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PROCEEDINGS

OF THE

Canada. Parliament. House of Commons.

SELECT COMMITTEE

ON

TELEPHONE SYSTEMS

VOL. I.

MINUTES OF PROCEEDINGS; MINUTES OF EVIDENCE; INTERIM REPORTS; SYNOPSIS OF EXHIBITS.

(REVISED EDITION.)

(NOTE.—Vol. II. consists of "Appendix A," which contains letters addressed to the Chairman and other members of the Committee; also papers, statistics, &c., furnished by Foreign Governments and by various Telephone Companies in Canada and elsewhere, &c., &c.)

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SELECT COMMITTEE ON TELEPHONE SYSTEMS

VOL. I.

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SELECT COMMITTEE ON TELEPHONE SYSTEMS.

ORDERS OF REFERENCE.

FRIDAY, March 17, 1905.

Resolved, That a Select Committee composed of Sir William Mulock, Mr. Boyce, Mr. Burrows, Mr. Demers (St. Johns and Iberville), Mr. Grant, Mr. Johnston (Cape Breton, South), Mr. Maclean (York), Mr. Monk, Mr. Roche (Marquette), Mr. Smith (Nanaimo), and Mr. Zimmerman, be appointed to inquire into and report regarding the various public telephone systems in operation in Canada and elsewhere, as the committee shall determine; and to consider and report what changes, if any, are advisable in respect of the methods at present in force for furnishing telephone service to the public. Such committee to have power to send for persons and papers, to examine persons under oath, to engage stenographers, clerical and other assistance, and to report from time to time.

Attest. THOS. B. FLINT,
Clerk of the House.

TUESDAY, March 21, 1905.

Ordered, That the names of Messieurs Bergeron and Geoffrion be added to the said committee.

Attest. THOS. B. FLINT,
Clerk of the House.

WEDNESDAY, March 22, 1905.

Ordered, That the quorum of the said committee be reduced to five members.

Attest. THOS. B. FLINT,
Clerk of the House.

WEDNESDAY, March 22, 1905.

Ordered, That the said committee be empowered to have all their proceedings and any evidence taken by them printed from time to time, as they may deem necessary, and that Rule 99 be suspended in reference thereto.

Attest. THOS. B. FLINT,
Clerk of the House.

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FRIDAY, April 7, 1905.

Ordered, That the said committee have leave to sit while the House is in Session.

Attest. THOS. B. FLINT,
Clerk of the House.

MONDAY, April 10, 1905.

Ordered, That the names of Messieurs Miller and Lewis be added to the said committee.

Attest. THOS. B. FLINT,
Clerk of the House.

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REPORTS (INTERIM)

OF THE

SELECT COMMITTEE ON TELEPHONE SYSTEMS

FIRST REPORT.

HOUSE OF COMMONS, March 22, 1905.

The Select Committee appointed to inquire into and report regarding the various public telephone systems in operation in Canada and elsewhere beg leave to present the following as their First Report:—

Your Committee recommend that their quorum be reduced to five members.

Your Committee also recommend that their proceedings, and any evidence taken by them, be printed from time to time, in such manner and in such numbers as they may deem proper.

All of which is respectfully submitted.

WILLIAM MULOCK,
Chairman.

SECOND REPORT.

HOUSE OF COMMONS, April 7, 1905.

The Select Committee appointed to inquire into and report regarding the various public telephone systems in operation in Canada and elsewhere beg leave to present the following as their Second Report:—

Your Committee recommend that they be given leave to sit while the House is in session.

All of which is respectfully submitted.

WILLIAM MULOCK,
Chairman.

THIRD REPORT.

HOUSE OF COMMONS, July 15, 1905.

The Select Committee appointed to inquire into and report regarding the various telephone systems in operation in Canada and elsewhere, and consider and report what changes, if any, are desirable with respect to the methods at present in force for furnishing telephone service to the public, beg leave to present the following as their Third Report:—

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During the course of their inquiry, your Committee have held some forty-three sittings and have examined about fifty witnesses, and have had a large number of exhibits and other papers and documents laid before them. Owing, however, to the voluminous nature of the evidence submitted and to the late period of the session, your Committee feel that it is impossible for them, during the present session, to come to any conclusions, or to make any recommendations to the House upon the subject referred to them; but they beg to submit herewith, for the information of the House, the minutes of their proceedings from March 20 last, together with all the evidence taken by them, and the exhibits and other papers laid before them.

All of which is respectfully submitted.

A. ZIMMERMAN,
Chairman.

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SELECT COMMITTEE ON TELEPHONE SYSTEMS.

MINUTES OF PROCEEDINGS

COMMITTEE ROOM, HOUSE OF COMMONS,
MONDAY, March 20, 1905.

The committee met at 11 o'clock a.m.

PRESENT—Messieurs Boyce, Burrows, Johnston (Cape Breton), Maclean (York), Mulock (Sir William), Roche (Marquette), Smith (Nanaimo), and Zimmerman.—8.

On motion of Mr. Johnston (Cape Breton), Sir William Mulock was elected chairman.

Mr. Fred. Cook, past president of the Union of Canadian Municipalities, laid on the table copies of the report of the fourth annual convention of the Union; he also said that he was authorized to state that it was the desire of the Union to co-operate with and to assist the committee by every means in their power, and to place at their disposal any information which they might be in a position to furnish.

Resolved, That the thanks of the committee are due and are hereby tendered to the Union of Canadian Municipalities for their offer of co-operation.

Resolved, That it is desirable for the committee to inquire into and consider all existing legislation regarding telephone systems in the following countries, viz. :—Dominion of Canada, including federal, provincial and municipal legislation; the United Kingdom; the United States of America; Australasia; Norway and Sweden, and Denmark.

Ordered, That Mr. Godfrey Herbert Pownall, of the Department of Justice, Ottawa, be summoned to appear at the next meeting of the committee, and that he be requested to furnish the committee with a report upon the condition of the law, and a summary of the legislation in Canada and elsewhere, regarding telephones.

Ordered, That Mr. Francis Dagger, of Toronto, Ont., be summoned to attend at the next meeting of the committee.

The committee then adjourned until Wednesday next, March 22, instant, at 11 o'clock a.m.

ATTEST, WALTER TODD,
Clerk of the Committee.

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WEDNESDAY, March 22, 1905.

The Committee met at 11 o'clock a.m.

PRESENT—Sir William Mulock, Chairman, Messieurs Bergeron, Boyce, Burrows, Grant, Johnston (Cape Breton), Maclean (York), Monk, Roche (Marquette), Zimmerman.—10.

On motion of Mr. Maclean (York), it was

Resolved, That the Committee recommend that their quorum be reduced to five members.

On motion of Mr. Maclean (York), it was

Resolved, That the Committee recommend that they be empowered to have all their proceedings, and any evidence taken by them printed from time to time in such manner as they may deem proper.

Ordered, That 1,000 copies of each day's proceedings be printed for the use of the Committee.

The following exhibits were filed, viz.:—

Exhibit No. 1.—Letter, Francis Dagger to Sir William Mulock, dated March 2, 1903.

Exhibit No. 2.—Report of Francis Dagger; dated March 3, 1903, with Schedules A to G inclusive.

Exhibit No. 3.—Letter, Mr. Pattison, Secretary-Treasurer of the Town of Neepawa, Man., to Mr. F. Dagger.

Resolved, That Mr. John Crawford, M.P., be requested to attend and give evidence before the Committee at their next sitting.

On motion of Mr. Maclean (York), it was

Ordered, That Mr. Alpheus Hoover, of Green River, Pickering Township, Ontario, be summoned to give evidence at the next meeting of the Committee.

On motion of Mr. Boyce, it was

Ordered, That Mr. Joshua Dyke, of Fort William, Ontario, be summoned to give evidence.

On motion of Mr. Grant, it was

Ordered, That Mr. John Veale, sr., of Thorah Township, Ontario, be summoned to give evidence.

On motion of Mr. Maclean (York), it was

Resolved, That Mr. Francis Dagger, of Toronto, Ont., be employed by the Committee for a period of one month from March 21 instant.

The Committee adjourned until Monday, March 27, at 11 o'clock a.m.

Attest. WALTER TODD,
Clerk of the Committee.

MONDAY, March 27, 1905.

The Committee met at 11 o'clock a.m.

PRESENT—Sir William Mulock, Chairman, Messieurs Bergeron, Burrows, Demers (St. John), Grant, Johnston (Cape Breton), Maclean (York), Monk, Roche (Marquette), Smith (Nanaimo) and Zimmerman—11.

Mr. ALPHEUS HOOVER, Green River, Ont., was sworn, examined and discharged from further attendance.

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APPENDIX No. 1

During his examination the following Exhibits were filed:—

Exhibit No. 4—Telegram of February 5, 1903, T. G. Shaughnessy to A. Hoover.
Exhibit No. 4a—Copy of contract between Bell Telephone Company and the Canadian Pacific Railway Company.

On motion of Mr. Grant it was

Resolved, That the order of March 22, summoning Mr. John Veale, sr., of Thorah Township, Ont., be discharged.

On motion of Mr. Grant it was
Ordered, That Mr. Angus C. Cameron, Beaverton, Ont., be summoned to attend and give evidence at the next meeting of the committee.

Eleven letters addressed to the chairman or other members of the committee were read and filed and ordered to be printed as an appendix to the evidence.

Ordered, That 6,000 copies of each day's proceedings of the committee be printed and distributed in accordance with a list to be prepared by the clerk of the committee, such list to include senators, members of Parliament, officials, judges, members of provincial legislatures, boards of trade, telephone companies in Canada, and clerks of all municipalities, and such other classes or names as may be added from time to time.

The Committee adjourned until Thursday, March 30, at 11 o'clock a.m.

Attest. WALTER TODD,
Clerk of the Committee.

THURSDAY, March 30, 1905.

The Committee met at 11 o'clock a.m.

PRESENT—Sir William Mulock, Chairman; Messieurs Bergeron, Boyce, Burrows, Geoffrion, Johnston (Cape Breton), Monk, Roche (Marquette) and Zimmerman—9.

Draft list of questions to be sent to European cities and towns, and to telephone companies in Canada and the United States, prepared by Mr. F. Dagger, were submitted and approved.

Mr. Angus E. Cameron, of Beaverton, Ont., was sworn, examined and discharged from further attendance.

Mr. John Crawford, M.P., was sworn, examined and discharged from further attendance.

On motion of Mr. Boyce it was
Ordered, That Mr. W. Norman Andrews, of Brantford, Ont., be summoned to attend and give evidence at the next meeting of the Committee, and that he be required to bring with him and produce all estimates, tenders and other papers which were submitted to the Municipal Telephone Committee of the city of Brantford.

On motion of Mr. Roche (Marquette), it was
Ordered, That the attendance of Mr. T. A. Potter, of Iowa, U.S.A., for the purpose of giving evidence, be arranged for during the time that he is in Canada.
Ordered, That Mr. Joshua Dyke, of Fort William, Ont.. be summoned to attend at the next sitting.

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The following accounts were read and approved:

1. *Canadian Electrical News,* Toronto, 1 year's subscription, $1.
2. Telephony Publishing Company, Chicago, books, $7.25.
3. Telephony Publishing Company, Chicago, 1 year's subscription *Telephony,* $1.
4. Biggar-Samuel, Limited, Montreal, magazines, $1.75.
5. Telephone Magazine Publishing Company, Chicago, 1 year's subscription, $1.
6. *American Telephone Journal,* New York, 1 year's subscription, $1.

Three letters addressed to the chairman were filed and ordered to be printed in Appendix 'A.'

The Committee adjourned until Tuesday, April 4, at 11 o'clock a.m.

Attest. WALTER TODD,
Clerk of the Committee.

TUESDAY, April 4, 1905.

The Committee met at 11 o'clock a.m.

PRESENT—Sir William Mulock, Chairman; Messieurs Bergeron, Demers (St. John), Grant, Johnston (Cape Breton), Maclean (York), Monk, Roche (Marquette), Smith (Nanaimo) and Zimmerman—10.

Mr. Joshua Dyke, Fort William, Ont., was sworn and examined in part.

During his examination the following exhibits were filed:—

Exhibit No. 5—Letter of Town Clerk, Port Arthur, to Joshua Dyke, March 24, 1905.

Exhibit No. 5*a*.—Letter from Board of Commissioners, Water, Light and Telephone, Fort William, to J. Dyke, March 25, 1905.

Exhibit No. 6—Declaration of W. W. Birdsall *re* contract between Canadian Pacific Railway and Bell Telephone Company.

Exhibit No. 7—Declaration of W. H. Fraser on same subject.

Exhibit No. 8—Declaration of C. H. Jackson on same subject.

Exhibit No. 9—Declaration of G. W. Brown on same subject.

Exhibit No. 10—Declaration of J. E. Rutledge on same subject.

Exhibit No. 11—Declaration of Hugh M. Piper on same subject.

Exhibit No. 12—Statement of gross receipts of Bell Telephone Company at Fort William for year 1904.

Exhibit No. 13—Official Directory of Bell Telephone Company, Fort William and Port Arthur.

Exhibit No. 14—Statement of gross receipts of Bell Telephone Company at Port Arthur..

Exhibit No. 15—Pamphlet on Municipal Ownership at Fort William.

Exhibit No. 16—Official statement of the operation of the franchises of the town of Port Arthur.

Resolved, That the examination of Mr. Dyke be resumed to-morrow.

Ordered, That copies of the proceedings and evidence be sent to the members of the various Provincial Legislatures.

Resolved, That the following persons be summoned to attend and give evidence on Friday the 7th instant, viz.:—

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APPENDIX No. 1

Mr. Charles Skinner, General Manager, People's Telephone Company, Sherbrooke, P.Q.

Mr. L. B. McFarlane, General Superintendent, Bell Telephone Company, Montreal.

The Committee adjourned until to-morrow at 11 o'clock.

Attest. WALTER TODD,
Clerk of the Committee.

WEDNESDAY, April 5, 1905.

The Committee met at 11 o'clock a.m.

PRESENT—Sir William Mulock, Chairman; Messieurs Bergeron, Johnston (Cape Breton), Maclean (York), Monk, Roche (Marquette), Smith (Nanaimo), and Zimmerman—8.

On motion of Mr. Maclean (York), it was

Resolved, That Mr. L. B. McFarlane, General Superintendent of the Bell Telephone Company, be summoned to attend on Tuesday next, and that he be required to produce all contracts made between the Bell Telephone Company and any railway company in Canada regarding the use of telephones by such railway companies. Also certified copies of any agreements between his company and the American Bell Telephone Company and its successors in regard to the use by the Canadian company of patents controlled by the American company, and also a statement of their patents which have lapsed, and of those which are still in existence, and also a statement of the present shareholders in this company and amounts of their respective holdings.

The examination of Mr. JOSHUA DYKE was resumed.

The following papers were filed and marked as exhibits :—

Exhibit No. 17.—Financial statement, Fort William, 1904.

Exhibit No. 18.—Financial statement, Fort William, 1902.

Exhibit No. 19.—Financial statement, Fort William, 1903.

Exhibit No. 20.—Extracts from Case 6, Board of Railway Commissioners; application of Fort William and Port Arthur for installation of telephones in Canadian Pacific Railway station, &c.

Exhibit No. 21.—Financial statement, Port Arthur, 1904.

Mr. Dyke's examination was concluded and he was discharged from further attendance.

Mr. W. NORMAN ANDREWS, Brantford, Ont., was sworn, examined and discharged.

During his examination the following papers were filed as exhibits, viz.:—

Exhibit No. 21½.—Clipping from Brantford 'Courier' containing letter from C. F. Sise, respecting Glasgow's experience in connection with municipal telephone service.

Exhibit No. 22.—Letter, J. F. Butterfield to W. Norman Andrews, August 17, 1904.

Exhibit No. 23.—Magazine intitled 'Sound Waves,' July, 1904.

Exhibit No. 24.—Extract from editorial in 'Telephony,' June, 1904, intitled 'Independent Telephone Securities.'

Exhibit No. 25.—Letter, June 29, 1904, International Telephone Manufacturing Company to city of Brantford, Ont.

Exhibit No. 26.—Letter, August 19, 1904, Canadian Machine Telephone Company, Limited, to Alderman Andrews, Brantford, Ont.

Exhibit No. 27.—Newspaper excerpt intitled 'Glasgow 'Phones, an official announcement as to their success.'

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Ordered, That Mr. N. D. Neill, President and General Manager of the American Machine Telephone Company, Limited, now in Ottawa, be summoned to give evidence to-morrow.

The following list of books, pamphlets and magazines, procured for the use of the committee, was laid upon the table :—

BOOKS.

1. Telephony.—A manual of the design, construction and operation of telephone exchanges. 6 vols. By A. V. Abbott, C.E.
2. Manual of Rural Telephony. By J. A. Williams.
3. Toll Line Specifications. By W. H Crumb.
4. The Telephone Systems of the Continent of Europe. By A. R. Bennett. Attest.

JOURNALS.

5. Canadian Engineer, January, 1903.—Containing article 'Independent Telephony in Canada; also a description of the Fort William and Port Arthur exchanges.
6. Canadian Engineer, August, 1903.—Containing articles 'Independent Telephony in the North-west'; also, 'Is State Ownership of Telephones Desirable.'
7. Canadian Engineer, February, 1904.—Containing article on 'Municipal Ownership.'
8. Canadian Engineer, September, 1904.Containing article, 'Municipal Telephony in Great Britain.'
9. Canadian Engineer, January, 1905.—Containing article 'Public Ownership of Public Franchises.'
10. Canadian Engineer, February, 1905.—Containing article, 'Telephone Legislation' also, 'Telephone Competition *vs.* Telephone Monopoly,' &c.
11. Canadian Engineer, March, 1905.—Containing article, 'Vested Rights and Vested Wrongs.'
12. Western Electrician, March 5, 1904.—Containing descriptions of Norstrom-Brownrigg, Faller and Lorimer Automatic Telephone Systems.
13. The Oaks, April 18, 1903.—Containing article on the Strowger Automatic Telephone System.
14. Telephone, August, 1903.—Containing article, 'The World's Telephone Rates,' Part I.
15. Telephone, September, 1903.Containing article, 'The World's Telephone Rates,' Part II.
16. Telephone, April, 1904.—Containing article, 'The Automatic and Critic'; also, 'Paper on Farm Lines Proposition.'
17. Telephone, November, 1904.—Containing article, 'A Great Independent System'; also, 'Telegraphy and Telephony in Japan.'
18. Telephone, March, 1905.—Containing article, 'The Automatic Problem'; also description, 'The Lundquist Automatic Trunking System,' and article, 'Bankers buying up Independent Securities.'
19. Telephone, April, 1905.—Containing article, 'Canada and the Independents'; also article, 'The Municipal Telephone in England.'
20. Telephone Magazine, November, 1904.—(See table of contents on cover.)
21. Telephone Magazine, March, 1905.
22. Telephone, February, 1905.
23. Sound Waves, May, 1904.—Containing article, 'The Advent of the Automatic Telephone Exchange on the Pacific Coast.'
24. Sound Waves, July, 1904.—Containing description, 'New Automatic System at Columbus, Georgia.'
25. American Telephone Journal, March 18, 1905.—Containing article, 'Pay Stations on the Strowger System, and why Bell Telephone Rates are High.'

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APPENDIX No 1

26. American Telephone Journal, April 1, 1905.—Containing 'Telephone Statistics'; also map, 'Independents' Long-Distance Lines,' Indiana, U.S.A.
27 Booklet.—'The Independent Telephone Movement,' 'A Marvellous Record.'
28 Booklet.—Describing the Lorimer Automatic Telephone System of the Canadian Machine Telephone Company.
29 Booklet.—A Review of the Canadian Telephone Field.
30. Booklet.—Describing the Strowger Automatic Telephone System of the Automatic Electric Company, Chicago.
31. Booklet.—'What they say about the Automatic in Grand Rapids, Mich.'
32. Booklet.—'Some Documents in Evidence,' being letters from users of the Automatic Telephone in St. Mary's, Ohio.
33. Booklet.—'What Portland, Maine, thinks of the Automatic Telephone.'
34. Booklet.—'In Witness Whereof we have hereto Set our Hands and Seals,' being letters from automatic telephone users on Automatic Telephony in Dayton, Ohio.
35 Booklet.—'Comparing the Automatic System with the Manual System.'
36. Booklet.—'The Stark Electric System,' describing the system invented by A. M. Stark, late of the Bell Telephone Company, Toronto.
37. Telephony.—Containing articles, 'A Model Rural System,' 'The Automatic Problem,' and 'Municipal Telephones.'
38. Telephony.—Containing articles on 'Automatic Apparatus,' 'Farmer Lines,' 'Profits in Independent Securities,' 'United States Government Telephone Statistics,' and 'Hull's (Eng.) Municipal Telephone Service.'

This list will be added to from time to time.

One letter addressed a member of the committee was ordered to be printed in Appendix A.

The Committee adjourned until to-morrow at 11 o'clock.

Attest. WALTER TODD,
Clerk of the Committee.

THURSDAY, April 6, 1905.

The Committee met at 11 o'clock a.m.

PRESENT—Sir William Mulock, Chairman; Messieurs Bergeron, Boyce, Grant, Johnston (Cape Breton), Maclean (York), Monk, Roche (Marquette), Smith (Nanaimo) and Zimmerman—10.

Mr. N. D. Neill, President and General Manager, American Machine Telephone Company, Limited, Brantford, Ont., was sworn, examined and discharged.

Resolved, That Mr. B. W. Chipman, President Nova Scotia Telephone Company, Limited, Halifax, or such other officers of the company as he may designate, and Dr J. T. Demers, Secretary-Treasurer of La Compagnie de Telephone de Bellechasse (Limitée), be summoned to give evidence at any meeting of the committee next week which may be most convenient to them.

The account of Vinton A. Sears, Boston, for 12 copies 'Telephone Development,' $3.60, was approved.

The clerk was authorized to employ C. Dunlop and J. A. Pinard in the distribution of the committee's proceedings.

The Committee adjourned until to-morrow at 11 o'clock a.m.

Attest. WALTER TODD,
Clerk of the Committee.

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FRIDAY, April 7, 1905.

The Committee met at 11 o'clock a.m.

PRESENT—Sir William Mulock, Chairman; Messieurs Johnston (Cape Breton), Monk, Roche (Marquette) and Zimmerman—5.

Mr. CHARLES SKINNER, General Manager, People's Telephone Company, Sherbrooke, P.Q., was sworn and examined and discharged from further attendance.

The following papers were produced by him and filed as exhibits, viz.:—

Exhibit No. 28.—Plan showing district served by the People's Telephone Company.

Exhibit No. 29.—Letter published in Sherbrooke *Examiner*, March 17, 1902, by Mr. Skinner regarding the contract between the Grand Trunk Railway Company and the Bell Telephone Company, and article respecting the company from *Canadian Engineer*, February, 1905.

On motion of Mr. Monk, it was

Resolved, That the Committee report a recommendation that leave be granted to them to sit while the House is in session.

The Chairman laid on the Table a copy of the agreement, dated February, 1905, between the Imperial Postmaster General and the National Telephone Company, Limited, for the purchase of that company's system at the expiration of its license, which was ordered to be printed.

The Clerk was authorized to employ a stenographer for correspondence and office work, and also procure a suitable room from which to distribute the Committee's proceedings.

The Committee adjourned until Tuesday next at 11 o'clock.

Attest. WALTER TODD,
Clerk of the Committee.

TUESDAY, April 11, 1905.

The Committee met at 11 o'clock a.m.

PRESENT—Sir William Mulock, Chairman; Messieurs Bergeron, Demers (St. John), Geoffrion, Lewis, Maclean (York), Miller, Monk, Roche (Marquette), Smith Nanaimo) and Zimmerman—11.

Mr. L. B. McFarlane, General Superintendent Bell Telephone Company, Montreal, being called;

Mr. T. C. Casgrain, K.C., counsel for the Bell Telephone Company, submitted a doctor's certificate to the effect that Mr. McFarlane was too ill to come to Ottawa, but he was prepared to file the papers which Mr. McFarlane was required to produce.

Mr. Casgrain then produced the following papers, which were filed and marked as exhibits:—

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APPENDIX No. 1

Exhibit No. 30—List of Patents—Bell Telephone Company.
" 31—Agreement with the Bay of Quinté Railway Company.
" 32 " Boston and Maine Railway Company.
" 33 " Canada Atlantic Railway Company.
" 34 " Canadian Pacific Railway Company.
" 35 " Central Ontario Railway Company.
" 36 " Central Vermont Railway Company.
" 37 " Galt, Preston and Hespeler Street Railway Company.
" 38 " Grand Trunk Railway Company, dated July 25, 1900.
" 39 " Grand Trunk Railway Company, dated February 19, 1904.
" 40—Letter, McFarlane to Great Northern Railway Company.
" 41 " " Sise, *re* Great Northern Railway agreement.
" 42—Agreement with the Hamilton Radial Railway Company.
" 43 " Hamilton and Dundas Railway Company.
" 44 " Michigan Central Railway Company, dated July 29, 1903.
" 45 " Michigan Central Railway Company, dated October 30, 1903.
" 46—Letter, Gilmour to Larocque *re* New York and Ottawa Railway Company.
" 47 " Larocque to Gilmour *re* New York and Ottawa Railway Company.
" 48 " H. W. Gays to Gilmour *re* New York and Ottawa Railway Company.
" 49 " Gilmour to Phillips *re* New York and Ottawa Railway Company.
" 50—Agreement with the Quebec Southern Railway Company.
" 51—Letter, C. F. Sise, Jr., to Farbar *re* Quebec and Lake St. John Railway Company.
Exhibit No. 52—Agreement with the St. Lawrence and Adirondack Railway Company.
" 53 " Thousand Islands Railway Company.
" 54 " Tilsonburg, Lake Erie and Pacific Railway Company.
" 55—Letter, C. F. Sise to Toronto, Hamilton and Buffalo Railway Company.
" 56 " Fisher to Sise *re* Toronto, Hamilton and Buffalo Railway Company.
" 57 " Robbins to Sise *re* Wabash Railway Company.
" 58 " Sise to Robbins *re* Wabash Railway Company.
" 59—List of Shareholders, Bell Telephone Company.

(The above exhibits, with the exception of No. 59, are printed in the Minutes of Evidence, Pages 175 to 211, inclusive.)

Resolved, That Mr. C. F. Sise, President Bell Telephone Company, Montreal, be summoned to give evidence upon some day to be determined later.

The chairman submitted a list of questions which he suggested should be sent to Mr. Sise, in order to assist him in his examination, but with the understanding that the examination is not to be limited to these points; which questions were approved. (See page 213 of the evidence.)

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Ordered, That the Clerk do add to the foregoing list any further questions which may be prepared by any member of the committee, and forward the same to Mr. Sise or to the Bell Telephone Company.

With a view to inviting the co-operation of the public in the enquiry being conducted by the Committee, the chairman suggested that the following resolution be adopted and sent to the press, which was approved, viz.:—

Resolved, 'That with reference to the telephone question now under consideration, the committee desire it to be understood by the public that all persons in any wise interested in the inquiry may lay their views before the committee either by written communication or by appearing before the committee and giving evidence, all communications to be addressed to the chairman.'

The chairman submitted for the information of the Committee a list of telephone companies in Canada, compiled from the latest available information, as follows:—

LIST OF TELEPHONE COMPANIES IN CANADA, 1904

Quebec—

St. Laurent Telephone Co., St. Francois du Lac.
La Compagnie de Téléphone Bellechasse, Lévis, P.Q.
People's Telephone Co., Sherbrooke.
Frs. Gauthier & Co., Drummondville.
T. B. Rider, Fitch Bay.
La Compagnie de Téléphone Locale, L'Epiphanie.
H. Lemieux & Sons, Murray Bay.
Laurentides Telephone Co., Laurentides.
Compagnie de Téléphone Joliette, Joliette.
Compagnie de Téléphone de Beauce, St. Francois
Jos. Archambault, L'Epiphanie.
Eastern Townships Telephone Co., Sherbrooke.
Téléphone du Comté St. Maurice, Three Rivers.
Pierre Deshaise, Doucet's Landing.
La Compagnie de Téléphone Kamouraska, Fraserville.
La Compagnie de Téléphone des Marchands, 83 rue St. Jacques, Montréal.
Canadian Telephone Co., Limited, Sawyerville.
Bell Telephone Co., Canada, Limited, Montreal.
The Metis Telephone Co., Little Metis.
The Roberval Telephone Co., Roberval.
The Beauce County Telephone Co., St. Joseph de Beauce.
The St. Maurice Telephone Co., Shawenegan.
The St. Lawrence Telephone Co., St. Francois-du-Lac.
The Electric Light and Telephone Co., Solomon A. St. Pierre.
La Compagnie de Téléphone, Portneuf, Portneuf.
The Mégantic Telephone Co., Ste. Julie de Somerset, Mégantic Co.
Fournier Villemaire, St. Valère de Bulstrode, Drummond-Arthabaska.
La Compagnie de Téléphone de la Paroisse de St. Winceslas, St. Winceslas, County Nicolet.
La Compagnie de Téléphone de St. Zéphirin, St. Zephirin, County Yamaska.

Ontario—

William Wade, Brigaton.
Manitoulin & North Shore Telephone Co., Little Current.
Town of Fort William, Fort William
East Luther Telephone Co., Grand Valley.
North American Telegraph Co., Kingston.
Central Dufferin Telephone Co., Colbeck.

