

CHAPTER XIV

MUNICIPAL OWNERSHIP IN EUROPE

MUNICIPAL ownership is the established official policy of nearly all British as well as of many German cities. In Great Britain the movement is confined to street-railways, gas, water, and electric-lighting enterprises, the telephone properties being owned and operated by the national government. In Germany municipal ownership has no set limits. It includes not only the natural monopolies but abattoirs, markets, docks, mortgage banks, savings-banks, pawnshops, restaurants, wine handling, and occasionally insurance and baking. Many cities in Italy and Austria own and operate the public-utility plants, while in France and Belgium the movement is just in its beginning.

Of the fifty largest cities in Great Britain and Germany the following have entered on the policy of municipal ownership:¹

IN GREAT BRITAIN	OWN THEIR OWN	IN GERMANY
39	..... Water supply.....	48
21	..... Gas supply.....	50
44	..... Electricity supply.....	42
42	..... Tramways.....	23
49	..... Baths.....	48
44	..... Markets.....	50
23	..... Slaughter-houses.....	43

¹ Elaborate reports of the financial operations of British cities will be found in the *Municipal Year Book*, published annually (London), and of German cities in the *Kommunales Jahrbuch* (Berlin). See also *Municipal Life and Government in Germany*, by W. H. Dawson.

Street-Railways—Early Policy.

The cities of Great Britain experimented with private ownership of street-railways prior to the adoption of the policy of municipal ownership. Under the Tramway Act of 1870, which was the general act under which grants were made, cities were permitted to lay the tracks but could not operate the roads. Franchises were limited to twenty-one years, with the provision that the city could take over the property at the expiration of the grant upon the payment of the structural value.

Under this act nearly all of the large cities entered into contracts with private companies which operated the system upon tracks laid by the city, the equipment being for the most part for horse traction.

The Beginning of Municipal Ownership.

The success of electric traction in America and Germany in the early nineties led to requests on the part of the companies for permission to electrify their lines, while the cities themselves were desirous of better service. Coincident with this movement there were numerous controversies over wages, hours of labor, and conditions of employment, while the cities, awakened to an appreciation of the profitableness of the industry, took action looking toward the municipalization of the undertakings whose franchises were approaching expiration.

In Glasgow (present population 1,150,000) the controversy between the company and the men had been prolonged and bitter. The community sympathized with the demands of the employees,

who were alleged to be overworked and underpaid. The company, however, declined to arbitrate the question of wages or hours of labor, and the irritation over this question stimulated the demand for ownership.

The question was agitated for several years, and in 1894 the council decided to retake the tracks which it had laid under its statutory powers. But the company refused to sell its equipment, so the city had to purchase equipment elsewhere. As a consequence of this action the company ultimately lost its total equipment investment.

With the advent of municipal operation fares were reduced 33 per cent. below those previously prevailing, while the length of the hauls was increased. The condition of the employees was also improved. Free uniforms were added, as well as five days' holiday each year.

The Growth of the Movement.

The success of Glasgow stimulated the movement for municipal operation in other cities, for the discontent with private operation was general. Controversy with employees was a common cause of trouble. But probably the main operating motive was the desire of the city to control its transportation system and derive such revenue as was possible out of ownership. For local taxes in Great Britain are very heavy. And the business men and citizens saw in municipal ownership a means for relieving the rates. In addition, cities were considering the installation of electric-lighting plants,

and it was seen that power stations could, with economy, be constructed which could be used for lighting as well as for the operation of the street-railway plants. And this has quite commonly been done. A uniform load is possible by this arrangement, the day load being used for the operation of the tramways and power and the night load for the lighting of the city.

Tramway Construction and Service.

