

**MUNICIPAL OWNERSHIP VS. PRIVATE
CORPORATIONS; CONTAINING
ALSO A COMPARISON OF ENGLISH
AND AMERICAN GAS AND RAILWAY
PLANT**

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Municipal Ownership vs. Private Corporations; Containing Also a Comparison of English and American Gas and Railway Plant by M. J. Francisco

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M. J. FRANCISCO

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ALSO A COMPARISON OF ENGLISH
AND AMERICAN GAS
AND RAILWAY PLANT**

MUNICIPAL OWNERSHIP

VS.

PRIVATE CORPORATIONS.



WITH LEGAL AND EDITORIAL OPINIONS, TABLES AND COST OF
LIGHTS AS FURNISHED BY PRIVATE COMPANIES AND
MUNICIPAL PLANTS, WITH LIST OF MUNICIPAL
PLANTS THAT HAVE BEEN SOLD OR ABANDONED.

CONTAINING ALSO A COMPARISON OF
ENGLISH AND AMERICAN GAS AND RAILWAY PLANTS



BY
M. J. FRANCISCO,
RUTLAND, VT.



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PREFACE.

The author commenced the investigation of Municipal Ownership in 1885 and has, up to the present time, personally examined nearly all the municipal plants in the United States and Europe. Many years practical experience in the Electric Light business has enabled him to analyze statements made in regard to the management of plants, and to judge of their efficiency.

As President of the National Electric Light Association of the United States, he has been able to secure information that could not have been obtained in any other way.

The statements made in this work regarding municipal plants were either taken from the city records or from reports which, after being made, were officially signed by the superintendent, city clerk or mayor, while in all cases the items of operating expenses and income are given as furnished by those officials.

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MUNICIPAL OWNERSHIP.

IS IT BENEFICIAL TO THE TAXPAYERS? IS THERE ANY REASON FOR ADOPTING IT EXCEPT FOR POLITICAL PURPOSES? IS THERE A SINGLE PLANT THAT HAS SAVED MONEY FOR THE TAXPAYERS WHEN ALL THE FACTS ARE SHOWN?

Advocates of the system state that lights under Municipal Ownership cost half the amount private companies charge, but, they do not prove it and never have. It is easy to make such claims, but another thing to sustain them; assertions are not evidence.

Under the present plan the number of officials is limited, therefore, in order to increase the list and enlarge the field for political corruption and power, a plan has been inaugurated for governments, both state and national, as well as municipalities, to own and conduct all large commercial enterprises. If this plan could be carried out, the political offices to be filled would be multiplied a hundred thousand times. Then the great army of officials necessary to manage the Railroad, Telephone, Telegraph, Express, Gas and Electric Light, with hundreds of other branches of business that the advocates of Municipal Ownership would bring into the field of politics, would be changed at every election. This would place the country under the control of a vast army of office holders, whose only aim and office in life would be to retain their grasp

upon office, regardless of the welfare or best interest of the municipality or nation. We are told that by this plan we would secure better results with less expense. What is the record of Government, State and Municipal Ownership during the century that is closing.

In 1815, the net revenue of the English Post Office was about \$8,000,000, and continued at this rate for about twenty years. The people at this time were opposing this government monopoly and the tax to sustain it, as it appeared that the charge of 14 cents on each letter resulted in an expense of postage to some London houses amounting to \$50,000 per year. To avoid this, some private parties established a "penny post," but the government suppressed it, notwithstanding the number of letters sent by post was only one in ten sent by private means. This shows conclusively that the object of the English post was revenue and state surveillance rather than a means of benefitting the masses.

The United States Post Office is often cited as an illustration of the success of Government Ownership. And its advocates think that they have answered all objections to such ownership when they proudly point to the post office and triumphantly say, "is not that great enterprise an example of what the government can do in the way of managing a great business institution for the benefit of the people." They fail to show that as a business enterprise it is a losing one; that it never pays expenses and the last report shows a loss of \$11,000,000. Any corporation managed as it is managed would end in bankruptcy. Instead of being an argument in favor of government ownership, it is a warning against it.

