

## DOES MUNICIPAL OWNERSHIP BENEFIT TAXPAYERS?

### Some Bookkeeping Tricks Indicated—Actual Results Obtained Are Difficult to Secure

Americans hear a great deal of the alleged "triumphs" of public ownership in England and Scotland; they hear next to nothing of its failures. Nor are they aware how often an apparent "profit" earned by a municipal venture and ostentatiously ear-marked for "the relief of the rates" is really only arrived at by charging a totally insufficient sum to the depreciation, reserve and renewal accounts and by omitting many expenses that would find a place in every private corporation's balance sheet.

When the London County Council, for instance, went into the street-car transportation business, it found itself obliged to widen and improve the existing thoroughfares. On this work, necessitated entirely by its plunge into what has turned out to be a very hazardous form of municipal trading, it spent over \$20,000,000; but considerably less than one-tenth of this sum was debited to the street-car service, on whose behalf it had been disbursed. That is a fine sample of the bookkeeping devices to which public bodies are impelled to resort by their eagerness to show that their undertakings "pay." Thus writes Mr. Sydney Brooks, the well-known English publicist in the October issue of "Concerning Municipal Ownership." Office, clerical and legal expenses again are rarely, if ever, apportioned to the enterprises that incur them; the plants and property owned by municipalities have been proved in case after case to be more leniently assessed than if they were in private hands; and instances are not known in which the authorities in control of municipal gas works or electric lighting plants have turned a loss into a "profit" by excessive charges for lighting the streets and municipal offices.

#### Difficult Matter to Get Facts.

But there is another and a much greater deduction to be made from the statistical "profits" earned by public ownership. It is this. When a municipality purchases a public utility from a private company and runs itself, it automatically surrenders the rental which the private company had agreed to pay into the local exchequer. But this item never by any chance appears in the municipal accounts. What the municipality gains by owning and managing the utility is made the most of and is often, as I have said, illegitimately inflated; what it loses and forgoes is not mentioned or allowed for at all. It is just as though a landlord, who suddenly decided to live in a house he had previously leased to some one else, were to omit from his calculations of income and expenses all reference to the rent he used to receive.

Thus, it is a matter of extraordinary difficulty to get at the real facts about the financial results of municipal trading. Unquestionably the paper "profits" are partly and probably considerably fictitious. But just how far they ought to be scaled down to determine the exact state of affairs, nobody in Great Britain can say.

#### Profits Reach a Maximum of Four Per Cent.

Even, however, if the figures are accepted at their face value, inquiry has demonstrated (1) that the policy of municipal ownership of "reproductive" undertakings earns not more than 4 per cent. on the capital outlay; (2) that out of this, interest charges have to be met and a sinking fund provided for; (3) that the balance left over for the relief of local taxation is less than one-tenth of the gross profits; and (4) that even when the initial debt is extinguished, the municipalities will no more be able to annex all the profits than a private corporation is able to pay out the whole of its surplus earnings in dividends.

And these conclusions, remember, are reached by taking the figures simply as they appear in the municipal balance sheets, by not subjecting them to any of the deductions I have touched on, and by leaving out of account the extra taxation which experiments in municipal trading have always been found to entail. If these factors were brought into the reckoning, as, of course, they ought to be, the net result would in all probability be to show that public ownership in Great Britain, considered as a whole, is about as near to being a commercial failure as a commercial success, and certainly that its many disadvantages in other respects cannot be condoned on the score that it is financially profitable.

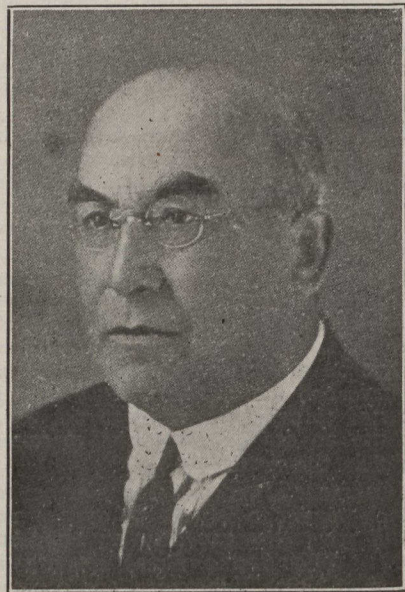
#### Taxpayers do not get Benefits.

Americans, who are used to having paraded before them and quoted at them the "profits" that Birmingham or Glasgow or Manchester are making out of this utility and that, and who may have deluded themselves into the idea that municipal ownership is an infallible money-making device which any one can handle, will probably receive a certain

scepticism the conclusion I have thus roughly summarized. It represents none the less the exact truth of the case as far as it can be ascertained. In special cases and under certain and rather exceptional conditions—conditions, at any rate, that do not obtain in the United States—the municipal ownership and operation of a particular utility have been made in Great Britain to yield a profit, which, though decidedly smaller than the artifices of municipal bookkeeping make it appear, is probably a genuine profit. But there are a number of British municipal undertakings, that lose money instead of making it—a recent parliamentary paper instances thirteen important towns in which out of 77 municipal enterprises only 28 even pretend to make a profit—and, when surveyed as a whole, the policy of taking public utilities out of private hands and vesting their possession in the community and their management in elected political bodies, has produced, even in the favorable circumstances of Great Britain, no such financial benefits to the taxpayers as its advocates maintain.

## JOHNSON GOES TO GREAT WEST LIFE

When the Winnipeg delegation were travelling to the Life Underwriters' Convention at Ottawa they were mystified as to who was a traveller from Calgary—short, stout, calm, with an attractive personality—who dared to criticize Canadian Pacific Railway beefsteak, and who made some crisp remarks when the train was unduly delayed. Later, it transpired that the Calgary man was going to the convention, too. He was Mr. J. A. Johnson, for twenty-six years with



J. A. JOHNSON

#### Appointed British Columbia Manager of the Great West Life

the Mutual Life, of New York. At Ottawa, in August, the underwriters elected him as vice-president of their association. Mr. Johnson has now been appointed manager for the Great West Life for the mainland of British Columbia.

Although born in the maritime provinces, he is an enthusiastic westerner. His appeal, at the underwriters' convention, that Calgary should have the next gathering was eloquent and witty, and indelibly marked him as an orator of no mean ability.

Mr. Johnson was born January 1st, 1861, in Pictou County, Nova Scotia. He joined the Mutual, of New York, in 1887 as joint general manager with Mr. J. W. Fitzpatrick for the State of Maine. After two years the company sent him to establish its first general agency in Florida, where he stayed two more years, being later appointed manager for the State of Colorado. He was then transferred to take charge of the Halifax office, covering the maritime provinces and Newfoundland. He remained there until January 1st, 1911, a period of eighteen years, during which time he served as a member of the Halifax city council, was deputy mayor for three years, and president of the Halifax board of trade for two years. Since January 1st, 1911, he has been at Calgary.

He has many friends who will wish him well in his new position.

"Certainly Montreal is leading the world in developing a harbor." These words are from a letter of Mr. George E. Marcy, president of the Armour Grain Company, of Chicago, to the Montreal Harbor Commissioners.