



CHAPTER IX

DOES MUNICIPAL OWNERSHIP PAY?

THE city represents the high-water mark of democracy in Great Britain. Here alone has manhood suffrage made use of the ample powers resident in it. The urban and county councils are the only really democratic bodies in England. For through the reactionary attitude of the House of Lords and the privileged classes in the Commons, comparatively little democratic legislation is obtainable from Parliament.

But the English city is democratic in its ideals, in the personnel of its council, in its responsiveness to public opinion as well as in its achievements. Democracy is finding itself in England, not through Parliament, but through the agency of local government. England is to-day being democratized, just as it was commercialized—through the city. From these centres of ancient tradition, caste, and privilege, the most vital influences of the Empire are emanating, while the people are being awakened to a larger life through the political forces that were ushered in by the parliamentary reforms of 1882.

Through this change democracy is assuming new

forms and taking on new functions. The liberalism of the middle of the century is being Fabianized, while the political programme of an earlier generation is being extended into the realms of industrial and social reform. From a system of political indifference, tempered by charitable effort, the city has become an agency of coöperative endeavor. New issues are being raised about the taxation of land values for local purposes, the municipalization of all monopolies, the housing of the poor, the extension of public education, the improvement of the conditions of labor, and the standard of living of the people.

All this has been opposed as socialism by the reactionary influences interested only in maintaining the *status quo*. Opposition, however, has not checked the advance of the movement, whose remarkable progress may be seen in the increase in municipal indebtedness in recent years. In 1875 the obligations of the British local bodies were but \$465,000,000. By 1904 this indebtedness had grown to \$1,950,000,000, or over four hundred per cent. At the same time the per capita indebtedness of the local bodies had increased from twenty to fifty dollars.

Such an exhibit of local indebtedness would imply a recklessness on the part of democracy, were it not for the fact that it has been largely incurred for productive undertakings, which are an offset

to the indebtedness of the local bodies, and in the aggregate earn a large surplus over operating expenses and fixed charges. In addition to this, the problems of housing, of slum clearance, of education and the like, have aroused the cities to measures of relief which have considerably expanded the municipal expenditures as well as increased the burdens of taxation.

Municipal trading, as it is called in Great Britain, is conducted with scrupulous attention to maintenance, replacement, and adequate sinking-fund appropriations, so that the property is kept at its original efficiency. At the same time, careful accounting protects the public from such criticism of municipal enterprise as is common in America. All municipal accounts are published, and I have never heard the charge suggested that they were juggled. In every city two elective auditors are chosen, and in the larger communities professional accountants pass upon the city's affairs. In the case of the county and district councils, a still further check is maintained by the audit of the Local Government board. An examination of the tables of taxation and indebtedness of seventy-four boroughs and county boroughs, which include all of the larger cities in the United Kingdom, shows that high taxation usually coincides with private ownership, while low rates are usually found where the city has gone in for remunerative under-

takings. The increase in local taxation in England is due to the same influences that have been operative all over the world. There, as elsewhere, increased taxation is not attributable to municipal industry so much as to the advance in education, sanitation, and poor-law administration.

As in the United States, the water supply was the earliest of the services municipalized in England. In London the supply is still in the hands of private companies, although appraisal proceedings are now in progress for their acquisition by the public. Outside of the metropolis, there are but few cities in England and Wales that do not own their own plants.

The acquisition of the supply of gas has been somewhat delayed by the policy of first acquiring the electric-lighting plants, but despite this fact the number of communities which manage their own gas supply tends annually to increase. The returns of the Board of Trade offer reliable data on this point. From these reports it appears that in the United Kingdom there are two hundred and fifty-six plants now owned by the cities, and that four hundred and fifty-four companies are authorized to carry on the gas business.

In 1903 the public plants represented a capital outlay of \$180,000,000, as against an investment of \$385,000,000 by the four hundred and fifty-four private companies still in the field.

