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Civil No. 46C1339

**In the District Court of the United States for
the Northern District of Illinois, Eastern
Division**

UNITED STATES OF AMERICA

v.

YELLOW CAB COMPANY, ET AL.

COMPLAINT

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FILED JULY 25, 1946

**In the District Court of the United States for
the Northern District of Illinois, Eastern
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Civil Action No. 46C1339

UNITED STATES OF AMERICA

v.

YELLOW CAB COMPANY, CHICAGO YELLOW CAB COM-
PANY, INC., PARMELEE TRANSPORTATION COMPANY,
CAB SALES AND PARTS CORPORATION, CHECKER TAXI
COMPANY, CHECKER CAB MANUFACTURING CORPORA-
TION, AND MORRIS MARKIN

COMPLAINT

The United States of America, by its attorneys, acting under the direction of the Attorney General, brings this complaint against the defendants named herein, and upon information and belief alleges as follows:

I

JURISDICTION AND VENUE

1. This complaint is filed and these proceedings are instituted under Section 4 of the Act of Congress of July 2, 1890, c. 647, 26 Stat. 209, as amended, entitled "An Act to protect trade and commerce against unlawful restraints and monopolies," said Act being commonly known as the "Sherman Act," against the defendants named herein in order to

(1)

prevent and restrain violations by them of Sections 1 and 2 of said Act.

2. The defendants Yellow Cab Company, Chicago Yellow Cab Company, Inc., Parmelee Transportation Company, Cab Sales and Parts Corporation, and Checker Taxi Company transact business within the Eastern Division of the Northern District of Illinois, and are found therein.

II

DESCRIPTION OF THE DEFENDANTS

3. The following corporations and persons are hereby named defendants herein:

(a) Yellow Cab Company, a Maine corporation, with principal offices at 57 East 21st Street, Chicago, Illinois. This defendant is hereinafter referred to as "Yellow." It operates the "Yellow" cabs in Chicago, Illinois, and vicinity.

(b) Chicago Yellow Cab Company, Inc., a New York corporation, with principal offices at 57 East 21st Street, Chicago, Illinois. This defendant is hereinafter referred to as "Chicago Yellow." It is a holding company owning all of the capital stock of Yellow as well as all of the capital stocks of Benzoline Motor Fuel Co., an Illinois Corporation, and Utilities Motor Fuel Co., Inc., an Indiana corporation. These two concerns sell gasoline and oil in Chicago and vicinity, primarily to cab operating companies. Chicago Yellow also owns 49 percent of the capital stock of Transportation Maintenance Corporation, an Illinois corporation, which services and repairs cabs in Chicago, as well as 45 percent of the capital stock of General Transportation Casualty and Surety Co., a New York corporation, which insures cab operating companies; and 7.8 percent of the capital stock of defendant Checker Cab Manufacturing Corporation.

(c) Parmelee Transportation Company, a Delaware corporation, with principal offices at 300 North Desplaines Street, Chicago, Illinois. This defendant is hereinafter referred to as "Parmelee." It operates cabs in Chicago to transport passengers and their luggage from one railroad station to another, pursuant to contracts with railroads and railroad terminal associations. Parmelee owns 29.5 percent of the outstanding capital stock of Chicago Yellow, and 10 percent of the capital stock of General Transportation Casualty and Surety Co. It also owns all of the capital stock of each of the following corporations:

(1) National Transportation Co., Inc., a New York corporation, which operates cabs in New York, N. Y.;

(2) Parmelee System, Inc., a New York corporation, which, among other things, manages the operations of National Transportation Co., Inc.;

(3) Yellow Cab Company of Pittsburgh, a Pennsylvania corporation, which operates cabs in Pittsburgh, Pennsylvania;

(4) Pittsburgh Transportation Company, a Pennsylvania corporation, which also operates cabs in Pittsburgh; and

(5) Yellow Taxi Company of Minneapolis, a Minnesota corporation, which operates cabs in Minneapolis, Minnesota.

(d) Checker Cab Manufacturing Corporation, a New Jersey corporation, with principal offices at Kalamazoo, Michigan. This defendant is hereinafter referred to as "CCM." It manufactures and sells cabs. CCM owns 61.75 percent of the outstanding capital stock of Parmelee and 30 percent of the capital stock of General Transportation Casualty and Surety Company.

(e) Cab Sales and Parts Corporation, an Illinois corporation, with principal offices at 1401 West Jackson Boulevard, Chicago, Illinois. It operates the "Checker" cabs in Chi-

cago and vicinity. A predecessor corporation of the same name was incorporated in Delaware in 1930. In 1938, the assets of the predecessor were transferred to the defendant corporation and the predecessor was dissolved. Both concerns are hereinafter referred to as "Cab Sales." Cab Sales owns 1.59 percent of the outstanding capital stock of Chicago Yellow, 15 percent of the capital stock of General Transportation Casualty and Surety Co., and 51 percent of Transportation Maintenance Corporation. It also owns 35.7 percent of the outstanding capital stock of CCM.