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APPENDIX No. 1

Ontario—Continued.

Town of Rat Portage, Rat Portage.
Town of Port Arthur, Port Arthur.
Telephone Co. of Sturgeon Falls, Sturgeon Falls.
The Scarboro Telephone Co., Scarboro.
The Markham & Pickering Telephone Co., Whitevale.
The Harrietsville Telephone Association, Harrietsville.
The Canadian Machine Telephone Co., Toronto.
The Stark T. L. & P. System, Limited, Toronto.
The International Telephone Co., Fort Francis.
The Ontario Independent Telephone Co., Windsor.
The Manitou Telephone Co., Manitou.

New Brunswick—

Sackville Telephone Co., Sackville.
Union Telephone Co., Florenceville.
Miramichi Telephone Co., Chatham.
Restigouche Telephone Co., Campbellton.
Gloucester County Telephone Co., Bathurst.
St. Martin's Telephone Co., Fredericton.
Central Telephone Co., Hampton.
The Charlotte County Telephone Co., St. Stephens.
The New Brunswick Telephone Co., Fredericton.
The Central Telephone Co., Bridgewater.
The Madawaska Telephone Co., Edmundston.

Nova Scotia—

Nova Scotia Telephone Co., Halifax.
Cheverie Telephone Co., Summerville.
Yarmouth Amalgamated Telephone Co., Yarmouth.
Maitland and Noel Telephone Co., Noel.
Parrsboro Shore Telephone Co., Parrsboro.
Eastern Telephone Co., Sydney.
The Barrington Telephone Co., Barrington.
The Queen's County Telephone Co., Liverpool.
The Westport & Digby Telephone Co., Westport.
The Southern Telephone Co., Sydney.
The Queen's County Telephone Co., Chelsea.
The Economy & Fire Island Telephone Co., Economy.
The West Gore and Nine Mile River Telephone Co., Elmsdale.
The Valley Telephone Co., Hantsport.

Prince Edward Island—

The Telephone Co. of Prince Edward Island, Charlottetown.

British Columbia—

Kootenay Lake Telephone Co., Vancouver.
New Westminster & Burrard Inlet Telephone Co., Vancouver.
Victoria & Esquimalt Telephone Co., Vancouver.
Nanaimo Telephone Co., Vancouver.
Vernon & Nelson Telephone Co., Nelson.
Cranbrook Electric Light Co., Cranbrook.
The Okanagan Telephone Co., Kelowna.
The Canada Eastern Telephone and Telegraph Co., Vancouver.
The Kootenay Lake Telephone Co., Vancouver.
The B. C. Telephone, Limited, Revelstoke.
The Revelstoke, Trout Lake and Big Bend Telephone Co., Revelstoke.
The British Columbia Telephone Co., Vancouver.

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Manitoba—

The Municipality of Neepawa.

Gladstone Electric Light and Telephone Co., Gladstone.

North-west Territories.

Telephone Exchange, Moosejaw.

Western Telephone Co., Calgary.

Yorkton N. W. E. L. Co., Limited, Yorkton.

City of Edmonton, Edmonton.

Moosomin Telephone and Electric Light Co., Moosomin.

The Wetaskiwin Telephone Co., Wetaskiwin, Alta.

Yukon—

Yukon Telephone Syndicate, Limited, Dawson.

NOTE.—The Bell Telephone Company, Canada, Limited, has its head office in Montreal, P.Q., but operates lines in the provinces of Ontario, Quebec and Manitoba.

Ordered, That Mr. A. M. Stark, of Toronto, Superintending Engineer of the Stark Telephone, Light and Power System, and Mr. W. Hempfield, general manager North American Telegraph Company, Kingston, Ont., be summoned to give evidence on Thursday next; Dr. Culbertson, President Merchants Telephone Company, Montreal, for Friday next, and Mr. MacRea, Chairman Telephone Committee, St. John, N.B., for one day next week.

Four letters to the chairman were read, two of which were ordered to be printed in Appendix A.

The Committee adjourned until to-morrow at 11 o'clock a.m.

Attest. WALTER TODD,
Clerk of the Committee.

WEDNESDAY, April 12, 1905.

The Committee met at 11 o'clock a.m.

PRESENT—Sir William Mulock, Chairman; Messieurs Bergeron, Boyce, Grant, Maclean (York), Monk, Smith (Nanaimo), and Zimmerman.—8

Dr. J. T. Demers, Secretary-Treasurer La Compagnie de Telephone de Bellechasse (Limitée) was sworn, examined and discharged.

During his examination the following papers were produced and filed:

Exhibit No. 60.—Balance sheet Compagnie de Telephone de Bellechasse for year ending March 31, 1904.

Exhibit No. 61.—Agreement between la Compagnie de Telephone de Bellechasse and the Grand Trunk Railway Company *re* installing a telephone in railway station at St. Agapit, P.Q.

On motion of Mr. Maclean (York), it was

Resolved, That Mr. F. H. Chrysler, K.C., Barrister, of Ottawa, be retained as counsel for the committee.

Letter enclosing agreement between Canadian Machine Telephone Company (Limited), and the town of Peterborough, Ont., filed and ordered to be printed in Appendix A. as No. 23.

The Committee adjourned until to-morrow at 11 o'clock a.m.

Attest. WALTER TODD,
Clerk of the Committee.

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THURSDAY, April 13, 1905.

The Committee met at 11 o'clock, a.m.

PRESENT—Sir William Mulock, Chairman, Messieurs Bergeron, Geoffrion, Grant, Monk, Smith (Nanaimo), Zimmerman.—7.

Dr. J. F. Demers, Secretary Bellechasse Telephone Company, was recalled, sworn and further examined.

He produced the following paper, which was filed and marked as an exhibit, viz.:—

Exhibit No. 62.—Memorandum of agreement proposed between the Beauce Telephone Company and the Bell Telephone Company.

Mr. Alexander Stark, Supt. Stark T. L. & P. Co., Toronto, was sworn, examined and discharged.

Mr. W. Bampfield, Manager, North American Telegraph Company, Kingston, Ont., was sworn, examined and discharged.

The following paper was produced and filed as an exhibit, viz.:—

Exhibit No. 63.—Agreement between the Bell Telephone Company, Limited, and the North American Telegraph Company, Limited.

Dr. J. F. Demers was recalled and further examined and discharged.

The following paper was produced and filed :—

Exhibit No. 64.—Estimate of cost of constructing one mile of telephone line in country places, metallic circuit, complete.

One letter to the Chairman was read and ordered to be printed in Appendix A (No. 24).

The Committee adjourned until to-morrow at 11 o'clock a.m.

Attest. WALTER TODD,
Clerk of the Committee.

FRIDAY, April 14, 1905.

The Committee met at 11 o'clock a.m.

PRESENT—Sir William Mulock, Chairman; Messieurs Bergeron, Demers (St. Johns), Geoffrion, Grant, Monk, Smith (Nanaimo) and Zimmerman—8.

Mr. Joseph Moisan, Secretary-Treasurer, Merchants Telephone Company, of Montreal, was sworn, examined and discharged.

Ordered, That the following persons be summoned to give evidence, on Tuesday next, Dr. A. Ochs, Hespeler, Ont.; Mr. DeLery Macdonald, Rigaud, P.Q.; and Mr.

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Thomas Begley, Egerton, Ont.; and for Wednesday next, the manager or other officer of the Union Telephone Company, Woodstock, N.B.

The Committee adjourned until Tuesday next, 18th instant, at 11 o'clock a.m.

Attest, WALTER TODD,
Clerk of the Committee.

TUESDAY, April 18, 1905.

The Committee met at 11 o'clock a.m.

PRESENT—Sir William Mulock, Chairman; Messieurs Bergeron, Boyce, Burrows, Grant, Lewis, Maclean (York), Miller, Monk and Zimmerman.—(10).

Dr. Anthony Ochs, of Hespeler, Ont., sworn, examined and discharged from further attendance.

Councillor James Willock, Chairman Electricity Committee, Corporation of Glasgow, Scotland, was sworn and examined.

During his examination the following paper was produced and filed:

Exhibit No. 65.—Third Annual Report of the Glasgow Corporation Telephone Accounts, 1903-4.

The following letters addressed to the Chairman and other members of the Committee were read and ordered to be filed, viz:—

Letter from William Lynch, dated 14th April, 1905, inclosing answers to questions contained in circular letter addressed to him.

Letter from Dr. Warren Doan, President, Harrietsville Telephone Association, Ltd., same as foregoing.

Letter from R. Y. Ellis, Managing Director of the Stark T. L. & P. System, Ltd., dated 14th April, 1905, giving information relative to their system.

Letter from E. W. Tobin, M.P., requesting that Mr. W. J. Oughtred, of Marbleton P.O., General Manager of the Canadian Telephone Co., be called as a witness.

Letter from D. Smith, to T. A. Burrows, M.P., stating inhabitants of Gladstone, Man., would welcome the establishment by the Government of a long-distance line.

Three letters addressed to the Chairman were read and ordered to be printed in Appendix 'A' (Nos. 26, 27 and 28.)

Resolved,—That a synopsis of the letter received from J. H. Morrow, Brighton, Ont., inclosing invoice showing cost of telephones, also suggesting that Messrs. William Wade and Samuel Nesbitt be called as witnesses, be prepared and printed in Appendix 'A' as No. 29.

On motion of Mr. Maclean, it was

Resolved,—That the following persons be summoned to give evidence on a date to be decided upon at the next meeting, viz.: Messieurs William Lynch, Proprietor of 'La Cie de Téléphone,' (Locale) L'Epiphanie, P.Q., Wm. Wade, Brighton, Ont.; W. J. Oughtred, General Manager Canadian Telephone Co., Marbleton, P.Q., and Dr. Wm. Doan, President, Harrietsville Telephone Association, Ltd.

The Committee then adjourned until to-morrow, Wednesday, 19th April, at 11 o'clock a.m.

(Attest.) WALTER TODD,
Clerk of the Committee.

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WEDNESDAY, April 19, 1905.

The Committee met at 11 o'clock a.m.

PRESENT—Sir William Mulock, Chairman; Messieurs Bergeron, Burrows, Demers (St. John), Grant, Lewis, Miller and Zimmerman—7.

Mr. THOMAS BEGLEY, Egerton, Ont., was sworn, examined and discharged from further attendance.

Mr. W. ALEXANDER MACRAE, St. John, N.B., was sworn, examined and discharged from further attendance.

The following papers were filed and marked as exhibits:—

Exhibit No. 66.—Report of Committee on Telephone Systems appointed by Municipal Council, St. John, N.B., recommending installation of an automatic telephone system to be owned and managed by the council, also resolution adopted by the City Council approving foregoing report.

Exhibit No. 66a.—Letter from Board of Trade communicating resolution adopted by said board, approving establishment of municipal telephone system.

Exhibit No. 67.—Estimate of cost of installation of municipal telephone system.

Exhibit No. 67a.—Report of the Director of Public Works and the City Engineer upon estimate for installation of telephone plant.

Resolved, That the following persons be summoned to attend and give evidence on Monday, the 1st May next, viz.:—

W. J. Oughtred, General Manager Canadian Telephone Company, Marbleton, P. Q.

William Lynch, Proprietor La Cie de Telephone Locale, L'Epiphanie, P.Q.

William Wade, Brighton, Ont.

Dr. Warren Doan, President Harrietsville Telephone Association, Limited, North Dorchester, Ont.

B. H. Turner, Little Current, Ont.

J. Heber Young, Jocelyn, Ont.

On motion of Mr. Zimmerman, it was

Resolved, That the services of Mr. Francis Dagger be retained till the date of the termination this session of the inquiry into telephone systems.

Resolved, That the application on behalf of the towns of Fort William and Port Arthur for an order under section 193 of the Railway Act, providing for the instalment of municipal telephones on the premises of the Canadian Pacific Railway Company, together with the judgment of the Board of Railway Commissioners, be printed in Appendix 'A' under No. 30.

The Committee then adjourned until Monday, the 1st May next, at 11 o'clock a.m.

Attest, WALTER TODD,
Clerk of the Committee.

MONDAY, May, 1, 1905.

The Committee met at 11 o'clock, a.m.

PRESENT—Sir William Mulock, Chairman; Messieurs Bergeron, Lewis, Maclean (York), Monk, Roche (Marquette) and Zimmerman (7).

Dr. Warren Doan, President, Harrietsville Telephone Association, Ltd., was sworn, examined and discharged from further attendance.

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Resolved; That Mr. L. J. Turgeon, Crown Lands Agent, St. Philémon, County Bellechasse, P.Q., be summoned to attend and give evidence on Thursday, the 4th instant.

Mr. de Lery Macdonald, Rigaud, P.Q., was sworn, examined and discharged from further attendance.

Mr. W. J. Oughtred, General Manager, Canadian Telephone Company, Marbleton, P.Q., was sworn, examined and discharged from further attendance.

Mr. Wm. Wade, Brighton, Ont., was sworn, examined and discharged from further attendance.

The Chairman submitted for the information of the members of the Committee, the following:—

List of British and United States Government Reports, Documents, &c., relating to telephones and government ownership; also, books and journals containing articles on the same subjects, to which access may be had by members of the Committee, viz.:—

The Engineering Magazine.—Vol. 18, 1899. Pages 550 to 557. Containing: Article on Merits of Independent and Industrial Telephone Systems. By Kempster B. Miller.

Review of Reviews.—Vol. 25, 1902. Pages 205 to 207. Containing: Article on Co-operative Telephone Service. A local experiment in Wisconsin.

TELEPHONE REPORTS.—GREAT BRITAIN.

VOLUME 1. Containing:—

1. Agreement between Great Britain and France for the regulation of telephone service.—1891.

2. Treasury Minute, May 23, 1892, upon the proposals for the development of telephone system in the United Kingdom.

3. Report of Special Committee on Telegraph Bill for enabling the Treasury to raise the sum of one million pounds for the purchase of the telephone trunk lines.—32 pages.—1892.

4. Copy of agreement between the Postmaster General and National Telephone Company, and New Telephone Company, for the transfer of the telephone trunk lines to the Government, &c., &c.—75 pages.

5. Return showing number of post office telephone exchanges, number of subscribers and rates for the year 1894.

6. Return giving names of telephone exchanges which the post office has at any time opened in the United Kingdom, showing date of opening, number of subscribers at opening, largest number of subscribers at any time, and date thereof. Dates on which exchanges now without subscribers became so, and number of subscribers at present date on exchanges still open.

7. Return giving names of all telephone exchanges which the post office has at any time opened in the United Kingdom, the date of opening, number of subscribers at opening date of each exchange and largest number of subscribers and their number. Date on which each exchange now without subscriber became so; number of subscribers, December 31, 1896, on exchanges then open; number of subscribers of December 31, 1897, on exchanges then open. Number of subscribers who have given notice to discontinue, and tariff.

8. Copy of agreement dated March 25, 1896, between the Postmaster General and National Telephone Company, Ltd., as to trunk lines, and copy of supplementary agreement with same company dated March, 26, 1896, for the transfer of trunk lines and other telegraphs.—98 pages.

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APPENDIX No. 1

9. Report of Lord Commissioners of Her Majesty's Treasury, by Andrew Jamieson, Q. C., Commissioner appointed to inquire into the telephone exchange service at Glasgow, together with minutes of evidence.—301 pages.—1898.

VOLUME 2:

1. A report of the Select Committee on Telephones, August, 1898, together with proceedings of committee, minutes of evidence and appendices.—659 pages.

2. Reports respecting telephone service in the following countries : Austria-Hungary, Bavaria, Belgium, France, Germany, Italy, Netherlands, Russia, Sweden, Norway, Switzerland, United States. March, 1809, 63 pages.

3. Treasury Minute dated May 8th, 1899, in reference to the proposal of the Postmaster general :

1. That licenses be granted to municipalities.
2. That the post office should establish telephone exchanges in London.

4. Report of the Standing Committee on Trade on the Telegraphics (Telephone communication, &c.) Bill, with the proceedings of the committee. July, 1899.

5. Return of the receipts of the post office from the telephone service, dated November 7th, 1900. Copy of agreement dated 18th of November, 1901, between the Postmaster General and National Telephone Company, Limited, with reference to the exchange of area of London.

6. Return of all post office telephone exchanges, with date of opening, number of subscribers on the 31st of December, 1899, 1900, 1901, and the tariff.

Reports Committees, British House of Commons : No. 7, Volume 13, 1895. Containing : A report from the Select Committee on Telephone Service, together with proceedings of Committee, Minutes of evidence and Appendix. 370 pages. July, 1895.

Reports Committees, British House of Commons : No. 5, Volume 12, 1898. Containing : A report of Select Committee on Telephones, Proceedings of Committee, Minutes of evidence and appendices. August 9th, 1898.

Reports of Commissioners, British Parliament : No. 37, Volume 49, 1898. A report of Commissioner of inquiry into the telephone exchange in Glasgow. By Andrew Jamieson, Q.C. 299 pages.

United States Senate Documents: Volume 12, 56th Congress, 1st Session, 1899-1900. Containing : A letter from Commissioners, District of Columbia, inclosing copy of statement of the Attorney for the District of Columbia regarding telephone rates, together with decision of the Supreme Court in the matter.

United States House Reports: Volume 5, 56th Congress, 1st Session, 1899-1900. Containing : A report of Committee on Post Office and Post Roads upon a Bill for the regulation of Telegraph and Telephone Companies.

United States Senate Documents : Vol. 6, 55th Congress, 1st Session, 1897. Containing : Message of the President of the United States in response to resolution of the Senate, July 12th, 1897. A report from the Acting Secretary of State with accompanying papers relating to the nature and practical working of Postal telegraphs.

United States House Documents : Volume 95, 56th Congress, 1st Session. Containing : Testimony of Prof. E. R. A. Seligman, before the Industrial Commission, December 6th, 1899, on Government Ownership, including Telegraphs and Telephones.

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United States House Documents: Volume 72. No. 178. 57th Congress, 1st Session, 1901-1902. Second Report of Industrial Commission on Transportation.

1. Prof. Bemis on ownership of public utilities, pages 86 to 103.

2. Testimony of Prof. Frank Parsons, pages 123-193.

3. Testimony of Albert E. Chandler, President of the Postal Telegraph Company, pages 193-206.

4. Testimony of T. F. Clark, Vice-President Western Union Telegraph Company, on Telegraph Business, pages 206-241.

5. Testimony of A. L. Randall, Chairman, International Typographical Union, on Government Ownership of Telegraphs, pages 241-265.

6. Testimony of F. C. Roberts, member of International Typographical Union Telegraph Committee, on Government Ownership of Telegraphs, pages 266-274.

7. Testimony of Alton D. Adams, Electrical Engineer, on Municipal Electric Plants, pages 275-285.

8. Testimony of U. N. Bethel, General Manager, the New York ('Bell') Telephone Company, on the Telephone Business, pages 777-816.

9. Statement of Edward J. Hall, Vice-President and General Manager, American Telephone and Telegraph Company, on the Telephone Business, pages 817-823.

10. Supplementary Statement by Prof. Frank Parsons on Telegraphs and Telephones, pages 883-890.

11. Statement of Roman Hitchcock, on the Postal Telegraph Business, pages 890-896.

United States House Reports: 1659, 55th Congress, 2nd Session. Report of Commission on Telephone charges in the District of Columbia, together with Proceedings of Committee and Minutes of Evidence.

United States Senate Documents : Vol. 3, Nos. 39-67. 55th Congress, 2nd Session, 1898-1899. Containing : Information furnished by Diplomatic and Consular Offices of the United States in response to Senate resolution of July 12th, 1897, on Postal, Telegraph and Telephone Lines, &c. 397 pages.

American Law Review : Vol. 30, 1896. Containing : Opinion of Henry Clay McDougall on the power of municipal populations to regulate telephone charges, control streets and force overhead wires into conduits, pages 381-397.

Municipal Affairs: Vol. 4, 1900. Containing: Article on municipal telephones in Amsterdam, by P. H. Falkenburg and J. H. Van Zanten. Pages 24-30.

The New Review: Vol. 6, 1892. Containing: Article by the late Duke of Marlborough on the Telephone and the Post Office. Pages 320-331.

The Journal of Institution of Electrical Engineers: Vol. 31, 1901-1902. Containing: Report of the Committee on the Institution visit to Germany on Telegraphs and Telephones. Pages 547-558.

The Economic Journal: Vol. 10, 1900. Containing: Article by F. Brockelhurst on Municipal Telephones in Great Britain. Pages 552-562.

The Electrical Review: Vol. 27, 1895. Containing: Abstract of Paper on Municipal Telephony read before the Northern (British) Society of Electrical Engineers, November 11th, 1895, by A. R. Bennett. Pages 310, 325, 338-339, and 346.

The Arena: Vol. 27, 1902. Containing: A conversation with Prof. Frank Parsons, presenting some reasons why the public should own and control the telephones. Pages 297 to 302.

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APPENDIX No. 1

The Arena: Vol. 15, 1896. Containing: Articles on the Government ownership of the telegraph, by Prof. R. T. Eli, Judge Walter Clark, Lyman Abbott, D.D., Postmaster General Wilson, and Prof. Frank Parsons. Pages 49-58; 242-249. The Telegraph monopoly, by Prof Frank Parsons. Pages 399-413, 587-602, 802-842, 947-955.

The Arena: Vol. 16. Containing: Continuation of article 'The Telegraph Monopoly,' by Prof. Frank Parsons. Pages 70-84, 186-195, 353-366, 629-655.

The Arena : Vol. 17. Containing Continuation af article 'The Telegraph Monopoly,' by Prof. Parsons. Pages 8-31, 193-210, 416-429.

The Arena : Vol. 18. Containing : Continuation of article on 'The Telegraph Monopoly,' by Prof. Parsons. Pages 218-225, 628-643.

Telephone Lines and their Properties: By Prof. W. J. Hopkins, Philadelphia.

Municipal Monopolies: Containing: Article by Prof. Frank Parsons on the Telephone. Pages 300-361. Edited by Edward W. Bemis, 1899.

The Committee then adjourned until to-morrow at 11 o'clock a.m.

Attest, WALTER TODD,
Clerk of the Committee.

TUESDAY, May 2, 1905.

The Committee met at 11 o'clock, a.m.

PRESENT—Sir William Mulock, Chairman; Messieurs. Bergeron, Boyce, Burrows, Demers (St. John), Geoffrion, Johnston (Cape Breton), Lewis, Maclean (York), Miller, Monk, Roche (Marquette) and Zimmerman.—13.

Dr. Warren Doan, President, Harrietsville Telephone Association, Limited, North Dorchester, Ontario, was recalled, sworn and further examined and discharged.

Mr. J. H. Winfield, Manager of the Nova Scotia Telephone Company, Limited, Halifax, was sworn, examined and discharged.

Mr. Winfield produced the following papers, which were filed and marked as exhibits, viz.:—

Exhibit No. 68.—List of telephone companies in Nova Scotia, with approximate number of telephones operated by each.

Exhibit No. 69.—Schedule of tolls and charges of the Nova Scotia Telephone Company, Limited, as existing on the 1st of January, 1903.

Exhibit No. 70.—Financial statement of the foregoing company for the year ending 31st January, 1903.

Exhibit No. 71.—Annual report of the foregoing company, together with financial statement, for the year ending 31st January, 1904.

Exhibit No. 72.—Memorandum of long distance lines of the foregoing company.

Exhibit No. 73.—Map showing long distance lines and connections of above company.

Exhibit No. 74.—List of shareholders of above company, 1st May, 1905.

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Exhibit No. 75.—Summary of agreements entered into by the Nova Scotia Telephone Company with a number of telephone companies operating throughout Nova Scotia, embodying the details of a working agreement between the first-mentioned company and the different telephone companies.

Mr. J. Heber Young, Jocelyn, Ontario, was sworn, examined and discharged.

Resolved, That Mr. Walter Crow, of the Eastern Telephone Company, Sydney, N.S., be summoned to give evidence on Thursday, the 11th instant.

Resolved, That Messieurs. Chas. M. Hays, Second Vice-President and General Manager, Grand Trunk Railway of Canada, and D. McNicholl, Vice-President, Canadian Pacific Railway Company, be summoned to give evidence on Tuesday next, the 9th instant.

The Committee adjourned until to-morrow at 11 o'clock a.m.

Attest, WALTER TODD,
Clerk of the Committee.

WEDNESDAY, May 3, 1905.

The Committee met at 11 o'clock a.m.

PRESENT—Sir William Mulock, Chairman; Messieurs Bergeron, Boyce, Geoffrion, Johnston (Cape Breton), Lewis, Maclean (York), Miller, Roche (Marquette), Smith (Nanaimo), Zimmerman.—11.

Mr. D. W. Ross, Secretary, Union Telephone Company, Florenceville, N.B., was sworn, examined and discharged.

During the examination the following letters were produced and marked as exhibits, viz.:—

Exhibit No. 76.—Estimate of cost of installation per mile for constructing telephone line in territory operated by the Union Telephone Company, New Brunswick.

Exhibit No. 77.—Statement of receipts and expenditure, the Union Telephone Company, Limited, Florenceville, N.B.

Exhibit No. 78.—From D. W. Newcombe, Superintendent, Canadian Pacific Railway Company, Woodstock, N.B., to Dr. Brown, Florenceville, N.B., dated 11th April, 1903.

Exhibit No. 79.—From same writer to D. W. Ross, Secretary, Union Telephone Company, Limited, Florenceville, N.B., dated 14th July, 1903.

Exhibit No. 80.—From same writer to D. W. Ross, dated 20th July, 1903.

Exhibit No. 81.—From William Downie, General Superintendent, Canadian Pacific Railway Company, St. John, N.B., to D. W. Ross, dated 3rd October, 1903.

Exhibit No. 82.—From D. W. Newcombe, Superintendent, Canadian Pacific Railway Company, Woodstock, N.B., to W. B. Belyea, Mayor, Woodstock, N.B., dated 7th November, 1903.

Exhibit No. 83.—From same writer to D. W. Ross, dated 28th January, 1904.

Exhibit No. 84.—From William Downie to D. W. Newcombe, dated 5th February, 1904.

Exhibit No. 85.—From D. W. Newcombe to D. W. Ross, dated 28th January, 1904.

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APPENDIX No. 1

Exhibit No. 86.—From same writer to D. W. Ross, dated 22nd February, 1904.
Exhibit No. 87.—From same writer to D. W. Ross, dated 17th February, 1904.

Resolved, That Mr. C. F. Sise, President of the Bell Telephone Company of Canada, Limited, Montreal, be summoned to give evidence on Tuesday next, the 9th instant.

Resolved, That a summary of the letter received from Mr. Bruneau, M.P., be prepared and printed in Appendix A, and that the Clerk of the Committee, upon ascertaining from Mr. Bruneau the name of one of the three persons mentioned in his letter, whom he is desirous of having examined, be instructed to summon said person to give evidence on a date to be decided upon by the Committee.

Resolved, That the letters (10) addressed to the Chairman of the Committee, which have been read, be printed in Appendix A (Nos. 31, 32, 33, 34, 35, 36, 37, 38, 39 and 40).

Resolved, That the following exhibits be filed, viz.:—

Exhibit No. 88.—Declaration of Frederick Sydney Jones, Superintendent of Municipal Telephone Plant of Fort William, Ontario, affirming that names of subscribers indicated by red mark in the annexed directory of the Bell Telephone Company at Fort William, are receiving Bell telephones free.
Exhibit No. 89.—Declaration of Geo. Robinson on the same subject.

The Committee adjourned until to-morrow at 11 o'clock.

Attest, WALTER TODD,
Clerk of the Committee.

THURSDAY, May 4, 1905.

The Committee met at 11 o'clock, a.m.

PRESENT—Sir William Mulock, Chairman; Messieurs Boyce, Burrows, Johnston (Cape Breton), Lewis, Monk and Zimmerman.—(7.)

Resolved, That with a view of assisting Messrs. Charles M. Hays, 2nd Vice-President and General Manager, Grand Trunk Railway of Canada, and D. McNicoll, Vice-President, Canadian Pacific Railway, in their examination, they be requested to furnish all agreements and correspondence between the said railway companies and the various telephone companies in Canada relative to the granting to the said companies exclusive rights to install their telephone instruments in their respective railway offices, stations, &c.

Resolved, That Mr. W. E. Smithe, Secretary of the New Brunswick Telephone Company, Limited, Fredericton, N.B., be summoned to attend and give evidence on Thursday next, the 11th instant, and be required to bring with him copies of all agreements between the New Brunswick Telephone Company, Limited, and any other company or companies or persons, relating to the interchange of business, use of patents and purchase of supplies; also copies of all agreements between said company and any railway, navigation, transportation or any other company with regard to the placing of telephones on the premises of the latter; also list of stockholders and amount of holdings, financial statements of the last three years, and statement showing number of exchanges, local subscribers, mileage of long-distance lines, &c.

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Resolved, That Mr. E. Courchesne, Secretary-Treasurer, La Cie St. Laurent, St. François du Lac, P.Q., be summoned to attend and give evidence on Thursday next, 11th instant.

Resolved, That the examination in chief of Messrs. Chas. M. Hays, D. McNicoll and C. F. Sise, be conducted by Mr. F. H. Chrysler, K.C., Counsel for the Committee.

Resolved, That the letters read, viz. (Nos. 41, 42, 43 and 44), addressed to the Chairman of the Committee, be printed in Appendix 'A.'

The Committee then adjourned until Tuesday next, the 9th instant, at 11 o'clock, a.m.

