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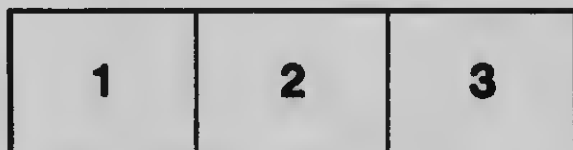
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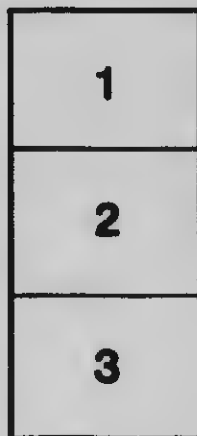
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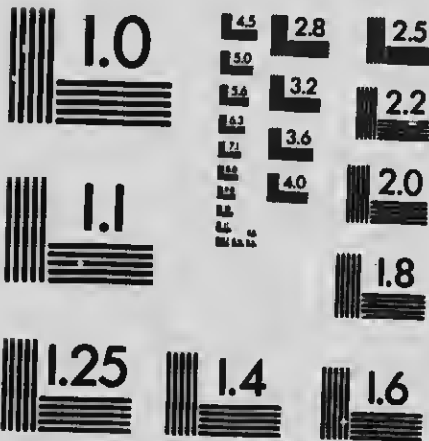
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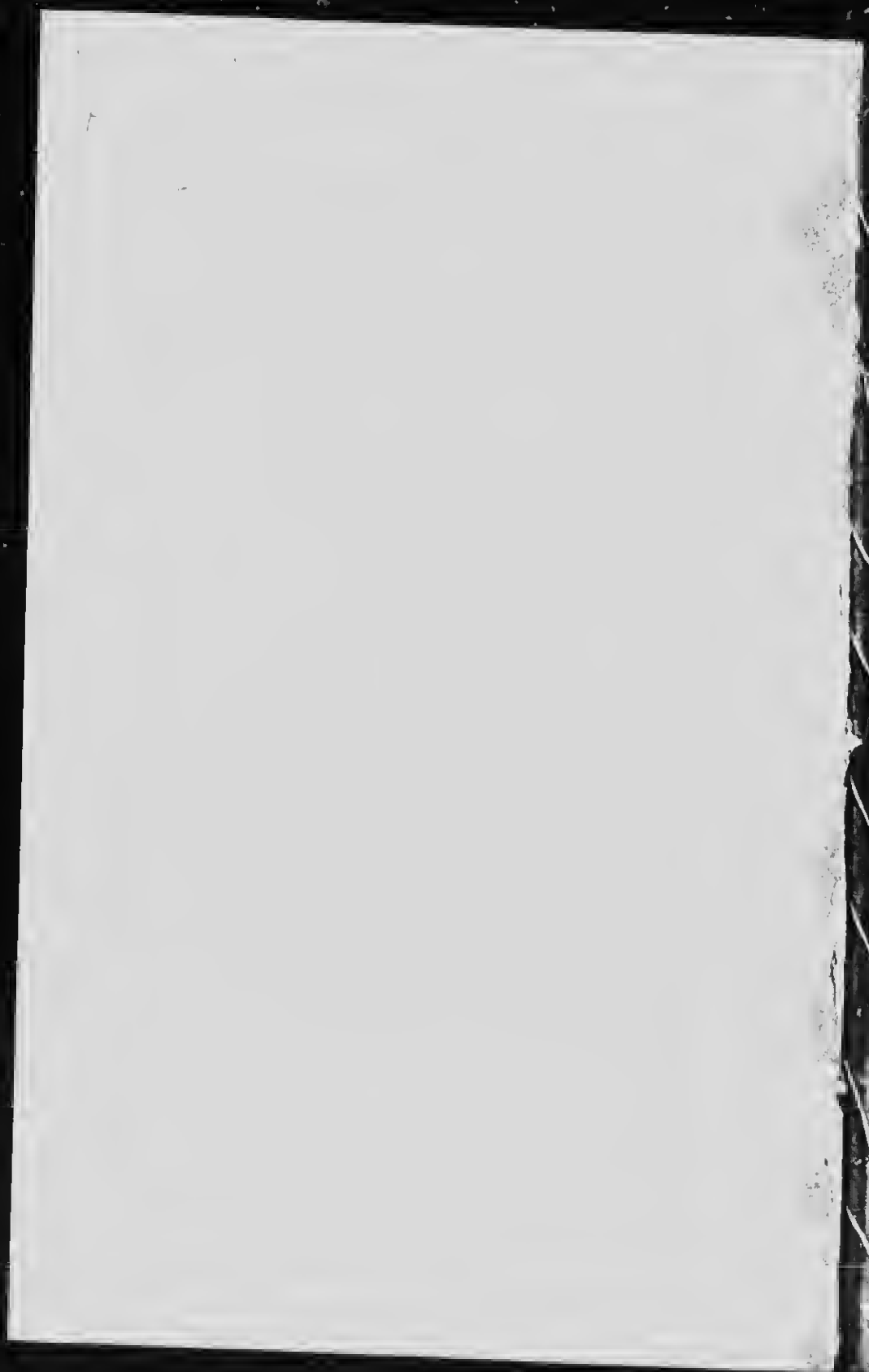
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# Rise and Fall of an Agitation