(f) Checker Taxi Company, a Delaware corporation, with principal offices at 1401 West Jackson Boulevard, Chicago, Illinois. It operated "Checker" cabs in Chicago and vicinity from December 1931 until about 1941. Its predecessor of the same name, an Illinois corporation, operated "Checker" cabs in Chicago and vicinity from about 1919 until its operations were transferred to the defendant. Both concerns are hereinafter referred to as "Checker." At the present time, Checker has no employees and no property other than an interest in 1,000 taxicab licenses issued to it annually by the city of Chicago, which licenses are leased by it to Cab Sales for \$180 per year per license. Four hundred fifty shares of the capital stock of Checker are owned by 18 former cab drivers, who possess 25 shares each, and the remaining 60,550 shares are owned by a partnership composed of Michael M. Sokoll, George McDonald, Julius Jessmer, R. E. Oakland, J. E. King, and M. H. Freimark, each of whom are officers, directors, or former officers or directors, of either Cab Sales or CCM.

(g) Morris Markin, president of CCM, and a resident of Kalamazoo, Michigan. Markin owns all of the capital stock of Cab Sales, 12.2 percent of the outstanding capital stock of CCM, and 0.13 percent of the outstanding capital stock of Chicago Yellow.

III

NATURE OF THE TRADE AND COMMERCE INVOLVED

4. The city of Chicago, Illinois, is the terminus of a large number of railroads engaged in the transportation of passengers among a majority of the States of the United States. A few passengers are transported through Chicago by rail, but it is necessary for the great majority of them, including those traveling from one State to another, to get off the trains by which they traveled to Chicago, to go to another station from two city blocks to two miles distant, and to board other trains operated by other railroads. A substantial number of said passengers in interstate commerce use cabs operated by Yellow, Cab Sales, Parmelee, and others, in transporting themselves and their luggage from one station to another as aforesaid.

5. Many persons, in the course of travel from their homes, offices, or hotels in Chicago to destinations in other States, commence their travel by using cabs operated by Yellow, Cab Sales, and others to transport themselves and their luggage to railroad stations in Chicago.

6. Many persons in the course of travel from points in other States to homes, hotels, and offices in Chicago complete said travel by using cabs operated by Yellow, Cab Sales, and others to transport themselves and their luggage from railroad stations in Chicago to said homes, hotels, and offices.

7. CCM manufactures motor vehicles for use as cabs at its factory in Kalamazoo, Michigan, and ships them to Parmelee, Yellow, and Cab Sales in Chicago, Illinois. CCM also ships them to subsidiaries of Parmelee in New York City, Pittsburgh, and Minneapolis. All motor vehicles purchased by Cab Sales for use as cabs, and all purchased by Chicago Yellow and the cab-operating subsidiaries of Parmelee, between

the time Parmelee acquired part of their stock and the beginning of the investigation leading to this complaint, have been manufactured by CCM and sold and shipped in interstate commerce from Kalamazoo, Michigan.

IV

BACKGROUND OF THE CONSPIRACY

8. In the month of January 1929, when the conspiracy alleged herein began:

(a) Yellow, as now, was engaged in operating "Yellow" cabs in Chicago. It held 2,350, or 44 percent of the 5,289 taxicab licenses issued by the city of Chicago; and it had never purchased cabs from CCM.

(b) Chicago Yellow, as now, owned all of the capital stock of Yellow. It did not own any stock of CCM.

(c) Parmelee had not been incorporated. The present cab-operating subsidiaries of Parmelee, and their predecessors, were independent concerns. The business of transporting passengers between railroad stations in Chicago pursuant to contracts with railroads and railroad terminal associations was conducted by The Parmelee Company, a corporation which was dissolved in May 1934. Neither The Parmelee Company nor any of the present cab-operating subsidiaries of Parmelee, nor their predecessors, owned any stock of Chicago Yellow.

(d) Checker was a so-called "cooperative" cab operating company in Chicago. It held 1,750 city taxicab licenses, or 33 percent of the 5,289 issued. Its stockholders consisted of a large number of owners of "Checker" cabs. Each stockholder contracted with Checker to pay a fee or commission for services rendered by Checker in repairing and maintaining his cabs, providing gasoline, oil, tires, and parts,

insurance, licensing, and legal and other services. Each cab owner also agreed that the record title of his cabs should rest in Checker, that Checker would take out city licenses for said cabs in its own name, and would permit said stockholders to use said city licenses in the operation of their cabs.

(e) CCM did not own any stock in Chicago Yellow, Checker, or The Parmelee Company.

(f) Markin was president and general manager of CCM.

9. The city of Chicago issued 5,289 taxicab licenses in 1929, of which, in addition to the 2,350 issued to Yellow and 1,750 to Checker, 400, or 8 percent, were issued to DeLuxe Motor Cab Company, a substantial part of which was owned by Markin, and the remaining 789, or 15 percent, were issued to others.