From the returns from the local authorities operating the gas supply, it appears that the net revenue in the year 1903 amounted to about \$11,000,000, and that the average rate charged per thousand cubic feet was sixty-four cents, as against an average of seventy cents charged by four hundred and fifty-four private companies.¹

While the number of plants owned by the public is very much less than the number still in the hands of private agencies, the number of consum-

¹The prices charged for gas by many cities are very much below this average. In almost all cases the rate charged by the municipality is lower than that charged by private companies. In addition to this, the candle power of the municipal plants is generally very much higher. The following comparative statement of ten cities shows this disparity (these figures, however, are several years old):

MUNICIPAL GAS WORKS.			
	PRICE CHARGED PER 1000 CU. FT.	CANDLE POWER	PROFIT PER CENT. ON INVESTMENT
Glasgow . . . . .	.50	21	8.8
Manchester . . . . .	.60	19½	5.7
Bradford . . . . .	.54	18	7.8
Salford . . . . .	.58	19	5.8
Oldham . . . . .	.53	19½	6.9
COMPANY GAS WORKS.			
Brentford . . . . .	.70	15	8.0
Dublin . . . . .	.84	16	7.9
Brighton . . . . .	.66	15	7.6
Croydon . . . . .	.64	14	8.8
Hastings . . . . .	.74	16	8.5

The lowest price for gas is found in the city of Sheffield, where a private company controls the field. The rates have been reduced to thirty-six cents per 1000 cu. ft., and yet the company declares ten per cent. dividends on its capital stock.

ers supplied by the public is considerably over one-half of the total.

Just as occurred in the traffic of the street railways, public ownership has stimulated gas consumption among all classes of the community. Under municipal operation the poorer classes are able to use gas. In many towns practically the entire population is supplied. In the cities of Glasgow, Manchester, Edinburgh, Oldham, Bolton, and Halifax one person out of 4.6 to 5.5 uses gas. Comparing thirty-one towns of over 500,000 population having municipal plants, with thirty-one towns having private plants, the ratio of connections appears to be one customer to four and nine-tenths people in the public plants, and one connection to nine and three-tenths people in the private plants. About one-half as many people per thousand of population make use of the service under private as under municipal operation.¹ In so far as data are available for the United States, the ratio of use ranges from one person in twelve to one person in twenty-three.

This general use is traceable to the policy adopted by cities which have reduced charges and furnished metres, fittings, stoves, etc., at low prices, or free of charge; while prepayment

¹ See article by Milo Roy Maltbie entitled "Gas Lighting in Great Britain," *Municipal Affairs*, Vol. 4, No. 3, p. 559.

metres, arranged like slot machines, enable the very poor to purchase gas in small quantities.

Speaking of the experience of England in the operation of this industry, Mr. Robert Donald, the editor of the *Municipal Year Book*, and probably the most competent authority on municipal questions in Great Britain, says:

“ In the case of the gas supply, there is a large number of persons who question the advisability of municipal operation; but experience has definitely shown that municipalities sell gas at a lower price, give better service, pay higher wages, require shorter hours of work, conduct their plants as economically, often decrease taxation through the profits made, are more progressive and ready to adopt new inventions than the private companies.”¹

Despite the fact that the aim of the municipality has been to reduce the price and improve the service, the net earnings from the gas industry have been considerable. The city of Manchester aids its rates to the extent of \$665,000 a year from the sale of gas. In the year 1903 the city of Bolton earned \$80,000; Belfast, \$140,000; Blackpool, \$70,000; Nottingham, \$180,000; Salford, \$150,000, while a number of smaller communities earned sums ranging from \$10,000 to \$30,000 from this source.

¹“ Municipal Ownership in Great Britain,” *Municipal Affairs*, Vol. 8, No. 4, p. 512.

