

THE PUBLIC SERVICE COMMISSION OF MARYLAND

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NEED OF A COMMISSION

Before taking up the Public Service Commission of Maryland in particular, it would be well to consider the origin of the public service commission. Why is such a body necessary? This question was partially answered as far back as the middle ages. At that time there was usually only one man to each trade. Without competition these men were able to charge what they pleased and could vary the charges for different people without interference. In order to protect the public against any exploitations such as this the courts assumed the power to regulate and control the prices of the different trades.

The same conditions do not prevail in modern times. Practically all trades are well filled and well regulated by competition. Competition sometimes, however, does more harm than good. Such was the case, first with the railroads, and then with other public utilities.

With the introduction of railroads the states were very liberal and gave them all encouragement possible, even to the extent of making land grants. The public believed that competition could regulate this industry as efficiently as before, but here competition failed. The project was too big to be taken up by several small companies and a merger was necessary. With this success was rapid, in fact it was



too good. With the free hand given by the states the railroads made charges to suit themselves and discriminated between different parties.

These conditions brought public resentment and, incidentally, a demand for government control of railroads. This resulted in the formation of a commission with power to regulate and control rates and service of the corporations.

Such was the beginning of government control of public services through a special body for that purpose. With the advent of other public utilities such as street railways, telephone and telegraph, and gas and electric companies; and with the incidental failure of competition, its scope was widened and it changed from a railroad commission to a public service commission.

The question may be asked, what is a public service commission; is it a court or does it have the aspects of a legislature? It is neither and yet it has some powers of both. It is an intermediate body between the legislature and the court. Where it cannot make laws it can recommend legislation and where it is not really a court, its investigations enable it to furnish necessary data to the courts, and it can impose fines in certain cases.

#### ORIGIN OF THE MARYLAND COMMISSION

The Public Service Commission of Maryland was created by an act of the Maryland State Legislature April 5, 1910. Its purpose is well shown in the preamble of this act, which reads--"An act to create and establish a Public



Service Commission, and prescribing its powers and duties; and to provide for the regulation and control of public service corporations and public utilities; and to make appropriations therefor."

This act was modeled almost exactly after that creating the New York Public Service Commission, which was the second of its kind to be formed.

The body of the act follows explaining in detail the personnel, jurisdiction, powers, and duties of the commission.

#### PERSONNEL

The commission consists of three commissioners appointed by the governor, who also designates one as chairman. The term of the first three commissioners were all different in order that only one would vacate office at a time. One commissioner was in for two years only, and a second was in for four years. The third and all succeeding commissioners were to have terms of six years. In this way there are always two experienced men on the commission. Besides the commissioners there is a general counsel and an assistant counsel, also appointees of the governor for six years. A stenographer and secretary are also mentioned as assistants to the commissioners. Besides these the commissioners are empowered to employ any other assistants they deem necessary, provided that written permission is received from the governor.

## SALARIES

The Salaries of the main members of the body are to be divided between the State of Maryland and the City of Baltimore. In the case of the three commissioners the state provides for three thousand dollars each annually and Baltimore contributes two thousand dollars. The chairman receives an additional compensation from the state, of three thousand dollars.

The general counsel and secretary receive three thousand dollars from the state and eighteen hundred dollars from Baltimore. The salary of the stenographer is set at fifteen hundred dollars annually.

These salaries are among the highest paid in the country, being second (along with several other states) to those of New York which are ten thousand dollars annually.

## QUALIFICATIONS OF COMMISSIONERS

No one who is officially connected with any of the corporations affected by this act is eligible to the position of public service commissioner. In order to be eligible for this appointment the candidate must have been a qualified voter and a resident of the State of Maryland for a period of at least five years. The minimum age limit is set by the act as twenty-five years.

## JURISDICTION

The power of the commission extends over all railroads and street railways operating in the state, to common carriers, to gas and electric corporations which manufacture



or distribute their product in the state, to telephone and telegraph companies, to water companies, and other companies engaged in the business of transporting property and freight.

These companies it will be noticed are practically all without sufficient competition to regulate their rates and service. They are businesses which in order to operate successfully and economically must operate alone; and which in order to do this fairly, must have the controlling influence of the government.

#### EXTENT OF POWER

Following the jurisdiction of the commission its power is outlined completely. In substance, it has control of the rates, services, time schedules, franchises, and issues of stocks and bonds of these companies. The commissioners also have power to inspect the records and accounts of any of these corporations. The results of these inspections, however, were to be held confidential, unless they were necessary for public hearings or court information.

These inspections are usually made in order that the commission may arrive at a valuation of the business. It is on this result that the rates and taxes are based, and it is this item which causes most of the court litigation between the commission and the public service corporation.

In order that the inspections may be made efficiently and accurately, a uniform system of accounts is prescribed by the commission for the use of these companies. This system must be followed by the companies.



In the event that any rulings or orders of the commission meet with refusal of compliance by the corporation affected, the commission is empowered to take the case to court where the matter will be settled. In refusals to comply with the rules of the commission, the commissioners are empowered to make a fine of five thousand dollars or less, provided the court decision is in their favor.

#### PROCEDURE AND RULES

The Commissioners and other members of the commission first assumed office on the first Monday of May, 1910. Offices were thereafter changed on this day.

The location of the commission was fixed as Baltimore City. Meetings are to be held at least once a week at announced times, and office hours are set between eight o'clock in the morning to nine o'clock at night. At the meetings where, by the way, two commissioners are sufficient to make a quorum; the commission holds hearings on complaints received from the public, on appeals or requests from the public service corporations, and on changes or orders of its own against these corporations. In this way the commission brings the public and the corporation together in order that an understanding between the two may be reached.