Attest, WALTER TODD,
Clerk of the Committee.

TUESDAY, May 9, 1905.

The Committee met at 11 o'clock a.m.

PRESENT—Sir William Mulock, Chairman; Messieurs Bergeron, Burrows, Demers (St. John), Geoffrion, Johnston (Cape Breton), Lewis, Maclean (York), Monk, Roche (Marquette) and Zimmerman—(11).

Mr. A. B. Aylesworth, K.C., was given leave to appear as counsel for the Bell Telephone Company.

Mr. D. McNicoll, Vice-President, Canadian Pacific Railway Company, was sworn, examined, cross-examined and discharged from further attendance.

The following papers were produced by Mr. McNicoll and filed as exhibits.

Exhibit No. 90.—Agreement dated January 1, 1904, between the New Brunswick Telephone Company and the Canadian Pacific Railway Company, giving exclusive right to the Telephone Company to place their instruments in the stations, &c., of the Railway Company.

Exhibit No. 91.—Agreement dated January 1, 1902, between the New Westminster and Burrard Inlet Telephone Company and its allies, giving exclusive rights to the Telephone Company to place its instruments in the stations, &c., of the Railway Company.

Exhibit No. 92.—Agreement dated May 1, 1902, between the Bell Telephone Company and the Canadian Pacific Railway Company, giving the Telephone Company exclusive right to place its instruments in the stations, &c., of the Railway Company

Mr. C. F. Sise, President, Bell Telephone Company of Canada, sworn and examined in part.

Mr. Sise produced the following papers which were filed and marked as exhibits.

Exhibit No. 93.—Copies of annual reports of the Bell Telephone Company from 1880 to 1904 inclusive.

Exhibit No. 94.—Statement of dividends paid by the Bell Telephone Company from December 31, 1881 to March 31, 1905.

Exhibit No. 95.—Agreement dated November 13, 1880, between the Canadian Telephone Company of Canada, Limited, and the Bell Telephone Company, whereby

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the Canadian Company gives the Bell Company the right to use certain telephone instruments covered by patents issued to A. G. Bell.

Exhibit No. 95(*a*).—Further agreement between the same companies dated 1880, whereby the Canadian Company grants to the Bell Company the exclusive right to use or to license others to use the telephones furnished by the Canadian Company under existing patents or patents which may thereafter be acquired.

Exhibit No. 95(*b*).—Further agreement between the same companies dated May 9, 1881, whereby the Bell Company acquires from the Canadian Company the telephone business of certain other companies.

Exhibit No. 95(*c*).—Further agreement between the same companies dated October 28, 1882, whereby the Bell Company assumes liabilities of the Canadian Company.

Exhibit No. 95(*d*).—List of instruments transferred by the Canadian Telephone Company to the Bell Telephone Company.

Exhibit No. 95 (*e*).—Further agreement between the same companies dated November 2, 1882, whereby the Canadian Company sells and transfers to the Bell Company 4,085 hand telephones of the Bell patent.

The examination of Mr. Sise was adjourned until to-morrow.

Resolved, That Mr. C. M. Hays, 2nd Vice-President of the Grand Trunk Railway Company be examined on Tuesday next, May 16.

Resolved, That Mr. W. D. Lighthall, secretary treasurer of the Union of Canadian Municipalities be notified that the Committee will be pleased to hear any argument by any representative of the Union, regarding the control of highways in cities, &c., at such time as may be arranged for.

The Committee adjourned until to-morrow at 11 a.m.

Attest. WALTER TODD,
Clerk of the Committee.

WEDNESDAY, May 10, 1905.

The Committee met at 11 o'clock a.m.

PRESENT—Sir William Mulock, Chairman; Messieurs Bergeron, Boyce, Demers (St. Johns), Geoffrion, Johnston (Cape Breton), Lewis, Maclean (York), Miller, Monk, Roche (Marquette), and Zimmerman—12.

The examination of Mr. C. F. Sise was resumed.

The following papers were produced and filed as exhibits :—

Exhibit No. 96—Agreement dated November 1, 1880, between the Canadian Telephone Company, Limited, and the American Bell Telephone Company and the Bell Telephone Company of Canada, Limited, and the American Speaking Telephone Company.

Exhibit No. 97—Statement of shareholdings of American Bell Telephone Company in Bell Telephone Company of Canada.

Exhibit No. 98—Statement of shareholdings of American Telephone and Telegraph Company in Bell Telephone Company of Canada.

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Exhibit No. 99—Statement of Royalties paid to Canadian Telephone Company, Limited, by the Bell Telephone Company.

Exhibit No. 100—Agreement dated March 5, 1903, between the Bell Telephone Company and William Gillies, of Spry, Ont., *re* connections between the Bell system and the local system in the county of Bruce, Ont.

Exhibit No. 101—Agreement dated September 1, 1899, between the Central New York Telephone and Telegraph Company and the Bell Telephone Company *re* connections between the systems.

Exhibit No. 102—List of contracts between Canadian connecting lines and the Bell Telephone Company of Canada.

Exhibit No. 103—Current lease form, Exchange line contract, Bell Telephone Company.

Exhibit No. 103*a*—Previous lease form, Exchange line contract, Bell Telephone Company.

Exhibit No. 103*b*—Previous lease form, Exchange line contract, Bell Telephone Company.

Exhibit No. 104—List of parties from whom goods have been bought during past five years, Bell Telephone Company.

Exhibit No. 105—Statement of actual amounts paid by Bell Telephone Company to Northern Electric and Manufacturing Company, Limited, during five years, to December 31, 1904.

Exhibit No. 105*a*—The Wire and Cable Company, statement of sales to the Bell Telephone Company to December 31, 1904.

Exhibit No. 106—Statement of stock held in other companies by Bell Telephone Company.

Exhibit No. 107—Form of agreement between Bell Telephone Company and hotels.

Exhibit No. 108—Agreement dated November 16, 1899, between the Bell Telephone Company and Deseronto Navigation Company, Limited, giving the Bell Company exclusive right to place telephones in stations, &c., of the Deseronto Company.

Exhibit No. 109—Statement of revenue, cost of operation and maintenance, number of subscribers, &c., for an exchange of a capacity of over 10,000 telephones (Toronto).

Exhibit No. 109*a*—Similar statement for over 2,000 (Winnipeg).

Exhibit No. 109*b*— " " 1,000 (London).

Exhibit No. 109*c*— " " 500 (Windsor).

Exhibit No. 109*d*— " " 400 (Calgary).

Exhibit No. 109*e*— " " 300 (St. Johns).

Exhibit No. 109*f*— " " 200 (Cornwall).

Exhibit No. 109*g*— " " 100 (Lethbridge).

Exhibit No. 109*h*— " " 50 (Winona).

Exhibit No. 110—Statement of value of plant and patents, Bell Telephone Company, December 31, 1904.

Exhibit No. 111—Map showing long-distance lines, Bell Telephone Company, in Ontario and Quebec.

Exhibit No. 112—Map showing long-distance lines, Bell Telephone Company, in Alberta.

Exhibit No. 113—Map showing long-distance lines, Bell Telephone Company, in Northern Ontario.

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Exhibit No. 114—Map showing long-distance lines, Bell Telephone Company in Manitoba.

Exhibit No. 115—Map of part of Niagara peninsula, showing telephone development in rural districts by Bell Telephone Company.

Exhibit No. 116—Schedule of rates (and railway mileage) to toll offices in Canada, from Montreal, Bell Telephone Company.

Exhibit No. 117—Schedule of rates (and railway mileage) to toll offices in Canada, from Toronto.

Exhibit No. 118—Rental rates, Bell Telephone Company, authorized at Walkerton, Ont.

Exhibit No. 118*a*—Rental rates, Bell Telephone Company, authorized at Ottawa.

Exhibit No. 118*b*—Rental rates, Bell Telephone Company, authorized at Montreal.

Exhibit No. 119—Private exchange rates, Bell Telephone Company.

Exhibit No. 120—Statement of wages paid, Bell Telephone Company.

Exhibit No. 121—Memo. of proposed agreement for connection between the lines of the Beauce Telephone Company and the Bell Telephone Company.

Exhibits Nos. 121*a* to 121*i*—Correspondence between officials of the Beauce Company and the Bell Company *re* proposed agreement for connection of lines.

The examination of Mr. Sise was adjourned until Tuesday next, the 16th instant.

Ordered, That the question of printing the foregoing exhibits in whole or in part be left to the decision of Mr. Chrysler and counsel for the Bell Telephone Company and the Clerk of the Committee.

Mr. L. J. Turgeon, of St. Philémon, P.Q., was sworn, examined and discharged.

Resolved, That J. E. Frenette, managing director, Kamouraska Telephone Company, of Fraserville, P.Q., be summoned to give evidence on Thursday, May 18.

Resolved, That Mr. Stockton, M.P., and Mr. Dugas, M.P., be invited to attend and give evidence to-morrow.

Resolved, That Hon. F. P. Thompson, Managing Director, New Brunswick Telephone Company, be notified that the Committee will be pleased to hear any testimony which he may desire to give at their meeting to-morrow morning.

The Committee adjourned until to-morrow at 11 o'clock.

Attest. WALTER TODD,
Clerk of the Committee.

THURSDAY, May 11, 1905.

The Committee met at 11 o'clock a.m.

PRESENT—Sir William Mulock, Chairman; Messieurs Boyce, Demers (St. Johns), Geoffrion, Johnston (Cape Breton), Lewis, Roche (Marquette).

Hon. F. P. THOMPSON, Managing Director of the New Brunswick Telephone Company, was sworn, examined and discharged.

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The following papers were produced and filed as exhibits, viz.:—

Exhibit No. 122.—Plans showing wire lines of the New Brunswick Telephone Company.

Exhibit No. 123.—Copy of last annual report of the New Brunswick Telephone Company.

Exhibit No. 124.—Schedule of rates of the New Brunswick Telephone Company.

Mr. A. A. STOCKTON, M.P., Director of the New Brunswick Telephone Company, was sworn, examined and discharged.

Mr. ED. COCHRANE, M.P., was sworn, examined and discharged.

Mr. F. O. DUGAS, M.P., representing the Joliette Telephone Company, was sworn, examined and discharged.

The following paper was filed:—

Exhibit No. 125.—Schedule of rates, Joliette Telephone Company.

Ordered, That the summons issued on the 4th May instant, to W. E. Smithe, Secretary of the New Brunswick Telephone Company, be cancelled and that Mr. Smithe be relieved from attendance on the committee.

Resolved, That the following persons be summoned to give evidence on Thursday, the 18th inst.:—

J. H. GODBOUT, Proprietor, Megantic Telephone System.

Mr. PETER H. FOX, Northport, Ont.

Rev. S. JOLICOEUR, St. Catharine, Portneuf Company, P.Q.

The committee having been informed that a message had been received from the Grand Trunk Railway offices, Montreal, that Mr. C. M. Hays, General Manager, would be unable to attend before the committee on Tuesday next, owing to absence from the country, but that Mr. F. H. McGuigan, Manager of Transportation, who is familiar with the telephone agreement with the Bell Company, would attend in his stead if required, it was

Ordered, That Mr. F. H. McGuigan be notified to be in attendance on Tuesday next, and to bring with him all papers mentioned in the summons sent to Mr. C. M. Hays.

Seven letters and four synopses of letters addressed to the Chairman or other members were ordered to be printed in appendix 'A' as Nos. 45 to 55 inclusive.

The Committee adjourned until to-morrow at 11 o'clock a.m.

Attest. WALTER TODD,
Clerk of the Committee.

FRIDAY, May 12, 1905.

The Committee met at 11 o'clock a.m.

PRESENT—Sir William Mulock, Chairman; Messieurs Bergeron, Boyce, Johnston, (Cape Breton), and Lewis.—5.

A letter dated May 12, 1905, from Hon. Mr. Thompson to the Chairman of the Committee, inclosing a memo. of length of long-distance lines of the New Brunswick Telephone Company (Limited), which he had overlooked in giving his evidence, was ordered to be printed in Appendix 'A' as No. 56.

A letter from the Black River Telephone Company of Lorain, Ohio, to the Postmaster General, was ordered to be printed in Appendix 'A' as No. 57.

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An excerpt from the Indianapolis *News re* independent telephones, was ordered to be printed in Appendix 'A,' as No. 58.

The Clerk reported that he had received the following telegram from F. H. McGuigan, of the Grand Trunk Railway Company, and asked to be instructed as to the nature of the reply :—

MONTREAL, May 11, 1905.

WALTER TODD, Ottawa.

Answering your message (see Minutes of Proceedings, May 11), I had nothing to do with telephone contract, and am not sufficiently familiar with matter to give intelligent testimony before committee; would suggest you call upon Mr. Wainwright, who assisted in making original contract, and who, I think, will be able to give the evidence required; furthermore, I have important engagement in Chicago, which will not enable me to return until Friday or Saturday of next week.

J. H. McGUIGAN.

Resolved, That the Clerk reply to the foregoing telegram by stating that the Committee expects either Mr. Hays or Mr. McGuigan to attend on Tuesday next, in accordance with the requirements of the original summons issued to Mr. Hays on May 2, and any subsequent letters or telegrams in reference thereto.

The following resolution was adopted :—

Resolved, That in pursuance of the authority conferred upon the Committee by the Order of Reference of March 17, the Clerk of Committee is hereby authorized to employ from time to time, subject to the approval of the Chairman in each case, such clerical or other assistance, at a rate not exceeding $2.50 per diem, as may be necessary to properly carry on the work of the Committee.

The Commitee adjourned until Tuesday, the 16th inst., at 11 o'clock a.m.

Attest. WALTER TODD,
Clerk of the Committee.

TUESDAY, May 16, 1905.

The Committee met at 11 o'clock a.m.

PRESENT—Sir William Mulock, chairman, Messieurs Bergeron, Boyce, Burrows, Geoffrion, Johnston, Lewis, Maclean (York), Miller, Monk, Roche (Marquette) and Zimmerman—12.

On motion of Mr. Monk, it was

Resolved, That Dr. Bastien, of Rigaud, P.Q., be summoned to give evidence on Friday next.

The examination of Mr. C. F. SISE was resumed.

The following papers were produced and filed:—

Exhibit No. 126—Statement of patent account, Bell Telephone Company, from 1880.
" 127—Statement of amounts written off and added to plant and patent accounts, Bell Telephone Company, from year 1897.
" 128—Statement of amount of capital stock, Bell Telephone Company, in each year since 1880.
" 129—Statement of plant account, Bell Telephone Company, from 1880.
" 129A—Statement of plant and patent accounts, Bell Telephone Company, from 1898.
" 130—Statement of details of operating and maintenance, Bell Telephone Company.
" 131—Statement of bond account, Bell Telephone Company.

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The examination of Mr. Sise was again adjourned until to-morrow.

The Clerk stated that a telegram had been received from Mr. Wainwright, of the Grand Trunk Railway Company, to the effect that it was impossible for Mr. Hays to be in Ottawa this morning, but that he would be in attendance on the Committee on Wednesday, 17th instant.

Resolved, That Mr. Lighthall, secretary of Union of Municipalities, and Mr. Urquhart, mayor of Toronto, be notified that the Committee would hear argument by them or their representatives, regarding the control of highways, etc., on Tuesday next, 23rd instant, at 4 o'clock p.m.

Eight letters and five synopses of letters were read and ordered to be printed in Appendix 'A' as Nos. 59 to 71, inclusive.

The Committee then adjourned until to-morrow at 11 o'clock.

Attest. WALTER TODD,
Clerk of the Committee.

WEDNESDAY, May 17, 1905.

The Committee met at 11 o'clock.

PRESENT—Sir William Mulock, Chairman; Messieurs Bergeron, Burrows, Geoffrion, Grant, Johnston (Cape Breton), Lewis, Miller, Monk, Roche (Marquette), and Zimmerman—11.

Examination of Mr. Sise resumed.

The following papers *re* Bell Telephone Company were produced and filed :—

Exhibit No. 132—Stock account, December 31, 1904.
" 133—Statement of gross revenue, 1880-1904.
" 134—Statement of insurance reserve, 1886-1904.
" 135—Statement of accident reserve, 1891-1904.
" 136—Contingent account (showing depreciation).
" 137—Statement of instruments, &c., earning rental.
" 138—Statement of long-distance mileage, 1883-1904.

Examination of Mr. Sise again adjourned.

Mr. Chas. M. Hays, Second Vice-President and General Manager, Grand Trunk Railway Company, was sworn, examined, cross-examined, and discharged.

During his examination the following papers were produced and filed.

Exhibit No. 139—Agreement dated January 2, 1896, between the International Bridge Company and the Bell Telephone Company.
" 140—Agreement dated September 30, 1904, between the Bellechasse Telephone Company and the Grand Trunk Railway Company *re* placing of a telephone in the railway station at St. Agapit, P.Q.
" 141—Agreement between the Bell Telephone Company and the Grand Trunk Railway Company, dated June 11, 1897, *re* carrying of telephone cables across the Victoria Bridge, at Montreal.
" 142—Agreement dated December 1, 1903, between the Bell Telephone Company and the Grand Trunk Railway Company, *re* carrying of telephone cable through the St. Clair tunnel at Sarnia, Ont.

The Committee took recess at 1.15 p.m.

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4 O'CLOCK, P.M.

The examination of Mr. C. F. Sise was resumed.

The following statements *re* Bell Telephone Company were produced and filed:—
Exhibit No. 143—Statement of total 'exchange,' 'toll-line,' and 'real estate' capital.
" 144—Comparative statement of capital stock, &c., with telephone companies in the United States.

Examination of Mr. Sise was adjourned till to-morrow.

Five letters were ordered to be printed in Appendix 'A' as Nos. 72-76, inclusive.

The Committee adjourned until to-morrow at 11 o'clock a.m.

Attest, WALTER TODD,
Clerk of Committee

THURSDAY, May 18, 1905.

The Committee met at 11 o'clock a.m.

PRESENT—Sir William Mullock, Chairman; Messrs. Burrows, Demers (St. Johns), Johnston (Cape Breton), Lewis, Miller and Zimmerman—7.

Rev. S. JOLICOEUR, St. Catherine de Portneuf, was sworn, examined and discharged.

The following paper was produced and filed:—

Exhibit No. 145.—Agreement dated April 25, 1904, between the Bell Telephone Company and Rev. S. Jolicoeur, for the St. Catharine and St. Bazile Telephone Company.

The examination of Mr. C. F. Sise was resumed.

The following paper was produced and filed:—

Exhibit No. 146.—Copy of account rendered November 30, 1904, to North American Telephone Company by Bell Telephone Company for goods supplied.

Examination of Mr. Sise was adjourned until Monday next, at noon.

The Committee adjourned until tomorrow at 11 o'clock a.m.

Attest. WALTER TODD,
Clerk of Committee.

FRIDAY, May 19, 1905.

The Committee met at 11 o'clock a.m.

PRESENT—Sir William Mulock (Chairman), Messieurs Bergeron, Boyce, Johnston (Cape Breton), Lewis, Miller, Monk, Roche (Marquette), and Zimmerman.—9.

The following witnesses were respectively sworn, examined and discharged:—

Mr. J. E. Frenette, Fraserville, P.Q.

Mr. Peter H. Fox, Northport, Prince Edward County, Ont.

Mr. Walter Crow, Sydney, N.S.

Dr. Bastien, Rigaud, P.Q.

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The following papers were produced and filed:—

Exhibit No. 147.—Balance sheet of the Kamouraska Telephone Company, December 31, 1904.

Exhibit No. 148.—Schedule of rates, &c., Eastern Telephone Company (Limited).

The Chairman having read a communication from the Mayor of Toronto expressing a desire to be heard before the Committee in regard to the local conditions in that city and the manner in which the telephone business is carried on at the present time, it was

Resolved, That the Mayor of Toronto be informed that the Committee will hear any representatives from that city upon the subject mentioned in his communication on Monday next, 22nd instant, at 10 o'clock a.m.

A letter from Mr. M. Epstein, president Canada Newspaper Syndicate, Montreal, containing certain allegations against the Bell Company, was read, and the clerk was instructed to write to Mr. Epstein, asking him to furnish further details in connection with the charges made, and to verify the same by statutory declaration.

Two letters were ordered to be printed in Appendix A, as Nos. 77 and 78.

The Committee adjourned until Monday next, 22nd inst., at 10 o'clock a.m.

Attest. WALTER TODD,
Clerk of the Committee.

MONDAY, May 22nd, 1905.

The Committee met at 12 o'clock noon.

PRESENT—Sir William Mulock, Chairman; Messrs. Bergeron, Johnston (Cape Breton), Lewis, Maclean (York), Miller, Monk and Zimmerman—(8).

The Chairman stated that a telegram had been received from the Mayor of Toronto stating that the representatives of that city would not be able to be present this morning, and asking to be heard to-morrow morning instead.

The examination of Mr. C. F. Sise was resumed.

The following papers were produced by Mr. Sise and filed:

Exhibit No. 149.—Statement of contingent fund (showing amounts written off for depreciation).
" 150.—Statement of exchange service charges.
" 151.—List of exclusive contracts with cities and towns, &c.
" 152.—Statement showing annual growth of agencies, exchanges and stations.
" 152a.—Diagram accompanying last statement.
" 153.—Statement showing number of exchanges in each city, town, &c.

The examination of Mr. Sise was further postponed until to-morrow.

Mr. Aylesworth, counsel for the Bell Telephone Company, having stated that he desired to call some witnesses, it was

Resolved, That any witnesses called by the Bell Telephone Company be heard on Friday next, the 26th instant, at 10 o'clock a.m.

On motion of Mr. Bergeron it was

Resolved, That Mr. L. B. McFarlane, general superintendent, Bell Telephone Company, Montreal, be summoned to give evidence on Friday next.

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Two letters were ordered to be printed in Appendix A as Nos. 79 and 80.

The Committee adjourned until to-morrow at 10 o'clock a.m.

Attest, WALTER TODD,
Clerk of Committee.

TUESDAY, May 23rd, 1905

The Committee met at 10 o'clock a.m.

PRESENT—Messieurs Bergeron, Johnston (Cape Breton), Lewis, Maclean (York), Miller, Monk and Zimmerman—(7).

In the absence of the Chairman, Mr. Zimmerman was moved into the chair.

The examination of Mr. C. F. Sise was resumed.

The following papers were produced and filed:

Exhibit No. 154.—Statement of amount invested in business.

" 155.—Letter dated 6th May, 1905, from Hon. F. Oliver to Sir William Mulock.

" 155a.—Letter dated May 13th, 1905, to D. W. Macdonald, local manager, Bell Telephone Company, Edmonton, to L. B. McFarlane, general superintendent, Bell Telephone Co., Montreal.

" 155b.—Letter dated September 14th, 1904, of C. F. Sise to D. W. Macdonald.

Examination of Mr. Sise further postponed.

On motion of Mr. Maclean (York) Mr. Dewart, K.C., was permitted to appear as counsel for the city of Toronto.

Mr. Thomas Urquhart, mayor of Toronto, was sworn, examined, cross-examined and discharged.

The following papers were produced by Mr. Urquhart and filed:

Exhibit No. 156.—Agreement dated 17th September, 1891, between the city of Toronto and the Bell Telephone Co.

" 157.—Communications received *re* Bell Telephone Company's rates, &c., in Toronto, 1900.

" 158.—Proposition received by Toronto January 20th, 1904, from the Canadian Telephone and Telegraph Company.

" 159.—Offer of February 12th, 1904, of Stark T. L. & P. System to the city of Toronto.

" 160.—Specification for installation of a telephone system in Toronto.

" 161.—Report of city engineer, Toronto, upon the offers of the Canadian Telephone and Telegraph Company and the Stark T. L. & P. System, dated 30th November, 1904.

" 162.—Proposition of Stark T. L. & P. System, Limited, to city of Toronto.

" 163.—Report of Mayor Urquhart to the Board of Control, Toronto, on telephone service.

" 164.—Letter dated 15th May, 1901, of Mr. A. E. Ames, president Toronto Board of Trade, to the members of the board *re* Bell Telephone Company.

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Mr. C. H. Rust, city engineer, Toronto, was sworn, examined and discharged.

The following papers were produced by Mr. Rust and filed:

Exhibit No. 165.—Prospectus submitted by T. F. Ahern, Detroit, showing the earnings of a 6,000 line plant for the city of Toronto.

" 165a.—Report and estimate of C. H. Rust, city engineer.

" 165b.—Estimate of F. Dagger.

The Committee took recess at 1 o'clock.

The Committee resumed 4 o'clock p.m., Sir William Mulock in the chair.

In accordance with the resolution of Tuesday, May 16th, the following counsel were heard regarding control of highways, &c. Messrs. Lighthall, secretary Union of Municipalities; Dewart, K.C., Atwater, K.C., and Aylesworth, K.C.

The Committee rose at 6 o'clock p.m.

The Committee resumed at 8.30 p.m.

Argument by counsel was continued.

The Committee having sat until 10.45 p.m. adjourned until Thursday morning, 25th instant, at 10 o'clock a.m.

Attest. WALTER TODD,
Clerk of the Committee.

THURSDAY, May 25, 1905.

The Committee met at 10 o'clock a.m.

PRESENT:—Sir William Mulock, Chairman; Messieurs Bergeron, Boyce, Demers (St. John's), Lewis, Miller, Roche (Marquette), and Zimmerman.—8.

Mr. K. J. Dunstan, local manager at Toronto of the Bell Telephone Company, was sworn and examined and discharged.

Mr. Lewis B. McFarlane, general superintendent Bell Telephone Company, Montreal, was sworn and examined in part.

The following papers were produced by Mr. McFarlane and filed:

Exhibit No. 166.—Statement of number of telephones, exchanges, &c., Bell Telephone Company, in 1901 and 1904.

" 167.—Statement showing number of telephones per population in towns of over 7,000 population.

The following notice to the public was approved:

In view of the early termination of the work of the Parliamentary Committee now engaged in considering the telephone question, the committee again gives notice that it is open to any person desiring to do so, to submit to the committee any information or expressions of opinion bearing upon the subject under inquiry.

On motion of Mr. Bergeron, it was

Resolved, That in pursuance of the invitation extended by Mr. Sise, president of the Bell Telephone Company, the members of the committee will proceed to Montreal on Saturday morning next, the 27th instant, by Canadian Pacific Railway train leaving Central station, Ottawa, at 8.45 o'clock, and that Mr. Sise and the members of the committee be duly informed of this decision.

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The account of Peter H. Fox for amount expended in providing a substitute during the time in which he was in attendance upon the committee, was read and approved and ordered to be paid.

The committee rose at 1 p.m.

4 O'CLOCK P.M.

The examination of Mr. McFarlane was resumed; concluded.

The cross-examination of Mr. McFarlane was commenced.

The cross-examination of Mr. McFarlane was adjourned.

Seven letters were read and ordered to be printed in Appendix 'A' as Nos. 81 to 87, inclusive.

The committee adjourned until 10 o'clock to-morrow morning.

Attest, WALTER TODD,
Clerk of Committee.

FRIDAY, May 26, 1905.

The committee met at 10 o'clock.

PRESENT:—Sir William Mulock, Chairman; Messieurs Bergeron, Boyce, Demers (St. John's), Geoffrion, Lewis, Roche (Marquette), and Zimmerman.—8.

Resolved, That Mr. L. J. Ethier, K.C., corporation counsel, Montreal, be heard before the committee on Monday next, 29th instant, at 3 o'clock P.M.

The cross-examination of Mr. L. B. McFarlane was resumed.

The following papers *re* Bell Telephone Company were produced and filed:—

Exhibit No. 168—List of cities and towns of over 5,000 inhabitants, and number of telephones in operation in each.

" 169.—Statement of rural party lines, Ontario Department.

" 169a.—List of lines under construction, as well as lines already operated in Province of Quebec, which include those east of Kingston.

" 170.—Statement of rural party lines, Eastern Department.

" 170a.—List of lines under construction in Ontario and Eastern Departments.

Mr. McFarlane was discharged from further attendance.

Mr. Herbert L. Webb, London, England, was sworn and examined.

The following paper was produced and filed:—

Exhibit No. 171.—Pamphlet 'To the Citizens of Glasgow, 1901-04.'

The committee rose at 1 o'clock P.M.

4 O'CLOCK P.M.

Examination of Mr. Webb resumed.

Cross-examination of Mr. Webb by counsel to take place Monday next.

A list of names of persons employed by the committee, with rates of pay, was submitted and approved by the committee.

The committee adjourned until Monday at 3 o'clock P.M.

Attest. WALTER TODD,
Clerk of the Committee.

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TUESDAY, May 30th, 1905.

The Committee met at 3 o'clock p.m.

PRESENT.—Messieurs Bergeron, Boyce, Demers (St. John), Grant, Lewis, Maclean (York), Miller, Monk, Roche (Marquette) and Zimmerman (10).

In the absence of the Chairman, Mr. Zimmerman, on motion of Mr. Lewis, took the chair.

The Chairman stated that by common agreement the meeting which had been called for yesterday had been postponed to the same hour to-day.

The Chairman extended to the Bell Telephone Company, the thanks of the Committee for the courtesy and hospitality shown by the Company to the members who went to Montreal on Saturday last, and also expressed their appreciation of the great value of the practical information obtained through the inspection of the Company's exchanges in that city.

Mr. Ethier, Corporation Counsel for the city of Montreal, addressed the Committee; he also after being sworn, produced the following papers, which were filed.