In no field of municipal enterprise has Parliament recognized the essential monopoly of the industry as it has in the case of gas. The public has been well protected by legislation, and the local authorities have been granted large powers of control. Under the act of 1847 the average profits of gas companies were limited to ten per cent. per annum on the paid-up capital. Since that time the maximum profit has been lowered, so far as it relates to additional capital, to seven per cent. on common and six per cent. on preferred stock. Moreover, a sliding scale has been adopted by which the interests of the consumer and the company are cared for. Companies are compelled to dispose of all additional stock by auction, and if the stock thus sold realizes a premium, the money may not be divided among the stockholders. At the same time, the local authorities are empowered to test gas metres and examine into the illuminating power of the gas, which must be up to a fixed and established standard.

Of even greater interest to us is the experience of Great Britain in the municipalization of her tramways, for in Chicago, Cleveland, Denver, San Francisco, and Detroit the street-railway question has become one of practical politics. About no branch of municipal trading in Great Britain has the fire of controversy centred as it has about this, the latest and the most extensive

business which the cities have undertaken. Frequent criticism is heard in this country of these undertakings, and comparisons adverse to English plants are common. But criticism of this sort overlooks the differences in local conditions. If comparison is to be made at all, it should be between private ownership and public ownership in Great Britain, rather than between public ownership in that country and private ownership in America. For the wants of the people are so different that different standards of service exist. But aside from this fact, the public tramways of Great Britain are equal, if not superior, in construction and operation to those in America. The lines are more substantially built. They are operated with a jealous regard for public comfort and convenience. The tramways of the London County Council are laid with concrete foundations, with girder-grooved rails, and many of them have substituted the underground trolley for overhead connections. The English service is slower than the American, but its safety is greater, while adequate seating accommodations are supplied to all. The employees are better treated than they are under private ownership. Hours of labor have been reduced, and in many cities advertisements have been excluded from the cars, while workingmen's trains are run at reduced fares in the morning and even-

ing. Further than this, there is no tendency, no desire on the part of any English city to return to private operation. The benefits enjoyed have been too pronounced. This is the best of all tests of the change.

A further evidence of public approval is the rapid growth of public ownership, for in no department of city trading has such progress been made as in the municipalization of the tramways. Almost every large city in the United Kingdom has either taken over or is preparing to assume the transportation business. The conviction is general that this service is so identified with the well-being of the community that the best results can only be secured through public management.

In the acquisition of the plants, many were purchased from private companies at their original cost, less depreciation. In the early proceedings to secure possession the companies demanded payment for the franchises enjoyed, but in a case which went up from London this claim was overruled. While the companies claimed over \$3,000,000 as compensation, the arbitrator appraised the plant at \$505,000, which valuation was sustained by the courts.

In 1903 there were 142 municipal tramways in the United Kingdom, as against 154 in the hands of private owners. The capital outlay of the former plants was \$122,000,000, representing 1067

miles of track. The average cost of the plants per mile was \$115,000. In 1901 public bodies operated but twenty-nine per cent. of the total undertakings, but earned forty-three per cent. of the aggregate net revenue and carried forty-six per cent. of the total number of passengers conveyed. Since that time the extension in public ownership has been very great. In 1903 the net revenue upon the total investment was \$8,000,000, or seven and three-quarters per cent. on the capital employed.¹

As in many other enterprises, the city of Glasgow was a pioneer in street-railway operation. Prior to 1894 the lines were in the hands of a private company operating under a franchise. A controversy arose between the company and its employees, which stimulated a growing demand for municipal operation. After the acquisition of the system by the city it electro-equipped the lines and, coincident with its opening to the public, fares were reduced thirty-three per cent. Despite the fact that the private company established a competing omnibus line, the receipts, as well as the passengers carried, showed a marked increase.

