12	12	42.27	45.64	2,134.83	2,373.19
Register Inspectors	3	3	32.59	34.64	1,645.70	1,801.26
Truckmen	3	3	43.10	45.57	2,176.54	2,369.40
Battery Men	3	3	33.10	35.72	1,671.45	1,857.27
*Average Wage of all employees — skilled and unskilled			$43.10	$47.19	$2,182.49	$2,453.89

*Exclusive of Officers.

†1941 figures represent 50½ weeks because of strike March 10 to 21.

Earnings of Urban Transportation Industry Generally
Street Railways and Buses

According to information received from the Bureau of Labor Statistics of the United States Department of Labor, the following are the figures as applied to employees operating street railways and buses for the months of December, 1942 and December, 1941:

	December, 1942	December, 1941
Average Weekly Hours	49.9 hours	46.8 hours
Average Hourly Earnings	85.6 cents	77.9 cents
Average Weekly Earnings	$43.34	$36.94

For purposes of comparison with earnings statistics of employees of this Corporation there are given below statistics obtained from the United States Department of Commerce in May, 1942, applied to the industries specified:

Average Salary-Wage of Employees (Full Time Equivalent) By Industrial Divisions

	Calendar Year					
	1933	1936	1937	1939	1940	1941
Mining	$ 974	$1,199	$1,268	$1,378	$1,402	$1,580
Manufacturing	1,064	1,261	1,354	1,354	1,434	1,672
Contract Construction	1,116	1,269	1,419	1,423	1,473	1,707
Power and Gas	1,368	1,592	1,696	1,766	1,799	1,855
Communication	1,226	1,412	1,485	1,563	1,573	1,586
Trade	1,157	1,277	1,329	1,357	1,376	1,405
Finance	1,449	1,549	1,608	1,583	1,598	1,638
Railroad Employees	1,438	1,722	1,774	1,876	1,903	1,991
Transportation—Street Railways	1,433	1,590	1,642	1,733	1,760	1,845

Average Salary of Employees of New York City Omnibus Corporation System

	Calendar Year				
	1937	1939	1940	1941	1942
New York City Omnibus Corporation System—					
All Employees	**$1,784.21**	**$2,067.51**	**$2,039.16**	**$2,182.49***	**$2,453.89**

*1941 figures represent 50½ weeks because of strike March 10 to 21.

New Contract with the Transport Workers Union of America

The third contract with the Transport Workers Union of America expired by limitation on April 30, 1942. On April 28, 1942 the Union presented its demands and thereafter conferences took place between the parties during the months of May and June, 1942, as a result of which a contract was signed on August 14, 1942 to be effective commencing May 1, 1942 and continuing until and including April 30, 1944. That contract is printed at the end of this report in order that all interested parties may be familiar with its provisions.

The total estimated additional expenses as a result of such contract amount to $330,000.00 per annum.

TOTAL ESTIMATED ADDITIONAL PAYMENTS MADE TO EMPLOYEES AND ESTIMATED SOCIAL SECURITY TAX DUE TO THE VARIOUS INCREASES IN RATES OF PAY AND OTHER CONSIDERATIONS GRANTED UNDER CONTRACTS WITH TRANSPORT WORKERS UNION FROM JULY 1, 1937, TO DECEMBER 31, 1942

First Contract	
July 22, 1937 to December 31, 1938	$ 578,603.55
Second Contract	
January 1, 1939 to February 28, 1941	$1,969,623.14
Third Contract	
March 1, 1941 to April 30, 1942	$1,634,488.54
Fourth Contract	
May 1, 1942 to December 31, 1942	$1,195,482.29
Total	$5,378,197.52

NOTE: The Fourth Contract expires April 30, 1944.

IMPORTANCE OF CO-OPERATION

It is a source of gratification to report that during the year a number of commendations have been received from patrons certifying to the earnest effort of many of our employees to promote the welfare of those who patronize our service. It is unfortunate also to be obliged to record that other letters have been received by us indicating a very different attitude on the part of a certain minority of those in the service of the Corporation. To those employees who fail to appreciate how unfortunate is the result of such an attitude on their part, it should be pointed out that any unfavorable reaction produced in the public mind will be very difficult for us to overcome and, in the end, is likely to prove costly to all concerned.

By Order of the Board of Directors,

Chairman of the Board.

President.

New York City Omnibus

CONSOLIDATED BALANCE SHEET

ASSETS

Current Assets:		
Cash	$ 1,469,333.59	
Marketable municipal securities at cost (quoted market price $218,383.75)	202,767.75	
United States War Bonds, Series G	150,000.00	
Receivables	73,127.32	
Inventory of gasoline, oil, etc.	7,026.18	$ 1,902,254.84
Investment in and Advances to Motor Coach Supply Corporation for the Purchase of Materials and Supplies		417,500.00
Prepaid Insurance, Taxes, Licenses, Etc.		128,686.71
Special Deposits:		
Cash funds for retirement of funded debt	$ 182,772.50	
Other special deposits represented by municipal securities at cost of $911,370.39 (quoted market price $1,005,355.50) and cash of $32,906.07	944,276.46	1,127,048.96
Property and Equipment:		
Land and buildings, stated at value accepted by the Transit Commission of the State of New York, plus subsequent additions at cost, less retirements	$ 4,925,794.88	
Equipment at cost—		
Motor coaches (including $3,111,343.96 subject to equipment purchase obligations)	10,892,906.88	
Service equipment, tools, furniture and fixtures, etc.	551,616.78	16,370,318.54
Amount to be Amortized on Basis of Recapture Contract in Monthly Installments commencing on January 29, 1935 and ending on December 26, 1958, stated on basis of amount which, less prior amortization, is provided to be paid by The City of New York in the event it shall elect to exercise right granted by the Recapture Contract (see note)	$ 7,500,000.00	
Less—Amortization from January 29, 1935 to December 31, 1942	1,924,109.52	5,575,890.48
Payment ($475,000) to the City of New York under Franchise Contract of Eighth Avenue Coach Corporation, less amount ($341,431.23) amortized to date		133,568.77
Organization Expense, Etc., for which a Reserve is Being Provided		296,573.50
Deferred and Unadjusted Items		2,683.50
		$25,954,525.30

NOTE:

Under the Agreement of Transfer dated December 24, 1936, New York Railways Corporation transferred to New York City Omnibus Corporation (1) all rights and claims arising from the abandonment of the perpetual street railway franchises and the conveyance of street railway properties to The City of New York (2) all rights and claims to any benefits under the Recapture Contract dated January 29, 1935, between The City of New York, New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (a subsidiary company), and (3) all rights and claims to the routes of the New York City Omnibus Corporation subject to the lien of the Prior Lien Bonds. Under the Recapture Contract, dated January 29, 1935, the City at its election has the irrevocable right, after ten years from the date of the contract, to terminate the franchises of the New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (which otherwise terminate on December 26, 1958), and to purchase the property and equipment used in the operation of the routes (other than real estate, cash, receivables, and similar items, which are to be retained by the companies) upon payment by the City of (1) the balance which shall remain of the amount of $7,500,000 after being reduced by amortization from the date of the Recapture Contract to the date of recapture upon a cumulative sinking fund basis calculated with interest at the rate of 3% per annum, compounded annually, so that at the end of the twenty-five year term of the bus franchises said amount of $7,500,000 would have been completely amortized, and (2) the value at the date of recapture (to be determined in the manner set forth in the Recapture Contract) of the property and equipment so to be purchased.

The franchise of Eighth Avenue Coach Corporation, another subsidiary company, covers a period to October 16, 1945, subject to termination on February 1, 1945, in the event The City of New York exercises its right to purchase the property and equipment of New York City Omnibus Corporation and Madison Avenue Coach Company, Inc.

Corporation and Subsidiaries

DECEMBER 31, 1942

LIABILITIES

CURRENT LIABILITIES (Not including equipment purchase obligations of $660,706.48 due prior to December 31, 1943):		
Accounts payable (including accrued pay roll)	$ 234,194.25	
Accrued Federal income taxes	814,581.73	
Accrued state, local and miscellaneous Federal taxes	200,648.60	
Accrued interest $86,052.78		
Less—Deposit for payment of interest due January 1, 1943 82,164.12	3,888.66	$ 1,253,313.24
EQUIPMENT PURCHASE OBLIGATIONS, 2-1/4% and 2-1/2%—Payable in monthly installments ($660,706.48 due in 1943)—secured by motor coaches (see contra)		1,330,562.73
BONDS ASSUMED (Originally issued by New York Railways Corporation):		
Prior Lien Mortgage 6% Gold Bonds, Series "A", due July 1, 1958 (secured in part by capital stocks of subsidiaries which have been eliminated in the consolidated balance sheet)	$ 2,254,306.48	
Sixth Avenue Purchase Mortgage Forty-Year 5% Gold Bonds, due January 1, 1965	263,715.00	2,518,021.48
RESERVES:		
Depreciation of property and equipment	$ 7,495,848.17	
Injuries and damages and workmen's compensation	833,074.99	
Amortization of organization expense, etc.	95,207.77	
Contingencies	187,000.92	8,611,131.85
CAPITAL STOCK:		
Authorized 700,000 shares, without par value—issued and outstanding 488,041 shares	$ 3,201,336.48	
Reserved for exercise of Option Warrants which entitle the holders thereof to purchase stock at $17.50 per share until March 1, 1947—10,042 shares	——	3,201,336.48
CREDIT IN RESPECT OF AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT, per contra:		
Balance per previous report $5,844,458.13 less amount equal to amortization ($268,567.65) credited to capital surplus		5,575,890.48
CAPITAL SURPLUS, arising principally from certain rights and benefits contributed by New York Railways Corporation per agreement of transfer dated December 24, 1936		2,496,488.67
EARNED SURPLUS		967,780.37
		$25,954,525.30

AUDITOR'S CERTIFICATE

To the Board of Directors,
NEW YORK CITY OMNIBUS CORPORATION:

We have examined the consolidated balance sheet of New York City Omnibus Corporation (a New York corporation) and subsidiary companies as of December 31, 1942, and the statements of consolidated income and surplus for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We had previously made a similar examination for the year ended December 31, 1941.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated income and surplus present fairly the position of New York City Omnibus Corporation and subsidiary companies at December 31, 1942, and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

New York, N. Y.
February 3, 1943.

New York City Omnibus Corporation and Subsidiaries

STATEMENT OF CONSOLIDATED INCOME
FOR THE YEARS ENDED DECEMBER 31, 1942 AND 1941

	1942	1941
OPERATING REVENUES:		
Coach lines	$13,683,274.65	$12,279,871.62
Advertising and miscellaneous	59,047.00	59,423.85
TOTAL OPERATING REVENUES	$13,742,321.65	$12,339,295.47
OPERATING EXPENSES:		
Maintenance	$ 1,532,375.17	$ 1,654,117.14
Depreciation	1,176,229.26	1,125,531.97
Traffic and transportation	4,705,949.00	4,335,691.45
General	1,645,035.34	1,363,722.98
TOTAL OPERATING EXPENSES	$ 9,059,588.77	$ 8,479,063.54
NET OPERATING REVENUES	$ 4,682,732.88	$ 3,860,231.93
TAXES:		
State, local and miscellaneous Federal taxes (including motor fuel taxes)	$ 1,883,410.03	$ 1,836,308.76
Provision for Federal income tax	765,389.53	244,036.55
Provision for excess profits tax	—	—
TOTAL TAXES	$ 2,648,799.56	$ 2,080,345.31
NET EARNINGS FROM OPERATIONS	$ 2,033,933.32	$ 1,779,886.62
OTHER INCOME	73,149.60	39,722.79
GROSS INCOME	$ 2,107,082.92	$ 1,819,609.41
INTEREST AND OTHER DEDUCTIONS:		
Interest on equipment purchase obligations	$ 42,262.09	$ 55,617.43
Interest on bonds	150,583.25	161,902.97
Other interest, etc.	2,113.21	4,091.63
TOTAL INTEREST AND OTHER DEDUCTIONS	$ 194,958.55	$ 221,612.03
NET INCOME before provision for amortization of "amount to be amortized on basis of recapture contract in monthly installments" (see note to consolidated balance sheet)	$ 1,912,124.37	$ 1,597,997.38
Deduct—Provision for such amortization	268,567.65	260,745.42
NET INCOME after provision for such amortization	$ 1,643,556.72	$ 1,337,251.96

New York City Omnibus Corporation and Subsidiaries

STATEMENT OF CONSOLIDATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1942

	Capital Surplus	Earned Surplus
BALANCE, DECEMBER 31, 1941, per previous report	$ 2,229,685.93	$ 431,036.90
Add:		
Net income for year ended December 31, 1942, after provision for amortization		1,643,556.72
Amounts transferred from "credit in respect of amount to be amortized on basis of Recapture Contract" in amount equal to amortization on $7,500,000 for the year ended December 31, 1942	268,567.65	
	$ 2,498,253.58	$ 2,074,593.62
Deduct:		
Dividends ($2.25 per share)		$ 1,098,092.25
Expenses incident to former New York Railways Corporation	$ 1,764.91	
Net excess of cost over principal amount of bonds reacquired and retired		8,721.00
	$ 1,764.91	$ 1,106,813.25
BALANCE, DECEMBER 31, 1942	$ 2,496,488.67	$ 967,780.37

New York City Omnibus Corporation and Subsidiaries

Source and Distribution of Operating Revenues

Operating Revenues for the year of $13,742,321.65 consist of the following:		
Fares Collected	$13,683,274.65	
Advertising	39,416.40	
Miscellaneous	19,630.60	
Total Operating Revenues	$13,742,321.65	
To which should be added the interest on securities made up principally of amounts required to be placed on deposit on account of Franchise Contracts, Self-Insurance for Workmen's Compensation and Accidents and Damages, etc.	73,149.60	
Total Operating and Non-Operating Revenues for the Year		$13,815,471.25
How the Year's Revenues Were Distributed:		
Taxes:		
City Taxes	$ 850,460.75	
State Taxes	811,776.48	
Federal Taxes	986,562.33	
Total Taxes		$ 2,648,799.56
Cost of:		
Materials used in Maintenance and Operation of Buses, Buildings, Machinery, Trucks, Snow Plows, etc.	$ 816,904.34	
Gasoline, Fuel Oil and Lubricants	705,745.11	1,522,649.45
Transfers, Registers, Bus Stop Signs and Rest Room Facilities	$ 28,706.92	
Stationery and Printing	6,920.51	
Sand for Roadway	1,204.81	
Insurance—Fire, Explosion, War Damage, Safe Burglary, Excess Public Liability, etc.	54,721.18	
Group Life and Health Insurance for Employees	24,218.42	
Amortization of Organization Expenses	14,402.26	
Legal Services and Expenses	16,500.00	
Interest on Deferred Equipment Payments	42,262.09	
Interest on Funded Debt	150,583.25	
Rents for Operating Properties	126,713.94	
Miscellaneous Items	27,422.26	493,655.64
Reserves:		
For Injuries and Damages	$ 683,323.96	
For Depreciation of Buses, Buildings and Other Property	1,176,229.26	
Total Reserves		1,859,553.22
Total of Taxes, Reserves and Other Operating Expenses (Other than Salaries and Wages)		$ 6,524,657.87
Income from Operation—Before Salaries and Wages		$ 7,290,813.38
Salaries	$ 126,362.50	
Wages	5,252,326.51	5,378,689.01
Net Income (Before Provision for Amortization)		$ 1,912,124.37
Deduct—Amortization Under Recapture Contract		268,567.65
Net Income After Amortization		$ 1,643,556.72

On the following pages will be found a copy of the Agreement, dated August 14, 1942, between New York City Omnibus Corporation and Subsidiaries and Transport Workers Union of America.

AGREEMENT made this 14th day of August, 1942, between New York City Omnibus Corporation, Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation, each being a corporation organized and existing under the laws of the State of New York, parties of the first part, and Transport Workers Union of America, affiliated with the Congress of Industrial Organizations, party of the second part,

WITNESSETH:

That for and in consideration of the mutual covenants and agreements herein contained, the parties hereto hereby agree (the parties of the first part agreeing each for itself but not jointly) as follows:

First: This agreement shall apply to all operating employees of all the parties of the first part but shall not apply to officers, superintendents, foremen, employees exercising supervisory functions, secretaries, stenographers, bookkeepers, executives or clerical and office employees. (For the purpose of further identification of employees to whom this agreement applies, reference is made to the classes of employees who were eligible to vote at the Referendum Vote held June 22, 1937).

Second: Effective as of May 1, 1942, the employees of the parties of the first part, to whom this agreement applies, shall receive the following rates of compensation:

(a) Transportation Department. Bus operators in the Transportation Department, to whom this agreement applies, shall receive the following rates of compensation:

During the first six months of their employment, said employees shall receive 71¢ per hour, and during the second six months of the first year of their employment, said employees shall receive 80¢ per hour. In the second year of their employment, said employees shall receive 86¢ per hour. In the third year of their employment, said employees shall receive 92¢ per hour. In the fourth year of their employment, said employees shall receive 94¢ per hour. In their fifth and subsequent years of employment, said employees shall receive $1.00 per hour.

Working conditions as to pay hours in effect under the contract which expired on April 30, 1942, including present practices as to "give-away" time, shall be continued. Bus operators shall continue to be paid at the rate of time and a half for all bus hours in excess of eight hours a day or forty-eight hours a week and at straight time hourly rates for swing time in excess of one hour per day or six hours per week; provided, however, that as to runs appearing on the 1941 schedules which consist of alternate weeks of seven and five working days respectively there shall be no overtime pay for the first eight bus hours on the seventh day of the seven day week. In calculating overtime pay for bus hours and pay for excess swing time, the present method now in use shall be continued and any period less than one hour shall be calculated and paid for to the next higher one tenth hour. Bus operators shall be paid at the rate of time and a half on all special runs.

The Company shall not divide or split any regular run appearing on the 1941 schedules into special runs nor shall any reduction in any regular run on any of such schedules be made which will result in the creation of any special run or runs. In no event shall the number of special runs on any line during any month of the term of this agreement be greater than the number of special runs on said line for the corresponding month in 1941 unless unusual traffic conditions requiring special runs shall develop.

(b) The following employees in the Transportation Department shall receive the following rates of compensation, to wit: Clockmen and Fare Collectors (including employees heretofore sometimes referred to as Change Men, Coach Directors and Transfer Collectors) shall receive 70¢ per hour. Tally men shall receive 65¢ per hour.

(c) Garages. Employees in the Garages, to whom this agreement applies, shall receive the rates of compensation set forth in Schedule A hereto annexed and made a part hereof.

All employees in the Garages will receive overtime at the rate of time and a half, for all work performed in excess of eight hours per day.

(d) Building Department and Inspection Bureau. The employees of the Building Department and in the Inspection Bureau, to whom this agreement is applicable, shall receive the rates of compensation set forth in Schedule B hereto annexed and made a part hereof.

The employees in the Building Department will receive overtime at the rate of time and a half for all work performed in excess of eight hours per day.

THIRD: During the term of this agreement, the parties of the first part will pay Bus Operators for travelling time between relief points and garages where the parties of the first part did not, prior to January, 1939, pay such operators, provided that such additional payments shall not exceed the rate of $5,200 per year.

FOURTH: During the term of this agreement, the parties of the first part will give vacations with pay between January 1st and December 31st in each year to each of the employees to whom this agreement applies who shall have been in the employ of the parties of the first part for a period of six months or more prior to June 1st in such year and who are in such employ at the time their vacation is scheduled. Employees on leave of absence or on inactive list will not be entitled to a vacation allowance until after they return to work and have completed three months continuous service. Such vacations shall be for a period of one week on the basis of 50 hours for employees in the Transportation Department, 48 hours for employees in the Garages and 40 hours for Building Maintenance Department, except in the case of employees who have been in the employ of the parties of the first part for a period of three years or more prior to June 1st in the year in which the vacation is given, in which case the vacation shall be for a period of two weeks. The pay during such vacations shall be on the basis of 100 hours for two weeks for employees in the Transportation Department, 96 hours for two weeks for employees in the Garages and 80 hours for two weeks for employees in the Building Maintenance Department.

FIFTH: Subject to the limitations hereinafter in this paragraph provided, each employee shall be entitled to seven days sick leave with pay in any year during the term of this agreement for unavoidable absence from duty from surgical operation or sickness of such a nature as to require continuous surgical or medical attention for a period of at least seven successive days. Employees who are on leave of absence or on inactive list will not participate in sick leave allowance. Sick leave allowance is not to apply to employees for the week preceding or the week following vacation period. In no event shall the parties of the first part be obligated to make payments to employees on sick leave aggregating more than $12,000 in any year or more than $1,000 in any one month. The amount of sick benefit to be distributed to each applicant in any month shall be determined by dividing the number of applications received into the amount of $1,000. Applications for sick leave with pay shall be accompanied by a statement of fact and medical certificate, and the parties of the first part shall be entitled to physical examination of the applicant by one of their own physicians.

SIXTH: The parties of the first part will grant four (4) holidays with pay at straight time on the basis of an eight hour day to each employee to whom this agreement applies during each of the periods May 1, 1942 to April 30, 1943 and May 1, 1943 to April 30, 1944. Employees who are on leave of absence or who are on the inactive list will not be paid for holidays accruing during their period of absence. Employees who are absent from duty but who receive sick benefits for the period in which a holiday occurs will not be paid for such holiday.

SEVENTH: The parties of the first part agree that no driver who himself is not guilty of negligence or wrongdoing shall be liable or responsible for moneys which are stolen from him while he is on duty and that they will fully compensate every driver for all working time lost as a result of injuries sustained by him by reason of an assault perpetrated upon him while engaged in the performance of his duties or in an attempt to rob him of Company moneys. Any dispute arising between the parties hereto out of the provisions of this paragraph shall, if it cannot be satisfactorily settled by the procedure provided for in paragraph 3 of the attached letter governing working conditions, be submitted for arbitration to a person designated by William H. Davis, Chairman of the War Labor Board, and the decision of such person shall be final and binding upon all parties.

EIGHTH: The parties of the first part agree that they will use their best efforts to procure the prompt return of the driving license of any driver whose license has been or shall be suspended or revoked by reason of an accident occurring while such driver is engaged in the performance of his duties for any of the parties of the first part.

NINTH: The parties of the first part agree that there shall be a general pick of runs by the drivers in their employ in the order of their seniority as set forth in the attached *letter governing working conditions between the day of , 1942, and the day of , 1942. This is the only general pick which shall take place during the term of the contract.

TENTH: The parties of the first part will not, during the term of this agreement, employ any operating employee as defined in Article FIRST hereof who is not or does not, within one month after his employment become and remain a member in good standing in the Transport Workers Union of America. Any person hereafter employed by the parties of the first part in the capacity of an operating employee, as defined in Article FIRST hereof, shall receive the rate of pay specified herein for a new employee in the classification in which he is employed.

ELEVENTH: From and after the first day of July 1942, the party of the first part will deduct from the pay of each employee to whom this agreement applies the regular monthly dues for such month payable by such employee to the party of the second part as from time to time certified by the President and Treasurer of the party of the second part as provided for in duly adopted by-laws of the party of the second part. Such deductions shall be made from the pay due each employee in the second full week in each month. If any employee does not have sufficient pay during the second full week, such deductions shall be made in any following week of the same month. The amounts so deducted shall be paid by the party of the first part to the party of the second part within ten days from the date the payroll is paid.

From and after the first day of July, 1942, for the maintenance of the medical plan of the party of the second part, the parties of the first part will deduct from the pay of each employee to whom this agreement applies, as provided for in duly adopted by-laws of the party of the second part, the sum of $2.00 from the payroll for the third full week of each of the following months:

July 1942	September 1942	December 1942	March 1943
June 1943	September 1943	December 1943	March 1944

If any employee does not have sufficient pay during the third full week of the aforesaid months, such deductions shall be made in the following week of the same month. The amounts so deducted shall be paid by the parties of the first part to the party of the second part within ten days from the date the payroll is paid.

*Letter not completed to date.

TWELFTH: During the term of this agreement, the operating employees, as defined in Article FIRST hereof, shall not participate in any strike against the parties of the first part or in any sympathetic or general strike, whether within or outside the property of the parties of the first part, nor shall the parties of the first part lock out such employees for any reason during the term hereof.

THIRTEENTH: In the event that any dispute between any or all of the parties of the first part and the party of the second part shall arise under the provisions of Article SECOND, paragraphs 2 and 3 under Subdivision (a) hereof, such dispute shall be submitted for final decision to a person designated by William H. Davis, Chairman of the War Labor Board, and the decision of such person shall be binding upon all parties.

FOURTEENTH: This agreement and all its provisions, including the rates of wages hereinabove set forth, shall continue in force and be binding upon the parties hereto until and including April 30, 1944.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed as of the day and year first above written.

NEW YORK CITY OMNIBUS CORPORATION

(signed) By J. E. McCARTHY

President.

MADISON AVENUE COACH COMPANY, INC.

(signed) By J. E. McCARTHY

President.

EIGHTH AVENUE COACH CORPORATION

(signed) By J. E. McCARTHY

President.

TRANSPORT WORKERS UNION OF AMERICA

(signed) By MICHAEL J. QUILL

President.

(signed) By DOUGLAS L. MACMAHON

Secretary-Treasurer.

(signed) AUSTIN HOGAN

President—Local 100.

SCHEDULE A

Garages	Hourly Rate
Classifications:	
Mechanics	98¢
Mechanics' Helpers	76¢ 85¢
Electricians	98¢
Register Inspector	75¢
Greasers	77¢
Placers	85¢
Oilers	77¢
Washers and Cleaners	75¢ 74¢
Floor Cleaners	75¢ 74¢
Battery Repair Mech.	98¢
Gasers	75¢
Battery Men	77¢
Elevator Operator	55¢
Truckmen	98¢

SCHEDULE B

Building Department	Hourly Rate
Classifications:	
Elevator Inspector	96¢
Electrician	1.05
Carpenter	1.04
Stop Sign Painters	82¢
Plumbers	1.10 1.04
Gen'l. Utility Men	82¢
Chauffeurs	98¢

Inspection Bureau	Hourly Rate
Classifications:	
Janitors	54¢
Flagmen	54¢
Watchmen	54¢

August 14, 1942.

TRANSPORT WORKERS UNION OF AMERICA,

New York, N. Y.

Dear Sirs:

During the term of the Agreement bearing even date herewith, between the undersigned and you, the undersigned will keep in effect, in regard to the operating employees covered by said Agreement the following rules as to working conditions:

1. As between employees of the same classification, seniority as well as qualifications will be taken into account in the making of promotions.

2. Commencing with the 1st day of May, 1942, the order of seniority among the present employees of the parties of the first part is and shall hereafter continue to be that set forth in *Schedule A hereto annexed and made a part hereof.

3. Any dispute arising out of grievances, schedules, discharges or suspensions, which cannot be settled with the respective department heads, will be presented by the Union representatives to the Labor Committee of the Company for decision. If, after the decision of the Labor Committee, the Union representatives wish to take a further appeal to the President of the Company, they may do so, and, if, after his decision, they are further dissatisfied, such dispute shall be submitted for final disposition to counsel for the Union and counsel for the undersigned.

4. The wife of an employee shall be given a pass on the bus lines operated by the undersigned.

5. Any employee may take a leave of absence of not more than 90 days in order to accept a position with the City, State or Federal Government, or for any other valid reason, and shall be entitled at the expiration of such leave of absence to return to the employment of the undersigned without forfeiting his seniority rights, provided that his physical condition at the time of his return is satisfactory.

6. Garage employees shall have the right, in the order of seniority, to be transferred to the road provided that the places of those who apply for such transfer can be filled with persons of equal skill. A garage employee transferred to the road shall have an absolute right to return to the garage within thirty days after the date of his transfer. After the expiration of thirty days from the date of transfer, such an employee shall be entitled to return to the garage only when a vacancy in his former position occurs. A garage employee who has been transferred to the road and has thereafter returned to the garage shall not again have the right of transfer to the road.

The Transportation Department employees shall have the right, in the order of seniority, to be transferred to the garage provided that the places of those who apply for such transfer can be filled with persons of equal skill. A Transportation Department employee transferred to the garage shall have an absolute right to return to the Transportation Department within thirty days after the date of his transfer. After the expiration of thirty days from the date of transfer, such an employee shall be entitled to return to the Transportation Department only when a vacancy in his former position occurs. A Transportation Department employee who has been transferred to the garage and has thereafter returned to the Transportation Department shall not again have the right of transfer to the garage.

7. One week's notice shall be given to garage employees before any reduction in force.

*Schedule A not completed to date.

8. When a man formerly employed in a garage is rehired after he has been laid off because of reduction in force, and after passing a physical examination by the Company physician, he shall regain the seniority rights which he had at the time he was laid off.

9. No work which can be performed by employees shall be given out to contractors except in case of emergency.

10. All work shall be inspected by the equipment inspector or foreman before the bus goes into service.

11. No foreman or equipment inspector or inspection foreman shall use tools or do any work that belongs to the men. This clause shall not exclude use of tools for purposes of demonstration or apply to work where necessity for immediate performance exists.

Yours very truly,

NEW YORK CITY OMNIBUS CORPORATION

(signed) By J. E. McCarthy

President.

MADISON AVENUE COACH COMPANY, INC.

(signed) By J. E. McCarthy

President.

EIGHTH AVENUE COACH CORPORATION

(signed) By J. E. McCarthy

President.

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New York City Omnibus Corporation

Annual Report to Stockholders, Employees and the Public

For the Year Ended December 31, 1943



GO THE MOTOR COACH WAY

EXPLANATORY

In examining the numerous tabulations included in the accompanying report, mostly concerning wages and taxes, some of which may appear repetitious, special attention is invited to the fact the report is prepared for the information of employees and the public as well as for stockholders.

Your Management feels that employees are entitled to know and have access to the most pertinent facts concerning the affairs of the Corporation.

To the average stockholder his investment in securities of this Corporation may be and usually is but one of many investments from which the investor derives his annual income, and he can shift from securities of one company to another as his judgment may dictate.

Compensation of the worker gained from employment with the Corporation usually represents his whole source of income, upon which he and members of his family depend for their livelihood.

Therefore it is of the utmost importance to the worker that he be kept fully informed as to the factors which may affect his continuity of employment and the maintenance of desirable working conditions.

If workers are going to permit those who represent them in collective bargaining to attempt to fix the dollars and cents value of their labor, then workers must share in the responsibility for making the necessary money out of which their wages are paid or must share in the responsibility for the loss of their jobs.

The Transport Workers Union has submitted demands with respect to wages and working conditions to be covered by the new wage contract to take effect May 1, 1944 upon termination of the present contract on April 30, 1944. It has not been practicable as yet to estimate the cost of compliance with these demands but the demands are listed on pages 17, 18, 19 and 20.

New York City Omnibus Corporation

DIRECTORS

George J. Atwell
Otis A. Glazebrook, Jr.
John D. Hertz
John D. Hertz, Jr.
David H. Knott
Allan S. Lehman
John E. McCarthy
John A. Ritchie
Charles G. Stachelberg
Harold E. Talbott, Jr.
Benjamin Weintraub
Frederic T. Wood
Willis D. Wood

EXECUTIVE AND FINANCE COMMITTEE

John D. Hertz, *Chairman*

Otis A. Glazebrook, Jr.
Allan S. Lehman
John E. McCarthy
John A. Ritchie
Frederic T. Wood

OFFICERS

General Offices, 605 West 132nd Street, New York 27, N. Y.

John A. Ritchie	*Chairman of the Board*
Frederic T. Wood	*Vice-Chairman of the Board*
John E. McCarthy	*President*
Joseph T. McCarthy	*Vice-President*
Edmund C. Collins	*Vice-President and Secretary*
T. George Walker	*Treasurer and Asst. Secretary*
William F. Gavin	*Assistant Treasurer*
Stephen C. Duggan	*Comptroller*
Henry J. Smith	*General Attorney*

Stock Transfer Agent
The Commercial National Bank and Trust Company of New York

Registrar, Prior Lien Mortgage
Central Hanover Bank and Trust Company

Stock Registrar
Manufacturers Trust Company

Registrar, Sixth Avenue Purchase Mortgage
Central Hanover Bank and Trust Company

ANNUAL MEETING

The annual meeting of stockholders will be held on Tuesday, June 6, 1944. Notice of the meeting, request for proxies, proxy statement and form of proxy will be mailed to stockholders about May 25, 1944.

All communications with respect to changes in address, transfers and dividend payments should be addressed to The Commercial National Bank and Trust Company of New York, 46 Wall Street, New York 15, N. Y.

New York City Omnibus Corporation

Office of the President
605 West 132nd Street
New York 27, N. Y.

March 28, 1944.

To Stockholders, Employees and the Public:

The Consolidated Balance Sheet of this Corporation and of its subsidiaries (Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation) at December 31, 1943 and statements of the Corporation's Consolidated Income and Surplus for the year ended December 31, 1943, as certified by Messrs. Arthur Andersen & Co., are appended hereto on Pages 12, 13, 14 and 15.

The results of the year's Operation are set forth in the following short form:

Gross Revenues from Operation, including $57,626.75 from interest on securities owned, etc.		$13,505,256.83
Which Gross Revenues were disposed of as follows:		
Goods and Services Purchased from others, etc.		$ 1,834,337.70
Motor Coaches, Buildings, Shop Tools and other Equipment wearing out (Depreciation and Obsolescence)		1,019,652.43
For Injury and Damage Claims		587,263.58
Taxes (Federal, State and Municipal)		2,840,466.61
Total		$ 6,281,720.32
Balance remaining before Salaries and Wages		$ 7,223,536.51
Salaries (Executive Officers)	$ 126,162.50	
Wages	4,900,692.41	5,026,854.91
Net Income before provision for Amortization of Recapture Contract		$ 2,196,681.60
Deduct—Provision for such Amortization		276,624.68
Net Income after provision for Amortization		$ 1,920,056.92

Note: For further detailed information as to income and expenses see Page 16 from which the foregoing tabulation has been compiled.

It will be noted that before the owners of the property received any return:
Taxes absorbed an amount equivalent to one and one-half times Net Income
and
Wages absorbed an amount equivalent to two and one-half times Net Income

Dividends

During the calendar year 1943, the New York City Omnibus Corporation paid dividends to its stockholders aggregating $3.50 per share. Such dividends consisted of one quarterly dividend of 50¢ per share, and three quarterly dividends of $1.00 per share each. The total amount distributed in dividends for the year was $1,710,528.50.

On March 26, 1943, a quarterly dividend of 50¢ per share was paid to stockholders of record on March 12, 1943, at which time there were 2,493 stockholders with 488,041 shares outstanding.

On June 25, 1943, a quarterly dividend of $1.00 per share was paid to stockholders of record on June 11, 1943, at which time there were 2,519 stockholders with 488,052 shares outstanding.

On September 24, 1943, a quarterly dividend of $1.00 per share was paid to stockholders of record on September 9, 1943, at which time there were 2,541 stockholders with 489,177 shares outstanding.

On December 14, 1943, a quarterly dividend of $1.00 per share was paid to stockholders of record on December 7, 1943, at which time there were 2,563 stockholders with 489,279 shares outstanding.

Portion of Dividends Not Taxable

In prior reports to stockholders attention has been called to the possibility that a substantial portion of the revenues of the Corporation and of the dividends paid by it to stockholders might be deemed, for tax purposes, a return of capital and therefore not taxable. In this connection the following is quoted from a communication dated February 5, 1944 received from the Treasury Department, Washington, D. C.:

> "Reference is made to the annual information return, Form 1096, which reports distributions totaling $1,710,528.50 paid to your shareholders during the calendar year 1943.
>
> On the basis of the data submitted, it is held tentatively that these distributions are 72.618 percent taxable and 27.382 percent nontaxable as dividends to the shareholders, pending the final audit of the corporation's income tax return for that year."

In previous reports tentative figures have been given for the years 1937, 1938, 1939, 1940, 1941 and 1942, indicating what portion of the dividends paid in those years might be considered as taxable and what portion as nontaxable.

Several conferences were held during the year 1943 with the representatives of the New York Division of the Technical Staff of the Treasury Department. The Corporation was unable to reach a satisfactory agreement with the representatives of the Technical Staff as to the correct net income for 1937 and subsequent years principally because of a disagreement as to the annual deduction to which the Corporation is entitled for the purpose of amortization of its franchises. The matter is now pending before the Tax Court of the United States.

The taxable and nontaxable portions of the dividends distributed by the Corporation in 1937, 1938, 1939, 1940, 1941 and 1942, as set forth in last year's Annual Report, are:

Year	Taxable as a Dividend	Regarded as a Return of Capital
1937	69.25%	30.75%
1938	58.47%	41.53%
1939	68.18%	31.82%
1940	73.12%	26.88%
1941	26.85%	73.15%
1942	86.00%	14.00%

In view of the difficult questions of fact and law which are involved, there may be considerable delay before a final determination is made with regard to the correct taxable portion of the dividend distributions of the Corporation. Pending such final determination, stockholders will be advised from time to time of rulings received with respect to this matter.

Retirement of Prior Lien Bonds

The Corporation has been proceeding with the purchase and retirement of the Prior Lien 6% Bonds of the New York Railways Corporation from the Option Warrant Account and in accordance with the Sinking Fund provisions of the Supplemental Indenture securing such bonds. General Cash funds have also been used in the retirement of additional bonds of this character. Up to and including January 1, 1944, bonds in the principal amount of $2,083,000 were retired, and there remained on deposit at the close of the year a balance of $95,832 with the Trustee of the Sinking Fund and $737.50 in the Option Warrant Account. The principal amount of Prior Lien Bonds outstanding at January 1, 1944, was $1,472,306.48 after all redemptions to and including that date.

Retirement of Sixth Avenue Purchase Mortgage Bonds

On January 1, 1944 the Corporation called for redemption all of the Sixth Avenue Purchase Mortgage Forty-Year 5% Gold Bonds due January 1, 1965, outstanding in the principal amount of $236,260.

Sale of Property on Lenox Avenue Between 140th Street and 141st Street

The real estate at the above location owned by this Corporation but not needed for the operation of its bus lines was sold in February, 1944. The proceeds realized from such sale have been deposited with the Central Hanover Bank and Trust Company, Trustee, pursuant to the terms of the Prior Lien Mortgage and will be applied to the redemption of Prior Lien 6% Mortgage Bonds of the New York Railways Corporation on July 1, 1944.

Bus Operation in Wartime

Late in 1942 the Federal Office of Defense Transportation directed this Corporation and its subsidiaries to make a reduction of 15% in the bus miles operated, and in May of 1943 required a still further reduction of 20%. These reductions in service were considered essential by the Federal Office of Defense Transportation in order to economize in the use of gasoline and other materials needed by the Armed Forces of the Nation. In August, 1943 the order requiring the 20% mileage reduction was cancelled but the order as applied to the original 15% reduction is still in force.

These orders substantially affected the bus service of this system even though the reduction in mileage was made in a way to cause the least possible inconvenience to our patrons as a whole. The total number of passengers carried on our lines in 1943 was less than in 1942, but the number carried per bus increased. When the wartime restrictions on the operations of private automobiles, taxicabs and buses are removed and the public returns to its former means of transport the increase in costs resulting from the increase in bus mileage essential to restore the service for the greater accommodation of our patrons will tend to reduce the net income from operation as compared with that of 1943.

We are appreciative of the patience and consideration of our patrons who have recognized that abnormal circumstances have prevented the rendering of as frequent and of as satisfactory a service as in prior years. This curtailment of our operations has been and still is necessary in the interest of the national welfare. When the emergency has passed we shall hope to adjust our schedules of bus operation more nearly in accordance with the comfort and convenience of our patrons—an adjustment impossible for us to make now under the wartime limitations.

Traffic

The passenger revenues of the New York City Omnibus Corporation and subsidiaries for the last seven years are as follows:

Calendar Year 1943 — $13,379,193.38	Calendar Year 1939 — $12,724,671.12
Calendar Year 1942 — 13,683,274.65	Calendar Year 1938 — 11,913,149.51
Calendar Year 1941 — 12,279,871.62	
Calendar Year 1940 — 12,867,743.23	Calendar Year 1937 — 11,501,410.89

Total passenger revenues of the New York City Omnibus Corporation and subsidiaries for the calendar year 1943 were less than those of 1942 by the sum of $304,081.27, a decrease of 2.22%.

Taxes

The taxes of the New York City Omnibus Corporation and of its subsidiaries absorbed an even more substantial part of the total revenue of the system than in prior years and are a heavy financial burden upon the operation.

The total amount of taxes assignable to operating and non-operating revenue, including franchise payments, applicable to the year ended December 31, 1943, was $2,840,466.61, which is equal to 21.1% of the total operating revenue of the companies, and 16.07¢ per bus mile operated.

The following Social Welfare and Emergency Taxes for 1943 Have Been Imposed by Legislation Enacted During Comparatively Recent Years:

New York City Utilities	$152,559.26		
New York City Sales and Compensating Use	17,475.89	$170,035.15	
New York State Utilities	$268,903.77		
New York State Gasoline and Fuel Oil	264,403.77		
New York State Unemployment	130,063.49	663,371.03	
Federal Gasoline	$ 77,248.03		
Federal Old Age Pension	48,175.56		
Federal Unemployment	14,452.57	139,876.16	$ 973,282.34

In Addition to the Foregoing Social Welfare and Emergency Taxes of Comparatively Recent Origin, the Following Normal Business Taxes were Applicable for the Year 1943:

New York City:			
Real Estate	$117,362.46		
Franchise	551,345.71		
Triborough Bridge Tolls	25,355.00	$694,063.17	
New York State:			
Franchise	$ 30,483.88		
Gross Earnings	70,332.50		
Vehicle Licenses	9,724.22	110,540.60	
Federal:			
Income	$983,906.09		
Capital Stock	49,062.50		
Miscellaneous	29,611.91	1,062,580.50	1,867,184.27
Total All Taxes			$2,840,466.61

Taxes per Share of Capital Stock of New York City Omnibus Corporation as Compared with Net Earnings per Share—1938 to 1943

Year	Social Welfare and Emergency Taxes per Share	Federal Income Taxes per Share	Normal Business Taxes per Share*	Total Taxes per Share	Net Earnings per Share
1943	$1.99	$2.01	$1.81	$5.81	$3.92
1942	2.11	1.57	1.74	5.42	3.36
1941	2.10	0.50	1.66	4.26	2.74
1940	2.15	1.11	1.65	4.91	3.59
1939	2.10	0.67	1.73	4.50	4.01
1938	1.98	0.63	1.76	4.37	4.09

*Exclusive of Federal Income Taxes.

Relation of Taxes to Workers' Wages and Owners' Income

It will be noted that:

(a) The social welfare and emergency taxes for 1943 amounting to $973,282.34, all of which have been imposed by legislation enacted during comparatively recent years, are equal to 52.13% of this year's normal business taxes:

(b) Total taxes accrued for the year amounted to $2,840,466.61
Net Income after Amortization amounted to 1,920,056.92
Government's "take" in the form of taxes exceeded that which was left for the owners of the property by ..... $ 920,409.69

and

(c) Taxes must be provided for before wages are paid. The "direct" taxes paid by the Corporation per person employed, for the years 1937, 1938, 1939, 1940, 1941, 1942 and 1943 were as follows:

Year	Average Number of Persons Employed	Average Compensation, Including Unskilled, Part Time and Seasonal Employment	"Direct" Taxes per Employee Borne by Corporation	Per Cent of "Direct" Taxes per Employee to Average Compensation
1943	1,912	$2,597.99	$1,485.10	57.16%
1942	2,161	2,453.89	1,225.23	49.93%
1941	2,240	2,182.49*	928.24	42.53%
1940	2,248	2,039.16	1,065.77	52.27%
1939	2,192	2,067.51	998.59	48.30%
1938	2,142	1,866.71	981.50	52.58%
1937	2,155	1,784.21	905.53	50.75%

*1941 figures represent 50½ weeks because of strike March 10 to 21.

It will be seen that, for each $100 paid in wages to employees, the Corporation paid in taxes, in 1937, $50.75; in 1938, $52.58; in 1939, $48.30; in 1940, $52.27; in 1941, $42.53; in 1942, $49.93, and in 1943, $57.16.

3% Utility Tax for Emergency Relief

All business generally within the City is taxed for relief purposes at the rate of 1/20 of 1% on gross receipts, a reduction of 50% as contrasted with the rate previously applying to general business. A similar percentage reduction from 1/5 of 1% to 1/10 of 1% has been made, as applied to the tax on financial institutions. This compares with the utility tax paid by this Corporation and its subsidiaries amounting to 3% on every dollar of gross receipts.

Relief expenditures, it would seem, should be viewed and accepted as of equal concern and equal responsibility to everyone. They are a burden which should rest upon the entire community with equality to all. Furthermore, the total amount paid on the relief rolls is now very greatly reduced as compared with the amount previously paid for such purposes.

There is no desire on the part of this Corporation and its subsidiaries to escape in the slightest measure assuming their full share of the cost of government and, more especially, the cost of relief for those so unfortunate as to be out of employment. To the contrary, we are willing and anxious to do our full share toward the relief of the less fortunate in the payment of taxes, such as everyone else contributes to the welfare of society. Management's contention in respect to this 3% utility tax for emergency relief is that it is decidedly unfair that this Corporation and its subsidiaries, or any public utility operating in New York City, should be forced to pay a "special" tax which no other industry pays. Certainly since reduction of tax rates to financial institutions and general business has been granted, a public utility such as ours, catering as we do to the transportation needs of the general public, is entitled to equal consideration.