*Municipal Telephone*

MONTREAL

Reprinted from "The Gazette"  
January 14th, 1905

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## THE RISE AND FALL OF AN AGITATION.

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Between 1893 and 1899 there existed in many parts of Great Britain, just as there is in some sections of Canada today, an agitation in favor of a municipal telephone service. In Great Britain telephones come under the regulation of the Post Office Department, and no one is allowed to go into the business without first securing its permission. For many years the policy of the Department was to refuse this permission, this policy being dictated by the idea that some day the Department would take over the entire telephone business of the country, just as it had taken over the telegraphs, and that in view of this probable development it was advisable to have the business in the control of a single company, thus avoiding complicated negotiations and preventing the duplication of plant that would have been brought about by the existence of competitive services. As a matter of fact a beginning had already been made in the purchase from the National Telephone Company, which had acquired all the telephone licenses issued by the Department, of its long distance lines. It is true that this purchase had not been made entirely with the view of making the telephone business a state institution, but because the telephone service competed with the state-owned telegraphs, which were and are still being operated at a loss, a loss which the competition of the telephones threatened to seriously increase.

The Government, therefore, through this purchase, controlled the long distance rates, while the National Company had a monopoly



of the domestic business. An agreement between the two divided the country into zones, and a resident in one zone could not communicate with another without paying toll to the Government. There were instances when this toll was collected because of the existence of these zones for communication for very short distances. There was, however, little or no agitation on this account, but there was against the monopoly of the National Company, it being alleged in some districts, Glasgow notably, that the charges of the Company were excessive and the service supplied inefficient and inadequate. Finally the Treasury appointed a commissioner to conduct an investigation. The result was not satisfactory to the advocates of a municipal system, the Commissioner reporting that while the rates were high the blame for the inefficiency and inadequacy of the service rested largely with the municipality of Glasgow owing to the obstructive attitude it had adopted towards the Company. Practically this also saddled the blame for the high rates complained of on the Corporation, for the Company could hardly be expected to supply cheap telephones when it was refused permission to modernize its system but compelled to adhere to an antiquated and costly method of operation.

The report of the Commissioner did not end the agitation. It continued and as a consequence a Parliamentary committee was named in 1898. The report of this Committee was more satisfactory to the advocates of municipalization. It was largely founded upon the belief that competition in telephones is a good thing. It was recommended that wherever possible the Post Office should supply this competition, but where it should neglect or decline to do so the local authorities should be given the necessary permission. A Treasury

regulation forbids the Post Office from undertaking any business which cannot be proved beforehand to be remunerative. It is scarcely necessary to point out that this regulation almost completely blocked the Post Office from entering into strenuous competition with the Company. Boiled down the report meant that where the Post Office would not enter upon a losing venture the municipalities should be given permission to do so.

### THE FALL OF THE TIDE.

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The report of this committee was the high tide mark of the agitation. In 1899 Parliament gave the municipalities permission to enter into the telephone business. It might naturally be expected that following an agitation so completely successful scores of municipal telephone plants were established. It was really a remarkable victory, for the Government had been compelled through its force to abandon the declared policy of one of its most important departments and allow the very thing it had persistently refused to sanction in its own interests. But the threatened avalanche of telephone municipalization has not occurred. Instead of being general, as the agitation, judged from its activity, threatened, the results have been most meagre, and from the point of view of the interested municipalities, unsatisfactory. The Act of 1899 has been in force over five years and what is the total of its achievements?

Six, and only six, municipalities have gone into the telephone business, viz., Glasgow, Portsmouth, Swansea, Brighton, Hull and Tunbridge Wells. These six corporations established municipal plants, but only five are in

operation at the present time. An experience of but little over a year satisfied Tunbridge Wells that it had made a mistake and it sold its telephone business, lock, stock and barrel, to the National Telephone Company.