10. Prior to 1929, the ordinances of the city of Chicago did not restrict or limit the number of taxicab licenses which might be issued. In September of that year, the city of Chicago enacted an ordinance providing that no taxicab licenses should thereafter be issued unless the Public Vehicle License Commission should, after hearing, by resolution, declare that public convenience and necessity required the issuance of such licenses, provided that such declaration of public convenience and necessity should not be necessary for the licensing of the same number of taxicabs licensed for operation and operated by the applicant under the same name and colors on September 15, 1929, or the renewal annually thereafter of the same number of licenses.

11. In May 1934, the city of Chicago enacted an ordinance providing that no license should thereafter be issued except upon transfer to permit replacement of a taxicab, or, in the annual renewal of outstanding

licenses, unless the Public Vehicle License Commission, after a hearing, by resolution, should declare that public convenience and necessity required additional taxicab service.

12. On December 22, 1937, the city of Chicago enacted an ordinance providing that in the event that a sufficient number of taxicab licenses should be surrendered by licensees to reduce the number of taxicabs in the city of Chicago to 3,000 on or before March 31, 1938, no taxicab license should thereafter be issued except upon transfer to permit replacement of a taxicab or in the annual renewal of any such license, or upon assignment of any such license, or upon assignment of the right to apply for such license as subsequently provided, or upon the revocation for cause or termination in any other manner of any other license. This ordinance further provided that the city of Chicago, by ordinance, might authorize the issuance of licenses in excess of 3,000 without consent of existing licensees, provided that those licensees who voluntarily surrendered any taxicab licenses or their right to renew any taxicab licenses on or before March 31, 1938, should have the prior right to secure licenses issued above the figure of 3,000, up to the number of licenses so surrendered by them, unless such licensees should have released their right to apply for such additional licenses or should have failed to make application therefor within thirty days after publication of notice of public hearing upon the question of public convenience and necessity for the issuance of additional licenses. The ordinance further provided that as between licensees having a prior right by virtue of their surrender of licenses, to any new licenses in excess of 3,000, any additional licenses should be apportioned ratably

between such licensees having such prior right in the proportion which the number of licenses surrendered by each licensee bears to the number surrendered by all licensees. The ordinance further provided that it should become effective when one or more licensees should file with the City Clerk formal written acceptance of the ordinance and should have surrendered at least 616 taxicab licenses. The 1937 ordinance expired, by its terms, on December 31, 1945, but, in June 1945, was extended for another five years.

13. The Circuit Court of Cook County held, in February 1946, in a suit by Yellow and Checker against the city of Chicago, that the acceptance of the 1937 ordinance by Yellow and Checker constituted a contract between the city of Chicago and Yellow and Checker. It also held that, by the terms of this contract, the city of Chicago was precluded from issuing taxicab licenses in excess of 3,000 without the consent of Yellow and Checker until after it had first replaced those surrendered by Yellow and Checker in 1938.

14. At the time of filing this complaint, about 3,275 cab licenses were outstanding in the city of Chicago, of which 1,595 were issued to defendant Yellow, 1,000 to defendant Checker, which leased them to Cab Sales, and 680 were issued to so-called "independents." (When the investigation leading to this complaint was begun early in March 1946, there were only 3,000 outstanding licenses and only 405 issued to independents.) In addition, Parmelee operates 85 non-licensed cabs in transferring passengers between railroad stations in Chicago. Defendant Markin controls the management and operations, including purchases of motor vehicles for use as cabs, of Yellow, Cab Sales, and Parmelee.

15. Some 13,000 licenses to operate cabs are now outstanding in the city of New York, of which 2,000 are held by National Transportation Co., Inc., a wholly owned subsidiary of defendant Parmelee. The purchase of motor vehicles for use as cabs by National Transportation Co., Inc. is controlled by Markin.

16. One-half of the cabs in Pittsburgh are operated by Pittsburgh Transportation Co., and the other half are operated by Yellow Cab Co. of Pittsburgh. Both of these concerns are wholly owned subsidiaries of Parmelee and their purchase of motor vehicles for use as cabs is controlled by Markin.

17. Of the 214 cabs licensed in Minneapolis, 125 are operated by Yellow Taxi Co. of Minneapolis which is a wholly owned subsidiary of Parmelee. The purchase of motor vehicles for use as cabs by this concern is controlled by Markin.

V

OFFENSES CHARGED

18. Beginning about January 1929 and continuing thereafter up to and including the date of filing this complaint, the defendants have been and now are engaged in a combination and conspiracy to restrain and to monopolize interstate trade and commerce in the sale of motor vehicles for use as cabs to the principal cab operating companies in Chicago, Illinois, Pittsburgh, Pennsylvania, New York, New York, and Minneapolis, Minnesota, and in the business of furnishing cab services for hire in the city of Chicago, Illinois, and its vicinity, in violation of Sections 1 and 2 of the Act of Congress of July 2, 1890, c. 647, 26 Stat. 209, as amended, entitled "An Act to protect trade and commerce against unlawful restraints and monopolies," said Act being commonly known as the

"Sherman Act." Defendants threaten to continue such offenses and will continue them unless the relief hereinafter prayed for in this complaint is granted.