Exhibit No. 172.—Petition signed by 294 ratepayers of the city of Montreal, praying the Council to apply to the Governor in Council to fix the rates which may be charged by the Bell Telephone Company in Montreal.

Exhibit No. 173.—Protest signed by 110 ratepayers of Montreal, against the use of the "slot machine" in connection with telephones in public places.

Exhibit No. 174.—Extract from Minutes of City Council of Montreal, Monday, 29th May, 1905.

Exhibit No. 174*a*.—Extract from Minutes of the Special Committee on Legislation, Montreal, Tuesday, 23rd May, 1905. Nine letters were ordered to be printed in Appendix A, as Nos. 88 to 96 inclusive.

The Committee adjourned until to-morrow at 10 o'clock, A.M.

Attest. WALTER TODD,
Clerk of the Committee.

WEDNESDAY, May 31, 1905.

The Committee met at 10 o'clock a.m.

PRESENT—Messieurs Zimmerman (in the chair), Bergeron, Boyce, Demers (St. John), Grant, Lewis, Miller and Roche (Marquette)—8.

Mr. F. A. PICKERNELL, of Newton, Mass., was sworn and examined in part.

Mr. HERBERT LAWS WEBB was cross-examined and discharged from further attendance.

The following papers were produced by Mr. Webb and filed:—

Exhibit No. 175—Form of agreement for Exchange line, Post Office, London Telephone system.

" 176—Statement of gross receipts and expenditures, Telegraph service, Post Office Telegraphs, from 1870 to 1903.

The examination of Mr. Pickernell was resumed.

The committee rose at one o'clock.

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APPENDIX No. 1

3 o'clock, p.m.

Mr. HERBERT LAWS WEBB was recalled and further cross-examined and discharged.

The following document was filed :—

Exhibit No. 177.—Fiftieth Annual Report of the Postmaster General (Great Britain and Ireland), 1904.

The examination of Mr. Pickernell was resumed. He was also cross-examined and discharged from further attendance.

The following paper was filed on behalf of the Bell Telephone Company, by Mr. Lawrence Macfarlane :—

Exhibit No. 178.—Agreement dated December 23rd, 1902, between the company and Dr. Horace Bascom and Dr. Frank Forrest.

The Committee adjourned to the call of the chair.

Attest. WALTER TODD,
Clerk of the Committee.

WEDNESDAY, June 14, 1905.

The Committee met at 2 o'clock p.m.

PRESENT—Messieurs Zimmerman (in the chair), Bergeron, Demers (St. Johns), Geoffrion, Johnston (Cape Breton), Lewis, Maclean (York), and Monk—(8).

A number of letters and synopsis of letters were read and ordered to be printed in Appendix A, as Nos. 97 to 153, inclusive.

The committee adjourned to the call of the chair.

Attest, WALTER TODD,
Clerk of the Committee.

THURSDAY, June 29, 1905.

The Committee met at 11 o'clock, a.m.

PRESENT—Messieurs Zimmerman (in the Chair), Bergeron, Demers, (St. Johns), Geoffrion, Johnston (Cape Breton), Lewis, Monk and Smith (Nanaimo)—8.

A large number of letters received were laid before the Committee, and the Chairman was authorized to make a selection for printing in Appendix 'A.'

Mr. A. A. BRUNEAU, M.P., was sworn, examined and discharged from further attendance.

Mr. Bruneau produced the following paper, which was filed:—

Exhibit No. 179.—Declaration of J. E. Beaubien, agent St. Lawrence Telephone Company, regarding an application to the Grand Trunk Railway Company to be permitted to carry a cable across the Victoria bridge at Montreal.

Mr. E. L. CASH, M.P., made affirmation, was examined and discharged.

The following resolution was agreed to :—

Resolved, That the clerk is hereby authorized to have translated into English any letters, papers or pamphlets in foreign languages which may be sent from time to time to the Committee for its information.

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The application of M. Cullen, office stenographer and typewriter, for an increase in the rate of his pay of fifty cents per diem was read and approved—said increase to date from the 3rd of June, instant.

The committee adjourned until Tuesday next, July 4th, at 11 o'clock a.m.

Attest, WALTER TODD,
Clerk of the Committee.

WEDNESDAY, July 12, 1905.

The Committee met at 10 o'clock a.m.

PRESENT—Messieurs Zimmerman (in the chair), Bergeron, Boyce, Demers (St. Johns), Geoffrion, Grant, Johnston (Cape Breton), Lewis, Maclean (York), Miller and Roche (Marquette)—11.

A number of letters and synopsis of letters were read and ordered to be printed in Appendix A as Nos. 228 to 252*b*.

The following persons were severally sworn, examined and discharged.

Mr. Edward M. Trowern of Toronto, secretary of the Retail Merchants' Association of Canada.

Mr. J. A. Beaudry, secretary of the Federation of the Retail Dealers of the City of Montreal; and

Mr. Moses Moyer, of the Grocers' Association of Toronto.

The Committee then adjourned until to-morrow at 10 a.m.

Attest, WALTER TODD,
Clerk of the Committee.

THURSDAY, July 13, 1905.

The Committee met at 10 o'clock a.m.

PRESENT—Messieurs Zimmerman (in the chair), Bergeron, Boyce, Grant, Johnston (Cape Breton), Lewis, Maclean (York) and Miller—8.

Mr. A. L. Têtu, hon. secretary of the National Interstate Telephone Association of the U.S.A., &c., was sworn, examined and discharged.

Mr. J. B. Ware, hon. secretary of the Michigan Independent Telephone Association, &c., was sworn and examined.

The following were produced by Mr. Ware and filed:—

Exhibit No. 180, map showing development of Independent long distance lines in State of Ohio, U.S.A.

Exhibit No. 181, list of five of the largest independent telephone companies in Michigan, showing their capitalization, number of telephones, &c.

Exhibit No. 182, annual report Citizens' Telephone Company, Grand Rapids, Mich., U.S.A., for the year ending June 30, 1905.

The Committee rose at 1 p.m.

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APPENDIX No. 1

3 O'CLOCK, P.M.

The Committee resumed.

Examination of Mr. Ware was resumed and concluded, and he was discharged from further attendance.

The Committee adjourned at 6 o'clock p.m., until to-morrow at 10.30 a.m.

Attest, WALTER TODD,
Clerk of the Committee.

FRIDAY, July 14, 1905.

The Committee met at 10.30 a.m.

PRESENT.—Messieurs Zimmerman (in the chair), Bergeron, Demers (St. Johns), Geoffrion, Grant, Johnston (Cape Breton), Maclean (York) and Miller—8.

The Chairman said that as it was obvious that no further evidence could be taken this session, it would be desirable for the Committee to consider the advisability of making a report of some kind to the House, his own opinion being that in the absence of the Chairman, and as the Committee had not as yet had any opportunity of discussing or deliberating upon the evidence taken, the proper course would be merely to report the proceedings of the Committee and other minutes of evidence, so as to place them in the possession of the House; he had embodied that idea in a draft report which he submitted for the approval of the Committee, as follows:—

DRAFT REPORT OF THE SELECT COMMITTEE ON TELEPHONE SYSTEMS.

FRIDAY, July 14, 1905.

The Select Committee appointed to inquire into and report regarding the various telephone systems in operation in Canada and elsewhere, and consider and report what changes, if any, are desirable with respect to the methods at present in force for furnishing telephone service to the public, beg leave to present the following as their third report:—

During the course of their inquiry, your Committee have held some forty-three sittings and have examined about fifty witnesses, and have had a large number of exhibits and other papers and documents laid before them. Owing, however, to the voluminous nature of the evidence submitted, and to the late period of the session, your Committee feel that it is impossible for them during the present session to come to any conclusions, or to make any recommendations to the House upon the subject referred to them, but they beg to submit herewith for the information of the House the minutes of their proceedings from March 20 last, together with all the evidence taken by them and the exhibits and other papers laid before them.

All which is respectfully submitted.

Mr. BERGERON moved that the said draft report be adopted as the report of the Committee.

Mr. MACLEAN (York) moved in amendment that all the words after the first paragraph in the said draft report be omitted, and the following added in lieu thereof, and that the draft report as so amended be adopted as the report of the Committee:—

'During the course of their inquiry your Committee have held some forty-three sittings and have examined about fifty witnesses, and have had a large number of exhibits and other papers and documents laid before them. That, while the evidence is voluminous, and while, owing to the lateness of the session it is impossible to sift

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it all and to make a general finding, your Committee recommend that legislation be framed this session compelling railway companies to admit the lines of all telephone companies to their premises, as set out in clause 3 of the Public Bill No. 4, introduced this session as an amendment to clause 193 of the Railway Act, 1903.

'And they also recommend that legislation be framed this session, compelling telephone companies to interchange traffic on terms and conditions approved of by the Railway Commission or the Governor in Council.'

And the question having been put upon the amendment, it was declared lost on division.

And the question being put upon the main motion, it was agreed to.

Resolved, that the said draft report, as sumbitted by the acting chairman, be the report of the Committee, and that the same be presented to the House, with the minutes of proceedings and evidence attached thereto.

On motion of Mr. LEWIS, it was

Resolved, that the travelling and other expenses of Mr. Dagger incurred while attending the Independent Telephone Convention in Chicago be defrayed by the Committee.

On motion of Mr. JOHNSTON (Cape Breton), it was

Resolved, that Mr. Todd, the clerk of the Committee, and Mr. Panet, the assistant clerk, be paid the sum of $150 each, for extra work performed in connection with the compilation and revision of the evidence taken before the Committee.

A number of letters and papers were ordered to be printed in Appendix A.

After a vote of thanks to the acting chairman had been unanimously passed, and responded to,

The Committee adjourned.

(Attest) WALTER TODD,
Clerk of the Committee.

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1905

SELECT COMMITTEE ON TELEPHONE SYSTEMS

SYNOPSIS OF EXHIBITS.

No.	Date.	Subject.
1	Mar. 2, 1903...	Letter from F. Dagger to Sir W. Mulock detailing experience obtained by him in connection with telephone systems in England and elsewhere, also inclosing cutting from 'Western Morning News,' Plymouth, Eng. (Printed on page 5 of the evidence.)
2	Mar. 3, 1903...	Report by F. Dagger addressed to Sir W. Mulock upon the telephone situation in Canada. (Printed on page 7 of the evidence.)
		Schedule 'A' attached to foregoing showing telephone rates on the continent of Europe. (Printed on page 21 of the evidence.)
		Schedule 'B,' report of independent companies in the United States. (Printed on page 23 of the evidence.)
		Schedule 'C,' showing cities and towns in the United States where telephone competition has not increased the cost to subscribers who are compelled to use both systems. (Printed on page 30 of the evidence.)
		Schedule 'D,' showing over-capitalized independent companies where operations are controlled by Federal Company of Cleveland. (Printed on page 31 of the evidence.)
		Schedule 'E,' showing telephone record of European countries. (Printed on page 32 of the evidence.)
		Schedule 'F,' showing long-distance rates in European countries, United States and Canada. (Printed on page 33 of the evidence.)
		Schedule 'G,' containing questions addressed to owners of rural telephone systems, together with replies thereto. (Printed on page 33 of the evidence.)
	Feb. 17, 1903...	Letter from G. I. Campbell to F. Dagger replying to questions contained in Schedule 'G.' (Printed on page 36 of the evidence.)
	Feb. 26, 1903...	Letter from G. I. Campbell to F. Dagger containing additional information anent telephone systems. (Printed on page 36 of the evidence.)
	Feb. 17, 1903...	Letter from W. Doan to F. Dagger relative to telephone situation in township of Harrietsville, Ont. (Printed on page 36 of the evidence.)
	Feb. 16, 1903...	Letter from J. H. Young to F. Dagger respecting telephone situation in Jocelyn, Ont. (Printed on page 37 of the evidence.)

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No.	Date.	Subject.
	June 2, 1901...	Letter from M. L. Clouser to F. Dagger relative to the People's Co-Operative Telephone Company, Indiana, U.S.A. (Printed on page 38 of the evidence.)
	July 2, 1901...	Letter from L. Gordon to F. Dagger respecting the Rural Telephone Company, Waterloo, Michigan, U.S. (Printed on page 38 of the evidence.)
3	Aug. 17, 1903...	Letter from James W. Pattison to F. Dagger containing information relative to the telephone system in operation in Neepawa, Man. (Printed on page 42 of the evidence.)
4	Feb. 5, 1903...	Telegram from T. G. Shaughnessy to A. Hoover, published in 'Telephony,' stating that request be made for the privilege of placing telephone instruments in Canadian Pacific Railway stations cannot be complied with without consent of Bell Telephone Company. (Printed of page 46 of the evidence.)
4a	May 1, 1902...	Agreement, Canadian Pacific Railway Company and Bell Telephone Company of Canada, Ltd., giving latter company exclusive rights of placing instruments, &c., in railway stations. (Printed on page 47 of the evidence.)
5	Mar. 24, 1905...	Letter from town clerk, Port Arthur, to J. Dyke, containing certified statement of the number of telephones on circuit, together with number of applications received for installation of telephones, also cost of installation of plant to December 31, 1904. (Printed on page 72 of the evidence.)
5a	Mar. 25, 1905...	Letter from Board of Commissioners, Water, Light and Telephone, Fort William, to J. Dyke, giving number of telephones doing service on March 24, also cost of installation. (Referred to on page 72 of the evidence.)
6	Apr. 1, 1905...	Declaration of W. W. Birdsall, M.D., Fort William, affirming that municipal telephone service was satisfactory, while that of the Bell Telephone was unsatisfactory. (Printed on page 73 of the evidence.)
7	Apr. 1, 1905...	Declaration of F. W. Fraser, Fort William, on same subject. (Printed on page 74 of the evidence.)
8	Mar. 31, 1905...	Declaration of C. H. Jackson on the same subject.
9	Apr. 1, 1905...	Declaration of G. W. Brown, Fort William, on the same subject.
10	Apr. 1, 1905...	Declaration of J. E. Rutledge, Fort William, on the same subject.
11	Apr. 1, 1905...	Declaration of H. M. Piper, Fort William, on the same subject.
12	Jan. 24, 1905...	Notice served on town clerk, Fort William, by Bell Telephone Company, giving gross receipts of company in said municipality for year ending December 31, 1904. (Printed on page 76 of the evidence.)
13		Official directory of the Bell Telephone Company, Fort William and Port Arthur. (Referred to on page 77 of the evidence.)

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APPENDIX No. 1

No.	Date.	Subject.
14		Notice served on town clerk, Port Arthur, by Bell Telephone Company, giving gross receipts of company in said town for year ending December 31, 1904. (Printed on page 77 of the evidence.)
15		Pamphlet on municipal ownership at Fort William, containing reply to special commissioner.—Ottawa 'Free Press.' (Referred to on page 81 of the evidence.)
16		Official statement of the operation of the franchises of the town of Port Arthur. (Printed on page 87 of the evidence.)
17		Statement (annual) of receipts and expenditure, telephone department, Fort William, for year ending December 20, 1904. (Printed on page 104 of the evidence.)
18		Statement (annual) of receipts and expenditure, telephone department, Fort William, for year ending December 20, 1902. (Printed on page 105 of the evidence.)
19		Statement (annual) of receipts and expenditure, telephone department, Fort William, for year ending December 31, 1903. (Printed on page 107 of the evidence.)
20		Extracts from case (6), Board of Railway Commissioners, application of Fort William and Port Arthur for installation of telephones in Canadian Pacific Railway stations, &c. (Printed on page 109 of the evidence.)
21		Statement (annual) of receipts and expenditure, telephone department, Port Arthur, to December 15, 1904. (Printed on page 112 of the evidence.)
21½	Aug. 4, 1904	Clipping from Brantford 'Courier,' containing letter from C. F. Sise, President Bell Telephone Co. of Canada, Ltd., respecting Glasgow's experience in connection with municipal telephone service. (Printed on page 119 of the evidence.)
22	Aug. 17, 1904	Letter from J. Butterfield to W. N. Andrews, containing information relative to cost of maintenance of a 500 subscribers' telephone plant. (Printed on page 124 of the evidence.)
23	July 1904	Extract from magazine entitled 'Sound Waves,' on independent telephone securities compared with other securities. (Printed on page 126 of the evidence.)
24	June 1904	Excerpt from editorial in 'Telephony,' entitled Independent Telephone Securities. (Printed on page 129 of the evidence.)
25	June 29, 1904	Letter from H. Shafer, president International Telephone Manufacturing Company to city of Brantford, Ont., containing an approximate estimate of the cost of installation of a telephone system in Brantford. (Printed on page 136 of the evidence.)

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No.	Date.	Subject.
26	Aug. 19, 1904...	Letter from F. W. Mackay, Canadian Machine Telephone Company to W. N. Andrews, Brantford, stating that his company can supply Lorimer machine switch-board and the necessary construction for a system of 500 telephones for $5,000. (Printed on page 137 of the evidence.)
27	Aug. 4, 1904...	Newspaper excerpt, entitled 'Glasgow.' 'Phones an official announcement as to their success. (Printed on page 140 of the evidence.)
28		Plan showing district served by the People's Telephone Co., Sherbrooke, P.Q. (See page 158 of the evidence.)
29	Mar. 17, 1902...	Letter published by C. Skinner in Sherbrooke 'Examiner' *re* contract between Grand Trunk Railway Co. and the Bell Telephone Co. of Canada, Ltd. (Printed on page 170 of the evidence.) Also article from 'Canadian Engineer,' respecting the People's Telephone Co., Sherbrooke, P.Q. (Printed on page 159 of the evidence.)
30		List of Bell Telephone Company's patents. (Printed on page 175 of the evidence.)
31	Nov. 16, 1899...	Agreement between Bell Telephone Company and Bay of Quinté Railway Company. (Printed on page 179 of the evidence.)
32	Oct. 29, 1904...	Agreement between Bell Telephone Company and the Boston and Maine Railway Company. (Printed on page 180 of the evidence.)
33	May 11, 1898...	Agreement between Bell Telephone Company and the Canada Atlantic Railway Company. (Printed on page 182 of the evidence.)
34	May 1, 1902...	Agreement between Bell Telephone Company and Canadian Pacific Railway Company. (Printed on page 183 of the evidence.)
35	Mar. 23, 1900...	Agreement between Bell Telephone Company and Central Ontario Railway Company. (Printed on page 184 of the evidence.)
36	Aug. 30, 1904...	Agreement between Bell Telephone Company and Central Vermont Railway Company. (Printed on page 187 of the evidence.)
37	July 8, 1902...	Agreement between Bell Telephone Company and Galt, Preston and Hespeler Street Railway Company. (Printed on page 189 of the evidence.)
38	July 25, 1900...	Agreement between Bell Telephone Company and Grand Trunk Railway Company. (Printed on page 192 of the evidence.)
39	Feb. 19, 1904...	Agreement (copy of another) between Bell Telephone Company and Grand Trunk Railway Company. (Printed on page 193 of the evidence.)
40	Nov. 27, 1901...	Letter from L. B. McFarlane, general superintendent Bell Telephone Company, to Great Northern Railway Company. (Printed on page 195 of the evidence.)

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APPENDIX No. 1

No.	Date.	Subject.
41	July 9, 1902	Letter from L. B. McFarlane, general superintendent Bell Telephone Company, to C. F. Sise, with reference to agreement with Great Northern Railway Company. (Printed on page 196 of the evidence.)
42	July 22, 1897	Agreement between Bell Telephone Company and Hamilton Radial Electric Railway Company. (Printed on page 196 of the evidence.)
43	Jan. 7, 1901	Agreement between Bell Telephone Company and Hamilton Dundas Railway Company. (Printed on page 197 of the evidence.)
44	July 29, 1903	Agreement between Bell Telephone Company and Michigan Central Railway Company. (Printed on page 198 of the evidence.)
45	Oct. 30, 1903	Agreement between Bell Telephone Company and Michigan Central Railway Company. (Printed on page 200 of the evidence.)
46	July 3, 1900	Letter from W. J. Gilmour, district superintendent Bell Telephone Company, to T. J. Larocque, of the New York and Ottawa Railway Company, agreement. (Printed on page 202 of the evidence.)
47	July 21, 1900	Letter from T. J. Larocque to W. J. Gilmour, Bell Telephone Company, *re* New York and Ottawa Railway Company agreement. (Printed on page 203 of the evidence.)
48	Sept. 30, 1903	Letter from H. W. Gays, gen. mngr. New York and Ottawa Railway Company, to W. J. Gilmour, district superintendent Bell Telephone Company. (Printed on page 203 of the evidence.)
49	Sept. 16, 1903	Letter from W. J. Gilmour, district superintendent Bell Telephone Company, to Wm. Phillips, passenger agent of the New York and Ottawa Railway Company. (Printed on page 203 of the evidence.)
50	Feb. 10. 1904	Agreement between Bell Telephone Company and Quebec Southern Railway Company. (Printed on page 204 of the evidence.)
51	Jan. 28, 1905	Letter from C. F. Sise, Jr., assistant general superintendent Bell Telephone Company, to W. G. Farbar, district superintendent, Montreal, with reference to some suggested arrangement with the Quebec and Lake St. John Railway Company. (Printed on page 205 of the evidence.)
52	Dec. 17, 1898	Agreement between Bell Telephone Company and St. Lawrence and Adirondack Railway Company. (Printed on page 205 of the evidence.)
53	Nov. 16, 1899	Agreement between Bell Telephone Company and Thousand Islands Railway Company. (Printed on page 206 of the evidence.)
54	Aug. 18, 1902	Agreement between Bell Telephone Company and Tilsonburg, Lake Erie and Pacific Railway Company. (Printed on page 207 of the evidence.)
55	Dec. 13, 1904	Letter from C. F. Sise, president Bell Telephone Company, to E. Fisher, general superintendent Toronto, Hamilton and Buffalo Railway Company, *re* extension of contract with above company. (Printed on page 210 of the evidence.)

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No.	Date.	Subject.
56	Jan. 6, 1905...	Letter from E. Fisher, general superintendent Toronto, Hamilton and Buffalo Railway Company, to C. F. Sise, Bell Telephone Company, *re* contract. (Printed on page 210 of the evidence.)
57	Feb. 12, 1900...	Letter from A. E. Robbins, superintendent Wabash Railway Company, to C. F. Sise, president Bell Telephone Company. (Printed on page 211 of the evidence.)
58	Feb. 14, 1900...	Letter from C. F. Sise, president Bell Telephone Company, to Wabash Railway Company. (Printed on page 211 of the evidence.)
59		List of shareholders, Bell Telephone Company. (Referred to on page 211 of the evidence.)
60		Balance sheet of La Compagnie de Téléphone de Bellechasse for year ending March 31, 1904. (Printed on page 217 of the evidence.)
61	Sept. 30, 1904...	Agreement between La Compagnie de Téléphone de Bellechasse and the Grand Trunk Railway Company *re* installing a telephone in railway station at St. Agapit, P.Q. (Printed on page 226 of the evidence.)
62	Dec. 7, 1904...	Memorandum of agreement proposed for a joint physical connection between the lines of the Beauce Telephone Company and the Bell Telephone Company. (Printed on page 238 of the evidence.)
63	Jan. 1, 1900...	Agreement between the Bell Telephone Company, Limited, and the North American Telegraph Company, Limited, *re* interchange of telephone business. (Printed on page 252 of the evidence.)
64		Estimate of cost of constructing one mile of telephone line in country places in the province of Quebec for metallic circuit, complete. (Printed on page 256 of the evidence.)
65		Report (annual) of the Glasgow Corporation Telephone Accounts, 1903-4. (Printed on page 283 of the evidence.)
66		Report of Committee on Telephone Systems appointed by municipal council, St. John, N.B., recommending installation of an automatic telephone system to be managed by the council, also resolution adopted by the city council approving foregoing report. (Printed on page 300 of the evidence.)
66a	Feb. 3, 1904...	Letter from Secy. Board of Trade, St. John, N.B., communicating resolution adopted by said board, approving establishment of municipal telephone system. (Printed on page 301 of the evidence.)
67		Estimate of cost of installation of municipal telephone system, St. John, N.B. (Printed on page 301 of the evidence.)
67a		Report of the director of public works, and the city engineer upon the estimate for installation of telephone plant. (Referred to on page 305 of the evidence.)
68		List of telephone companies in Nova Scotia, with approximate number of telephones operated by each. (Printed on page 345 of the evidence.)

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APPENDIX No. 1

No.	Date.	Subject.
69		Schedule of tolls and charges of the Nova Scotia Telephone Company, Limited, as existing on January 1, 1903. (Printed on page 355 of the evidence.)
70		Statement (financial) of the foregoing company for the year ending January 31, 1903. (Printed on page 358 of the evidence.)
71		Report (annual) of the foregoing company, together with financial statement for the year ending January 31, 1904. (Printed on page 359 of the evidence.)
72		Memorandum of long-distance lines of the foregoing company. (Printed on page 360 of the evidence.)
73		Map showing long-distance lines and connections of above company. (Referred to on page 360 of the evidence.)
74		List of shareholders of above company to May 1, 1905. (Referred to on page 360 of the evidence.)
75		Summary of agreements entered into by the Nova Scotia Telephone Company with the several telephone companies operating throughout Nova Scotia, embodying the details of a working agreement between the first-mentioned company and the different telephone companies. (Printed on page 361 of the evidence.)
76		Estimate of cost of installation per mile for constructing telephone line in territory operated by the Union Telephone Company, New Brunswick. (Printed on page 371 of the evidence.)
77		Statement of receipts and expenditure of the Union Telephone Company (1904.) (Printed on page 374 of the evidence.)
78	Apr. 11, 1903...	Letter from D. W. Newcombe, superintendent Canadian Pacific Railway Company, Woodstock, N.B., to Dr. Brown, president Union Telephone Company, Florenceville, N.B., giving latter company permission to install instruments in freight and despatching office, providing that said instruments be removed at any time on ten days' written notice. (Printed on page 375 of the evidence.)
79	July 14, 1903...	Letter from foregoing to secretary Union Telephone Company, stating that offer made president of latter company in April, will have to remain in abeyance till matter is referred to his company. (Printed on page 375 of the evidence.)
80	July 20, 1903...	Letter from foregoing to secretary Union Telephone Company, stating that as his company (Canadian Pacific Railway Company) already have telephones in their offices at Woodstock, they do not care to have more placed therein at present. (Printed on page 376 of the evidence.)

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No.	Date.	Subject.
81	Oct. 3, 1903...	Letter from W. Downie, general superintendent Canadian Pacific Railway Company, St. John, N.B., to secretary Union Telephone Company, stating that matter of placing latter company's telephones in railway station at Woodstock, N.B., is under consideration of the management. (Printed on page 376 of the evidence.)
82	Nov. 7, 1903...	Letter from D. W. Newcombe, superintendent Canadian Pacific Railway Company, Woodstock, N.B., to Mayor Woodstock, stating that request made for installation of Union Telephone Company's telephones at Woodstock station, cannot be entertained. (Printed on page 377 of the evidence.)
83	Jan. 28, 1904...	Letter from foregoing to secretary Union Telephone Company, acknowledging receipt of latter's letter *re* installation of telephones in Canadian Pacific Railway Company's offices at Woodstock, N.B. (Printed on page 377 of the evidence.)
84	Feb. 5, 1904...	Letter from W. Downie, general superintendent Canadian Pacific Railway Company, St. John, N.B., to D. W. Newcombe, superintendent of same company, acknowledging latter's letter with that from Union Telephone Company *re* installation of instruments in station at Woodstock, N.B. (Printed on page 378 of the evidence.)
85	Jan. 28, 1904...	Letter from D. W. Newcombe, to secretary Union Telephone Company, stating that his letter will be forwarded to head office, Montreal. (Printed on page 378 of the evidence.)
86	Feb. 22, 1904...	Letter from foregoing to secretary of Union Telephone Company, stating in reply to letter received that his company prefers leaving question of installation of 'phones in company's offices at Woodstock, N.B., in abeyance till decision of Board of Railway Commissioners has been rendered. (Printed on page 378 of the evidence.)
87	Feb. 17, 1904...	Letter from foregoing to secretary Union Telephone Company, inclosing copy of a reply from General Superintendent Downie, as to action taken by him *re* installation of telephones in railway offices at Woodstock, N.B. (Printed on page 378 of the evidence.)
88	Apr. 8, 1905...	Declaration of Frederick Sydney Jones, superintendent of municipal telephone plant of Fort William, Ontario, affirming that names of subscribers indicated by red mark in the attached directory of the Bell Telephone Company For William, are receiving Bell telephones free. (Printed on page 384 of the evidence.)
89	Apr. 6, 1905...	Declaration of Geo. Robinson on same subject. (Printed on page 385 of the evidence.)
90	Jan. 1, 1904...	Agreement between the New Brunswick Telephone Company and the Canadian Pacific Railway Company, giving exclusive right to the telephone company to place their instruments in the stations, &c., of the railway company. (Printed on page 386 of the evidence.)