### THE NET RESULT.

The net result of five years of municipal telephony in Great Britain, of five years existence of the Parliamentary permission to municipalities to employ the money of their ratepayers in providing that competition for which the Committee of 1898 yearned so strenuously, has been the installation in five cities of the United Kingdom of 20,000 telephones. Half of these telephones are duplicates of those of the National Company, that is to say that that many of the subscribers of the Company have been compelled in the interest of their businesses to pay the rental of two telephones where one formerly sufficed. That and the annoyance and inconvenience of a duplicate telephone system has been the only result of the agitation so far as one-half of the subscribers of the municipal systems are concerned.

The fact that all telephone systems in Great Britain are compelled to pay ten per cent. of their gross earnings to the Post Office Department as a license fee, affords an opportunity of learning exactly the proportion of business the municipal telephone systems do. In the last financial year the National Telephone Company paid the Government in this way £169,853 and the municipalities £6,206. These figures would indicate that so far only four per cent. of the telephone business of the country has been municipalized. Yet to secure this insignificant result there has been a capital expenditure of about £500,000.

## ANOTHER RESULT.

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It is, however, only fair to state that there has been one other interesting result. While six corporations have investigated and as a result of these investigations gone into the telephone business, one to its expressed sorrow, forty-one others have arrived at the conclusion, after equally searching investigations, that it would be unwise to do so. In other words seven out of every eight towns which studied the question decided that a municipal service would be an unwise venture.

The corporations which have considered the establishment of a municipal service and abandoned the idea after investigation are :

Aberdeen	Grantham
Acerington	Halifax
Barnsley	Hastings
Bedford	Huddersfield
Bradford	Lancaster
Bristol	Leeds
Burnley	Leicester
Cambridge	Liverpool
Cardiff	Manchester
Chatham	Nelson
Colne	Oldham
Darwen	Rochdale
Dover	Rochester
Dublin	Scarborough
Dundee	Sheffield
Eastbourne	Southport
Edinburgh	Stockport
East Hartlepool	Sunderland
Folkestone	Todmorden
Gillingham	Walsall
	West Hartlepool

Among these corporations are numbered some of the largest in Great Britain. Among them are numbered corporations which have gone into municipal trading on an extensive scale. Outside of Glasgow no British city has been more prominent in the variety and extent of its municipal schemes than Halifax. Bradford, Liverpool, Leeds, Leicester, Southport, Huddersfield, Sheffield and others have municipalized their tramways. The great majority of these towns have municipal electric light plants. None of them rejected the proposal to municipalize the telephone business because they are opposed to municipalization, though some of them did because they were of the opinion that they had gone as far as advisable in this direction. The main reason for discountenancing the idea was generally that of Bristol, which secured a report from Sir William Preece to the effect that the cost of establishing and operating a municipal system would be such that the municipality could not afford to make a lower tariff than that which obtained for the company's service in Bristol. In Bristol the National Telephone Company's charge for an unlimited service is £10 per annum or considerably more than the average price for such a service charged in any Canadian city.

Another contributing cause was undoubtedly the very important fact that the number of people who stood to be benefited by any reduction in rates that might be brought about through the establishment of a municipal service was very small, while the whole body of ratepayers was liable to taxation. Regarding other public utilities which have been municipalized this objection is not so strong as in the case of the telephone, for statistics show that not more than five per cent. of the population of a city are subscribers to the telephone

system while practically everyone uses street cars, water and light. A scheme for the benefit of five per cent. of the population at the expense of all could hardly secure popular support.

### COMPARING RATES.

It is, however, impossible to fairly compare the rates charged in Canada with those in force in Great Britain owing to the widely differing conditions. The British charge should be much less than the Canadian for many reasons. In the first place the return expected from an investment of this character in Great Britain is less than money can be secured for in Canada. British municipalities can borrow cheaper than those of Canada and British companies can obtain their capital for less than those of Canada. Then the cost of construction in Great Britain is considerably less, labor not only being less expensive but all materials being available duty free, whereas the Canadian constructor has to pay up to 35 per cent. on all that he requires. Again the cost of operating is much more in Canada than it is in Great Britain, wages averaging one-third to one-half more. Finally the cost of maintenance in Canada is greater owing to climatic conditions. Bearing these facts in mind it is unfair to expect the Canadian company to meet the rates charged in Great Britain, but, despite this, what do we find? For instance, take the Portsmouth, Eng. municipal service rate. The Municipal Exchange has 1,968 subscribers. The rate charged for an unlimited service is £5 17s. The cost of a telephone service depends largely upon the number of connections at the subscriber's service. London, Ont., is a Canadian town with about the same number of subscribers as

is possessed by the Portsmouth Municipal Exchange. In London the average rate paid is \$28, actually less than that of Portsmouth.