19. The aforesaid combination and conspiracy to restrain and to monopolize has consisted of a continuing agreement and concert of action among the defendants, the substantial terms of which have been that defendants agree:

(a) To control the operation, and the purchase, of motor vehicles for use as cabs, by the principal cab-operating companies in Chicago, New York, Pittsburgh, and Minneapolis;

(b) That each such operating company will purchase and use as cabs only motor vehicles manufactured by CCM; and will not purchase for such use, or use, any motor vehicles made by other cab or automobile manufacturers;

(c) Yellow and Cab Sales will not attempt to compete with Parmelee for contracts with railroads or railroad terminal associations to transport passengers and their luggage between railroad stations in Chicago;

(d) Parmelee will not compete with Yellow or Cab Sales by seeking to engage, or engaging in the business of transporting passengers for hire in the city of Chicago and its vicinity except by contract with railroads and railroad terminal associations;

(e) To reduce the total number of taxicabs operated in the city of Chicago to 3,000, thereafter to induce the city of Chicago to enact an ordinance reducing the total number of taxicab licenses issued to 3,000, and to oppose and prevent any increase in the number of said taxicabs and licenses above 3,000;

(f) That Yellow and Checker will hold 2,595 of the 3,000 licenses issued by the city of Chicago, dividing them 1,595 to Yellow and 1,000 to Checker; that they would secure and divide among themselves, in a ratio of 60 percent to

Yellow and 40 percent to Checker, any licenses above 3,000 which might be subsequently issued by the city of Chicago;

(g) That Checker will lease all of its licenses to Cab Sales for \$180 per year per license;

(h) Yellow and Cab Sales will not compete with each other by using a make or style of cab other than that manufactured by CCM or by providing more or better service to passengers; and

(i) That Checker and Yellow would prevent new operators, including veterans, from entering the cab business in Chicago and vicinity by annually renewing cab licenses for cabs they did not operate and had no intention of operating.

Said combination and conspiracy has been formed and effectuated by divers means and methods, including the acts, agreements, and understandings hereinafter set forth.

20. About January 1929, Markin, then president of CCM, Ernest H. Miller, president of Yellow Taxi Corp., New York, and J. A. Sisto & Co., investment bankers owning 20 percent of the outstanding stock of CCM, commenced negotiations to merge the more important cab operating companies in New York, Chicago, and other cities. One of the principal purposes of the proposed merger was to insure that these cab operating companies would thereafter purchase all of their motor vehicles for use as cabs from CCM and would not buy them from competitors of CCM. This plan of merger was thereafter carried out.

21. In furtherance of the plan, defendant Parmelee was organized April 12, 1929. It was financed in part by CCM, which purchased preferred stock and debentures for about \$1,400,000. Ernest H. Miller became the first president and a director of Parmelee. Two of the other directors were also directors of CCM. In

return for its stock and debentures, Parmelee promptly acquired 26 percent (106,819 shares) of the outstanding stock of Chicago Yellow, 96 percent (19,300 shares) of the outstanding stock of The Parmelee Company, 68 percent (85,659 shares) of Yellow Taxi Corp., New York, and \$2,052,417.50 in cash. During June 1929, Parmelee purchased an additional 8,350 shares of Chicago Yellow. During the same year, it purchased the remainder of the stock of The Parmelee Company and 22,341 shares of Yellow Taxi Corp., New York, to increase its holdings in the latter company to 86 percent of the total stock.

22. The Parmelee Company was dissolved in May 1934 and its business of transporting passengers between railroad stations in Chicago was taken over by defendant Parmelee.

23. Parmelee has, since its first acquisition of stock in Chicago Yellow, continuously owned a sufficiently large number of shares of such stock to control the policies and operations of Chicago Yellow and has controlled them. Parmelee's control of Chicago Yellow has, in turn, been controlled by Markin.

24. The operation of cabs in New York City by the various cab-operating companies acquired by Parmelee from time to time following 1929, including Yellow Taxi Corp., New York, and Motor Cab Transportation Co., have now been consolidated in National Transportation Co., Inc., a wholly owned subsidiary of Parmelee. Motor Cab Transportation Co. was purchased by Parmelee from CCM in September 1930, and 422,787 shares of common stock of Parmelee was paid to CCM as part of the transaction. Since the acquisition of this stock, CCM has continuously owned more than 51 percent of the capital stock of Parmelee.

25. Parmelee acquired 74 percent of the capital stock of Yellow Cab Company of Pittsburgh in June

1929, and another 9.7 percent before the end of 1929. Parmelee has continuously owned more than 51 percent of said stock ever since. In October 1929, Parmelee acquired all of the outstanding stock of Pittsburgh Transportation Company and has continuously owned said stock ever since. In June 1930, Parmelee acquired Red Cab Company, a competing Pittsburgh cab-operating company, and merged its operations with its other two Pittsburgh subsidiaries, thereby acquiring a complete monopoly of the business of operating cabs in Pittsburgh.