Franchise Tax 3% on Routes Where Street Railway Properties Were Scrapped and 10% on New Crosstown Routes Acquired at Time of Motorization

New York City is understood to be the only city within the State of New York which exacts a percentage of gross earnings from public utility transportation companies as a franchise tax.

The daily operation of the routes of this Corporation and of its subsidiaries is confined to those thoroughfares which have been approved by the public authorities for such use.

A greater freedom of movement in the streets of this City, as well as along the highways of the State, except those specifically reserved for other traffic, is accorded to all large trucking operators engaged in interstate and intrastate service and to those whose business is the making of general deliveries within the City limits.

Furthermore, taxicab operators are permitted to use all streets of this City utilized by other traffic.

Such general freedom of movement is allowed to all those who make extensive use of the City's streets.

So far as is known, none of the groups above mentioned is required to pay a percentage of its gross earnings as a franchise tax, nor an additional tax of 3% of its gross receipts in the form of a utilities tax for emergency relief.

It is manifest that a coach company whose fare is definitely fixed either by the terms of its contract or of its franchise, or is determined by usage, is unable to pass on to its riders increased costs which it must meet in the form of mounting taxes, higher rates of wages and higher total wages, and higher prices which it must pay for the purchase of supplies and materials. Industries other than public utility corporations have, heretofore, freely passed on to the consumer such increased costs by increasing the price of their products and of their services.

To every fair-minded person the foregoing should constitute, it would seem, a cogent reason why public utility transportation companies doing business in New York City should not be required to pay a franchise tax of either 3% or 10% of gross earnings and in addition thereto the special 3% utility tax for emergency relief, which latter goes in part (1%) to the City and in part (2%) to the State.

The data immediately preceding relate to the "outgo" of the Corporation and its subsidiaries in the payment of taxes. However, the probable effect of continued excessive tax payments on future incomes of both worker and Corporation, is a matter of pressing concern. It is a problem which should immediately excite the searching curiosity and engage the best thought of the workers themselves and those who represent them in collective bargaining.

Upward Trend of Wage Rates

In the years immediately prior to entering into contractual relations with the Transport Workers Union, the Corporation had granted voluntary increases as follows:

Motormen Trolley Lines—New York Railways Corporation
Rate of Pay Per Hour

	Minimum	Maximum
January 1, 1935 (slightly more than 9 years ago)	48¢	67¢

Bus Operators (Chauffeurs)—New York City Omnibus Corporation System
Rate of Pay Per Hour

	Minimum	Maximum
Effective February 1, 1935	50¢	67¢
Effective April 19, 1936	56¢	69¢
Effective January 3, 1937	61¢	74¢

Subsequent to entering into contractual relations with the Transport Workers Union the minimum and maximum rates below indicated became effective on the dates specified:

	Minimum	Maximum
Effective July 22, 1937	61¢	82¢
Effective January 1, 1939	61¢	90¢
Effective March 1, 1941	65¢	94¢
Effective May 1, 1942	71¢	$1.00

The following statement shows the average weekly and annual wages actually paid to employees of the Corporation for 1942 and 1943:

Average Weekly and Annual Wages of Employees by Classifications for the Years Ended December 31, 1942 and 1943

Classifications	Average Number of Employees Working		Average Wages			
			Per Week		Per Annum	
	1942	1943	1942	1943	1942	1943
Bus Operators (Chauffeurs)	1,362	1,143	$49.35	$52.66	$2,565.95	$2,738.41
Garage Employees:.						
Greasers	2	2	36.00	36.59	1,872.15	1,902.89
Placers	19	18	39.93	40.68	2,076.10	2,115.14
Gassers	4	4	35.29	35.90	1,835.10	1,866.67
Oilers	9	9	36.05	36.74	1,874.47	1,910.55
Floor Cleaners	12	12	34.84	35.39	1,811.71	1,840.09
Mechanics	150	142	45.76	46.43	2,379.36	2,414.37
Mechanics' Helpers	18	20	39.61	39.09	2,059.73	2,032.46
Battery Repair Mechanics	2	3	45.26	46.86	2,353.26	2,436.52
Washers and Cleaners	76	73	34.55	35.09	1,796.77	1,824.53
Electricians	12	11	45.64	46.72	2,373.19	2,429.62
Register Inspectors	3	3	34.64	35.07	1,801.26	1,823.39
Truckmen	3	3	45.57	46.86	2,369.40	2,436.69
Battery Men	3	3	35.72	36.20	1,857.27	1,882.39
*Average Wage of all employees — skilled and unskilled			$47.19	$49.96	$2,453.89	$2,597.99

*Exclusive of Officers.

Earnings of Urban Transportation Industry Generally

Street Railways and Buses

According to information received from the Bureau of Labor Statistics of the United States Department of Labor, the following are the figures as applied to employees operating street railways and buses for the months of December, 1943 and December, 1942:

	December, 1943	December, 1942
Average Weekly Hours	49.5 hours	49.9 hours
Average Hourly Earnings	90.7 cents	85.6 cents
Average Weekly Earnings	$45.62	$43.34

For purposes of comparison with earnings statistics of employees of this Corporation there are given below statistics obtained from Table 5 on page 17 of the March 1943 issue of the "Survey of Current Business" published by the United States Department of Commerce:

Annual Average Salary-Wage per Employee in Non-Agricultural Industries 1939—1942

	Calendar Year				Per Cent Increase
	1939	1940	1941	1942	1939-1942
Mining	$1,394	$1,454	$1,666	$1,820	31%
Manufacturing	1,309	1,426	1,659	2,043	56%
Contract Construction	1,140	1,186	1,346	1,561	37%
Power and Gas	1,766	1,794	1,896	2,063	17%
Communication	1,563	1,577	1,598	1,671	7%
Trade	1,220	1,242	1,333	1,435	18%
Finance	1,581	1,595	1,640	1,755	11%
Railroad Employees	1,876	1,908	2,039	2,290	22%
Transportation—Street Railways	1,733	1,760	1,846	2,078	20%

	1939	1940	1941	1942	1943
New York City Omnibus Corporation System—All Employees	**$2,067.51**	**$2,039.16**	**$2,182.49***	**$2,453.89**	**$2,597.99**

Per Cent Increase from 1939 to 1943—26%.

*1941 figures represent 50½ weeks because of strike March 10 to 21.

New Demands of the Transport Workers Union of America

The existing wage contract with the Transport Workers Union of America expires by limitation on April 30, 1944. Commencing on Page 17 will be found the demands presented by the Union for incorporation in the new contract to be effective May 1, 1944.

In the National Service

As of December 31, 1943 a total of 312 employees of this Corporation and of its subsidiary companies had joined the Armed Forces of the Nation. These men included operators of buses on the streets, maintenance men in the garages, and members of the clerical force and of the staff, all of whom we honor for their service to the country in this critical period.

Importance of Co-operation

The Management desires to express appreciation of the cooperation extended by employees in the operation of the bus service during the past year under the difficult conditions created by the war.

There were received from passengers and others in 1943 a greater number of commendations than came to us in 1942. These communications praised the evident desire of many of our employees to promote the comfort and welfare of those who ride upon the buses.

Unfortunately complaints also were received in 1943 which, although less in number than in 1942, seem to indicate a very different attitude on the part of a certain minority of those in the employ of this Corporation.

They who fail to realize how unfortunate are the results of such a lack of consideration of our patrons should recognize that any unfavorable impression created in the minds of passengers cannot quickly be overcome and ultimately may react to the disadvantage of the New York City Omnibus Corporation and all of those in its service.

By Order of the Board of Directors,

Chairman of the Board.

President.

New York City Omnibus

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:		
Cash	$ 1,282,823.06	
Marketable municipal securities, at cost (quoted market price $224,545.00)	202,767.75	
United States Government securities	700,000.00	
Receivables	27,171.47	
Inventory of gasoline, oil, etc.	9,414.43	$ 2,222,176.71
INVESTMENT IN AND ADVANCES TO MOTOR COACH SUPPLY CORPORATION FOR THE PURCHASE OF MATERIALS AND SUPPLIES		377,500.00
PREPAID INSURANCE, TAXES, LICENSES, ETC.		122,226.17
SPECIAL DEPOSITS:		
Cash funds for retirement of funded debt	$ 972,279.50	
Other special deposits represented by municipal securities at cost of $911,370.39 (quoted market price $1,033,798.75) and cash of $21,102.35	932,472.74	1,904,752.24
PROPERTY AND EQUIPMENT:		
Land and buildings, stated at value accepted by the Transit Commission of the State of New York, plus subsequent additions at cost, less retirements	$ 4,932,810.45	
Equipment at cost—		
Motor coaches (including $1,396,537 subject to equipment purchase obligations)	10,747,117.28	
Service equipment, tools, furniture and fixtures, etc.	558,453.70	16,238,381.43
AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT IN MONTHLY INSTALLMENTS, commencing on January 29, 1935 and ending on December 26, 1958, stated on basis of amount which, less prior amortization, is provided to be paid by The City of New York in the event it shall elect to exercise right granted by the Recapture Contract (see note)	$ 7,500,000.00	
Less—Amortization from January 29, 1935 to December 31, 1943	2,200,734.20	5,299,265.80
PAYMENT ($475,000.00) TO THE CITY OF NEW YORK UNDER FRANCHISE CONTRACT OF EIGHTH AVENUE COACH CORPORATION, less amount ($389,276.79) amortized to date		85,723.21
ORGANIZATION EXPENSE, ETC.		296,573.50
DEFERRED AND UNADJUSTED ITEMS		2,688.90
		$26,549,287.96

NOTE:

Under the Agreement of Transfer dated December 24, 1936, New York Railways Corporation transferred to New York City Omnibus Corporation (1) all rights and claims arising from the abandonment of the perpetual street railway franchises and the conveyance of street railway properties to The City of New York (2) all rights and claims to any benefits under the Recapture Contract dated January 29, 1935, between The City of New York, New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (a subsidiary company), and (3) all rights and claims to the routes of the New York City Omnibus Corporation subject to the lien of the Prior Lien Bonds. Under the Recapture Contract, dated January 29, 1935, the City at its election has the irrevocable right, after ten years from the date of the contract, to terminate the franchises of the New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (which otherwise terminate on December 26, 1958), and to purchase the property and equipment used in the operation of the routes (other than real estate, cash, receivables, and similar items, which are to be retained by the companies) upon payment by the City of (1) the balance which shall remain of the amount of $7,500,000 after being reduced by amortization from the date of the Recapture Contract to the date of recapture upon a cumulative sinking fund basis calculated with interest at the rate of 3% per annum, compounded annually, so that at the end of the twenty-five year term of the bus franchises said amount of $7,500,000 would have been completely amortized, and (2) the value at the date of recapture (to be determined in the manner set forth in the Recapture Contract) of the property and equipment so to be purchased.

The franchise of Eighth Avenue Coach Corporation, another subsidiary company, covers a period to October 16, 1945, subject to termination on February 1, 1945, in the event The City of New York exercises its right to purchase the property and equipment of New York City Omnibus Corporation and Madison Avenue Coach Company, Inc.

Corporation and Subsidiaries

DECEMBER 31, 1943

LIABILITIES

CURRENT LIABILITIES:		
Equipment purchase obligations due in 1944	$ 401,325.00	
Accounts payable (including accrued pay roll)	279,684.70	
Accrued Federal income taxes—subject to review by U. S. Treasury Department	1,225,897.75	
Accrued state, local and miscellaneous Federal taxes	199,024.06	
Accrued interest $79,183.16		
Less—Deposit for payment of interest due January 1, 1944 78,426.49	756.67	$ 2,106,688.18
EQUIPMENT PURCHASE OBLIGATIONS, 2¼% AND 2½%—secured by motor coaches (see contra)	$ 669,856.25	
Less—Installments due in 1944 included under current liabilities	401,325.00	268,531.25
BONDS ASSUMED (Originally issued by New York Railways Corporation):		
Prior Lien Mortgage 6% Gold Bonds, Series "A" due July 1, 1958 (secured in part by capital stocks of subsidiaries which have been eliminated in the consolidated balance sheet)	$ 2,081,306.48	
Sixth Avenue Purchase Mortgage Forty-Year 5% Gold Bonds, due January 1, 1965	236,260.00	2,317,566.48
RESERVES:		
Depreciation of property and equipment	$ 8,430,789.96	
Injuries and damages and workmen's compensation	703,624.47	
Amortization of organization expense, etc.	109,603.93	
Contingencies, etc.	109,420.00	9,353,438.36
CAPITAL STOCK:		
Authorized 700,000 shares, without par value—issued and outstanding 489,279 shares	$ 3,223,001.48	
Reserved for exercise of Option Warrants which entitle the holders thereof to purchase stock at $17.50 per share until March 1, 1947—8,804 shares	——	3,223,001.48
CREDIT IN RESPECT OF AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT:		
Balance per previous report $5,575,890.48 less amount equal to amortization ($276,624.68), per contra	$ 5,299,265.80	
Less—Amount transferred to capital surplus, equivalent to remaining amount to be amortized by Madison Avenue Coach Company, Inc.	257,994.98	5,041,270.82
CAPITAL SURPLUS, arising principally from certain rights and benefits contributed by New York Railways Corporation per agreement of transfer dated December 24, 1936		3,069,505.60
EARNED SURPLUS		1,169,285.79
		$26,549,287.96

AUDITOR'S CERTIFICATE

To the Board of Directors,
NEW YORK CITY OMNIBUS CORPORATION:

We have examined the consolidated balance sheet of New York City Omnibus Corporation (a New York corporation) and subsidiary companies as of December 31, 1943, and the statements of consolidated income and surplus for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We had previously made a similar examination for the year ended December 31, 1942.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated income and surplus present fairly the position of New York City Omnibus Corporation and subsidiary companies at December 31, 1943, and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

New York, N. Y.,
March 6, 1944.

New York City Omnibus Corporation and Subsidiaries

STATEMENT OF CONSOLIDATED INCOME
FOR THE YEARS ENDED DECEMBER 31, 1943 AND 1942

	1943	1942
OPERATING REVENUES:		
Coach lines	$13,379,193.38	$13,683,274.65
Advertising and miscellaneous	68,436.70	59,047.00
TOTAL OPERATING REVENUES	$13,447,630.08	$13,742,321.65
OPERATING EXPENSES:		
Maintenance	$ 1,400,570.94	$ 1,532,375.17
Depreciation	1,019,652.43	1,176,229.26
Traffic and transportation	4,299,066.64	4,705,949.00
General	1,580,121.60	1,645,035.34
TOTAL OPERATING EXPENSES	$ 8,299,411.61	$ 9,059,588.77
NET OPERATING REVENUES	$ 5,148,218.47	$ 4,682,732.88
TAXES:		
State, local and miscellaneous Federal taxes (including motor fuel taxes)	$ 1,856,560.52	$ 1,883,410.03
Provision for Federal income tax, including approximately $135,000 in 1943 for prior years (no provision required for excess profits taxes)	983,906.09	765,389.53
TOTAL TAXES	$ 2,840,466.61	$ 2,648,799.56
NET EARNINGS FROM OPERATIONS	$ 2,307,751.86	$ 2,033,933.32
OTHER INCOME	57,626.75	73,149.60
GROSS INCOME	$ 2,365,378.61	$ 2,107,082.92
INTEREST AND OTHER DEDUCTIONS:		
Interest on equipment purchase obligations	$ 21,637.83	$ 42,262.09
Interest on bonds	140,220.17	150,583.25
Other interest, etc.	6,839.01	2,113.21
TOTAL INTEREST AND OTHER DEDUCTIONS	$ 168,697.01	$ 194,958.55
NET INCOME before provision for amortization of "amount to be amortized on basis of recapture contract in monthly installments" (see note to consolidated balance sheet)	$ 2,196,681.60	$ 1,912,124.37
Deduct—Provision for such amortization	276,624.68	268,567.65
NET INCOME after provision for such amortization	$ 1,920,056.92	$ 1,643,556.72

New York City Omnibus Corporation and Subsidiaries

STATEMENT OF CONSOLIDATED SURPLUS
FOR THE YEAR ENDED DECEMBER 31, 1943

	Capital Surplus	Earned Surplus
BALANCE, DECEMBER 31, 1942, per previous report	$ 2,496,488.67	$ 967,780.37
Add:		
Net income for year ended December 31, 1943, after provision for amortization	——	1,920,056.92
Amount transferred from "credit in respect of amount to be amortized on basis of Recapture Contract" in amount equal to amortization on $7,500,000 for the year ended December 31, 1943	276,624.68	——
Amount transferred to capital surplus equivalent to remaining amount to be amortized by subsidiary company after current year's amortization ($17,295.72) included above	257,994.98	——
Portion of reserve for contingencies taken over from predecessor company no longer required	39,233.92	——
	$ 3,070,342.25	$ 2,887,837.29
Deduct:		
Dividends ($3.50 per share)	$ ——	$ 1,710,528.50
Expenses incident to former New York Railways Corporation	836.65	——
Net excess of cost over principal amount of bonds reacquired and retired	——	8,023.00
	$ 836.65	$ 1,718,551.50
BALANCE, DECEMBER 31, 1943	$ 3,069,505.60	$ 1,169,285.79

New York City Omnibus Corporation and Subsidiaries

Source and Distribution of Operating Revenues for the Year Ended December 31, 1943

Operating Revenues for the year of $13,447,630.08 consist of the following:		
Fares Collected	$13,379,193.38	
Advertising	51,381.99	
Miscellaneous	17,054.71	
Total Operating Revenues	$13,447,630.08	
To which should be added the interest on securities made up principally of amounts required to be placed on deposit on account of Franchise Contracts, Self-Insurance for Workmen's Compensation and Accidents and Damages, etc.	57,626.75	
Total Operating and Non-Operating Revenues for the Year		$13,505,256.83
How the Year's Revenues Were Distributed:		
Taxes:		
City Taxes	$ 864,098.32	
State Taxes	773,911.63	
Federal Taxes	1,202,456.66	
Total Taxes		$ 2,840,466.61
Cost of:		
Materials used in Maintenance and Operation of Buses, Buildings, Machinery, Trucks, Snow Plows, etc.	$ 705,003.91	
Gasoline, Fuel Oil and Lubricants	614,213.90	1,319,217.81
Transfers, Registers, Bus Stop Signs and Rest Room Facilities	$ 25,516.65	
Stationery and Printing	11,064.68	
Sand for Roadway	2,094.82	
Insurance—Fire, Explosion, War Damage, Safe Burglary, Excess Public Liability, etc.	67,836.92	
Group Life and Health Insurance for Employees	25,728.26	
Amortization of Organization Expenses	13,748.88	
Legal Services and Expenses	16,779.34	
Interest on Deferred Equipment Payments	21,637.83	
Interest on Funded Debt	140,220.17	
Rents for Operating Properties	132,447.28	
*Miscellaneous Items	58,045.06	515,119.89
Reserves:		
For Injuries and Damages	$ 587,263.58	
For Depreciation of Buses, Buildings and Other Property	1,019,652.43	
Total Reserves		1,606,916.01
Total of Taxes, Reserves and Other Operating Expenses (Other than Salaries and Wages)		$ 6,281,720.32
Income from Operation—Before Salaries and Wages		$ 7,223,536.51
Salaries	$ 126,162.50	
Wages	4,900,692.41	5,026,854.91
Net Income (Before Provision for Amortization)		$ 2,196,681.60
Deduct—Amortization Under Recapture Contract		276,624.68
Net Income After Amortization		$ 1,920,056.92

*Includes Directors' Salaries and Fees in amount of $10,083.30.

Demands of Transport Workers Union Submitted by Its Counsel as the Basis for the New Wage Contract to Take Effect May 1, 1944

March 2, 1944

MR. JOHN E. MCCARTHY, PRESIDENT
New York City Omnibus Corporation
605 West 132nd Street
New York City

Dear Sir:

Enclosed please find copy of demands of Transport Workers Union in respect to the collective bargaining agreement to be executed for the year immediately following the expiration of the present agreement. We would appreciate it if you would give these demands your careful consideration before we meet so that we may reduce the number of conferences to a minimum.

Will you kindly advise me upon receipt of the enclosure when our representatives can meet with you to negotiate?

Very truly yours,

(*signed*) HARRY SACHER

HS:FL
enc.

NEW YORK CITY OMNIBUS

PROPOSALS FOR NEW CONTRACT

1. The contract shall be for the term of one (1) year and the Union shall have the right to reopen negotiations on the contract for the purpose of discussing wage increases if the cost of living continues to rise.

2. General increase of ten cents (10¢) an hour in the Transportation Department and the top rate shall be reached after one (1) year's service.

3. Clockmen and Fare Collectors shall receive 80¢ per hour and shall be guaranteed a minimum forty-eight hour work week.

4. All Mechanics in the garage shall be equalized in rates of pay with the shop rates.

5. All top rate employees in the Building Department shall receive an increase of ten cents (10¢) per hour and all other employees in the Building Department shall be equalized at the top rate of pay.

6. Firemen shall receive an increase in pay equal to that received by the Mechanics.

7. Garage men on night work shall receive 10% extra compensation.

8. Time and one-half shall be paid for all work performed over eight hours per day and forty hours per week with a guaranteed 48 hour work week in six consecutive days. All extra men and part time employees shall be guaranteed a forty hour week.

9. All employees, except those on leave of absence, shall be paid for eight national holidays during the year. Employees required to work on any of said holidays shall be paid double time.

All employees in the armed forces or Merchant Marine shall be paid for eight holidays each year while in such service.

10. Employees in service for six months or more shall receive one week's vacation with pay. Employees in the service of the company for one year or more shall receive two weeks vacation with pay.

Vacation pay shall be computed on the basis of the employees regular work week and in the Transportation Department on the employee's picked run, but in no event shall it be less than fifty hours for each vacation week.

11. Men in the armed forces or Merchant Marine shall receive vacation pay while in such service.

12. Any employee who works on his regular day off shall be paid time and one-half while engaged in such work and in no event shall it be less than eight hours work. Each employee shall be entitled to a regular day off after each six days worked.

13. Any employee required to work on Sunday shall be paid at time and one-half.

14. Employees shall be paid a day's pay for attending court or Motor Vehicle Bureau and shall be excused from work on that day.

15. Any man off sick for six consecutive days shall be paid Twenty-Five Dollars ($25.00) for the first week and Ten Dollars ($10.00) per week for a period of thirteen weeks.

16. Employees shall receive one-half hour's pay if they are required to fill out accident report.

17. Employees and their wives shall receive passes for the 5th Avenue Coach Lines.

18. Wives of employees in the armed forces and Merchant Marine shall continue to hold passes.

19. The Company shall institute a sound and equitable pension plan with a view to supplementing the pension received from the old age pension plan under Social Security, so as to provide a living wage for those men eligible to retire.

20. Employees required to work on snow work or sand work shall receive ten cents (10¢) an hour in addition to regular top rate of pay and extra men required to do snow or sand work shall receive a minimum of eight hours work.

21. All lost property not claimed within thirty days shall be returned to the finder.

22. All employees shall be allowed two hours off with pay on Election Day to enable them to vote.

23. Any employee whose license is revoked and is later exonerated shall be compensated by the Company for all time lost.

24. All employees shall be provided with lockers and the Company shall be responsible for property stolen from same.

25. Any vacancy occurring in Transportation Supervisor, Shop Equipment Inspectors and Foremen shall be filled from the ranks according to seniority.

26. When an employee is ordered on jury duty, the Company shall make up the difference between his regular day's pay and the pay he receives from jury duty.

27. Any employee who is required to work during his vacation and volunteers for same shall be paid his vacation pay, plus time and one-half for the run he works.

28. All cuts made in service due to the war emergency shall be restored as soon as possible.

29. Except for the changes contained herein, the wages, hours and working conditions now in effect shall be continued.

30. Employees entitled to Workmen's Compensation benefits shall receive from the Company each week the difference between the amount received under the Workmen's Compensation Law and their regular weekly earnings.

Transportation Department

1. All employees shall be paid ten minutes for reporting in time and paid for twenty minutes for counting and checking-in money time.

2. Operators shall be guaranteed a full week's pay according to run picked, except in case of lost car, leave of absence or sickness.

3. Traveling time shall be regarded as work time and shall be paid for such.

4. No scheduled run shall be left in the house while men are available to operate them.

5. Any man, after completing a day's work, who takes out another run shall be paid while he is waiting to take out such run in the same manner as if he were working, and shall be paid for the full number of pay hours that the second run calls for.

6. Any operator shifting a bus from one garage to another shall be paid time and one-half.

7. The Company shall supply uniforms for bus operators.

8. Tables shall be posted at least seven days before a pick.

9. Employees who are absent by reason of sickness, etc., shall be notified by the Company by mail when a pick is to be held.

10. A general pick shall be held once a year and at such other times as it may be necessary, such as schedule cuts by government orders.

11. All buses that are put on the road as runs and are not posted on tables shall be paid for at time and one-half and if a man works any part of a regular run such part shall be regarded as an X-run and be paid for at time and one-half.

12. Trips made between 7 P.M. and 7 A.M. shall be paid the same as trips made between 7 A.M. and 7 P.M.

13. All swings shall be paid for at straight time, where such swing is before completion of three hours work or after five hours work.

14. Men working straight runs, in addition to present stand time, shall be given fifteen minutes standing time as near as possible in the middle of the run. On all other runs and trips men shall be entitled to five minutes standing time at the end of each trip.

GARAGES

1. For men doing the same work, pay shall be equalized to the highest rate.

2. The Company shall supply overalls and provide for the cleaning of same.

3. Snow work, such as going on road calls and shoveling snow off sidewalks, shall be paid at the top rate in garages, plus 10¢ per hour.

4. Equalization of all Battery men's rates to the top rate of pay for Mechanics.

5. Engine washers, greasers, oilers, gasers and placers shall be classified as Mechanic Helpers and shall receive the top rate in the Mechanic Helpers classification.

WG:JN
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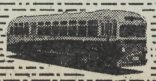
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NEW YORK CITY OMNIBUS CORPORATION

Annual Report to Stockholders, Employees and the Public

For the Year Ended
December 31, 1944

●



Go the Motor Coach Way

EXPLANATORY NOTE

In examining the numerous tabulations included in the accompanying report, mostly concerning wages and taxes, some of which may appear repetitious, special attention is invited to the fact the report is prepared for the information of employees and the public as well as for stockholders.

Your Management feels that employees are entitled to know and have access to the most pertinent facts concerning the affairs of the Corporation.

To the average stockholder his investment in securities of this Corporation may be and usually is but one of many investments from which the investor derives his annual income, and he can shift from securities of one company to another as his judgment may dictate.

Compensation of the worker gained from employment with the Corporation usually represents his whole source of income, upon which he and members of his family depend for their livelihood.

Therefore it is of the utmost importance to the worker that he be kept fully informed as to the factors which may affect his continuity of employment and the maintenance of desirable working conditions.

If workers are going to permit those who represent them in collective bargaining to attempt to fix the dollars and cents value of their labor, then workers must share in the responsibility for making the necessary money out of which their wages are paid or must share in the responsibility for the loss of their jobs.

Management feels that in the past, as well as in connection with the last upward readjustments in wages, it has been held responsible, in the minds of the men, for arbitrary action and delays in labor negotiations for which it has not been responsible.

In this connection there has been reproduced in this report, on pages 20, 21, 22 and 23, correspondence which will make plain to the workers the circumstances which delayed payments under our most recent agreements reached between officials of the Transport Workers Union and the Management.

New York City Omnibus Corporation

DIRECTORS

George J. Atwell*
Otis A. Glazebrook, Jr.
John D. Hertz
John D. Hertz, Jr.
David H. Knott
Allan S. Lehman
John E. McCarthy
John A. Ritchie
Charles G. Stachelberg
Harold E. Talbott, Jr.
Benjamin Weintraub
Frederic T. Wood
Willis D. Wood

*Died August 28, 1944

EXECUTIVE AND FINANCE COMMITTEE

John D. Hertz, *Chairman*

Otis A. Glazebrook, Jr.
Allan S. Lehman
John E. McCarthy
John A. Ritchie
Frederic T. Wood

OFFICERS

General Offices, 605 West 132nd Street, New York 27, N. Y.

John A. Ritchie	*Chairman of the Board*
Frederic T. Wood	*Vice-Chairman of the Board*
John E. McCarthy	*President*
Joseph T. McCarthy	*Vice-President*
Edmund C. Collins	*Vice-President and Secretary*
T. George Walker	*Treasurer and Asst. Secretary*
William F. Gavin	*Assistant Treasurer*
Stephen C. Duggan	*Comptroller*
Henry J. Smith	*General Attorney*

Stock Transfer Agent
The Commercial National Bank and Trust Company of New York

Registrar, Prior Lien Mortgage
Central Hanover Bank and Trust Company

Stock Registrar
Manufacturers Trust Company

Registrar, Sixth Avenue Purchase Mortgage
Central Hanover Bank and Trust Company

ANNUAL MEETING

The annual meeting of stockholders will be held on Tuesday, June 5, 1945. Notice of the meeting, request for proxies, proxy statement and form of proxy will be mailed to stockholders about May 21, 1945.

All communications with respect to changes in address, transfers and dividend payments should be addressed to The Commercial National Bank and Trust Company of New York, 46 Wall Street, New York 15, N. Y.

New York City Omnibus Corporation

Office of the President
605 West 132nd Street
New York 27, N. Y.

March 30, 1945.

To Stockholders, Employees and the Public:

The Consolidated Balance Sheet of this Corporation and of its subsidiaries (Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation) at December 31, 1944 and statements of the Corporation's Consolidated Income and Surplus for the year ended December 31, 1944, as certified by Messrs. Arthur Andersen & Co., are appended hereto on pages 14, 15, 16 and 17.

The results of the year's Operation are set forth in the following short form:

Gross Revenues from Operation, including $48,727.40 from interest on securities owned, etc..		$14,299,078.61
Which Gross Revenues were disposed of as follows:		
Goods and Services Purchased from others, etc.		$ 1,908,838.64
Motor Coaches, Buildings, Shop Tools and other Equipment wearing out (Depreciation and Obsolescence)		841,735.18
For Injury and Damage Claims		588,730.55
Taxes (Federal, State and Municipal)		3,340,756.47
Total		$ 6,680,060.84
Balance remaining before Salaries and Wages		$ 7,619,017.77
Salaries (Executive Officers)	$ 127,474.18	
Wages	5,400,417.00	5,527,891.18
Net Income before provision for Amortization of Recapture Contract		$ 2,091,126.59
Deduct—Provision for such Amortization		284,923.43
Net Income after provision for Amortization		$ 1,806,203.16

Note: For further detailed information as to income and expenses see page 18 from which the foregoing tabulation has been compiled.

It will be noted that before the owners of the property received any return:
Taxes absorbed an amount equivalent to nearly two times Net Income
and
Wages absorbed an amount equivalent to nearly three times Net Income

Dividends

During the calendar year 1944, the New York City Omnibus Corporation paid dividends to its stockholders aggregating $3.50 per share. Such dividends consisted of three quarterly dividends of 75¢ per share each, and one quarterly dividend of $1.25 per share. The total amount distributed in dividends for the year was $1,716,976.25.

On March 24, 1944, a quarterly dividend of 75¢ per share was paid to stockholders of record on March 16, 1944, at which time there were 2,587 stockholders with 489,930 shares outstanding.

On June 27, 1944, a quarterly dividend of 75¢ per share was paid to stockholders of record on June 16, 1944, at which time there were 2,593 stockholders with 490,000 shares outstanding.

On September 26, 1944, a quarterly dividend of 75¢ per share was paid to stockholders of record on September 14, 1944, at which time there were 2,627 stockholders with 490,225 shares outstanding.

On December 20, 1944, a quarterly dividend of $1.25 per share was paid to stockholders of record on December 13, 1944, at which time there were 2,657 stockholders with 491,488 shares outstanding.

Portion of Dividends Not Taxable

In prior reports to stockholders attention has been called to the possibility that a substantial portion of the revenues of the Corporation and of the dividends paid by it to stockholders might be deemed, for tax purposes, a return of capital and therefore not taxable. In this connection the following is quoted from a communication dated February 14, 1945 received from the Internal Revenue Service of the United States Treasury Department:

> "Reference is made to the annual information return, Form 1096, which reports distributions totaling $1,716,976.25 paid to your shareholders during the calendar year 1944.
>
> On the basis of the data submitted, it is held tentatively that these distributions are 78.1879185 percent taxable and 21.8120815 percent nontaxable as dividends to the shareholders, pending the final audit of the corporation's income tax return for that year."

In previous reports tentative figures have been given for the years 1937, 1938, 1939, 1940, 1941, 1942 and 1943, indicating what portion of the dividends paid in those years might be considered as taxable and what portion as nontaxable.

In the Annual Report for the year 1943 it was explained that the corporation has been unable to reach a satisfactory agreement with the representatives of the technical staff of the Treasury Department as to the correct net income for 1937 and subsequent years principally because of a disagreement as to the annual deduction to which the corporation is entitled for the purpose of amortization of its franchises. The matter is still pending before the Tax Court of the United States but had not been reached for trial up to the date of this report.

The taxable and nontaxable portions of the dividends distributed by the Corporation in 1937, 1938, 1939, 1940, 1941, 1942 and 1943, as set forth in last year's Annual Report, are:

Year	Taxable as a Dividend	Regarded as a Return of Capital
1937	69.25%	30.75%
1938	58.47%	41.53%
1939	68.18%	31.82%
1940	73.12%	26.88%
1941	26.85%	73.15%
1942	86.00%	14.00%
1943	72.618%	27.382%

In view of the difficult questions of fact and law which are involved, there may be considerable delay before a final determination is made with regard to the correct taxable portion of the dividend distributions of the Corporation. Pending such final determination, stockholders will be advised from time to time of rulings received with respect to this matter.

Retirement of Prior Lien Bonds

Under the Plan of Readjustment and Motorization of the New York Railways Corporation, the New York City Omnibus Corporation assumed the obligation of the payment of the principal of the New York Railways Corporation Prior Lien Mortgage 6% Bonds, Series A, to the amount of $3,555,306.48, together with the payment of the interest on said bonds.

The New York City Omnibus Corporation gave notice under date of October 31, 1944, that on January 1, 1945, it would redeem all of the outstanding Prior Lien Bonds, which as of that date amounted to $813,306.48.

The acquisition of these bonds, either by redemption or by purchase, in the principal amount of $3,555,306.48, took place during the period from December 6, 1937, to and including January 1, 1945.

Bus Operation in Wartime

Late in 1942 the Federal Office of Defense Transportation directed this Corporation and its subsidiaries to make a reduction of 15% in the bus miles operated, and in May of 1943 required a still further reduction of 20% in such bus miles. These reductions in service were deemed essential by the Federal Office of Defense Transportation in order to economize in the use of gasoline, rubber and other materials needed by the Armed Forces of the Nation. In August, 1943, the order requiring the 20% mileage reduction was cancelled but the order as applied to the original 15% reduction in bus miles is still in force.

In the readjusting of its schedules to comply with the orders of the Federal Office of Defense Transportation, this Corporation endeavored to make the necessary reduction in bus miles operated so that there might be caused the least possible inconvenience to our patrons as a whole. The total number of passengers carried on our lines in 1943 was less than in 1942, but in 1944 the number of passengers carried on the lines of this system exceeded by 9,856,089 the number of passengers carried in 1942.

Because of wartime restrictions on the operation of private automobiles, taxicabs and bus systems, there has resulted a substantial increase in the number of passengers carried per bus mile operated in 1943 and 1944 on our system as compared with the conditions in 1942, or in previous years.

When these wartime restrictions are removed and the public returns to its former means of transport, the increase in costs resulting from the increase in bus mileage essential to restoring the service for the greater accommodation of patrons of our lines will tend to reduce substantially the net income from operation as compared with the corresponding figures in 1943 or in 1944.

The various factors entering into the situation at the present time have increased substantially the difficulties of bus operation on Manhattan Island in wartime as contrasted with the situation prior to the commencement of hostilities by this country.

Conditions have been difficult for our patrons, for our employees, and for the Management.

We are appreciative of the patience and consideration of our patrons who have recognized that abnormal circumstances have prevented the rendering of as frequent and of as satisfactory a service as in prior years.

This curtailment of our operations has been, and still is, necessary in the interest of national welfare.

When the emergency has passed, we hope to adjust our schedules of bus operation more nearly in accordance with the comfort and convenience of our patrons—an adjustment which we are prevented from making effective under the wartime limitations.

Traffic

The passenger revenues of the New York City Omnibus Corporation and subsidiaries for the last eight years are as follows:

Calendar Year 1944 —	$14,167,442.38	Calendar Year 1940 —	$12,867,743.23
Calendar Year 1943 —	13,379,193.38	Calendar Year 1939 —	12,724,671.12
Calendar Year 1942 —	13,683,274.65	Calendar Year 1938 —	11,913,149.51
Calendar Year 1941 —	12,279,871.62	Calendar Year 1937 —	11,501,410.89

Total passenger revenues of the New York City Omnibus Corporation and subsidiaries for the calendar year 1944 were more than those of 1943 by the sum of $788,249.00, an increase of 5.89%.

Taxes

The taxes of the New York City Omnibus Corporation and of its subsidiaries absorbed an even more substantial part of the total revenue of the system than in prior years and are a heavy financial burden upon the operation.

The total amount of taxes assignable to operating and non-operating revenue, including franchise payments, applicable to the year ended December 31, 1944, was $3,340,756.47, which is equal to 23.4% of the total operating revenue of the companies, and 18.57¢ per bus mile operated.

The following Social Welfare and Emergency Taxes for 1944 Have Been Imposed by Legislation Enacted During Comparatively Recent Years:			
New York City Utilities	$143,683.93		
New York City Sales and Compensating Use	6,691.39	$150,375.32	
New York State Utilities	$284,688.77		
New York State Gasoline and Fuel Oil	272,433.87		
New York State Unemployment	137,732.77	694,855.41	
Federal Gasoline	$ 80,734.32		
Federal Old Age Pension	51,008.16		
Federal Unemployment	15,304.18	147,046.66	$ 992,277.39
In addition to the Foregoing Social Welfare and Emergency Taxes of Comparatively Recent Origin, the Following Normal Business Taxes were Applicable for the Year 1944:			
New York City:			
Real Estate	$108,299.47		
Franchise	578,997.06		
Triborough Bridge Tolls	32,075.00	$719,371.53	
New York State:			
Franchise	$ 42,553.95		
Gross Earnings	74,977.26		
Vehicle Licenses	9,246.19	126,777.40	
Federal:			
Income	$898,051.52		
Excess Profits	536,471.22		
Capital Stock	44,687.50		
Miscellaneous	23,119.91	1,502,330.15	2,348,479.08
Total All Taxes			$3,340,756.47

Taxes per Share of Capital Stock of New York City Omnibus Corporation as Compared with Net Earnings per Share—1938 to 1944

Year	Social Welfare and Emergency Taxes per Share	Federal Income Taxes per Share	Normal Business Taxes per Share*	Total Taxes per Share	Net Earnings per Share
1944	$2.02	$2.92**	$1.86	$6.80	$3.67
1943	1.99	2.01	1.81	5.81	3.92
1942	2.11	1.57	1.74	5.42	3.36
1941	2.10	0.50	1.66	4.26	2.74
1940	2.15	1.11	1.65	4.91	3.59
1939	2.10	0.67	1.73	4.50	4.01
1938	1.98	0.63	1.76	4.37	4.09

* Exclusive of Federal Income and Excess Profits Taxes.
**Includes Federal Excess Profits Taxes.

Relation of Taxes to Workers' Wages and Owners' Income

It will be noted that:

(a) The social welfare and emergency taxes for 1944 amounting to $992,277.39, all of which have been imposed by legislation enacted during comparatively recent years, are equal to 42.25% of this year's normal business taxes:

(b) Total taxes accrued for the year amounted to $3,340,756.47
Net Income after Amortization amounted to 1,806,203.16
Government's "take" in the form of taxes exceeded that which was left for the owners of the property by $1,534,553.31

and

(c) Taxes must be provided for before wages are paid. The "direct" taxes paid by the Corporation per person employed, for the years 1937, 1938, 1939, 1940, 1941, 1942, 1943 and 1944 were as follows:

Year	Average Number of Persons Employed	Average Compensation, Including Unskilled, Part Time and Seasonal Employment Exclusive of Officers	"Direct" Taxes per Employee Borne by Corporation	Per Cent of "Direct" Taxes per Employee to Average Compensation
1944	1,844	$2,992.70**	$1,811.23	60.52%
1943	1,912	2,597.99	1,485.10	57.16%
1942	2,161	2,453.89	1,225.23	49.93%
1941	2,240	2,182.49*	928.24	42.53%
1940	2,248	2,039.16	1,065.77	52.27%
1939	2,192	2,067.51	998.59	48.30%
1938	2,142	1,866.71	981.50	52.58%
1937	2,155	1,784.21	905.53	50.75%

*1941 figures represent 50½ weeks because of strike March 10 to 21.
**See note on page 9.

It will be seen that, for each $100 paid in wages to employees, the Corporation paid in taxes, in 1937, $50.75; in 1938, $52.58; in 1939, $48.30; in 1940, $52.27; in 1941, $42.53; in 1942, $49.93; in 1943, $57.16, and in 1944, $60.52.

3% Utility Tax for Emergency Relief

For some years mention has been made in the Annual Report of this Corporation of the discrimination against utilities in taxation for relief purposes as compared with the taxes imposed on other industries.

All business generally within New York City is taxed for relief purposes at the rate of 1/20 of 1% on gross receipts, a reduction of 50% as contrasted with the rate previously applying to general business. A similar percentage reduction from 1/5 of 1% to 1/10 of 1% has been made, as applied to the tax on financial institutions. This compares with the utility tax paid by this Corporation and its subsidiaries amounting to 3% on every dollar of gross receipts. Although this tax was originally levied for relief purposes it is understood that the funds realized from this tax are now devoted at least in part to other ends.

There is no desire on the part of this Corporation and its subsidiaries to escape in the slightest measure the bearing of their full share of the cost of government and, more especially, the cost of relief for those so unfortunate as to be out of employment, but it must be apparent to everyone who studies the situation that it is decidedly unfair that the public utility corporations operating in New York City should be forced to pay a "special" tax which no other industry pays. Certainly since reduction of tax rates to financial institutions and general business has been granted, a public utility such as ours, serving the needs of the general public, is entitled to equal consideration.

The 3% tax to which we are subjected, as compared to the 1/20 of 1% tax on gross receipts applicable to business generally within the City for these purposes, makes our rate of taxation under the existing law 60 times as great for this particular tax as applies to business generally.

Franchise Tax 3% on Routes Where Street Railway Properties Were Scrapped and 10% on New Crosstown Routes Acquired at Time of Motorization

New York City requires a public utilities transportation corporation operating over its streets to pay to this city a percentage of its gross earnings. This is a franchise tax exacted by the City of New York.

The daily operation of the routes of this Corporation and of its subsidiaries is confined to those thoroughfares which have been approved by the public authorities for such use.

A greater freedom of movement in the streets of this City, as well as along the highways of the State, except those specifically reserved for other traffic, is accorded to all large trucking operators engaged in interstate and intrastate service and to those whose business is the making of general deliveries within the City.

Furthermore, taxicab operators are permitted to use all streets of this City utilized by other traffic.

Such general freedom of movement is allowed to all those who make extensive use of the City's streets.

So far as is known, none of the other groups above mentioned is required to pay a percentage of its gross earnings as a franchise tax, nor an additional tax of 3% of its gross receipts in the form of a utility tax for emergency relief as is the case with public utility transportation corporations.

It is manifest that a motor bus corporation whose fare is definitely fixed either by the terms of its contract or of its franchise, or is determined by usage, is unable to pass on to its riders increased costs which it must meet in the form of mounting taxes, higher rates of wages and higher total wages as well as in higher prices which it must pay for the purchase of supplies and materials. Industries other than public utility corporations have, heretofore, freely passed on to the consumer such increased costs by increasing the price of their products and of their services.

It would seem that as a matter of equity public utility transportation corporations, doing business in New York City, should not be required to pay a franchise tax of either 3% or 10% of gross earnings and in addition thereto be compelled to pay a 3% utility tax for emergency relief, which goes in part (1%) to the City and in part (2%) to the State.

Upward Trend of Wage Rates

In the years immediately prior to entering into contractual relations with the Transport Workers Union, the Corporation had granted voluntary increases as follows:

Motormen Trolley Lines—New York Railways Corporation
Rate of Pay Per Hour

	Minimum	Maximum
January 1, 1935 (10 years ago)	48¢	67¢

Bus Operators (Chauffeurs)—New York City Omnibus Corporation System
Rate of Pay Per Hour

	Minimum	Maximum
Effective February 1, 1935	50¢	67¢
Effective April 19, 1936	56¢	69¢
Effective January 3, 1937	61¢	74¢

Subsequent to entering into contractual relations with the Transport Workers Union the minimum and maximum rates below indicated became effective on the dates specified:

	Minimum	Maximum
Effective July 22, 1937 to December 31, 1938	61¢	82¢
Effective January 1, 1939 to February 28, 1941	61¢	90¢
Effective March 1, 1941 to April 30, 1942	65¢	94¢
Effective May 1, 1942 to April 30, 1944	71¢	$1.00
Effective May 1, 1944 to April 30, 1945	71¢	$1.00

See paragraph on page 10 regarding terms of new agreement retroactive to May 1, 1944.