Where would the benefits of the post office be were it not for the aid of private corporations who transport and deliver the mails, the most important part of the whole process. This is not done by the government, but by private capital representing millions of money. The power of the post office department has been used as

a vast political machine for rewarding friends, and the "Boston Transcript" states that "the month preceding the presidential election the greatest percentage of removals was made of any month for four years, whole lines were stripped of their experienced men, and the creatures of politicians were put in their places."

However it may be with the post office department, it is only partly owned by the government at the best, but there is one government plant that better than any other shows what government ownership can do. It is the printing and publishing department. There we find government ownership. The United States is owner and proprietor of the largest printing and publishing house in the world, and everybody who has ever had the misfortune to come into possession of a government publication knows how the work is done. The most valuable works on travel, science, research, and history, the most expensive maps and the essential documents of government transactions are printed so vilely and bound so abominably, that after a few months they are a scandalous disgrace to any bookshelf. It is needless to describe the wretched things that everybody is ready to send to the paper mill as soon as received—books of the utmost value and importance so far as their contents are concerned. And upon this institution the government lavishes millions of dollars every year. This is a true specimen of government ownership.

Experience shows that in Europe, Australia and America state aid to Railroads has resulted in immense losses. Most of the state railways in Austria after an unsuccessful trial, were sold to private corporations for about half of their real cost. Mr. Kapp, in a letter published in "The Nation," referring to government ownership in Germany, says, "Henceforth it will be advisable for a railway employe not to vote otherwise than in accordance with the political opinions of his chief. Railroad officers, post office and telegraph clerks no

longer dare to petition in their own names to the Reichstag because they are threatened with punishment if they do so." In Italy, the government took the system into its own hands, but the gross receipts being continually less than the expenses, a special committee was appointed to investigate, and after making the most thorough and careful investigation ever made, they reported that "state railroads as a rule did not do so much for industry as private railroads; that in general their rates were higher, their facilities worse, their responsibility less, while the state railroad management was more apt to tax business than to foster it; political considerations were brought into matters of railroad construction and management in a way which was disastrous alike to railroads and politics." An instructive object lesson in government control of railways has been developed by the debates in the Brazilian Congress, growing out of the bill to lease the Brazilian Central Railway to a foreign syndicate. The Central road with its branches covers 500 miles of the best coffee producing districts of the Republic. The main line extends from Rio Janeiro on the north to St. Paul in the south, with an important branch west into the State of Minas. The road was built some years ago by the government at an expense of \$150,000,000 and earned for a time \$16,000,000 annually, several millions of this being clear profit. Of late years, employment on the road has been given as a reward for political activity, the partisans of one party succeeding each other with the various changes of administration. In many cases the salaries were largely disproportionate to the character of the services performed, while in nearly every case, except where experts were employed, the appointees were unfit for their places.

The debates in the Congress which disclosed these facts also showed conclusively that the road instead of being a paying investment, is steadily losing money at the rate of \$2,000,000 a year.

Through the new president, Senor Pereira, who was elevated from the Vice-Presidency to the Chief Magistracy of the Republic by reason of the temporary retirement from office of President Moraes, the unsatisfactory service of the road was brought to the attention of the Congress with a strong recommendation that it be placed in the hands of private parties. It appears that a syndicate has been formed in London which will pay the Brazilian Government \$90,000,000 for a ninety-year lease of the road, the latter with all improvements to revert to the Republic at the end of that period. The syndicate is entirely satisfied from an examination of the road that not only will its earnings enable it to pay the Brazilian Government \$1,000,000 a year for the use of the road, but that it will still leave a handsome profit.

The investment necessary if the government owned all the Railroads, Telegraph, Telephones, Gas and Electric Companies in the United States would amount to over fifty billions of dollars and require an army of employees of over ten million men. With this vast number controlled by the political party in power, it is easy to see the effect upon business in changing this army of employees at every election.

No one can deny the disastrous result on any service of placing incompetent political tools in charge of these industries every time a change is made in the party management. The history of the country under the "spoils system" and the wild scramble for office after every election, is positive proof that the same plan would be carried out in all branches of service, while the men who had become accustomed to the business would be turned out and new politicians and bosses, utterly unacquainted with the work, appointed to take their places until another change, and so on, *ad infinitum*.

All the railways in the United States may not have been successful, but it is a fact beyond dispute that under private management the freight rates have steadily fallen