The street-railways in Great Britain are constructed with much more permanence than they are in America. This is true of private as well as public undertakings. The girder groove rail is universally used. Tracks are heavily ballasted, while the overhead work is very substantial. Many of the towns have erected splendid shops in which they both build and repair their cars. In consequence of the high standard of construction the capital outlay has been very heavy. In 1906 the cost of the Glasgow system was \$93,305 per mile of single track and in Liverpool \$90,536. The London County Council reports a cost of \$106,033 per mile. It is believed that the construction cost in the British cities exceeds that of the average American city (outside of New York, Philadelphia, Boston, Chicago, and Washington) by approximately 50 per cent.

Aside from the large investment in capital account, there are many provisions for the comfort and convenience of the people. For the street-railway is under constant supervision; it touches

every citizen daily. It is more difficult to disguise bad service in street-railway operation than in any other public utility. Accidents are of rare occurrence. They have been reduced to a minimum. The same solicitude is manifested in the care of the cars. They are kept fresh with paint and are washed daily. In Glasgow and many other cities all advertisements have been excluded.

Employees are courteous and seem animated by a sense of service to the community, and because of the surveillance of the public they are of necessity considerate to the riders. Council committees are on the alert to better conditions and to adopt new devices. There is keen rivalry between different cities, each of which takes peculiar pride in its enterprises, the equipment and the service rendered, as well as the annual balance-sheet.

The zone system of fares is universal in Great Britain as it was under private management. In a sense travel is metered, just as is gas, water, and electricity. Upon each zone a fare of from one to two cents is collected, depending upon the length of the ride. There seems to be no protest whatever against this system, which leads to a very great stimulus of short-haul riders.

Motives of Operation.

Four motives animate the councils in the operation of the street-railway system. They are: first, the best possible service at the minimum cost; second, the relief of the taxpayers by more or less substantial contributions to the city budget; third,

the widening of the boundaries of the city and the improvement of housing conditions by opening up the countryside; and, fourth, the improvement in the condition of the employees.

There is constant pressure to reduce the fares and extend the zones; but the prevailing tendency of councils is to utilize the surplus earnings for the reduction of the debt and the repayment of the loans. Despite this fact, rates of fare are lower than under private management and very much lower than they are in the United States. For instance, in Glasgow there is a one-cent fare for short distances of about half a mile, and in 1912 43.98 per cent. of the passengers paid but a one-cent fare. The number paying 2 cents formed 37.85 per cent. of the total number, while the percentage paying 3 cents was 7.38. In that year over 80 per cent. of all the passengers paid 2 cents or less.

The one-cent fare encourages traffic in the centre of the city and is a great convenience. It stimulates travel when traffic is light.

The average fare paid by all passengers in Glasgow in 1912 was 1.72 cents; in Manchester (population 950,000), 2.32 cents; in Liverpool (population 816,000), 2.24 cents; and in Sheffield (population 455,800), 1.8 cents.

The average fare paid on all of the 136 tramways operated by local authorities in 1910 was 2.1 cents, as opposed to an average of 2.48 cents paid on the 138 private companies. In 1911 the total receipts in Glasgow were \$4,748,740. At the prevailing

5-cent fare charged in America the passengers would have paid \$11,898,365.

Financial Operations.

The total capital investment of the 136 local authorities operating street-railways, which included nearly every large city in the United Kingdom, was, in 1910, \$220,541,250. The gross receipts for the year amounted to \$47,437,170, against which were charged operating expenses of \$29,436,216, leaving a net revenue of \$18,000,955. The percentage of net earnings to capital invested was $8\frac{1}{2}$ per cent. The publicly owned lines were operated at a lower ratio of cost than the private companies, despite the higher wages paid, the shorter hours, and better conditions of employment. Working expense of the local authorities to the gross income was 62.05 per cent. as against 62.52 per cent. for the private companies. At the same time, while the cities earned $8\frac{1}{2}$ per cent. on their investment, the private companies earned but $4\frac{1}{2}$ per cent.

The public undertakings are under strict parliamentary supervision. They are required by law to amortize their debt by annual contributions to the sinking-fund. In 1910 \$5,893,875 of the gross earnings of all public plants was used for this purpose. In addition, the municipal plants pay taxes the same as the private companies, so that public and private operation is on a parity in all comparisons of earnings.

