

## MUNICIPAL OWNERSHIP IN CLEVELAND

Hon. Frederic C. Howe in a Symposium on Municipal Ownership and Operation, Which Appeared in *Moody's Magazine* for October.

In Cleveland, as in many other Western cities, municipal ownership of the street railways is a State, rather than a municipal, question. All of the large cities own their own water plants, as do most of the smaller ones. Electric lighting has been undertaken by many towns of from 5,000 to 20,000 inhabitants, but the limitations on the borrowing powers of the cities have prevented the larger towns from entering upon this undertaking. Cleveland has a small electric lighting plant, acquired through the annexation of a neighboring village; but this plant has been operated for so short a time, and is of such limited capacity, that its achievements are a matter of future determination.

### State Legislation Blocks Municipal Ownership.

Ohio cities have no power to own street railway systems. Attempts to secure this right have been defeated by the corporate interests in the state legislature through the identity of the party machines with the franchise corporations. That the sentiment in favor of municipal ownership is militant and growing is evidenced by the fact that in Cleveland and Toledo, the street railway companies whose franchises are rapidly expiring have not been able to secure any extensions of their grants, although repeated attempts to do so have been made during the last ten years. In both cities pending franchise ordinances were defeated by popular demonstrations and threats against the council, who were believed to be influenced by other motives than the welfare of the people in their advocacy of these renewals.

### Street Railway Situation.

In the city of Cleveland Mayor Johnson has continued an aggressive fight for three-cent fares and ultimate municipal ownership, ever since he was first elected mayor, in 1901. The Cleveland Electric Railway is in possession of the field. One of its franchises has expired. Many others fall in 1908, and none of them have more than eight years to run. This company is capitalized at nearly three times its acknowledged physical value. Its power of resistance is measured by \$20,000,000 of watered securities. Added to this are the financial, professional and business interests grouped around the franchise interests which, through favoritism and fear, corrupt and control public opinion in its interest. The laws of the State, drawn to protect these companies, have been invoked in the courts on fourteen different occasions to prevent competition and the establishment of independent lines. The warfare against a competing system has continued unceasingly for five years. The Cleveland Electric claims rights not only in the streets which it occupies, but the right to deny to any other company the privilege of using any other streets. To maintain this position, it has made use of the courts and legislature. It is in the face of the most persistent opposition and scurrilous personal abuse, that the city has been able to establish new routes, grant franchises to the Forest City Railway Company, and secure the construction of thirteen miles of competing street railway lines

on the basis of three-cent fare and universal transfers.

As is always the case when honest arguments fail, the personality of Mayor Johnson has been attacked. It has been done by innuendo and direct suggestions of pecuniary interest in the system. But it is always the habit of privilege to attribute its own motives to all mankind, and to assume that men in public life are animated by the only sort of morals which "big business" can understand or believe in.

### New Company's Fair Offer.

Owing to the fact that, up to the present time, the legislature has refused to permit the cities to decide for themselves on the question of municipal ownership, Mayor Johnson has insisted that all franchises should contain a provision permitting the cities to take over the franchise corporations at any time on their physical value, plus 10 per cent. for their good will. He has further insisted on a straight three-cent fare basis with transfers.

The Forest City Railway, the new competing company, has accepted these terms. Its stock was sold at 90 cents on the dollar, subject to the purchase of the plant at its structural value plus 10 per cent. The stock was largely oversubscribed, the bulk of it by Cleveland people. Subsequent to the first grant to this company, and before it received any extensions, it leased its lines in construction and those to be thereafter acquired to the Municipal Traction Company. The latter company has a nominal capital of \$10,000. It has five stockholders and five directors. It has agreed to pay 6 per cent. on the stock of the Forest City Railway Company, which contains about 10 per cent. of water. It has agreed to turn over the plant to the city at any time it may demand it. It further has an option to retire the stock of the lessor company at \$110 a share. The members of the Municipal Traction Company are pledged to a policy of operation in the city's interests. It can earn no money for itself. It has asked the city council to incorporate in its ordinances the power to revoke all grants at will on compensation being made for actual damage. By this means, the city is able to control the new company at all times. The city can regulate fares, compel transfers and enforce good service. The Municipal Traction Company is designed to prevent stock watering and to assure to the city all of the benefits of municipal ownership without the use of the city's credit. It is municipal ownership without its alleged dangers.