26. Parmelee caused the formation of Yellow Taxi Company of Minneapolis, a Delaware corporation, in February 1931, to operate cabs in Minneapolis. Parmelee acquired all of its stock upon its formation, and owned it at least until December 31, 1933. The assets of the Delaware corporation were then transferred to a Minnesota corporation of the same name in return for the capital stock of the latter. The Delaware corporation was then dissolved. Parmelee has continuously owned all of the capital stock of the Minnesota corporation since the dissolution of the Delaware concern.

27. In October 1929, DeLuxe Motor Cab Company was the third largest concern operating cabs in Chicago, with about 400 city taxicab licenses, and a substantial interest in DeLuxe was owned by Markin. At that time, Markin offered to sell all stock in DeLuxe to Parmelee for \$388,000, or \$100,000 and 16,000 shares of Parmelee, Parmelee also to assume liability for \$332,000 in mortgage notes held by CCM. DeLuxe owned approximately 308 cabs, valued at about \$363,000. Parmelee considered that, although DeLuxe had been losing money, its net worth, aside from the value of its taxicab licenses, exceeded its liabilities by about \$92,000 as of August 1929. Parmelee also

considered that the value of the city taxicab licenses held by DeLuxe, because of the 1929 city ordinance tending to limit the number of taxicab licenses in Chicago, was at least \$1,000 per license, or \$400,000. In addition, Parmelee considered that the purchase of the DeLuxe stock would be of value since such purchase would effectively prevent other interests not then operating in Chicago from acquiring DeLuxe and Parmelee would "control the operation of two out of the three large operating companies" in Chicago. These three were Yellow, DeLuxe, and Checker. Parmelee accepted the proposal of Markin and in February 1930 purchased, through General Transportation Company, a wholly owned subsidiary of Parmelee formed for this purpose, all outstanding stock of DeLuxe for \$388,000, it being agreed that Markin and one Paul L'Amoreaux, who also owned a substantial interest in DeLuxe, would purchase 16,000 shares of Parmelee stock at \$18 per share.

28. In 1930 Parmelee and M. M. Sokoll, president and director of Checker, caused the consolidation of DeLuxe and certain independent cab companies into a new company, Chicago Cab Company, one of the purposes of the consolidation being to prevent some outside company from entering the taxicab operating field in Chicago in competition with Yellow. In 1932, Cab Sales acquired a substantial interest in Chicago Cab Company. In July 1932, it caused the company to suspend operations and the drivers to enter into contracts with Checker. This action was approved by CCM as it would assist in preventing interests hostile to CCM from obtaining a competitive position in Chicago.

29. The Transportation Management Corp., a Delaware corporation, became a wholly owned subsidiary of Parmelee in April 1929, and in that month it en-

tered into so-called management contracts with Yellow, The Parmelee Company and Yellow Taxi Corp., New York. These contracts were substantially identical in their terms except for amounts of payments to be made by the cab operating companies. Each operating company agreed, among other things, that it would not make any purchase of more than \$500 without consulting and obtaining the approval of the management company, and that all purchases, the advertising policy, and the employment and activities of departmental heads and superintendents would be supervised by the management company. Each contract provided that Ernest H. Miller, then president of both Parmelee and of the management company, would, as long as he was president of the management company, perform some of the said management. Miller became a director of Chicago Yellow and of Yellow in May 1929 and held these positions, as well as the presidency of Parmelee and of the management company, until 1932. Miller was, in 1929, and had been, a co-conspirator with Markin in formulating and carrying out the conspiracy charged in this complaint. For these so-called management services Yellow agreed to pay \$50,000.00 annually to the Transportation Management Corp., The Parmelee Company agreed to pay \$25,000.00 and Yellow Taxi Corp., New York, agreed to pay \$50,000.00.

30. About the same time The Transportation Management Corporation agreed to manage the cab-operating companies, it entered into contracts with Markin and Ernest H. Miller. It agreed to pay Markin \$25,000.00 annually to act as its management advisor and agreed to pay Miller \$50,000.00 annually to act as its general manager. The contract with Miller remained in effect until July 1932. The contract with

Markin stated that Markin had no obligation to devote any specified or substantial portion of his time in rendering such services. Markin has continuously, since May 1929, been management advisor to The Transportation Management Corp. and, since May 1934, to its successor, Parmelee.

31. The Transportation Management Corp. was dissolved in May 1934 and its management functions and contracts were assumed by Parmelee. Parmelee continuously owned all of the capital stock of The Transportation Management Corp. from the time it first acquired it until the company was dissolved.

32. The terms of the management contracts described in paragraph 29 hereof have continued in effect substantially unchanged, through being incorporated in new contracts, except as to the sums paid thereunder, until the date of filing of this complaint. As Parmelee acquired additional subsidiaries following 1929, it caused them to enter into substantially identical management contracts.

33. Automotive Sales Corporation was incorporated in Delaware in April 1929. Three days later all of its stock was purchased by Parmelee for \$1,000 and CCM agreed to give it 5 percent commission on all cabs sold by it for CCM prior to April 30, 1934. A few days after the contract was executed, Automotive Sales Corporation ordered 1,000 cabs from CCM for Yellow. Yellow paid \$1,906.00 for each of these cabs, and Automotive Sales was paid the sum of \$95.30 per cab by CCM as its commission. This sum was included in the price paid by Yellow for said cabs.