Since that time the lines have been extended into

¹ At the close of the fiscal year 1904 there were 163 tramway undertakings owned by the cities, as against 142 at the close of the previous year. The total capital outlay was \$140,000,000 and the net revenue over operating expenditures was \$9,500,000. The return on the investment made was eight per cent. and the average fare paid by the 1,194,732,762 passengers carried was two and one-tenth cents. These statistics are taken from the Board of Trade returns.

the outlying districts, while the trackage in operation has been more than trebled. In eight years' time the passengers carried increased from 86,500,000 to 177,000,000, while the gross receipts grew from \$1,110,600 during the eleven months prior to June 1, 1895, to \$3,265,995 in the year 1903.¹

Of the passengers carried in the latter year, 18.11 per cent. paid but one cent fare, 69 per cent. but two cents, 9.21 per cent. but three cents, while the balance paid from four to six cents, depending upon the length of the haul. The average fare per passenger was one and three-fourths cents. In the fiscal year 1903, the earnings of the system, amounting to \$3,265,995, were applied as follows:

Permanent way, electric-equipment buildings, fixtures, power station, cars, etc.....	\$637,775.00
Interest and sinking fund.....	547,125.00
Operating, power, general expense, and repairs.....	1,521,560.00
	\$2,706,460.00
Other net earnings.....	\$559,535.00

The operating cost was but 46 per cent.

¹This showing of passengers and earnings must be taken with a slight qualification growing out of the change from horse to electric traction, which, in England, as well as in America, has greatly stimulated earnings.

Nearly one-half of the disbursements of the year were for equipment, fixtures, power station, interest, and sinking fund—all save interest being for betterments. But despite these additions to the equipment, there remained net earnings of \$559,535 to be applied to reserve, the common good, and other municipal purposes.

This showing is in the face of the fact that the average fare per mile had been reduced from 1.78 cents under private management to .94 cents under public control. In fact, the earnings from public operation have been sufficient to enable the city to reconstruct the entire permanent way out of current revenue. In addition to this, the city has laid aside large sums for depreciation, and in seven years' time has written out of existence the original cost of the horse equipment purchased on the installation of the system.¹

¹ The general results of the municipal operation of this service in the city of Glasgow are summarized by Mr. Milo Roy Maltbie as follows:

"Municipal operation in Glasgow, as compared with private operation in Glasgow, has improved service, reduced fares, increased wages, shortened hours of labor, developed traffic, paid off part of the capital, kept road in repair, converted a portion to electric traction, and made much larger allowances for depreciation, sinking funds, renewal and reserve funds. Compared with private management in *other* cities of Great Britain, Glasgow has improved its service more rapidly, has been as progressive in adopting new inventions, treats its employees with more consideration, pays as high wages as any and in some cases higher; has developed traffic much more rapidly, has made larger allowances for depreciation, sinking funds, renewals, maintenance charges, etc., and yet furnishes transportation facilities cheaper than in any other British city.

"Further, no counterbalancing disadvantages have as yet appeared.

DOES MUNICIPAL OWNERSHIP PAY? 149

Similar showings have been made by other cities in the United Kingdom. The London County Council operates seventy-two miles of lines and is building more than one hundred miles more. In addition it owns and leases forty-two miles of track on the north side of the Thames to a private company. Liverpool has nearly one hundred miles in operation, while Manchester, Bradford, Leeds, Huddersfield, Sheffield, Newcastle, Dundee, Aberdeen, and others both own and operate their plants. The city of Liverpool acquired its plant from a private company in 1897. During the first six years of public operation the number of passengers carried increased 194 per cent., while the receipts during the same period grew eighty per cent. This showing of earnings was made in the face of the fact that the city reduced its fares by one-half, increased the wages of the employees, reduced the hours of employment, and doubled

Party politics has no recognition in the city departments of Glasgow. The administration is untainted with bribery, corruption, jobbery, or inefficiency. Employment is permanent during efficient service, and advancement is dependent wholly upon fitness. The employees have not used their power as voters, either directly or indirectly, to secure positions, to increase wages, to shorten hours, or to retain their positions when incompetent.

“The Tramways Department has entirely different objects in view than the private company. ‘Larger profits,’ as a motto, has been superseded by ‘better and cheaper service.’ Financial considerations have not been lost sight of, but the profits of operation, instead of going into the hands of private individuals, have been used for the general good. In a word, the welfare of the city and its citizens has been made the all-important consideration.”—*Municipal Affairs*, Vol. 4., No. 1, p. 59.

the mileage of the system. Not only has the plant paid all operating expenses and interest charges, but in five years' time \$625,000 has been applied to the sinking fund, reserve account, depreciation, and surplus.