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APPENDIX No. 1

No.	Date.	Subject.
91	Jan. 1, 1902...	Agreement between the New Westminster and Burrard Inlet Telephone Company and its allies, giving exclusive rights to the telephone company to place its instruments in the stations, &c., of the railway company. (Printed on page 389 of the evidence.)
92	May 1, 1902...	Agreement between the Bell Telephone Company and the Canadian Pacific Railway Company, giving the telephone company exclusive right to place its instruments in the stations, &c., of the railway company. (Printed on page 47 of the evidence as exhibit 4a.)
93		Reports (annual) of the Bell Telephone Company from 1880 to 1904 inclusive. (Printed on pages 404 to 454 of the evidence.)
94		Statement of dividends paid by the Bell Telephone Company from December 31, 1881, to March 31, 1905. (Referred to on page 454 of the evidence.)
95	Nov. 13, 1880...	Agreement between the Canadian Telephone Company of Canada, Limited, and the Bell Telephone Company, whereby the Canadian Company gives the Bell Company the right to use certain telephone instruments covered by patents issued to A. G. Bell. (Printed on page 457 of the evidence.)
95a	Nov. 29, 1880...	Agreement (further) between the same companies, whereby the Canadian Company grants to the Bell Company the exclusive right to use or to license others to use the telephones furnished by the Canadian Company under existing patents which may thereafter be acquired. (Printed on page 458 of the evidence.)
95b	May 9, 1881...	Agreement (further) between the same companies, whereby the Bell Company acquires from the Canadian Company the telephone business of certain other companies. (Printed on page 462 of the evidence.)
95c	Oct. 28, 1882...	Agreement (further) between the same companies, whereby the Bell Company assumes liabilities of the Canadian Company. (Printed on page 463 of the evidence.)
95d		List of instruments transferred by the Canadian Telephone Company to the Bell Telephone Company. (Printed on page 464 of the evidence.)
95e	Nov. 2, 1882...	Agreement (further) between the same companies, whereby the Canadian Company sells and transfers to the Bell Company 4,085 hand telephones of the Bell patent. (Printed on page 464 of the evidence.)
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101	Sept. 1, 1899...	Agreement between the Central New York Telephone and Telegraph Company and the Bell Telephone Company *re* connections between the systems. (Printed on page 477 of the evidence.)
102		Contracts (list of) between the Canadian connecting lines and the Bell Telephone Company of Canada. (Printed on page 479 of the evidence.)
103		Current lease form, exchange line contract, Bell Telephone Company. (Printed on page 480 of the evidence.)
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105		Statement of actual amounts paid by Bell Telephone Company to Northern Electric and Manufacturing Company, Limited, during five years, to December 31, 1904. (Printed on page 483 of the evidence.)
105a	May 6, 1905...	Statement of sales to the Bell Telephone Co. by the Wire Cable Co. to December 31, 1904. (Printed on page 483 of the evidence.)
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154		Statement of amount invested in business, Bell Telephone Company. (Printed on page 689 of the evidence.)
155	May 6, 1905...	Letter from Hon. F. Oliver to Sir William Mulock, stating that city of Edmonton, N.W.T., purchased the telephone system, which is transacting the business and is proceeding to put in a first-class plant. (Printed on page 691 of the evidence.)
155a	May 13, 1905...	Letter from D. W. Macdonald, local manager Bell Telephone Company, Edmonton, to L. B. McFarlane, general supt. of company, Montreal, inclosing copy of a letter received by him from Mr. Sise, and stating contents thereof were communicated to mayor of Edmonton. (Printed on page 691 of the evidence.)
155b	Sept. 14, 1904...	Letter from C. F. Sise, president Bell Telephone Company, to D. W. Macdonald, local manager of above company at Edmonton *re* proposed municipal ownership of the local telephone plant. (Printed on page 692 of the evidence.)
156	Sept. 17, 1891...	Agreement between the city of Toronto and Bell Telephone Company, as to rates to be charged for service. (Printed on page 696 of the evidence.)
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158	Jan. 20, 1904...	Letter received by corporation city of Toronto, from the Canadian Telephone & Telegraph Company, offering to install and operate an independent telephone service in Toronto. (Printed on page 704 of the evidence.)
159	Feb. 12, 1904...	Letter received by corporation city of Toronto, from the Stark T. L. & P. System, Limited, proposing to install and operate a telephone service in above city. (Printed on page 705 of the evidence.)
160		Specification (terms of franchise) for the installation and operation of a telephone system in city of Toronto. (Referred to on page 706 of the evidence.)
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164	May 15, 1901...	Letter from A. E. Ames, president Toronto Board of Trade, to the members of the board, respecting Bell Telephone Company. (Printed on page 713 of the evidence.)
165	Feb. 28, 1898...	Prospectus submitted by T. F. Ahern, Detroit, showing the earnings of a 6,000 line plant for the city of Toronto. (Printed on page 729 of the evidence.)
165a	Sept. 12, 1900...	Report and estimate of C. H. Rust, city engineer, Toronto, *re* proposed municipal plant. (Printed on page 738 of the evidence.)
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178	Dec. 23, 1902...	Agreement between the Bell Telephone Company and Drs. Horace Bascom and Frank Forrest. (Printed on page 950 of the evidence.)
179	June 25, 1905...	Declaration of J. E. Beaubien, agent St. Lawrence Telephone Company, Sorel, P.Q., affirming that permission to lay their cable on Victoria bridge was refused by Grand Trunk Railway Company owing to agreement between latter company and Bell Telephone Company. (Printed on page 953 of the evidence.)
180		Map showing development of independent long-distance lines in state of Ohio, U.S.A. (See after page 1047 of the evidence.)
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List of Counsel who appeared before the Committee on behalf of the following, viz.:

1. Bell Telephone Co. of Canada, Ltd.—
Aylesworth, A. B., K.C., Barrister, &c., Toronto. 764-788
Casgrain. T. C., K.C., Advocate, Montreal. 883-887
LaFleur, E., K.C., Advocate, Montreal. 173-841-862
MacFarlane, Lawrence, Advocate, Montreal . . . . . 803-815 and 950-952
Ritchie, J. A., Barrister, &c., Ottawa. 154-157

2. Corporation of Montreal—
Atwater, A. W., K.C., Advocate, Montreal. 759-762
Ethier, L. J., K.C., Advocate, Montreal. 874-883

3. Corporation of Toronto—
Dewart, H. H. K.C., Barrirster, Toronto . . . . . 754-759 and 787-790

4. Municipal Union of Canada—
Lighthall, W. D., Advocate, Montreal. 746-754

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SELECT COMMITTEE ON TELEPHONE SYSTEMS

INQUIRY INTO THE VARIOUS TELEPHONE SYSTEMS IN OPERATION IN CANADA AND ELSEWHERE.

HOUSE OF COMMONS, COMMITTEE ROOM,
MONDAY, March 20, 1905.

The committee met at 11 o'clock a.m. for the purpose of organization, Sir William Mulock being unanimously elected chairman, and, having taken the chair and thanked the members for the honour done him, said: The question which we have been appointed to investigate is a most important one, and personally I approach it with an unbiased mind. There are several points which require the attention of the committee. First of all, there is considerable legislation under which telephones are operated, and I think it should be our object to acquire information regarding this legislation, whether passed by the Dominion parliament, the Provincial legislatures, or possibly by municipal bodies. This is a phase of the question which will require special investigation and study. I have, therefore, invited Mr. Pownall, of the Department of Justice, to prepare a report on the condition of the law regarding telephones in Canada, the mother country, the United States and elsewhere. I have also had a report furnished me by Mr. F. Dagger, of Toronto, on the working of some municipal systems in the western states. I think the members of the committee will agree with me that it would be advisable to know the exact position of the federal and the provincial laws in Canada, the laws of the United Kingdom, Australia and other countries.

Mr. W. F. MACLEAN.—It might be advisable for us to employ some man to investigate thoroughly the telephone situation in Great Britain.

Sir WILLIAM MULOCK.—Yes, we should certainly have complete information upon the condition of affairs in the motherland. The committee will recall, perhaps, that there was a parliamentary investigation in the United Kingdom not long ago. The report is a very bulky document. Then we will require information as to the workings of different systems.

Mr. W. F. MACLEAN.—We ought to have summary of that committee's conclusions.

Sir WILLIAM MULOCK.—Then we will require information as to the workings of different systems.

Mr. W. F. MACLEAN.—Has there been an investigation at Washington?

Sir WILLIAM MULOCK.—I do not know. One of the officers of my department is going to Washington this week on another matter, and I will cause him to make inquiries. I think it will be necessary for the committee to summon the officers of the various telephone companies, to examine these officers, to ascertain the extent of their systems, the capital invested, and the details of operation. The point, to my mind, and it is a very important one, is that while there are many telephone systems in very thickly settled districts, and some grievances in connection with their working, there is a grievance also from which that class of persons who have no telephones at all suffer. I do not think any analysis of the telephone systems will be completely

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satisfactory unless the committee is able to devise a scheme that will enable the isolated individual in his country home to secure the benefit of telephonic communication at a cost within the means of the average resident in the outlying district. Take a farmer for instance. He is chiefly interested in having telephone communication with his immediate neighbours. Whilst trunk lines connecting his district with the whole telephonic world might be useful, I fancy that the farmer, from the standpoint of usefulness, would prefer a telephone system that will enable him to be in telephonic communication with his neighbours and with his market town. He would prefer that to what might appear to be a much more extensive service, but which would not be so useful to him, namely, the long-distance. I, therefore, think that we should direct our attention to that phase of the question, to see whether it is possible to devise a system that will enable us to furnish to the people in the sparsely settled districts a telephonic service. This will depend, I suppose, to some extent upon the development of the automatic service—I mean a service which can be operated without the intervention of the central station. Now, I was told by this person who made a report to me on the workings of the telephone systems in the United States, that about a dozen people could conveniently work a system without any assistance from without, and that they could have, and did have, some of these groups in connection with the market towns. For example, the connection could be put in the post office; we have post offices everywhere anyway, and each man on that group would be able to speak by telephone with his neighbour, and also with his market town. I think that is a phase that is very important and that is worth inquiring into. I have a plan in my mind on that point and I will outline it for your information. I do not know whether it is practicable or not, but I will give it for analysis. I am not aware of there being any precedent for it, therefore I am quite ready to submit the plan for your criticism. It is this: That we should seek to organize and arrange for telephones to be brought within the reach of residents in a municipality through machinery to be established by the municipality itself. There would be a practical difficulty in the way of the government of Canada establishing telephones in every man's house, keeping up repairs, collecting rates and so forth. But if by the co-operation of the municipalities, we could induce the municipalities to deal with the telephone service as a municipal service, charging their tolls as a tax in the ordinary tax bill, then the Dominion Government would not be charged with the details of it. The group would make application to the municipality for telephone service, and the municipality could pass the necessary by-law under the municipal law for that purpose. Then the municipality would apply to the Dominion Government by a method to be taken up later, to establish a municipal telephone in that district. We would not deal with an individual, but we would deal with the municipality, and the municipality in turn would deal with the individuals as ratepayers, and there would be included in their tax bill an item for telephone service, the same as there now is for water rates.

Mr. BURROWS.—Under that arrangement would a man who owns land but does not use the telephone be taxed for telephone service ?

Sir WILLIAM MULOCK.—No, I have not contemplated any man being taxed unless he uses the telephone. If a telephone is attached to a man's house, he gets the service, and if we could get the co-operation of the municipalities, they would collect the rates in the tax bill. I do not know whether I have made my idea quite clear.

Mr. W. F. MACLEAN.—I think you are on the right tack, but I would say that all ought to be centred in the post office.

Sir WILLIAM MULOCK.—That is a detail.

Mr. W. F. MACLEAN.—The post office ought to be made the great centre for the telegraph, the telephone, as well as the postal service as we have it. This service ought to be built by the municipalities or by parties centreing in the post office, and making the post office the centre for information of all kinds. By consolidating all the

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services there, it would be more convenient and it would enable you to give a night and day service, it would pay for that no matter how small the centre would be. If all this business was centred in one place, you would get an efficient service which it is hard now to do.

Sir WILLIAM MULOCK.—The first thing is to get a fundamental scheme and then you can build on that, but I think your point is one which might fairly be considered. I have simply roughly planned out this proposal and will be glad of any criticism. I think that the report I have from that gentleman who is in Toronto will be of some use. Mr. Dagger was in connection with the telephone system for some years and may have some useful knowledge to impart and perhaps will be a useful witness. I would also suggest that the committee engage Mr. Pownall to prepare the summary to which I have referred.

Mr. W. F. MACLEAN.—You did not develop that point of municipal centres—whether they would be connected with the Dominion system, or did you not want to go that far?

Sir WILLIAM MULOCK.—I do not know how far it will be necessary to have an office and switchboard—a central office. Technical knowledge on that point would be necessary before we can develop a plan of that kind.

Mr. W. F. MACLEAN.—Your system certainly goes as far as connecting with local centres?

Sir WILLIAM MULOCK.—Oh, yes; they will be connected group by group. What I think is, I understood from Mr. Dagger, that a certain number of 'phones can be used without a switchboard.

Mr. W. F. MACLEAN.—Something like 20, that is on a line with the farmers' system.

Sir WILLIAM MULOCK.—We could devise, perhaps, a method by which one group would be connected with another.

Mr. W. F. MACLEAN.—That is the point I referred to; that would require a switchboard, or it might be accomplished by an automatic system.

Sir WILLIAM MULOCK.—We had better leave that until we know more about the details. As I say, I am only giving you very crude ideas, which may or may not be practicable. Mr. Dagger will give us some ideas which will be of value, because he was for many years connected with the telephone systems, and he made this report to me. I think he was sent over to the states; I do not remember now, but he professes in his report to give particulars of the working of the system over there, and when I get this report here, if you like, we will have him summoned. There will probably be a great deal of evidence volunteered to us by the public. We have power to send for persons and papers, and I think we should give publicity to the fact that this committee will welcome any evidence, so that the public will feel at liberty to offer it.

Ex-Mayor COOK, of Ottawa.—I have been asked to appear on behalf of the Union of Canadian Municipalities, and to assure the committee of the hearty co-operation of that body in prosecuting this inquiry. In this connection, I may be permitted to call attention to the fact that at the annual convention of the Union in London last September, the telephone question was thoroughly discussed and a resolution was unanimously passed, on motion of Controller Hubbard, of Toronto, urging that the long-distance telephone business of Canada should be taken over and operated by the Government of the Dominion. The resolution is as follows:—'That in the opinion of this Union the long-distance telephone business of Canada should be taken over and operated by the Government of the Dominion, and legislation obtained whereby the local interests of telephone companies can be taken over and operated by the local munici-

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pality, in which said businesses are carried on, and for this purpose direct that petitions be presented to the Dominion and provincial parliaments.'

Sir WILLIAM MULOCK.—I am sure the committee will appreciate the offer of the Union of Canadian municipalities to assist the committee by giving any information which it possesses on this subject.

Mr. ZIMMERMAN.—How about the different patents for telephones in Canada? Would it be advisable to have a report as to the position they are in?

Sir WILLIAM MULOCK.—I hardly think that would be necessary, because the government of Canada could undertake to make any patented article without violating the law. All that would be necessary would be to compensate the individual owner of the patent.

Committee adjourned until Wednesday next.

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MINUTES OF EVIDENCE.

COMMITTEE ROOM,
WEDNESDAY, March 22, 1905.

The Committee met at 11 o'clock a.m., Sir William Mulock, in the Chair.

INQUIRY INTO THE VARIOUS PUBLIC TELEPHONE SYSTEMS IN OPERATION IN CANADA AND ELSEWHERE.

The CHAIRMAN.—Mr. Pownall and Mr. Dagger are here this morning as directed by the Committee, I mentioned at the last meeting that some two or three years ago I had engaged Mr. Dagger to prepare some papers, to investigate and make a report to me on some matters affecting the telephone question. I have brought and will file with the Committee various papers. Perhaps before you examine Mr. Dagger it would be well to have these papers put on record. There is a letter of March 3, 1903, from Mr. Dagger to me.

Mr. W. F. MACLEAN.—What are the instructions on which the report was made?

The CHAIRMAN.—Well, they are set forth here. They were verbal. I had an interview with Mr. Dagger and went into the whole case with him and he acted in accordance with the instructions that are set forth here. This communication shows what his instructions were. I will first of all file a letter from Mr. Dagger to myself, dated Toronto, March 3, 1903. (Exhibit No. 1).—This gives details as to telephones in the United Kingdom. It also gives Mr. Dagger's own experience in telephone work.

(Exhibit No. 1).

742 BROADVIEW AVE.,
TORONTO, March 2, 1903.

DEAR SIR,—Referring to my conversation with you to-day, I have much pleasure in giving you the following details regarding my experience :—

1881 to 1885.

I entered the service of the Lancashire and Cheshire Telephonic Exchange Company in 1881 and remained in their employ for four years, being successively electrician at the Wigan, Burnley, Blackburn and Preston Exchanges.

1885 to 1893.

In 1885, I accepted a position at Bristol in the head office of the Western Counties and South Wales Telephone Company, operating one-fourth of England, where for four years I carried out important duties in connection with the general manager's department. The various matters dealt with by me in that connection included :

1. The purchasing of all construction material and supplies and conducting all correspondence in connection therewith.

2. The making of estimates and the inspection and revision of all agents' estimates for the construction of local and long distance lines.

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3. The inspection of all subscribers' contracts, and way-leave agreements before their acceptance by the company.

4. The conducting of correspondence relative to suspected infringements of patents, and making investigations in connection therewith.

During my stay in Bristol the company established forty-two exchanges and constructed 1,500 miles of long-distance lines. I had personally to deal with the estimates and purchase of material for this work.

In 1889, I was appointed superintendent of the Southwest Devon and Cornwall District of the same company, being located at Plymouth, a position which I held until 1893, when I resigned, the company in the meantime having been absorbed by the National Telephone Company.

At this period I claim to be the first man to suggest the municipalization of the telephone in England. Owing, however, to the refusal of the government at that period to grant licenses the monopoly continued.

1894 to 1899.

I re-entered the service of the National Telephone Company as Chief Electrical Inspector at Birmingham, including the towns of West Bromwich, Smethwick, Oldbury and other places—10 exchanges in all. Subsequently I held a similar position at Sheffield including the towns of Barnsley, Penistone, Worksop, Retford, and other places.

In July, 1899, I decided to come to Canada, believing that this continent offered a broader field for the extension of telephony than Great Britain under the existing monopoly, especially in view of what had been done in the United States.

With a view of becoming familiar with the existing system in this country, I accepted a position in the Bell Telephone Company, which I held for eleven months, when I resigned and came to Toronto with a view to assisting in promoting the scheme for a municipal telephone exchange in this city. I enclose some letters on this subject, and I would add that I could have obtained others had I thought it necessary.

Mr. W. E. L. Gaine, General Manager, of the National Telephone Company, London, Eng., would no doubt be pleased to give you any further information.

Kindly return the attached correspondence, and oblige,

Yours faithfully,

F. DAGGER.

The Honourable
Sir WILLIAM MULOCK, K.C.M.G.

Copy of cutting from 'Western Morning News' of Plymouth, England, November 30, 1892.

(Exhibit No. 1*a*).

'Many Plymouthians will learn with regret that Mr. F. Dagger has resigned his position as superintendent of the Plymouth district of the National Telephone Company, and that his connection with the company will cease on December 28.

'Mr. Dagger entered the telephone service eleven years ago, having served four years with the Lancashire and Cheshire Telephonic Exchange Company, in North-east Lancashire, four years with the Western Counties and South Wales Telephone Company in their head office at Bristol, and three years as superintendent of the Plymouth district.

'Since Mr. Dagger came to Plymouth he has had exceptional difficulties to contend with, more than one storm (the well remembered blizzard among the number) hav-

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ing played havoc with the wires over a wide area and commanding all his skill and energy to remedy and set right; on these as on all other occasions he has done his best with the staff at his disposal, to study the interests of the subscribers, and to give them the best possible service.

'The Rame Head signal station, a great convenience to the port, is among the communications that have been established since Mr. Dagger came to Plymouth, and he will go away with the satisfaction of knowing that he is leaving behind him, a far more effective and improved telephone service than he took over three years ago.'

The CHAIRMAN.—This will be exhibit No. 2. It is a report by Mr. Dagger bearing date March 3, 1903. It is a very voluminous and valuable report. Before reading the report, Mr. Dagger had better be sworn, and then it can be taken as part of his evidence.

Mr. FRANCIS DAGGER sworn.

REPORT.

'TORONTO, March 3, 1903.

(Exhibit No. 2).

'Hon. Sir WILLIAM MULOCK,
'Postmaster General, Ottawa, Ont.

'SIR,—In accordance with your instructions, I have the pleasure to report herewith upon the telephone situation in Canada, and in submitting the facts and figures which are herein set forth, I would point out that I have given only such information as has been obtained from reliable sources.

'The opinions expressed by me are the result of twenty years' experience in practical telephone operations, in which I have had an opportunity of watching the results of telephone working under the following conditions:—

'IN GREAT BRITAIN.

'1. As a monopoly owning and controlling the local anl long-distance lines.

'2. As a company in competition with the postal telegraph department.

'3. As a company owning and controlling the local and long-distance lines, in competition with local and private enterprise.

'4. As a monopoly owning the local exchanges, with the government owning and controlling the long-distance lines.

'5. As a company in competition with municipal enterprise, the government owning and controlling the long-distance lines.

'IN CANADA.

'1. As a monopoly owning and controlling the local and long-distance lines.

'I have further made an exhaustive study of the results of telephone competition in the United States, and also of the telephonic conditions on the continent of Europe.

'PRESENT SITUATION IN CANADA.

'Judged from the standpoint of the public good, there is no doubt that the telephonic facilities of the Dominion are not satisfactory, the principal causes of complaint being:

'1. High rates in large cities.

'2. Disproportionately high rates in cities of from 25,000 to 60,000 inhabitants.

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'3. High long-distance rates.

'4. Lack of rural communication.

'It is an undisputed fact that the number of telephones in use in the Dominion of Canada is out of all proportion to the population, if we take the best telephoned countries in the world as a standard of perfection. According to the latest statistics, Norway, Sweden and Denmark have one telephone to every fourteen inhabitants. If this standard was reached in Canada the number of telephones would be 393,000 instead of the 63,192 recorded in the 1902 edition of the statistical year-book of Canada.

'Statistics for 1901 place the proportion of telephones in the different provinces as follows:—

'Ontario	1 telephone to	89	inhabitants.
'Quebec	1	"	102	"
'Nova Scotia	1	"	122	"
'New Brunswick	1	"	129	"
'British Columbia	1	"	63	"
'Manitoba	No records.			
'Prince Edward Island	No records.'			

Mr. DAGGER.—I might explain, Sir William, that those figures are slightly altered now.

The CHAIRMAN.—I know, but this was correct at the time.

Mr. DAGGER.—At the time, yes.

The CHAIRMAN.—All right, you can supplement. To continue with the letter :

'It is significant that British Columbia, where the systems are operated by local companies free from the influence of the Bell Telephone Company, has the best record, notwithstanding the fact that the province has no long distance facilities. Dealing with that territory served by the Bell Telephone Company, it would appear that the cities and large towns have a fair service in point of numbers, though the rates are excessive, especially in cities smaller than Montreal and Toronto. The small towns, villages, and rural communities, have a very inadequate service as the following figures indicate :—

'Number of telephones, December 31, 1901	42,858
'Number of exchanges, December 31, 1901	343
'Number of agencies, December 31, 1901	514
'Number of telephones in 24 cities and towns	32,000
'Number of telephones in remaining 319 exchanges and 514 agencies	10,858

'If we deduct one telephone for each of the 514 agencies, there remain 10,344 telephones, or an average of less than 33 telephones for each of the 319 exchanges in the smaller towns and villages.

'Population of "Bell" territory	4,035,416
'Population of 24 cities and towns including Quebec, Ontario and Manitoba	900,000
'Population of remaining territory containing 10,344 telephones	3,135,416

or 303 to 1 telephone.

'It will thus be seen that the small towns, villages, and rural districts, have hitherto been almost entirely left out of consideration by those upon whom the duty of supplying telephonic facilities has been delegated, and this is further emphasized by the fact that in some districts the people themselves have made feeble efforts to provide their own service.

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'There are no reliable statistics available for the other provinces, but the figures available indicate that the same lack of telephonic facilities exists outside of the principal towns.

'EXISTING TELEPHONE RATES.

'The rates charged in Canada at present for a modern telephone service are approximately as follows :—

	Business.	Residence.
'Cities over 30,000 inhabitants	$50	$30
'Towns, 5,000 to 20,000 inhabitants	25	25
'Small towns	20	20
'Villages	20	15

'In the cities extra mileage is charged, in most cases, beyond the first mile, at the rate of $15 per mile per annum; and in the towns and villages the rates only cover half a mile of single wire, extra mileage at the same rate being charged beyond that distance, and additional rates ($20 to $25) for a metallic line and long-distance instrument.

'That these rates are excessive is evidenced by the records of other countries, notably, the independent companies in the United States, in Sweden, Denmark, Norway, Switzerland and other European countries, also the State of Guernsey and the municipality of Glasgow. (See Schedules A and B to this Exhibit.)'

There is no doubt that the over-capitalization of the Bell Telephone Company of Canada is the cause of the high rates charged to telephone subscribers in the Dominion. It is on record that the American Telephone and Telegraph Company held stock valued at $1,928,900 out of the Canadian Bell Company capital of $5,000,000 allotted to the former company for the use of patent rights long since expired. To pay 8 per cent upon this $1,928,900 the sum of $154,312 has to be provided out of the rentals paid by the Canadian telephone users, or in other words, an average tax of $3.60 per telephone has to be furnished over and above what is necessary to pay an 8 per cent dividend upon the actual capital outlay upon the plant.

Another reason for the excessive charges is the fact that the development of the telephone has passed through several stages since the date of the original patents, and at each stage the apparatus in use became obsolete, rendering it necessary in the larger exchanges for the company to partially reconstruct their system and install improved plant. There being no adequate depreciation fund in existence to cover the cost of this reconstruction, the expenditure upon this work has been charged to capital account, thereby increasing the amount upon which dividends had to be earned, with the result that to-day the plant of the local systems could be duplicated for about one-third of the total capitalization and bond issues.

As a parallel case, I may mention the National Telephone Company of Great Britain, just after the postal telegraph department had taken over the long-distance lines when in the House of Commons, in April, 1898, Mr. Hanbury, Financial Secretary of Treasury and chairman of the Parliamentary Telephone Committee, referring to the National Telephone Company, said:

'Without entering into any minute calculations as to the value of the plant of the company, while he believed its capital stood at a value of something like £6,000,000, the post office calculation was that the plant could be entirely replaced at a cost of very little over £2,000,000.'

I do not wish to make any unfair criticism of the methods of the Bell Telephone Company, but the fact remains that the state, or any municipality, or company, desiring to establish a modern telephone system, could give a service at much lower rates and earn satisfactory profits, because their capital outlay would be very much less than the amount upon which present telephone users have to pay dividends.

Mr. FRANCIS DAGGER.

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EFFECT OF THE COMPETITION IN THE UNITED STATES.

In 1894, before the advent of competition in telephones, the Bell Telephone Company of America had less than 238,000 subscribers' stations, with a total output of 582,506 telephones, the result of nearly twenty years undisputed possession of the field. On December 31, 1901, seven years later, the figures were:—

Bell telephones	1,020,647
Independent telephones	1,250,000
Total	2,270,647

The following are the figures for the States of Ohio, Michigan and Indiana:—

Ohio.

Bell.	Independent.
1894—17,724.	nil.
1901—79,500.	106,344 (13,438 farmers' 'phones).

Michigan.

Bell.	Independent.
1894—15,025.	nil.
1901—48,930.	33,731 (5,753 farmers' 'phones).

Michigan Bell Telephone Company almost bankrupt through cutting rates in their effort to kill competition.

Indiana.

Bell.	Independent.
1894— 6,000.	nil.
1901—35,000.	65,300 (16,353 farmers' 'phones).

The records of other states show a similar increase since 1894, and the numbers are growing at such a rate that manufacturers are hard pressed to keep up with the demand.

Judging by results, dual telephone systems in the United States are not looked upon with disfavour, the effect of competition upon the rates being thought ample compensation for the inconvenience of two exchanges in one town. (See Schedule C of this exhibit).

There has further been very marked improvement in the service given, since the advent of competition, due to the fact that the increased demand for telephones, has widened the field for inventors in the various branches of this art, to an extent which would not have been possible during the continuance of monopoly. It is also obvious that the independent telephone companies have provided employment for many thousands of people who would otherwise have been forced into the ranks of other trades and professions, some of which are already overcrowded.

The success of the independent telephone movement in the United States has, however, in recent years, resulted in the consolidation of a number of telephone companies, and the present indications are that the most prosperous exchanges will in the near future fall under the control of a large trust, stock will be watered, rates increased, and the probabilities are that unless this movement is checked a deal will be made with the 'Bell' monopoly whereby they will again control the telephone business of the United States.

Mr. FRANCIS DAGGER.

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The source of this movement is in Cleveland, where the Federal Telephone Company, with a capital of $10,000,000 was incorporated for the purpose of purchasing the securities and controlling the operating policy of a number of the largest independent telephone companies in Ohio and Michigan. It controls seventeen companies, the majority of which are very much over-capitalized. (See schedule D to this exhibit).

In contrast with the Cuyahoga Telephone Company (which is the largest of the Federal companies), with 90 miles of toll lines, and 9,710 subscribers, having a capitalization and bonded indebtedness averaging $539 per subscriber, I would mention the Citizens Telephone Company, of Grand Rapids, Mich., with 2,000 miles of toll lines, and 10,448 subscribers, having no bonded indebtedness, and a capitalization averaging $96 per subscriber.

The experience of competition in the United States points to the necessity of adopting such legislation as will prevent the amalgamation of groups of local companies, with the inevitable watering of stock, and raising of rates which always follows in the train of such consolidation.