The following statement shows the average weekly and annual wages actually paid to employees of the Corporation for 1943 and 1944:

Average Weekly and Annual Wages of Employees by Classifications for the Years Ended December 31, 1944 and 1943

Classifications	Average Number of Employees Working		Average Wages			
			Per Week		Per Annum	
	1944	1943	1944*	1943	1944*	1943
Bus Operators (Chauffeurs)	1,062	1,143	$60.54	$52.66	$3,147.88	$2,738.41
Garage Employees:						
Greasers	3	2	38.91	36.59	2,023.38	1,902.89
Placers	18	18	42.54	40.68	2,212.29	2,115.14
Gassers	2	4	36.76	35.90	1,911.29	1,866.67
Oilers	9	9	37.11	36.74	1,929.63	1,910.55
Floor Cleaners	12	12	35.58	35.39	1,850.25	1,840.09
Mechanics	132	142	50.58	46.43	2,630.00	2,414.37
Mechanics' Helpers	24	20	41.15	39.09	2,139.66	2,032.46
Battery Repair Mechanics	2	3	49.67	46.86	2,582.76	2,436.52
Washers and Cleaners	71	73	35.16	35.09	1,828.43	1,824.53
Electricians	11	11	50.69	46.72	2,636.00	2,429.62
Register Inspectors	3	3	36.00	35.07	1,871.98	1,823.39
Truckmen	3	3	47.22	46.86	2,455.35	2,436.69
Battery Men	3	3	36.78	36.20	1,912.59	1,882.39
Average Wage of all employees—skilled and unskilled — exclusive of Officers			$57.55	$49.96	$2,992.70	$2,597.99

* The average wages per week and per annum, by classifications for the year 1944 do not include proportionate amount of bonus or provision for the payment of overtime at the rate of time and one-half after 44 hours of work for the period May 1 to December 31, 1944. The average wage of all employees, skilled and unskilled, for 1944 of $57.55 per week, and of $2,992.70 per annum, includes estimated provision for bonus and for overtime after 44 hours of work. since May 1, 1944, unpaid as of December 31, 1944.

(See paragraphs numbered 5 and 6 on page 11)

Earnings of Urban Transportation Industry Generally
Street Railways and Buses

According to information received from the Bureau of Labor Statistics of the United States Department of Labor, the following are the figures as applied to employees operating street railways and buses for the months of December, 1944 and December, 1943:

	December, 1944	December, 1943
Average Weekly Hours	51.8 hours	49.6 hours
Average Hourly Earnings	95.5 cents	90.5 cents
Average Weekly Earnings	$49.71	$45.45

For purposes of comparison with earnings statistics of employees of this Corporation there are given below statistics obtained from Table 14 on pages 14 and 15 of the April, 1944 issue of the "Survey of Current Business" published by the United States Department of Commerce:

Annual Average Salary-Wage per Employee in Non-Agricultural Industries 1939—1943

	Calendar Year						
Industrial Division	1939	1940	1941	1942	1943	Per Cent Increase from 1942 to 1943	Per Cent Increase from 1939 to 1943
Mining	$1,368	$1,396	$1,589	$1,810	$2,178	20.3%	59.2%
Manufacturing	1,355	1,434	1,654	2,025	2,363	16.7%	74.4%
Contract Construction	1,315	1,369	1,680	2,229	2,656	19.2%	102.0%
Power and Gas	1,766	1,794	1,869	2,039	2,265	11.1%	28.3%
Communication	1,563	1,577	1,598	1,677	1,802	7.5%	15.3%
Trade	1,214	1,236	1,324	1,440	1,595	10.8%	31.4%
Finance	1,581	1,595	1,640	1,732	1,870	8.0%	18.3%
Railroad Employees	1,876	1,908	2,039	2,296	2,577	12.2%	37.4%
Transportation—Street Railways	1,733	1,732	1,826	2,024	2,342	15.7%	35.1%

	1939	1940	1941	1942	1943	1944
New York City Omnibus Corporation System—All Employees—Exclusive of Officers	**$2,067.51**	**$2,039.16**	**$2,182.49***	**$2,453.89**	**$2,597.99**	**$2,992.70****

Per cent of increase in average salary-wage per employee, New York City Omnibus Corporation System from 1939 to 1944 — 45%.

*1941 figures represent 50½ weeks because of strike March 10 to 21.

**See note on page 9.

New Agreement with the Transport Workers Union of America

In the Annual Report for the year 1943 this Corporation published the demands of the Transport Workers Union, submitted by its counsel as the basis for the new wage contract between the Union and this Corporation to take effect as of May 1, 1944.

There have been prolonged negotiations in reference to this matter and finally an agreement was reached by the representatives of the Corporation and the representatives of the Union, which is retroactive to May 1, 1944. This arrangement which covers the contract year expiring April 30, 1945, keeps effective the various basic rates of pay of employees as they existed under the previous contract, with the following exceptions:

1. The new arrangement provides for an increase of five cents per hour to mechanics, electricians and battery repair men in the garages, representing equalization in the rates of pay for the average degree of skill of these employees compared with the same classifications of employees in the general repair shop of the Fifth Avenue Coach Company where shop repair work for New York City Omnibus Corporation is performed.

2. There has also been approved the payment of fifteen minutes pay per day to each bus operator as reporting and checking-in time.

3. The new arrangement provides for two additional paid holidays per year, making a total of six paid holidays per year.

4. As applied solely to the period covered by the new agreement, the vacation allowance for bus operators has been increased to provide for payment on the basis of four more pay hours per week of vacation than heretofore was the case.

5. The compensation to all of the employees covered by the agreement approved by the Second Region of the National War Labor Board on March 1, 1945 also includes a bonus to be calculated in accordance with the so-called Vinson Bonus Formula.

6. During the period covered by the new agreement, provision is made for the payment of overtime to all employees covered under this contract for work performed after eight hours per day or forty-four hours per week, superseding the prior arrangement for payment of overtime after eight hours per day or forty-eight hours per week.

7. Payment for time spent by our employees at the New York State Motor Vehicle Bureau has also been approved.

On pages 20, 21, 22 and 23 will be found correspondence between the Transport Workers Union and Management concerning the delay in filing application with the National War Labor Board for the approval of the above adjustments in wages and working conditions.

The additional cost to this Corporation of the bonus and the other items above mentioned is estimated to be $412,000. for the contract year ending April 30, 1945.

Franchises

(a) New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. City's Right to Terminate Franchises and to Purchase the Property and Equipment Upon Due Notice

The Contract of December 26, 1933 between the City of New York, the New York City Omnibus Corporation and the Madison Avenue Coach Company, Inc., granted franchises for a term of twenty-five years, for the operation by motor buses over routes in general traversed by street cars of the New York Railways Corporation system, including Madison Avenue. The franchises also included three additional crosstown routes for motor bus operation.

Subsequently the Contract of January 29, 1935 between the above parties was executed, under which the City received the right exercisable on February 1st, 1945 and on each succeeding February 1st (upon giving at least nine months' notice), to terminate the franchises granted under the Contract of December 26, 1933. That Recapture Contract of January 29, 1935 made provision that the City, upon the exercise of recapture, would pay to the Company the sum of $7,500,000.00 reduced by amortization from the date of the Recapture Contract to the date of recapture upon a cumulative sinking fund basis calculated with interest at 3 per cent per annum compounded annually, so that, at the end of the twenty-five year term of the bus franchises as originally granted, said amount of $7,500,000.00 would have been completely amortized.

On the Consolidated Balance Sheet for the two companies at page 14 of this report, opposite the line "Less—Amortization from January 29, 1935 to December 31, 1944," is the figure $2,485,657.63. This means that substantially one-third of the $7,500,000.00 had been amortized up to and including December 31, 1944. The Contract further provides that in the event of recapture the City must purchase the property and equipment used in the operation of the routes, not including real estate, cash, receivables and similar items. The sum to be paid by the City to the companies for the property and equipment is to be determined and fixed either by agreement between the parties or by arbitration, all as provided for in detail in the Recapture Contract.

(b) Eighth Avenue Coach Corporation
Expiration of Franchises

The franchises granted to the Eighth Avenue Coach Corporation for operation over certain routes in the Borough of Manhattan known as the Eighth Avenue and Central Park West route and the Ninth Avenue and Amsterdam Avenue route expire by limitation on October 16, 1945. Application is to be made for the extension of the franchise right for the continuance of operation after October 16, 1945 along the routes now covered by such franchises.

Investigation to be Made by the Public Service Commission of the State of New York to Determine Whether the Fares on the Routes of New York City Omnibus Corporation, Madison Avenue Coach Company, Inc., and Eighth Avenue Coach Corporation Should be Reduced

The Secretary of the Public Service Commission, State of New York, under date of March 22, 1945, sent to New York City Omnibus Corporation, an Order adopted at a session of the Public Service Commission held in the City of Albany on March 13, 1945, in Case No. 11885, which Order reads as follows:

> "This Commission having determined that an investigation should be instituted to determine whether the rates, fares and charges of New York City Omnibus Corporation for bus transportation are unjust, unreasonable, unjustly discriminatory or unduly preferential or in any wise in violation of any provision of law, and if so found, to fix and establish just, reasonable and proper rates, fares and charges, it is
>
> ORDERED that an investigation in the above matter be instituted and that a public hearing be held at the office of this Commission, Eighth Floor, 233 Broadway, New York, N. Y., on Monday, April 9, 1945, at 10:00 o'clock A.M., Eastern War Time."

Similar Orders were received by Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation (in Cases Nos. 11886 and 11887, respectively), for hearings on the same day and at the same time.

In the National Service

As of December 31, 1944, 327 employees of this Corporation and of its subsidiary companies had joined the Armed Forces of the Nation. These employees included operators of buses on the streets, maintenance men in the garages, and members of the clerical force and of the staff, including one woman. We honor these employees for their patriotic service to their country.

Importance of Co-operation

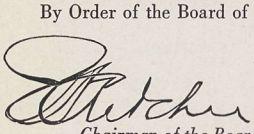
The Management desires to express appreciation of the co-operation extended by employees in the operation of the buses during the past year. The conditions created by the war have produced new complications with which employees have had to deal.

We are glad to report that during 1944 more commendations have come to us from passengers and from others with reference to our service than the number of such communications received in 1943. These commendations have voiced approval of the evident desire of many of those in our service to promote the well-being and convenience of those who ride upon the buses.

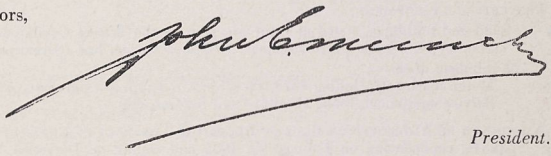
On the other hand, the complaints received in 1944 somewhat exceeded the number of such communications received in 1943. This is most regrettable and seems to indicate a very different attitude on the part of a certain minority of those in the employ of this Corporation from that which has characterized the majority of those who operate our buses.

Such a lack of consideration of the welfare of our patrons produces very unfortunate results. There is thus created an unfavorable impression in the minds of passengers which cannot quickly be overcome. It should be recognized that such a feeling ultimately may react to the disadvantage of the New York City Omnibus Corporation and of the Transport Workers Union whose officials have been selected by the men to represent them in collective bargaining.

By Order of the Board of Directors,



Chairman of the Board.



President.

New York City Omnibus

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:		
Cash	$ 1,285,636.48	
Marketable municipal securities, at cost (quoted market price $229,841.25)	202,767.75	
United States Government securities, at cost	1,000,000.00	
Receivables	35,345.26	
Inventory of gasoline, oil, etc., at cost	9,691.00	$ 2,533,440.49
PREPAID INSURANCE, TAXES, LICENSES, ETC.		142,552.40
SPECIAL DEPOSITS:		
Cash funds for payment of premium on bonds called for redemption January 1, 1945 and prior	$ 41,115.32	
Other special deposits represented by municipal and Federal securities at cost of $923,012.89 (quoted market price $1,078,767.50) and cash of $12,689.87	935,702.76	976,818.08
INVESTMENTS:		
Other physical property—land, stated at value accepted by the Transit Commission of the State of New York	$ 300,000.00	
Investment in and advances to Motor Coach Supply Corporation for the purchase of materials and supplies, at cost	377,500.00	677,500.00
PROPERTY AND EQUIPMENT:		
Land and buildings, stated at value accepted by the Transit Commission of the State of New York, plus subsequent additions at cost, less retirements	$ 4,371,351.47	
Equipment at cost—		
Motor coaches (including $675,105 subject to equipment purchase obligations)	10,747,117.28	
Service equipment, tools, furniture and fixtures, etc.	566,121.25	15,684,590.00
AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT IN MONTHLY INSTALLMENTS, commencing on January 29, 1935 and ending on December 26, 1958, stated on basis of amount which, less prior amortization, is provided to be paid by The City of New York in the event it shall elect to exercise right granted by the Recapture Contract (see Note)	$ 7,500,000.00	
Less—Amortization from January 29, 1935 to December 31, 1944	2,485,657.63	5,014,342.37
PAYMENT ($475,000.00) TO THE CITY OF NEW YORK UNDER FRANCHISE CONTRACT OF EIGHTH AVENUE COACH CORPORATION, less amount ($437,122.35) amortized to date		37,877.65
ORGANIZATION EXPENSE, ETC.		296,573.50
DEFERRED AND UNADJUSTED ITEMS		2,693.90
		$25,366,388.39

NOTE:

Under the Agreement of Transfer dated December 24, 1936, New York Railways Corporation transferred to New York City Omnibus Corporation (1) all rights and claims arising from the abandonment of the perpetual street railway franchises and the conveyance of street railway properties to The City of New York (2) all rights and claims to any benefits under the Recapture Contract dated January 29, 1935, between The City of New York, New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (a subsidiary company), and (3) all rights and claims to the routes of the New York City Omnibus Corporation subject to the lien of the Prior Lien Bonds. Under the Recapture Contract, dated January 29, 1935, the City at its election has the irrevocable right, beginning February 1, 1945 and each year thereafter, to terminate the franchises of the New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (which otherwise terminate on December 26, 1958), and to purchase the property and equipment used in the operation of the routes (other than real estate, cash, receivables, and similar items, which are to be retained by the companies) upon payment by the City of (1) the balance which shall remain of the amount of $7,500,000 after being reduced by amortization from the date of the Recapture Contract to the date of recapture upon a cumulative sinking fund basis calculated with interest at the rate of 3% per annum, compounded annually, so that at the end of the twenty-five year term of the bus franchises said amount of $7,500,000 would have been completely amortized, and (2) the value at the date of recapture (to be determined in the manner set forth in the Recapture Contract) of the property and equipment so to be purchased.

The franchise of Eighth Avenue Coach Corporation, another subsidiary company, covers a period to October 16, 1945, subject to termination on February 1, 1945, in the event The City of New York exercises its right to purchase the property and equipment of New York City Omnibus Corporation and Madison Avenue Coach Company, Inc.

Corporation and Subsidiaries

DECEMBER 31, 1944

LIABILITIES

CURRENT LIABILITIES:			
Equipment purchase obligations due in 1945		$ 112,125.00	
Accounts payable (including accrued pay roll)		552,268.64	
Accrued Federal income taxes—subject to review by U. S. Treasury Department		3,015,339.78	
Accrued state, local and miscellaneous Federal taxes		207,899.17	
Bonds assumed (originally issued by New York Railways Corporation)—			
Prior Lien Mortgage 6% Gold Bonds, Series "A" due July 1, 1958 (secured in part by capital stocks of subsidiaries which have been eliminated in the consolidated balance sheet)	$813,306.48		
Less—Cash on deposit for redemption—bonds called January 1, 1945	813,306.48	——	$3,887,632.59
EQUIPMENT PURCHASE OBLIGATIONS, 2½%—secured by motor coaches (see contra)		$ 268,531.25	
Less—Installments due in 1945 included under current liabilities		112,125.00	156,406.25
RESERVES:			
Depreciation of property and equipment		$ 8,058,951.81	
Injuries and damages and workmen's compensation		565,319.80	
Amortization of organization expense, etc.		127,499.29	
Contingencies		97,914.73	8,849,685.63
CAPITAL STOCK:			
Authorized 700,000 shares, without par value—issued and outstanding 491,488 shares		$ 3,261,658.98	
Reserved for exercise of Option Warrants which entitle the holders thereof to purchase stock at $17.50 per share until March 1, 1947—6,595 shares		——	3,261,658.98
CREDIT IN RESPECT OF AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT:			
Balance per previous report $5,299,265.80 less amount equal to amortization ($284,923.43), per contra		$ 5,014,342.37	
Less—amount transferred to capital surplus, equivalent to remaining amount to be amortized by Madison Avenue Coach Company, Inc.		240,699.26	4,773,643.11
CAPITAL SURPLUS, arising principally from certain rights and benefits contributed by New York Railways Corporation per agreement of transfer dated December 24, 1936			3,207,585.80
EARNED SURPLUS			1,229,776.03
			$25,366,338.39

AUDITOR'S CERTIFICATE

To the Board of Directors,

NEW YORK CITY OMNIBUS CORPORATION:

We have examined the consolidated balance sheet of New York City Omnibus Corporation (a New York corporation) and subsidiary companies as of December 31, 1944 and the statements of consolidated income and surplus for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We had previously made a similar examination for the year ended December 31, 1943.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated income and surplus present fairly the position of New York City Omnibus Corporation and subsidiary companies at December 31, 1944 and the results of their operations for the fiscal year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, N. Y.,
February 15, 1945.

ARTHUR ANDERSEN & CO.

New York City Omnibus Corporation and Subsidiaries

STATEMENT OF CONSOLIDATED INCOME
FOR THE YEARS ENDED DECEMBER 31, 1944 AND 1943

	1944	1943 (See Note on page 17)
OPERATING REVENUES:		
Coach lines	$14,167,442.38	$13,379,193.38
Advertising and miscellaneous	82,908.83	68,436.70
TOTAL OPERATING REVENUES	$14,250,351.21	$13,447,630.08
OPERATING EXPENSES:		
Maintenance	$ 1,587,006.63	$ 1,400,570.94
Depreciation	841,735.18	844,582.33
Traffic and transportation	4,723,651.78	4,299,066.64
General	1,632,583.17	1,580,121.60
TOTAL OPERATING EXPENSES	$ 8,784,976.76	$ 8,124,341.51
NET OPERATING REVENUES	$ 5,465,374.45	$ 5,323,288.57
TAXES:		
State, local and miscellaneous Federal taxes (including motor fuel taxes)	$ 1,906,233.73	$ 1,856,560.52
Provision for Federal income tax	898,051.52	863,291.07
Provision for Federal excess profits tax, less debt retirement credit	536,471.22	504,557.00
TOTAL TAXES	$ 3,340,756.47	$ 3,224,408.59
NET EARNINGS FROM OPERATIONS	$ 2,124,617.98	$ 2,098,879.98
OTHER INCOME	48,727.40	57,626.75
GROSS INCOME	$ 2,173,345.38	$ 2,156,506.73
INTEREST AND OTHER DEDUCTIONS:		
Interest on bonds	$ 68,568.20	$ 140,220.17
Interest on equipment purchase obligations	11,516.94	21,637.83
Other interest, etc.	2,133.65	6,839.01
TOTAL INTEREST AND OTHER DEDUCTIONS	$ 82,218.79	$ 168,697.01
NET INCOME before provision for amortization of "amount to be amortized on basis of Recapture Contract in monthly installments" (see Note on page 14)	$ 2,091,126.59	$ 1,987,809.72
Deduct—Provision for such amortization	284,923.43	276,624.68
NET INCOME after provision for such amortization	$ 1,806,203.16	$ 1,711,185.04

New York City Omnibus Corporation and Subsidiaries

STATEMENT OF CONSOLIDATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1944

		Capital Surplus	Earned Surplus
BALANCE, DECEMBER 31, 1943, per previous report		$ 3,069,505.60	$ 1,169,285.79
Increase in Federal income and excess profits tax accruals of prior years of which $383,941.98 is applicable to 1943 (see Note)	$1,164,310.85		
Less—Decrease in provision for depreciation of prior years of which $175.070.10 is applicable to 1943 (see Note)	1,164,310.85	——	——
		$ 3,069,505.60	$ 1,169,285.79
Add—Net income for year ended December 31, 1944		——	1,806,203.16
		$ 3,069,505.60	$ 2,975,488.95
DIRECT SURPLUS CHARGES AND CREDITS:			
Dividends ($3.50 per share)		$ ——	$ 1,716,976.25
Adjustment of carrying value of real estate and building acquired from Street Railway Liquidating Corporation		128.831.96	——
Transfer from "credit in respect of amount to be amortized on basis of Recapture Contract" of amount equal to amortization on $7,500,000 for the year ended December 31, 1944		267,627.71	——
Premiums paid on redemption of prior lien bonds, less Federal income and excess profits tax reduction applicable thereto ($34,213.33)		——	28,736.67
Expenses incident to former New York Railways Corporation		715.55	——
		$ 138.080.20	$ 1,745,712.92
BALANCE, DECEMBER 31, 1944		$ 3,207,585.80	$ 1,229,776.03

NOTE:

During the year the Companies reduced their reserves for depreciation $1,164,311 (of which $175,070 is applicable to 1943) by credit to earned surplus, to reflect an estimated increase in the life expectancy of motor coaches. In connection therewith, the Companies also provided from earned surplus a like amount of $1,164,311 for Federal income and excess profits taxes of prior years (of which $383,942 is applicable to 1943) to cover additional income taxes resulting from reductions in depreciation and amortization of franchise costs estimated to be allowable as income tax deductions in prior years. The statement of consolidated income for 1943 has been restated to include therein the amount of the above adjustments applicable to 1943.

New York City Omnibus Corporation and Subsidiaries

Source and Distribution of Operating Revenues for the Year Ended December 31, 1944

Operating Revenues for the year of $14,250,351.21 consist of the following:		
Fares Collected	$14,167,442.38	
Advertising	65,065.40	
Miscellaneous	17,843.43	
Total Operating Revenues	$14,250,351.21	
To which should be added the interest on securities made up principally of amounts required to be placed on deposit on account of Franchise Contracts, Self-Insurance for Workmen's Compensation and Accidents and Damages, etc.	48,727.40	
Total Operating and Non-Operating Revenues for the Year		$14,299,078.61
How the Year's Revenues Were Distributed:		
Taxes:		
City Taxes	$ 869,746.85	
State Taxes	821,632.81	
Federal Taxes	1,649,376.81	
Total Taxes		$ 3,340,756.47
Cost of:		
Materials used in Maintenance and Operation of Buses, Buildings, Machinery, Trucks, Snow Plows, etc.	$ 816,063.55	
Gasoline, Fuel Oil and Lubricants	655,471.51	1,471,535.06
Transfers, Registers, Bus Stop Signs and Rest Room Facilities	$ 29,030.71	
Stationery and Printing	9,272.55	
Sand for Roadway	1,811.60	
Insurance—Fire, Explosion, War Damage, Safe Burglary, Excess Public Liability, etc.	60,862.29	
Group Life and Health Insurance for Employees	24,160.61	
Amortization of Organization Expenses	13,748.88	
Legal Services and Expenses	21,324.07	
Interest on Deferred Equipment Payments	11,516.94	
Interest on Funded Debt	68,568.20	
Rents for Operating Properties	136,347.28	
*Miscellaneous Items	60,660.45	437,303.58
Reserves:		
For Injuries and Damages	$ 588,730.55	
For Depreciation of Buses, Buildings and Other Property	841,735.18	
Total Reserves		1,430,465.73
Total of Taxes, Reserves and Other Operating Expenses (Other than Salaries and Wages)		$ 6,680,060.84
Income from Operation—Before Salaries and Wages		$ 7,619,017.77
Salaries (Executive Officers)	$ 127,474.18	
Wages	5,400,417.00	5,527,891.18
Net Income (Before Provision for Amortization)		$ 2,091,126.59
Deduct—Amortization Under Recapture Contract		284,923.43
Net Income After Amortization		$ 1,806,203.16

*Includes Directors' Salaries and Fees in amount of $20,170.65.

On pages 20, 21, 22 and 23 will be found copies of correspondence to which reference is made on page 11 and also in the last paragraph of the explanatory note printed on the inside of the cover of this report.

Go the Motor Coach Way

NEW YORK CITY OMNIBUS CORPORATION

GENERAL OFFICES, 605 WEST 132nd STREET
NEW YORK CITY

JOHN E. McCARTHY
PRESIDENT

TELEPHONE EDGECOMBE 4-5900

August 10, 1944.

HARRY SACHER, ESQ.,
342 Madison Avenue,
New York 17, N. Y.

Dear Mr. Sacher:—

Mr. Grogan informed me by telephone call about **June 30th,** that the Union members had ratified the agreement reached by us covering wages and certain working conditions. On **July 7, 1944,** Mr. Collins forwarded to you a Form-10 application addressed to the War Labor Board seeking approval of this agreement.

More than a month has elapsed since then and, while we appreciate the fact that you have been busy with other matters, nevertheless, we **feel strongly** that this application should be **presented to the Board immediately.**

Will you, therefore, return the application to us with whatever comments you may have at the earliest possible moment or, if the application meets with your approval, have it executed by the Union and return it to us for our signature. We shall then arrange to promptly file the application.

Yours very truly,

(Signed) J. E. McCARTHY,

President.

NOTE: The heavy type, not in original letter, used for purpose of emphasis.

VAnderbilt 6-2690

HARRY SACHER
Counsellor at Law

342 MADISON AVENUE,
NEW YORK 17, N. Y.

MR. JOHN MCCARTHY
New York City Omnibus Corporation
605 West 132nd Street
New York City

August 11th, 1944.

Dear Mr. McCarthy:

In reply to your letter of August 10th, in which you request that the Transport Workers Union immediately execute the agreement and a Form 10 application to be submitted to the War Labor Board, I wish to state the following:—

Foremost among the demands which the Transport Workers Union made upon you, was the demand for an increase in rates of pay to compensate for the increased productivity, burdens and responsibilities of the employees of your Company. After protracted negotiations, you offered, among other things, to grant an hourly bonus to all employees identical with that approved by the National War Labor Board in the Capital Transit case, i.e.: 3/10¢ per pay hour for each 1¢ increase of vehicle mile revenue. The Transport Workers Union was willing to enter into an agreement containing provision for such bonus, on the assumption and on the condition that the same would be approved by the National War Labor Board. **Needless to say, there was every reason to expect that the same would be approved by the National War Labor Board, in view of the fact that it had not only approved it in the Capital Transit case, but had approved it in the Boston Elevated case on May 24, 1944, and in the Indianapolis Railways case on June 11, 1944.**

However, within a couple of days after you and your associates finally got around to arriving at an agreement with us, Mr. Fred M. Vinson, Director of Economic Stabilization, ordered the National War Labor Board not to approve any bonus plans. A day or two after I received Mr. Collins' draft of the Form 10 application, Mr. Vinson issued a statement in which he said:—

> "On the basis of present information, I believe that no type of bonus plan should be approved in transit cases."

Unquestionably, you read the foregoing statement in the July 14th issue of "Passenger Transport", the weekly newspaper published by the American Transit Association, of which you are a member.

Notwithstanding the foregoing statement of Mr. Vinson, we would be quite ready to execute a contract containing the bonus provision which we have agreed upon, and to submit it to the War Labor Board for approval, if you would agree that in the event the War Labor Board disapproves of the bonus plan, you will give the same amount of money to the workers by some other method which the War Labor Board will approve.

Up to this time, you have refused to agree to renegotiate any item that might be disapproved by the War Labor Board. It lies within your power to enable us to sign an agreement with you and submit it to the War Labor Board, by agreeing to renegotiate the bonus plan in the event it is not approved by the War Labor Board in its present form. **In this connection, let me observe that we began our negotiations with you way back in April, and if your side had not been as dilatory as it was in coming to an agreement with us, we could have had our agreement executed and approved by the War Labor Board long before Mr. Vinson changed his mind in regard to the approval of bonus plans in transit cases.***

Unless you are willing to agree to renegotiate the application of the money which our members would receive under the bonus plan, in the event the same is disapproved by the War Labor Board, we shall have to wait for a clarification of the situation by the National War Labor Board and Mr. Vinson, which, I am informed, is to be expected in the near future.

I shall appreciate your advising me whether you are willing to enter into a renegotiation agreement such as I have suggested.

Very truly yours,

HS:AH

(Signed) HARRY SACHER

*Note: Mr. Vinson's statement is dated June 21, 1944.

Note: The heavy type, not in original letter, used for purpose of emphasis.

Go the Motor Coach Way

NEW YORK CITY OMNIBUS CORPORATION

GENERAL OFFICES, 605 WEST 132nd STREET
NEW YORK CITY

JOHN E. McCARTHY
PRESIDENT

TELEPHONE EDGECOMBE 4-5900

MR. HARRY SACHER,
342 Madison Avenue,
New York 17, N. Y.

August 30, 1944.

Dear Mr. Sacher:

We have your letter of August 11, 1944. We consider as binding on both the Company and the Transport Workers Union the agreement which we recently reached after many long sessions of collective bargaining negotiations. This agreement was entered into in good faith and represented, we believed, a complete understanding between the parties. The terms of this agreement were later ratified by the rank and file of the Union membership at meetings held **on June 29th and 30th,** as Mr. Grogan advised me on the telephone on June 30, 1944. There has been in your hands since **July 7, 1944** a Form 10 Application addressed to the War Labor Board seeking approval of this agreement.

The two reasons which you now advance, **at this late date,** for a modification of that agreement appear to be:

(1) The contention that, if the Management had not been so dilatory in coming to the aforesaid agreement, such agreement could have been executed and approved by the War Labor Board **prior to Mr. Vinson's recent ruling;**

and

(2) The following "excerpt" from Mr. Vinson's instructions that no more bonus plans in transit cases be approved:

"On the basis of present information, I believe that no type of bonus plan should be approved in transit cases."

We feel and strongly urge that there is no justification in either of the foregoing reasons for seeking, at this late date, any modification of the agreement recently reached—particularly in view of the fact that there were both a genuine meeting of the minds on the part of those who directly engaged in the negotiations and also a complete ratification of the terms of the agreement by the rank and file members of the Union.

Concerning (1), the alleged dilatoriness on the part of Management: The New York City Omnibus contract with the Union expired on April 30, 1944. A year earlier, **in March of 1943,** the Union requested that the contracts be re-opened and that certain upward adjustments in rates of pay should be granted to drivers and garage mechanics and that certain improvements be made in respect to working conditions.

As you will recall, there were several meetings held on this question of Management **voluntarily** agreeing to re-open this contract. As we are sure you will likewise recall, at these several meetings there was a very real disposition on the part of Management fairly to meet the wishes of the Union and its members in this respect, provided some "formula" could be devised and agreed upon under which such increases, **made without any contractual obligations** would not become a permanent part of the wage structure.

It was at this early date—**on July 21, 1943**—that Management offered the Union an increase based upon an emergency bonus formula. **This was long before the advent of the so-called Washington War Bonus Plan.** This offer of a war bonus plan at this time was rejected summarily by the Union, **with hardly a moment's consideration.**

With the rejection of the foregoing war bonus plan by the Union, the Management then suggested that some thought be given to formulating some other method or formula under which the requested increases could be temporarily given on a war-time basis, suggesting, at that time, that you endeavor to work out with Mr. John E. McCarthy and Mr. E. C. Collins some satisfactory method for temporarily granting such increases.*

Thus, it will be seen that Management was ready and willing to consider a war bonus plan, long before the introduction of the so-called Washington War Bonus Plan, and long before the recent instructions given

by Mr. Vinson not to approve, in transit cases, any war bonus plans "on present information" or until pending studies by the Transit Panel had been completed.

It would seem unnecessary to produce further evidence showing that there has been no dilatoriness on the part of Management in these labor negotiations. However, if you will take the time to review the more recent conferences which finally resulted in a meeting of minds—namely, the conferences of March 27th, April 13th, April 20th, April 26th, June 5th and **June 13th**—you will see that there was no instance where the negotiations were protracted because of dilatoriness or inattention on the part of Management.

To the contrary, if you will review these discussions you will find that the Union representatives **constantly revised their demands between meetings** and that this resulted in delay because these revised demands were either of a character which Management could not possibly accept or **required further statistical study.**

Concerning (2): The excerpt which you quote from the statement issued by Mr. Vinson might be confusing unless read in its full context. The complete statement is as follows:

> **"On the basis of present information, I believe that no type of bonus plan should be approved in transit cases; therefore, I hereby direct the War Labor Board not to approve any bonus plan in any transit case until the Board consults with this office on any specific suggestion which it may have growing out of studies now being made.**
>
> **"In this situation, I am following the oft-repeated request of the Board to approve the case before me and to issue a directive for the future. I have approved to-day the Indianapolis bonus case."**

It seems to us perfectly clear that the purpose or intent of Mr. Vinson's statement was not permanently or finally to disapprove all bonus plans but instead temporarily to hold up all bonus plan payments pending the results of the study now being made by the Transit Panel of the War Labor Board.

In view of the fact that we are in agreement on the war bonus plan, it seems to us that we, jointly, ought to be able to procure approval of this plan by the War Labor Board. We urge, therefore, that you and we should execute the contract containing the bonus provisions which we have agreed upon and submit it without delay to the War Labor Board. We would then be in a position to advocate its approval immediately the studies now being made by the Transit Panel of the War Labor Board have been completed and its recommendations submitted.

If we understand it correctly, we are not opposed to your suggestion to enter into a **supplemental** agreement, providing that, in the event the War Labor Board should disapprove the war bonus plan, we shall sit down with you and attempt to re-negotiate the bonus plan.

As you know, the basis or principle upon which the bonus plan was agreed to was that, for each one cent increase in passenger earnings per bus mile over the earnings of January 1941, we would grant to the employees an increase of three-tenths of one cent per pay hour. Naturally, this does not connote the establishment of a "fixed" increase in rate of pay; it is "flexible", varying with the fluctuations in earnings per bus mile. It was the whole intent and understanding of both parties to this agreement that the bonus plan, as agreed upon, would result in a "flexible" additional amount in the earnings to be found in the weekly envelope, over and above that resulting from the hourly rates of pay. There is no disposition on the part of Management to depart from this understanding and agreement.

Management, therefore, is willing, in advance, to discuss with you any formula you may suggest which may result in accomplishing the original purport and intent of the agreement we reached in respect to the bonus plan, and, if it meets with your approval, submit it simultaneously to the War Labor Board **as a contract supplemental to the master contract,** or to handle the matter in any other manner you may prefer.

Yours very truly,

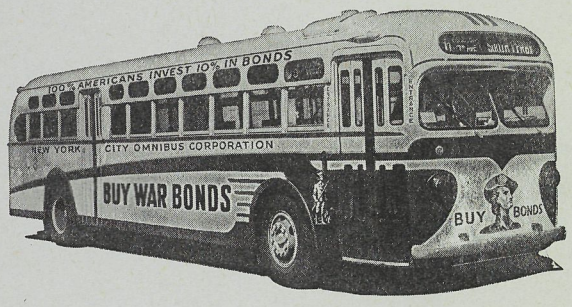
(Signed) J. E. McCARTHY,
President

JEM - LC

Copy to: Mr. Douglas L. MacMahon, *President*, Transport Workers Union of Greater New York.

*Note: This suggestion was never availed of.

Note: The heavy type, not in original letter, used for purpose of emphasis.


100% AMERICANS INVEST 10% IN BONDS
NEW YORK
CITY OMNIBUS CORPORATION
BUY WAR BONDS
BUY
BONDS

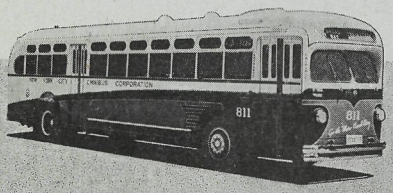
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Go the Motor Coach Way

New York City Omnibus Corporation

Annual Report to Stockholders, Employees and the Public

For the Year Ended December 31, 1945



EXPLANATORY NOTE

In examining the numerous tabulations included in the accompanying report, mostly concerning wages and taxes, some of which may appear repetitious, special attention is invited to the fact that the report is prepared for the information of employees and the public as well as for stockholders.

Your Management feels that employees are entitled to know and have access to the most pertinent facts concerning the affairs of the Corporation.

To the average stockholder his investment in securities of this Corporation may be and usually is but one of many investments from which the investor derives his annual income, and he can shift from securities of one company to another as his judgment may dictate.

Compensation of the worker gained from employment with the Corporation usually represents his whole source of income, upon which he and members of his family depend for their livelihood.

Therefore it is of the utmost importance to the worker that he be kept fully informed as to the factors which may affect his continuity of employment and the maintenance of desirable working conditions.

If workers are going to permit those who represent them in collective bargaining to attempt to fix the dollars and cents value of their labor, then workers must share in the responsibility for making the necessary money out of which their wages are paid or must share in the responsibility for the loss of their jobs.

On pages 21 to 28 inclusive of the report will be found the Decision of the Arbitrator made on September 18, 1945. That Decision deals with each of the demands submitted by the Transport Workers Union on April 12, 1945 as a proposed basis for a new contract to be made effective as of May 1, 1945.

New York City Omnibus Corporation

DIRECTORS

Otis A. Glazebrook, Jr.	John A. Ritchie
John D. Hertz	Charles G. Stachelberg
John D. Hertz, Jr.	Harold E. Talbott, Jr.
David H. Knott	Benjamin Weintraub
Allan S. Lehman	Frederic T. Wood
John E. McCarthy	Willis D. Wood

EXECUTIVE AND FINANCE COMMITTEE

John D. Hertz, *Chairman*

Otis A. Glazebrook, Jr.	John E. McCarthy
Allan S. Lehman	John A. Ritchie

Frederic T. Wood

OFFICERS

General Offices, 605 West 132nd Street, New York 27, N. Y.

John A. Ritchie	*Chairman of the Board*
Frederic T. Wood	*Vice-Chairman of the Board*
John E. McCarthy	*President*
Joseph T. McCarthy	*Vice-President in Charge of Transportation*
Edmund C. Collins	*Vice-President and Secretary*
John A. Moreland	*Vice-President in Charge of Maintenance*
T. George Walker	*Treasurer and Asst. Secretary*
William F. Gavin	*Assistant Treasurer*
Stephen C. Duggan	*Comptroller*
Henry J. Smith	*General Attorney*

Stock Transfer Agent
The Commercial National Bank and Trust Company of New York

Stock Registrar
Manufacturers Trust Company

ANNUAL MEETING

The annual meeting of stockholders will be held on Tuesday, June 4, 1946. Notice of the meeting, request for proxies, proxy statement and form of proxy will be mailed to stockholders about May 20, 1946.

All communications with respect to changes in address, transfers and dividend payments should be addressed to The Commercial National Bank and Trust Company of New York, 46 Wall Street, New York 15, N. Y.

New York City Omnibus Corporation

Office of the President

605 West 132nd Street

New York 27, N. Y.

March 26, 1946.

To Stockholders, Employees and the Public:

The Consolidated Balance Sheet of this Corporation and of its subsidiaries (Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation) at December 31, 1945 and statements of the Corporation's Consolidated Income and Surplus for the year ended December 31, 1945. as certified by Messrs. Arthur Andersen & Co., are appended hereto on pages 16, 17, 18 and 19.

The results of the year's Operation are set forth in the following short form:

Gross Revenues from Operation, including $50,648.10 from interest on securities owned, etc.		$14,459,588.68
Which Gross Revenues were disposed of as follows:		
Goods and Services Purchased from others, etc.		$ 2,160,227.30
Motor Coaches, Buildings, Shop Tools and other Equipment wearing out (Depreciation and Obsolescence)		831,715.71
For Injury and Damage Claims		1,018,035.72
Taxes (Federal, State and Municipal)		2,865,700.59
Total		$ 6,875,679.32
Balance remaining before Salaries and Wages		$ 7,583,909.36
Salaries (Executive Officers)	$ 141,013.45	
Wages	5,818,504.46	5,959,517.91
Net Income before provision for Amortization of Recapture Contract		$ 1,624,391.45
Deduct—Provision for such Amortization		293,471.08
Net Income after provision for Amortization		$ 1,330,920.37

Note: For further detailed information as to income and expenses see page 20 from which the foregoing tabulation has been compiled.

It will be noted that before the owners of the property received any return:
Taxes absorbed an amount equivalent to more than twice the Net Income
and
Wages absorbed an amount equivalent to more than four times the Net Income

Dividends

During the calendar year 1945, the New York City Omnibus Corporation paid dividends to its stockholders aggregating $3.00 per share. Such dividends consisted of four quarterly dividends of 75¢ per share each. The total amount distributed in dividends for the year was $1,479,563.25.

On March 22, 1945, a quarterly dividend of 75¢ per share was paid to stockholders of record on March 14, 1945, at which time there were 2,612 stockholders with 492,473 shares outstanding.

On June 26, 1945, a quarterly dividend of 75¢ per share was paid to stockholders of record on June 14, 1945, at which time there were 2,746 stockholders with 492,815 shares outstanding.

On September 25, 1945, a quarterly dividend of 75¢ per share was paid to stockholders of record on September 13, 1945, at which time there were 2,806 stockholders with 493,495 shares outstanding.

On December 22, 1945, a quarterly dividend of 75¢ per share was paid to stockholders of record on December 17, 1945, at which time there were 2,811 stockholders with 493,968 shares outstanding.

Portion of Dividends Not Taxable

The attention of stockholders is again directed to the fact that the taxability of the dividends paid to them by the Corporation will be determined by the outcome of the litigation discussed under the next heading. The following is quoted from a communication dated February 4, 1946 received from the Internal Revenue Service of the United States Treasury Department:

"Reference is made to the annual information return, Form 1096, which reports distributions totaling $1,479,563.25 paid to your shareholders during the calendar year 1945.

"On the basis of the data submitted, it is held tentatively that these distributions are 77.4944 percent taxable and 22.5056 percent nontaxable as dividends to the shareholders, pending the final audit of the corporation's income tax return for that year."

In previous reports figures have been given for the years 1937 to 1944, inclusive, indicating what portion of the dividends paid in those years was tentatively considered as taxable and what portion as nontaxable. The taxable and nontaxable portions of the dividends distributed by the Corporation in 1937 to 1944, inclusive, as set forth in last year's Annual Report are:

Year	Taxable as a Dividend	Regarded as a Return of Capital
1937	69.25%	30.75%
1938	58.47%	41.53%
1939	68.18%	31.82%
1940	73.12%	26.88%
1941	26.85%	73.15%
1942	86.00%	14.00%
1943	72.618%	27.382%
1944	78.1879185%	21.8120815%

Stockholders will be advised from time to time of rulings with respect to this matter.

Federal Tax Litigation

As indicated in the Annual Reports for 1943 and 1944, the amount of the Corporation's federal income and profits taxes for 1936 and all subsequent years is in dispute. The principal issue relates to the amount of the annual deductions from income to which the Corporation is entitled for the purpose of amortization of its 25-year franchises. Last November the case was finally reached and the basic issues (other than valuations) were tried before the Tax Court of the United States. A major point is whether the 1936 reorganization of New York Railways Corporation, resulting in the acquisition of all of the properties of

that company by your Corporation, was a transaction of such a character that under the federal revenue laws the tax basis of the street railway franchises and properties that was available to the New York Railways Corporation carries over to the new franchise. Extensive documentary evidence and considerable oral testimony were introduced to establish the history of the street railway system and particularly to trace the franchises from December 30, 1911 through the various reorganizations, including the reorganization of New York Railways Corporation in 1936. Briefs are now being filed, and it is hoped that a decision will be forthcoming before the end of the year.

Sale of Real Estate at Avenue A and 22nd Street

This Corporation owned a garage at 361-379 Avenue A and 439-451 East 22nd Street in the Borough of Manhattan.

That property is in the area designated by the City of New York for a housing development to be constructed by the Metropolitan Life Insurance Company.

Negotiations have been completed between this Corporation and the Metropolitan Life Insurance Company for the purchase by the latter of the property above mentioned, at a price of $275,000 with the provision that New York City Omnibus Corporation will have the right to occupy the premises as a garage until July 1, 1947.

The two-story building on the property was originally constructed about fifty years ago and used as a stable until it was converted into a garage some years ago. Since 1936 the property has been used for the storage and servicing of omnibuses operated on lines of the Corporation.

Franchises

(a) New York City Omnibus Corporation and Madison Avenue Coach Company, Inc.— City's Right to Terminate Franchises and to Purchase the Property and Equipment Upon Due Notice

The Contract of December 26, 1933 between the City of New York, the New York City Omnibus Corporation and the Madison Avenue Coach Company, Inc., granted franchises for a term of twenty-five years, for the operation by motor buses over routes in general traversed by street cars of the New York Railways Corporation system, including Madison Avenue. The franchises also included three additional crosstown routes for motor bus operation.