Aside from four small communities showing a deficit, which in 1910 amounted in the aggregate

to but \$15,000, most of the companies made very substantial contributions to taxation. The tramways of Manchester contributed \$364,987 to the relief of taxes; of Leeds, \$275,000; of Birmingham, \$160,000; of Liverpool, \$135,000; of Nottingham and of Bradford, \$100,000. In Glasgow the net profits, which amounted to \$265,000, are paid into a special fund, known as the Common Good.

In 1910 the total contributions of the public tramways to the relief of taxation were \$2,200,565. In addition, there was a gain to the public of \$7,989,434 in the difference between the average fares charged by the publicly owned tramways and the average fares of the private companies.

There is no question about the financial success of public operation. The indebtedness of the cities is being rapidly amortized. In addition to the regular amortization charge provided by law, cities make very substantial contributions to depreciation and reserve. For instance, Glasgow in 1910 repaid its debt to the extent of \$448,470 and added \$1,102,895 to the depreciation and reserve. The sum contributed to depreciation and reserve, in addition to debt repayment, by Manchester was \$375,000; by Liverpool, \$427,555; and by Sheffield, \$106,980. These statistics are authoritative. Municipal authorities are required to keep their accounts according to standards fixed by the local government board. Annual returns are required to be made to the board of trade, while the reports are published each year and are subject to scrutiny. The

books of the municipality are also audited by the central authorities, in order to make sure that all requirements as to debt repayment, depreciation, and reserve are properly provided for.¹

Service.

Overcrowding is specifically prohibited, and rarely is it necessary to stand. In Liverpool 68 per cent. additional cars are added during the rush hours. In Leeds the service is increased by 30 per cent. in the morning, at noon, and in the evening. In some cities standing is prohibited.

Many cities, too, reduce their fares for working men in the morning and evening. In Manchester the 3 and 4 cent fares are reduced to 2 cents, the 5 and 6 cent fares to 3 cents, and the 7 and 8 cent fares to 4 cents. In Leeds four-mile tickets are sold for 2 cents. The purpose of these rules is to encourage working men to live in the country and to still further adjust the tramway service to the needs of the working classes.

As indicative of the experiments made by British cities is the instance of Bradford, which carries on a municipal express and delivery service all over the city. This service is not unlike that of the parcel post. Stamps are sold, which are affixed to parcels in the centre of the city. They are then loaded on the street-cars to be delivered to the various sub-stations for distribution throughout the

¹ Further details of various cities may be secured from *The Municipal Year Book*, London, which gives complete statistics of all the local authorities in Great Britain.

city. At the terminals of each route a uniformed agent collects and delivers the parcels. Rates of charges are as follows: for packages up to 7 pounds, 4 cents; from 7 to 14 pounds, 6 cents; from 14 to 28 pounds, 8 cents; and from 28 to 56 pounds, 10 cents. The entire investment in the parcels-delivery system is but \$17,033, which includes the cost of five motor vans. The total cost of this service in 1910 was \$31,284, and the receipts were \$39,757. During the year 675,719 packages were carried, at great economy to the merchants and citizens. Many of the shopkeepers have been enabled to dispense with their delivery service, while the congestion of the streets is greatly reduced, as is the unnecessary waste involved in countless delivery wagons traversing the same routes.

Other Gains from Municipal Ownership.

There is little sentiment for a return to private operation from any class. The financial gains are too obvious. The service is undeniably better on the public tramways than on the private ones, while rates of fare are lower and the condition of the employees is better. Membership on the tramways council committee is sought after as a high honor because of the opportunities for service involved. Cities, too, are eager to introduce new devices and new comforts, and representatives are constantly studying the service of other countries. There has been a steady improvement in cars, a constant effort to better the service and consider the well-being of the community.

The double-decker type of car is universal and is very popular. The upper deck is so arranged that it can be closed in winter. Smoking is permitted on the upper deck, which is used by all classes for pleasure riding. The double deck also increases the seating capacity.