34. Cab Sales was incorporated in January 1930, and said company has been managed and operated since that time by defendant Markin, who has been the owner of all outstanding stock of Cab Sales since about 1934. In February 1930, CCM settled litigation

between it and Checker. As part of the settlement, Checker agreed that its drivers would purchase all motor vehicles for use as cabs from Cab Sales for a period of five years at a price \$2,350 per cab, this price to be adjusted in proportion to changes in the list price of cabs manufactured by CCM. At about the same time, CCM appointed Cab Sales as exclusive agent for sales to Checker and agreed to sell cabs to Cab Sales at \$1,906 per cab, this price likewise to be adjusted in proportion to changes in the list price. Thereafter, during the ensuing five years, large numbers of cabs were purchased by Checker drivers from Cab Sales, which in turn purchased said cabs from CCM at prices about \$400 lower than the prices paid by said drivers.

35. Cab Sales on May 1, 1931, borrowed the sum of \$500,000 from Yellow to finance its acquisition of 51 percent of the capital stock of Checker. Yellow loaned the money to Benzoline Motor Fuel Co., another wholly owned subsidiary of Chicago Yellow, which then reloaded it to Cab Sales. Cab Sales agreed to repay the loan in installments, the last payment to be made in 1941. Part of the consideration for said loan was the agreement by Cab Sales that it and Checker would purchase from Benzoline all gasoline and lubricating oils used in the operation of "Checker" Cabs.

36. In May 1932, Cab Sales defaulted on the first payment due on the said \$500,000 loan and Benzoline extended the due dates of payments. In October 1932, Yellow loaned \$180,000 to its substantially wholly owned subsidiary, The Waverly Corporation, a holding company, which, during the same month, loaned Cab Sales another \$200,000, also to be repaid over a ten-year period. Waverly made the loan in order

that Cab Sales might finance its acquisition of additional shares of Checker.

37. From November 1932 until September 1942, Cab Sales continuously owned more than 97 percent of the capital stock of Checker. In September 1942, Markin caused Cab Sales to sell its holdings in Checker to its present owners in order to make them full associates in Markin's taxicab operations in Chicago.

38. Beginning in the year 1931, some drivers for Checker began to default on their payments for cabs purchased from Cab Sales. About the year 1932, Cab Sales began to foreclose on delinquent mortgage notes and to take over the ownership and operation of cabs. By 1936, Cab Sales actually owned and operated about 500 of the total number of taxicabs licensed to Checker. Thereafter, Cab Sales extended its ownership of cabs licensed to Checker and owned all of them by June 1941. Since that time, it has owned and operated all cabs for which Checker has city taxicab licenses.

39. From the month of May 1931 to the present time, defendant Markin has actually controlled and directed the operation of all taxicabs for which Checker has held licenses from the City of Chicago.

40. In 1933 CCM prevented a divorcement of Yellow from Parmelee. In August of that year, Yellow and Parmelee agreed that Parmelee would sell all of its 48,730 shares of Chicago Yellow stock to Yellow for the purpose, among others, of quieting newspaper criticism of Parmelee as "a gigantic taxicab monopoly spreading over the whole country" and because divorcement of Chicago Yellow from Parmelee might convince the Chicago Board of Aldermen that previous criticism was unjustified and might induce them to raise taxicab rates which the Board had recently reduced. CCM, as owner of more than 51 percent of

the stock of Parmelee, objected to this transaction and Parmelee and Yellow agreed to rescind their agreement of sale. In December of the same year, CCM loaned Parmelee \$197,500 with which to exercise an option to purchase from Yellow an additional 25,000 shares of stock in Chicago Yellow.

41. By the year 1937, the total number of cab licenses issued by the City of Chicago was 4,071, of which 2,166, or 53 percent were issued to Yellow; 1,500, or 37 percent, were issued to Checker; and 405, or 10 percent, were issued to other cab operators.

42. About April 1937 Checker agreed with Yellow to reduce the number of cabs operated under its taxicab licenses. Yellow agreed to pay Checker one-half of the gross revenue lost by the latter by reason of fewer payments from drivers for its services. Pursuant to this agreement Checker reduced its cabs by about 336 during 1937 to a total of 1,164. During the same period Yellow reduced the number of its cabs by 155 to a total of 1,495.

43. In the summer of 1937, at the suggestion of Parmelee, Yellow and Checker agreed to induce the City of Chicago to reduce the total number of taxicab licenses to not more than 3,000, of which 1,500 would be issued to Yellow and 1,000 to Checker.