Subsequently the Contract of January 29, 1935 between the above parties was executed, under which the City received the right exercisable on February 1st, 1945 and on each succeeding February 1st (upon giving at least nine months' notice), to terminate the franchises granted under the Contract of December 26, 1933. That Recapture Contract of January 29, 1935 made provision that the City, upon the exercise of recapture, would pay to the Company the sum of $7,500,000.00 reduced by amortization from the date of the Recapture Contract to the date of recapture upon a cumulative sinking fund basis calculated with interest at 3 per cent per annum compounded annually, so that, at the end of the twenty-five year term of the bus franchises as originally granted, said amount of $7,500,000.00 would have been completely amortized.

On the Consolidated Balance Sheet for the companies at page 16 of this report, opposite the line "Less—Amortization from January 29, 1935 to December 31, 1945," is the figure $2,779,128.71. This means that substantially 37% of the $7,500,000.00 had been amortized up to and including December 31, 1945. The Contract further provides that in the event of recapture the City must purchase the property and equipment used in the operation of the routes, not including real estate, cash, receivables and similar items. The sum to be paid by the City to the companies for the property and equipment is to be determined and fixed either by agreement between the parties or by arbitration, all as provided for in detail in the Recapture Contract.

(b) Eighth Avenue Coach Corporation, Expiration of Franchise

The franchise granted to the Eighth Avenue Coach Corporation for operation over certain routes in the Borough of Manhattan known as the Eighth Avenue and Central Park West route and the Ninth Avenue

and Amsterdam Avenue route expired by limitation on October 16, 1945. Under date of December 28, 1945, a franchise was granted to the Eighth Avenue Coach Corporation by the City of New York to cover the routes above mentioned for the term commencing on October 16, 1945 and expiring on October 15, 1955, subject to earlier termination in the event that the City shall exercise the right to terminate the franchise and to purchase the property and equipment of the New York City Omnibus Corporation and the Madison Avenue Coach Company, Inc., prior to October 15, 1955, pursuant to the Recapture Contract dated January 29, 1935, between the City of New York and the aforesaid companies.

Under the franchise contract of December 28, 1945, the Corporation made no initial cash payment to the City of New York for the grant of the franchise but it is required to pay to the City 10 percent of the gross receipts. Under the contract that expired October 16, 1945 the Corporation made a cash payment to the City of $475,000 for the grant of the franchise but was required to pay only 3% of the gross receipts.

Proposed Investigation by the Public Service Commission of the State of New York to Determine Whether the Fares on the Routes of New York City Omnibus Corporation, Madison Avenue Coach Company, Inc., and Eighth Avenue Coach Corporation Should Be Reduced

Reference was made in the last Annual Report to proceedings commenced during March, 1945 by the Public Service Commission of the State of New York against this Corporation, Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation for the purpose of reducing the rates of fare charged by them for bus transportation (Cases Nos. 11,885, 11,886 and 11,887 respectively). The Public Service Commission orders directed that public hearings be held, commencing April 9, 1945 in the Commission's office. After notice of such orders, the three companies brought suit in the New York Supreme Court against the Public Service Commission to prohibit it from holding its proposed rate hearings. The companies contend that the Public Service Commission does not have jurisdiction to change their rates of fare because the fares are fixed by the terms of franchise contracts made with the City of New York.

The suits brought by the companies are pending in the New York Supreme Court, Albany County. The Public Service Commission, through its counsel, has made in each suit, a motion to dismiss. The Court's decision on these motions has not yet been made, but is expected shortly. Meanwhile, the Court has directed that the rate hearings ordered by the Commission be held in abeyance. The Management believes that any reduction either of the five cent fare or of the two cent transfer charge would be unjust and should be resisted by every legal means.

Service Conditions

The Federal Office of Defense Transportation late in 1942 directed that this Corporation and its subsidiaries make a reduction of 15% in the normal bus miles operated. In May, 1943 a still further reduction of 20% in bus miles was required by the same Federal Authority. In August, 1943 the order requiring the 20% mileage reduction was cancelled but the order for the original 15% reduction in bus miles remained effective until November 1, 1945.

The total bus miles operated in the last two months of 1945 was only slightly in excess of the service during the corresponding period of the previous year. The restoration of the pre-war service could not be made effective immediately because of the difficulty experienced in obtaining material and replacements requisite for the maintenance in serviceable condition of the buses needed for normal operation. The shortage of material and replacements which had existed for some months because of war time conditions was increased by the labor difficulties in the automobile industry, beginning in November, 1945.

We are appreciative of the understanding and consideration manifested by our patrons who have recognized that abnormal circumstances have prevented the rendering of a service as frequent and as satisfactory as in prior years.

When normal conditions are restored in the automotive industry our buses will be operated on schedules more nearly in accordance with the comfort and convenience of our patrons—an improvement which we are prevented from making effective at the present time.

Traffic

The passenger revenues of the New York City Omnibus Corporation and subsidiaries for the last nine years are as follows:

Calendar Year 1945 —	$14,300,950.92	Calendar Year 1941 —	$12,279,871.62
Calendar Year 1944 —	14,167,442.38	Calendar Year 1940 —	12,867,743.23
Calendar Year 1943 —	13,379,193.38	Calendar Year 1939 —	12,724,671.12
Calendar Year 1942 —	13,683,274.65	Calendar Year 1938 —	11,913,149.51
		Calendar Year 1937 —	$11,501,410.89

Total passenger revenues of the New York City Omnibus Corporation and subsidiaries for the calendar year 1945 were more than those of 1944 by the sum of $133,508.54, an increase of not quite 1%.

Taxes

The taxes of the New York City Omnibus Corporation and of its subsidiaries absorbed a substantial part of the total revenue of the system and are a heavy financial burden upon the operation.

The total amount of taxes assignable to operating and non-operating revenue, including franchise payments, applicable to the year ended December 31, 1945, was $2,865,700.59, which is equal to 19.9% of the total operating revenue of the companies, and 16.14¢ per bus mile operated.

The following Social Welfare and Emergency Taxes for 1945 Have Been Imposed by Legislation Enacted During Comparatively Recent Years:			
New York City Utilities	$144,824.96		
New York City Sales and Compensating Use	6,420.52	$151,245.48	
New York State Utilities	$287,913.41		
New York State Gasoline and Fuel Oil	278,392.12		
New York State Unemployment	93,299.16	659,604.69	
Federal Gasoline	$81,823.93		
Federal Old Age Pension	52,682.10		
Federal Unemployment	15,799.75	150,305.78	$ 961,155.95
In addition to the Foregoing Social Welfare and Emergency Taxes of Comparatively Recent Origin, the Following Normal Business Taxes were Applicable for the Year 1945:			
*New York City:**			
Real Estate	$ 91,040.99		
Franchise Payments	613,742.36	$704,783.35	
New York State:			
Franchise	$ 48,436.70		
Gross Earnings	74,707.47		
Vehicle Licenses	9,350.62	132,494.79	
Federal:			
Income	$829,858.14		
Excess Profits	169,446.06		
Capital Stock	22,187.50		
Miscellaneous	45,774.80	1,067,266.50	1,904,544.64
Total All Taxes			$2,865,700.59

* Under the revised system of accounting as prescribed by the Public Service Commission of New York State the Triborough Bridge tolls (see page 20) are included in operating expenses and are not grouped with other taxes.

Taxes per Share of Capital Stock of New York City Omnibus Corporation as Compared with Net Earnings per Share—1938 to 1945

Year	Social Welfare and Emergency Taxes per Share	Federal Income Taxes per Share	Normal Business Taxes per Share*	Total Taxes per Share	Net Earnings per Share
1945	$1.95	$2.02**	$1.83	$5.80	$2.69
1944	2.02	2.92**	1.86	6.80	3.67
1943	1.99	2.01	1.81	5.81	3.92
1942	2.11	1.57	1.74	5.42	3.36
1941	2.10	0.50	1.66	4.26	2.74
1940	2.15	1.11	1.65	4.91	3.59
1939	2.10	0.67	1.73	4.50	4.01
1938	1.98	0.63	1.76	4.37	4.09

* Exclusive of Federal Income and Excess Profits Taxes.
** Includes Federal Excess Profits Taxes.

Relation of Taxes to Workers' Wages and Owners' Income

It will be noted that:

(a) The social welfare and emergency taxes for 1945 amounting to $961,155.95, all of which have been imposed by legislation enacted during comparatively recent years, are equal to 50.47% of this year's normal business taxes.

(b) Total taxes accrued for the year amounted to $2,865,700.59
Net Income after Amortization amounted to 1,330,920.37

Government's "take" in the form of taxes exceeded that which was left for the owners of the property by $1,534,780.22

and

(c) Taxes must be provided for before wages are paid. The "direct" taxes paid by the Corporation per person employed, for the years 1937 to 1945 inclusive were as follows:

Year	Average Number of Persons Employed	Average Compensation, Including Unskilled, Part Time and Seasonal Employment Exclusive of Officers	"Direct" Taxes per Employee Borne by Corporation	Per Cent of "Direct" Taxes per Employee to Average Compensation
1945	1,851	$3,171.81	$1,547.54	48.79%
1944	1,844	2,992.70**	1,811.23	60.52%
1943	1,912	2,597.99	1,485.10	57.16%
1942	2,161	2,453.89	1,225.23	49.93%
1941	2,240	2,182.49*	928.24	42.53%
1940	2,248	2,039.16	1,065.77	52.27%
1939	2,192	2,067.51	998.59	48.30%
1938	2,142	1,866.71	981.50	52.58%
1937	2,155	1,784.21	905.53	50.75%

* 1941 figures represent 50½ weeks because of strike March 10 to 21.
** See note on page 10.

It will be seen that, for each $100 paid in wages to employees, the Corporation paid in taxes, in 1937, $50.75; in 1938, $52.58; in 1939, $48.30; in 1940, $52.27; in 1941, $42.53; in 1942, $49.93; in 1943, $57.16; in 1944, $60.52; and in 1945, $48.79.

3% Utility Tax for Emergency Relief

For some years mention has been made in the Annual Report of this Corporation of the discrimination against utilities in taxation for relief purposes as compared with the taxes imposed on other industries.

All business generally within New York City is taxed for relief purposes at the rate of 1/20 of 1% on gross receipts, a reduction of 50% as contrasted with the rate previously applying to general business. A similar percentage reduction from 1/5 of 1% to 1/10 of 1% has been made, as applied to the tax on financial institutions. This compares with the utility tax paid by this Corporation and its subsidiaries amounting to 3% on every dollar of gross receipts. Although this tax was originally levied for relief purposes it is understood that the funds realized from this tax are now devoted at least in part to other ends.

There is no desire on the part of this Corporation and its subsidiaries to escape in the slightest measure the bearing of their full share of the cost of government and, more especially, the cost of relief for those so unfortunate as to be out of employment, but it must be apparent to everyone who studies the situation that it is decidedly unfair that the public utility corporations operating in New York City should be forced to pay a "special" tax which no other industry pays. Certainly since reduction of tax rates to financial institutions and general business has been granted, a public utility such as ours, serving the needs of the general public, is entitled to equal consideration.

The 3% tax to which we are subjected, as compared to the 1/20 of 1% tax on gross receipts applicable to business generally within the City for these purposes, makes our rate of taxation under the existing law 60 times as great for this particular tax as applies to business generally.

Franchise Tax 3% on Routes Where Street Railway Properties Were Scrapped and 10% on New Crosstown Routes Acquired at Time of Motorization

New York City requires a public utilities transportation corporation operating over its streets to pay to this city a percentage of its gross earnings. This is a franchise tax exacted by the City of New York.

The daily operation of the routes of this Corporation and of its subsidiaries is confined to those thoroughfares which have been approved by the public authorities for such use.

A greater freedom of movement in the streets of this City, as well as along the highways of the State, except those specifically reserved for other traffic, is accorded to all large trucking operators engaged in interstate and intrastate service and to those whose business is the making of general deliveries within the City.

Furthermore, taxicab operators are permitted to use all streets of this City utilized by other traffic.

Such general freedom of movement is allowed to all those who make extensive use of the City's streets.

So far as is known, none of the other groups above mentioned is required to pay a percentage of its gross earnings as a franchise tax, nor an additional tax of 3% of its gross receipts in the form of a utility tax for emergency relief as is the case with public utility transportation corporations.

It is manifest that a motor bus corporation whose fare is definitely fixed either by the terms of its contract or of its franchise, or is determined by usage, is unable to pass on to its riders increased costs which it must meet in the form of mounting taxes, higher rates of wages and higher total wages as well as in higher prices which it must pay for the purchase of supplies and materials. Industries other than public utility corporations have, heretofore, freely passed on to the consumer such increased costs by increasing the price of their products and of their services.

It would seem that as a matter of equity public utility transportation corporations, doing business in New York City, should not be required to pay a franchise tax of either 3% or 10% of gross earnings and in addition thereto be compelled to pay a 3% utility tax for emergency relief, which goes in part (1%) to the City and in part (2%) to the State.

Upward Trend of Wage Rates

In the years immediately prior to entering into contractual relations with the Transport Workers Union, the Corporation had granted voluntary increases as follows:

Motormen Trolley Lines—New York Railways Corporation
Rate of Pay Per Hour

	Minimum	Maximum
January 1, 1935 (11 years ago)	48¢	67¢

Bus Operators (Chauffeurs)—New York City Omnibus Corporation System
Rate of Pay Per Hour

	Minimum	Maximum
Effective February 1, 1935	50¢	67¢
Effective April 19, 1936	56¢	69¢
Effective January 3, 1937	61¢	74¢

Subsequent to entering into contractual relations with the Transport Workers Union the minimum and maximum rates below indicated became effective on the dates specified:

	Minimum	Maximum
Effective July 22, 1937 to December 31, 1938	61¢	82¢
Effective January 1, 1939 to February 28, 1941	61¢	90¢
Effective March 1, 1941 to April 30, 1942	65¢	94¢
Effective May 1, 1942 to April 30, 1944	71¢	$1.00
Effective May 1, 1944 to April 30, 1945	71¢*	$1.00*
Effective May 1, 1945 to September 30, 1946	79¢*	$1.04*

* Commencing May 1, 1944, the basic rates of wages of bus operators have been augmented by an adaptation of the so-called Vinson Bonus Formula. See Decision of the Arbitrator, paragraph entitled "Overtime Changes Since Jan. 1, 1941:" page 23 of this report.

The following statement shows the average weekly and annual wages actually paid to employees of the Corporation for 1945 and 1944:

Average Weekly and Annual Wages of Employees by Classifications for the Years Ended December 31, 1945 and 1944

Classifications	Average Number of Employees Working 1945	Average Number of Employees Working 1944	Average Wages Per Week 1945	Average Wages Per Week 1944**	Average Wages Per Annum 1945	Average Wages Per Annum 1944**
Bus Operators (Chauffeurs)	1,088	1,062	$63.76	$60.54	$3,315.57	$3,147.88
Garage Employees:						
Greasers	2	3	42.59	38.91	2,214.85	2,023.38
Placers	18	18	51.81	42.54	2,693.99	2,212.29
Gassers	2	2	41.88	36.76	2,177.85	1,911.29
Oilers	10	9	41.42	37.11	2,153.92	1,929.63
Floor Cleaners	12	12	41.80	35.58	2,173.75	1,850.25
Mechanics	128	132	61.79	50.58	3,212.84	2,630.00
Mechanics' Helpers***	28	27	50.26	40.66	2,613.48	2,114.32
Battery Repair Mechanics	2	2	61.84	49.67	3,215.90	2,582.76
Washers and Cleaners	67	71	40.91	35.16	2,127.24	1,828.43
Electricians	11	11	62.06	50.69	3,227.26	2,636.00
Register Inspectors	3	3	41.26	36.00	2,145.37	1,871.98
Truckmen	3	3	55.27	47.22	2,874.24	2,455.35
Average Wage of all employees—skilled and unskilled — exclusive of Officers			$61.00	$57.55	$3,171.81	$2,992.70

** The average wages per week and per annum, by classifications for the year 1944 do not include proportionate amount of bonus or provision for the payment of overtime at the rate of time and one-half after 44 hours of work for the period May 1 to December 31, 1944. The average wage of all employees, skilled and unskilled, for 1944 of $57.55 per week, and of $2,992.70 per annum, includes estimated provision for bonus and for overtime after 44 hours of work, since May 1, 1944, unpaid as of December 31, 1944.

*** Under the system of accounting as revised by the Public Service Commission of New York State, Battery Men are included with Mechanics' Helpers in 1945.

Earnings of Employees of Urban Transportation Industry Generally

Street Railways and Buses

According to information received from the Bureau of Labor Statistics of the United States Department of Labor, the following are the figures as applied to employees operating street railways and buses for the months of December, 1945 and December, 1944:

	December, 1945	December, 1944
Average Weekly Hours	50.7 hours	51.8 hours
Average Hourly Earnings	101.3 cents	95.5 cents
Average Weekly Earnings	$51.22	$49.71

For purposes of comparison with earnings statistics of employees of this Corporation there are given below statistics applicable to the industries and industrial divisions specified which have been obtained from Table 4, Page 21, of U. S. Department of Commerce "Survey of Current Business" for June, 1945, and also from Table on Page 23 of "Survey of Current Business" for November, 1945.

Average Annual Earnings per Full-Time Employee in Private Industries

Industry or Industrial Division	1939	1940	1941	1942	1943	1944†	Per Cent Increase 1944 over 1940	Per Cent Increase 1944 over 1939
Agriculture, Forestry and Fisheries	$ 403	$ 415	$ 503	$ 649	$ 836	$ 981	136.4%	143.4%
Mining	1,367	1,388	1,579	1,795	2,161	2,481	78.7%	81.5%
Contract Construction	1,268	1,330	1,638	2,193	2,505	2,625	97.4%	107.0%
Manufacturing	1,363	1,432	1,653	2,023	2,349	2,514	75.6%	84.4%
Wholesale and Retail Trade	1,365	1,391	1,491	1,606	1,802	1,959	40.8%	43.5%
Finance, Insurance and Real Estate	1,761	1,754	1,805	1,917	2,065	2,221	26.6%	26.1%
Transportation: Railroads	1,877	1,903	2,035	2,295	2,577	2,695	41.6%	43.6%
Local Railways and Bus Lines	**1,701**	**1,700**	**1,795**	**2,018**	**2,288**	**2,479**	**45.8%**	**45.7%**
Communication and Public Utilities	1,692	1,718	1,766	1,881	2,074	2,221	29.3%	31.3%
Services	943	949	1,016	1,132	1,355	1,528	61.0%	62.0%

	1939	1940	1941	1942	1943	1944	1945
New York City Omnibus Corporation System—All Employees—Exclusive of Officers	**$2,067.51**	**$2,039.16**	**$2,182.49***	**$2,453.89**	**$2,597.99**	**$2,992.70****	**$3,171.81**

Per cent of increase in average salary-wage per employee, New York City Omnibus Corporation System from 1939 to 1945 — 53%.

* 1941 figures represent 50½ weeks because of strike March 10 to 21.

** See note on page 10.

† U. S. Department of Commerce figures for 1944 are preliminary.

New Agreement with the Transport Workers Union of America

On page 11 of the Annual Report of this Corporation for the year 1944 there were summarized various provisions of the agreement between the Transport Workers Union and this Corporation applicable to the period from May 1, 1944 to April 30, 1945.

On April 12, 1945 the Transport Workers Union submitted its demands for a new contract to be effective as of May 1, 1945. Those demands are enumerated in the Decision of the Arbitrator commencing upon page 21 of this report.

Certain of the demands were of such a character that the cost of compliance with them could not be estimated.

Exclusive of the demand that a pension plan be established, the cost of complying with the other demands susceptible of estimate was about $3,360,800. per annum, or 86% more than the entire net income of the Corporation and of its subsidiaries for the calendar year 1944 after provision for amortization.

After a period of futile negotiations between the Corporation and the Union, the following telegram was sent on June 12, 1945:

June 12, 1945

United States Conciliation Service,
Department of Labor,
Washington, D. C.

On April 30, 1945, the contract between New York City Omnibus Corporation and the Transport Workers Union of America (C.I.O.) expired. Since April 19, 1945, the parties have been attempting to negotiate a new contract and although five meetings have been held to discuss the Union's demand the parties have been and are unable to reach an agreement. Slowdowns already have occurred on June 6th, 7th and 8th during the course of these negotiations and inasmuch as the protection of the public interest is of paramount importance it is urgent that this matter receive immediate attention in an effort to prevent further irregularities and interruptions of service with their consequent inconvenience to New York City's great traveling public. After today's meeting with Union officials such further interruptions of service appear to be imminent. It is respectfully requested, therefore, that the United States Conciliation Service assign a conciliator to confer with the parties.

John E. McCarthy, *President*
New York City Omnibus Corporation
605 West 132nd Street
New York City

On the same date a copy of the above telegram was sent to Mr. Michael J. Quill, President of the Transport Workers Union of America.

The situation became more serious and on June 15, 1945 the following telegram was sent to Mr. Quill:

June 15, 1945

Michael J. Quill, International President
Transport Workers Union of America
153 West 64th Street
New York, N. Y.

The disruption of bus service on routes of New York City Omnibus Corporation is seriously inconveniencing the bus-riding public. For the most part the buses are running from 20 minutes to 30 minutes behind time. Of course there is not the slightest doubt but that the situation has been deliberately created

by the men and as a result of their actions thousands upon thousands of people are being subjected to delay and discomfort. The bus stops are thronged with people waiting for buses and our reports indicate that public indignation and resentment due to the bus drivers tactics are rising. As you know, at the last meeting between us and the bargaining committee representing the employees, we strongly urged, in view of our disagreement, that Mayor LaGuardia be requested to appoint an Arbitrator, or, if that were not agreeable, that the presiding Justice of the Appellate Division of the Supreme Court be asked to choose an Arbitrator. When these suggestions were not accepted, we finally proposed that the Union itself designate an Arbitrator to hear and determine the matters in issue. This proposal was also rejected. I am addressing this telegram to you in the hope that, by reason of your position as international president of the Transport Workers Union, you will immediately intervene and correct this intolerable condition. We trust you will recognize the gravity of the situation and that you will order the bus operators to resume normal operation. Not only should this be done in fairness to a management which has given your Union the best contracts in this area, but also because the public interest demands that you act at once.

JOHN E. MCCARTHY
President,
New York City Omnibus Corporation

On Sunday, June 17, 1945, in his broadcast to the people of New York, Mayor La Guardia severely condemned the slowdown in the bus service. He bluntly characterized such procedure as "foreign entirely to the American sense of fair play and contrary to the traditions and customs of American labor."

On June 18, 1945 there occurred an all day meeting between Union representatives and officials of this Corporation before Mr. Bernard J. Forman of the United States Department of Conciliation and Mr. Arthur Meyer of the State Mediation Board. The conference was unsuccessful.

On June 19, 1945 the Union, evidently recognizing the hostile reaction of the public to the slowdown tactics, finally agreed to arbitration.

Dr. John R. Steelman was selected by both parties to act as Arbitrator. Dr. Steelman was unable to serve and both parties consented to submit all matters in dispute to an Arbitrator to be named by Dr. Steelman. The latter thereupon designated as Arbitrator Mr. Fred C. Croxton. Hearings were held by Mr. Croxton on eleven days in July and August 1945. The Decision of the Arbitrator, dated September 18, 1945, will be found commencing on page 21 of this report. The estimated annual increase in operating cost to the Corporation of carrying out the award of the Arbitrator is approximately $303,250. It will be noted that the contract entered into as a result of this award covers the period from May 1, 1945 to September 30, 1946. However, the award provides:

"The terms of this contract shall be from May 1, 1945 to September 30, 1946. Either party, however, shall have the right to request a revision of the basic hourly wage rate and the hours of work per day and week by giving to the other party thirty (30) days' notice in writing of such request. Such notice, if any, shall be given not earlier than March 1, 1946, and not later than March 31, 1946. In the event that the parties are unable to reach an agreement on the issue or issues involved in such request within thirty (30) days after the commencement of negotiations, the matter or matters shall be referred to Fred C. Croxton, as Arbitrator, for final decision, which shall be binding upon both parties. Any revision in the basic hourly wage rate or in the hours of work per day or week shall be effective as of March 1, 1946."

Reopening of Labor Contract Expiring September 30, 1946

On March 1, 1946 the following letter was received:

Douglas L. MacMahon
PRESIDENT
Gustav Faber
FINANCIAL SEC'Y-TREAS.
William Grogan
RECORDING SECRETARY

TRANSPORT WORKERS UNION
OF GREATER NEW YORK
153 West 64th Street
New York, N. Y.
Tel. TRafalgar 4-3200

LOCAL 100
TRANSPORT WORKERS UNION
OF AMERICA
AFFILIATED
WITH THE CONGRESS OF
INDUSTRIAL ORGANIZATIONS

March 1st, 1946.

Mr. J. E. McCarthy, President
New York City Omnibus Corporation
605 West 132nd Street,
New York 27, New York.

Dear Mr. McCarthy:

Under the terms of the Fred C. Croxton award and the contract now in effect between the Transport Workers Union, Local 100, and the New York City Omnibus Corporation, the Union wishes to serve notice on your Company that we desire to start negotiations on the question of an upward revision in the wage scale of the employees of the New York City Omnibus Corporation.

We request that a date be set for negotiations at your earliest convenience.

Very truly yours,

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(Signed) Douglas L. MacMahon
Douglas L. MacMahon, President

Conferences will be held commencing in the latter part of March, 1946 with reference to the above letter.

In the National Service

A total of 387 employees of this Corporation and of its subsidiaries performed service with the Armed Forces of the Nation, in World War II. Included in this number were bus operators, maintenance men and members of the clerical force and of the staff. We honor and acclaim each one of these, our fellow-workers, for their part in the great conflict, upon which depended the survival of civilization and the preservation of our country.

Some of the men are still with the Colors and some will not come back to us. We desire to record in this report the names of those who made the supreme sacrifice.

OUR HONOR ROLL

ROBERT W. BROWN, Bus Operator, Eighth Avenue Line. Entered Army July, 1943. Killed in France during August, 1944.

DANIEL G. COWLEY, Bus Operator, Eighth Avenue Line. Entered Army February, 1942. Killed in southern France December, 1944.

FRANK J. HINES, Mechanic's Helper, 100th Street Garage. Was a member of U. S. Naval Reserve from which he was called to active duty in January, 1941. Reported missing in action in June, 1942.

JOSEPH A. HINES, Bus Operator, Eighth Avenue Line. Entered Army April, 1942. Killed in Italy April, 1945.

WALTER J. REILLY, Bus Operator, Lexington Avenue Line. Entered Army September, 1940. When killed in France in November, 1944, he was a Captain.

JOSEPH J. ROLIH, Bus Operator, Madison Avenue Line. Entered Army July, 1943. Killed in Germany October, 1944.

GERALD I. SHANAHAN, Bus Operator, Madison Avenue Line. Entered Army March, 1943. Killed in Okinawa July, 1945.

THOMAS WATERS, Bus Operator, Broadway Line. Entered Army June, 1943. Killed in Burma March, 1945.

Our Mutual Interests

The war created special operating problems for us and now with the cessation of hostilities we are confronted with economic difficulties which interfere with the prompt restoration of peace-time schedules on our lines. The long labor controversy in the automobile manufacturing industry has caused a shortage of supplies and repair parts, preventing the immediate making of repairs to buses which are thus unavoidably kept out of service until the needed articles are at last secured.

The Management wishes to express its appreciation for the cooperation extended by employees in the operation of our equipment.

It is gratifying to report that just as the figures for 1944 show that the commendations for that year exceeded those of 1943, so the commendations of 1945 exceed those of 1944. On the other hand the number of complaints for 1945 is greater than for the preceding year. This is a matter of real concern to every one of us. In 1945 and in 1944 about three-fifths of all the complaints involved either **discourtesy, or failure to stop for waiting passengers, or failure to stop for passengers to alight, or the method of operating the doors.** These matters are of direct importance to our patrons whose goodwill is essential to our welfare. The loss of that good-will is detrimental to us individually, to the New York City Omnibus Corporation System and to the Transport Workers Union whose officials have been selected by the employees to represent them in collective bargaining. Our mutual interests will be promoted by a cooperative effort to prevent the occasion for complaints by those who ride upon our buses.

By Order of the Board of Directors.

Chairman of the Board.

President.

New York City Omnibus

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:		
Cash	$ 2,090,276.60	
Marketable municipal securities, at cost (quoted market price $245,695.00)	202,767.75	
United States Government securities, at cost	1,000,000.00	
Receivables	56,171.21	
Inventory of gasoline, oil, etc., at cost	10,578.72	
Prepaid insurance, taxes, licenses, etc.	143,138.43	$ 3,502,932.71
SPECIAL DEPOSITS—Represented by municipal and Federal securities at cost of $916,789.14 (quoted market price $1,131,043.75) and cash of $58,403.42		975,192.56
INVESTMENTS:		
Other physical property—land, stated at value accepted by the Transit Commission of the State of New York	$ 300,000.00	
Investment in and advances to Motor Coach Supply Corporation for the purchase of materials and supplies, at cost	377,500.00	677,500.00
PROPERTY, EQUIPMENT AND INTANGIBLES:		
Tangible property—		
Land and buildings, stated at value accepted by the Transit Commission of the State of New York, plus subsequent additions at cost, less retirements	$ 4,371,351.47	
Equipment at cost—		
Motor coaches (including $675,105 subject to equipment purchase obligations)	10,747,117.28	
Service equipment, tools, furniture and fixtures, etc.	545,924.48	
Organization expense, etc., in process of amortization	281,749.70	15,946,142.93
AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT IN MONTHLY INSTALLMENTS, commencing on January 29, 1935 and ending on December 26, 1958, stated on basis of amount which, less prior amortization, is provided to be paid by The City of New York in the event it shall elect to exercise right granted by the Recapture Contract (see Note 1)	$ 7,500,000.00	
Less—Amortization from January 29, 1935 to December 31, 1945	2,779,128.71	4,720,871.29
		$25,822,639.49

NOTES TO FINANCIAL STATEMENTS — DECEMBER 31, 1945

(1) Under the Agreement of Transfer dated December 24, 1936, New York Railways Corporation transferred to New York City Omnibus Corporation (1) all rights and claims arising from the abandonment of the perpetual street railway franchises and the conveyance of street railway properties to The City of New York, (2) all rights and claims to any benefits under the Recapture Contract dated January 29, 1935, between The City of New York, New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (a subsidiary company), and (3) all rights and claims to the routes of the New York City Omnibus Corporation. Under the Recapture Contract, dated January 29, 1935, the City at its election has the irrevocable right, beginning February 1, 1945 and each year thereafter, to terminate the franchises of the New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (which otherwise terminate on December 26, 1958), and to purchase the property and equipment used in the operation of the routes (other than real estate, cash, receivables, and similar items, which are to be retained by the companies) upon payment by the City of (1) the balance which shall remain of the amount of $7,500,000 after being reduced by amortization from the date of the Recapture Contract to the date of recapture upon a cumulative sinking fund basis calculated with interest at the rate of 3% per annum, compounded annually, so that at the end of the twenty-five year term of the bus franchises said amount of $7,500,000 would have been completely amortized, and (2) the value at the date of recapture (to be determined in the manner set forth in the Recapture Contract) of the property and equipment so to be purchased.

The franchise of Eighth Avenue Coach Corporation, another subsidiary company, covers a period to October 16, 1955, subject to prior termination in the event The City of New York exercises its right to purchase the property and equipment of New York City Omnibus Corporation and Madison Avenue Coach Company, Inc.

(2) During 1944 the companies reduced the reserves for depreciation $1,164,311 by a credit to earned surplus to reflect an increase in the life expectancy of motor coaches and concurrently transferred a like amount from earned surplus to accrued Federal income and excess profits taxes to cover (1) additional assessments estimated to result if income and excess profits taxes of prior years were settled on the basis of depreciation allowances computed on the increased life expectancy of motor coaches, and (2) the additional taxes estimated to result if certain franchise costs claimed as deductions in determining Federal income and excess profits taxes of prior years are disallowed. Although, in the opinion of the companies, the depreciation reserve as so adjusted was properly stated at December 31, 1944, the companies were required by the Public Service Commission of New York in 1945 to restore to the reserves for depreciation the reduction therein made in 1944 and in connection therewith the companies reversed that portion of the 1944 adjustment of accrued Federal income and excess profits taxes which had been made by reason of the adjustment of the depreciation reserve.

The companies have not arrived at an agreement with the Treasury Department as to the amount of depreciation allowable on motor coaches for years since 1941. If all years are settled on the basis of proposals made by the Treasury Department for 1941, additional assessments, not provided for in the accounts of approximately $250,000 will result.

(3) The statement of consolidated income for 1944 has been restated for purposes of comparison with the classification of accounts followed by the companies in 1945.

Corporation and Subsidiary Companies

DECEMBER 31, 1945

LIABILITIES

CURRENT LIABILITIES:		
Equipment purchase obligations due in 1946	$ 112,125.00	
Accounts payable (including accrued pay roll)	585,492.32	
Accrued Federal income and excess profits taxes (subject to review by U. S. Treasury Department)—(See Note 2)	2,237,340.65	
Accrued state, local and miscellaneous Federal taxes	193,286.41	$ 3,128,244.38
EQUIPMENT PURCHASE OBLIGATIONS, 2½%—secured by motor coaches (see contra)	$ 156,406.25	
Less—Installments due in 1946 included under current liabilities	112,125.00	44,281.25
RESERVES:		
Depreciation of property and equipment (see Note 2)	$10,032,730.11	
Injuries and damages and workmen's compensation	535,759.78	
Amortization of organization expense, etc.	125,298.80	
Contingencies	88,491.79	10,782,280.48
CAPITAL STOCK AND SURPLUS:		
Capital stock—		
Authorized 700,000 shares, without par value—issued and outstanding 493,973 shares	$ 3,305,146.48	
Reserved for exercise of Option Warrants which entitle the holders thereof to purchase stock at $17.50 per share until March 1, 1947—4,110 shares	—	
	$ 3,305,146.48	
Capital surplus, arising principally from certain rights and benefits contributed by New York Railways Corporation per agreement of transfer dated December 24, 1936	3,482,992.28	
Earned surplus (see Note 2)	582,226.87	7,370,365.63
CREDIT IN RESPECT OF AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT:		
Balance per previous report $5,014,342.37 less amount equal to amortization ($293,471.08), per contra	$ 4,720,871.29	
Less—Amount transferred to capital surplus, equivalent to remaining amount to be amortized by Madison Avenue Coach Company, Inc.	223,403.54	4,497,467.75
		$25,822,639.49

AUDITORS' CERTIFICATE

To the Board of Directors,
NEW YORK CITY OMNIBUS CORPORATION:

We have examined the consolidated balance sheet of New York City Omnibus Corporation (a New York corporation) and subsidiary companies as of December 31, 1945 and the statements of consolidated income and surplus for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We had previously made a similar examination for the year ended December 31, 1944.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated income and surplus present fairly the position of New York City Omnibus Corporation and subsidiary companies at December 31, 1945 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the effect of the matters mentioned in Note 2, namely, the adjustment of the depreciation reserves as required by order of the Public Service Commission of New York and the adjustment of accrued taxes in connection therewith.

67 Wall Street
New York 5, N. Y.
February 28, 1946

ARTHUR ANDERSEN & CO.

New York City Omnibus Corporation and Subsidiary Companies

STATEMENT OF CONSOLIDATED INCOME FOR THE YEARS ENDED DECEMBER 31, 1945 AND 1944

	1945	1944 (See Note 3)
OPERATING REVENUES:		
Coach lines	$14,300,950.92	$14,167,442.38
Advertising and miscellaneous	107,989.66	82,908.83
TOTAL OPERATING REVENUES	$14,408,940.58	$14,250,351.21
OPERATING EXPENSES:		
Maintenance and garage expenses	$ 2,292,315.06	$ 2,008,887.31
Depreciation	831,715.71	842,495.14
Traffic and transportation	4,791,900.75	4,566,512.46
General	2,009,742.48	1,382,395.65
TOTAL OPERATING EXPENSES	$ 9,925,674.00	$ 8,800,290.56
NET OPERATING REVENUES	$ 4,483,266.58	$ 5,450,060.65
TAXES:		
State, local and miscellaneous Federal taxes (including motor fuel taxes)	$ 1,866,396.39	$ 1,874,158.73
Provision for Federal income tax	829,858.14	898,051.52
Provision for Federal excess profits tax (net)	169,446.06	536,471.22
TOTAL TAXES	$ 2,865,700.59	$ 3,308,681.47
NET EARNINGS FROM OPERATIONS	$ 1,617,565.99	$ 2,141,379.18
OTHER INCOME (Principally interest on investments)	50,648.10	48,727.40
GROSS INCOME	$ 1,668,214.09	$ 2,190,106.58
INTEREST AND OTHER DEDUCTIONS:		
Interest on bonds and equipment purchase obligations	$ 5,379.03	$ 80,085.14
Other income deductions	38,443.61	18,894.85
TOTAL INTEREST AND OTHER DEDUCTIONS	$ 43,822.64	$ 98,979.99
NET INCOME before provision for amortization of "amount to be amortized on basis of Recapture Contract in monthly installments" (see Note 1)	$ 1,624,391.45	$ 2,091,126.59
DEDUCT—Provision for such amortization	293,471.08	284,923.43
NET INCOME after provision for such amortization	$ 1,330,920.37	$ 1,806,203.16

(The accompanying notes on page 16 are an integral part of the financial statements)

New York City Omnibus Corporation and Subsidiary Companies

STATEMENT OF CONSOLIDATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1945

		Capital Surplus	Earned Surplus
BALANCE, DECEMBER 31, 1944, per previous report		$ 3,207,585.80	$ 1,229,776.03
Add—Net income for year ended December 31, 1945		—	1,330,920.37
		$ 3,207,585.80	$ 2,560,696.40
DIRECT SURPLUS CHARGES AND CREDITS:			
Dividends ($3.00 per share)		$ —	$ 1,479,563.25
Transfer to the reserve for depreciation as ordered by the Public Service Commission of New York, of the amount of the reduction therein made in 1944 (see Note 2)	$1,164,310.85		
Less—Reversal for portion of 1944 adjustment of accrued Federal income and excess profits taxes made by reason of the adjustment of the depreciation reserve	688,248.27	—	476,062.58
Transfer from "credit in respect of amount to be amortized on basis of Recapture Contract" of amount equal to amortization by the Corporation for the year ended December 31, 1945		276,175.36	—
Premiums paid on redemption of prior lien bonds, less portion thereof charged to income deductions equal to the reduction in Federal taxes on income resulting therefrom ($18,131.55)		—	22,843.70
Expenses incident to former New York Railways Corporation		768.88	—
		$ 275,406.48	$ 1,978,469.53
BALANCE, DECEMBER 31, 1945		$ 3,482,992.28	$ 582,226.87

(The accompanying notes on page 16 are an integral part of the financial statements)

New York City Omnibus Corporation and Subsidiary Companies

Source and Distribution of Operating Revenues for the Year Ended December 31, 1945

Operating Revenues for the year of $14,408,940.58 consist of the following:		
Fares Collected	$14,300,950.92	
Advertising	92,419.89	
Miscellaneous	15,569.77	
Total Operating Revenues	$14,408,940.58	
To which should be added the interest on securities made up principally of amounts required to be placed on deposit on account of Franchise Contracts, Self-Insurance for Workmen's Compensation and Accidents and Damages, etc.	50,648.10	
Total Operating and Non-Operating Revenues for the Year		$14,459,588.68
How the Year's Revenues Were Distributed:		
Taxes:		
City Taxes	$ 856,028.83	
State Taxes	792,099.48	
Federal Taxes	1,217,572.28	
Total Taxes		$ 2,865,700.59
Cost of:		
Materials used in Maintenance and Operation of Buses, Buildings, Machinery, Trucks, Snow Plows, etc.	$ 973,017.27	
Gasoline, Fuel Oil and Lubricants	627,423.91	1,600,441.18
Transfers	$ 16,164.87	
Outside Auditing Expenses	8,814.75	
Insurance—Fire, Explosion, War Damage, Safe Burglary, Excess Public Liability, etc.	60,241.37	
Group Life and Health Insurance for Employees	28,575.65	
Amortization of Organization Expenses	13,364.71	
Legal Services and Expenses	61,648.63	
Interest on Deferred Equipment Payments	5,379.03	
Triborough Bridge Tolls	32,344.50	
Rents for Operating Properties	141,828.37	
*Miscellaneous Items	93,601.94	
Engineering and Legal Expenses in connection with valuation of Franchises	97,822.30	559,786.12
Reserves:		
For Injuries and Damages	$ 1,018,035.72	
For Depreciation of Buses, Buildings and Other Property	831,715.71	
Total Reserves		1,849,751.43
Total of Taxes, Reserves and Other Operating Expenses (Other than Salaries and Wages)		$ 6,875,679.32
Income from Operation—Before Salaries and Wages		$ 7,583,909.36
Salaries (Executive Officers)	$ 141,013.45	
Wages	5,818,504.46	5,959,517.91
Net Income (Before Provision for Amortization)		$ 1,624,391.45
Deduct—Amortization Under Recapture Contract		293,471.08
Net Income After Amortization		$ 1,330,920.37

* Includes Directors' Salaries and Fees in amount of $18,150.00.

DECISION OF ARBITRATOR

In the Matter of the Arbitration

BETWEEN

New York City Omnibus Corporation,

Madison Avenue Coach Co., Inc.,

Eighth Avenue Coach Corporation

AND

Transport Workers of America, C. I. O.

In the Matter of the Arbitration
between
New York City Omnibus Corporation,
Madison Avenue Coach Co., Inc.,
Eighth Avenue Coach Corporation
and
Transport Workers of America, C.I.O.

DECISION OF

ARBITRATOR

The parties hereto having been unable to reach an agreement through negotiations on the labor contract to cover a period beginning May 1, 1945, they agreed to submit all matters in dispute to Dr. John R. Steelman for arbitration. Upon learning that Dr. Steelman by reason of other duties could not serve, the parties agreed to submit for determination all such matters to an Arbitrator to be named by Dr. Steelman, who designated the present Arbitrator—Fred C. Croxton.

The arbitration agreement, dated July 23, 1945, states: "The parties hereto hereby agree voluntarily to submit each and every item of the matters in dispute between the parties hereto set forth in the annexed schedule to Fred C. Croxton, as Arbitrator, for hearing and decision pursuant to the laws of the State of New York; and we agree to abide by and perform the decision, award, order or orders that may therein and thereupon be made under, pursuant to and by virtue of this submission, provided that any of such decision, award, order or orders which require War Labor Board approval first shall be submitted to, and approved by, the National War Labor Board or its appropriate agency."

Contracts between these parties date from July 22, 1937. On an overall basis rates of pay and working conditions are not excelled in the Local Transit Industry in this Area and compare favorably for this industry in the nation.

Between 75 and 80 per cent of the employees covered by these contracts are Bus Operators and with the low turn-over in the industry the great majority of Bus Operators are in the top wage bracket. Evidence presented at the William H. Davis Arbitration hearings in 1941 showed that the top rate for Bus Operators paid by this Company was approximately 10.5 cents per hour above the average paid by other bus operating companies in New York City (except the Fifth Avenue Coach Company). The Davis Award, however, provided an increase of 4 cents per hour. The same witness in testifying in the present hearings stated the present differential was reduced to approximately 4.25 cents per hour. The witness also stated that the differential nationally had been reduced from approximately 12.3 cents to about 6 cents per hour.

Basic Wage Rate Increases Since Jan. 1, 1941: Bus Operators were 78 per cent of the total employees in 1944. Their basic rate increase has been 10 cents per hour. Four cents of this increase came through the Davis arbitration award and was effective on March 1, 1941, and 6 cents came through negotiations and was effective May 1, 1942. Upon the basis of the wage bracket classifications of June 30, 1945. this represents an increase since January 1, 1941, of 11.5 per cent.

Basic wage rates for other employees, representing, in 1944, 22 per cent of the total number of employees increased more than 15 per cent. A part of such increase came through adjustment of interplant and intraplant inequalities. The Davis arbitration award gave increases of 4, 6, and 8 cents per hour. Some further increases came through negotiations. Increases, on the basis to a considerable degree of interplant and intraplant equalization of rates, of 5 cents in 8 occupations, and 6 cents in 2 occupations, and 7 cents in one occupation, came through War Labor Board rulings dated November 7, 1944, and February 28, 1945, and through a survey of the work of Mechanics.

Overtime Changes Since Jan. 1, 1941:

Bus Operators: Overtime in excess of 10 hours per day changed by Davis award to in excess of 8 hours per day or 48 hours per week.

Garage Employees: Overtime in excess of 8 hours per day changed, effective March 1, 1941, to in excess of 8 hours per day and 48 hours per week.

Building Department Employees: Overtime in excess of 8 hours per day changed, effective March 1, 1941, to in excess of 8 hours per day and 40 hours per week. Later changed at request of employees to in excess of 8 hours per day and 48 hours per week.

Truck Chauffeurs: Overtime in excess of 8 hours per day changed, effective March 1, 1941, to in excess of 8 hours per day and 48 hours per week.

Under the terms of the last contract overtime is paid after 44 hours instead of 48 hours during the term of that contract. This overtime and the so-called Vinson bonus are essentially payments for increased productivity. Together they represent about 6½ cents per hour at the present time. The Vinson bonus is based on the relation of the current vehicle-mile revenue to the vehicle-mile revenue January 1, 1941. When the 15 per cent cut in mileage made in November, 1942 is restored, this bonus will tend to be reduced, as less profitable runs were eliminated, according to evidence presented, when that order went into effect. Any increase in vehicle-mile wages will also tend to lower the Vinson bonus. If, and when, the vehicle-mile revenue drops to the January 1, 1941 level, the bonus will be entirely eliminated.