COMPETITION IN GREAT BRITAIN.

In the earlier years of telephony, there existed competition in a number of towns in Great Britain, and although the local competing companies were seriously handicapped by the fact that owing to the patents being controlled by the monopoly, the supply of telephone instruments was very limited and their price excessive, as much as $100 and $125 being paid for a telephone much inferior to that which now costs $7. This competition was successful while it lasted, and when the monopoly purchased the undertakings, the subscribers received the advantage of a permanent reduction of rates.

The following are a few examples:—

Extracts from evidence given before the Parliamentary Telephone Committee.

Dundee.—In 1884 the company's charge was £20. The leading merchants started a local company at £10. The original company had twenty subscribers at £20. The 'National' reduced to £5 and the local company to £5-10-0. The local company started with eighty subscribers, and when the two companies amalgamated, the local had 600 subscribers and the 'National' 400. The local company paid 9 per cent during the four years of its existence, and when amalgamated its shareholders got their capital back with 40 per cent bonus.—(Sir John Leng, M.P.)

Glasgow.—After stating that the subscription was £10, Mr. Samuel Chisholm (now Sir Samuel Chisholm, ex-Lord Provost), said: 'Ten years ago it was £20. The reduction in price was in consequence of the competition.'

Aberdeen.—The charge was formerly £15, but was brought down by threatened competition.

Sheffield.—The Sheffield Telephone Company paid good dividends for many years on a £7 rate, when the monopoly was charging £15 in other towns of the same size. Although ultimately bought out, the subscribers obtained permanently much lower rates than those imposed in towns of corresponding importance, in which there had never been competition, the tariff being: For distance not exceeding 1½ miles, £8; for distance not exceeding 2 miles, £10; residence, not exceeding 2½ miles, £7.

Manchester and District.—The Mutual Telephone Company, which opened exchanges on the metallic circuit system in Manchester, Bolton, Radcliffe, Eccles and Pendleton, and connected all these places by trunk lines, earned good profits on a rate which averaged only $22.44, after the post office royalty had been paid.

The purchase of the competing companies was effected at a time when the monopoly controlled the patents and also the long distance lines. Had the conditions been otherwise, I do not think the local companies could have been induced to sell.

Mr. FRANCIS DAGGER.

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In consequence of these amalgamations the British Postmaster General decided that no more licenses would be granted to companies and ultimately the Parliamentary Committee reported that inasmuch as the only method of extending the telephone systems and cheapening the cost to subscribers was by competition, licenses would be granted to these municipalities desiring to establish local systems, but no licenses would be given to companies in view of the possibility of their being bought over by the existing monopoly.

This brings me up to the period of municipal competition, which I will deal with under the heading 'Municipal Telephones.'

MUNICIPAL TELEPHONES.

Municipal telephony in Great Britain is at present in its infancy, no system having been long enough in operation as a completed plant to show the actual profits earned in one year. Glasgow: The best example on record is that of Glasgow, where an analysis of the accounts for nine months ending May 31 last, shows that 4,718 direct exchange lines yielding an average rental of $10.22 for the nine months, enabled the department to meet all legitimate charges and carry forward a profit of $1,940. Had all these lines been earning revenue during the whole period which the accounts cover, at the municipality's annual charge of $25.60, the profits would have been very much higher, but as a fact this rate was not fixed with a view of producing profit, over and above the payment of interest and redemption of loan.

Before the establishment of the Glasgow municipal exchange, the rates were $48.70 in the city and $97.40 to $121.75 in the suburbs. The telephone area of the municipal system is 143 square miles, and the rate is $25.60. The system now numbers 9,000 subscribers, and at a recent meeting of the City Council, it was decided by 48 votes to 9 to borrow an additional $400,000 to enlarge the plant to a capacity of 15,000 lines.

Many misleading statements upon this subject, copied from the English papers, have appeared in the press here. It is needless to say that these articles were the work of inspired writers, written for the purpose of discouraging the municipal ownership of public utilities. The following letter from Mr. A. R. Bennett, M.I.E.E., furnishes an indication of the inaccuracy of these published criticisms :—

'SIR,—The references to the Glasgow corporation telephone system in your article on "Municipal Socialism," of September 30, have been read with astonishment in this city. It is a pity that your contributor did not consult the accounts themselves instead of the garbled versions of them which have been published and circulated throughout the country for the purpose of deterring other municipalites from imitating the latest successful venture of the Glasgow corporation.

'It is not my wish to engage in any controversy, but in the interest of accuracy, and lest those not in a position to judge should be egregiously misled, it is necessary to state that your contributor's conclusions have little or no foundation in fact. The auditors of the Glasgow Municipal Telephone Department, Messrs. Thompson, Jackson, Gourlay & Taylor, one of our leading firms of chartered accountants, whose reputation is not confined to Glasgow, have found it expedient to write to the local press, pointing out that the accounts did not justify the interpretation sought to be put upon them by the writers to whom your correspondent has gone for inspiration.

'For instance, his insinuation that the year 1901-2 was credited with the whole of the £28,171 received during the nine months ending May 31 is totally untrue. Credit was taken for only £15,356, the proper portion, £12,417 was carried forward to the credit of 1902-3, and £398 remained as a surplus. Your contributor adopts the absurd and dishonest canard about the central switchboard, and is equally at sea in respect to the sinking fund, and most of the other topics touched upon. He actually commiserates the corporation upon their license expiring in 1913, in ignorance of the fact that it was at the express desire of the corporation that that date was fixed.

MR. FRANCIS DAGGER.

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PROOF OF SUCCESS.

'Municipal trading may or may not be wrong and mischievous, but misrepresentation of facts is not very likely to prove a very effectual or very permanent cure for it. I venture to assert that the organized attack to which municipal telephony is being subjected—an attack which must already have cost its authors a good many thousands of pounds—is the clearest proof of its success, and should be accepted as the highest possible compliment by its supporters.

'In the meantime, certain small crumbs of comfort remain to us. We have three times as many telephones in Glasgow as when the corporation exchange was started, we have a good service instead of an atrociously bad one; any person can have a telephone for £5.5.0 instead of the £10 (£20 and £25 in the suburbs) which was formerly charged; we are coining money for our citizens in more ways than one, for time is money, and a good telephone is time; and we, in conjunction with the other corporations who have taken up telephony, by placing nearly all our work with British firms, are doing much to create what has never before existed—a home trade in the manufacture of telephone material.

'I am, sir, yours, &c.,

'A. R. BENNETT,

'General Manager.'

'CASTLE CHAMBERS, GLASGOW, October 12.'

Sir Samuel Chisholm, the ex-Lord Provost of Glasgow, referring to these articles, says :

'I quite agree with your correspondent that it would be well for other towns to look closely into the figures contained in the Glasgow corporation telephone accounts, as if properly studied and understood those figures could not but assist the extension of municipal telephones.'

TUNBRIDGE WELLS.

Municipal telephones have been in operation in this town for about the same period as the Glasgow system. The following are the facts regarding this exchange :—

The telephone area covered 250 square miles, the average charge to subscribers being $22.27 per annum. The number of subscribers grew so rapidly that on January 1, 1902, their number had reached 650, and the municipality made application to the Local Government Board for permission to increase its borrowing powers from $48,700 to $121,750. The fact that this permission was granted after an exhaustive inquiry by the Government inspector, notwithstanding the evidence of expert witnesses and the arguments of eminent legal counsel employed by the National Telephone Company and the Ratepayers' League, is sufficient proof of the financial success of the system. The report of the Tunbridge Wells borough accountant of February 10, 1902, which was produced at the inquiry and certified by the Local Government Board auditor, showed an excess of income over expenditure (including interest and redemption of loan) of $3,190.

The competition had the effect of bringing down the National Company's rate from $48.70 per annum to $19.44 for direct lines, and to $1.25 and 60 cents per month for two-party and ten-party lines respectively.

The National Telephone Company have recently succeeded in making a deal with the town council by which the municipal system is transferred to the company upon their agreeing :—

1. To pay the municipality the amount expended upon the plant to date.
2. To assume all liabilities in respect of the system.
3. To give service to all subscribers at a rate not exceeding $29.22 per annum for the term of 25 years.

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As the municipal license was granted for a period of 25 years, and as the 'National' license expires in 1911, the company hoped that this arrangement would enable them to operate for the municipal term, viz., until the expiration of the 25 years' license. The Postmaster General, however, refused to sanction the transfer except upon the following conditions :—

1. That the company observed all the conditions of the municipal license.
2. That the municipal license cease and determine on the same date as the 'National' license, in 1911.

The victory is therefore an empty one for the 'National,' as, although they have disposed of a competitor, they have been compelled to reduce their rates permanently. and forfeit their privileges which their own license conferred upon them.

Tunbridge Wells is a purely residential town with a population of 35,000, having no industries, and of no commercial importance. The residents are composed chiefly of gentry who are stockholders in such corporations as the 'National.' It is therefore a matter of little surprise to those acquainted with the locality that the municipality fell an easy prey to the company.

The Municipal Telephone Exchange was recently opened at Portsmouth and many towns including Manchester, Salford, Stockport, Hull, Swansea, Sheffield (of which city the vice-president of the 'National' Company is an ex-Lord Mayor), Eastbourne Brighton, &c., have decided to establish their own systems, while about fifty other municipalities are considering the question, and some of them have already applied to the Postmaster General for licenses.

It is an undoubted fact that municipal telephony is rapidly gaining ground in Great Britain, and there is no evidence so far to indicate that the recent action of Tunbridge Wells has in anyway checked the movement.

EUROPEAN TOWNS.

Norway.

The municipality of Trondhjem, Norway (population 30,000) has had an exchange in operation since 1889, the rates are, business, $12.18; residence, $6.09, and the profits earned equal 4 per cent on the capital expended.

Holland.

Amsterdam.—Prior to the establishment of a municipal system in Amsterdam, the rates charged by the company were $47.28 in the city and from $60.13 to $100.19 in the suburbs. The municipal rate is $36, after payment of $10 for the first year's entrance fee. Hotels are, however, charged $46 per annum.

I have no record of the accounts later than 1898, but the figures for that year are:

Revenue	$93,470
Expense	28,800
Surplus	$64,670

The surplus was expended as follows :—

Interest on loan	$11,518
Redemption of loan	15,487
Municipal treasury	19,480
Net profit used on extensions, thereby keeping down bonded indebtedness	18,185
	$64,670

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I may add that the expenditure included a contribution to a pension fund for the employees.

Rotterdam.—Similar reductions were made by the municipality in the rates, the charges being the same as in Amsterdam. The net profit in 1897 was $27,111.

RUSSIA.

The municipality of St. Petersburg is at present installing a telephone system with a capacity of 34,000 lines.

There are many other municipal telephone systems on the continent of Europe, but I have no information regarding them.

CANADA.

Municipal exchanges are already in existence in :—

Fort William, Ont.
Port Arthur, Ont.
Neepawa, N.W.T.

In each of these towns the rates are much lower than the Bell charges, and the systems are receiving the unanimous support of the people.

STATE OWNERSHIP OF LOCAL AND LONG-DISTANCE LINES.

I am satisfied that except in countries covering a small area, state ownership of local exchanges has not proved a success. France and Germany have adopted this policy and they are two of the worst telephoned countries in Europe, both in regard to service and rates.

On the other hand, small countries like Switzerland and Luxemburg have both a cheap and good service. This is mainly due to the fact that while centralized management may be practicable in a small area, it is not so in a large one.

GUERNSEY (CHANNEL ISLANDS).

I may also mention the State of Guernsey, which owns and controls its telephone service.

With a population of 35,000, mostly farmers and fishermen, the island is covered with telephone lines, there being about 1,000 subscribers. The average receipts per subscriber in 1901 were $14.52, and after setting aside 10 per cent for depreciation and sinking fund, a profit of $573 was set aside.

ESSENTIALS FOR A POPULAR TELEPHONE SYSTEM.

In 1895 a statement was published by Mr. A. R. Bennett, showing the standing of the various European countries, at that date, in regard to telephone facilities.

A reference to Schedule 'E' to this exhibit will show the position of these countries, and in the third column will be found the characteristics of the service which have placed them in their respective positions. With the exception of Great Britain, which since the purchase of the long-distance lines by the government, and the new policy of encouraging municipal ownership has forged ahead into the sixth place, I do not think there has been any material change in the numerical order of the countries.

This statement clearly shows that the essentials necessary for a popular service are:—

1. Low rates.
2. Local management.
3. Good rural intercourse.

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This is also emphasized by the results in Ohio and Indiana, U.S.A., where low rates and farmers' lines are the ruling order of the day.

LONG-DISTANCE RATES.

On Schedule 'F' to this exhibit, will be found the long-distance fees charged in the principal countries of the world. From it will be seen that the charges in the United States and Canada are the highest of all, being double the British rates and four times as much as the German. There would appear to be no satisfactory reason for this, as it is well known that the cost of the English trunk lines is very much greater than those upon this continent, for the following, among other, reasons :—

1. Much heavier copper wire is used, the main lines weighing 800 pounds to the mile as against about 200 pounds here.

2. Poles have to be imported and creosoted whereas here native cedar is used.

3. Porcelain insulators and iron bolts are used in England, glass insulators and wooden pins here.

I am satisfied that the present rates in Canada could be cut in two and still leave a satisfactory profit on the working.

State ownership is, however, the only way to demonstrate the truth of this assertion.

SUGGESTED REMEDIES.

The only satisfactory method of dealing with the telephone problem would, in my opinion, be the adoption of the following policy:

1. Government ownership and control of the long-distance lines.

2. Government control of the local systems.

I do not deny that such a proposal would be a radical departure from the present system, and that there may be difficulties to be overcome in the carrying out of a policy of this kind, but I believe that all efforts in this direction would be more than justified by the results.

GOVERNMENT OWNERSHIP OF LONG-DISTANCE LINES.

I do not believe the purchase of the long-distance telephone lines is a practical proposition unless the telegraph system is acquired at the same time, as the telegraph companies would undoubtedly enter the telephone business in competition with the Government. It is, therefore, necessary to take into consideration the cost of the telegraph as well as the telephone service. As to the value of these combined systems, I would estimate it to be as follows :—

Great North-western Telegraph Co.	$1,000,000
Canadian Pacific Railway.	600,000
Western Union	200,000
Bell Telephone Co.	1,500,000
Total.	$3,300,000

These are, in my opinion, outside figures, and I believe that an actual survey of the plant would show that they could be duplicated for less than the amount stated.

According to the 1902 issue of the statistical year-book, the telegraph lines in the Dominion are as follows :—

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	Miles of Poles.	Miles of Iron Wire.
Great North-western Telegraph Co.	17,930	35,293
Canadian Pacific Railway	9,595	38,124
Western Union	2,669	8,918
Total	30,194	82,335

The Bell Telephone Company's report for 1901 shows : 6,634 miles of poles; 24,193 miles of wire.

What proportion of this is iron and what copper I cannot say accurately, but I do not think one-half is copper.

I may say that the British Postal Department paid the National Telephone Company $2,235,330 for their long-distance line, consisting of 29,000 miles of copper wire on creosoted poles and using porcelain insulators.

Failing the acquisition of the long-distance lines by the government, legislation should be enacted compelling existing telephone and telegraph companies to give service to all local telephone systems over their lines upon the latter providing at their cost the switching apparatus and wire necessary to make such connection, and further that all telephone companies shall be compelled to give such connections as will enable their subscribers to converse with whomsoever may call them up without regard to the exchange where the call originated.

It might, however, be fair to include a provision which would entitle the company or municipality receiving calls from the systems of other companies or municipalities to charge the calling subscriber with the ordinary local fee to non-subscribers for the use of their line from the terminus of the long-distance wire to the local subscriber's telephone. Such local fees should, however, be regulated by the government to prevent discrimination by the companies or municipalities.

CONTROL OF LOCAL SYSTEMS.

The following would, I think, form a good basis for any future legislation regarding local telephone systems.

Existing telephone companies should be brought within the control of a government department, and be licensed to do business within certain well-defined areas, but they should have no right of way privileges other than those conferred upon the private individual by common law.

Municipalities, as custodians of the peoples' property, should have the same right as a private property owner, to give or withhold right of way privileges over, upon or under the public streets, highways or lands.

Municipalities desiring to enter into competition with the existing company, should be granted a license, and should have the option of establishing and operating the system themselves or of allowing a properly incorporated company to do so, the municipality, however, being responsible to the government for the fulfilment of the conditions of the license.

CONDITIONS OF LICENSE.

The following conditions might be embodied in any license :

1. The licensee to give service to all responsible persons or firms desirous of obtaining service, within the area covered by the license.

2. The licensee to give facilities which will enable their subscribers to receive calls from the subscribers to the exchanges of any other company or municipality that may from time to time be within telephonic reach of the licensees exchanges. Provided, however, that the licensees shall be entitled to charge the calling subscribers of other

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systems than their own a fee for each conversation, not greater than the public call office charge for local conversations prevailing in the district where the licensees' exchange is situated.

3. The construction of the plant and the standard of the instruments shall be in accordance with the specifications laid down by the government and embodied in this license under Schedule , and the system shall be maintained in accordance with the said specification.

4. This license shall not be transferred to any municipality, company or person, nor shall any part of the plant constructed under this license be so transferred without the consent of the Government.

5. The licensees shall not charge to any subscriber for telephone service any sum in excess of the rates specified in Schedule , for the respective classes of service, nor shall any discrimination be made to any person which would give him a similar service at a lower cost than that which is charged to other subscribers.

6. The forms of contract which it is necessary for the subscribers to the licensees' system to sign before receiving the service shall be submitted to the Government and approved by them before being brought into use.

GOVERNMENT SPECIFICATION.

The foregoing are the provisions contained in the specification of the British Post Office in connection with the licenses granted to municipalities.

1. All circuits shall be metallic and shall be so arranged that subscribers shall be unable to overhear what passes on any other than their own circuits or those with which they shall be connected.

2. The use of iron conductors shall not be permitted.

3. With the undermentioned exceptions, the main lines of wire shall be under ground, but the distributing wires may be erected above ground.

EXCEPTIONS.

(*a*) Where power to execute underground work is unattainable.

(*b*) Where the number of wires required is insufficient to justify the cost of underground work, regard being had to the subsequent cost of maintenance.

4. A line of poles extending less than a quarter of a mile from a distributing point will be considered as a distributing line.

5. All underground cables shall be efficiently protected by pipes or ducts of approved materials or by such other means as the Postmaster General may have approved before the cables are laid.

6. Open wires shall not be less than No. 18 standard wire gauge, weighing 36·3 pounds per mile, for subscribers' circuits.

7. The apparatus fitted in subscribers' offices shall be efficient for long-distance communications, and where separate batteries are provided for speaking purposes, the electromotive force shall not at any time fall below 2 volts.

8. Where an electric light or traction system constructed above ground co-exists in a town with a telephone system, and where such telephone system is partly or wholly above ground, suitable safety devices shall be provided in all circuits, both at the exchange and at the subscribers' offices.

9. Efficient lightning protectors shall be provided on all circuits.

This specification might be altered and amended to meet the requirements of the Dominion, but I am very strongly of the opinion that some specification is very neces-

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sary to give the subscribers a uniformly good service, and especially so in Canada where much longer distances will eventually be spoken over than in Great Britain.

RURAL TELEPHONE SYSTEMS.

This branch of telephony has in the past been absolutely neglected and discouraged in Canada by the existing companies, for the reason that it does not prove such a lucrative business as the exchanges in the towns and cities.

Owing to the isolated position of the farmers, the telephone would prove an almost greater boon to them than to those residing in towns and cities. For this reason encouragement should be given to this, the most important section of Canada's population, which will enable them to enjoy the benefits of this great invention at the lowest possible cost.

No class of people are in a better position to help themselves in this matter than the farmer, for the reason that the most important and expensive part of the plant, viz., the poles, grow upon their lands, and in the majority of districts the farmers are only too eager to provide these and erect them at their own cost.

The following is the cost per mile of the wire in place on the poles, with the necessary insulators, &c.:—

Grounded circuit (one wire)	$12 50
Metallic circuit (two wires)	25 00

Suitable instruments, with long-distance transmitters and receivers, can be obtained at from $10 to $15 each. Those in use on the now notorious Markham and Green River system cost the first-named sum. These are the prices direct from the makers, with no contractors' profits, but inasmuch as the farmers can obtain them direct from the manufacturers, there is no necessity for the middleman.

It will therefore be seen, that twenty farmers on ten miles of line could erect their own system, less the cost of poles, for the following amount:—

Grounded circuit	$325 00 or $16 25 each.
Metallic circuit	450 00 or 22 50 each.

Assuming that there were only ten farmers, or one per mile, the cost would be, per farmer, $22.50 for ground circuit and $35.00 for metallic circuit.

The actual price agreed to be paid to the contractor of the Markham system is $36 per station for 22 stations on 17 miles of metallic circuit.

As I have before said, in most districts the farmers could and would provide poles for themselves, but in the event of these having to be purchased, the additional cost would be from $25 to $40 per mile. It is not possible to estimate closer than this, for the reason that the prices of poles are governed by the distance from the point of construction, and also by the supply and demand in the locality.

I may say that the practice hitherto of the Bell Telephone Company, and possibly of other companies of which I have no record, has been to get the farmers to erect the poles and wires at their (the farmers') cost, and afterwards to charge an annual rental per station for connection with their system, which, in many cases, has proved prohibitive. Further than this, after the line has been in existence some time, the company have claimed it as their property, and in cases where there has been no explicit agreement, the farmers have given up their rights. This, you will understand, has made the farmers very reluctant to deal with the company on any terms.

In order to learn the facts about existing rural systems in Canada, I have corresponded with some of the owners, within the past fortnight, asking for certain information, and I attach copies of their replies hereto.

I also attach copies of some letters received from the United States regarding rural telephone systems, and I would add as an indication of the possibilities of this branch

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of telephony that within a radius of 25 miles of Jackson, Michigan, there are 3,000 farmers' telephones, and of this number but 300 are in villages. Most of the lines are of fair construction, although built in nearly every case by the farmers themselves.

With a view of encouraging the growth of rural telephone systems, I would suggest that legislation be enacted along the following lines :—

1. That a specification be framed which would ensure a uniformly good service throughout the Dominion on all rural systems, the main provisions of such specification to be :

(*a*) Instruments to be what are known as 'Bridging,' and to have long-distance transmitters and receivers.

(*b*) Lines to be metallic circuits constructed of No. 12 Standard wire gauge iron wire.

2. That all systems built in conformity with the Government specification should have the right to converse without charge with the subscribers on the exchange system of the nearest town, providing that they pay the cost of taking their line up to the distributing or terminal rack situated in the central office of such exchange system. In return for such privilege, the subscribers to the said local exchange shall have the right of conversing without charge with any station on the rural system. Further, that upon payment of the proper charges, the rural system shall receive all the benefits of the long-distance service to and from all points within telephonic reach.

3. That all rural systems shall have free right of way (not exclusive) on all high ways in the district served by them.

4. That with a view of preventing the crowding of the highways with poles, should it be necessary for two or more neighbouring rural systems to carry their lines along any part of the same highway, the system owning the poles already erected shall permit the attachments of the wires of the other systems, on the latter agreeing to pay the proportionate cost of maintaining the poles.

5. That no railway, telegraph, or telephone company shall be permitted to enter into any agreement or other arrangement which shall have for its object, or shall in effect, exclude any rural telephone system from having telephonic communication with the nearest station or office of any such railway, telegraph, or telephone company.

I do not recommend that any encouragment should be given to incorporated companies to establish and work rural telephone systems. I am decidedly of opinion that this work should be done by the farmers themselves, at cost price, on the co-operative principle.

My main object in saying this is that if companies enter this field, there is certain to be a proportion of watered stock on which the farmers will have to pay dividends, by the payment of annual rentals for their service, and under these circumstances it would not be fair to any other company or municipality to compel them to give connection with their subscribers without charge.

Any incorporated company entering the field of rural telephony for the purpose of earning profits should certainly not be permitted to take advantage of the legislation I have outlined.

In conclusion I may say that in my opinion the department which now controls the transmission of intelligence by mail, namely, the postal department, will be the proper authority to control the transmission of intelligence by wire. Moreover, the fact that this department has offices already in existence in every city, town and village in the Dominion would be of great advantage in the economical administration of government-owned telegraph and long-distance telephone lines, in addition to rendering assistance in working of rural telephone systems.

I have the honour to remain, sir,

Yours faithfully,

F. DAGGER.

Mr. FRANCIS DAGGER.

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EXHIBIT No. 2—SCHEDULE 'A.'

Country.	Entrance Fee.	Annual Subscription.	Annual Subscription for 2nd and subsequent connections.	Remarks.
	$ cts.	$ cts.	$ cts.	
Austria	20 28	20 28	20 28	
Bavaria		36 53	18 27	
Belgium		48 25		Brussels and Antwerp.
		38 60		Charleroi.
		32 81		Small towns Annual contract.
		28 95		" Three years.
Bulgaria		38 96		First year.
		29 22		Second and subsequent years.
Denmark		40 56	32 46	Copenhagen covers the whole island of Zealand, 80 miles by 60.
		9 41 to 21 60		Smaller towns.
Finland	48 70	13 64		Helsingfors Co-operative Exchange.
	48 70	11 68		Abo "
	38 96	9 74		33 Co-operative Exchanges.
		15 57		Companies.
		23 38		"
France	Cost of phone.	60 00		Paris subscribers must also buy their phones.
		58 44		Lyons " "
	$2.66 per 1/8 mile and cost of phone.	38 96		Other towns over 25,000 inhabitants.
		29 22		" under "
Germany		24 30		Over 20,000 phones } With following additional charges: $4.86 1st 500.
		21 87		Under 20,000 "
		18 23		" 5,000 "
		14 58		" 1,000 "
				$3.65 per 500 up to 1,500 messages.
				$2.43 per 500 up to 5,000 "
				$2.43 for unlimited calls over 5,000.
Hungary		60 88		Buda-Pesth.
		24 35		Other towns.
Holland	10 00	46 00		Hotels, Rotterdam and 3 Amsterdam.
	10 00	36 00		Business and residence, Rotterdam and Amsterdam.
		44 09		The Hague.
		16 23 to 24 14		The Netherlands Bell Tel. Co., operating 13 towns.
		14 08		Messrs. Riblink Van Bork & Co., 11 towns.
		14 08		Mr. Kayser. The Zutphen and the Maastricht Tel. Companies.
		12 08		Mr. Jan Sot, 2 towns.
Italy		26 89		Rome, Co-operative Exchange.
		32 72		" Company's "
		38 96		Naples, Milan, Palermo, Genoa, Venice and Turin.
		31 18		Turin rate for residences, doctors and druggists.
		31 18 to 38 96		Florence, Bologna, Leghorn.
		27 27 to 35 05		Messina, Padua, Brescia.
		29 22		Verona, Bari, Parma, Vicenza.
		13 64 to 23 38		Other towns.

Mr. FRANCIS DAGGER

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EXHIBIT No. 2.—SCHEDULE 'A'—*Continued.*

Country.	Entrance Fee.	Annual Subscription.	Annual Subscription for 2nd and subsequent connections.	Remarks.
	$ cts.	$ cts.	$ cts.	
Luxemburg		15 57		Includes free intercommunication between all points in the Grand Duchy, 44 miles by 30.
Monaco	$2.66 per $\frac{1}{5}$ mile and cost of phone.	29 22		
Norway		21 62	16 23	Christiania.
			7 11	" Second phone on same line.
		12 18	6 09	Trondhjem Municipal System.
		13 54		Christiansand.
		10 74		" Suburbs.
	Cost of phone	12 08 to 17 57		Christiansund.
		16 23		Frederikstad. Business.
		13 34		" Residences.
	12 18	18 31		Bergen.
		8 09		Grimstad, one phone.
		12 08		" two phones.
		16 23		" three "
	13 54	8 09		Hortens.
	Cost of line and instruments.	6 84 to 13 54		Other towns.
Portugal		36 53	27 39	
Roumania	29 22	38 96		Covers 1,000 calls, $3.90 per 100 afterwards.
Spain		27 27 to 58 44		According to population. Hotels, clubs, railway stations, public places, &c., treble rates charged.
Sweden	13 54	26 80	21 62	Co.'s charge for a radius of 40 miles.
	13 54	21 62	16 21	State " "
	13 54	16 21		Co.'s charge per phone for 3 phones on same line in 40 miles radius.
	2 71	9 68		Co.'s charge for service limited to 400 calls per year. Excess calls charged 2½c. each.
	Cost of line and instruments.	6 09 to 16 23		Co-operative.
Switzerland		19 44		1st year and 1c. a message.
		13 60		2nd " 1c. "
		7 80		3rd " subsequent years 1c. a message. Messages average 535 per sub. per annum.
Wurtemburg		24 35	12 18	

EXHIBIT No. 2—SCHEDULE 'B.'

(Copy of Letter from Union Telephone Co.)

DEAR SIR,—Herewith we hand you copies of information requested some time since relative to the Union Telephone Company's plant, and would say in addition thereto that this plant virtually occupies the territory known as Macosta County, Clare County, Isabella County, Gratiot County, Montcalm County, Clinton County, Shiawasse County, Midland County, and portions of Genesee County, Saginaw County, Ionia County and Ingham County. We have about 1,200 miles of toll line, and in the same territory the 'Bell' people have about an equal number of miles of toll lines and about 400 telephones.

Mr. FRANCIS DAGGER.