### The Two Propositions Compared.

The Cleveland Electric Railway Company and the Municipal Traction Company have presented competing propositions to the council. The former company asks a twenty-year grant at five-cent fare with seven tickets for a quarter, with certain transfer privileges, the city to have the right to acquire its property on the expiration of twenty years. The Municipal Traction Company asks a franchise at straight three-cent fare, universal transfers, municipal ownership at any time, and the full right of regulation in the council through its power to revoke its franchises. By this proposition the investor is protected to the extent of his investment; the people are protected through the full power of control lodged in the city council.

These two propositions are now before the council.

The Municipal Traction Company has secured grants over the West Side streets and through portions of free territory in the city's center. It is asking that The Cleveland Electric Railway franchises be renewed to it on their expiration. In the meantime, the stock of The Cleveland Electric Railway has depreciated ten points.

#### Molding Public Sentiment.

In advocacy of its position, The Cleveland Electric Railway Company has imported paid experts to make public opinion. It has hired advertising space in the newspapers to promote its cause. Having failed to secure its franchise from the council, it is appealing to the people as a final resort. It has asked that its proposition be submitted to a popular vote. But it has refused to be bound in any way by that vote if it is adverse to its interests. It seeks a referendum on the "Heads-I-win, tails-you-lose" basis. Mayor Johnson has declared that he favored a referendum which would bind somebody, a referendum which the company was bound to accept, one in which they would lose, as well as gain, something. His proposition has been to submit, at the same time, the ordinances of The Cleveland Electric and The Forest City Railway, under a binding agreement of their directors that they would abide by the decision of the people. The Cleveland Electric has shown no inclination to accept this modification to its own proposal.

The secretary of state has recently decided that measures of the kind which are not provided for by law cannot be submitted to popular vote. So the proposal of a reference to a vote of the people is for the present in abeyance.

In the meantime, The Municipal Traction Company is laying rails, driving spikes, erecting machinery, completing its power house, and aims to be ready for operation in November.\* It promises to bring passengers to the Square for three cents, and carry them all over the city as rapidly as it can extend its lines into other parts.

Meanwhile Cleveland is being educated on the street railway question. It is probably the wisest town in America on the subject. The contest has been dramatic and spirited. The Cleveland Electric has complained that the mayor of the city should do nothing as mayor towards carrying out his pledges. They have bitterly assailed his policy of securing three-cent fare as interfering with their vested rights and as manifestly unfair. In past years the paving monopoly had the same feeling. So did the gang of contractors. So, also, felt the Electric Illuminating Company. Successively, each monopoly, each privilege has cried aloud against the efforts of the city of Cleveland to regulate its abuses and compel it to serve the people.

#### Cleveland Probably for Municipal Ownership.

How the people of Cleveland would vote on municipal ownership can only be conjectured. It is a city of independent voters and has enjoyed ten years of almost uninterrupted discussion of franchise questions. The people have been harassed by the franchise corporations at every turn. However they might vote on municipal ownership (and it is my opinion it would carry overwhelmingly) there is ev-

\*It is now, December, in operation.—Editor of The Public.

## Publishers' Column

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HOTEL WARNER—EVENINGS

CHICAGO

ery indication that Ohio cities have decided to grant no more franchises to private interests. This seems to be verified by Chicago, Detroit, Toledo and elsewhere. The conflict of interest, the control of the government, the misuse of the courts, the arrogance, insolence and terrorism which they exercise, has schooled the people to a resentment of any interest whose magnitude renders it immune from any control. Added to this is the unquestioned success of the Water Department in Cleveland. It makes three-quarters of a million dollars a year profit. Almost all consumers have been metered, and the average house rate is \$5 a year. The garbage disposal plant has also been taken over by the city. Its service has been greatly extended and bettered, while the cost has been materially reduced. But in Cleveland, as elsewhere, all further extension of public activity is strangled by the control of the legislature by privileged interests who prevent the legislatures from enlarging the powers of the cities.

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