Other Changes Since Jan. 1, 1941: Travel pay has been liberalized.

Paid holidays have been increased from 4 to 6, and if worked, the rate has been changed from time and one-half to double time.

Pay at straight time for swing time in excess of one hour per day or 6 hours per week and time and one-half on all special runs were granted under the Davis award.

The May 1, 1942 contract provides for reimbursement for time lost on account of assaults or attempted robberies.

In the last contract Bus Operators and Street Fare Collectors were granted reporting and turning-in time at straight time pay, on the basis of 15 minutes per day; Bus Operators working scheduled 5-day work weeks were granted 1 cent per hour additional for each hour worked; an allowance was made to Bus Operators for loss of pay by reason of attendance at the Motor Vehicle Bureau plus 1 hour travel time; and vacation pay hours per week were increased from 50 to 54 for Bus Operators and from 40 to 48 for Building Department Employees.

Hearings were held in New York City July 23, 24, 26, 30 and 31 and August 1, 2, 3, 4, 6, and 7, 1945. Numerous exhibits were filed during the hearings and briefs were submitted by both parties.

After the briefs were filed numerous conferences were held in an effort to settle the matters in dispute through mediation. Such efforts, however, were not successful.

After due consideration of the evidence, arguments, and briefs the Arbitrator has reached a decision and makes the award set forth in this document.

For convenience, the New York City Omnibus Corporation and its two subsidiary Companies will be referred to as the "Company" and the Transport Workers of America, C.I.O. will be referred to as the "Union." The matters in dispute include 34 demands or proposals made by the Union and 3 counter-demands or proposals made by the Company.

The principal Union demands seek higher earnings, either directly or indirectly; security for old age; and better provisions for sickness and for the family in case of death of the wage-earner.

By agreement of the parties the provisions of this award are retroactive to May 1, 1945.

The matters in dispute are taken up below in the order in which the demands or proposals of the Union were listed. The Item numbers indicate Union demands or proposals. Counter-demands or proposals made by the Company are clearly indicated:

Item 1. **"Contract shall be for the period of one year."**

Company Counter-proposal I. **"Contract period—May 1, 1945 to September 30, 1946."**

The award is as follows:

"The terms of this contract shall be from May 1, 1945 to September 30, 1946. Either party, however, shall have the right to request a revision of the basic hourly wage rate and the hours of work per day and week by giving to the other party thirty (30) days' notice in writing of such request. Such notice, if any, shall be given not earlier than March 1, 1946, and not later than March 31, 1946. In the event that the parties are unable to reach an agreement on the issue or issues involved in such request within thirty (30) days after the commencement of negotiations, the matter or matters shall be referred to Fred C. Croxton, as Arbitrator, for final decision, which shall be binding upon both parties. Any revision in the basic hourly wage rate or in the hours of work per day or week shall be effective as of March 1, 1946."

Item 2. **"Company shall institute a sound pension plan."**

This request is denied as liberalization of the Federal Social Security system is now being given consideration by Congress.

Item 3. **"All employees should receive overtime at the rate of time and one-half after 8 hours per day and 40 hours per week with a guaranteed 48-hour work week. Pay hours shall be used as a basis for computing overtime."**

This item covers three demands and the award is as follows:

The request for the 40 hour week is denied. Overtime shall be paid on the basis provided in the contract which expired April 30, 1945, as modified in the Company's letter, dated February 26, 1945, to Thomas L. Norton, Chairman Second Region War Labor Board, and ruling of such Regional Board dated March 1, 1945. Payment for overtime after 8 hours per day and 44 hours per week, which was temporary in character, is one of the items which may be taken up for consideration under the reopening provision award stated under Item 1 herein.

The request for a guaranteed 48-hour week is denied.

The request that pay hours shall be used as a basis for computing overtime is denied.

Item 4. **"The Company shall increase the sick benefit and provide for hospitalization and a group insurance plan."**

Company Counter-proposal III. **"Eliminate sick benefits of $12,000 per year."**

The demand which seeks to liberalize present provisions and the counter-demand which seeks to eliminate payments of sick benefits are denied.

Item 5. **"All employees shall receive the full Vinson bonus."**

This request which seeks to liberalize present provisions is denied.

Item 6. **"Night work shall be paid for at the rate of 10 cents per hour extra to those employees who work between 7 P.M. and 6 A.M."**

This request is denied.

Item 7. **"The work week shall start on Monday and end on Saturday and time and a half shall be paid for Sunday work."**

This request is denied.

Item 8. **"Any man required to work on his regular day off shall be paid at the rate of time and one-half."**

The award is as follows:

"An employee who is required to work on his regularly scheduled day off shall be paid time and one-half for work on such day, provided that he works at least four days during the week in which such day off falls, unless prevented from so doing by illness."

Item 9. **"Men returning from the Armed Services and Merchant Marine shall be paid all accrued vacation and holiday pay."**

This request is denied.

Item 10. **"Each employee shall receive one week's vacation after 6 months service; two weeks after one year's service and three weeks vacation after five years service, at the rate of 55 hours pay for each week."**

This request which seeks to liberalize present provisions is denied. Vacation pay hours per week is one of the items which may be taken up for consideration under the reopening provision award stated under Item 1 herein.

Item 11. **"Company shall supply uniforms."**

This request is denied.

Item 12. **"Company shall increase hiring rate for new men (Bus Operators) and top rate shall be reached after one year's service."**

Company Counter-Proposal II. **"Rates for Bus Operators first 6 months, 75 cents per hour."**

The prevailing period of progression in the Local Transit Industry is 2½ years in the New York area and one year in other larger cities of the nation with a lowering to six months in a recent award in Philadelphia.

Turn-over in this industry is very low for Bus Operators and on June 30, 1945, eighty-eight per cent of the Bus Operators employed by the Company were in the top-pay bracket which is not reached until the beginning of the fifth year of employment. Between 75 and 80 per cent of all employees involved in this contract are Bus Operators.

The increase in basic rates since January 1, 1941 as shown below, has been 10 cents within each bracket. The advance from bracket to bracket is an increase earned by reason of length of service with the Company. The increase in basic rates for 88 per cent of the Bus Operators employed on June 30, 1945, was 11.1 per cent. The basic rates on January 1, 1941, and at the present time are shown below:

	Jan. 1, 1941 Rate	Present Rate
First 6 months	61 cents	71 cents
Second 6 months	70 "	80 "
Second year	76 "	86 "
Third year	82 "	92 "
Fourth year	84 "	94 "
Fifth year	90 "	$1.00

The award covering wage rates per hour in the Transportation Department is as follows:

"Bus Operators shall receive 79 cents per hour during the first six months of their employment; beginning with the second six months and continuing for the remainder of their first year of employment, they shall receive 89 cents per hour; beginning with the second year of their employment, and continuing for the remainder of such year they shall receive 94 cents per hour; and beginning with the third year of their employment and continuing thereafter they shall receive $1.04 per hour.

"Clockmen, Street Fare Collectors, and Tallymen shall receive 74 cents per hour and Flagmen 65 cents per hour."

Item 13. **"Any employee injured on Company business who is paid Workmen's Compensation shall receive the difference between Workmen's Compensation and his regular salary so as to suffer no loss in pay while he is out of work because of this accident."**

This request is denied.

Item 14. **"Company shall pay 8 paid holidays per year."**

This request which seeks to increase the number of paid holidays from 6 to 8 is denied.

Item 15. **"Any employee whose license is suspended and who is later exonerated shall be paid for all time lost as a result of suspension of license."**

This request is denied.

Item 16. **"All runs shall have at least a 30-minute swing in the middle of a straight run. Runs with less than 30 minutes swing to be paid for. Swings that occur before 3½ hours of work or after 5½ hours of work to be paid for by the Company."**

This request which seeks to liberalize present provisions is denied.

Item 17. **"All runs shall have at least 10 minutes stand time on Avenue lines and five minutes stand time on Crosstown lines."**

This request which seeks to liberalize present provisions is denied.

Item 18. **"If schedules change for any reasons and an Operator's run does not work because of such change, Operator shall be paid for the day lost."**

This request is denied.

Item 19. **"Bus Operators shall be paid for all time lost in traveling from point of report to point of relief or from point of relief to point where they turn in receipts."**

The present practice, it was stated in the hearings, is in general accord with this demand and this request, therefore, is denied.

Item 20. **"Vacation pay shall be paid to all employees who work at least one day of a year in which vacation occurs. In the event an employee dies before receiving his vacation pay, the vacation money shall be paid to his widow or estate."**

This request which seeks to liberalize present provisions is denied.

Item 21. **"Old records of individual employees shall not be used against them when they are brought up on a violation."**

This request is denied.

Item 22. **"Any overtime work performed over the hour shall be paid for at the rate of time and one-half for the next full hour."**

This request which seeks to liberalize present provisions is denied.

Item 23. **"Wives of men in the Armed Forces shall retain their passes."**

The Arbitrator is not ruling on this point as it does not appear to him to have a place in a contract.

Item 24. **"If an employee is called for jury duty the Company shall pay the difference between jury pay and the employee's regular salary."**

This request is denied.

Item 25. **"In the event of a death in the immediate family an employee shall be excused from work for three days with full pay."**

This request is denied.

Item 26. **"The Union shall have the right to reopen the contract upon 30 days' notice in the event there is a change in wage stabilization policy which provides for an upward revision of wages."**

The award is entered under Item 1 herein.

Item 27. **"The Company shall reduce the differential between Mechanics' and Helpers' rates to the same level as existed in 1939."**

Item 30. **"Mechanics shall be equalized to the rates that exist in the Fifth Avenue Shops."**

Item 32. **"The rates of each of the following classifications (Gassers, Washers and Cleaners, Floor Cleaners, Oilers, Battery Service Men and Motor Cleaners) shall be equalized with the Fifth Avenue Garage rates."**

Item 33. **"Janitors, Flagmen, Watchmen, and Elevator Operators 70 cents an hour."**

Items 27, 30, 32 and 33 relate to wage rates for Garage Maintenance Employees and are therefore considered in a group. The Fifth Avenue Coach Company is not a party to this contract; it is, however, under essentially the same management and the employees are represented by the same Union.

In previous contract negotiations, the Union made a demand similar to Item 30, which demand was refused by the Company. In the hearings before the War Labor Board both parties maintained their positions, and with the approval of the Board, Lewis R. Gwyn, Jr., an Area Consultant of the Office of Defense Transportation, was selected to make a survey of the work. The Consultant reported that 35 per cent of the Mechanics in the garages had skills equivalent to the men in the shop and, on that basis, the differential was narrowed by 5 cents. The rates at that time were 98 cents in the Garage and $1.10 in the Shop. The increase brought the Garage Mechanics to $1.03. The present rate in the Fifth Avenue Shop is $1.14.

With reference to Item 27, the 1939 rate for Mechanics was 82 cents and for Mechanic's Helpers 66 cents with a differential of 16 cents. The present rate for Mechanics is $1.03 and for Mechanic's Helpers 76 cents for the first 6 months and then 85 cents.

The award covering Items 27, 30, 31 and 32 and other employees in the Maintenance Department is as follows:

"Mechanics, Electricians, Battery Mechanics and Truckmen shall receive $1.07 per hour; Mechanic's Helpers, for the first 6 months, shall receive 82 cents per hour, and for the second 6 months and thereafter 91 cents per hour. The Battery Service Men are to be reclassified as Mechanic's Helpers and shall receive the rate of 82 cents per hour for the first six months and thereafter 91 cents per hour. Washers and Cleaners, Floor Cleaners, Oilers, Gasers, Greasers, and Register Inspectors shall receive 79 cents per hour; Bus Placers 91 cents per hour; and Janitors, Elevator Operators, and Watchmen 65 cents per hour."

The rates of wages in the Building Department shall be as follows:

"Elevator Inspectors, Truckmen (Sign and Curb Truck), and Truck Drivers shall receive $1.07 per hour; Electricians, Carpenters, and Plumbers $1.14 per hour; Sign and Curb Painters and General Utility Men 91 cents per hour; Engineers 86 cents per hour; Firemen 76 cents per hour; and Watchmen 65 cents per hour."

Item 28. "Company shall supply each Garage employee with coveralls and shall pay for the cleaning of same."

This request is denied.

Item 29. "Company shall pay part of the cost of tools that employees use on Company work."

This request is denied.

Item 31. "Company shall pay for lunch time in all Garages."

This request is denied.

Item 34. "Vacation pay to reflect overtime pay."

This request which seeks to liberalize present provisions is denied.

Company Counter-Proposal II. "All the present terms and conditions in contract that expired on April 30, 1945, be continued except as follows:
Rates for Bus Operators first 6 months, 75 cents per hour."

The counter-proposal relating to the starting rate for Bus Operators has been covered in the award under Item 12 herein.

The award with reference to the remainder of the above counter-proposal is as follows:

"Except for the several changes awarded in this arbitration, the terms and working conditions now in effect shall be continued."

In the two sections of the Contract which expired on April 30, 1945, which provide for the designation of an Arbitrator, the Secretary of Labor of the United States shall be substituted for the Chairman of the War Labor Board.

During the term of this Contract neither the party of the second part nor the operating employees, as defined in Paragraph First of the contract which expired on April 30, 1945, shall participate in any stoppage or interruption or interference in normal operations of the parties of the first part, nor in any strike against the parties of the first part, nor in any sympathetic or general strike, whether within or outside the property of the parties of the first part; nor shall the parties of the first part lock out such employees for any reason during the term hereof.

In the event that the parties involved are unable to reach an agreement on any point covered in this award within 30 days after the commencement of negotiations on the issue involved the matter shall be referred to Fred C. Croxton, as Arbitrator, for final decision, which shall be binding upon both parties.

All of the provisions herein shall be retroactive to May 1, 1945, with respect to all employees now in the employ of the Company.

Any employee of the Company who entered the Armed Forces or the Merchant Marine Service since April 30, 1945, and prior to the date hereof, shall receive the benefit of any adjustments that may be necessary by reason of the retroactive provision herein.

New York, N. Y.,
September 18, 1945.

(Signed) FRED C. CROXTON, *Arbitrator*

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New York City Omnibus Corporation

Annual Report to Stockholders, Employees and the Public

For the Year Ended December 31, 1946



Go the Motor Coach Way

EXPLANATORY NOTE

In examining the numerous tabulations included in the accompanying report, mostly concerning wages and taxes, some of which may appear repetitious, special attention is invited to the fact that the report is prepared for the information of employees and the public as well as for stockholders.

Your Management feels that employees are entitled to know and have access to the most pertinent facts concerning the affairs of the Corporation.

To the average stockholder his investment in securities of this Corporation may be and usually is but one of many investments from which the investor derives his annual income, and he can shift from securities of one company to another as his judgment may dictate.

Compensation of the worker gained from employment with the Corporation usually represents his whole source of income, upon which he and members of his family depend for their livelihood.

Therefore it is of the utmost importance to the worker that he be kept fully informed as to the factors which may affect his continuity of employment and the maintenance of desirable working conditions.

If workers are going to permit those who represent them in collective bargaining to attempt to fix the dollars and cents value of their labor, then workers must share in the responsibility for making the necessary money out of which their wages are paid or must share in the responsibility for the loss of their jobs.

For the information of all concerned, there is annexed hereto an appendix (pages 19 to 28 inclusive) which summarizes the wage negotiations and arbitrations between the Corporation and the Transport Workers Union of America, which have occurred since the Corporation's last annual report.

New York City Omnibus Corporation

DIRECTORS

Otis A. Glazebrook, Jr.	John A. Ritchie
John D. Hertz	Charles G. Stachelberg
John D. Hertz, Jr.	Benjamin Weintraub
David H. Knott	Frederic T. Wood
Allan S. Lehman	Willis D. Wood
John E. McCarthy	Boykin C. Wright

EXECUTIVE AND FINANCE COMMITTEE

John D. Hertz, *Chairman*

Otis A. Glazebrook, Jr.	John E. McCarthy
Allan S. Lehman	John A. Ritchie

Frederic T. Wood

OFFICERS

General Offices, 605 West 132nd Street, New York 27, N. Y.

John A. Ritchie	*Chairman of the Board*
Frederic T. Wood	*Vice-Chairman of the Board*
John E. McCarthy	*President*
Joseph T. McCarthy	*Vice-President in Charge of Transportation*
Edmund C. Collins	*Vice-President and Secretary*
John A. Moreland	*Vice-President in Charge of Maintenance*
T. George Walker	*Treasurer and Assistant Secretary*
William F. Gavin	*Assistant Treasurer*
Stephen C. Duggan	*Comptroller*
Henry J. Smith*	*General Attorney*

* Died February 1, 1947.

General Counsel
Shearman & Sterling & Wright
New York, New York

Stock Transfer Agent
The Commercial National Bank and Trust Company of New York

Stock Registrar
Manufacturers Trust Company

ANNUAL MEETING

The annual meeting of stockholders will be held on Tuesday, June 3, 1947. Notice of the meeting, request for proxies, proxy statement and form of proxy will be mailed to stockholders about May 10, 1947.

All communications with respect to changes in address, transfers and dividend payments should be addressed to The Commercial National Bank and Trust Company of New York, 46 Wall Street, New York 15, N. Y.

New York City Omnibus Corporation

Office of the President

605 West 132nd Street

New York 27, N. Y.

March 27, 1947.

To Stockholders, Employees and the Public:

The Consolidated Balance Sheet of this Corporation and of its subsidiaries (Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation) at December 31, 1946 and statements of the Corporation's Consolidated Income and Surplus for the year ended December 31, 1946, as certified by Messrs. Arthur Andersen & Co., are appended hereto on pages 14, 15, 16 and 17.

The results of the year's Operation are set forth in the following short form:

Gross Revenues from Operation, including $168,718.57 Profit from Sale of Land and Building and Interest on Securities Owned, etc.		$16,193,366.64
Which Gross Revenues were disposed of as follows:		
Goods and Services Purchased from others, etc.		$ 2,459,536.66
Motor Coaches, Buildings, Shop Tools and other Equipment wearing out (Depreciation and Obsolescence)		618,942.90
For Injury and Damage Claims		1,072,578.60
Taxes (Federal, State and Municipal)		3,359,028.82
Total		$ 7,510,086.98
Balance remaining before Salaries and Wages		$ 8,683,279.66
Salaries (Executive Officers)	$ 157,918.46	
Wages	7,347,081.62	7,505,000.08
Net Income before provision for Amortization of Recapture Contract		$ 1,178,279.58
Deduct—Provision for such Amortization		302,275.24
Net Income after provision for Amortization		$ 876,004.34

Note: For further detailed information as to income and expenses see page 18 from which the foregoing tabulation has been compiled.

It will be noted that before the owners of the property received any return:

Taxes absorbed an amount equivalent to nearly four times the Net Income

and

Wages absorbed an amount equivalent to more than eight times the Net Income

Dividends

During the calendar year 1946, the New York City Omnibus Corporation paid dividends to its stockholders aggregating $1.75 per share. Such dividends consisted of four quarterly dividends as below shown. The total amount distributed in dividends for the year was $864,800.00.

On March 28, 1946, a quarterly dividend of 75¢ per share was paid to stockholders of record on March 21, 1946, at which time there were 2,852 stockholders with 494,136 shares outstanding.

On June 25, 1946, a quarterly dividend of 50¢ per share was paid to stockholders of record on June 12, 1946, at which time there were 2,897 stockholders with 494,181 shares outstanding.

On September 26, 1946, a quarterly dividend of 25¢ per share was paid to stockholders of record on September 12, 1946, at which time there were 2,936 stockholders with 494,209 shares outstanding.

On December 21, 1946, a quarterly dividend of 25¢ per share was paid to stockholders of record on December 16, 1946, at which time there were 3,016 stockholders with 494,221 shares outstanding.

Portion of Dividends Not Taxable

The attention of stockholders is again directed to the fact that the taxability of the dividends paid to them by the Corporation will be determined by the outcome of the litigation discussed under the next heading.

The Corporation has heretofore advised stockholders that its books of account indicate that all dividends paid during 1946 should be regarded tentatively as taxable, pending the final audit of the income tax return for the year.

In previous reports figures have been given for the years 1937 to 1945, inclusive, indicating what portion of the dividends paid in those years was tentatively considered as taxable and what portion as nontaxable. The taxable and nontaxable portions of the dividends distributed by the Corporation in 1937 to 1945, inclusive, as set forth in last year's Annual Report are:

Year	Taxable as a Dividend	Regarded as a Return of Capital
1937	69.25%	30.75%
1938	58.47%	41.53%
1939	68.18%	31.82%
1940	73.12%	26.88%
1941	26.85%	73.15%
1942	86.00%	14.00%
1943	72.618%	27.382%
1944	78.1879185%	21.8120815%
1945	77.4944%	22.5056%

Stockholders will be advised from time to time of rulings with respect to this matter.

Federal Tax Litigation

As stated in previous Annual Reports, the amount of the Corporation's federal income and profits taxes for 1936 and all subsequent years is in dispute. The principal issue relates to the amount of the annual deductions from income to which the Corporation is entitled for the purpose of amortization of its 25 year franchise. Certain basic legal questions were tried in November, 1945 at a preliminary hearing before the

Tax Court of the United States, original and reply briefs were filed by both sides and a decision was handed down by the Court on May 23, 1946. The Court held that the tax basis of the omnibus franchise awarded to the Corporation on December 26, 1933 was its cost and that such cost should include (a) the value of the street railway franchises surrendered by the New York Railways Corporation, (b) the value of the street car tracks and other equipment turned over to the City, and (c) the cash paid to the City or expended to acquire or protect the bus franchise. The Court stated that the cost might include other items also. Counsel are now making preparations to try the valuation and other related issues upon the assumption that the case will be set for trial some time during 1947.

Option Warrants

The Plan of Readjustment and Motorization of New York Railways Corporation, dated March 19, 1935, provided that the holders of its Preferred Stock, upon surrendering their stock certificates in negotiable form, would be entitled to receive Ten Year Option Warrants to purchase shares of New York City Omnibus Corporation at the rate of 2½ shares for each ten shares of Preferred Stock held, at a price of $17.50 per share. Subsequent thereto an agreement, dated March 11, 1937, was entered into by New York City Omnibus Corporation and New York Railways Corporation and The Commercial National Bank and Trust Company of New York under which agreement The Commercial National Bank and Trust Company was appointed Agent to execute and distribute such warrants.

By the terms of that agreement and as indicated on each warrant the said warrants terminated and became null and void on March 1, 1947. New York City Omnibus Corporation has served notice on the New York Curb Exchange and The Commercial National Bank and Trust Company of New York that there will be no extension beyond March 1, 1947. Appropriate notice was mailed early in February, 1947 to all holders of Preferred Stock of New York Railways Corporation who had not presented their certificates of stock to receive the warrants to which they were entitled under the Plan of 1935 and, in addition, notice was published in the New York Times once a week for three successive weeks in February, 1947.

Franchises

(a) New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. — City's Right to Terminate Franchises and to Purchase the Property and Equipment Upon Due Notice

The Contract of December 26, 1933 between the City of New York, the New York City Omnibus Corporation and the Madison Avenue Coach Company, Inc., granted franchises for a term of twenty-five years, for the operation by motor buses over routes in general traversed by street cars of the New York Railways Corporation system, including Madison Avenue. The franchises also included three additional crosstown routes for motor bus operation.

Subsequently the Contract of January 29, 1935 between the above parties was executed, under which the City received the right exercisable on February 1st, 1945 and on each succeeding February 1st (upon giving at least nine months' notice), to terminate the franchises granted under the Contract of December 26, 1933. That Recapture Contract of January 29, 1935 made provision that the City, upon the exercise of recapture, would pay to the Company the sum of $7,500,000.00 reduced by amortization from the date of the Recapture Contract to the date of recapture upon a cumulative sinking fund basis calculated with interest at 3 per cent per annum compounded annually, so that, at the end of the twenty-five year term of the bus franchises as originally granted, said amount of $7,500,000.00 would have been completely amortized.

On the Consolidated Balance Sheet for the companies at page 14 of this report, opposite the line "Less — Amortization from January 29, 1935 to December 31, 1946," is the figure $3,081,403.95. This means that substantially 41% of the $7,500,000.00 had been amortized up to and including December 31, 1946. The Contract further provides that in the event of recapture the City must purchase the prop-

erty and equipment used in the operation of the routes, not including real estate, cash, receivables and similar items. The sum to be paid by the City to the companies for the property and equipment is to be determined and fixed either by agreement between the parties or by arbitration, all as provided for in detail in the Recapture Contract.

(b) Eighth Avenue Coach Corporation, Expiration of Franchise

The franchise granted to the Eighth Avenue Coach Corporation for operation over certain routes in the Borough of Manhattan known as the Eighth Avenue and Central Park West route and the Ninth Avenue and Amsterdam Avenue route expired by limitation on October 16, 1945. Under date of December 28, 1945, a franchise was granted to the Eighth Avenue Coach Corporation by the City of New York to cover the routes above mentioned for the term commencing on October 16, 1945 and expiring on October 15, 1955, subject to earlier termination in the event that the City shall exercise the right to terminate the franchise and to purchase the property and equipment of the New York City Omnibus Corporation and the Madison Avenue Coach Company, Inc., prior to October 15, 1955, pursuant to the Recapture Contract dated January 29, 1935, between the City of New York and the aforesaid companies.

Proposed Investigation by the Public Service Commission of the State of New York to Determine Whether the Fares on the Routes of New York City Omnibus Corporation, Madison Avenue Coach Company, Inc., and Eighth Avenue Coach Corporation Should Be Reduced

Reference was made in the last Annual Report to proceedings commenced during March, 1945 by the Public Service Commission of the State of New York against this Corporation, Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation for the purpose of reducing the rates of fare charged by them for bus transportation (Cases Nos. 11,885, 11,886 and 11,887, respectively). The Public Service Commission orders directed that public hearings be held, commencing April 9, 1945 in the Commission's office. After notice of such orders, the three companies brought suit (in the New York Supreme Court) against the Public Service Commission to prohibit it from holding its proposed rate hearings. The companies contended that the Public Service Commission does not have jurisdiction to change their rates of fare because the fares are fixed by the terms of franchise contracts made with the City of New York. Pursuant to court orders, all rate hearings before the Commission were held in abeyance pending the outcome of this litigation. Under date of February 28, 1947 the Court of Appeals of the State of New York handed down its decision affirming the lower courts and holding that the Public Service Commission does have jurisdiction to change the rates of fare charged by the Corporation and its subsidiaries. The Management believes that any reduction, either of the five cent fare or of the two cent transfer charge, would be most unjust and it intends to continue to resist any such proposed reduction by every legal means.

Service Conditions

Throughout the year 1946 difficulty was experienced in obtaining material and replacements needed for maintenance, in serviceable condition, of the buses required for normal operation. The shortage of such material and replacements, which had existed for some months because of wartime conditions, was intensified by the labor difficulties in the automotive industry, beginning in November 1945. The delivery of one hundred and forty-six new omnibuses, commencing in June 1946, made it possible to increase substantially the bus miles operated above what would have been the case had such new equipment not been available.

We are appreciative of the understanding and consideration manifested by our patrons who have recognized that continued abnormal circumstances have prevented the rendering of a service as frequent and as satisfactory as in pre-war years.

Traffic

The passenger revenues of the New York City Omnibus Corporation and subsidiaries for the last ten years are as follows:

Calendar Year 1946 —	$15,892,286.89	Calendar Year 1941 —	$12,279,871.62
Calendar Year 1945 —	14,300,950.92	Calendar Year 1940 —	12,867,743.23
Calendar Year 1944 —	14,167,442.38	Calendar Year 1939 —	12,724,671.12
Calendar Year 1943 —	13,379,193.38	Calendar Year 1938 —	11,913,149.51
Calendar Year 1942 —	13,683,274.65	Calendar Year 1937 —	11,501,410.89

Total passenger revenues of the New York City Omnibus Corporation and subsidiaries for the calendar year 1946 exceeded those of 1945 by the sum of $1,591,335.97, an increase of 11%.

Taxes

The taxes of the New York City Omnibus Corporation and of its subsidiaries absorbed a substantial part of the total revenue of the system and are a heavy financial burden upon the operation.

The total amount of taxes assignable to operating and non-operating revenue, including franchise payments, applicable to the year ended December 31, 1946, was $3,359,028.82, which is equal to 21.0% of the total operating revenue of the companies, and 16.49¢ per bus mile operated.

The following Social Welfare and Emergency Taxes for 1946 Have Been Imposed by Legislation Enacted During Comparatively Recent Years:

New York City Utilities	$ 162,227.18		
New York City Sales and Compensating Use	11,783.37	$ 174,010.55	
New York State Utilities	$ 322,571.87		
New York State Gasoline and Fuel Oil	322,501.56		
New York State Unemployment	112,456.38	757,529.81	
Federal Gasoline	$ 88,904.47		
Federal Old Age Pension	64,496.43		
Federal Unemployment	19,664.97	173,065.87	$ 1,104,606.23

In addition to the Foregoing Social Welfare and Emergency Taxes of Comparatively Recent Origin, the Following Normal Business Taxes were Applicable for the Year 1946:

New York City:*			
Real Estate	$ 101,103.98		
Franchise Payments	784,525.62	$ 885,629.60	
New York State:			
Franchise	$ 38,289.48		
Gross Earnings	82,113.91		
Vehicle Licenses	10,486.41	130,889.80	
Federal:			
Income	$ 1,209,907.23		
Miscellaneous	27,995.96	1,237,903.19	2,254,422.59
Total All Taxes			$ 3,359,028.82

* Under the revised system of accounting as prescribed by the Public Service Commission of New York State the Triborough Bridge tolls (see page 18) are included in operating expenses and are not grouped with other taxes.

Taxes per Share of Capital Stock of New York City Omnibus Corporation as Compared with Net Earnings per Share—1938 to 1946

Year	Social Welfare and Emergency Taxes per Share	Federal Income Taxes per Share	Normal Business Taxes per Share*	Total Taxes per Share	Net Earnings per Share
1946	$2.24	$2.45	$2.11	$6.80	$1.77
1945	1.95	2.02**	1.83	5.80	2.69
1944	2.02	2.92**	1.86	6.80	3.67
1943	1.99	2.01	1.81	5.81	3.92
1942	2.11	1.57	1.74	5.42	3.36
1941	2.10	0.50	1.66	4.26	2.74
1940	2.15	1.11	1.65	4.91	3.59
1939	2.10	0.67	1.73	4.50	4.01
1938	1.98	0.63	1.76	4.37	4.09

* Exclusive of Federal Income and Excess Profits Taxes.
** Includes Federal Excess Profits Taxes.

Relation of Taxes to Workers' Wages and Owners' Income

It will be noted that:

(a) The social welfare and emergency taxes for 1946 amounting to $1,104,606.23, all of which have been imposed by legislation enacted during comparatively recent years, are equal to 49.00% of this year's normal business taxes.

(b) Total taxes accrued for the year amounted to $3,359,028.82
Net Income after Amortization amounted to 876,004.34

Government's "take" in the form of taxes exceeded that which was left for the owners of the property by $2,483,024.48

and

(c) Taxes must be provided for before wages are paid. The "direct" taxes paid by the Corporation per person employed, for the years 1937 to 1946 inclusive were as follows:

Year	Average Number of Persons Employed	Average Earnings Including Unskilled, Part Time and Seasonal Employment Exclusive of Officers	"Direct" Taxes per Employee Borne by Corporation	Per Cent of "Direct" Taxes per Employee to Average Earnings
1946	2,144	$3,473.91	$1,704.48	49.07%
1945	1,851	3,171.81	1,547.54	48.79%
1944	1,844	2,992.70	1,811.23	60.52%
1943	1,912	2,597.99	1,485.10	57.16%
1942	2,161	2,453.89	1,225.23	49.93%
1941	2,240	2,182.49*	928.24	42.53%
1940	2,248	2,039.16	1,065.77	52.27%
1939	2,192	2,067.51	998.59	48.30%
1938	2,142	1,866.71	981.50	52.58%
1937	2,155	1,784.21	905.53	50.75%

* 1941 figures represent 50½ weeks because of strike March 10 to 21.

It will be seen that, for each $100 paid in wages to employees, the Corporation paid in taxes, in 1937, $50.75; in 1938, $52.58; in 1939, $48.30; in 1940, $52.27; in 1941, $42.53; in 1942, $49.93; in 1943, $57.16; in 1944, $60.52; in 1945, $48.79; and in 1946, $49.07.

3% Utility Tax for Emergency Relief

For some years mention has been made in the Annual Reports of this Corporation of the discrimination against utilities in taxation for relief purposes as compared with the taxes imposed on other industries.

All business generally within New York City is taxed for relief purposes at the rate of 1/10 of 1% on gross receipts and financial institutions are taxed 1/5 of 1% on gross receipts. This compares with the utility tax paid by this Corporation and its subsidiaries amounting to 3% on every dollar of gross receipts. Although this tax was originally levied for relief purposes it is understood that the funds realized from this tax are now devoted at least in part to other ends.

There is no desire on the part of this Corporation and its subsidiaries to escape in the slightest measure the bearing of their full share of the cost of government and, more especially, the cost of relief for those so unfortunate as to be out of employment, but it must be apparent to everyone who studies the situation that it is decidedly unfair that the public utility corporations operating in New York City should be forced to pay a "special" tax which no other industry pays.

The 3% tax to which we are subjected, as compared to the 1/10 of 1% tax on gross receipts applicable to business generally within the City for these purposes, makes our rate of taxation under the existing law 30 times as great for this particular tax as applies to business generally.

Franchise Tax 3% on Routes Where Street Railway Properties Were Scrapped and 10% on New Crosstown Routes Acquired at Time of Motorization 5% to 10% on Other Routes Since Acquired

New York City requires a public utilities transportation corporation operating over its streets to pay to this city a percentage of its gross earnings. This is a franchise tax exacted by the City of New York.

The daily operation of the routes of this Corporation and of its subsidiaries is confined to those thoroughfares which have been approved by the public authorities for such use.

A greater freedom of movement in the streets of this City, as well as along the highways of the State, except those specifically reserved for other traffic, is accorded to all large trucking operators engaged in interstate and intrastate service and to those whose business is the making of general deliveries within the City.

Furthermore, taxicab operators are permitted to use all streets of this City utilized by other traffic.

Such general freedom of movement is allowed to all those who make extensive use of the City's streets.

So far as is known, none of the other groups above mentioned is required to pay a percentage of its gross earnings as a franchise tax, nor an additional tax of 3% of its gross receipts in the form of a utility tax for emergency relief as is the case with public utility transportation corporations.

It is manifest that a motor bus corporation whose fare is definitely fixed either by the terms of its contract or of its franchise, or is determined by usage, is unable to pass on to its riders increased costs which it must meet in the form of mounting taxes, higher rates of wages and higher total wages as well as in higher prices which it must pay for the purchase of supplies and materials. Industries other than public utility

corporations have, heretofore, passed on to the consumer such increased costs by increasing the price of their products and of their services.

It would seem that as a matter of equity public utility transportation corporations, doing business in New York City, should not be required to pay a franchise tax of from 3% to 10% of gross earnings and in addition thereto be compelled to pay a 3% utility tax for emergency relief, which goes in part (1%) to the City and in part (2%) to the State.

Upward Trend of Wage Rates

In the years immediately prior to entering into contractual relations with the Transport Workers Union, the Corporation had granted voluntary increases as follows:

Motormen Trolley Lines—New York Railways Corporation
Rate of Pay Per Hour

	Minimum	Maximum
January 1, 1935 (12 years ago)	48¢	67¢

Bus Operators (Chauffeurs)—New York City Omnibus Corporation System
Rate of Pay Per Hour

	Minimum	Maximum
Effective February 1, 1935	50¢	67¢
Effective April 19, 1936	56¢	69¢
Effective January 3, 1937	61¢	74¢

Subsequent to entering into contractual relations with the Transport Workers Union the minimum and maximum rates below indicated became effective on the dates specified:

	Minimum	Maximum
Effective July 22, 1937 to December 31, 1938	61¢	82¢
Effective January 1, 1939 to February 28, 1941	61¢	90¢
Effective March 1, 1941 to April 30, 1942	65¢	94¢
Effective May 1, 1942 to April 30, 1944	71¢	$1.00
Effective May 1, 1944 to April 30, 1945	71¢*	$1.00*
Effective May 1, 1945 to February 28, 1946	79¢*	$1.04*
Effective March 1, 1946 to September 30, 1946	95¢	$1.20

* Commencing May 1, 1944, the basic rates of wages of bus operators were augmented by an adaptation of the so-called Vinson Bonus Formula.

The following statement shows the average weekly and annual wages actually paid to employees of the Corporation for 1946 and 1945:

Average Weekly and Annual Wages of Employees by Classifications for the Years Ended December 31, 1946 and 1945

Classifications	Average Number of Employees Working 1946	1945	Average Wages Per Week 1946	1945	Per Annum 1946	1945
Bus Operators (Chauffeurs)	1,311	1,088	$69.14	$63.76	$3,595.15	$3,315.57
Garage Employees:						
Greasers	1	2	49.73	42.59	2,585.76	2,214.85
Placers	18	18	59.69	51.81	3,103.67	2,693.99
Gassers	4	2	45.38	41.88	2,359.66	2,177.85
Oilers	11	10	48.22	41.42	2,507.54	2,153.92
Floor Cleaners	13	12	47.83	41.80	2,487.09	2,173.75
Mechanics	145	128	69.45	61.79	3,611.41	3,212.84
Mechanics' Helpers	30	28	58.09	50.26	3,020.47	2,613.48
Battery Repair Mechanics	2	2	69.53	61.84	3,615.72	3,215.90
Washers and Cleaners	76	67	46.94	40.91	2,440.87	2,127.24
Electricians	14	11	69.36	62.06	3,606.65	3,227.26
Register Inspectors	3	3	48.74	41.26	2,534.47	2,145.37
Truckmen	3	3	62.15	55.27	3,231.69	2,874.24
Average Wage of all employees—skilled and unskilled — exclusive of Officers			$66.81	$61.00	$3,473.91	$3,171.81

Average Annual Wages

	1940	1941	1942	1943	1944	1945	1946
New York City Omnibus Corporation System—All Employees—Exclusive of Officers	**$2,039.16**	**$2,182.49***	**$2,453.89**	**$2,597.99**	**$2,992.70**	**$3,171.81**	**$3,473.91**

Per cent of increase in average wages per employee, New York City Omnibus Corporation System from 1940 to 1946 is 70.4%

* 1941 figures represent 50½ weeks because of strike March 10 to 21.

For purposes of comparison with earnings statistics of employees of this Corporation there are given below statistics applicable to the industries and industrial divisions specified which have been obtained from Table 4, Page 21, of U. S. Department of Commerce "Survey of Current Business" for June, 1945, and also from Table on Page 32 of "Survey of Current Business" for October, 1946.

Average Annual Earnings per Full-Time Employee in Private Industries

Industry or Industrial Division	1940	1941	1942	1943	1944	1945†	Per Cent Increase 1945 over 1940
Transportation:							
Railroads	$1,903	$2,035	$2,299	$2,580	$2,709	$2,706	42.2%
Local Railways and Bus Lines	**1,700**	**1,795**	**2,018**	**2,288**	**2,468**	**2,632**	**54.8%**
Mining	1,388	1,579	1,795	2,160	2,496	2,606	87.8%
Contract Construction	1,330	1,638	2,194	2,505	2,596	2,564	92.8%
Manufacturing	1,432	1,653	2,023	2,350	2,516	2,528	76.5%
Communication and Public Utilities	1,718	1,766	1,881	2,075	2,248	2,420	40.9%
Finance, Insurance and Real Estate	1,754	1,805	1,918	2,071	2,228	2,409	37.3%
Wholesale and Retail Trade	1,391	1,491	1,626	1,804	1,965	2,076	49.2%
Services	949	1,016	1,131	1,347	1,520	1,640	72.8%
Agriculture, Forestry and Fisheries	415	503	649	838	984	1,087	161.9%

† U. S. Department of Commerce figures for 1945 are preliminary.

Earnings of Employees of Urban Transportation Industry Generally
Street Railways and Buses

According to information received from the Bureau of Labor Statistics of the United States Department of Labor, the following are the figures as applied to employees operating street railways and buses for the months of December, 1946 and December, 1945:

	December, 1946	December, 1945
Average Weekly Hours	47.9 hours	50.7 hours
Average Hourly Earnings	114.2 cents	101.3 cents
Average Weekly Earnings	$55.26	$51.22

Wage Negotiations and Arbitrations

The labor agreement between the Corporation and the Transport Workers Union covering the operating employees for the period October 1, 1945, to September 30, 1946, contained a reopening clause, which provided that either party could give notice, not earlier than March 1, 1946, and not later than March 31, 1946, to reopen the contract for a revision of the basic hourly wage rate and hours of work per day and week. Such notice dated March 1, 1946, was received from the Transport Workers Union, and hearings were held before Mr. Fred C. Croxton, the Arbitrator. Under date of August 10, 1946, he handed down a decision, which resulted in an estimated increase in the Corporation's annual payroll cost of $865,563.38 for the operating employees.

On August 10, 1946, the Arbitrator also rendered an award in the case of the clerical employees, who are likewise represented by the Transport Workers Union under the terms of a separate agreement between the Corporation and the Union. That award increased the annual payroll cost for the clerical employees of the system by an estimated amount of $35,736.06.

The total of the two awards involved an estimated increased annual payroll cost to the Corporation of $901,299.44.

Under date of August 26, 1946, the Transport Workers Union made demands for new contracts to become effective October 1, 1946, for the operating employees and for the clerical employees. These new demands were estimated to cost $1,773,580.00 on an annual basis, exclusive of the demand that a pension system be established and exclusive of certain other demands the cost of which could not be estimated.

Meetings were held between the officials of the Corporation and of the Transport Workers Union, at which time the Corporation presented its counter-demands applicable to the proposed new contracts covering the operating employees and the clerical employees.

No agreement could be reached, and on October 18, 1946, Mayor O'Dwyer of the City of New York intervened. He appointed a Committee to seek to conciliate the differences between the parties, or to devise a means for resolving the dispute. After a number of meetings with such Committee, the Corporation and the Union agreed to arbitrate all issues in the dispute, including the demands of the Union and the counter-demands of the Corporation.

At the time of the printing of this report, hearings were being held before the Arbitrator and no decision had been rendered by him.

For the information of all concerned, there will be found on pages 19 to 28 inclusive a summary of the wage negotiations and arbitrations between the Corporation and the Transport Workers Union of America, which have occurred since the Corporation's last annual report.

Courtesy and Efficiency Increase Goodwill of Patrons

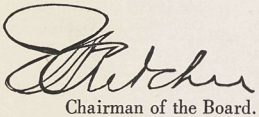
The Management wishes to thank all employees in the offices, in the shops, in the garages and on the buses who have cooperated in our effort to render a safe and convenient service to our patrons.

We have been and still are handicapped by the difficulties we have encountered in obtaining repair parts in sufficient quantities to keep in operation as many buses as we desired to run. We hope these handicaps will not long continue.

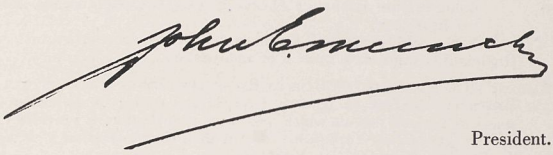
For the year 1946 the number of passengers carried per complaint received was greater than for the year 1945. In other words, there has been an improvement in this respect, but as was the case in 1945 about three fifths of all the complaints received in 1946 relate either to **discourtesy, or failure to stop for waiting passengers, or failure to stop for passengers to alight, or the method of operating the doors.**

The Management again urges that special effort be made by all concerned to avoid giving our passengers any grounds for the making of complaints. The rendering of courteous and efficient service to our patrons is in the interest alike of the public, of the Corporation, of the Transport Workers Union, and of each individual employee.

By Order of the Board of Directors.



Chairman of the Board.



President.