In addition, there has been no serious trouble between the city and its employees such as prevailed under private operation. The city adjusts differences through the council committee or by arbitration. But controversies of this kind have been very rare, owing to the fact that the city pays a higher rate of wage than prevails in other industries; it supplies the men with free uniforms; it allows, generally, a week's holiday on full pay, and otherwise concerns itself for the well-being of its employees. As a consequence of this a fine *esprit de corps* has arisen among the employees. They seem to take great pride in their jobs and are earnestly zealous in their effort to serve the community.

The Electricity Supply.

Electric-lighting plants are very generally owned by the British cities. The introduction of electricity was delayed in Great Britain until after it had obtained a foothold in America, and cities refused to grant franchises to private companies until the success of electric lighting was assured. The introduction of electricity was generally coincident with the municipalization of the tramways. The statistics of the *Municipal Year Book* indicate

that the rates and charges of municipal companies are considerably lower than those of the private companies.

The Gas Supply.

The gas has not been so generally municipalized as either the street-railway or the electricity supply. Gas was introduced many years ago by private companies which were given long-term, indeterminate grants, so that when the city comes to acquire them it has to pay a substantial sum for the franchise. This, along with the idea that electricity would eventually supplant gas, has checked the municipalization of the supply.

The returns of local authorities and private companies for the year 1911 show that 298 plants are owned by municipal authorities and 511 by private companies. The public authorities supply 2,666,146 consumers and the private companies 3,751,703. The local authorities earn $9\frac{3}{4}$ per cent. upon the capital invested and the private companies $5\frac{5}{8}$ per cent., showing that the cities are good business managers. The net revenues of the public companies were \$14,636,535, which was used to pay interest upon the investment, for the reduction of the debt and the relief of the taxpayers.

Charges for Gas.

The price of gas is much lower in Great Britain than it is in the United States. The returns for 1911 show that the average charge for gas per 1,000 cubic feet by the municipalities was 60 cents, as opposed to 66 cents by the private companies. In Birmingham-

ham rates are from 42 to 56 cents per 1,000 feet; in Bradford, Burnley, Halifax, and Rochedale, 50 cents; in Manchester, from 58 to 60 cents; and in Oldham, 46 cents.

Through ownership the cities are able to experiment in a variety of ways. They light the streets very generously. It is a common saying in Great Britain that a lamp-post is as good as a policeman. Tenement districts, slums, and alleyways are lighted as a preventive of vice and crime. Cities also encourage the use of gas by providing cooking-stoves at a low rental or at cost. Among the very poor penny-in-the-slot meters are installed by which the consumer can buy two cents' worth of gas by the insertion of a coin in the meter.

The municipal gas plants earn large sums for the repayment of loans and the reduction of taxes. The total contributions to the relief of city taxes amount to more than \$2,000,000 a year.

German Municipal Socialism.

German cities engage in a great variety of activities of social betterment. This is due to several causes. In the first place, the *laissez-faire* philosophy of Great Britain and America has never made much headway in Germany. On the contrary, the idea of state and municipal ownership is accepted by all classes as a perfectly natural thing. Both the nation and the cities have owned many things from early times. The steam-railways, telegraph, and telephone services are owned and operated by the individual states. The states and cities are also

great land owners. Some of the states own mines and operate them at a profit. A large part of the revenues of Prussia is derived from profit-making enterprises.

In the second place, the military organization of Germany leads to constant interference with the lives of the citizens, which interference has been greatly extended in recent years as a means of protecting the health, lives, and efficiency of the people. Finally, the cities are free to do anything necessary for the welfare of the people. They have home rule and can own and operate, regulate and control individual property with almost as much freedom as the state itself.

This is the background of the German city upon which a social programme has been reared that has made it the model of the modern world. To this must be added the fact that the city is governed by experts trained in the universities and technical schools. It has at its command the trained men of the empire in finance, education, sanitation, housing, taxation, and administration, as well as the co-operation of the interior department, the universities, and the technical schools. The German city is more adequately equipped with expert assistants than is any private corporation.

