

NOTES ON MUNICIPAL GOVERNMENT

The Relation of the American Municipalities to the Gas and Electric Light Service

A SYMPOSIUM

City of New York.—ROBERT GRIER MONROE, former Commissioner of Water Supply, Gas and Electricity.

Chicago.—HUGO S. GROSSER, City Statistician, Chicago, Illinois.

St. Louis.—

Boston.—EDWARD M. HARTWELL, Secretary Statistics Department, Boston

Cleveland.—F. E. STEVENS, Secretary Municipal Association of Cleveland.

Buffalo.—

New Orleans.—JAMES J. MCLOUGHLIN, New Orleans, La.

Milwaukee.—JOHN A. BUTLER, Milwaukee, Wisconsin.

District of Columbia.—

Newark.—

Providence.—SIDNEY A. SHERMAN, Providence, R. I.

St. Paul.—

Grand Rapids.—DELOS F. WILCOX.

Seattle.—Professor J. ALLEN SMITH, University of Washington, Seattle.

Duluth.—W. G. JOERNS, Duluth, Minn.

CITY OF NEW YORK

By ROBERT GRIER MONROE, Former Commissioner of Water Supply, Gas and Electricity.

Gas and electric service in the city of New York is furnished by private corporations. The New York Gas Light Company was incorporated in 1823. That was the first. The Manhattan Gas Light Company followed in 1830. In succeeding years one company after another was chartered to make and distribute gas and later electricity. Franchises have been freely given by the legislature on the theory that the public would benefit by competition. To insure competition some of the charters contained clauses prohibiting combinations and transfers of franchises. Rival companies have, however, found it more advantageous to combine than compete, and consolidations exist irrespective of specific prohibitions. In the borough of Manhattan both illuminants have been absorbed by a single corporation, and there is no rivalry

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even between producers of gas and producers of electricity. The Consolidated Gas Company of New York controls all the gas and electric light facilities in the borough of Manhattan, as well as all gas and electric light facilities in the more important sections of the borough of the Bronx. The Brooklyn Union Gas Company, another consolidation, covers the borough of Brooklyn, the second largest borough and so through the city.

Public lighting is one of the heaviest yearly charges the municipality has to meet. For sometime the cost has exceeded \$3,000,000 annually. On the supposition that independent competing companies operated throughout the city, section 530 of the Greater New York Charter directs that all contracts for city lighting have to be made after public bidding. In December, 1902, near the close of the year, customary advertisements were published in accordance with the provisions of the city charter, asking for bids for lighting the streets and public buildings of the city for the ensuing year, 1903. When the bids were opened, it was found that the same prices that had been offered in previous years were again submitted, and that throughout the five boroughs, there were no opposing bidders for supplying the same class of light to the same district. The statutory provisions as to public advertisement had been complied with, but as there was no real competition, such bids afforded no practical test of what was a fair and reasonable price. The city officials then in power, not being satisfied after investigation on that the prices offered by the monopoly were fair and reasonable, rejected all bids.

For two years and a half the streets have been lighted and public buildings supplied with gas and electricity without contracts between the city and the lighting companies; nor for this period have bills presented for city lights been paid or adjusted. When the 1903 bids were originally rejected, the city did offer to make substantial payments, without prejudice, from month to month, as the service was rendered, leaving the companies in position to bring suit for whatever balance they thought due them, in order that what was a fair and reasonable price might be judicially determined. The monopoly has not been willing to sue on a *quantum meruit*. The lighting companies let the year 1903 go by without suit, with the expectation that if the fusion administration, then in control, could be beaten at the polls, the succeeding Tammany administration would pay their claims in full. But later, difficulties arose in the way of settlement even under the Tammany administration. In October, last, an adjustment was practically arrived at by the comptroller and the commissioner of water supply, gas and electricity, with the managers of the monopoly, and arrangements made for paying all claims of the companies in full, less interest. The proposed settlement was, however, so obviously against the interest of the city that it aroused public sentiment, a sentiment so strong that it not only prevented the "compromise" as it was called, from being carried out, but also induced a reluctant legislature to appoint a committee to investigate the entire light situation.

By joint resolution of the Senate and Assembly a legislative committee was directed to examine into the organization and operation of the gas and electric lighting companies, the reasonableness of their charges, the circum-

stances connected with the recent negotiations between the companies and the city officials, and to report the "result of their investigation with such remedial measures as it may deem proper." After an investigation, conducted with entire fairness and marked ability, the committee reported back to the legislature on April 29, 1905. Evidence brought out by the committee showed clearly that the companies holding a monopoly, which extended over the entire city, were largely over-capitalized. Referring to the Consolidated Gas Company, the committee said:

"The fact that the company, by rendering competition impossible, has been able to earn large dividends does not justify it in adding to the value of its plant an additional amount for good-will or earning capacity and thereby justify a continuance of excessive charges. If this were permitted it would be able to secure in perpetuity the maintenance of exorbitant rates. Extortion for a series of years would be the sufficient excuse for further extortion. Indeed, there would seem to be no escape from the conclusion that successful imposition upon the public would warrant increased charges upon the ground of enhanced good-will. The company is entitled to a fair return upon its capital actually invested, but it is not entitled to capitalize its grip upon the public."

The committee recommended that the price of gas for the boroughs of Manhattan and Brooklyn and part of the Bronx be fixed at a maximum of \$0.75 per thousand cubic feet; that in the same boroughs the price of electric current be fixed at a maximum of \$0.10 per Kilo-Watt hour, and that the price for 2,000 c. p. arc lamps be fixed at \$100 per lamp per year. This was a reduction from the then prevailing price of gas of 25 per cent. and 33½ per cent. on charges for electricity. The committee also recommended the appointment of a permanent state commission with power to regulate the supply and price of gas and electricity. The legislature enacted laws reducing the price of electricity as recommended by the committee. A bill reducing the price of gas to general consumers was defeated, but a bill was passed reducing the price of gas sold the city. A law providing for a permanent commission was also passed. The commission has not yet entered upon the performance of its duties, but it has power to render the public effective service.

To further guard against extortion, the city is now deciding upon plans for the construction of a municipal electric lighting plant for lighting the streets and public buildings.

CHICAGO.

By HUGO S. GROSSER, City Statistician, Chicago, Ill.

The Gas Service.

The gas service in the city of Chicago is furnished entirely by private enterprise which rests in the hands of one of the most powerful monopolies in this country; the People's Gas Light and Coke Company. This company, which obtained its grant in 1858, has the most all-embracing blanket-franchise ever granted to any corporation at any place. It merely grants to the company the right to lay their gas mains and sell gas in all Chicago without any limitation whatsoever of time or of place. It does not contain any pro-