New York City Omnibus

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:		
Cash	$ 2,058,629.43	
Marketable municipal securities, at cost (quoted market price $231,682.50)	202,767.75	
United States Government securities, at cost	1,000,158.30	
Receivables	33,509.03	
Inventory of gasoline, oil, etc., at cost	5,405.57	
Prepaid insurance, taxes, licenses, etc.	92,923.95	$ 3,393,394.03
SPECIAL DEPOSITS—Represented by municipal and Federal securities at cost of $915,007.89 (quoted market price $1,064,000) and cash of $58,327.88		973,335.77
INVESTMENTS:		
Other physical property (including $300,000 of land, stated at value accepted by the Transit Commission of the State of New York)	$ 307,200.00	
Investments in and advances to Motor Coach Supply Corporation for the purchase of materials and supplies, at cost	377,500.00	684,700.00
PROPERTY, EQUIPMENT AND INTANGIBLES:		
Tangible property—		
Land and buildings, stated at value accepted by the Transit Commission of the State of New York, plus subsequent additions at cost, less retirements	$ 4,196,984.88	
Equipment at cost—		
Motor coaches (including $1,266,785 subject to equipment purchase obligations)	12,445,126.29	
Service equipment, tools, furniture and fixtures, etc.	564,505.09	
Organization expense, in process of amortization	280,968.51	17,487,584.77
AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT IN MONTHLY INSTALLMENTS, commencing on January 29, 1935 and ending on December 26, 1958, stated on basis of amount which, less prior amortization, is provided to be paid by The City of New York in the event it shall elect to exercise right granted by the Recapture Contract (see Note 1)	$ 7,500,000.00	
Less—Amortization from January 29, 1935 to December 31, 1946	3,081,403.95	4,418,596.05
		$26,957,610.62

NOTES TO FINANCIAL STATEMENTS — DECEMBER 31, 1946

(1) Under the Agreement of Transfer dated December 24, 1936, New York Railways Corporation transferred to New York City Omnibus Corporation (1) all rights and claims arising from the abandonment of the perpetual street railway franchises and the conveyance of street railway properties to The City of New York, (2) all rights and claims to any benefits under the Recapture Contract dated January 29, 1935, between The City of New York, New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (a subsidiary company), and (3) all rights and claims to the routes of the New York City Omnibus Corporation. Under the Recapture Contract, dated January 29, 1935, the City at its election has the irrevocable right, beginning February 1, 1945 and each year thereafter, to terminate the franchises of the New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (which otherwise terminate on December 26, 1958), and to purchase the property and equipment used in the operation of the routes (other than real estate, cash, receivables, and similar items, which are to be retained by the companies) upon payment by the City of (1) the balance which shall remain of the amount of $7,500,000 after being reduced by amortization from the date of the Recapture Contract to the date of recapture upon a cumulative sinking fund basis calculated with interest at the rate of 3% per annum, compounded annually, so that at the end of the twenty-five year term of the bus franchises said amount of $7,500,000 would have been completely amortized, and (2) the value at the date of recapture (to be determined in the manner set forth in the Recapture Contract) of the property and equipment so to be purchased.

The franchise of Eighth Avenue Coach Corporation, another subsidiary company, covers a period to October 16, 1955, subject to prior termination in the event The City of New York exercises its right to purchase the property and equipment of New York City Omnibus Corporation and Madison Avenue Coach Company, Inc.

(2) As a result of the refusal of the Public Service Commission in 1945 to permit the adjustment of the reserve for depreciation of motor coaches, the companies have revised their depreciation schedules beginning January 1, 1946 to amortize the undepreciated balance of the cost of motor coaches over their estimated remaining lives and have reduced the 1946 provision for depreciation of coaches by approximately $300,000 as compared with the depreciation that would have been provided if such revision of the depreciation schedules had not been made.

Corporation and Subsidiary Companies

DECEMBER 31, 1946

LIABILITIES

CURRENT LIABILITIES:		
Equipment purchase obligations due in 1947	$ 122,704.69	
Accounts payable (including accrued items)	724,786.06	
Accrued Federal income and excess profits taxes (subject to review by U. S. Treasury Department)	2,401,842.22	
Accrued state, local and miscellaneous Federal taxes	205,761.61	$ 3,455,094.58
EQUIPMENT PURCHASE OBLIGATIONS, 2 and 2½%—secured by motor coaches (see contra)	$ 445,927.64	
Less—Installments due in 1947 included under current liabilities	122,704.69	323,222.95
RESERVES:		
Depreciation of property and equipment (see Note 2)	$10,060,954.18	
Injuries and damages and workmen's compensation	1,015,011.18	
Amortization of organization expense, etc.	139,933.04	
Contingencies	80,016.97	11,295,915.37
CAPITAL STOCK AND SURPLUS:		
Capital stock—		
Authorized 700,000 shares, without par value—issued and outstanding 494,221 shares	$ 3,309,486.48	
Reserved for exercise of Option Warrants which entitle the holders thereof to purchase stock at $17.50 per share until March 1, 1947—3,862 shares	—	
	$ 3,309,486.48	
Capital surplus, arising principally from certain rights and benefits contributed by New York Railways Corporation per agreement of transfer dated December 24, 1936	3,767,971.80	
Earned surplus	593,431.21	7,670,889.49
CREDIT IN RESPECT OF AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT:		
Balance per previous report $4,720,871.29 less amount equal to amortization ($302,275.24), per contra	$ 4,418,596.05	
Less—Amount transferred to capital surplus, equivalent to remaining amount to be amortized by Madison Avenue Coach Company, Inc.	206,107.82	4,212,488.23
		$26,957,610.62

AUDITORS' CERTIFICATE

To the Board of Directors,

NEW YORK CITY OMNIBUS CORPORATION:

We have examined the consolidated balance sheet of New York City Omnibus Corporation (a New York corporation) and subsidiary companies as of December 31, 1946 and the statements of consolidated income and surplus for the fiscal year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We had previously made a similar examination for the year ended December 31, 1945.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated income and surplus present fairly the position of New York City Omnibus Corporation and subsidiary companies at December 31, 1946 and the results of their operations for the year then ended, and are in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

67 Wall Street
New York 5, N. Y.,
February 26, 1947.

ARTHUR ANDERSEN & CO

New York City Omnibus Corporation and Subsidiary Companies

STATEMENT OF CONSOLIDATED INCOME
FOR THE YEARS ENDED DECEMBER 31, 1946 AND 1945

	1946	1945
OPERATING REVENUES:		
Coach lines	$15,892,286.89	$14,300,950.92
Advertising and miscellaneous	132,361.18	107,989.66
TOTAL OPERATING REVENUES	$16,024,648.07	$14,408,940.58
OPERATING EXPENSES:		
Maintenance and garage expenses	$ 2,711,687.98	$ 2,292,315.06
Depreciation (see Note 2)	618,942.90	831,715.71
Traffic and transportation	5,907,801.73	4,791,900.75
General	2,344,663.69	2,009,742.48
TOTAL OPERATING EXPENSES	$11,583,096.30	$ 9,925,674.00
NET OPERATING REVENUES	$ 4,441,551.77	$ 4,483,266.58
TAXES:		
State, local and miscellaneous Federal taxes (including motor fuel taxes)	$ 2,149,121.59	$ 1,866,396.39
Provision for Federal income tax (including $250,000 additional provision for prior years)	1,209,907.23	829,858.14
Provision for Federal excess profits tax (net)	—	169,446.06
TOTAL TAXES	$ 3,359,028.82	$ 2,865,700.59
NET EARNINGS FROM OPERATIONS	$ 1,082,522.95	$ 1,617,565.99
OTHER INCOME:		
Interest on investments, etc.	$ 53,493.36	$ 50,648.10
Profit on sale of land and building	115,225.21	—
TOTAL OTHER INCOME	$ 168,718.57	$ 50,648.10
GROSS INCOME	$ 1,251,241.52	$ 1,668,214.09
INTEREST AND OTHER DEDUCTIONS:		
Interest	$ 57,746.30	$ 5,379.03
Other income deductions	15,215.64	38,443.61
TOTAL INTEREST AND OTHER DEDUCTIONS	$ 72,961.94	$ 43,822.64
NET INCOME before provision for amortization of "amount to be amortized on basis of Recapture Contract in monthly installments" (see Note 1)	$ 1,178,279.58	$ 1,624,391.45
DEDUCT—Provision for such amortization	302,275.24	293,471.08
NET INCOME after provision for such amortization	$ 876,004.34	$ 1,330,920.37

(The accompanying notes on page 14 are an integral part of the financial statements.)

New York City Omnibus Corporation and Subsidiary Companies

STATEMENT OF CONSOLIDATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1946

	Capital Surplus	Earned Surplus
BALANCE, DECEMBER 31, 1945, per previous report	$ 3,482,992.28	$ 582,226.87
Add—Net income for year ended December 31, 1946	—	876,004.34
	$ 3,482,992.28	$ 1,458,231.21
DIRECT SURPLUS CHARGES AND CREDITS:		
Dividends ($1.75 per share)	—	864,800.00
Transfer from "credit in respect of amount to be amortized on basis of Recapture Contract" of amount equal to amortization by the Corporation for the year ended December 31, 1946	284,979.52	—
BALANCE, DECEMBER 31, 1946	$ 3,767,971.80	$ 593,431.21

(The accompanying notes on page 14 are an integral part of the financial statements.)

New York City Omnibus Corporation and Subsidiary Companies

Source and Distribution of Operating Revenues for the Year Ended December 31, 1946

Operating Revenues for the year of $16,024,648.07 consist of the following:		
Fares Collected	$15,892,286.89	
Advertising	116,208.32	
Miscellaneous	16,152.86	
Total Operating Revenues	$16,024,648.07	
To which should be added the profit on sale of land and building, and interest on securities made up principally of amounts required to be placed on deposit on account of Franchise Contracts, Self-Insurance for Workmen's Compensation and Accidents and Damages, etc.	168,718.57	
Total Operating and Non-Operating Revenues for the Year		$16,193,366.64
How the Year's Revenues Were Distributed:		
Taxes:		
City Taxes	$ 1,059.640.15	
State Taxes	888,419.61	
Federal Taxes	1,410,969.06	
Total Taxes		$ 3,359,028.82
Cost of:		
Materials used in Maintenance and Operation of Buses, Buildings, Machinery, Trucks, Snow Plows, etc.	$ 1,192,572.72	
Gasoline, Fuel Oil and Lubricants	633,961.09	1,826,533.81
Transfers	$ 17,537.78	
Outside Auditing Expenses	5,654.50	
Insurance—Fire, Explosion, Safe Burglary, Excess Public Liability, etc.	71,479.63	
Group Life and Health Insurance for Employees	34,476.90	
Amortization of Organization Expenses	12,335.04	
Legal Services and Expenses	60,699.45	
Interest	57,746.30	
Triborough Bridge Tolls	35,041.00	
Rents for Operating Properties	144,439.63	
Miscellaneous Items	87,558.66	
Engineering and Legal Expenses in connection with valuation of Franchises	57,231.16	
Publicity	48,802.80	633,002.85
Reserves:		
For Injuries and Damages	$ 1,072.578.60	
For Depreciation of Buses, Buildings and Other Property	618,942.90	
Total Reserves		1,691,521.50
Total of Taxes, Reserves and Other Operating Expenses (Other than Salaries and Wages)		$ 7,510,086.98
Income from Operation—Before Salaries and Wages		$ 8,683,279.66
Salaries (Executive Officers)	$ 157,918.46	
Wages	7,347,081.62	7,505,000.08
Net Income (Before Provision for Amortization)		$ 1,178,279.58
Deduct—Amortization Under Recapture Contract		302,275.24
Net Income After Amortization		$ 876,004.34

APPENDIX

Wage Negotiations and Arbitrations with the Transport Workers Union of America

The agreement of September 18, 1945 between the New York City Omnibus Corporation, Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation, parties of the first part, and Transport Workers Union of America, party of the second part, contained the following provision:

"Eighteenth: The term of this contract shall be from May 1, 1945 to September 30, 1946. Either party, however, shall have the right to request a revision of the basic hourly wage rate and the hours of work per day and week by giving to the other parties thirty (30) days' notice in writing of such request. Such notice, if any, shall be given not earlier than March 1, 1946 and not later than March 31, 1946. In the event that the parties are unable to reach an agreement on the issue or issues involved in such request within thirty (30) days after the commencement of negotiations, the matter or matters shall be referred to Fred C. Croxton as Arbitrator, for final decision which shall be binding upon both parties. Any revision in the basic hourly wage rate or in the hours of work per day or week shall be effective as of March 1, 1946.

"In addition to a request for a revision of the basic hourly wage rate and the hours of work per day or week, either party shall have the right, at the time and in the manner prescribed in the paragraph next preceding, to request a revision of the vacation pay hours per week.

"In the event that the parties are unable to reach an agreement on any point in this agreement, which was covered in the award of Fred C. Croxton, Arbitrator, bearing date September 18, 1945, within 30 days after commencement of the negotiations on the issues involved, the matter shall be referred to Fred C. Croxton, as Arbitrator, for final decision, which shall be binding on both parties."

Under date of March 1, 1946, the Transport Workers Union served notice that it desired to start negotiations on the question of an upward revision in the wage scale of the employees.

Several conferences were held by representatives of the Corporation and of the Transport Workers Union.

The Union desired a general increase of 30% for the operating employees and an additional increase in wages of greasers and oilers. **These demands involved an estimated annual increase in payroll cost amounting to $1,589,701.70.**

The Corporation felt that no increase in wages was justifiable at that time, since the take-home pay of the men had not decreased in any way since V-J Day. Furthermore, the average earnings of all employees, exclusive of officers, had increased from $2,039.16 in the calendar year 1940 to $3,171.81 in the calendar year 1945 — an increase of $1,132.65 or 55.5%. The net corporate income of the System was $1,755,261.24 in 1940 and $1,330,920.37 in 1945 — a decrease of $424,340.87 or 24.2%.

In accordance with the above quoted provision of the agreement between the Corporation and the Union, the demands of the Union for increases in wages were referred to Mr. Fred C. Croxton as Arbitrator.

Hearings before the Arbitrator commenced on May 16, 1946 and continued on May 17, 22, 23, 28, 29 and 31.

In January, 1946 the New York State Labor Relations Board certified the Transport Workers Union of America, C.I.O., Local 100, as the exclusive representative of the clerical employees, with certain exceptions, of the New York City Omnibus Corporation and of the Fifth Avenue Coach Company for the purpose of bargaining collectively on matters pertaining to wages, hours and other conditions of employment.

The Union presented to the Companies a number of demands covering wages and working conditions, including a demand for an increase of 30% in wages. **The demand for such increase of 30% in wages of the clerical force of the New York City Omnibus Corporation System would have involved an estimated annual increase in payroll cost amounting to $78,475.00.** The other demands were of such a character that it was not practicable to make an estimate as to what the total cost to the Corporation would be annually as a result of compliance with such demands.

Various meetings between the parties took place but an agreement could not be reached and it was decided to submit the matter to arbitration.

The parties agreed that Mr. Croxton (who was to arbitrate the demands for increases in the wages of the operating employees) should arbitrate also the demands of the clerical employees.

The first hearing was held on May 23, 1946 before Mr. Croxton and subsequent hearings took place on May 24 and on May 27.

The Companies took the position that the clerical employees were not entitled to any wage increases at that time because, under the National Wage Policy and specifically under Executive Order 9697, their war-time wages and working conditions had been preserved in the post-war period; also because these employees had received increases amounting to 40% of their hourly rates since January 1, 1941.

Under date of August 10, 1946 the Arbitrator rendered his decision in each of the two cases.

In reference to the operating employees of the New York City Omnibus Corporation, the Madison Avenue Coach Company, Inc., and the Eighth Avenue Coach Corporation the Arbitrator's award provided as follows:

> "The top rate for Bus Operators shall be $1.20 per hour. A comparable increase of 16 cents per hour in the wage rate shall be granted to all other employees covered by this Contract. The increases shall be retroactive to March 1, 1946, as provided in the Contract, with respect to employees now in the employ of the Company."

This award resulted in an estimated annual increase in payroll cost of $865,563.38.

The award of the Arbitrator with reference to clerical employees provided:

> "Clerical employees shall receive an increase in weekly salaries on the basis of four cents per hour for the period from October 1, 1945, to February 28, 1946, and a further increase on the basis of twelve cents per hour for the period from March 1, 1946, to September 30, 1946."

Many of the other demands were not granted but certain other demands were approved, with the result that the entire payroll cost to the New York City Omnibus Corporation System of the award affecting clerical employees was estimated to total on an annual basis about $35,736.06.

The total of the two awards involved an estimated increased annual payroll cost to the Corporation of $901,299.44.

For the year ended December 31, 1946 the average earnings of all employees of the New York City Omnibus System, exclusive of officers, were $3,473.91, an increase over the corresponding figure for the year 1940 of $1,434.75 or 70.4%.

The net corporate income of the System for the year 1946 was $876,004.34 or 50.1% less than for the year 1940.

By the following letters the Transport Workers Union submitted its demands as the basis for new contracts effective October 1, 1946, to cover the operating employees and the clerks of the New York City Omnibus System, represented by the Union.

AUSTIN HOGAN
PRESIDENT
GUSTAV FABER
FINANCIAL SEC'Y-TREAS.
WILLIAM GROGAN
RECORDING SECRETARY

TRANSPORT WORKERS UNION
OF GREATER NEW YORK
153 West 64th Street
New York 23, N. Y.

LOCAL 100
TRANSPORT WORKERS UNION
OF AMERICA
AFFILIATED
WITH THE CONGRESS OF
INDUSTRIAL ORGANIZATIONS

August 26th, 1946

MR. J. E. MCCARTHY, President
New York City Omnibus Corporation
605 West 132nd Street
New York 32, N. Y.

Dear Mr. McCarthy:

According to the Croxton award, the contract between the New York City Omnibus Corporation and the Transport Workers Union, covering the operating employees, expires on September 30th, 1946.

We, therefore, desire to start negotiations for a renewal of the present contract with the following new additions:

(1) The contract shall be for the term of one year.

(2) The Company shall grant an increase of $2.00 per day for all employees.

(3) The Company shall provide an adequate pension plan for its employees.

(4) The Company shall contribute 5% of the annual payroll of the employees covered by the agreement, to a union welfare fund, which will be used for the purposes of providing medical care, hospitalization, sick benefits and other benefits for our members.

(5) Greasers, gasers, oilers and engine and parts cleaners shall be classified as Helpers.

(6) The Company shall, upon request of the Union, deduct assessments in the same manner as Union dues are now deducted.

(7) There shall be a reopening clause in the contract to provide for reopening in the event of increase in the cost of living occurring during the life of the new agreement.

We would appreciate an appointment at your earliest convenience as negotiations must be concluded before the expiration of the present contract, September 30th, 1946.

Very truly yours,

(Signed) AUSTIN HOGAN.
Austin Hogan, President

JN
UOPWA-16/27

AUSTIN HOGAN
PRESIDENT
GUSTAV FABER
FINANCIAL SEC'Y-TREAS.
WILLIAM GROGAN
RECORDING SECRETARY

TRANSPORT WORKERS UNION
OF GREATER NEW YORK
153 West 64th Street
New York 23, N. Y.

LOCAL 100
TRANSPORT WORKERS UNION
OF AMERICA
AFFILIATED
WITH THE CONGRESS OF
INDUSTRIAL ORGANIZATIONS

August 26th, 1946

MR. J. E. MCCARTHY, President
New York City Omnibus Corporation
and Fifth Avenue Coach Company
605 West 132nd Street
New York 27, New York

Dear Mr. McCarthy:

In accordance with Article 20 of the agreement made between your companies and the former Association of Transportation Office Workers, who are now affiliated with the Transport Workers Union, we wish to serve notice of termination of the contract and our desire to start negotiations on the following:

(1) Contract shall be for the term of one year.

(2) $2.00 a day increase for all employees.

(3) The Company shall provide an adequate pension plan.

(4) The Company shall contribute 5% of the annual payroll of employees covered by this contract to a union welfare fund which will be used for the purposes of providing medical care, hospitalization, sick benefits and other benefits for our members.

(5) Over-all company seniority within the clerical force shall prevail for the purposes of promotions, demotions and lay-offs.

(6) The Company shall, upon request of the Union, deduct assessments in the same manner as dues deductions.

(7) There shall be a reopening clause in the contract to provide for reopening in the event of increase in the cost of living occurring during the life of the new agreement.

We would appreciate an appointment at your earliest convenience as negotiations must be concluded before the expiration of the present contract on September 30th, 1946.

Very truly yours,

(Signed) AUSTIN HOGAN.
Austin Hogan, President

JN
UOPWA-16/27

Exclusive of the demand that a pension plan be established, it is estimated that the annual cost of complying with the above demands as applied to the operating employees would be $1,692,505.00, and that the annual cost of complying with the above demands as applied to the clerical force of the New York City Omnibus Corporation would be $81,075.00 — a grand total of $1,773,580.00.

Further correspondence followed and various conferences were held between representatives of the Corporation and of the Union.

The Corporation and its subsidiaries submitted the following counter-demands relating to operating employees:

September 24, 1946

NEW YORK CITY OMNIBUS CORPORATION
MADISON AVENUE COACH COMPANY, INC.
EIGHTH AVENUE COACH CORPORATION

COMPANIES' PROPOSALS FOR OPERATING EMPLOYEES CONTRACT WITH TRANSPORT WORKERS UNION EFFECTIVE AS OF OCTOBER 1, 1946.

1. Term of Contract

The term of the contract shall be for two years expiring September 30, 1948.

2. Vinson Formula Bonus

The clause in the contract dated September 18, 1945, providing for payment of a bonus under the "Vinson Formula" is eliminated from the contract.

3. Bonus Overtime

The bonus overtime provision as covered by the contract of September 18, 1945, which was a war-time measure, to be discontinued.

4. Sick Leave Benefits

No sick leave payments to be made until after the seventh day of sickness and payment to commence on the eighth day; and no sick benefits to be paid unless the Company is promptly notified of such sickness.

5. Vacation Payments

Vacation benefits shall not be paid to those who do not perform at least six months work immediately prior to their vacation period.

6. Holiday Payments

Holiday benefits shall not be paid to employees during the period when no work has been performed by them.

7. Grievances

Any employee, who comes under this Agreement and is disciplined, suspended or discharged, may take up his grievance in the following manner:

(a) He shall informally present his alleged grievance to his foreman, or other person immediately superior to him, or if he prefers, present it through his Union Steward, within three (3) days after same occurs; otherwise, it shall not be considered. If such grievance is presented in such time and is not adjusted to his satisfaction within two (2) days after presentation, then

(b) He may present through his Union Steward his alleged grievance to his department head at a time agreed upon with the latter within five (5) days after his immediate superior has or should have acted, but it must be in writing. If such grievance is not adjusted to his satisfaction within five (5) days after such presentation, then

(c) He may, through his accredited representative in the Union, present his grievance to the Vice President in charge of Labor Relations of the Company in writing. If such grievance is not adjusted between the Union Representative and the Vice President in charge of Labor Relations, within ten (10) days after such presentation, then

(d) He may request arbitration.

8. Register Shortages

Any operator who is continually reported as having register and transfer shortages shall be dismissed from service.

9. Preparation of Day Card

Employees who fail to adhere to the instructions with respect to the preparation of day cards will be subject to suspension.

10. Prompt Turn-In of Receipts

Operators who fail to turn in the day's receipts promptly, after completion of day's work, will be subject to dismissal.

11. Absenteeism

Operators who, without proper cause, fail to take out their scheduled runs, or any other runs which they have agreed to work, shall be subject to suspension.

12. Extra Operators

Presently the Union requires that operators on the extra list be relieved from work on alternate Sundays and holidays. This practice produces a very severe burden on the operation and should be eliminated. Extra men to be assigned on any days when needed.

13. Union Representatives Riding on Coaches

It is a common practice for Union representatives to engage operators in conversation while on duty, discussing working conditions and other Union matters. This should be discontinued.

14. Extended Absence

Employees who are absent for a period exceeding two weeks without cause shall automatically be dropped from service.

15. Giveaway Time

Discontinue the present practice of paying to the next half hour after 8 hours and institute payment to the next or nearest tenth of an hour.

MAINTENANCE DEPARTMENT

16. Mechanics Classification

Mechanics should be classified as 1st or 2nd class, depending upon their ability. The present rates currently being paid to mechanics shall apply to mechanics of the 1st class. The rates for mechanics, who are classified as 2nd class, shall be 10¢ less per hour.

17. Assignment of Work

When certain skilled employees, such as electricians, body mechanics or battery mechanics, are not needed to perform work in their respective classifications, they can be used for any other type of work necessary for the maintenance of coaches.

18. Overtime

Employees who refuse to work overtime when the needs of service require such work shall be dismissed unless unable to so work because of illness or other valid reasons.

19. Daily Work Sheet

All employees must fill in work sheets and inspection forms provided by the Company and, when required, shall sign same.

20. Absenteeism

Employees absenting themselves from duty, if claiming that such absence is due to illness, should provide a medical certificate. Otherwise, they should be subject to disciplinary action.

21. Training of Personnel

A mechanics helper shall be required to perform any type of work which is assigned to him for the purpose of training him to be a mechanic.

22. Oilers Using Tools

An Oiler shall use any tools that are necessary for the proper performance of his duties.

23. 1941 Schedules

Eliminate second paragraph of Article Third of contract of September 18, 1945, reading as follows:

> "The Company shall not divide or split any regular runs appearing on the 1941 schedules into special runs nor shall any reduction in any regular run on any of such schedules be made which will result in the creation of any special run or runs. In no event shall the number of special runs on any line during any month of the term of this agreement be greater than the number of special runs on said line for the corresponding month of 1941 unless unusual traffic conditions requiring special runs shall develop."

---

24. Check-Off

Considerable amount of clerical work is involved in making payroll deductions for Union dues. This should be eliminated or the Union should reimburse the Company for the total cost of the time expended.

25. Slow-Downs

Bus Operators who participate in a slow-down, stoppage or any other interference causing disruption to the service to be dismissed.

26. Penalties

The Union to be expressly responsible in money damages for losses incurred by the Company by reason of strikes, slow-downs or any other violation of the contract during the contract period; and the Company also shall have the right in the event of violation of any of the contract provisions to discontinue the existing closed shop provision and the existing check-off arrangement.

The Corporation and its subsidiaries and the Fifth Avenue Coach Company submitted the following counter-demands relating to the clerical force:

September 26, 1946

NEW YORK CITY OMNIBUS CORPORATION
MADISON AVENUE COACH COMPANY, INC.
EIGHTH AVENUE COACH CORPORATION
FIFTH AVENUE COACH COMPANY

COMPANIES' PROPOSALS FOR CLERICAL EMPLOYEES' CONTRACT WITH TRANSPORT WORKERS UNION EFFECTIVE AS OF OCTOBER 1, 1946.

1. Term of Contract

The term of the contract shall be for a period of two years beginning with October 1, 1946.

2. Productivity of Employees

Employees are required to maintain their work up-to-date at all times. Work falling behind must be brought up-to-date by other employees or by the individual, within a reasonable time. Any employee who fails to maintain his work current after second warning shall be subject to dismissal.

3. Company Records

All work performed by office employees is to be considered as confidential and no employee is permitted to pass on any information relating to company business without first obtaining permission from an official of the company. Any infraction of this rule will result in immediate dismissal.

4. Grievances

Any employee, who comes under this Agreement and is disciplined, suspended or discharged, may take up his grievance in the following manner:

(a) He shall informally present his alleged grievance to his foreman, or other person immediately superior to him, or if he prefers, present it through his Union Steward, within three (3) days after same occurs; otherwise, it shall not be considered. If such grievance is presented in such time and is not adjusted to his satisfaction within two (2) days after presentation, then

(b) He may present through his Union Steward his alleged grievance to his department head at a time agreed upon with the latter within five (5) days after his immediate superior has or should have acted, but it must be in writing. If such grievance is not adjusted to his satisfaction within five (5) days after such presentation, then

(c) He may, through his accredited representative in the Union, present his grievance to the Vice President in charge of Labor Relations of the Company in writing. If such grievance is not adjusted between the Union Representative and the Vice President in charge of Labor Relations within ten (10) days after such presentation, then

(d) He may request arbitration.

5. Continuity of Work

During the term of this contract neither the party of the second part nor the operating employees, as defined in Paragraph First of the contract which expired on April 30, 1945, shall participate in any stoppage or interruption or interference in normal operations of the parties of the first part, nor in any strike against the parties of the first part, nor in any sympathetic or general strike, whether within or outside the property of the parties of the first part; nor shall the parties of the first part lock out such employees for any reason during the term hereof.

6. Relief Periods

Relief periods shall be limited to a maximum of 10 minutes in the morning and 10 minutes in the afternoon.

7. Time Devoted to Union Business

Time devoted to Union business shall not be paid for by the Companies, whether the business is conducted on or off the premises.

8. Allocation of Overtime Work

Management shall have the sole right to choose employees to perform overtime work.

9. Assignment of Special or Extraordinary Work

Management shall have the exclusive right to assign special or extraordinary work to any employees.

10. Promotion of Messengers

Messengers not having completed one year of previous office experience will be promoted to Clerk, Grade 1. Upon completion of 6 months in this classification they will, if qualified, be promoted to Clerk, Grade 2, or failing to qualify will be released from the employ of the Companies.

11. Seniority

In the event of layoffs, seniority shall be on a departmental basis.

12. Merit Increases

All merit increases to be eliminated from salary schedule. Merit increases were instituted at the request of the Union in collective bargaining, because in the past certain classifications of employees whose rates were increased by reason of length of service resulted in wage payments slightly in excess of those set up in the original Salary Schedule. The recent increase of 16¢ per hour overcomes this condition.

13. Method of Pay

All clerical employees shall be paid on an hourly basis for actual time worked. The rate per hour shall be determined by dividing the regular scheduled work week of 35 hours or more into the present weekly rates of pay. Employees reporting late more than 1 minute and up to 15 minutes shall lose 15 minutes pay and for employees reporting more than 15 minutes up to and including 30 minutes shall lose 30 minutes pay, and on the same basis for each 15 minutes interval in excess of 30 minutes.

14. Penalties

The Union to be expressly responsible in money damages for losses incurred by the Company by reason of strikes, slow-downs or any other violation of the contract during the contract period; and the Company also shall have the right in the event of violation of any of the contract provisions to discontinue the existing closed-shop provision and the existing check-off arrangement.

The parties were unable to agree upon the matters in issue and on October 18, 1946, the Honorable William O'Dwyer, Mayor of the City of New York, intervened. His telegram of that date to New York City Omnibus Corporation follows:

WESTERN UNION TELEGRAM

(23)

N225 272 1/166—New York NY 18 410P 1946 OCT 18 PM 4 25

New York City Omnibus Corp
605 West 132 St

Advised that a dispute exists between the New York City Omnibus Corporation and the Transport Workers Union Local 100 which threatens the continuance of bus service rendered by the New York City Omnibus Corporation which is essential for the welfare health and safety of the people of this city. I have decided to appoint a committee of representatives of public, industry and labor to assist in bringing about a settlement of this dispute in a peaceful and amicable manner. The members of the committee all outstanding citizens are Hon. James B M McNally, Justice Supreme Court, Jacob S Potofsky President Amalgamated Clothing Workers of America and B R Armour President Heyden Chemical Corporation. The committee is requested and authorized to confer immediately with the parties and to seek to conciliate their differences or to devise a means for resolving the dispute. The committee is also requested to keep me and the Division of Labor Relations advised on the progress it is making and to render a report at the earliest possible date concerning the nature of the issues in dispute and the appropriate means for settling them. I ask you, in the public interest and your own, to give your whole hearted cooperation to this committee. I also ask you to desist from all acts which may be provocative and not conducive to a calm, fair and reasonable consideration of the issues on their merits. In addition I request the parties to refrain from any strike, stoppage or lockout or any conduct which might result in a failure of service prior to the submission of a final report by the committee.

WILLIAM O'DWYER Mayor.

On the same date the following telegram was sent to this Corporation by Justice James B. M. McNally, Chairman of the Mayor's Committee:

WESTERN UNION TELEGRAM

(45)

N27 1 DL PD—New York NY 18 440P 1946 OCT 18 PM 5 50

New York City Omnibus Corp
605 West 132 St

The committee designated by the Mayor respectfully requests you and your designated representatives to attend meeting Monday October 21st at five oclock at City Hall in connection with dispute between your company and Transport Workers Union.

JAMES B M MCNALLY Chairman Mayors Committee.

21

A number of hearings were held before the Mayor's Committee and under date of November 6, 1946 the Committee made the following report:

RELEASE
NOVEMBER 11, 1946

CITY OF NEW YORK
OFFICE OF THE MAYOR
November 6, 1946

HONORABLE WILLIAM O'DWYER
Mayor of the City of New York
City Hall
New York 7, N. Y.
Dear Mr. Mayor:

This Committee was appointed by your Honor by reason of a labor dispute between the Transport Workers Union, Local 100, and the New York City Omnibus Corporation (and its two subsidiary companies, the Madison Avenue Coach Company, Inc. and the Eighth Avenue Coach Company), which dispute threatened to disrupt service on the nineteen lines of the Corporation. The Committee notified both parties and held meetings with them on October 21, 23, 24, 26 and 30, 1946.

At the request of the Company and the Union, the facts in this dispute and the contentions of the parties are summarized in an appendix attached hereto, on the merits of which the Committee expresses no opinion and takes no position with reference thereto.

We are pleased to announce that as a result of our conferences with the parties, the Company and the Union have agreed to arbitrate before an arbitrator acceptable to both sides, all issues in the dispute, including the demands of the Union and the counter demands of the Company. The Committee suggested that the parties meet immediately and agree upon an arbitrator acceptable to both, to which both parties agreed. In the event the parties are unable to agree on an arbitrator within a reasonable period of time, either party may return to the Committee.

Very truly yours,

(Signed) JAMES B. M. MCNALLY
JACOB S. POTOFSKY
BERNARD R. ARMOUR

APPENDIX

The Committee expresses no opinion and takes no position with reference to the contentions of the parties as hereinafter set forth:

UNION'S CONTENTION

The Union has taken the position that in the circumstances the best interests of all will be served by the arbitration of its demands on the company.

COMPANY'S CONTENTIONS

1. Inability to Pay.
2. Union now receiving highest wages and best conditions in the area.
3. Necessity of —
   (a) Adjustment of franchise payments required to be made by the company to the City;
   (b) Adjustment of city's share of utility tax;
   (c) Elimination of franchise provision prohibiting company from seeking increased fare from Public Service Commission without prior consent of Board of Estimate;
   (d) Increased fare.
4. Arbitration of the Company's counter demands.

November 6, 1946.

Several conferences were held between representatives of the New York City Omnibus Corporation and of the Transport Workers Union in an effort to agree upon an arbitrator. Finally David L. Cole, Esq., Attorney-at-Law, former Chairman of the Basic Steel Panel, and an experienced arbitrator in labor controversies, was chosen as arbitrator. Hearings before him began early in March, 1947 and are still in progress.

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Annual Report to Stockholders, Employees and the Public

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For the Year Ended December 31, 1947

EXPLANATORY NOTE

In examining the numerous tabulations included in the accompanying report, mostly concerning wages and taxes, some of which may appear repetitious, special attention is invited to the fact that the report is prepared for the information of employees and the public as well as for stockholders.

Your Management feels that employees are entitled to know and have access to the most pertinent facts concerning the affairs of the Corporation.

To the average stockholder his investment in securities of this Corporation may be and usually is but one of many investments from which the investor derives his annual income, and he can shift from securities of one company to another as his judgment may dictate.

Compensation of the worker gained from employment with the Corporation usually represents his whole source of income, upon which he and members of his family depend for their livelihood.

Therefore it is of the utmost importance to the worker that he be kept fully informed as to the factors which may affect his continuity of employment and the maintenance of desirable working conditions.

If workers are going to permit those who represent them in collective bargaining to attempt to fix the dollars and cents value of their labor, then workers must share in the responsibility for making the necessary money out of which their wages are paid or must share in the responsibility for the loss of their jobs.

For the information of all concerned, there is annexed hereto an appendix (pages 17, 18 and 19) on which are stated the demands of the Transport Workers Union for the new contract to be effective February 1, 1948.

New York City Omnibus Corporation

DIRECTORS

Otis A. Glazebrook, Jr.	John A. Ritchie
John D. Hertz	Charles G. Stachelberg
John D. Hertz, Jr.	Benjamin Weintraub
David H. Knott	Frederic T. Wood
Allan S. Lehman	Willis D. Wood
John E. McCarthy	Boykin C. Wright

EXECUTIVE AND FINANCE COMMITTEE

John D. Hertz, *Chairman*

Otis A. Glazebrook, Jr.	John E. McCarthy
Allan S. Lehman	John A. Ritchie

Frederic T. Wood

OFFICERS

General Offices, 605 West 132nd Street, New York 27, N. Y.

John A. Ritchie . . . . . *Chairman of the Board*
Frederic T. Wood . . . . . *Vice-Chairman of the Board*
John E. McCarthy . . . . . *President*
Joseph T. McCarthy . . *Vice-President in Charge of Transportation*
Edmund C. Collins . . . . . *Vice-President and Secretary*
John A. Moreland . . . *Vice-President in Charge of Maintenance*
T. George Walker . . . . *Treasurer and Assistant Secretary*
William F. Gavin . . . . . *Assistant Treasurer*
Stephen C. Duggan . . . . . *Comptroller*
William T. Granfield . . . . . *General Attorney*

General Counsel

Shearman & Sterling & Wright
New York, New York

Stock Transfer Agent
The Commercial National Bank and Trust Company of New York

Stock Registrar
Manufacturers Trust Company

ANNUAL MEETING

The annual meeting of stockholders will be held on Tuesday, June 1, 1948. Notice of the meeting, request for proxies, proxy statement and form of proxy will be mailed to stockholders about April 30, 1948.

All communications with respect to changes in address, transfers and dividend payments should be addressed to The Commercial National Bank and Trust Company of New York, 46 Wall Street, New York 15, N. Y.

New York City Omnibus Corporation

Office of the President

605 West 132nd Street

New York 27, N. Y.

March 29, 1948

To Stockholders, Employees and the Public:

The Consolidated Balance Sheet of this Corporation and of its subsidiaries (Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation) at December 31, 1947 and statements of the Corporation's Consolidated Income and Surplus for the year ended December 31, 1947, as certified by Messrs. Arthur Andersen & Co., are appended hereto on pages 12, 13, 14 and 15.

The results of the year's Operation are set forth in the following short form:

Gross Revenues from Operation, including $148,452.86 Profit from Sale of Coaches and Interest on Securities Owned, etc.		$16,246,978.15
Which Gross Revenues were disposed of as follows:		
Goods and Services Purchased from others, etc.		$ 2,731,090.15
Motor Coaches, Buildings, Shop Tools and other Equipment wearing out (Depreciation and Obsolescence)		558,084.01
For Injury and Damage Claims		1,199,684.12
Taxes (Federal, State and Municipal)		2,602,364.83
Total		$ 7,091,223.11
Balance remaining before Salaries and Wages		$ 9,155,755.04
Salaries (Executive Officers)	$ 156,760.77	
Wages	8,354,429.29	8,511,190.06
Net Income before provision for Amortization of Recapture Contract		$ 644,564.98
Deduct—Provision for such Amortization Less Credit for Federal Income Tax		144,956.00
Net Income after provision for Amortization		$ 499,608.98

Note: For further detailed information as to income and expenses see page 16, from which the foregoing tabulation has been compiled.

It will be noted that before the owners of the property received any return:

Taxes absorbed an amount equivalent to more than five times the Net Income

and

Wages absorbed an amount equivalent to nearly seventeen times the Net Income

Dividends

During the calendar year 1947, the New York City Omnibus Corporation paid dividends to its stockholders aggregating $1.00 per share. Such dividends consisted of four quarterly dividends as below shown. The total amount distributed in dividends for the year was $496,487.00.

On March 28, 1947, a quarterly dividend of 25¢ per share was paid to stockholders of record on March 14, 1947, at which time there were 3,051 stockholders with 496,487 shares outstanding.

On June 27, 1947, a quarterly dividend of 25¢ per share was paid to stockholders of record on June 12, 1947, at which time there were 3,051 stockholders with 496,487 shares outstanding.

On September 25, 1947, a quarterly dividend of 25¢ per share was paid to stockholders of record on September 12, 1947, at which time there were 3,041 stockholders with 496,487 shares outstanding.

On December 19, 1947, a quarterly dividend of 25¢ per share was paid to stockholders of record on December 10, 1947, at which time there were 2,985 stockholders with 496,487 shares outstanding.

Portion of Dividends Not Taxable

The attention of stockholders is again directed to the fact that the taxability of the dividends paid to them by the Corporation will be determined by the outcome of the litigation discussed under the next heading.

The Corporation has heretofore advised stockholders that its books of account indicate that all dividends paid during 1947 should be regarded tentatively as taxable, pending the final audit of the income tax return for the year.

In previous reports figures have been given for the years 1937 to 1946, inclusive, indicating what portion of the dividends paid in those years was tentatively considered as taxable and what portion as nontaxable. The taxable and nontaxable portions of the dividends distributed by the Corporation in 1937 to 1946, inclusive, as set forth in last year's Annual Report are:

Year	Taxable as a Dividend	Regarded as a Return of Capital
1937	69.25%	30.75%
1938	58.47%	41.53%
1939	68.18%	31.82%
1940	73.12%	26.88%
1941	26.85%	73.15%
1942	86.00%	14.00%
1943	72.618%	27.382%
1944	78.1879185%	21.8120815%
1945	77.4944%	22.5056%
1946	100.00%	——

Stockholders will be advised from time to time of rulings with respect to this matter.

Federal Tax Litigation

As stated in previous Annual Reports, the amount of the Corporation's Federal income and profits taxes for 1936 and all subsequent years is in dispute. The principal issue relates to the amount of the annual deductions from income to which the Corporation is entitled for the purpose of amortization of its 25-year franchise. Certain basic legal questions were tried in November 1945 before the Tax Court of the United States, and a decision was handed down on May 23, 1946, in which the Court held that the tax basis of the Omnibus franchise was its cost and that such cost should include (a) the value of the street railway franchises surrendered by the New York Railways Corporation in 1936, (b) the value of the street car tracks and other equipment turned over to the City and (c) the cash paid to the City or expended to acquire or protect the bus franchise. The Court stated that the cost might include other items also.

Last December the valuation and other issues not submitted for decision at the November 1945 hearing were tried. Voluminous documentary evidence and the testimony of numerous witnesses were introduced before the Tax Court on December 3, 4 and 5. Final Briefs are due to be filed by April 23, 1948. A decision is not expected before summer and the Court may take longer in view of the complexity and difficulty of the matters involved.

Proposed Investigation by the Public Service Commission of the State of New York to Determine Whether the Fares on the Routes of New York City Omnibus Corporation, Madison Avenue Coach Company, Inc., and Eighth Avenue Coach Corporation Should Be Reduced

Reference was made in the last two annual reports to proceedings commenced during March 1945 by the Public Service Commission of the State of New York against this Corporation, Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation for the purpose of reducing the rates of fare charged by them for bus transportation (Cases Nos. 11885, 11886 and 11887 respectively). Pursuant to Court orders, all rate hearings before the Commission were held in abeyance pending a judicial determination as to whether the Commission had jurisdiction. Under date of February 28, 1947, the Court of Appeals of the State of New York handed down its decision and held that the Public Service Commission did have jurisdiction to change the rates of fare charged by the corporation and its subsidiaries. The Public Service Commission has taken no further action in these proceedings. It seems to the Company quite obvious that there could be no justification for a decrease in fare but that, on the contrary, present economic conditions warrant and require an increase in the fare.

Service Conditions

The passenger revenue collected on the lines of this system during the first seven months of 1947 was greater than that collected during the corresponding period of 1946. But the revenue received during the last five months of 1947 was somewhat less than that collected during the same period of 1946 although for the entire year 1947 the revenue was slightly greater than in 1946. The trend was definitely downward during the latter part of the year.

Throughout the year we continued to experience difficulty in securing adequate material and replacements for maintenance purposes. In the year 1947 the amount of bus mileage operated was greater than in 1946, but we were not able to furnish all the service desired because of the lack of serviceable equipment.

An increase in traffic congestion unfavorably affected bus operation on certain of our lines, especially during the latter half of 1947. On some lines also there was a notable decrease in the volume of passenger riding in the evening. Commencing in April, 1947 the closing of the banks on Saturdays became effective as an all-year-round arrangement. The closing of the banks on Saturdays formerly was restricted to certain weeks in the summertime, but the extension of this plan to the remainder of the year and the fact that many business establishments have also followed a similar practice have definitely reduced the receipts of some of our lines on Saturdays.

The Winter of 1947-1948 has been unusually severe. The heavy snowstorm of December 26th caused a partial shutdown of our service on that day and bus operation was necessarily entirely suspended on the two following days. The after effects of the storm endured for some time.

The passenger revenue for November and December 1947 was about 7% less than the passenger revenue collected in November and December 1946.

Thirty-five new 44-passenger single-deck Diesel engine buses were received in January, 1948. Seventy-five more such vehicles, which have been on order for some months, will be received within the next two months. They will complete the total of two hundred and sixty-two new buses delivered in less than two years, representing an investment of about $4,285,000.00. This additional equipment will substantially improve our operating facilities.

Traffic

The passenger revenues of the New York City Omnibus Corporation and subsidiaries for the last eleven years are as follows:

Calendar Year 1947 — $15,979,822.35

Calendar Year 1946 — $15,892,286.89	Calendar Year 1941 — $12,279,871.62
Calendar Year 1945 — 14,300,950.92	Calendar Year 1940 — 12,867,743.23
Calendar Year 1944 — 14,167,442.38	Calendar Year 1939 — 12,724,671,12
Calendar Year 1943 — 13,379,193.38	Calendar Year 1938 — 11,913,149.51
Calendar Year 1942 — 13,683,274.65	Calendar Year 1937 — 11,501,410.89

Total passenger revenues of the New York City Omnibus Corporation and subsidiaries for the calendar year 1947 exceeded those of 1946 by the sum of $87,535.46, an increase of 0.55%, slightly over ½ of 1%.

Taxes

The taxes of the New York City Omnibus Corporation and of its subsidiaries absorbed a substantial part of the total revenue of the system and are a heavy financial burden upon the operation.