44. On January 3, 1938, following the enactment of the taxicab ordinance of December 22, 1937, referred to in paragraph 12 of this complaint, a contract was entered into between Yellow, Cab Sales, and Checker, which recited that under the terms of the ordinance of 1934, and by filing acceptance thereof, defendant Yellow had secured to itself the right to hold, own, and operate 2,166 taxicab licenses; the defendant Checker had secured to itself the right to hold, own, and operate 1,500 of said licenses; that defendant Yellow was not operating and had not for more than ninety days

operated 511 of the licenses owned by it and did not have equipment available for the purpose of exercising the rights and privileges conferred on it by reason of such licenses, and therefore Checker maintained that each of said 511 licenses was immediately subject to forfeiture on complaint to the Mayor of the City of Chicago in accordance with the provisions of the ordinance of May 18, 1934; that the parties to said contract were desirous of securing a reduction in the number of taxicab licenses in the City of Chicago to not more than 3,000 but that Checker was unwilling to accept the provisions of said ordinance and to relinquish any of its licenses without compensation therefor; and that Yellow was desirous of accepting the provisions of said ordinance and in making possible a reduction in the number of outstanding licenses to 3,000. In view of these considerations, defendant Checker promised to relinquish for cancellation by the City of Chicago 500 taxicab licenses held by it; and to sell to Yellow the right of Checker, under said ordinance, to renew and obtain reissuance of 240 of the said 500 licenses to be surrendered by Checker. Defendant Yellow agreed to pay to Checker the sum of \$550 per license for each taxicab license relinquished by Checker up to 500 licenses, for a total payment by Yellow to Checker of \$320,000, which, at the option of Yellow, could be paid in the notes issued by Cab Sales in return for the \$500,000 and \$200,000 loans described in paragraphs 35 and 36 of this complaint. Said contract further provided that in the event that additional licenses above the number of 3,000 should be issued by the City of Chicago, over and above the number of licenses surrendered by Yellow and Checker, that Yellow would apply for and both parties would attempt to secure for it 60 percent of all such additional licenses; and that Checker would apply for,

and both parties would attempt to secure for Checker 40 percent of such additional licenses, to the end that the total number of such additional licenses should be divided between Yellow and Checker on the basis of three-fifths to Yellow and two-fifths to Checker. Pursuant to said agreement, Checker surrendered 500 licenses for cancellation by the City of Chicago.

45. In addition to the above contract, Yellow agreed with Checker that it would surrender to the City of Chicago for cancellation a sufficient number of licenses to bring the total number of licenses down to the figure of 3,000, and Yellow did so surrender 571 licenses.

46. Beginning at some time prior to 1937, the precise time being unknown to plaintiff, and continuing to the date of filing this complaint, Cab Sales and Yellow have exchanged monthly statistics on their respective operations of cabs. Parmelee and CCM have, at various times during this period, acted as the intermediary for the exchange of these reports.

47. In 1938 the General Transportation Casualty Co., a New York corporation, was organized by Chicago Yellow, CCM and Cab Sales, for the purpose, among other things, of insuring taxicab companies against personal injury and property damage claims. In 1939 the company was reorganized and the name changed to the General Transportation Casualty and Surety Co. In 1944, the capital of the corporation was increased and Parmelee became an additional shareholder. This concern insures the cab operations of the defendants.

48. In 1938 Transportation Maintenance Corp., an Illinois corporation, was formed by Chicago Yellow, Parmelee, and Checker for the purpose of servicing all motor vehicles operated by each in the City of

Chicago and vicinity. Prior thereto, each had serviced its own vehicles.

49. In the years 1936 and 1937 Yellow made application for and received 2,166 taxicab licenses, although it never operated more than 1,719 cabs at any time during said years, and for a short period it operated only 1,325. During the years 1938 to 1945, inclusive, Yellow applied for and received 1,595 taxicab licenses. The maximum number of cabs operated by it during each of said years is as follows: 1,495 in 1938; 1,351 in 1939; 1,173 in 1940; 1,338 in 1941; 1,450 in 1942; 1,400 in 1943; 1,200 in 1944; and 1,100 in 1945. During the period from June 1944 to January 1946, defendant Yellow has placed on the streets a daily average of less than 1,100 taxicabs. During the period from 1942 to 1946, Yellow continually had in storage 145 taxicabs on which annual licenses were secured, but which cabs were never removed from storage. Yellow annually applied for and received 1,595 taxicab licenses from 1938 to 1945, knowing it would not utilize all of said licenses to operate cabs.

50. During each of the years 1939 to 1941, inclusive, Checker applied for and received 1,000 taxicab licenses. The maximum number of cabs operated under the licenses during these years is as follows: 927 in 1939; 920 in 1940; and 928 in 1941. During 1945 Checker and Cab Sales together did not have available for operation as many cabs as Checker had licenses; and Checker made application for the renewal of 1,000 licenses in 1945 knowing that neither it nor Cab Sales would utilize all of them to operate cabs.

51. On January 16, 1946, the Board of Aldermen of the City of Chicago passed a resolution author-

izing the issuance of 250 licenses to veterans and, on January 22, 1946, the Public Vehicle License Commissioner of the City of Chicago issued notice to Yellow and Checker that he would cancel 234 licenses previously issued to Yellow and 87 previously issued to Checker, by reason of their failure to operate the number of taxicabs for which licenses had been issued.