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We are certain that as soon as we are able to connect with Detroit that as far as our territory is concerned the 'Bell' people will be absolutely out of business. The same is true of that territory of the Citizens' Telephone Company, of Grand Rapids, and the Valley Telephone Company, of Saginaw.

Our capital stock is $300,000 paid in, with an indebtedness of about $18,000. We have 138 toll stations and exchanges. No bonds.

Yours truly,

(Sgd.) UNION TELEPHONE COMPANY,

Per T. BROWNLEY, Jr., *Secretary.*

39 Exchanges.
99 Toll stations.
2,534 Telephones; average rental, $15.
1,200 Miles toll lines.
Capitalization per 'phone, including cost of toll lines, $126.

Place.	Population.	Date Began.	Our Phones.	'Bell' Phones.	Our Rates.	
					B.	R.
					$	$
Owasso, Mich	8,696	1901	491	190	24	18
Mount Pleasant	3,662	1900	343	79	16	12
St. Johns, Mich	3,288		272		18	12
Alma, Mich	2,047	1899	150	4	16	12
Midland	2,363	1901	134		18	12
Ithica, Mich	2,020	1899	126		16	14-12
Ovid "	1,293	1901	91		16	12
Clare "	1,326	1902	90	10	18	12
Shepard "	635	1900	75		14	10
Corunna "	1,510	1902	65		24	18
Lakeview "	935	1900	57		14-12	12
Edmore "	642		56		12	9
Elsir "	576	1901	55		12	10
Lyons "	656	1901	55		12	12
St. Louis "	1,989	1899	55		16	12
Stanton "	1,213	1901	53		12	12
Breckenridge	500	1899	50		9	9
Carson City, Mich	906	1899	50		12	12
Merrill, Mich	459	1899	45		12	9
Muir "	566	1901	35		12	12
Caleman "	1,014	1902	34		16	12
Harrison	647	1900	30		12	9
Morrice	476	1902	22		12	12
Perrington	330	1902	21		12	9
Percy	641	1902	20		15	10
Bannister, Mich	300		14		12	9
Sheridan "	437	1901	13		12	9
Riverdale "	450		7		12	12
Butternut "	275		6		9	9
Hemlock "	300		4		12	9
Vickeryville	100		2		12	6
Pompei	300		3		12	12
Weidman, Mich	500	1901	2		9	9
Maple Rapids, Mich	579		2		12	12
Crystal, Mich	300		2		9	6
Durand "	2,134	1902	1		12	
McBrides "	289		1		6	
Middleton "	325		1		12	
North Star	300	1901	1		12	

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EXHIBIT No. 2—

Place.	Population.	Date Began.	Our Phones.	Bell Phones.	Our Rates.		Bell Rates.	
					B.	R.	B.	R.
					$	$	$	$
Ottumwa, Ia	20,000	1897	1,050 180	200	24	12	Mostly free now.	
Rockwell City	1,500	1899	800	None.	24	12		
Iowa City	9,000	1900	819	27	30	18		
Oskaloosa	10,000	1895	1,100	250	30	18	24	3-12
Albia, Ia	3,500	1898	375	1	18	12		
Nevada, Ia	2,800	1899	302		24	15		
Forest City, Ia	2,000	1896	150		6	6		
Fairfield, Ia	5,000	1897	550	15	18	12		
Hancock, Ia		1902	65		18	12		
Sigourney, Ia	1,900	1895	185		18	12		
Eagle Grove	3,600	1900	375	8	24	12	12	6
Washington, Ia	1,900	1894	380		18	12		
New London, Ia	5,200	1899	240	1	12	12		
Atlantic, Ia	5,000	1901	400	50	18	12	18	12
Tipton, Ia	2,513	1900	292	15	24	12	18	6
Pleasanton, Ia	300	1894	60		15	15		
Rossville, Ia	2,500	1898	700		24	18-12		
Rock Rapids, Ia	2,000	1894	165		24	15		
Hawkeye, Ia	1,400	1901	700	200	15	12	15	12
Lisbon, Ia	1,100	1900	328		18	12		
Conrad, Ia	600	1900	96		12	12		
Cresco, Ia	3,500	1899	370		12	9		
Geeensburg	5,000	1901	940	300	24	15	30	12
Audubon, Ia	2,000	1896	140		21	15		
Ida Grove, Ia	2,500	1899	425	2	18	12		
Webster City	6,000	1893	400	125	30	15		
Woodbine	1,300	1897	200		18	12		
Waterloo	15,000	1895	800	400	30	18	18-30	9
Decorah, Ia	5,000	1896	495	30	14	9	12	9
Mt. Vernon, Ia	1,500	1900	200		24	12		
Northwood, Ia	11,500	1899	150		15	15		
Ireton, Ia	700	1899	47					
Seymour, Ia	2,000	1896	200		15	7-50		
Villisca, Ia	2,500	1900		125	12	9	24	18
Cheboygan, Mich	6,300	1895	300	95	24	12	Anything.	
Benton Harbour, Mich	6,500	1896	698	28	25	16	12	12
Adrian, Mich	10,000	1896	850	700	24	12	Anything.	
Saginaw Bay City Flint	95,000	1898	2,360	4,000	20-30	12-18	24	12
Caro		1895	1,000	None.	20	12	24	12
Chelsea, Mich	1,800	1899	110		12	12		
Burr Oak, Mich	700	1900	340		12	12		
Waltz, Mich	300	1897	36		12	12	24	
Vermontville, Mich	625	1898	310		12	12		
Trufant, Mich	400	1898	8		12	12		
Tremont, "	1,400	1900	97		12	9		
Holland, "	10,000	1895	500	100	18	12	12	12
Casnovin, "	500	1898	33	1	12	12		
Lansing, "	20,000	1895	1,565	944	24	12	20	12

Mr. FRANCIS DAGGER.

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APPENDIX No. 1

SCHEDULE 'B'—*Continued.*

Former Bell Rates. B.	Former Bell Rates. R.	Our Capital.	Our Dividend per cent.	Capital per Phone.	
$	$	$		$	
75	48	80,000	.....	80	
.....	.....	50,000	8	62	About 800 phones in county. Dividends 8 % or better
48	24	50,000	8	62	after sinking fund.
48	36	60,000	Good.	55	
.....	.....	8,200	15	40	
30	12–18	30,000	10	100	'Bell' had 60 phones when we started but lost nearly all and withdrew after failure to gain new subscribers at $6 per annum.
.....	.....	10,000	.....	67	'Mutual' Co., assessments made for actual expenses only.
36	30	15,000	15	28	
....	.....	10,000	.....	154	'Mutual' Co. extends to county. Holders of $50 share pay only $6 per annum but two shares must be held for each mile of line.
.....	.....	.....	.....	.....	
24	12	80,000 {	Pref. 10 Com. 13 }	80	{ 3 Exchanges. Eagle Grove, 375, Hampton, 325, Iowa Falls, 300, Total, 1,000 phones. Some Farmers lines and 120 miles of toll lines.
... ...	....	30,000	15	79	
.....	.... ..	10,000	6	63	
27	18	45,000	25	113	
36	18	10,000	Good.	35	
.....	.. .. ..	2,000	40	34	
.....	.....	20,000	.....	29	
.... ..	.... ..	3,000	.....	19	
36	24	35,000	10	50	'Bell' in places is renting phones at 75c. per month, but the people wont be humbugged.
... ...	.....	16,000	10	49	Have 200 Farmers phones at $12 per year.
.....	.....	1,500	.....	16	Profits used in extensions.
.....	.....	40,000	12	109	
36–42	30	23,000	.....	25	Rates to stockholders $18 and $9.60.
.... ..	.....	.....	.....	.....	
30	24	25,000	20	59	
.....	.....	25,000	10	63	
.....	... ...	.....	.....	.....	
50	35	150,000	10	190	
36	24	100,000	20	.....	
.. ..	.....	10,000	.....	50	
.....	.....	10,000	10	67	
.....	.....	.....	.....	.....	System purely 'Mutual.' Each subscriber pays only actual cost of maintenance. This in 3 years has cost $5 per subscriber.
.....	.....	11,000	20	55	
.....	.....	.....	.....	.....	Only pushing rural lines at present, believing it will serve as a good lever when we get ready to push the town exchange.
30	18	13,000	11¼	41	
48	36	150,000	8	215	The 'Bell' rates prior to January 1, were $12 and $6.
48	36	40,000	8	47	'Bell' has only 400 paying subscribers. Licked to a finish.
42–48	30–36	230,000	. ...	97	
48	24	50,000	30	50	
24	18	4,000	4	37	Part profits in new plant. Have 300 co-operative phones on country lines.
....	.....	16,000	20	47	
.....	.....	6,000	.....	.....	
24	18	.....	.....	.....	
.....	.....	.....	.....	.....	
.. ..	.....	.....	.. ..	.....	
48	36	.....	8	... .	
.....	.....	.....	.....	.....	
48	36	.....	8	.....	

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EXHIBIT No. 2—

Place.	Population.	Date Began.	Our Phones.	Bell Phones.	Our Rates.		Bell Rates.	
					B.	R.	B.	R.
					$	$	$	$
Waterloo	.....	1898	250	.....	12	12	.....	.....
Athens, Mich.	650	.....	26	.....	12	12	.....	.....
Iron Mountain	11,000	1895	470	500	24-36	18-24	12	12
Chillicothe, O	14,000	1895	1,150	700	24	18	42	30
Cleveland, O	381,768	1900	9,122	12,000	48	36	84	60
Toledo, O	150,000	1902	7,000	4,500	40	24	60	36
Conneaut, O	7,000	1897	672	250	24	.....	24	.....
Ottawa, O	2,500	1899	350	.....	18	12	.....	.....
Ashtabula, O	15,000	1897	1,028	200	24	18	?	50c. up.
Mt. Vernon, O	6,700	1895	1,060	270	30	18	15	10
Portsmouth, O	18,000	1900	1,038	250	24	18	24	12
Fostoria, O	8,000	1896	800	250	24	12-18	18-36	6-24
Wellington, O	2,300	1897	340	40	24	12	24	0-12
Zanesville, O	30,000	1902	1,100	1,300	33	18	12-42	12-30
Shelby, O	5,000	1899	511	380	24	12	18-36	6-24
Barberton, O Akron, O Cuyahoga Falls	50,000	1900	3,300	2,400	32-36	20-24	18-42 and up.	12-32 and up.
Tiffin, O.	12,000	1898	960	500	24	12	24	12
Lewisburg, O Milton, O Mifflingburg Watson, O	10,000	1896	410	150	24	18	21-60	12
Sydney	7,000	1900	784	67	24	15	24-36	12-24
Washington, C. C.	6,000	1897	1,300	.....	24	12-15	24	12
Batavia, O	1,050	1900	702	160	24	12	12	12
Bryan, O	3,313	1897	443	50	24	12	24	12
Galion, O	8,000	1899	729	600	24	12	24	12
Elyria, O	9,000	1897	850	300	30	12	.....	.....
Bellevue, O	5,000	1895	525	.....	24	15	.....	.....
Ravenna, O	4,000	1900	500	225	18	12-9	18	12-6
Elmore, O	1,100	1901	180	25	18	12	18	12
Lima, O	25,000	1895	1,025	975	30	18	24	15
Sandusky, O	25,000	1895	1,100	600	30	18	48	36
Jackson, O	5,800	1901	1,130	400	24	12	24	12
Kenton, O	10,000	1898	691	310	24	12	24	12
Lorraine, O	20,000	1894	800	7	30	20	.....	.....
Lancaster, O	12,000	1899	750	275	24	12	24	12
Cambridge, O	11,000	1894	500	400	24	18	21	15
Urbana, O	6,853	1898	1,153	102	24	12	24	12
Cambridge, Penn	2,000	1897	340	40	18	12	12	9
York, Penn	36,000	1896	1,800	750	30	18	15	6
Johnston, Penn	.....	1895	1,600	230	30	24	50-3	Free.
Chambersburg, Penn	10,000	1898	1,192	280	24	18	12	9
Tub, Penn	.....	1897	125	.....	7	4	.....	.....
New Bedford, Mass	65,000	1900	600	1,500	36	24	48	25
Fall River, Mass.	108,000	1901	800	1,600	36	24	90	72
St. Paul, Minn Minneapolis, Minn	450,000	1901	7,000	12,000	48	30	24-72	18-60

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APPENDIX No. 1

SCHEDULE 'B'—*Continued.*

Former Bell Rates. R.	Former Bell Rates. R.	Our Capital.	Our Dividend per cent.	Capital per Phone.	
$	$	$		$	
....	....	10,000	24	40	Holders of 1 share $50 get 24% which pays the subscription of $12. Only one share allowed per phone. We operate in small towns and on Farmers' Lines.
.....	.....	.....	.....	.....	
48	36	15,000	8	32	
48	36	100,000	10	87	
120	84	2,500,000	.....	250	
.....	.....	.....	.....	.....	3,500 phones in operation. Building for $17,000.
24	.....	56,000	10	83	
.....	.....	75,000	6	72	We operate whole county in which 'Bell' have only 4 toll stations.
48	36	75,000	12	74	Has proved one of the best paying investments in the city.
48	36	75,000	6	62	
36	24	100,000	Good.	97	'Bell' rates for 10 party lines; ours for direct. We don't know that the "Bell" is operating in our city
48	36	50,000	8	63	
36–48	24–36	20,000	.....	59	
60	36	200,000	8	182	Many "Bell" phones free and 75 per cent on party lines. Our entire switch capacity in use.
36	18	50,000	8	98	
72–90	27–48	350,000 St. / 350,000 Bd	5	.....	Free intercommunication between the 3 cities at rates named.
48	36	60,000	10	63	
48	30	10,000	6	25	
36	24	48,000	15	61	
48	36	62,500	10–16	48	
.....	.....	84,000	6	120	Operating 8 exchanges in villages 500, 2,000 inhabitants; with Farmers Lines through country. 200 miles toll line.
36	18	17,600 Sk. / 12,000 Bd.	7½	67	
.....	.....	100,000	.....	138	
48	36	50,000	6	59	
.....	.....	10,000	Very good	20	
48	36	20,000	6	40	
24	12	8,000	9	45	
48	36	150,000	.....	147	
72	48	75,000	12	69	
36	18	75,000	.....	67	
48	36	50,000	8	73	
.....	.....	100,000	8	125	Will increase to 1,200 phones by Dec. 1st, 1902.
48	24	100,000	.....	134	Switchboard and cables filled out. 500 new subscribers waiting.
50	36	25,000	8	50	
60	36	25,000	10	22	'Bell' had 117 phones at our start. Now we have ten times as many by giving good service and living prices.
24	18	20,000	10	59	
60	48	200,000	5	111	
60	48	200,000	6	125	
48	24	100,000	6	83	
.....	.....	5,000	6	40	Members paying $40 cost of line and inst. are only assessed with actual cost of working which is $3.60 per year.
1,896	48	100,000	5	166	Automatic switching—no operators required.
125	Var's.	135,000	.....	170	" " " "
120	66	1,500,000	7 Pref.	215	

Mr. FRANCIS DAGGER.

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EXHIBIT No. 2—

Place.	Population.	Date Began.	Our Phones.	Bell Phones.	Our Rates.		Bell Rates.	
					B.	R.	B.	R.
					$	$	$	$
Winona, Minn	22,000	1895	700	600	30	18	12	12
Duluth, Minn	60,000	1900	1,615	1,500	30	20	0-54	0-54
Albert Lea, Minn	5,000	1892	312	.....	30	18	.....	.....
Verndale, Minn	700	1899	55	.....	18	12	.....	.....
Beloit, Wis	12,000	1899	550	700	24	12	36	9
Grand Rapids, Wis	5,500	1896	400	8	27	12	.....	.....
Monroe, La	7,500	1896	236	150	30	18	42	18
Owensburg, Ky	17,000	1896	236	150	30	18	42	18-24
Louisville, K	220,000	1902	6,000	5,000	48	24 30	Any	thing.
Richmond, Va	83,000	.....	1,275	.....	36	24	72-36	18-26
Lynchburg	25,000	1894	750	600	28	18	30	18
Fort Wayne, Ind	50,000	1896	2,500	700	36	24	48	36
Payette, Ind	25,000	1892	1,700	600	30	18	12	12
Salem, Ind	2,500	1899	1,000	500	12	9	34	12
Bluffton, (Marion)	20,000	1897	1,200	900	30	24	24-48	3-36
Greencastle	5,000	1895	450	.....	24	12	.....	.....
Connersville	8,000	1895	480	150	24	15	18	15
La Grange	2,000	1900	1,400	.....	15	12	.....	.....
Sandusky	1,500	1901	190	.....	18	.....	.....	.....
Rochester	4,000	1896	350	.....	24	12	.....	.....
Hillsboro	600	1898	260	1	15	12	.....	.....
Wabash	12,000	1895	510	200	24	18	18-36	12-30
Columbus	8,000	1895	800	150	24	12	24	12
Logansport, Ind	18,000	1902	1,250	100	25	15	24	18
Lebanon, Ind	5,000	1894	550	.....	25	15	25	18
Michigan City, Ind	20,000	1895	740	150	27	15	12	8
Sheridan	1,500	1900	400	.....	15	12	.....	.....
Acadia, Ind	2,000	.....	.....	.....	.....	.....	.....	.....
Rockville, Ind	2,500	1900	600	.....	24	12	.....	.....
Larned, Kan	1,975	1900	98	.....	24	18	.....	.....
Kinsley, Kan	900	1898	76	.....	24	12	.....	.....
La Crosse, Kan	700	1898	50	.....	18	18	Party	Lines.
Tonawanda, N.Y	18,000	1901	400	230	36	16	30	18
Oswega, N.Y	25,000	1898	500	200	30	18	.....	.....
Albany, N.Y	97,000	1902	2,000	2,800	43	24	90	60
Salamanca	5,000	1901	382	.....	15-18	12-15	.....	.....
Auburn, N.Y	35,000	1897	600	600	30	24	30-54	30
Joplin, Mo	27,000	1896	2,300	150	24	18	24	18
Seattle, Wash	130,000	1902	1,600 working	10,000 claimed.	48	30	72	48

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APPENDIX No. 1

SCHEDULE 'B'—*Concluded.*

Former Bell Rates. B.	Former Bell Rates. R.	Our Capital.	Our Dividend per cent.	Capital per Phone.	—
$	$	$		$	
48	36	.....	10	.....	Exchange burnt down last March. Service on new exchange just started. 'Bell' had 726 when we began. They gained through our fire, but don't believe can keep.
54	54	200,000	.....	124	
.....	.....	15,000	7	49	Strowger Automatic Switch.
					" " " Private enterprise.
60	24	20,000	6-8	36	Competition reduces rates, improves service over 100 per cent : quadruples users.
48	36	18,000	12	45	Dividends paid monthly in rental rebates to shareholders : rate to them is $21 and $6 per annum. We are increasing 33⅓ per ct. per annum.
48	30	5,000	.....	22	We put profits in extensions.
48-60	36	100,000	On bds. 6	115	8 to 10 per cent net profit above bond interest.
96	60	1,150,000	.. ..	192	'Bell' heretofore, had two to ten party lines at various prices. They have also tried free phones and lost 80 per cent of such installations. People became disgusted and hundreds of users discontinued and joined our system. We are still securing 75 to 100 new contracts weekly. We began July this year.
.....	.....	.....	.....	.....	
64	64	.....	Satisf'y.	.....	When we began the 'Bell' dropped to $12 and tried to run us out.
48	36	200.000	6	80	'Bell' had 500 phones when we began. 60 p.c. of their phones now free.
60	36	120,000	8	70	
36	18	30,000	.....	30	Net earnings (5-15%) put in plant : gross earnings 20% on stock.
48	36	.....	.....	.....	
48	36	8,009	.....	18	Profits used in construction.
42	30	39,000	8	82	
.....	.....	50,000	6	36	
.....	.....	15,000	.....	79	
.....	.....	10,000	.....	29	
.....	.....	10,000	15	39	Have a large number of rural subscribers.
42	36	20,000	6	40	
48	30	50,000	10	64	
48	36	150,000	9	120	
48	36	5,000	Satisf'y.	10	
48	36	10,000	.....	14	Profits put in plant till now have $35,000 invested. Would not take $50,000.
.....	.....	10,000	5	25	'Bell' forced out of business here. They only have toll station which does 2 p.c. of toll business. We do the rest.
.....	.....	.....	.....	.....	
.....	.....	12,000	.....	20	Profits put into plant. Bell has toll station only.
.....	.....	5,000	.....	51	Profits put into plant.
.....	.....	1,700	.....	23	Profits put into plant which has cost $4,000 to date. Automatic Ex.
.....	.....	5,000	12	100	Automatic exchange.
60	40	70,000	6	175	'Bell' had 150 phones when we began. Party lines increased then to 230. These are now decreasing.
50-75	40	20,000	.....	40	We are increasing.
.....	.....	350,000	.....	.....	We start in Nov. with over 2,000 and have no party lines. 'Bell' has 18 different rates.
.....	.....	30,000	.....	79	
72	60	40,000	.....	67	
72	54	200,000	12	87	
.....	.....	600,000	.....	.....	5,560 phones with ultimate capacity of 19,000. Has cost over $600,000. Conduit system.

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EXHIBIT No. 2—SCHEDULE 'C.'

Cities and towns in the United States where telephone competition has not increased the cost to subscribers who are compelled to use both systems.

Place.	Rates now.	Rates now.		Total present cost of 3 phones.	'Bell' Rates before Competition.		Total cost of 2 phones before competition.	Annual Saving.
	Bell.	Independent.						
	Business phone.	Business phone.	Resid'nt phone.		Business phone.	Resid'nt phone.		
	$	$	$	$	$	$	$	$
Ottunwa, Ia	*	24	12	36 up	75	48	123	87 on most.
Iowa City, Ia	21	30	18	69	48	24	72	3
Oskaloosa, Ia	24	30	18	72	48	36	84	12
Fairfield, Ia	12	18	12	42	36	30	66	24
Lipton, Ia	18	24	12	54	36	18	54	Same cost.
Hawkeye, Ia	15	15	12	42	36	24	60	18
Greenburg, Ia	30	24	15	69	42	30	72	3
Waterloo, Ia	30	30	18	78	50	36	86	8
Decorah, Ia	12	14	9	35	36	24	60	25
Cheboygan, Mich	?	24	12	36 up	30	18	48	12 on most.
Benton Harbour	12	25	16	53	48	36	84	31
Adrian, Mich	?	24	12	36 up	48	36	84	48 on most.
Saginaw, Mich. Bay City " Flint "	24	20–30	12–18	56–72	42–48	30–36	72–84	16–12
Caro "	24	20	12	56	48	24	72	16
Holland "	12	18	12	42	48	36	84	42
Lansing "	20	24	12	56	48	36	84	28
Iron Mountain	12	24–36	16–24	54–72	48	36	84	30–12
Chillicothe, O	42	24	18	84	48	36	84	Same cost.
Cleveland, O	84	48	36	168	120	84	204	36
Ashtabula, O	6 up	24	18	48 up	48	36	84	36 on most.
Mt. Vernon, O	15	30	18	63	48	36	84	21
Fosteria, O	18–36	24	12–18	54–78	48	36	84	30–6
Wellington, O	24	24	12	60	36–48	24–36	60–84	0–24
Zanesville, O	12–42	33	18	63–93	60	36	96	33–3
Shelby, Ohio	18	24	12	54	36	18	54	Same cost.
Barberton, O. Akron, O Cuyahoga Falls, O.	18–42	32–36	20–24	70–102	72–90	27–48	99–138	29–36
Tippin, O	24	24	12	60	48	36	84	24
Mipplingburg, O	21	24	18	63	48	30	78	15
Washington, O	24	24	15	63	48	36	84	21
Ravenna, O	18	18	12	48	48	36	84	12
Lima, O	24	30	18	72	48	36	84	12
Sandusky, O	48	30	18	96	72	48	120	24
Kenton, O	24	24	12	60	48	36	84	24
Lancaster	24	24	12	60	48	24	72	12
Cambridge	21	24	18	63	50	36	86	23
Urbana, O	24	24	12	60	60	36	96	36
Cambridge, Pa	12	18	12	42	24	18	42	Same cost
York, Pa	15	30	18	63	60	48	108	45
Johnstown, Pa	6–36	30	24	60–90	60	48	108	48–18
Chambersbury, Pa	12	24	18	54	48	24	72	18
Fall River, Mass	90	36	24	150	125	48 up	173 up	23 up.
New Bedford, Mass	48	36	24	108	96	48	144	36
St. Paul, Minn. Minneapolis, Minn.	24–72	48	30	102–150	120	66	186	84–36
Winona, Minn.	12	30	18	60	48	36	84	24
Duluth, Minn	0–54	30	20	50–104	54	54	108	58–4
Beloit, Wis	36	24	12	72	60	24	84	12
Owensburg, Ky	42	30	18	90	60	36	96	6
Louisville, Ky	?	48	24–30	72–78 up	96	60	156	84 downwards
Lunchburg, Va	30	28	18	76	64	64	128	52
Fayette, Ind	12	30	18	60	60	36	96	36

*Mostly free.

Mr. FRANCIS DAGGER.

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APPENDIX No. 1

EXHIBIT No. 2—SCHEDULE 'C'—*Concluded.*

Place.	Rates now.	Rates now.		Total present cost of 3 phones.	'Bell' Rates before Competition.		Total cost of 2 phones before competition.	Annual Saving.
	Bell.	Independent.						
	Business phone.	Business phone.	Resid'nt phone.		Business phone.	Resid'nt phone.		
	$	$	$	$	$	$	$	$
Bluffton, Ind	24	30	24	78	48	36	84	6
Connersville	18	24	15	57	42	30	72	15
Wabash	18–36	24	18	60-78	42	36	78	18 same cost.
Columbus, Ind	24	24	12	60	48	30	78	18
Logansport, Ind	24	25	15	64	48	36	84	20
Lebanon, Ind	24	21	15	60	48	36	84	20
Michigan City	12	27	15	54	48	36	84	30
Tonawanda, N.Y	30	36	16	82	60	40	100	18
Auburn, N.Y	30–54	30	24	84–108	72	60	132	48–24
Joplin, Mo	24	24	18	66	72	54	126	60
Trinidad, Col	36	36	18	90	80	60	140	50
Grand Rapids, Mich	30	30	20	80	50–48	40	90–88	10-12

This statement is made up from a total of 71 completed returns received from the independent companies in the towns named.

In 45 towns, two business telephones can be had for the same amount or less, than was formerly charged by the 'Bell' for one. In two towns the increased cost is only $1, and in one town $3, and in eight towns $6, one town $10, in three towns (including Cleveland) $12, and in one town $18.

EXHIBIT No. 2—SCHEDULE 'D.'

Over-capitalized Independent Telephone Companies whose operations are controlled by the Federal Telephone Company of Cleveland.

Name of Company.	Miles of Toll Lines.	Number of Subscribers.	Capital.	Bonded Indebtedness.	Average per Subscriber.
			$	$	$
Cuyahoga Telephone Co	90	9,710	3,000,000	2,233,000	539
Columbiania Telephone Co	301	2,355	300,000	200,000	212
Findlay Home Tel. Co		972	150,000	80,000	235
Citizens Tel. and Mess. Co		736	50,000	44,000	127
Lancaster Telephone Co	95	732	100,000	50,000	249
Lima Telephone and Telegraph Co		870	150,000	70,000	253
Mansfield Telephone Co	88	1575	300,000	200,000	317
Massilon Telephone Co	48	902	75,000	75,000	166
United States Telephone Co	8,647	200	2,000,000	1,865,000	447*
Youngstown Telephone Co		1,747	200,000	200,000	229
Janesville Telephone Co	55	1,251	250,000	150,000	320
Columbus Telephone Co		6,277	705,000	650,000	216
Akron Telephone Co	32	3,011	300,000	300,000	199

* Average per mile of toll line.

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EXHIBIT No. 2—SCHEDULE 'E.'

TELEPHONE RECORD OF EUROPEAN COUNTRIES.

Order of Merit.	Country.	Characteristics of Service.
1	Norway	Very low rates; local management of exchanges; good rural intercourse; no competition.
2	Sweden	Very low rates; local management of exchanges; good rural intercourse; competition.
3	Luxemburg.....	Very low rates; central management but with delegated control in some cases to local authorities; good rural intercourse; no competition.
4	Switzerland.	Very low rates; central management but with delegated control in some cases to local authorities; good rural intercourse; no competition.
	Denmark.....	Very low rates; local management of exchanges; good rural intercourse; no competition.
6	Finland	Very low rates; local management of exchanges; good rural intercourse;
7	Imperial German P.O. Territory..	competition. Fair rates to urban subscribers in large towns, high rates in small towns; highly centralized management; bad rural intercourse; no competition.
8	Bavaria	Fair rates to urban subscribers in large towns, high rates in small towns; highly centralized management; bad rural intercourse; no competition.
9	Wurtemburg	Low rates for urban subscribers but with regulations tending to restrict sub-urban and rural intercourse; centralized management; no competition.
10	Great Britain.....	High rates, with regulations unfavourable to development outside towns; local management in part; practically no competition.
11	Holland	High rates in three chief cities, low rates elsewhere; management chiefly centralized; bad rural intercourse; no competition.
12	Belgium.....	High rates in large cities, low rates of recent origin in small towns; centralized management; indifferent rural intercourse; no competition
13	France	High rates; subscribers also pay capital cost of their installations except in Paris and Lyons; centralized management; bad rural intercourse; no competition.
14	Spain	High rates in large towns, recently introduced reduced tariff for smaller towns; local management; bad rural intercourse; no competition.
15	Austria.....	Fair rates but subscribers pay capital cost of their installation; centralized management; bad rural intercourse; no competition.
16	Italy..	High rates except in Rome, where competition exists; low rates in Rome and in small towns but under strict government supervision; bad rural intercourse; no competition except in Rome.
17	Hungary	High rates in towns, very low rates in villages but combined with regulations which tend to restrict competition between towns, suburbs and villages; partly local management; no competition.
18	Portugal.....	Exchanges only in Lisbon and Oporto; fair rates; no rural intercourse; no competition.
19	Russia.....	Highest rates in Europe in chief towns; high rates in smaller towns; partly local management under government rules; bad rural intercourse; no competition.