The London County Council has followed a mixed policy of ownership and operation, and of ownership and leasing to a private company. From these mixed experiments some interesting deductions are offered. The benefits claimed from municipal operation are: (1) a relief of taxation; (2) the addition of an all-night service; (3) the running of workmen's cars at reduced rates; (4) a general reduction of all fares; (5) the institution of a ten hours' workday for employees, with one day's rest in seven; and (6) an increase in the wages paid. Despite these increased burdens, the Council has made a creditable showing from the operation of its system.

The terms imposed on the lines leased until 1910 to the North Metropolitan Tramway Company make the protection secured for the community in the most radical American franchise seem ridiculous. Under the terms of this lease, the company pays the Council \$225,000 a year rental for the use of the track, and twelve and one-half per cent. of any increase in its receipts. The company is also required to set aside \$180,000 a year to maintain and reconstruct the lines. Fares must

not be increased, and workingmen's cars, at low fares, are required to be run up to eight o'clock in the morning.

While the leasing of the lines has proven very profitable from a financial point of view, the publicly operated system has been more advantageous to the community in other ways. While the average fare on the municipal cars is one and three-fourths cents, on the company's cars it is two and one-fourth cents. Five million workers are carried annually on the Council's tramways at one-cent fares, involving a saving of \$500,000 a year.

In the matter of electric lighting, similar results have been achieved. More than one-half of the capital invested in such industries in Great Britain represents municipal plants. London and Newcastle-upon-Tyne are about the only large cities now served by private companies. At the present time there are 356 municipal undertakings in operation or course of construction with an investment of \$150,000,000. A comparison of the prices charged for current by the municipalities shows that the average charges were 9.12 cents per kilowatt hour in 1900 and 7.64 cents in 1902, as against an average price charged by the private companies of 10.5 cents and 9.8 cents in the same years.

Under the Telegraphs Act of 1899, English municipalities are empowered to establish tele-

phone enterprises under licenses from the Postmaster General. But five cities have taken advantage of this act, although a half-dozen others are taking steps for the acquisition of this service. The Glasgow system has 10,632 connections, and the gross earnings for the year ending May 31, 1903, were \$175,000. The tariff rates are \$25 a year for unlimited service over the entire system, extending over one hundred and forty-three square miles, with an alternative limited rate of \$17 under certain conditions.

The net revenue of the system at the end of the second year, exclusive of interest and sinking-fund appropriation, was \$8,500.

In the cities of Brighton, Hull, Portsmouth, and Swansea, the rate for unlimited service ranges from \$25 to \$30 a year.

But the English city has not been content with the municipalization of such utilities as have been enumerated. Applications have been made to the Board of Trade for permission to manufacture steam engines, gas and electric fittings, paving materials, cold-air storage, and ice; to supply milk; to open up concert rooms, saloons, and refreshment halls, hotels, and cycle tracks. Factories for the manufacture of tram-cars have been established, while the opening of municipal banks and bakeries has been suggested. In the North of England an agitation has been started for public

collieries, while such enterprises as public baths, laundries, lodging houses, and the like have become commonplace in many cities. Several towns are the owners of race courses, from which they derive a considerable revenue. The corporation of Bath has recently expended \$150,000 upon its baths and promenades. Bournemouth, another resort, owns winter gardens and golf links, and offers an excellent orchestra. Harrogate and Leamington own their own Turkish baths and pump rooms; while the city of Southport has opened an amusement beach with switchbacks, bicycle railways, toboggans, and the like.