The National Telephone Company's usual charge outside of London, where the average rate is much higher, is £10 per annum for an unlimited service. There is not a city in Canada which does not enjoy a much cheaper average rate than this. As a matter of fact the highest Canadian rate is only a fraction in excess of this and the minimum is less than half.

The Post Office License allows telephone companies to charge £3 10s. for rental and 1d. per call. If the telephone subscribers of Great Britain, who pay this rental were to make the same use of their telephones as do the people of Canada the annual charge would be \$64.80, the average number of calls per day per telephone in Canada being eight. For this service the Canadian subscriber only pays an average of \$30 per year, less than half of what it would cost the British subscriber.

### GLASGOW'S EXPERIENCE.

Of the municipal telephone systems of Great Britain only one, Glasgow, has been in operation long enough for the errors of finance and installation to come fully to the surface. The Glasgow system has been in operation for four years. The time is so short that had the plant been all that the ratepayers should have received for their money it should have been today in a fairly satisfactory condition. Instead of this the defects are developing with alarming rapidity, and the efficiency of the service has become so greatly impaired that today complaints regarding it are as frequent as they were in the days when the National's

service was so roundly denounced. The defects are not due to the fact that too little money was spent in its installation. The estimate on which it was decided to construct the system called for an expenditure of, without contingencies, £16 14s. per subscriber's line. The 1904 accounts show the average cost per line to have been £30 15s., or over 80 per cent. in excess of the estimate.

And this is not all. The estimate called for all cables being laid in conduits whereas in the plant as constructed about one-third of the total length of cables is armored cable buried solidly in the ground, hundreds of pounds having thus been saved at the cost of efficiency. This is in itself a serious matter but it pales into insignificance in comparison with another grave defect. The original installation was on the call-wire system, a method out of date at the time in all first class plants. Glasgow discovered this after the money had been spent and an extension being necessary another system was adopted and then another, and so on, until today there are in the various exchanges no less than five different systems employed. Naturally the effect has been complications and a bad service, so bad, in fact, that the necessity of uniformity has become so apparent that it can no longer be ignored. In the last official report the Telephone committee reported that they had under consideration a change in the method of operation, and quite recently manufacturers have been invited to submit estimates on the cost of changing all the central office equipment and subscriber's instruments to give automatic calling and clearing. The approximate cost of this change is estimated at £35,000. But at the best this would only mean a patch-work job. To completely reorganize the plant and bring it up to



date would require the scrapping of plant that cost about £90,000 and the expenditure of a larger sum. It is not likely that the Corporation will, even for the sake of efficiency, contemplate such an expenditure.

It would appear, therefore, that Glasgow has spent about twice as much as originally intended, and for the expenditure has a plant that is far from being what it should be.

### **CANNOT COMPETE WITH NATIONAL.**

Early in 1903 the Glasgow municipal plant and the National had approximately an even number of stations. But the municipal service was bad and growing more and more unsatisfactory, with the result that during the last year the great proportion of new business has been going to the National Company, so that at the present time it has 18,048 stations as compared with 11,822 of the municipal service. The value of a telephone depends largely upon the number of connections that can be secured and the National being able to give its subscribers fifty per cent. more connections and a better service, the Municipal service would appear to be in a more or less precarious position.

Of the 11,822 stations of the Municipal service it is estimated that fully one-half are also reached by the National's lines, so that nearly six thousand Glasgow business men are paying for two telephones where one should suffice.

A similar condition of affairs prevails in other cities with a Municipal service. People are beginning to discover that this is the real meaning of competition applied to telephones.

It is one of the reasons explaining why municipalization of the telephone has been a failure

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in Great Britain. The lesson has been learned that an efficient monopolistic service at a fair price is far more satisfactory than the competitive service which calls upon a large proportion of telephone users to pay twice, and, in the aggregate, to pay far more.

Another reason is the experience of the Government with state-owned telegraphs. In 1902-3 the net deficit in operating the telegraph department in Great Britain (which includes the telephone department) was £593,505. If to this is added interest on the capital, £10,867,644, created for the purpose of purchasing telegraph lines, the deficit would be £892,365, or nearly *Four and a Half Millions* of dollars. This deficit was not contributed by those who had benefited, but was made up by the general taxation of the people, nine-tenths of whom have little or no use for either the telegraph or the telephone. In other words over ninety per cent. of the population is taxed in order that less than ten per cent., and that the portion best able to bear the burden, may enjoy telephonic or telegraphic facilities at reduced rates or at less than cost.