German cities adopted ownership after a thorough test of private operation. Franchises for street-railways were originally granted for from twenty-five to forty years, but the service was not satisfactory and the equipment was not kept up to a

high standard of efficiency. In addition, the housing problem was very acute and means had to be found to remove the population from the old congested quarters of the city. This could only be done through adequate transportation facilities, and the companies were unwilling to extend their lines out into the non-profitable suburbs. Further than this, German cities have worked out comprehensive planning projects in which transportation is an integral part. It was necessary to control the means of transit in order to project industries out into the surrounding country, to provide homes, and to co-ordinate all of the planning projects of the community.

The zone system of street-railway fares prevails in Germany as in Great Britain, the average rate of fare being $2\frac{1}{2}$ cents, which includes the right of transfer. Many devices have been adopted for improving the service. One finds maps within the cars on which are indicators showing the car's destination. Attractive waiting-rooms are erected to accommodate the passengers in inclement weather. Rates are frequently reduced mornings and evenings for working men, and also for children.

Cities also own the water, gas, and electricity supplies, which, like the street-railways, are operated with the aim of rendering the greatest amount of service to the community at the minimum cost.

Docks and Harbors.

Cities also own their water-fronts and develop them with splendidly equipped harbors. The docks

are connected with the state-owned railroads; they are designed by experts and are consciously used to promote the industrial development of towns and the commerce of the empire. Immense sums have been spent on municipal docks, those along the Rhine and the North Sea being probably the most perfectly appointed harbors in the world. Düsseldorf, a city of 356,000 people, has erected a great harbor along the Rhine at a cost of \$4,500,000. The building of this dock increased the city traffic by 300 per cent. in ten years' time. Frankfort-on-the-Main, a city of only 414,000 people, two thirds of the size of Cleveland, has set aside \$18,000,000 for the dredging of the river, the building of a great inland harbor, and the development of a new industrial section. In anticipation of the harbor the city purchased 1,180 acres of agricultural land, which it planned as a complete industrial section, with provision for rail and water transportation, with sites for all sorts of factories, and with a park and playground for the working people. In addition it laid out a suburb close by the new industrial section for working men's dwellings, some of which have been erected by the city and some by private enterprise. By this means Frankfort expects to become a great inland industrial centre, inasmuch as it can offer the best of factory sites at a low price to capital. This is one of the ways German cities promote their growth. And Frankfort expects to pay for the entire expenditure out of the increased value of the land by selling and leasing the land to

industries at prices which will ultimately relieve the city of indebtedness.

Other activities of the German city will be described in a subsequent chapter: "The City as a Social Agency."

Summary.

Municipal ownership of the public service corporations is the established policy of the cities of Great Britain and Germany and to some extent of those of Italy, Switzerland, and Austria-Hungary. It has made only a beginning in France and Belgium.

Almost all of the cities of Great Britain own the street-railway, electric-lighting and water supplies, while a large number own the gas supply. The great majority of the German cities own their gas and water supply and a large number the electricity and tramway services.

Public ownership was promoted by the same causes in both countries. Officials saw in these services an opportunity to make money and thus reduce the rates and taxes. In addition, the corporations rendered unsatisfactory service and were unwilling to meet the growing needs of the community. This was especially true of the street-railway companies, whose public ownership and control was an integral part of the housing and town-planning policy of the more progressive cities.

From a financial point of view municipal ownership is a proved success in both countries although the services are rendered at low cost. Street-railway fares average about one half what they are in the United States, while the price of gas is from one half to two thirds that charged in this country. Cities have shown initiative in the introduction of new devices and the improvement of the service.

This is particularly true in the street-railways, which are permanently built and equipped with comfortable and beautiful cars. Reduced working men's fares are provided by many cities in the morning and evening, as well as to aid in the distribution of population out into the countryside. In none of the countries that have municipalized these activities is there any sentiment for a return to private operation.