The total amount of taxes assignable to operating and non-operating revenue, including franchise payments, applicable to the year ended December 31, 1947, was $2,602,364.83, which is equal to 16.2% of the total operating revenue of the companies, and 12.43¢ per bus mile operated.

The following Social Welfare and Emergency Taxes for 1947 Have Been Imposed by Legislation Enacted During Comparatively Recent Years:

New York City Utilities	$ 161,545.33		
New York City Sales and Compensating Use	18,965.01	$ 180,510.34	
New York State Utilities	$ 321,796.55		
New York State Gasoline and Fuel Oil	330,357.42		
New York State Unemployment	62,396.78	714,550.75	
Federal Gasoline	$ 79,420.34		
Federal Old Age Pension	72,057.12		
Federal Unemployment	21,678.12	173,155.58	$ 1,068,216.67

In addition to the Foregoing Social Welfare and Emergency Taxes of Comparatively Recent Origin, the Following Normal Business Taxes were Applicable for the Year 1947:

New York City:*			
Real Estate	$ 106,141.50		
Franchise Payments	794,782.37	$ 900,923.87	
New York State:			
Franchise	$ 16,845.41		
Gross Earnings	81,147.77		
Vehicle Licenses	10,673.37	108,666.55	
Federal:			
Income	$ 505,757.75		
Miscellaneous	18,799.99	524,557.74	1,534,148.16
Total All Taxes			$ 2,602,364.83

* Under the revised system of accounting as prescribed by the Public Service Commission of New York State the Triborough Bridge tolls (see page 16) are included in operating expenses and are not grouped with other taxes.

Taxes per Share of Capital Stock of New York City Omnibus Corporation as Compared with Net Earnings per Share — 1938 to 1947

Year	Social Welfare and Emergency Taxes per Share	Federal Income Taxes per Share	Normal Business Taxes per Share*	Total Taxes per Share	Net Earnings per Share
1947	$2.15	$1.02	$2.07	$5.24	$1.01
1946	2.24	2.45	2.11	6.80	1.77
1945	1.95	2.02**	1.83	5.80	2.69
1944	2.02	2.92**	1.86	6.80	3.67
1943	1.99	2.01	1.81	5.81	3.92
1942	2.11	1.57	1.74	5.42	3.36
1941	2.10	0.50	1.66	4.26	2.74
1940	2.15	1.11	1.65	4.91	3.59
1939	2.10	0.67	1.73	4.50	4.01
1938	1.98	0.63	1.76	4.37	4.09

* Exclusive of Federal Income and Excess Profits Taxes.
** Includes Federal Excess Profits Taxes.

Relation of Taxes to Workers' Wages and Owners' Income

It will be noted that:

(a) The social welfare and emergency taxes for 1947 amounting to $1,068,216.67, all of which have been imposed by legislation enacted during comparatively recent years, are equal to 69.63% of this year's normal business taxes.

(b) Total taxes accrued for the year amounted to $2,602,364.83
Net Income after Amortization amounted to 499,608.98

Government's "take" in the form of taxes exceeded that which was left for the owners of the property by $2,102,755.85

and

(c) Taxes must be provided for before wages are paid. The "direct" taxes paid by the Corporation per person employed, for the years 1937 to 1947 inclusive were as follows:

Year	Average Number of Persons Employed	Average Earnings Including Unskilled, Part Time and Seasonal Employment Exclusive of Officers	"Direct" Taxes per Employee Borne by Corporation	Per Cent of "Direct" Taxes per Employee to Average Earnings
1947	2,298	$3,631.61	$1,131.93	31.17%
1946	2,144	3,514.68**	1,704.48	48.50%
1945	1,851	3,171.81	1,547.54	48.79%
1944	1,844	2,992.70	1,811.23	60.52%
1943	1,912	2,597.99	1,485.10	57.16%
1942	2,161	2,453.89	1,225.23	49.93%
1941	2,240	2,182.49*	928.24	42.53%
1940	2,248	2,039.16	1,065.77	52.27%
1939	2,192	2,067.51	998.59	48.30%
1938	2,142	1,866.71	981.50	52.58%
1937	2,155	1,784.21	905.53	50.75%

* 1941 figures represent 50½ weeks because of strike March 10 to 21.
** For comment regarding average earnings, including unskilled, part time and seasonal employment, exclusive of officers, for the year 1946 see footnote ‡ on page 9.

It will be seen that, for each $100 paid in wages to employees, the Corporation paid in taxes, in 1937, $50.75; in 1938, $52.58; in 1939, $48.30; in 1940, $52.27; in 1941, $42.53; in 1942, $49.93; in 1943, $57.16; in 1944, $60.52; in 1945, $48.79; in 1946, $48.50; and in 1947, $31.17.

3% Utility Tax for Emergency Relief

For some years mention has been made in the Annual Reports of this Corporation of the discrimination against utilities in taxation for relief purposes as compared with the taxes imposed on other industries.

All business generally within New York City is taxed for relief purposes at the rate of 1/10 of 1% on gross receipts and financial institutions are taxed 1/5 of 1% on gross receipts. This compares with the utility tax paid by this Corporation and its subsidiaries amounting to 3% on every dollar of gross receipts. Although this tax was originally levied for relief purposes it is understood that the funds realized from this tax are now devoted at least in part to other ends.

There is no desire on the part of this Corporation and its subsidiaries to escape in the slightest measure the bearing of their full share of the cost of government and, more especially, the cost of relief for those so unfortunate as to be out of employment, but it must be apparent to everyone who studies the situation that it is decidedly unfair that the public utility corporations operating in New York City should be forced to pay a "special" tax which no other industry pays.

The 3% tax to which we are subjected, as compared to the 1/10 of 1% tax on gross receipts applicable to business generally within the City for these purposes, makes our rate of taxation under the existing law 30 times as great for this particular tax as applies to business generally.

Franchise Tax 3% on Routes Where Street Railway Properties Were Scrapped and 10% on New Crosstown Routes Acquired at Time of Motorization 5% to 10% on Other Routes Since Acquired

New York City requires a public utilities transportation corporation operating over its streets to pay to this city a percentage of its gross earnings. This is a franchise tax exacted by the City of New York.

The daily operation of the routes of this Corporation and of its subsidiaries is confined to those thoroughfares which have been approved by the public authorities for such use.

A greater freedom of movement in the streets of this City, as well as along the highways of the State, except those specifically reserved for other traffic, is accorded to all large trucking operators engaged in interstate and intrastate service and to those whose business is the making of general deliveries within the City.

Furthermore, taxicab operators are permitted to use all streets of this City utilized by other traffic.

Such general freedom of movement is allowed to all those who make extensive use of the City's streets.

So far as is known, none of the other groups above mentioned is required to pay a percentage of its gross earnings as a franchise tax, nor an additional tax of 3% of its gross receipts in the form of a utility tax for emergency relief as is the case with public utility transportation corporations.

It is manifest that a motor bus corporation whose fare is definitely fixed either by the terms of its contract or of its franchise, or is determined by usage, is unable to pass on to its riders increased costs which it must meet in the form of mounting taxes, higher rates of wages and higher total wages as well as in higher prices which it must pay for the purchase of supplies and materials. Industries other than public utility corporations have, heretofore, passed on to the consumer such increased costs by increasing the price of their products and of their services.

It would seem that as a matter of equity public utility transportation corporations, doing business in New York City, should not be required to pay a franchise tax of from 3% to 10% of gross earnings and in addition thereto be compelled to pay a 3% utility tax for emergency relief, which goes in part (1%) to the City and in part (2%) to the State.

Upward Trend of Wage Rates

In the years immediately prior to entering into contractual relations with the Transport Workers Union, the Corporation had granted voluntary increases as follows:

Motormen Trolley Lines—New York Railways Corporation
Rate of Pay Per Hour

	Minimum	Maximum
January 1, 1935 (13 years ago)	48¢	67¢

Bus Operators (Chauffeurs) — New York City Omnibus Corporation System
Rate of Pay Per Hour

	Minimum	Maximum
Effective February 1, 1935	50¢	67¢
Effective April 19, 1936	56¢	69¢
Effective January 3, 1937	61¢	74¢

Subsequent to entering into contractual relations with the Transport Workers Union the minimum and maximum rates below indicated became effective on the dates specified:

	Minimum	Maximum
Effective July 22, 1937 to December 31, 1938	61¢	82¢
Effective January 1, 1939 to February 28, 1941	61¢	90¢
Effective March 1, 1941 to April 30, 1942	65¢	94¢
Effective May 1, 1942 to April 30, 1944	71¢	$1.00
Effective May 1, 1944 to April 30, 1945	71¢*	$1.00*
Effective May 1, 1945 to February 28, 1946	79¢*	$1.04*
Effective March 1, 1946 to September 30, 1946	95¢	$1.20
Effective October 1, 1946 to January 31, 1948	$1.01	$1.26

* Commencing May 1, 1944, the basic rates of wages of bus operators were augmented by an adaptation of the so-called Vinson Bonus Formula.

The following statement shows the average weekly and annual wages actually paid to employees of the Corporation for 1947 and 1946:

Average Weekly and Annual Wages of Employees by Classifications for the Years Ended December 31, 1947 and 1946

Classifications	Average Number of Employees Working		Average Wages			
			Per Week		Per Annum	
	1947	1946	1947	1946†	1947	1946†
Bus Operators (Chauffeurs)	1,436	1,311	$70.71	$69.14	$3,677.04	$3,595.15
Garage Employees:						
Mechanics	151	145	74.68	69.45	3,883.46	3,611.41
Mechanics' Helpers	29	30	62.35	58.09	3,242.41	3,020.47
Electricians	15	14	73.81	69.36	3,838.20	3,606.65
Battery Repair Mechanics	2	2	74.06	69.53	3,851.05	3,615.72
Truckmen	3	3	64.94	62.15	3,376.99	3,231.69
Register Inspectors	3	3	52.46	48.74	2,728.08	2,534.47
Placers	19	18	63.15	59.69	3,284.05	3,103.67
Gassers	4	4	51.53	45.38	2,679.65	2,359.66
Greasers	2	1	53.20	49.73	2,766.16	2,585.76
Oilers	11	11	53.50	48.22	2,782.19	2,507.54
Washers and Cleaners	82	76	51.09	46.94	2,656.43	2,440.87
Floor Cleaners	13	13	51.30	47.83	2,667.61	2,487.09
Average Wage of all employees—skilled and unskilled—exclusive of Officers			$69.84	$67.59 ‡	$3,631.61	$3,514.68‡

† The figures shown above for average weekly and for average annual earnings for the year 1946, as applied to the individual classifications specified, do not include the amount awarded such employees on June 18, 1947, retroactive to October 1, 1946 and subsequently paid in the year 1947. The figures shown above for the year 1947 include the increased earnings resulting from the changes in rates of pay as applied to 1947 only, and do not include the payments made in 1947, applicable to the period October 1, 1946 to December 31, 1946.

‡ The average annual earnings and the average weekly earnings per employee for the year 1946 have been changed to reflect the increase resulting from the payment in 1947 of amount due to the employees under the Award of the Arbitrator on June 18, 1947, retroactively applicable to the period October 1, 1946 to December 31, 1946.

For purposes of comparison with earnings statistics of employees of this Corporation there are given below statistics applicable to the industries and industrial divisions specified which have been obtained from Table 26, Page 38, of U. S. Department of Commerce "Survey of Current Business Supplement for July, 1947."

Average Annual Earnings per Full-Time Employee in Private Industries

Industry or Industrial Division	1940	1941	1942	1943	1944	1945	1946	Per Cent Increase 1946 over 1940
Transportation:								
Railroads	$1,903	$2,035	$2,299	$2,580	$2,709	$2,706	$3,049	60.2%
Local Railways and Bus Lines	**1,700**	**1,795**	**2,018**	**2,288**	**2,468**	**2,621**	**2,749**	**61.7%**
Mining	1,388	1,579	1,795	2,160	2,499	2,618	2,677	92.9%
Contract Construction	1,330	1,638	2,194	2,505	2,602	2,612	2,581	94.1%
Manufacturing	1,432	1,653	2,023	2,350	2,517	2,525	2,512	75.4%
Communications and Public Utilities	1,718	1,766	1,881	2,075	2,248	2,416	2,560	49.0%
Finance, Insurance and Real Estate	1,754	1,805	1,918	2,071	2,203	2,365	2,567	46.4%
Wholesale and Retail Trade	1,391	1,491	1,626	1,804	1,965	2,134	2,392	72.0%
Services	949	1,016	1,131	1,337	1,517	1,654	1,842	94.1%
Agriculture, Forestry and Fisheries	415	503	649	838	983	1,100	1,223	194.7%

Average Annual Wages

	1940	1941	1942	1943	1944	1945	1946	1947
New York City Omnibus Corporation System—All Employees—Exclusive of Officers	**$2,039.16**	**$2,182.49***	**$2,453.89**	**$2,597.99**	**$2,992.70**	**$3,171.81**	**$3,514.68‡**	**$3,631.61**

Per cent of increase in average wages per employee, New York City Omnibus Corporation System from 1940 to 1947 is 78%.

* 1941 figures represent 50½ weeks because of strike March 10 to 21.
‡ See Note ‡ on page 9.

Earnings of Employees of Urban Transportation Industry Generally
Street Railways and Buses

According to information received from the Bureau of Labor Statistics of the United States Department of Labor, the following are the figures as applied to employees operating street railways and buses for the months of December, 1947 and December, 1946:

	December, 1947	December, 1946
Average Weekly Hours	46.6 hours	47.9 hours
Average Hourly Earnings	127.4 cents	114.2 cents
Average Weekly Earnings	$60.11	$55.26

Wage Negotiations and Arbitration

In the Annual Report for 1946 there was printed a statement of the demands made by the Transport Workers Union in reference to wages and working conditions to become effective October 1, 1946. Those demands, and the counter-demands of the Company, were the subject of hearings before Arbitrator David L. Cole commencing March 7, 1947. On June 18, 1947 he handed down his Award granting to the employees of this Company, represented by the Transport Workers Union, a general wage rate increase of six cents per hour, involving an estimated additional annual payroll cost of about $312,000.00, retroactively effective to October 1, 1946, and to continue until the expiration of the contract on January 31, 1948.

The Arbitrator also directed that the Company should make certain so-called pension payments to a limited group of the employees. This is the first instance of which the Company is aware in which any type of non-contributory pension payments was ever imposed by an arbitrator upon a company against the protest of the company. Furthermore, nowhere in the entire listing of War Labor Board decisions, orders and directives, or in any arbitration decisions since then, can any record be found of a company being forced by an arbitrator to institute pension payments over its objection.

The phraseology used by the Arbitrator concerning so-called pensions was the subject of such wide variation of interpretation that it was necessary, for the protection of the interests of all concerned, that the Company should apply to the Courts for a declaratory judgment as to the interpretation of the Award.

The Supreme Court of the State of New York ruled that the Company was directed by the Arbitrator's decision to pay on retirement to each and every employee who became eligible for retirement between July 1, 1947 and January 31, 1948, a monthly pension in the amount prescribed by said award during the lifetime of such employee.

On appeal from that decision, the Appellate Division made certain modifications in the judgment appealed from and affirmed. But, thereafter, upon application by the Company, it granted leave to appeal to the Court of Appeals on the ground that there was a question involved which should be reviewed by the Court of Appeals. The case was argued before the Court of Appeals in January, 1948. That Court, on March 11, 1948, affirmed without opinion the judgment of the Court below.

Under date of December 19, 1947 the Transport Workers Union submitted new demands regarding wages and working conditions to become effective February 1, 1948. These will be found on pages 17, 18 and 19. These demands would constitute an additional annual payroll charge estimated to total about $3,527,000, exclusive of Social Security taxes and the establishment of a pension plan, as well as exclusive of the cost of certain other demands not possible to estimate.

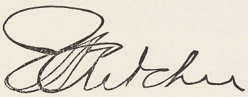
Courtesy and Efficiency

The Management wishes to thank all employees on the buses, in the garages, in the shops and in the offices who have cooperated in carrying out the desire of this Company that a convenient and efficient service be accorded to our patrons.

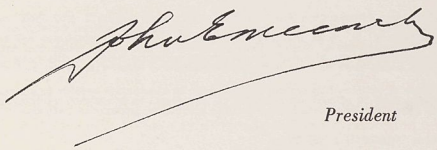
The inability to run additional buses on the routes at times, particularly in the rush-hour periods, because of the delay in the delivery of replacement materials and spare parts, has increased the problems of our operation. The new equipment already delivered and that now on the way should measurably relieve the situation.

About two-thirds of all of the complaints received from our patrons during 1947 relate to discourtesy, to the manner in which doors are opened or closed, and to the failure of drivers to stop the vehicles for patrons to enter or to alight. The Management hopes that every operator of our coaches will continue to cooperate to the greatest possible extent in seeking to promote the interests of our passengers and to avoid giving cause for complaints.

By Order of the Board of Directors.



Chairman of the Board



President

New York City Omnibus

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:		
Cash	$ 1,043,224.53	
Marketable municipal securities, at cost (quoted market price $210,345.00)	202,767.75	
United States Government securities, at cost	1,950,234.70	
Receivables	75,235.06	
Inventory of gasoline, oil, etc., at cost	6,220.26	
Prepaid insurance, taxes, licenses, etc.	187,293.22	$ 3,464,975.52
SPECIAL DEPOSITS — Represented by municipal and Federal securities at cost of $922,182.89 (quoted market price $984,415.00) and cash of $96,306.95		1,018,489.84
INVESTMENTS:		
Other physical property (including $300,000 of land, stated at value accepted by the Transit Commission of the State of New York)	$ 301,900.00	
Investments in and advances to Motor Coach Supply Corporation for the purchase of materials and supplies, at cost	562,500.00	864,400.00
PROPERTY, EQUIPMENT AND INTANGIBLES:		
Tangible property —		
Land and buildings, stated at value accepted by the Transit Commission of the State of New York, plus subsequent additions at cost, less retirements	$ 4,198,362.82	
Equipment at cost —		
Motor coaches (including $690,596.47 subject to equipment purchase obligations)	12,103,526.32	
Service equipment, tools, furniture and fixtures, etc.	611,958.45	
Organization expense, in process of amortization	280,968.51	17,194,816.10
AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT IN MONTHLY INSTALLMENTS, commencing on January 29, 1935 and ending on December 26, 1958, stated on basis of amount which, less prior amortization, is provided to be paid by The City of New York in the event it shall elect to exercise right granted by the Recapture Contract (see Note 1)	$ 7,500,000.00	
Less — Amortization from January 29, 1935 to December 31, 1947	3,392,747.45	4,107,252.55
		$26,649,934.01

(The accompanying notes on page 15 are an integral part of the financial statements.)

Corporation and Subsidiary Companies

DECEMBER 31, 1947

LIABILITIES

CURRENT LIABILITIES:		
Equipment purchase obligations due in 1948	$ 78,629.68	
Accounts payable (including accrued items)	890,896.59	
Accrued Federal income and excess profits taxes (subject to review by U. S. Treasury Department)	1,727,265.69	
Accrued state, local and miscellaneous Federal taxes	203,016.65	$ 2,899,808.61
EQUIPMENT PURCHASE OBLIGATIONS, 2% — secured by motor coaches (see contra)	$ 385,206.08	
Less — Installments due in 1948 included under current liabilities	78,629.68	306,576.40
RESERVES:		
Depreciation of motor coaches	$ 9,327,001.73	
Depreciation of other property and equipment	845,301.74	
Injuries and damages and workmen's compensation	1,088,340.16	
Amortization of organization expense, etc.	154,567.28	
Contingencies	71,685.41	11,486,896.32
CAPITAL STOCK AND SURPLUS:		
Capital stock — Authorized 700,000 shares, without par value — issued and outstanding 496,487 shares	$ 3,349,141.48	
Capital surplus, arising principally from certain rights and benefits contributed by New York Railways Corporation per agreement of transfer dated December 24, 1936	4,092,517.56	
Earned surplus	596,553.19	8,038,212.23
CREDIT IN RESPECT OF AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT:		
Balance per previous report $4,418,596.05 less amount equal to amortization ($311,343.50), per contra	$ 4,107,252.55	
Less — Amount transferred to capital surplus, equivalent to remaining amount to be amortized by Madison Avenue Coach Company, Inc.	188,812.10	3,918,440.45
		$26,649,934.01

(The accompanying notes on page 15 are an integral part of the financial statements)

AUDITORS' CERTIFICATE

To the Board of Directors,
NEW YORK CITY OMNIBUS CORPORATION:

We have examined the consolidated balance sheet of New York City Omnibus Corporation (a New York corporation) and subsidiary companies as of December 31, 1947 and the statements of consolidated income and surplus for the year then ended, have reviewed the systems of internal control and the accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We had previously made a similar examination for the year ended December 31, 1946.

In our opinion, the accompanying consolidated balance sheet and related statements of consolidated income and surplus present fairly the position of New York City Omnibus Corporation and subsidiary companies at December 31, 1947 and the results of their operations for the year then ended, and are in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

67 Wall Street
New York 5, N. Y.,
February 16, 1948.

ARTHUR ANDERSEN & CO.

New York City Omnibus Corporation and Subsidiary Companies

STATEMENT OF CONSOLIDATED INCOME FOR THE YEARS ENDED DECEMBER 31, 1947 AND 1946

	1947	1946
OPERATING REVENUES:		
Coach lines	$15,979,822.35	$15,892,286.89
Advertising and miscellaneous	118,702.94	132,361.18
TOTAL OPERATING REVENUES	$16,098,525.29	$16,024,648.07
OPERATING EXPENSES:		
Maintenance and garage expenses	$ 3,220,736.43	$ 2,711,687.98
Depreciation (see Note 2)	558,084.01	618,942.90
Traffic and transportation	6,782,076.34	5,907,801.73
General	2,418,078.36	2,344,663.69
TOTAL OPERATING EXPENSES	$12,978,975.14	$11,583,096.30
NET OPERATING REVENUES	$ 3,119,550.15	$ 4,441,551.77
TAXES:		
State, local and miscellaneous Federal taxes (including motor fuel taxes)	$ 2,096,607.08	$ 2,149,121.59
Provision for Federal income tax (including $250,000 additional provision in 1946 for prior years)	505,757.75	1,376,294.73
TOTAL TAXES	$ 2,602,364.83	$ 3,525,416.32
NET EARNINGS FROM OPERATIONS	$ 517,185.32	$ 916,135.45
OTHER INCOME:		
Interest on investments, etc.	$ 61,070.81	$ 53,493.36
Profit on sale of capital assets	87,382.05	115,225.21
TOTAL OTHER INCOME	$ 148,452.86	$ 168,718.57
GROSS INCOME	$ 665,638.18	$ 1,084,854.02
INTEREST AND OTHER DEDUCTIONS:		
Interest	$ 9,159.32	$ 57,746.30
Other income deductions	11,913.88	15,215.64
TOTAL INTEREST AND OTHER DEDUCTIONS	$ 21,073.20	$ 72,961.94
NET INCOME before provision for amortization of "amount to be amortized on basis of Recapture Contract in monthly installments" (see Note 1)	$ 644,564.98	$ 1,011,892.08
DEDUCT — Provision for such amortization (see Note A below)	144,956.00	135,887.74
NET INCOME after provision for such amortization	$ 499,608.98	$ 876,004.34

NOTE A:
Effective January 1, 1947 the Company has adopted the policy of setting off against the annual provision for amortization of Recapture Contract the reduction in Federal income taxes arising therefrom. For comparative purposes the income statement for 1946 has been restated on a similar basis.

(The accompanying notes on page 15 are an integral part of the financial statements)

New York City Omnibus Corporation and Subsidiary Companies

STATEMENT OF CONSOLIDATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1947

	Capital Surplus	Earned Surplus
BALANCE, DECEMBER 31, 1946, per previous report	$ 3,767,971.80	$ 593,431.21
Add — Net income for year ended December 31, 1947	—	499,608.98
	$ 3,767,971.80	$ 1,093,040.19
DIRECT SURPLUS CHARGES AND CREDITS:		
Dividends ($1.00 per share)	—	496,487.00
Transfer from "credit in respect of amount to be amortized on basis of Recapture Contract" of amount equal to amortization by the Corporation for the year ended December 31, 1947	294,047.78	—
Unclaimed deposits for creditors, etc., of predecessor holders of franchises	30,497.98	—
BALANCE, DECEMBER 31, 1947	$ 4,092,517.56	$ 596,553.19

(The accompanying notes are an integral part of the financial statements)

NOTES TO FINANCIAL STATEMENTS — DECEMBER 31, 1947

(1) Under the Agreement of Transfer dated December 24, 1936, New York Railways Corporation transferred to New York City Omnibus Corporation (1) all rights and claims arising from the abandonment of the perpetual street railway franchises and the conveyance of street railway properties to The City of New York, (2) all rights and claims to any benefits under the Recapture Contract dated January 29, 1935, between The City of New York, New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (a subsidiary company), and (3) all rights and claims to the routes of the New York City Omnibus Corporation. Under the Recapture Contract, dated January 29, 1935, the City at its election has the irrevocable right, beginning February 1, 1945 and each year thereafter, to terminate the franchises of the New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (which otherwise terminate on December 26, 1958), and to purchase the property and equipment used in the operation of the routes (other than real estate, cash, receivables, and similar items, which are to be retained by the companies) upon payment by the City of (1) the balance which shall remain of the amount of $7,500,000 after being reduced by amortization from the date of the Recapture Contract to the date of recapture upon a cumulative sinking fund basis calculated with interest at the rate of 3% per annum, compounded annually, so that at the end of the twenty-five year term of the bus franchises said amount of $7,500,000 would have been completely amortized, and (2) the value at the date of recapture (to be determined in the manner set forth in the Recapture Contract) of the property and equipment so to be purchased.

The franchise of Eighth Avenue Coach Corporation, another subsidiary company, covers a period to October 16, 1955, subject to prior termination in the event The City of New York exercises its right to purchase the property and equipment of New York City Omnibus Corporation and Madison Avenue Coach Company, Inc.

(2) During the years 1946 and 1947 the companies provided for depreciation of motor coaches by annual charges calculated to amortize the undepreciated balance at January 1, 1946 of the cost of such equipment over the estimated remaining lives thereof. Had depreciation been provided on a straight-line or mileage basis over the presently estimated lives of motor coaches, provisions therefor would have amounted to approximately $300,000 more in both 1946 and 1947.

(3) Under the terms of an Arbitration Award dated June 18, 1947, New York City Omnibus Corporation and its subsidiaries have been directed to establish a pension plan for employees who become eligible during the period July 1, 1947, to and including January 31, 1948. As of December 31, 1947, due, in part, to a pending court proceeding that had been instituted for an interpretation of the award, none of the employees eligible under the award had retired from active service and it is not possible to estimate at this time the amount of liability that may exist.

It is the intent of the Company to charge these pensions to expense when they are paid and no provision therefor is reflected in the financial statements.

(4) As of December 31, 1947 New York City Omnibus Corporation had purchase commitments for delivery in 1948 of 110 motor coaches at a cost of approximately $1,950,000.

New York City Omnibus Corporation and Subsidiary Companies

Source and Distribution of Operating Revenues for the Year Ended December 31, 1947

Operating Revenues for the year of $16,098,525.29 consist of the following:		
Fares Collected	$15,979,822.35	
Advertising	112,152.09	
Miscellaneous	6,550.85	
Total Operating Revenues	$16,098,525.29	
To which should be added the profit on sale of coaches, and interest on securities made up principally of amounts required to be placed on deposit on account of Franchise Contracts, Self-Insurance for Workmen's Compensation and Accidents and Damages, etc.	148,452.86	
Total Operating and Non-Operating Revenues for the Year		$16,246,978.15
How the Year's Revenues Were Distributed:		
Taxes:		
City Taxes	$ 1,081,434.21	
State Taxes	823,217.30	
Federal Taxes	697,713.32	
Total Taxes		$ 2,602,364.83
Cost of:		
Materials used in Maintenance and Operation of Buses, Buildings, Machinery, Trucks, Snow Plows, etc.	$ 1,332,324.76	
Gasoline, Fuel Oil and Lubricants	798,473.27	2,130,798.03
Transfers	$ 19,364.99	
Outside Auditing Expenses	3,670.00	
Insurance — Fire, Explosion, Safe Burglary, Excess Public Liability, etc.	180,181.63	
Group Life and Health Insurance for Employees	32,776.84	
Amortization of Organization Expenses	12,335.04	
Legal Services and Expenses	5,510.76	
Interest	9,159.32	
Triborough Bridge Tolls	35,632.00	
Rents for Operating Properties	145,243.12	
Miscellaneous Items	75,189.55	
Engineering and Legal Expenses in connection with valuation of Franchises	57,706.10	
Publicity	23,522.77	600,292.12
Reserves:		
For Injuries and Damages	$ 1,199,684.12	
For Depreciation of Buses, Buildings and Other Property	558,084.01	
Total Reserves		1,757,768.13
Total of Taxes, Reserves and Other Operating Expenses (Other than Salaries and Wages)		$ 7,091,223.11
Income from Operation — Before Salaries and Wages		$ 9,155,755.04
Salaries (Executive Officers)	$ 156,760.77	
Wages	8,354,429.29	8,511,190.06
Net Income (Before Provision for Amortization)		$ 644,564.98
Deduct — Amortization Under Recapture Contract — Less Credit for Federal Income Tax		144,956.00
Net Income After Amortization		$ 499,608.98

APPENDIX

Wage Negotiations

The following demands have been received from the Transport Workers Union with reference to a new contract.

Transport Workers Union
Of Greater New York

AUSTIN HOGAN
PRESIDENT
GUSTAV FABER
FINANCIAL SEC'Y-TREAS.
WILLIAM GROGAN
RECORDING SECRETARY

153 WEST 64th STREET
NEW YORK 23, N. Y.
•
TEL. TRAFALGAR 4-3200

LOCAL 100
Transport Workers Union
of America
Affiliated
With the Congress of
Industrial Organizations

December 19th
1 9 4 7

Mr. John E. McCarthy, President
New York City Omnibus Corporation
605 West 132nd Street
New York City, New York

Dear Mr. McCarthy:

I am enclosing herewith the demands of the Union for the new contract for the year 1948, together with the demands of the Clerical Section.

We would appreciate an early conference to discuss these proposals.

Very truly yours,

AUSTIN HOGAN.
Austin Hogan, President
Local 100, TRANSPORT WORKERS UNION

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CONTRACT DEMANDS — OPERATORS & MAINTENANCE

New York City Omnibus Corporation

1. Contract for one year, reopening after 6 months.
2. General increase 30¢ per hour.
3. Sound Pension Plan based on years of service regardless of age.
4. Bus operators to receive top rate of pay after 6 months.
5. Guaranteed 48 hour week for extra men.
6. Extra men off every other Sunday.
7. 5% of pay roll for Welfare Fund.
8. 3 weeks vacation after one year of service — if employee resigns or leaves service for any reason, should receive vacation pay rated on amount of time in year which vacation would be granted.
9. Garage employees equalized with bus operators in vacation time.
10. 11 paid holidays.
11. Uniforms, money changers, work clothes, shoes, tools, to be supplied by the Company.
12. Operators paid for all travel time regardless of give-away time.
13. For the purpose of computing overtime, travel time and report and check in time shall be construed as work time.
14. Operators paid for all time in excess of blue print finishing time at time and one-half regardless of give-away time.
15. Differential of 10¢ per hour for all employees for work performed between the hours of 7 P.M. and 6 A.M.
16. When an employee is on compensation, Company shall pay difference between compensation and regular salary.
17. Student operators shall receive 75¢ per hour while breaking in.
18. Regular operators who break in students shall receive $2.00 per day extra compensation.
19. All garage employees rates equalized with 5th Avenue Shop rates.
20. All garage employees whose rate is lower than Mechanic Helper should receive Mechanic Helper rate.
21. If Garage employees have tools stolen, through no fault of their own, company shall replace tools.
22. Placers receive same rate of pay as top rate bus operators.
23. All employees when required to work a minimum of 2 hours overtime shall receive $2 supper money.
24. Rate for snow work shall be 10¢ above highest rate paid whether in garage or on road.
25. For the purpose of computing overtime holiday pay, hours shall be construed as work hours for all employees.

December 19, 1947

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DEMANDS OF CLERICAL SECTION

New York City Omnibus Corp.

1. Contract to be for one year with a re-opening clause at 6 months.
2. $2.00 per day general increase.
3. Pension based on years of service regardless of age. Service with affiliated companies to be recognized.
4. 5% welfare fund.
5. Top rate of pay after six months.
6. Merit rate to be added to top rate as an automatic progression rate.
7. 3 weeks vacation after 1 year of service and 4 weeks after 3 years. Vacations to be taken during the period June 1st to Sept. 30th, as at present, and for consecutive weeks if employee so desires.
8. Classification of storekeeper Grade 1 to be abolished and such men re-classified as Grade 2.
9. Clerks go in as a group into a group insurance plan similar to that now held with the Metropolitan Life Ins. Co.
10. All clerks to work a 35 hour week without any reduction in pay.
11. Supper money to be increased to $2.00.

December 19th, 1947

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Conferences

Conferences have been held between the representatives of the Corporation and the representatives of the Union at which the demands of the Union have been discussed. Negotiations are still in progress.

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Annual Report to Stockholders, Employees and the Public

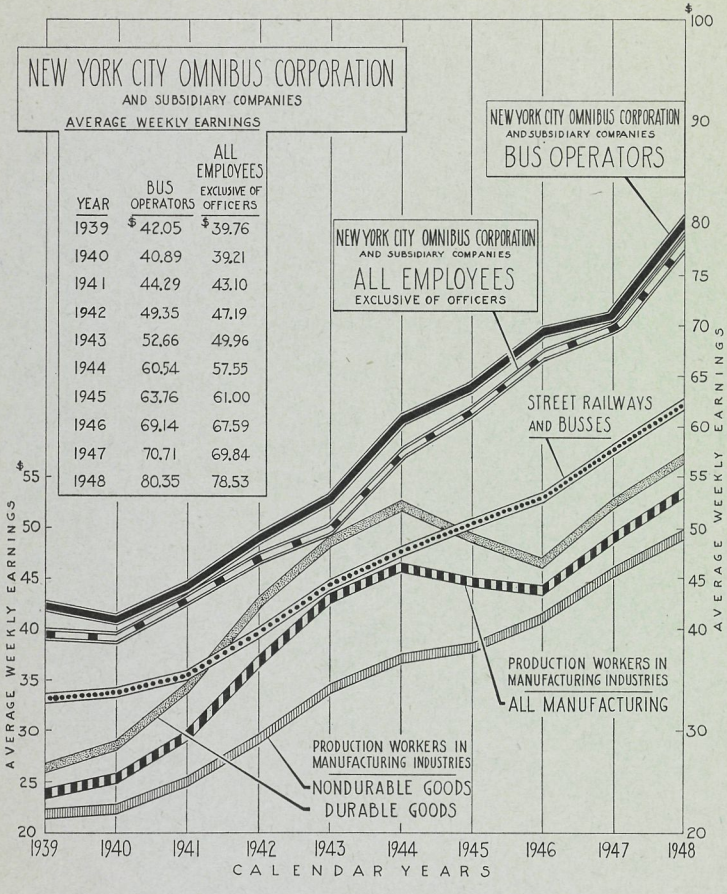
For the Year Ended
December 31,

1948

New York City Omnibus Corporation



AVERAGE WEEKLY EARNINGS



Graphs for Production Workers in Manufacturing Industries — All Manufacturing, Non-durable Goods, Durable Goods as well as for Street Railways and Busses, are charted from figures prepared by United States Department of Labor — Bureau of Labor Statistics. Figures for 1948 preliminary —

New York City Omnibus Corporation

DIRECTORS

Otis A. Glazebrook, Jr.
John D. Hertz
John D. Hertz, Jr.
David H. Knott
John E. McCarthy
John A. Ritchie
Charles G. Stachelberg
Benjamin Weintraub
Frederic T. Wood
Willis D. Wood
Boykin C. Wright

EXECUTIVE AND FINANCE COMMITTEE

John D. Hertz, *Chairman*
Otis A. Glazebrook, Jr.
John E. McCarthy
John A. Ritchie
Frederic T. Wood

OFFICERS

General Offices, 605 West 132nd Street, New York 27, N. Y.

John A. Ritchie . . . . . *Chairman of the Board*
Frederic T. Wood . . . . . *Vice-Chairman of the Board*
John E. McCarthy . . . . . *President*
Joseph T. McCarthy . . *Vice-President in Charge of Transportation*
Edmund C. Collins . . . . . *Vice-President and Secretary*
John A. Moreland . . . *Vice-President in Charge of Maintenance*
Stephen C. Duggan . . . . . *Vice-President and Comptroller*
T. George Walker . . . . *Treasurer and Assistant Secretary*
William F. Gavin . . . . . *Assistant Treasurer*
Harry E. Sutton . . . . . *Auditor*
William T. Granfield . . . . . *General Attorney*

General Counsel

Shearman & Sterling & Wright
New York, New York

Stock Transfer Agent
The Commercial National Bank and Trust Company of New York

Stock Registrar
Manufacturers Trust Company

ANNUAL MEETING

The annual meeting of stockholders will be held on Tuesday, June 7, 1949. Notice of the meeting, request for proxies, proxy statement and form of proxy will be mailed to stockholders about May 5, 1949.

All communications with respect to changes in address, transfers and dividend payments should be addressed to The Commercial National Bank and Trust Company of New York, 46 Wall Street, New York 15, N. Y.

New York City Omnibus Corporation

Office of the President

605 West 132nd Street

New York 27, N. Y.

March 31, 1949

To Stockholders, Employees and the Public:

The Consolidated Balance Sheet of this Corporation and of its subsidiaries (Madison Avenue Coach Company, Inc. and Eighth Avenue Coach Corporation) at December 31, 1948 and statements of the Corporation's Consolidated Income and Surplus for the year ended December 31, 1948, as certified by Messrs. Arthur Andersen & Co., are appended hereto on pages 14, 15, 16 and 17.

The results of the year's Operation are set forth in the following short form:

Gross Revenues from Operation, including $65,906.67 Interest on Securities Owned, etc.		$16,760,349.04
Which Gross Revenues were disposed of as follows:		
Goods and Services Purchased from others, etc.		$ 3,591,168.66
Motor Coaches, Buildings, Shop Tools and other Equipment wearing out (Depreciation and Obsolescence)		725,122.62
For Injury and Damage Claims		1,820,005.90
Taxes (Federal, State and Municipal)		2,266,977.38
Total		$ 8,403,274.56
Balance remaining before Salaries and Wages		$ 8,357,074.48
Salaries (Executive Officers)	$ 169,140.83	
Wages	9,495,151.31	9,664,292.14
Net Income (Loss) before Federal Tax Refund and provision for Amortization of Recapture Contract		$ 1,307,217.66
Estimated Refund of prior years' Federal Income Taxes resulting from the carry-back of 1948 loss		110,000.00
Net Income (Loss) before provision for Amortization of Recapture Contract		$ 1,197,217.66
Provision for such Amortization		320,683.78
Net Income (Loss) after provision for Amortization		$ 1,517,901.44

Note: For further detailed information as to income and expenses see page 18, from which the foregoing tabulation has been compiled.

The End of the 5-Cent Fare

The 1948 deficit, the first in the history of the Company, was caused by inflationary pressures which substantially increased all of the operating expenses of the Company during a period when it was forced to operate at an inadequate fare.

However, as the result of events which are set forth at length in the Appendix, (pages 20 to 24), the Company finally succeeded in obtaining permission to increase its five-cent fare to an interim fare of seven cents and presently has pending before the Public Service Commission a request for permission to charge a permanent fare of not less than eight cents.

The following is a brief outline of those events:

The franchise contract between the Company and the City of New York provided that the Company could not increase its five-cent fare, or apply for an increase in fare, without the consent of the City.

In the spring of 1948, the Mayor of the City of New York announced that on July 1, 1948, the City subway fare would be increased from five to ten cents, and that the fare on the surface lines operated by the City would be increased from five to seven cents.

He also announced that there would be granted to New York City transit employees an increase of twenty-four cents per hour.

Thereupon the Transport Workers Union representing the employees of this Company demanded a similar increase. The labor contract had expired on January 31, 1948—but the Union demanded that the 24-cent increase be granted effective May 1, 1948, and that all other demands (including the amount of any retroactive pay for the period February 1, 1948, to April 30, 1948) be negotiated later.

In view of the wage increase granted by the City, your Company had to meet this demand for a similar increase, but did so on the condition that the increase would not be payable until after the Company was permitted to charge an increased fare.

Thereafter the Board of Estimate of the City allowed the Company to make application to the Public Service Commission for an increased fare on the condition, among others, that the Company should not apply for more than a seven cent interim fare and that no permanent fare should be placed in effect without the further approval of the Board.

On September 22nd, 1948, the Commission permitted the Company to increase its fare from five cents to an interim fare of six cents; and on December 12th, 1948 the Company was permitted to increase the six cent interim fare to an interim fare of seven cents, and to charge this fare until March 31st, 1949. Recently the Commission extended this interim period until June 30th, 1949.

Many hearings have been held before the Public Service Commission and your Company has submitted numerous detailed exhibits to support its demand that the permanent fare should be not less than eight cents. The Commission has not yet finished its study of the evidence submitted by the Company and has not concluded its own investigation of the Company's accounts and records. As soon as it completes that study and investigation further hearings will be held, after which it is hoped that a permanent fare, sufficient to permit the Company to earn a reasonable return, will be authorized.

Cost of Operation for 1948 Compared with 1947

The actual results of operation of your Company for 1947 and 1948 are shown on page 16.

Briefly, the 1947 profit of $499,608.98 compares with a **loss** of $1,517,901.44 in 1948 due, chiefly, to increased costs of such key items as labor, material, fuel, accidents and depreciation. In all, the cost of operation for 1948 increased by $2,585,834.50 over 1947, exclusive of interest and taxes.

Following is a classification of principal items of increased cost, and the increased sum assignable to each item:

Labor		$1,140,700.00
This reflects the increase of 24¢ an hour granted to our employees effective May 1, 1948. Details of events leading up to such increase are described on pages 20 to 24.		
Materials and Supplies	$284,300.00	
This represents the increased cost for the repairs to buses.		
Gasoline, Fuel Oil and Lubricants	223,500.00	
This represents the increase in cost of Gasoline, Fuel Oil and Lubricants consumed in 1948.		507,800.00
Accidents and Damages		620,300.00
This amount represents the additional accrual for the accident liability existing during the year.		
Depreciation		167,000.00
This represents depreciation on 185 new buses placed in the service during the year.		
Miscellaneous Items of Expense		150,034.50
TOTAL		$2,585,834.50

During almost nine months of 1948 the Company was operating at a five cent fare. It was not until September 22nd, 1948 that it was permitted to increase that fare to an interim fare of six cents, and not until December 12th, 1948 that it was allowed to charge an interim fare of seven cents.

New Equipment

The snow fighting and sand spreading equipment of the Company was augmented by the purchase during 1948 of three new Walter's combination high power snow plows and sand spreaders of the type shown in the picture below. These additions to the Company's snow fighting equipment have demonstrated their usefulness in keeping the bus lines open during heavy snow storms.



Snow Plow — Sand Spreading Equipment

During 1948 there were retired 165 gasoline buses of the types seating 31, 32, 36 and 40 passengers, respectively, with a total seating capacity of 5,564 persons. In the same year there were received 185 new Diesel engine buses each seating 44 passengers, with a total seating capacity of 8,140 persons and in 1949 there will be delivered 160 new Diesel buses each seating 44 passengers.

Extension of Ninth Avenue and Amsterdam Avenue Line to Christopher Street Ferry

The Company is seeking to obtain approval for the extension of the Ninth Avenue and Amsterdam Avenue Line from its present terminal at Abingdon Square to the Christopher Street Ferry. A contract with the City has been signed and an application has been filed with the Public Service Commission for a Certificate of Convenience and Necessity.

Twenty-third Street Line Extension

In order to provide improved bus transportation facilities to Peter Cooper Village and to Stuyvesant Town located east of First Avenue between 14th Street and 23rd Street, negotiations with the City were instituted early in 1948 with the object of making a change in the route of the 23rd Street Crosstown Line.

A petition, dated December 8, 1948, was filed with the Board of Estimate. That petition requested the right to operate buses from 23rd Street along Avenue C to East 20th Street, along East 20th Street to First Avenue, and along First Avenue to 23rd Street.

Up to the time of printing of this Annual Report the Board of Estimate has not formally acted upon this petition.

One-way Operation of Traffic on Columbus Avenue and Ninth Avenue, from 64th Street to 14th Street, and Along Tenth Avenue and Amsterdam Avenue from 14th Street to 71st Street

Pursuant to the regulations of the Police Department of New York City, one-way operation of vehicular traffic on the above avenues was made effective on November 6, 1948. Such operation was for a trial period and applied to various thoroughfares traversed by the buses of the New York City Omnibus System. The principal changes in the bus routes were as follows:

Thirty-fourth Street Route:

Eastbound buses now operate on Ninth Avenue between 42nd Street and 34th Street instead of via Tenth Avenue as formerly. No change has been made in the route of westbound buses.

Broadway-Columbus-Lenox Avenues Route:

Northbound buses now run on Eighth Avenue from 55th Street to Broadway, and on Broadway to 65th Street, thence along the regular route. No change was made in the southbound service.

