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JAS. J. SALMOND
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W. A. MCKAGUE
Editor

Can Public Utilities Be Operated at Cost?

Municipalities Have Had Difficulty in Adjusting Revenue to Expenditure—
Increase in Operating Expenses Last Year Was Not Anticipated—Citizen's
Lack of Interest in Their Enterprise—The Experience of Lethbridge

By ANGUS LYELL

THE efficient municipal management of public utilities, such as electric light and power, waterworks and street railway, is a matter to which the average citizen pays far too little attention. He will complain, of course, should the service become grossly inefficient or should there be temporary discontinuance, through accident or other cause. This is about all the interest the average ratepayer takes in municipal management, except, perhaps, to protest when there is an announcement that, say, the electric light department has yielded a surplus for the year. A surplus! Why, ridiculous. The power plant should have been operated at cost and the charge to the consumer reduced. Such is no uncommon line of talk.

No Interest in Civic Industry

This lack of interest in the municipal administration of utilities is well shown by the general inaccessibility of data pertaining to such management, that is, inaccessibility to the average citizen. All cities now-a-days have an annual audit, and locked up in the archives of the city hall is a mass of useful information pertaining to the city's affairs. But in addition to the city's bank and some stock brokers and a few more individuals more or less interested, how many people become conversant with the year's operations? Go into almost any city in Canada and ask the average man, even the average business man, for details of the capitalization and operation of his city's power plant, or waterworks, or even street railway, and in a very large number of cases you will be referred to the city's officials. What the average man usually knows to-day is that the street railway is being operated at a loss and that there is an agitation for increasing the fares. Question him on the cause of the loss and you will find that he cannot discuss details. About the only information you can get is that the operation expenses are said to be increasing faster than the revenue.

Ratepayers and Shareholders

Such apathy to civic affairs is not a healthy sign. There is no valid reason why every city should not publish annually for general circulation a complete financial statement, showing clearly the result of the year's operation and the city's standing financially. A city is a corporation just the same as a joint stock company incorporated for the purpose of marketing, say, a food product. The only difference is that the one is a public concern and the other a private. Both are governed by the powers contained in their charter. Both have beneficiaries—one the ratepayers; the other, the shareholders. These beneficiaries elect directors, for such are the aldermen of a city just as truly as are the directors of a joint stock company. Both corporations are on a capitalization basis and have current revenues to handle and

management problems to solve and services to render. But while the shareholders of the private company usually follow its operations more or less closely, the citizens of the municipality are generally apathetic. They do not, as a rule, even demand the issue to all taxpayers of an annual financial statement.

Service at Cost is Aim

The object of placing the operation of a public utility under municipal control is to give the best possible service at the least cost. The theory is that the utility should be operated at cost. Under private ownership the aim would be to create a surplus, so as to provide for the payment of dividends to the shareholders. The dividends the citizens expect are better service and less cost. They do not look for a surplus. They want operation at cost.

Now, this is easier said than done. The city of Lethbridge, for example, which, for a number of years has been issuing annual financial statements, has been unable to operate its utilities at cost. It operates four important utilities—a power plant, waterworks, street railway and a coal mine. I have before me the reports for the years 1911 to 1918 inclusive and in none of these years has the city been able to operate exactly at cost.

Example of Lethbridge Light and Power

Take the electric light and power department. Here are some interesting figures pertaining to it:—

Year	Revenue	Operating Expense	Sinking Fund	Debenture Interest	Surplus
1911	\$ 88,043	\$43,476	\$ 8,831	\$15,146	\$20,588
1912	108,256	57,293	9,437	14,177	27,349
1913	109,855	71,568	13,430	24,478	377
1914	110,898	64,490	16,069	30,071	266
1915	110,383	63,635	16,069	30,468	210
1916	116,148	63,199	17,329	31,990	3,629
1917	130,217	67,166	17,963	35,108	9,978
1918	142,895	87,413	17,963	35,723	1,794

Apparently, after the substantial surplus of the years 1911 and 1912, when the city was developing rapidly, it was intended to reduce the surplus. For the next three years we find that a very fine balance was struck, the charges to sinking fund and debenture interests being heavier. But in 1916 there was an increase of nearly \$6,000 in the revenue and a slight increase in the operating expenses, which caused a fair surplus although the charge to the sinking fund was increased as also the debenture interest. A still larger increase in the revenue for the following year—over \$14,000—caused a surplus nearly three times as large, although there were substantial increases in the operating expenses and debenture interest. So far so good. But next we come to the year 1918 and here we find that, although there was an