All records and information received in these hearings and all other information, except that which is considered confidential, are to be made public. Where it is considered advisable by the commission, however, these



facts can be withheld for ninety days.

The commission may summon all witnesses necessary for an investigation. No witness is to be excused from testifying, on the ground that he may incriminate himself. On the other hand, no prosecution of witnesses is allowed for any of their statements, except perjury. On refusal to answer a summons the courts can compel a witness to testify.

In cases of accidents the commission is required to make complete investigations to determine the blame. In order that these investigations may be made promptly the corporation is required to file a notice to the commission immediately following the accident.

In investigations, one commissioner may conduct it alone, but all findings by him must be approved at a regular meeting of the entire commission. The commission may also hire experts to make investigations which require experienced advice. The expert is to make reports of his findings and make recommendations for remedies or improvements to the service. For the purpose of these investigations the sum of seventy-five thousand dollars is appropriated annually.

All fines and fees collected by the commission are to be divided between the State of Maryland and the City of Baltimore. Maryland is to receive all but one fourth of the receipts, while this portion is remitted to Baltimore, to reimburse the city for its expenditures toward the salaries.



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## WORK OF THE COMMISSION

The fact that the commission tackled a large and difficult job with great efficiency is shown by its reports. In the 1910 report the commission showed three hundred and ninety cases handled from the time offices were assumed up to December 31, 1910. Of these two hundred and eighty-three were completed, either by a final decision or by default of the plaintiff. The rest of the cases were either awaiting decisions or further investigations.

In the first few years the work of the commission was almost entirely put on the telephone and telegraph, and gas and electric conditions. The report for 1911 states that the work was hampered by investigations of the gas and electric, and telephone rates in Baltimore. Scattered throughout this report are reports of investigations consuming many pages. Among these reports are some from engineers from other states, showing that the commission would not hesitate to hire outside engineers and experts where it was necessary to straighten out the complicated situations that confronted the commissioners.

One difficult problem that was put to the commissioners for solution rose from the telephone question and required the assistance of an outside traffic engineer. In the business section of Baltimore the telephone rates were originally on a set rate and unlimited service system. The company desired to make all new connections on a set rate with additional charges for calls above a certain number.



If this plan was followed those already having service would have to change over, or one of the principles in the foundation of the commission would break down. There would exist a discrimination between the old and new subscribers. If, on the other hand, the rates of the old subscribers were changed, they would complain fervently against the change.

It was necessary in this case for a complete and accurate investigation, so an outside expert was, accordingly, asked to investigate the situation and make recommendations for clearing it up. His investigation and report is a long one, and the decision of the commissioners was based on it. The decision was a compromise between the old system of rates and the proposed one. The company was given the limited service, but the number of calls were increased, and the rates for additional calls decreased.

Such problems as this constantly faced the commission in its early years and continue to do so, though in a lesser degree. Besides these large problems there are a great number of small cases. The reports on these cases, sometimes fill less than half a page, and deal with cases of great variety. One sees a complaint against the Baltimore and Ohio Railroad, by a farmer whose cow was killed on the tracks. Immediately following this may be a request by the railroad for a change in schedule or rates. Then there are complaints by the public regarding high rates, poor service, discourteous treatment, and many other items. Some of these reports have touches of humour in them, mainly because the



complaint can be called nothing else but ridiculous.

From these facts it can be seen that the work of the commissioners requires a great deal of patience and diplomacy on their part and they obviously receive many complaints and many boosts.

#### RESULTS OF COMMISSION'S WORK

Whatever may be said about the work of the commission, it must be admitted that the conditions of the public utilities of Maryland are much improved over what they were in 1910. They are better, both for the public service companies and for the public.

For the companies their earnings have been increased because of increased patronage. If the rates were higher than the profit of the companies would justify, the public would refrain from patronizing the corporations; either because it was unable to afford high rates, or because it did not care to increase the profits of an unscrupulous company.

The companies have also gained from the systematic methods of accounting imposed upon them by the commission. Where they previously had little knowledge of what their expenses were for and where they went, they were forced by the commission to know these facts and have them available for investigation.

For the public the benefits are great. Their confidence in public service corporation has been restored



until they now fear only slightly that the corporations are endeavoring to "bleed" them.

The service to the public is considerably more efficient and convenient than it was in the days when the companies were free to do as they pleased. The carriers now provide the most comfortable riding possible within the limits of the fare and the number of passengers. The telephone companies supply more efficient and faster service, and other public services are improved and serving the public consistently and efficiently. Where they are not, the public has the right of complaint to the commission.

The rates have been lowered until the companies are making only what is considered a fair earning on the valuation made by the commission. This has made it possible for a greater majority of people to have these facilities at hand than ever before.

The best thing that the commission has done for the public is the prevention of discrimination. Before the commission's innovation the corporations gave certain persons or companies free service because they deemed it profitable in other ways for them to do this. The companies sometimes discriminated between certain sections and charged different rates to the different parts. It might even be said that the companies sometimes refused to serve certain individuals or companies at all. These evils of discrimination by public service companies of Maryland have been mostly eliminated by the commission.



For the State of Maryland, it might be said the commission has served a good purpose. It has taken the burden of public utilities regulation off the shoulders of the courts and the legislature, and by devoting its time wholly to public service companies has succeeded in making for a more systematically and efficiently handled public utilities situation.

To quote, in conclusion, from the paper by Arthur Stedman Hills--the commission has followed the three common law principles upon which it was founded, by forcing the public service companies to "serve all who applied, at fair rates, and without discrimination."