Ninth Avenue and Amsterdam Avenue Route:

Northbound buses operate west from Ninth Avenue on 15th Street to Tenth Avenue, thence north on Tenth Avenue and Amsterdam Avenue to West 71st Street, and thence north on the regular route. There has been no change in the southbound service.

Because of congestion of vehicular traffic a part of the 14th Street crosstown westbound service is operated on 15th Street between Ninth Avenue and Eleventh Avenue and a part of the 14th Street crosstown eastbound service is operated on 16th Street between Tenth Avenue and Ninth Avenue.

Ninth Avenue Looking North from 49th Street





Courtesy Police Department, New York City

Traffic — Two Way Operation

Traffic — One Way Operation

The Police Department has prohibited the parking of private cars from 8:00 A.M. to 6:00 P.M., Monday through Friday, on the avenues where one-way operation of vehicles is in force but parking is permitted all day Saturday and Sunday and after 6:00 P.M. on other days.

The elimination of parking of private vehicles makes more roadway space available for moving traffic and apparently this has increased somewhat the speed of trucks and private cars. Since the buses stop at

Tenth Avenue Looking North from 52nd Street





Courtesy Police Department, New York City

Traffic — Two Way Operation

Traffic — One Way Operation

frequent intervals to receive or discharge passengers and hence are often blocked by changes in the traffic lights, the overall speed of the buses has not been appreciably increased by the new conditions. The result is that the gross passenger earnings of the Ninth Avenue and Amsterdam Avenue bus line have been adversely affected by one-way operation.

The trial period for one-way operation originally was fixed for sixty days but has been extended to June 6, 1949.

Establishment of The Operating Conference Program

On March 15, 1948 there was sent by the Company to each of its bus operators a small pamphlet. That pamphlet told of the increased cost of accidents. It announced the establishment of conferences on traffic safety in order that a constructive interchange of ideas might be obtained. The bus operators on the street have a wide experience on which to draw. The department heads of the Company, the superintendents and supervisors have given intensive study to traffic conditions as they affect operation.



The Operating Conference in Session

A room at 640 West 131st Street, in a building owned by Fifth Avenue Coach Company, was prepared for the conferences, the first of which was held on March 18, 1948. The men are selected regardless of seniority. They are paid their full time for attending the conferences. At first, the plan of having fifteen men in each group was followed and two days were devoted to conferences with that group. Later the groups were enlarged to twenty-five men each.

Among the subjects discussed are Public Relations, Accident Prevention, Abuse of Mechanical Equipment, Day Card Accounting and miscellaneous activities of bus operators. Films are used and a tour of the Company shops is made. The Director of Safety presides over the conferences. Those taking part in these gatherings include the Chief Driving Instructor; a representative of the Equipment Department, who is

an expert in the handling of the mechanical equipment; the General Attorney or his representative, who discusses the accident problem; and a representative of the Vice President in Charge of Transportation who reviews the complaints received.

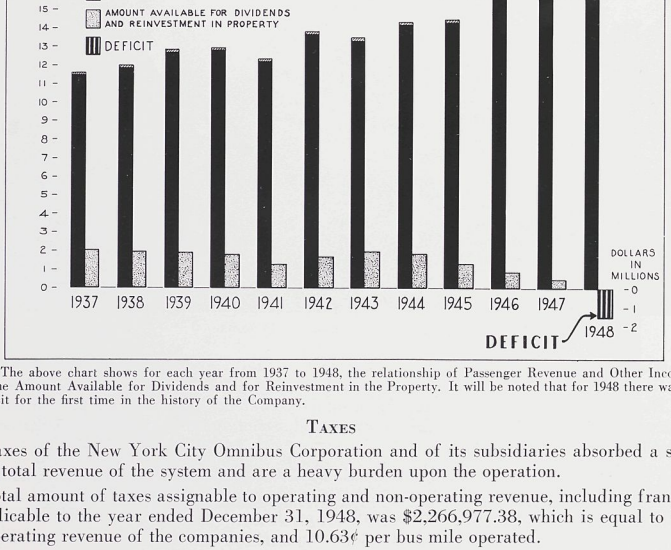
The primary purpose of these meetings is to give all concerned a more complete knowledge of the subjects considered and to utilize the experience of the men who guide the buses through the streets to the end that our transportation service may be conducted in a manner conducive to the convenience, the comfort and the safety of our patrons, and of the public at large. A further aim is to make use of the constructive comments of the men as to changes in operating procedure which will help the bus operators in their work.

Traffic

The passenger revenues of the New York City Omnibus Corporation and subsidiaries from the first full year of operation, i.e., 1937, up to and including the year of 1948 are as follows:

Year 1948 — $16,586,634.45	Year 1944 — $14,167,442.38	Year 1940 — $12,867,743.23
Year 1947 — 15,979,822.35	Year 1943 — 13,379,193.38	Year 1939 — 12,724,671.12
Year 1946 — 15,892,286.89	Year 1942 — 13,683,274.65	Year 1938 — 11,913,149.51
Year 1945 — 14,300,950.92	Year 1941 — 12,279,871.62	Year 1937 — 11,501,410.89

Total passenger revenues of the New York City Omnibus Corporation and subsidiaries for the calendar year 1948 exceeded those of 1947 by the sum of $606,812.10, equivalent to 3.80%.



The above chart shows for each year from 1937 to 1948, the relationship of Passenger Revenue and Other Income to the Amount Available for Dividends and for Reinvestment in the Property. It will be noted that for 1948 there was a deficit for the first time in the history of the Company.

Taxes

The taxes of the New York City Omnibus Corporation and of its subsidiaries absorbed a substantial part of the total revenue of the system and are a heavy burden upon the operation.

The total amount of taxes assignable to operating and non-operating revenue, including franchise payments, applicable to the year ended December 31, 1948, was $2,266,977.38, which is equal to 13.6% of the total operating revenue of the companies, and 10.63¢ per bus mile operated.

The various taxes for the year 1948 are shown below:

New York City:		
Real Estate	$ 109,732.95	
Franchise Payments	825,072.66	
Utilities	168,807.75	
Sales and Compensating Use	24,456.82	$1,128,070.18
New York State:		
Franchise	$ 12,586.65	
Gross Earnings	84,104.19	
Vehicle Licenses	10,808.25	
Gasoline and Fuel Oil	329,693.24	
Utilities	333,936.37	
Unemployment	168,632.41	939,761.11
Federal:		
Income (Company had deficit from operation)	$ ——	
Gasoline	69,730.40	
Old Age Pension	76,938.47	
Unemployment	23,021.53	
Miscellaneous	29,455.69	199,146.09
TOTAL ALL TAXES		$2,266,977.38

TAXES PER SHARE OF CAPITAL STOCK OF NEW YORK CITY OMNIBUS CORPORATION 1937 TO 1948

Year	New York City Taxes Per Share	New York State Taxes Per Share	Federal Taxes Per Share	Total Taxes Per Share
1948	$2.27	$1.89	$0.40*	$4.56
1947	2.18	1.66	1.40	5.24
1946	2.14	1.80	2.86	6.80
1945	1.73	1.60	2.47	5.80
1944	1.77	1.67	3.36	6.80
1943	1.77	1.58	2.46	5.81
1942	1.74	1.66	2.02	5.42
1941	1.69	1.65	0.92	4.26
1940	1.66	1.72	1.53	4.91
1939	1.74	1.70	1.06	4.50
1938	1.69	1.64	1.04	4.37
1937	1.96	1.26	1.05	4.27

* Net loss for year 1948 was $1,517,901.44; consequently the amount of Federal taxes for 1948 is exclusive of Federal Income Taxes.

The "direct" taxes of the Corporation, per person employed, for the years 1937 to 1948 inclusive, were as follows:

Year	Average Number of Persons Employed	Average Annual Earnings per Employee Including Unskilled, Part Time and Seasonal Employment Exclusive of Officers	"Direct" Taxes per Employee Borne by Corporation
1948	2,349	$4,083.48	$ 964.52
1947	2,298	3,631.61	1,131.93
1946	2,144	3,514.68	1,704.48
1945	1,851	3,171.81	1,547.54
1944	1,844	2,992.70	1,811.23
1943	1,912	2,597.99	1,485.10
1942	2,161	2,453.89	1,225.23
1941	2,240	2,182.49*	928.24
1940	2,248	2,039.16	1,065.77
1939	2,192	2,067.51	998.59
1938	2,142	1,866.71	981.50
1937	2,155	1,784.21	905.53

* 1941 figures represent 50½ weeks because of strike March 10 to 21.

Upward Trend of Wage Rates

The following information shows the minimum and maximum hourly rates of Bus Operators and the dates same became effective.

Bus Operators (Chauffeurs)—New York City Omnibus Corporation System
Rate of Pay Per Hour

		Minimum	Maximum
Effective February 1, 1935 to April	18, 1936...*15 months*...	50¢	67¢
Effective April 19, 1936 to January	2, 1937... *8 months*...	56¢	69¢
Effective January 3, 1937 to July	21, 1937... *7 months*...	61¢	74¢
Effective July 22, 1937 to December	31, 1938...*17 months*...	61¢	82¢
Effective January 1, 1939 to February	28, 1941...*26 months*...	61¢	90¢
Effective March 1, 1941 to April	30, 1942...*14 months*...	65¢	94¢
Effective May 1, 1942 to April	30, 1944...*24 months*...	71¢	$1.00
Effective May 1, 1944 to April	30, 1945...*12 months*...	71¢*	$1.00*
Effective May 1, 1945 to February	28, 1946...*10 months*...	79¢*	$1.04*
Effective March 1, 1946 to September	30, 1946... *7 months*...	95¢	$1.20
Effective October 1, 1946 to January	31, 1948...*16 months*...	$1.01	$1.26
Effective May 1, 1948		$1.25	$1.50

* Commencing May 1, 1944, the basic rates of wages of bus operators were augmented by an adaptation of the so-called Vinson Bonus Formula.

The following statement shows the average weekly and annual wages of employees of the Corporation for 1948 and 1947:

Average Weekly and Annual Wages of Employees by Classifications for the Years Ended December 31, 1948 and 1947

Classifications	Average Number of Employees Working		Average Wages			
			Per Week		Per Annum	
	1948	1947	1948	1947*	1948	1947*
Bus Operators (Chauffeurs)	1,470	1,436	$80.35	$70.71	$4,178.34	$3,677.04
Garage Employees:						
Mechanics	158	151	82.31	74.68	4,280.14	3,883.46
Mechanics' Helpers	33	29	71.33	62.35	3,709.31	3,242.41
Electricians	15	15	84.24	73.81	4,380.27	3,838.20
Battery Repair Mechanics	2	2	85.95	74.06	4,469.32	3,851.05
Truckmen	3	3	72.37	64.94	3,763.46	3,376.99
Register Inspectors	3	3	58.07	52.46	3,019.50	2,728.08
Placers	20	19	71.21	63.15	3,703.12	3,284.05
Gassers	5	4	59.90	51.53	3,114.84	2,679.65
Greasers	3	2	62.85	53.20	3,268.13	2,766.16
Oilers	12	11	61.88	53.50	3,217.86	2,782.19
Washers and Cleaners	87	82	58.21	51.09	3,027.00	2,656.43
Floor Cleaners	12	13	59.47	51.30	3,092.22	2,667.61
Average Wage of all employees—skilled and unskilled—exclusive of Officers			$78.53	$69.84	$4,083.48	$3,631.61

* The figures shown above for the year 1947 include the increased earnings resulting from the changes in rates of pay as applied to 1947 only, and do not include the payments made in 1947, applicable to the period October 1, 1946 to December 31, 1946.

For purposes of comparison with the earnings of employees of this Corporation there are given below the average annual earnings of the employees in the industries and industrial divisions specified. These earnings statistics have been obtained from Table 26, Page 38, of U. S. Department of Commerce "Survey

of Current Business Supplement for July, 1947;" and from Table 26, Page 22 of "Survey of Current Business" for July, 1948.

Average Annual Earnings per Full-Time Employee in Private Industries

Industry or Industrial Division	1940	1941	1942	1943	1944	1945	1946	1947	Per Cent Increase 1947 over 1940
Transportation:									
Railroads	$1,903	$2,035	$2,299	$2,580	$2,709	$2,706	$3,051	$3,198	68.1%
Local Railways and Bus Lines	**1,700**	**1,795**	**2,018**	**2,288**	**2,468**	**2,619**	**2,729**	**2,965**	**74.4%**
Mining	1,388	1,579	1,795	2,160	2,499	2,621	2,723	3,112	124.2%
Contract Construction	1,330	1,638	2,194	2,505	2,603	2,599	2,539	2,840	113.5%
Manufacturing	1,432	1,653	2,023	2,350	2,517	2,517	2,512	2,795	95.2%
Communications and Public Utilities	1,718	1,766	1,881	2,075	2,248	2,425	2,566	2,797	62.8%
Finance, Insurance and Real Estate	1,754	1,805	1,918	2,071	2,210	2,371	2,592	2,759	57.3%
Wholesale and Retail Trade	1,391	1,491	1,626	1,804	1,966	2,138	2,404	2,661	91.3%
Services	949	1,016	1,131	1,337	1,518	1,670	1,871	1,973	107.9%
Agriculture, Forestry and Fisheries	415	503	649	838	983	1,100	1,225	1,292	211.3%

Average Annual Wages

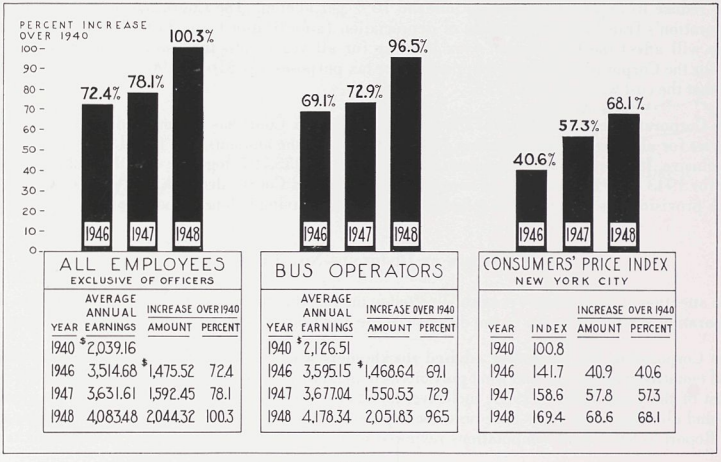
New York City Omnibus Corporation System — All Employees Exclusive of Officers

1940	1941	1942	1943	1944	1945	1946	1947	1948
$2,039.16	**$2,182.49***	**$2,453.89**	**$2,597.99**	**$2,992.70**	**$3,171.81**	**$3,514.68**	**$3,631.61**	**$4,083.48**

Per cent of increase in average wages per employee, New York City Omnibus Corporation System from 1940 to 1948 is 100%.

* 1941 figures represent 50½ weeks because of strike March 10 to 21.

The chart below shows in terms of percentages for the years 1946, 1947 and 1948 compared with the year 1940, the increase in average annual earnings of all Employees of this Corporation, exclusive of officers; the increase in average annual earnings of Bus Operators; and the increase in the Consumers' Price Index for New York City.



Federal Tax Litigation

As stated in previous Annual Reports, the amount of the Corporation's Federal income and profits taxes for 1936 and subsequent years has been in dispute and the issues involved were tried before the Tax Court of the United States in November, 1945 and December, 1947. The case had its inception in the audit made by the Commissioner of Internal Revenue of the Corporation's returns for 1936, 1937, 1938 and 1939 and his determination that there were additional taxes due for all these years. Subsequently the Commissioner increased the amount of the deficiencies claimed.

The total additional taxes claimed by the Government for these years were as follows:

Year	Amount
1936	$309,244.66
1937	136,007.85
1938	151,155.55
1939	147,006.95

On December 22, 1948 the Tax Court entered its decision fixing the deficiencies as follows:

Year	Deficiency
1936	None
1937	$ 95,613.90
1938	106,393.84
1939	106,864.74

The Court sustained the contentions of counsel for the Corporation that the 1936 earnings accounted for to the New York Railways Corporation were not taxable to the Corporation and that it should be permitted to reduce its depreciation rate on buses to 10% per annum. The Court determined that the cost of the Corporation's franchise for purposes of depreciation (amortization) was $7,087,784. The decision of this issue will affect the Corporation's tax liability for all years until the franchise terminates in 1958. Counsel for the Corporation claimed that the cost for tax purposes was $16,375,907 while the Commissioner claimed that the cost was only $557,214.

The Corporation upon the basis of the decision of the Tax Court has recomputed its liability for taxes and interest for all years to and including 1948 and has paid the amounts thus found to be due for 1937 to 1942, inclusive. It appears that the amounts already paid, $1,355,727, together with the additional amounts payable for 1943 to 1948, inclusive, in accordance with the Tax Court's decision, will not exceed the amount for which provision has been made as reflected in the accompanying balance sheet as of December 31, 1948.

Portion of Dividends Not Taxable

The attention of stockholders is again directed to the fact that the taxability of dividends paid to them by the Corporation is affected by the recent decision of the Tax Court discussed under the prior heading.

The Corporation has heretofore advised stockholders what portions of the dividends paid should be regarded tentatively as taxable and what portions as nontaxable. In accordance with the Tax Court's decision in respect of the years 1936 to 1939, inclusive, the taxable and nontaxable portions of all dividends paid in those and all subsequent years have been recomputed. It has not been possible before the printing of this Annual Report to have these computations reviewed by the Treasury Department. The following tables set

forth the taxable and nontaxable portions of the dividends paid in each year as previously reported to you and as now recomputed:

	As Previously Reported		As Now Recomputed	
Year	Taxable as a Dividend	Regarded as a Return of Capital	Taxable as a Dividend	Regarded as a Return of Capital
1937.....	69.25%	30.75%	93.441%	6.559%
1938.....	58.47	41.53	86.705	13.295
1939.....	68.18	31.82	96.059	3.941
1940.....	73.12	26.88	100.00	—
1941.....	26.85	73.15	73.762	26.238
1942.....	86.00	14.00	100.00	—
1943.....	72.618	27.382	100.00	—
1944.....	78.1879185	21.8120815	100.00	—
1945.....	77.4944	22.5056	79.716	20.284
1946.....	100.00	—	100.00	—
1947.....	100.00	—	100.00	—

It is advisable that these revised percentages be considered tentative pending the examination by the Bureau of Internal Revenue of the tax returns for the years subsequent to 1939. As soon as it is possible to obtain a review of the above figures by the Treasury Department, stockholders will be further advised as to the taxable and nontaxable portions of all dividends.

An Appreciation

The Management desires to express its appreciation to the many employees of this Company who have repeatedly manifested their desire to cooperate in rendering our service safe, convenient, and comfortable to those millions of passengers who ride in our buses.

By order of the Board of Directors.

Chairman of the Board

President

New York City Omnibus

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT ASSETS:		
Cash	$ 710,742.17	
Marketable municipal securities, at cost (quoted market price $214,261.25)	197,980.25	
United States Government securities, at cost	250,036.37	
Receivables	19,697.19	
Claim for refund of Federal income and excess profits taxes	326,563.00	
Inventory of gasoline, oil, etc., at cost	10,644.06	
Prepaid insurance, taxes, licenses, etc.	116,942.04	$ 1,632,605.08
SPECIAL DEPOSITS — Represented by municipal and Federal securities at cost of $923,370.39 (quoted market price $1,023,131.25) and cash of $238,343.01		1,161,713.40
INVESTMENTS:		
Other physical property (including $300,000 of land, stated at value accepted by the Transit Commission of the State of New York)	$ 300,670.10	
Investments in and advances to Motor Coach Supply Corporation for the purchase of materials and supplies, at cost	737,500.00	1,038,170.10
PROPERTY, EQUIPMENT AND INTANGIBLES:		
Tangible property —		
Land and buildings, stated at value accepted by the Transit Commission of the State of New York, plus subsequent additions at cost, less retirements	$ 4,202,860.23	
Equipment at cost —		
Motor coaches (including $3,969,786.81 subject to equipment purchase obligations)	13,867,110.00	
Service equipment, tools, furniture and fixtures, etc.	715,184.17	
Organization expense, etc., in process of amortization	283,295.78	19,068,450.18
PENSIONS (To be charged to future operations — see Note 2)		321,521.05
AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT IN MONTHLY INSTALLMENTS, commencing on January 29, 1935 and ending on December 26, 1958, stated on basis of amount which, less prior amortization, is provided to be paid by the City of New York in the event it shall elect to exercise right granted by the Recapture Contract (see Note 1)	$ 7,500,000.00	
Less — Amortization from January 29, 1935 to December 31, 1948	3,713,431.23	3,786,568.77
		$27,009,028.58

(The accompanying notes on page 17 are an integral part of the financial statements.)

Corporation and Subsidiary Companies

DECEMBER 31, 1948

LIABILITIES

CURRENT LIABILITIES:		
Equipment purchase obligations due in 1949	$ 521,481.65	
Accounts payable	1,070,832.50	
Accrued Federal income and excess profits taxes (subject to review by U. S. Treasury Department)	660,304.56	
Accrued state, local and miscellaneous Federal taxes	288,226.04	$ 2,540,844.75
EQUIPMENT PURCHASE OBLIGATIONS, 2% — 3¼% — secured by motor coaches (see contra)	$ 2,529,646.90	
Less — Installments due in 1949 included under current liabilities	521,481.65	2,008,165.25
PENSIONS (See contra)		321,521.05
RESERVES:		
Depreciation of motor coaches	$ 8,474,202.31	
Depreciation of other property and equipment	913,253.65	
Injuries and damages and workmen's compensation	2,078,223.49	
Amortization of organization expense, etc.	169,201.52	
Contingencies	63,018.47	11,697,899.44
CAPITAL STOCK AND SURPLUS:		
Capital stock —		
Authorized 700,000 shares, without par value — issued and outstanding 496,487 shares	$ 3,349,141.48	
Capital surplus, arising principally from certain rights and benefits contributed by New York Railways Corporation per agreement of transfer dated December 24, 1936	4,397,752.47	
Earned surplus (deficit)	(921,348.25)	6,825,545.70
CREDIT IN RESPECT OF AMOUNT TO BE AMORTIZED ON BASIS OF RECAPTURE CONTRACT:		
Balance per previous report $4,107,252.55 less amount equal to amortization ($320,683.78) per contra	$ 3,786,568.77	
Less — Amount transferred to capital surplus, equivalent to remaining amount to be amortized by Madison Avenue Coach Company, Inc.	171,516.38	3,615,052.39
		$27,009,028.58

(The accompanying notes on page 17 are an integral part of the financial statements.)

AUDITORS' CERTIFICATE

To the Board of Directors,
NEW YORK CITY OMNIBUS CORPORATION:

We have examined the consolidated balance sheet of New York City Omnibus Corporation (a New York Corporation) and subsidiary companies as of December 31, 1948 and the related statements of consolidated income and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Except for the possible effect of the wage and pension matters described in Note 3 to the financial statements, in our opinion, the accompanying consolidated balance sheet and statements of consolidated income and surplus present fairly the financial position of New York City Omnibus Corporation and subsidiary companies as of December 31, 1948 and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & CO.

New York 5, N. Y.,
February 18, 1949.

New York City Omnibus Corporation and Subsidiary Companies

STATEMENT OF CONSOLIDATED INCOME FOR THE YEARS ENDED DECEMBER 31, 1948 AND 1947

	1948	1947
OPERATING REVENUES:		
Coach lines	$16,586,634.45	$15,979,822.35
Advertising and miscellaneous	107,807.92	118,702.94
TOTAL OPERATING REVENUES	$16,694,442.37	$16,098,525.29
OPERATING EXPENSES:		
Maintenance and garage expenses	$ 3,795,743.88	$ 3,220,736.43
Depreciation	725,122.62	558,084.01
Traffic and transportation	7,883,576.04	6,782,076.34
General	3,160,367.10	2,418,078.36
TOTAL OPERATING EXPENSES	$15,564,809.64	$12,978,975.14
NET OPERATING REVENUES	$ 1,129,632.73	$ 3,119,550.15
TAXES:		
State, local and miscellaneous Federal taxes (including motor fuel taxes)	$ 2,266,977.38	$ 2,096,607.08
Provision for Federal income tax	—	505,757.75
TOTAL TAXES	$ 2,266,977.38	$ 2,602,364.83
NET INCOME from operations	$ 1,137,344.65	$ 517,185.32
OTHER INCOME:		
Interest on investments, etc.	$ 65,906.67	$ 61,070.81
Profit on sale of capital assets	—	87,382.05
TOTAL OTHER INCOME	$ 65,906.67	$ 148,452.86
GROSS INCOME	$ 1,071,437.98	$ 665,638.18
INTEREST AND OTHER DEDUCTIONS:		
Interest —		
On deficiencies in Federal income taxes (including provision for prior years)	$ 165,530.53	$ —
On equipment obligations	58,851.05	9,159.32
Other deductions	11,398.10	11,913.88
TOTAL INTEREST AND OTHER DEDUCTIONS	$ 235,779.68	$ 21,073.20
NET INCOME before refund of Federal income taxes and provision for amortization	$ 1,307,217.66	$ 644,564.98
Estimated refund of prior years' Federal income taxes resulting from the carry-back of 1948 loss	110,000.00	—
NET INCOME before provision for "amount to be amortized on basis of Recapture Contract in monthly installments" (see Note 1)	$ 1,197,217.66	$ 644,564.98
Provision for such amortization	320,683.78	144,956.00
NET INCOME after provision for such amortization	$ 1,517,901.44	$ 499,608.98

(The accompanying notes on page 17 are an integral part of the financial statements.)

New York City Omnibus Corporation and Subsidiary Companies

STATEMENT OF CONSOLIDATED SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1948

	Capital Surplus	Earned Surplus
BALANCE, December 31, 1947, per previous report	$ 4,092,517.56	$ 596,553.19
DEDUCT — Net loss for year ended December 31, 1948	—	1,517,901.44
	$ 4,092,517.56	$ 921,348.25
DIRECT SURPLUS CREDITS:		
Transfer from "credit in respect of amount to be amortized on basis of Recapture Contract" of amount equal to amortization by the Corporation for the year ended December 31, 1948	303,388.06	—
Unclaimed deposits for creditors, etc., of predecessor holders of franchises	1,846.85	—
BALANCE IN CAPITAL SURPLUS AND DEFICIT IN EARNED SURPLUS DECEMBER 31, 1948	$ 4,397,752.47	$ 921,348.25

(The accompanying notes are an integral part of the financial statements)

NOTES TO FINANCIAL STATEMENTS — DECEMBER 31, 1948

(1) Under the Agreement of Transfer dated December 24, 1936, New York Railways Corporation transferred to New York City Omnibus Corporation (1) all rights and claims arising from the abandonment of the perpetual street railway franchises and the conveyance of street railway properties to the City of New York, (2) all rights and claims to any benefits under the Recapture Contract dated January 29, 1935, between the City of New York, New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (a subsidiary company), and (3) all rights and claims to the routes of the New York City Omnibus Corporation. Under the Recapture Contract, dated January 29, 1935, the City at its election has the irrevocable right, beginning February 1, 1945 and each year thereafter, to terminate the franchises of the New York City Omnibus Corporation and Madison Avenue Coach Company, Inc. (which otherwise terminate on December 26, 1958), and to purchase the property and equipment used in the operation of the routes (other than real estate, cash, receivables, and similar items, which are to be retained by the companies) upon payment by the City of (1) the balance which shall remain of the amount of $7,500,000 after being reduced by amortization from the date of the Recapture Contract to the date of recapture upon a cumulative sinking fund basis calculated with interest at the rate of 3% per annum, compounded annually, so that at the end of the twenty-five year term of the bus franchises said amount of $7,500,000 would have been completely amortized, and (2) the value at the date of recapture (to be determined in the manner set forth in the Recapture Contract) of the property and equipment so to be purchased.

The franchise of Eighth Avenue Coach Corporation, another subsidiary company, covers a period to October 16, 1955, subject to prior termination in the event the City of New York exercises its right to purchase the property and equipment of New York City Omnibus Corporation and Madison Avenue Coach Company, Inc.

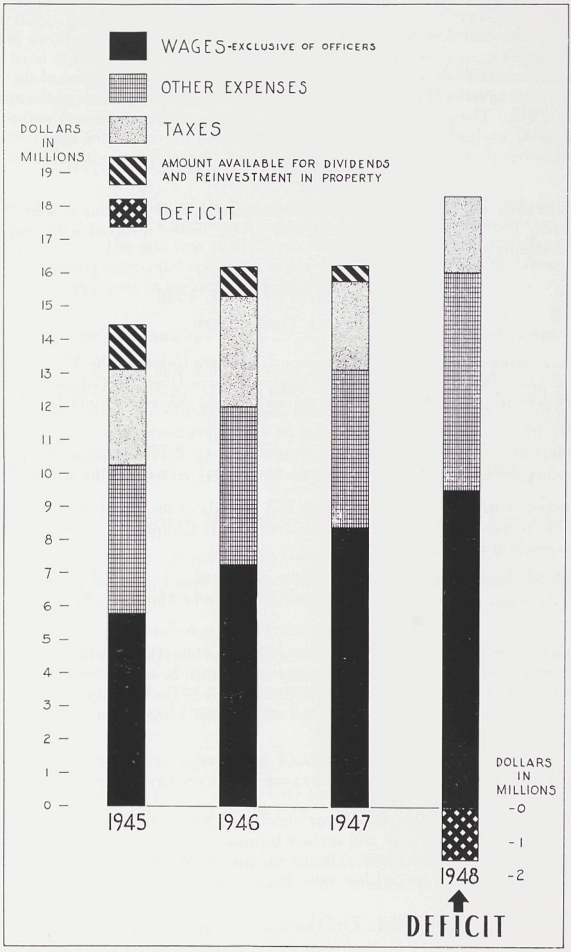
(2) Pursuant to the terms of an Arbitration Award dated June 18, 1947, New York City Omnibus Corporation and its subsidiaries have established a pension plan limited to employees who became eligible during the period July 1, 1947, to and including January 31, 1948. It is the intent of the companies to charge these pensions to expense upon payment.

(3) The latest contract between the companies and the Transport Workers Union expired January 31, 1948 and the new contract has not yet been concluded although a general wage increase of 24¢ per hour from May 1, 1948 has been granted. Among the unsettled demands of the Transport Workers Union in connection with a new contract are (a) a general wage increase of 24¢ per hour for the period from February 1, 1948 to April 30, 1948, and (b) a pension plan. The companies and the Transport Workers Union have agreed to arbitrate their differences. The eventual cost, if any, to the companies arising from these proceedings cannot presently be determined.

New York City Omnibus Corporation and Subsidiary Companies

Source and Distribution of Operating Revenues for the Year Ended December 31, 1948

OPERATING REVENUES for the Year of $16,694,442.37 consist of the following:		
Fares Collected	$16,586,634.45	
Advertising	107,735.04	
Miscellaneous	72.88	
TOTAL OPERATING REVENUES	$16,694,442.37	
To which should be added interest on securities, etc.	65,906.67	
TOTAL OPERATING AND NON-OPERATING REVENUES FOR THE YEAR		$16,760,349.04
HOW THE YEAR'S REVENUES WERE DISTRIBUTED:		
TAXES:		
City Taxes	$ 1,128,070.18	
State Taxes	939,761.11	
Federal Taxes	199,146.09	
TOTAL TAXES		$ 2,266,977.38
COST OF:		
Materials used in Maintenance and Operation of Buses, Buildings, Machinery, Trucks, Snow Plows, etc.	$ 1,616,708.79	
Gasoline, Fuel Oil and Lubricants	1,021,934.65	2,633,643.44
Transfers	$ 25,003.01	
Outside Auditing Expenses	10,905.00	
Insurance — Fire, Explosion, Safe Burglary, Excess Public Liability, etc.	111,357.20	
Group Life and Health Insurance for Employees	42,446.75	
Amortization of Organization Expenses	12,335.04	
Legal Services and Expenses	85,783.71	
Interest on Equipment Obligations	58,851.05	
Interest on Deficiences in Federal Income Taxes	165,530.53	
Triborough Bridge Tolls	35,772.25	
Rents for Operating Properties	150,047.85	
Miscellaneous Items	111,143.09	
Legal Expenses in connection with Valuation of Franchises	43,263.75	
Publicity	23,809.33	
Pensions	37,232.42	
Expenses in connection with Fare Increase Case	39,044.24	952,525.22
RESERVES:		
For Injuries and Damages—Liability limited to $10,000	$ 1,610,620.90	
For Injuries and Damages—Liability in excess of $10,000 but not to exceed $25,000	209,385.00	
For Depreciation of Buses, Buildings and Other Property	725,122.62	
TOTAL RESERVES		2,545,128.52
TOTAL OF TAXES, RESERVES AND OTHER OPERATING EXPENSES (Other than Salaries and Wages)		$ 8,403,274.56
INCOME FROM OPERATION — Before Salaries and Wages		$ 8,357,074.48
SALARIES (Executive Officers)	$ 169,140.83	
WAGES	9,495,151.31	$ 9,664,292.14
NET INCOME (*Loss*) — Before Federal Tax Refund and Provision for Amortization		$ 1,307,217.66
ESTIMATED REFUND OF PRIOR YEARS' FEDERAL INCOME TAXES RESULTING FROM THE CARRY-BACK OF 1948 LOSS		110,000.00
NET INCOME (*Loss*) — Before Provision for Amortization		$ 1,197,217.66
AMORTIZATION UNDER RECAPTURE CONTRACT		320,683.78
NET INCOME (*Loss*) AFTER AMORTIZATION		$ 1,517,901.44



The above chart shows the relative amounts in millions of dollars for Wages (exclusive of officers), for Other Expenses, and for Taxes for the calendar years 1945, 1946, 1947 and 1948.

For the first three years are also shown the Amounts Available for Dividends and for Reinvestment in the Property. For the year 1948 there was nothing left for Dividends and for Reinvestment in the Property. In that year the earnings fell short of meeting operating costs by more than a million five hundred thousand dollars.

APPENDIX

Events Leading up to the Increase in Fare and to the 24 Cents Per Hour Wage Increase

In the Annual Report of this Company for 1947, there was printed a statement of the wage demands of December 19, 1947, filed with the Management by the Union as the proposed basis of the new contract to take effect February 1, 1948. Those demands would have constituted an additional annual payroll charge estimated at $3,527,000, exclusive of social security taxes and of the cost of the establishment of a pension plan as well as exclusive of certain of the demands, the cost of complying with which it was not possible to estimate.

Conferences between Company officials and representatives of the Union were held in January, February and March, 1948, but without a settlement of the issues involved with respect to the Union demands and the Company's counter demands.

Developments in April, 1948

A Strike Threatened

On April 6th, a strike was called by the Transport Workers Union on the Manhattan bus lines of the East Side Omnibus Corporation and those of the Comprehensive Omnibus Corporation. The controversy related to the work schedules. There was a clear intimation that the strike might be extended to other bus lines in Manhattan.

Mayor O'Dwyer cut short his vacation in California and on April 11th announced that before April 27th, he would state whether the five cent transit fare on the lines operated by the City would be increased.

Meetings between representatives of the Union and officials of the Third Avenue Transit System and, later, between Union representatives and representatives of this Company and of the Fifth Avenue Coach Company failed to result in agreements.

On April 15th the Union voted authority to its executive board to call a strike of employees of this Company and of the other privately operated bus companies in Manhattan whose employees were not already striking.

On April 16th, Mayor O'Dwyer held conferences with Union officials and with officials of the Companies. The Mayor asked the Union to withhold further strike action until he should make an announcement as to his position on an increased transit fare. To this the Union agreed. The existing strike against the East Side and Comprehensive Omnibus Corporations was called off on April 17th, following an agreement to postpone changes in work schedules until July 1, 1948.

The Mayor Announces Increased Fares on City Owned Lines

In a radio address on April 20th, the Mayor announced his approval of changes in rates of fare on the city-owned and operated rapid transit and surface transportation lines, effective July 1, 1948. The new rates were 10 cents on rapid transit lines, 7 cents on trolley and bus lines, 12 cents for a combined surface and rapid transit ride and special low rates for school children.

Conditions Confronting This Company

The results of operation for the four months ended April 30, 1948 were: a decline of $222,268.70 in passenger revenue, or a little more than 4%, as compared with the same four months in 1947; a deficit for the first four months in 1948 of $469,651.96 after provision for amortization.

Franchise Contract Limitation on Fare to Be Charged

By the terms of the franchises granted to this Company and to its subsidiaries by the City of New York, the rate of fare is fixed at five cents, with an additional charge of two cents for a single transfer. The contracts provide that any attempt by the Companies, without the consent of the Board of Estimate of the City of New York, to obtain approval of "any regulatory board" of an increase in rate of fare will, automatically, immediately cancel the franchise contract.

Rate of Pay of Bus Operators of This Company

The maximum hourly rate of pay of the bus operators (drivers) on this Company's lines was $1.26 per hour as of December 31, 1947, which was 6 cents per hour more than the maximum rate which the City paid to its bus operators. The said rate of $1.26 per hour also was 6 cents more than the maximum rate paid by other privately owned companies operating single-deck buses (except Fifth Avenue Coach Company which also paid the $1.26 per hour to operators of single-deck buses).

Threat of a Strike on April 29th — The Mayor Intervenes

Threat of a strike to commence at 4 A.M. on April 29, 1948 was followed by the calling of Company and Union officials to a conference in the Mayor's office on April 28th. As a result of the Mayor's intervention, the calling of the strike was postponed. It was intimated by the press that the Mayor had stated that the City would grant its municipal transit employees an increase of 24 cents an hour, effective July 1, 1948. The Union was to confer with the Third Avenue Transit officials on April 30th and with officials of New York City Omnibus Corporation and of Fifth Avenue Coach Company on May 3rd.

Statement by Chairman Maltbie of the Public Service Commission

In the press of April 30th there was printed the following statement attributed to the Chairman of the Public Service Commission of the State of New York, with reference to possible applications by the privately operated transportation companies for an increase of fare:

> "These companies are no different from transit or utility companies anywhere else in the State. They can't expect they can just come in here and walk out with a higher fare. The burden of showing that an increased fare is just and reasonable will be on the Companies. These increases aren't granted just offhand. The Commission has the power to suspend any rates they may propose to establish, after which we would hold hearings and inquire into all phases of the matter."

The Mayor States City Will Examine Books of Corporations

The Mayor, also, had made it plain that the books of the Companies would be carefully examined before any fare increase would be approved by the City.

Developments in May 1948

Another Threat of Strike

The International President of the Union said on May 2nd unless higher wages were made effective immediately by the private companies a strike would be called.

This Company maintained that it and the Fifth Avenue Coach Company should not be required to agree to a maximum rate of pay to operators of single-deck buses 6 cents per hour greater than the maximum rate paid by the City to similar employees, or than the rate paid by other private operators. The Union

insisted that the then existing 6 cents differential paid by this Company should be preserved when the rate of wages was increased. The Union further demanded that the increased wages be made effective immediately, without waiting for any increase in the rate of fare.

City Announces Increase of 24 Cents Per Hour to Employees of Its Municipal Transit System Effective July 1, 1948

On May 4th the Board of Transportation of the City of New York officially approved of the 24 cent an hour rate increase to employees of the municipal transit system to take effect July 1, 1948, the date the new rate of fare schedule would go into effect on the City-owned lines.

Another Strike Called

On the evening of May 4th, the Union voted to call a strike at 4 A.M. on May 7th on the lines of the New York City Omnibus Corporation, Fifth Avenue Coach Company, Third Avenue Transit Corporation, East Side Omnibus Corporation, Comprehensive Omnibus Corporation and Avenue B and East Broadway Transit Corporation.

Strike Threat Against Third Avenue Transit System Is Cancelled

On May 5th, following a conference with Mr. Theodore W. Kheel, Director of the City Labor Relations Division, the strike threat against the Third Avenue Transit Corporation was lifted. The Union and the Corporation reached an agreement that the 24 cent an hour pay increase was to become effective as of May 1, 1948, upon which date the accrual of this increase was to commence but that the employees would not actually receive the increase in their pay envelopes until the Public Service Commission had authorized an increase in the five cent fare.

The Mayor Intervenes
Agreement by New York City Omnibus Corporation

Conferences between representatives of the New York City Omnibus Corporation, officials of the Union and Mr. Kheel were held on May 6, 1948.

This Company took the position that it should not be obliged to increase the rate of pay by more than 18 cents per hour, which would equalize the maximum rate of pay of bus drivers with that which the City and Third Avenue Transit Corporation would pay, i.e., $1.44 per hour. Late in the evening, Mayor O'Dwyer participated in conferences held at the City Hall. After prolonged discussion, an agreement was reached about midnight under which the company agreed to give its employees the same increase as that agreed to by the other companies, namely 24 cents per hour to accrue from May 1, 1948 but to be payable only after the granting of an adequate fare increase by the Public Service Commission.

Application Filed by The New York City Omnibus Corporation with Board of Estimate on May 12, 1948

On May 12th this Company and its subsidiaries filed applications with the Board of Estimate petitioning the Board to give its consent that the Petitioners might charge a fare higher than that specified in the respective franchise contracts of the Petitioners, "namely a fare sufficient to provide adequate service, with modern equipment, to the public, and to pay all costs and operating expenses incident thereto (including, but not limited to, all wage costs), and to yield a fair return on Petitioner's property, *provided* that said consent is not requested in respect of, and shall not be deemed to apply to, an increase in fare more than three cents above the present five cent level."

Resolutions of the Board of Estimate

The Board fixed May 25th as the date for a public hearing on the application of this Company and its subsidiaries.

By resolution of August 10, 1948, the Board of Estimate stated that it had no objection to the filing by the Company, with the Public Service Commission, of an application for an increase in fare, subject to the conditions specified in the resolution. The resolution provided, among other things, that the Company should not apply for more than an interim fare of 7¢, and that no permanent fare should be placed in effect without the further approval of the Board of Estimate.

Application to the Public Service Commission

On August 13th, this Company filed a petition with the Public Service Commission "that an order be made granting to petitioner the right to charge, on one day's notice, a temporary or interim fare of 7 cents, subject to the restrictions imposed by the City, and setting down for a prompt hearing petitioner's application for a permanent increase to 8 cents." Similar petitions were filed by the Madison Avenue Coach Company, Inc. and by the Eighth Avenue Coach Corporation.

Public Service Commission Grants 6 Cent Interim Fare

In September 1948 the Public Service Commission adopted a Memorandum which permitted this Company and its subsidiaries (as well as ten other companies) to file appropriate tariffs providing for an increase of 1 cent and making this 6 cent interim fare effective on one day's notice. This change took effect on September 22, 1948 on the New York City Omnibus System.

Payment of the 24 Cent An Hour Increase
Another Strike Contemplated and the Mayor Again Intervenes
Agreement with the Union

In the meantime, on September 18, 1948, there was a threat of a strike at 4 A.M. on September 20th because of failure of the Union and the Company to reach an agreement regarding the retroactive payment of the 24 cent an hour wage increase. The Union demanded that the increase in amount of wages retroactive to May 1, 1948 be paid at once and in a lump sum.

The Mayor called for a meeting between Company officials and Union representatives at the City Hall, on September 19th. The conferences on that day were protracted. An agreement was finally reached which provided that the retroactive pay which had accrued commencing May 1, 1948 would be paid in installments.

The following is a statement of the amounts paid by the Company to its employees to cover the sums due them on account of the accruals from May 1, 1948 to September 18, 1948.

October 21, 1948	$252,441.63
November 18, 1948	120,244.59
December 16, 1948	109,263.48
December 30, 1948	81,614.72
January 13, 1949	45,973.07
Total	$609,537.49

Interim Fare of 7 Cents Made Effective on December 12, 1948

On October 22, 1948 this Company and its subsidiaries appealed to the Public Service Commission to expedite the hearings in the pending rate proceedings and to permit the companies to present the actual results from operation under the 6 cent interim fare in order to demonstrate that such fare was inadequate.

On December 9, 1948, the Public Service Commission authorized this Company and its subsidiaries to put into effect a 7 cent interim fare. Subsequently the Commission took action providing that the period during which the 7 cent interim fare may be charged should be extended to June 30, 1949.

Permanent Fare

The Commission is studying the data submitted by the Company at the various rate hearings held since August, 1948. As soon as it completes that study and its own investigation of the Company's accounts and records, further hearings will be held after which it is hoped that a permanent fare, sufficient to permit the Company to earn a reasonable return, will be authorized.

Arbitration of Remaining Issues

The last contract between the Company and the Transport Workers Union expired January 31, 1948 and the new contract has not yet been concluded although a general wage increase of 24¢ per hour from May 1, 1948 has been granted. Among the unsettled demands of the Union in connection with the new contract are (a) a general wage increase of 24¢ per hour for the period from February 1, 1948 to April 30, 1948, (b) a pension plan and (c) the term of the new contract.

On January 28, 1949, the Company notified the Director of the City's Division of Labor Relations that it would arbitrate all unsettled issues between the Union and the Company concerning the labor contract which is to be for a term commencing February 1, 1948, to a date to be fixed by the arbitrator.

The parties were not able to agree upon an arbitrator and on March 1, 1949, Mayor O'Dwyer at the request of the parties designated Edward Weinfeld, Esq., of this city, as arbitrator to determine the issues in dispute. The hearings before the arbitrator commenced on March 15, 1949.