52. Yellow thereupon instituted suit, in which Checker intervened as party plaintiff, to enjoin the City of Chicago and its officials from issuing said additional 250 licenses and from cancelling existing licenses issued to said defendants, and in support of said suit made representations and filed affidavits with the Court that causes beyond the control of Yellow and Checker made it impossible for them to procure taxicabs to replace those which had become inoperable, or to procure new parts for replacement in and repair of their taxicabs. In fact, Yellow, Checker, and Cab Sales could have purchased and placed in operation enough additional motor vehicles to operate a cab for each license if they had been willing and free to purchase motor vehicles manufactured by others than CCM.

VI

EFFECTS OF THE CONSPIRACY

53. The aforesaid combination and conspiracy has had, as was intended by the defendants herein, the following effects:

(1) Competition between Checker, Cab Sales, and Yellow has been eliminated;

(2) Competition between Checker, Cab Sales, and Yellow, on the one hand, and Parmelee, on the other hand, in the transportation of passengers and their luggage in the city of Chicago

and vicinity has been eliminated and prevented;

(3) Since the year 1929, Yellow, Checker, Cab Sales, Parmelee, and Parmelee's cab operating subsidiaries in New York, Pittsburgh, and Minneapolis have been prevented and precluded from purchasing new motor vehicles for use as cabs from any manufacturer other than CCM, and other manufacturers of motor vehicles capable of use as cabs have been excluded from the opportunity of competing for said business;

(4) By reason of said conspiracy, Yellow, Checker, and Cab Sales, and Parmelee and its subsidiaries, have been required to pay more for motor vehicles purchased and operated by them as cabs than they would have had to pay in the absence of said conspiracy, and other expenditures by said cab operating companies have been unnecessarily increased, which unnecessary expenditures have been reflected in, and have resulted in, high rates being charged the public for the transportation services rendered by said companies;

(5) By reason of said conspiracy, defendants have successfully excluded others, including veterans, from the opportunity to secure taxicab licenses from the city of Chicago and from the opportunity of participating in the operation of cabs in said city and its vicinity.

(6) By reason of said conspiracy, Yellow, Checker and Cab Sales have not operated their cabs to the extent reasonably necessary to meet the public demand for cab service.

PRAYER

WHEREFORE, PLAINTIFF PRAYS:

A. That, pursuant to Section 5 of the Sherman Act, an order be made and entered herein requiring each of the defendants as are not within this District to be brought before the Court in this proceeding as parties defendant, and directing the Marshals of the

Districts in which they severally reside to serve summons upon them.

B. That the aforesaid combination and conspiracy in restraint of trade and conspiracy to monopolize be adjudged and decreed to be unlawful.

C. That defendants be required to release and waive any and all rights they may have or claim to have under the ordinance of the City of Chicago of December 22, 1937, and its extension, to secure additional taxicab licenses in excess of the number now held by Yellow and Checker.

D. That the agreement of January 3, 1938, between Yellow, Cab Sales, and Checker be declared to be illegal and of no force and effect, and that each party thereto be enjoined from enforcing, from attempting to enforce, and from observing any of the provisions thereof, and from entering into any similar agreement or understanding.

E. That the agreement between Parmelee and Markin, by which Markin is employed as advisor to Parmelee, shall be declared to be illegal and of no force and effect, and that Parmelee and Markin be enjoined from enforcing or attempting to enforce, and from observing any of the provisions thereof, and from entering into any similar agreement or understanding.

F. That all so-called management contracts entered into between Yellow, Chicago Yellow, and Parmelee or any of its subsidiaries, be declared to be illegal and of no force and effect, and that each defendant be enjoined from enforcing or attempting to enforce them, from observing any of the provisions thereof,

and from entering into any similar agreement or understanding.

G. That Markin be required to divest himself of all stock or other interest in, or control over, Yellow, Chicago Yellow, Parmelee and all subsidiaries or affiliates of Parmelee, and be enjoined from hereafter acquiring any interest in, or ownership of stock of, or any control over any defendant or its subsidiaries other than CCM, Cab Sales, and Checker.

H. That the corporate defendants be required to divest themselves of all interest in, and ownership of stock of, each other, and of control of each other, to the end that each of the following groups of defendants shall be independent of, and free to compete with, each other:

1. CCM, Cab Sales, and Checker;
2. Parmelee, Yellow Taxi Co. of Minneapolis, Yellow Cab Co. of Pittsburgh, Pittsburgh Transportation Co., and National Transportation Co., Inc.;
3. Yellow and Chicago Yellow.

I. That each corporate defendant be enjoined from hereafter acquiring any interest in, or ownership of stock of, or any control over, any defendant or its subsidiaries other than one in its own group as stated in the preceding paragraph.

J. That either Chicago Yellow or Cab Sales be required to divest itself of all of its interest in and ownership of the stock of Transportation Maintenance Corporation, so that there shall be no community of interest in, or control over, said Transportation Maintenance Corporation by Chicago Yellow and Cab Sales.

K. That the plaintiff have such further, general, and different relief as the nature of the case may

require and the Court may deem proper in the premises.

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