Many towns engage in farming in connection with the disposal of their sewage. The city of Nottingham derives an annual revenue of \$32,500 from the sale of live-stock, and a dairy farm; while Wolverhampton enjoys an income of an equal amount from the same source. The city of Birmingham sells enough stock, wool, crops, etc., from its sewage farm to yield a revenue of \$125,000 a year. Bradford has a hotel; Colchester an oyster fishery. Birkenhead relieves its rates to the extent of \$50,000 annually from its ferries; Manchester is the principal shareholder in the Manchester Ship Canal, having invested \$25,000,000 in that great undertaking. Liverpool and Bradford manufacture artificial stone, which is used in the construction of model dwellings. No fewer than

two hundred and twenty-eight towns own public market-places and halls producing an aggregate annual income of \$2,760,000 and a net profit in relief of taxes of \$418,000. The city of Liverpool enjoys an average income of \$160,000 from its markets and \$500,000 a year from the rental of its lands.

A number of the smaller English boroughs are also the fortunate possessors of land. The little town of Bodmin in Cornwall meets all the expenses of the borough from the income of its land. The same is true of Doncaster, Boston, and the town of Penryn, in all of which the rental of lands has relieved the corporations from direct taxation.

The city of Newcastle receives \$170,000 a year from ground rents; while Bristol, Glasgow, Hull, and Nottingham receive amounts ranging from \$90,000 to \$175,000 from their estates.

While the financial showing of municipal enterprise is the feature first scrutinized, it is not the motive that has made the movement popular with the people. Nor has the relief of the taxpayer animated the council so much as have the convenience and comfort of the public. Not only have strikes been eliminated and service improved, but the indifference of private management has been superseded by cordial relations with the employees, increased wages, shorter hours, and a thoughtful consideration of the public; while

workingmen's trains with cheap fares have been added and an attempt made to relieve the tenement evils by opening up the country districts.

A similar policy has prevailed in the management of the water, electric-lighting, and gas industries. The cities have recognized that pure water and cheap light were essential to decent living, and that their freest use should be stimulated. Vice and crime do not thrive in the clear light of day, and the English cities have found that an electric light or a lamp-post was the most effective sort of policeman.

Moreover, through ownership the cities have been able to coördinate their enterprises, to consolidate the traction and electric-lighting plants, and to experiment with the service.

The effect of this movement has been to stimulate citizenship. The opening of a municipal tramway is an occasion for public rejoicing. The people feel that the cars are their cars, and that in supporting them they are using their own. This side of the balance sheet cannot be presented in words or figures, but its effect upon the public is most inspiring.

It is this sense of intimacy with the city that we most lack in America. It is a thing that can only come through constant physical touch with the community. Evidence of this fact is already seen in the parks, in the bath houses, the libraries, and

the schools which have been opened to the people in America. Officials in charge of these agencies all testify to the change in the attitude of the people toward their common property. A sense of responsibility is awakened by ownership, and, in a short time, an affectionate regard for the agencies which serve them is aroused.

The experience of Great Britain seems to demonstrate that the greater the number of things done by the city, the better they will be done. In America we have reversed that which is a commonplace in all other affairs of life, and failed to appreciate that interest, affection, and work are in a direct ratio with responsibility.

The attitude of the public on the question of municipal trading, as well as the feeling of the average English official towards the movement, is indicated by the following quotation from an address by the Lord Mayor of Manchester:

“The expansion of corporation activity is not likely to diminish in volume. The growth of municipal responsibilities illustrates the drift, and, as I believe, the irresistible drift, of public affairs. . . . The democratic ideal is being worked out through municipalities. Communism and Socialism, words of terror a few short years ago, are finding a peaceful solution in various phases of municipal work. For what are free libraries, art galleries, baths, parks, technical

DOES MUNICIPAL OWNERSHIP PAY? 157

schools, tramways, but communistic efforts? . . . We need some stimulus to quicken our sense of the value of mutual helpfulness. The real resources, material and mental, of a city like ours are probably greater than were ever known in the world's history. Is it not possible to so direct these resources that the lives of all of us may be sweetened and made more tolerable? Some day men will awake to the immense possibilities of corporate action, and the community will find salvation, not in the patronage and gifts of the wealthy, but in the combined and intelligent efforts of the people themselves."