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EXHIBIT No. 2—SCHEDULE 'F.'

Long-distance Rates in European Countries, the United States and Canada.

Country.	Distance in Miles.									
	20	40	80	120	160	200	240	280	400	600
	c.	c.	c.	c.	c.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
United States *Canada	12	24	48	72	96	1 20	1 44	1 68	2 40	3 60
*Great Britain	6	12	24	36	48	0 60	0 72	0 84	1 20	1 80
Austria	12	20	28	40	40	0 40	0 40	0 40	0 60	.....
Bavaria	10	10	24	24	24	0 24	0 24	0 48	.....	.....
Belgium	Free.	20	20	20	20	0 58	.....	.....	.....	.....
Denmark	Free.	Free.	26½	40	.....	.....	.....	0 53	0 53	.....
Finland	2¼	2½	4½	6	9	0 11	0 13	0 15	.....	.....
France	10	10	20	20	29	0 38	0 38	0 48	0 66	0 96
Germany	6	12	24	24	24	0 24	0 24	0 24	0 36	0 36
Holland	20	20	.....	.....	.....	.....	.....	.....	.....	.....
Luxemburg	Local rate covers free intercommunication between all points.									
Norway	7	7	7	7	13	0 13	0 13	0 13	0 44	.....
Roumania	26	26	48	48	66	0 86	0 86	1 04	.....	.....
Spain	13	13	24	24	34	0 43	0 43	0 53	0 72	1 00
Sweden	Free.	Free.	8	8	13	0 13	0 13	0 13	0 20	0 27
Switzerland	6	10	15	15	15	0 15	0 15	0 84	1 17	1 68
Wurtemburg	10	10	10	10	10	.....	.....	.....	.....	.....

* Double period allowed for day rate at night.

EXHIBIT No. 2—SCHEDULE 'G.'

Questions addressed to owners of rural telephone systems :- -

1. Name of organization.
2. District covered.
3. Population of district served.
4. Total number of 'phones.
5. Number of separate lines.
6. Number of party lines.
7. Number of 'phones on party lines.
8. Total length of party lines.
9. Are your lines grounded or metallic, *i.e.*, one or two wires for each circuit.
10. Are your lines iron or copper, and what size.
11. Class of instrument and makers.
12. Size of switchboard and makers.
13. Cost of instruments.
14. Cost of switchboard.
15. Total cost of system, including poles and wires.
16. Total cost of system without poles.

Mr. FRANCIS DAGGER.

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17. Yearly charge to subscribers.
18. Cost per year of working and maintenance.
19. Profit earned last year or 1901.
20. Number of 'Bell' phones and rates.
21. Have you a connection with your railway or has it been refused, and by what company?

I should appreciate a letter containing any remarks about the situation in your locality.

F. DAGGER.

Replies received to above questions:—

1. East Luther Telephone Co. (Limited).
2. Township of East Luther and village of Grand Valley.
3. Traverses a country district to Grand Valley.
4. Six.
5. Connects with Central Dufferin, which runs to Shelburne.
6. None; 'phones all owned by company.
7. " " "
8. The whole line is 13 miles long.
9. Grounded.
10. Galvanized iron No. 12.
11. Chicago Telephone (No. 17).
12. 8 x 15 for two lines.
13. $11.50, plus duty and freight.
14. $1.75.
15. $720.
16. $275.
17. Business, $. Residence, $.
18. $2 plus allowance to treasurer, not fixed yet, but probably $10 per year.
19. 16 per cent dividend to stockholders.
20. 'Phones none.
21. No. It was spoken of but never applied for.

(See two letters from G. J. Campbell at end of this schedule.)

1. Co-operative Telephone Co.
2. Township of North Dorchester.
3.
4. Nineteen.
5.
6. All one party line.
7.
8. Twenty-five miles.
9. Grounded bridging.
10. Iron, No. 12.
11. Bridging 1,600 ohm. rings.
12. We have no Bell instruments.
13.
14.
15. $350 (poles and wire), instruments not included.
16.
17. Business, $. Residence, $.

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18.
19.
20. 'Phones none. Business, $. Residence, $.
21.

(See letter from W. Doan at end of this schedule.)

1. Independent Telephone Company.
2. Portion of Thorah Township and all of Beaverton.
3. About 1,000.
4. 26.
5. 23.
6. 1.
7. 3.
8. 3½ miles.
9. Grounded.
10. Two switchboards—main line copper, private lines iron.
11. Chicago Telephone Co., Wilhelm Tel. Mfg. Co., Buffalo, and 1 Bell.
12. 1 Board 14; 1 Board 25.
13. $14 Chicago, $14.50 Buffalo, $8 Bell Standard.
14. $115 and $80 complete each.
15. $2,000 includes more lines and material for spring.
16.
17. Farm, $18; business, $15; $12 to $15 residence.
18. Nil; have only been going 6 months.
19.
20. 'Phones, about 22; business, $15; residence, $15.
21. They refused. I have been informed that the Canadian Pacific Railway and Grand Trunk Railway have an agreement with the Bell Company. Grand Trunk Railway refused us.

A. C. CAMERON.

1. Farmers Union Telephone Co.
2. St. Joseph's Island, in part.
3. Can't say exactly.
4. 47 at present—always increasing.
5.
6. Three at present.
7. 42 at present.
8. About 35 miles.
9. Yes; ground return in every case.
10. Gal. iron wire, 12 gauge.
11. Bridging, Chicago Tel. Supply Co.
12. 6 plugs each, Chicago Tel. Supply Co.
13. F.O.B. Chicago, $10.95.
14. For 2 plugs, $1.50 each, additional plug 50c.
15. See accompanying letter.
16.
17. All subscribers are shareholders. Business, $—; residence, $—.
18. See letter.
19.
20. 'Phones, 5; business, $25; residence, $— None.
21. See letter.

(See letter from J. Herber Young at end of this schedule.)

Mr. FRANCIS DAGGER.

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GRAND VALLEY, February 17, 1903.

This system was inaugurated on the Co-operative Association plan, about $1,700 being subscribed and calls were made up to 60 per cent. The balance of money is in charge of trustees and is lent out at 5½ per cent. There is an Amoranth line which connects the East Leith Line here and the East Leith Line connects with the other terminus of ours, making a complete circuit from Bowling Green to Shelburne. All lines are profitable investment. A line will likely be built this coming summer from Erasus to Conn (Bell's Corners), then the towns connected will be Shelburne, Grand Valley to Mount Forest, as a private line runs to Conn.

The fee asked by the Bell Company for connection was unreasonable, $15 per year per phone on our line; we keep the line in repair.

Any information will be freely given.

Yours truly,

G. I. CAMPBELL,
President.

GRAND VALLEY, February 26, 1903.

F. DAGGER, Esq., Toronto.

DEAR SIR,—Yours of the 19th received. I do not know the exact number of stockholders—I think about 80 or 100. Shares were $10 each and about $1,700 subscribed, some having 2 to 3 shares. I took 5 shares.

Six 'phones were put in stations along the line. No charge is made by the parties for operating the lines as different parties were anxious to have a 'phone in the house.

The two dollars was given a young fellow for replacing some insulators that were broken.

The $15 per 'phone per year asked by the company was only for connection after the line was built. We were to keep it in repair, but we would have our own revenue over the line as far as the point of connection, viz., Grand Valley.

Our dividend of 16 per cent is derived from a fee of 15 cents per message. This is paid by subscribers of the stock as well as by outsiders not interested. There is no hitch in the proceedings. There is a movement on foot to amalgamate the three companies into one, but there is one drawback. Our company has the best paying line and had 40 per cent of stock not paid up and $300 in cash besides, while one other, viz., Central Dufferin, has all paid up and invested, and the 'Amoranth Company' has stock not paid up, but is doing not as much business.

I will inclose a slip from a Shelbourne paper copied by the 'Grand Valley Star and Vidette.'

Any information you desire will be willingly given.

I think ours was the first co-operative company formed for telephone as far as I am informed.

Yours truly.

G. I. CAMPBELL.

HARRIETSVILLE, ONT., Feb. 17, 1903.

F. DAGGER, Esq., Toronto, Ont.

DEAR SIR,—Until within a few weeks we had no Bell instrument in this township. They are now building a tap to Dorchester station, placing one instrument there. The 'Bell' people have a trunk line running from London to Ingersoll, and this line passes about five miles north of Dorchester station. The residents of Dorchester station waited on the Bell officials, and before they would talk business at all they had to have a bonus of $150 from Dorchester residents.

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Our line in part has been in existence for some ten or eleven years. Most of it, however, was financed through during the winter of 1901-2 by myself and others who became interested. We have no 'Bell' instruments, as they would give me no information about line and telephones made by them. So we went where we could get satisfaction, and so far are well pleased. We have carbon transmitter and Bipolar receiver and two-cell battery box. Our line is all one-party bridging line at present, each having his own ring.

We have no trolley or electric wires to contend with. Our line works so well that on a clear day a watch placed at the transmitter in my office can be heard tick at the instrument nine miles from here. I am near centre of system. We have no switchboard. We have telephone connection with the Canadian Pacific Railway both at Harrietsville station and also at Putnam. We sold the instruments to the Canadian Pacific Railway. They paid me for them. If there are any more items in the Toronto papers *re* private telephone company have them send me a copy.

Can we work grounded return system satisfactorily where we cross a trolley wire? Will we get cross talk on grounded return where several wires are carried on one set of poles? We are talking of extending our lines, and consequently ask the question, I feel that independent lines are going to have a turn now, especially farmer lines.

Yours truly,

W. DOAN,
President of Telephone Co.

JOCELYN, Feb. 16, 1903.

F. DAGGER, Esq.

DEAR SIR,—Your letter of the 10th instant *re* party telephone lines received and carefully noted.

The telephone situation here, both past and present, is as follows :—About five years ago a Mr. McLerman proposed to the three townships comprising our island that if the islanders would furnish the poles and give him a bonus of several hundred dollars he would give them telephone connection with the Canadian Pacific telegraph system on the north shore. This was done, and he built about 25 miles of line radiating from Richards Landing. The charge was 10 cents a message, and in the case of telegrams the telephone was free, the Canadian Pacific Telegraph Company (I understand) giving Mr. McLerman a percentage of all collections. This was all right as far as it went, but it did not go far enough to suit the farmers here, who two years ago asked of McLerman permission to plug on to his system at will for 10 cents a message, which was granted.

I am a farmer living seven miles from Richards Landing, near Jocelyn. In company with a few of my neighbours we made an estimate of the cost as near as we could, and called a meeting of those interested, 20 in number, drew up an agreement binding each subscriber to pay his share of the cost of a party line from Tailars Encampment to Jocelyn, a distance, including spurs, of nine miles. Each member got out his eleven poles, or paid 40 cents a pole, whichever he chose.

Our wire and insulators cost $5.50 per mile, and construction about $10 per mile. The latter was let by tender to a resident here, who also installed 'phones and made a first-class job, though he knew nothing of telephony before.

The cost of the 9 miles of line (exclusive of poles) was about $140, or $7 per man, The 'phones on our lines are 1,600 a line. Bridging are as good for 100 miles as for one mile. And will ring 20 'phones on a 40-mile line (cost laid down here, $14). Several other communities, as you will see by reference to the diagram, followed our example.

By a mutual arrangement each section has the use of all the others by asking for it, the connection being provided for by Plug Board, costing $1.50, and an extension costing $3.

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It is not advisable to have more than 15 'phones in a section, as the signals would be confusing. It has been our aim to make this service as free as possible, but there is one item, that of attending to the connection, which will have to be paid for. This item could be provided for by a charge of 10 cents a message to non-subscribers, but we are not incorporated and cannot enforce payment till we are. I would like to see such legislation enacted as would give free or practically free incorporation to companies such as ours. I believe that the people, both in town and country, should own and control their own telephone service. I also believe that they *can* and *will*. I believe that all obstacles in the way of this ought to be removed by legislation.

As to the cost of keeping the line in repair, it is nil with us; the first person to find broken wire fixes it.

If I can give you any further information, let me know, and I will do so.

Yours truly,

J. HERBER YOUNG,
Secretary F. W. T. Co.

COPY of letter received from The People's Co-operative Telephone Company, Thornton, Indiana, U.S.A.

President, WM. FISHER, Bowers, Ind.

Treasurer, E. P. DUNBAR, Bowers, Ind.

Secretary, B. O. CLOUSER, Darlington, Ind.

Gen. Mgr., M. L. CLOUSER, Thornton, Ind.

PEOPLE'S CO-OPERATIVE TELEPHONE COMPANY.

Service at Actual Cost, not exceeding 25 cents per month.

Mr. F. DAGGER, Toronto, Canada.

THORNTON, IND., June 2, 1901.

DEAR SIR,—(Summary.) Yours of 23rd received. Our Telephone Company is co-operative throughout. Fifty towns, with 7,000 subscribers, in the association. Each town has its own company, incorporated under the State laws. The companies form the above company. Each town builds one-half of the connecting lines between it and other towns.

All service, including long-distance, free to subscribers.

The first cost to subscriber averages about $25.

All revenue from non-subscribers goes into a fund for repairs.

Our goods are first-class; bridging bells used on party lines.

Generally iron wires, grounded or common return (No. 12 iron wire, insulation and pins, cost about $8 per mile).

Party lines in rural districts. Good results.

At no place in our system are the monthly dues in excess of 50 cents, in some places as low as 15 cents.

Yours truly,

M. L. CLOUSER.

WATERLOO, MICH., July 2, 1901.

Mr. F. DAGGER, Toronto, Canada.

DEAR SIR,—In reply to yours of June 21, will say: The Rural Telephone Company is a co-operative company. Its stockholders are farmers. Incorporated for $10,000.

Our lines are nearly all country lines, averaging 10 miles in length with 12 to 14 subscribers on a line. Our lines touch about 13 towns and villages. We connect with

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other independent exchanges where possible. We operate one local exchange (one subscriber on a line).

Cost of construction per subscriber, $35 to $40.

We use 12 gauge iron wire—grounded circuit.

The Rural Company has 200 subscribers. Each subscriber must rent one 'phone for every $50 in stock which he holds.

Our rates are $12 per year.

The company has free connection with 200 subscribers in other companies.

We have about one-third more subscribers than stockholders.

We collect toll of all subscribers. This gives our stockholders telephones free, or in other words, to pay a dividend of 24 per cent.

The Bell did compete with us, but now has given it up and now connects with us.

Yours respectfully,

LYNN L. GORDON,
Secretary R. T. Co.

The CHAIRMAN (Referring to Exhibit No. 2, Schedule F.)—The rates for Canada and the United States are apparently the highest in the world. There is nothing to compare with them.

Mr. MACLEAN.—Those are the charges for three-minute conversations, are they not?

Mr. DAGGER.—Yes.

By the Chairman :

Q. Three minutes in the daytime and half the rate at night. These are day rates, are they not?—A. These are all day rates.

The CHAIRMAN.—The rates, according to this schedule, in Canada and the United States are the highest in the world, being 100 per cent higher than in Great Britain, and more than that in comparison with other places, as you will see when you analyse the schedule. But it is sufficient for the people to know that at present we have the pleasure of paying 100 per cent more in Canada and the United States than in any other part of the known world.

By Mr. Grant :

Q. Are the rates for Canada and the United States the same—are they bunched together?—A. Yes.

By Mr. Boyce :

Q. Are they separated anywhere, Mr. Dagger—Canada and the United States—so as to show the relative rates?—A. They are the same.

By Mr. Maclean :

Q. They work together, the telephone companies here and in the United States? —A. Yes.

The CHAIRMAN.—That is a very important schedule.

Mr. MACLEAN.—That report was dated what?

The CHAIRMAN.—March, 1903.

Mr. MACLEAN.—So that practically he endorses those general principles to-day.

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By Mr. Boyce :

Q. Up to what date were those figures in the statistics?—A. The majority of them were up to date.

Q. That is up to the date of the report?—A. In some cases I had to go back as far as three years. They were taken from various sources.

Q. Would any be closer than December 31, 1902?—A. Yes.

Q. Some would be quite close to the date of the report?—A. Yes, in fact this information in regard to the rural systems of Canada is quite up to date.

Q. Have you collected any information as to how the conditions have changed since then?—A. Yes, I have information.

Mr. MACLEAN.—You say you have a report from Beaverton ?

The CHAIRMAN.—Yes, I will put that in. This information in regard to the East Luther Telephone Company will also be put in. There is a lot of information here of a detailed character. (See Exhibit No. 2, Schedule G.)

By Mr. Boyce :

Q. There is something in regard to St. Joseph's Island?—A. Yes, copies of letters from J. Herber Young, who sent the information. (See Exhibit No. 2, Schedule G.)

By Mr. Maclean :

Q. Are there any other municipal systems besides the three you mentioned?—A. In Canada?

Q. Yes.—A. Not in Canada.

By Mr. Grant :

Q. Are you aware that the Beaverton company has been taken over by the Bell Company?—A. Yes, it is only a small system. About 20 subscribers.

Q. I would like to know if its taking over has resulted in a permanent reduction in rates?—A. No, I am not in possession of that information.

By Mr. Zimmerman:

Q. As to the price at which these several telegraph companies can be purchased it seems to me that the sums mentioned are extraordinarily low?—A. Well, I do not give those as the prices at which they can be puchased. I simply meant to convey an approximate idea of what the actual value of their poles and wires is. Of course these companies may have real estate and other property which the Government would not take over, but that estimate is simply as a guide of what it will cost to duplicate the system at present.

Q. Is that for the entire system—telegraph and telephone systems in the whole country ?—A. The outside portion of it.

Q. What do you mean by the outside portion ?—A. The poles and wires.

Q. Not including the office apparatus ?—A. For instance, if the State, in my opinion, took over the telegraph or telephone business they would probably adopt some up-to-date apparatus and a large amount of the apparatus in use at the present time would be obsolete.

By Mr. Johnston:

Q. With regard to the schedule of rates you have submitted here, do you regard that schedule as correct—as being the actual fees and tolls charged in Canada ?—A. Approximately, yes. They are on the basis of one-half cent per mile, or three-fifths cents per mile—that is the Bell Telephone Company's tariff.

Q. Have you taken any steps to ascertain what are the actual tolls charged. For instance, here is a rate here for 120 miles of 72 cents. I do not think that represents the Canadian tolls ?—A. There is a possibility they are higher.

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Q. Between Ottawa and Montreal, which is about that distance, I think the rate is 50 cents, and you have in your schedule 72 cents.

By Mr. Boyce:

Q. Taking New York at 500 miles, it is $2.50. You have it 400 miles, how much? —A. $2.40. While I have not followed the Bell Telephone Company's tariff closely in the last three years, I know at the time that the tariff was made up, the Bell's general rate was three-fifths of a cent per mile for a three-minute conversation.

By the Chairman:

Q. What is the rate between Ottawa and Toronto to-day?

Mr. BOYCE—$1.25 in the day and 75 cents at night, I think.

THE CHAIRMAN—How many miles?—A. About 250. That is about half a cent per mile.

By Mr. Zimmerman:

Q. Does the Bell Telephone Company charge a uniform rate of so much per mile from all their stations?—A. Oh, no; they have exceptions. In some cases you have to pay 25 cents for a short distance. You cannot speak 20 miles for ten cents; you cannot speak over any distance for less than 25 cents on the long-distance 'phone.

By Mr. Boyce:

Q. In those cases where municipal telephone systems have been installed is there competition in every case with private corporation telephones?—A. In Great Britain, yes.

Q. I mean in Canada, I know there is in Great Britain?—A. No, not in Neepawa.

Q. What has been the effect generally, as far as you have observed, upon the Bell Telephone Company of the installation of the municipal system at Port Arthur and Fort William?—A. The effect has been to increase the number of telephones in use in the municipality and to reduce the number of the Bell's paying 'phones. Of course, with regard to the Bell Telephone Company in Port Arthur and Fort William—it is a pretty well known fact that they have a large number of dead heads which they keep on just in order to pad their directory.

Q. That came under your observation, did it, that they had made some arrangement like that?—A. Yes.

By Mr. Grant:

Q. Did they attempt to meet the local rate in either of these towns—the Bell Telephone people?—A. They have done so. I have here some information with regard to it. On December 1, 1902, the Fort William Municipal system had 90 business 'phones and 210 residence, while the Bell had 110 'phones before the competition commenced, and the note that I got from the Mayor of Fort William was to the effect that now 'the Bell have not very many, but I cannot find out the number as they do not publish a directory now. They are giving free telephones in some cases, but they cannot get subscribers.'

Q. There is no interchange of business between the two systems?—A. No.

Q. What does the telephone for business purposes in Port Arthur cost?—A. $24 for business and $12 for residence.

Q. And the Bell is nominally the same?—A. The Bell is nominally the same now, but the Bell rates before there was competition was $30 for business and $25 for residence. In Port Arthur the municipal system had on December 1, 1902, 205 business 'phones and 100 residence 'phones.

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By Mr. Boyce:

Q. Have you anything with regard to the result of the operation of these systems?—A. I haven't it here.

Q. What do you know of it generally; how has it resulted to the municipalities?—A. I understand that they show a small profit, a very small one. But still they are paying expenses—they claim that.

Q. Have they any up-to-date plant?—A. The plant is absolutely up-to-date.

Q. And do they give good service?—A. Good service.

I have also here a letter which was written to me by the secretary-treasurer of the town of Neepewa on the municipal system.

Q. What are their rates there?—A. Their rates are $10 for residence and $20 for business.

Q. Who is the secretary-treasurer?—A. Mr. Pattison, and he writes me as follows :—

(Exhibit No. 3).

NEEPAWA, MAN., August 17, 1903.

DEAR SIR,—Replying to your letter of the 12th instant, this town started to operate its own telephone system four years ago. We had one hundred subscribers at that date, and our switchboard capacity was 150. We have since had so many additional subscribers that it has now become necessary to put in a larger switchboard, and we meditate putting in a 400 drop board. The cost when first installed was some $8,000, but as we run it in connection with the electric lighting system, which is also owned by the town, it is difficult to give quite the exact cost of installation and of operation. Our charges are: For domestic purposes, $10 per year; commercial, $20. These rates are sufficient to enable us to give a good all-night service, which has proved entirely satisfactory, and to pay both interest and sinking fund, and show a cash surplus. There is no question but what we can operate it both satisfactorily to the subscribers and also profitably to the town. The fact that we have installed one telephone to every eleven of the total population of our town shows that it is well patronized by the ratepayers. The Bell Telephone Company had a plant installed here prior to our own venture, but when we opened up they withdrew entirely, took out their poles, lines, &c. Their rates, I believe, were $25 to $35. They afterwards reduced them to $15 and $25, but they found they could no longer do business here once our system was started. Our system is 'metallic circuit,' put in by Ness, McLaren & Bate, Montreal. The population of our town at last census was some 1,600.

Yours truly,

JAS. W. PATTISON,
Secretary-Treasurer.

FRANCIS DAGGER, Esq., Toronto, Ont.

Q. Do the same conditions apply with regard to the electric lighting system being owned by the town of Port Arthur?—A. Yes.

Q. Neepewa is on the Bell's trunk system?—A. Yes.

The CHAIRMAN.—I think it would be well if we could have some person from there to give us some information.

Mr. BURROWS.—The member for that district lives in Neepewa and was mayor of that town, and I think he would be able to give us full information.

WITNESS.—You asked me a short time ago whether there was any other municipal system besides those I have mentioned; it had just slipped my memory at the time, but the town of Edmonton, on January 1, took over the local telephone there. Of course, there is no result reported yet, and I have no further information.

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By Mr. Boyce :

Q. They took over the telephone system from whom ?—A. From a private telephone company.

Q. Was that for Edmonton only ?—A. For Edmonton and district.

Q. Has the Bell an agency there?—A. They have an agency there.

Q. You have not heard of any other municipal system?—A. I know of no others. Of course, there are a number of independent companies.

By Mr. Grant :

Q. With regard to the town of Neepewa, have the Bell withdrawn from there ?—A. The statement is that they have taken out their poles and wires. They may have one pay station there; I do not know.

Mr. ROCHE.—Yes, they have one.

By Mr. Boyce :

Q. In these places, are there no long-distance lines—in Neepewa, Port Arthur, Fort William or Edmonton ?—A. Yes, the Bell have long-distance lines and pay stations in some of them, if not all.

Q. Yes, but there are no long-distance 'phones in Port Arthur or Fort William, are there?—A. No; the system is only in the immediate locality. You see, Fort William and Port Arthur are isolated.

Q. And the same conditions apply to Neepewa ?

Mr. ROCHE.—No, the trunk line of the Bell system goes through Neepewa.

Q. But there is no direct connection with subscribers to the municipal system for conversation, is there ?—A. No.

Mr. MACLEAN.—You would have to go round to the pay station if you wanted to speak to Winnipeg.

By Mr. Boyce :

Q. I believe that they have recently opened a line from Minneapolis?—A. Possibly.

Q. I know you can speak from Winnipeg to Minneapolis, but there is no possible means of communication existing at present between the municipal 'phones at Neepewa, for instance, and the long-distance line?—A. No, but at Fort William and Port Arthur the municipal exchanges are connected.

Mr. ROCHE.—I have called up residents of Neepewa and they have had to come down to the long-distance station to speak.

By Mr. Boyce :

Q. And the Bell telephone never interchanges traffic with the local and municipal 'phones such as they have on St. Joseph's Island?—A. No.

Q. There are also two other cases in which the conditions were somewhat peculiar, Port Arthur and Fort William. Those are municipal systems; and then there is that farmers' system on St. Joseph's Island in Algoma. I think it would be advisable to get some information with regard to all these systems.

WITNESS.—I may say I have put in a letter from St. Joseph's Island, showing that they have a very good system. (See Exhibit No. 2, Schedule G.)

Mr. BOYCE.—Yes, I have seen that system, and I think it will be very advisable to get some evidence from there.

WITNESS.—I may say I have later information regarding Neepewa; and also Port Arthur and Fort William, but it would take up too much of the time of the committee to read it now.

The Committee then adjourned.

Mr. FRANCIS DAGGER.

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COMMITTEE ROOM,
MONDAY, March 27, 1905.

The Committee met at 11 o'clock a.m., Sir William Mulock in the chair.

Mr. ALPHEUS HOOVER, of Green River, Ont., sworn.

By Mr. Maclean:

Q. You live at Green River?—A. Yes, sir.

Q. What is your occupation?—A. A flour miller.

Q. I believe you organized a private telephone company in your neighbourhood?—A. I did.

Q. How many members has it, and who are the members? Roughly, giving us a little sketch of the company?—A. We started with a membership of 20, 20 subscribers, and 14 miles of line was the proposed mileage at that time. Shall I give you the points we took in in that?

Q. Yes.—A. We commenced our line at Markham village, in York county, and went eastward to Locust Hill; from Locust Hill to Green River, from Green River to Whitevale and from Whitevale to Brougham.

Q. Who were the owners of the line, yourselves, the company?—A. Yes, the 20 subscribers.

Q. And you paid for the construction and the cost of the instruments?—A. We did. We bought our poles, erected them, and gave the contract for stringing the wire and installing the telephones to a company.

Q. Well, now, is that line in existence?—A. It is, sir.

Q. Have you extended it?—A. Yes, sir.

Q. How many miles are there now, and how many subscribers?—A. The present company have 25. We had more, but we sold a portion of our line running southward through Scarboro towards Toronto. We sold that to a few gentlemen known now as the Scarboro Telephone Company.

Q. Well, can you tell us roughly what that line cost you?—A. The 14 miles?

Q. Yes.—A. It cost us $48 per subscriber.

Q. That is each subscriber put in $48, then he was an owner of the company, and his instrument was paid for?—A. Yes, sir.

Q. And the only thing left then was the maintenance of the line?—A. That is right.

Q. And do you have a good connection with your various subscribers. one with the other?—A. Yes, we have.

Q. Satisfactory conversations?—A. Very satisfactory.

Q. Now then, who are the men in this private line? Give us some idea of their occupation?—A. There is only myself in the flour milling business.

Q. You are a flour miller?—A. Yes.

Q. How many farmers?—A. Five.

Q. Five farmers? How many business men?—A. There are eleven, including ourselves.

Q. And is there a doctor on the line?—A. Yes, there are two doctors.

Q. Two doctors on the line?—A. And two veterinary surgeons.

Q. And two veterinary on the line?—A. Yes.

Q. Are there any others?—A. We have installed other telephones, but these are the original 20.

Q. What others have you installed?—A. We have taken in at Greenwood, two miles east from Brougham, quite recently, another merchant who is also the township division court clerk, also two farmers.

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Q. He is the division court clerk ?—A. Yes.

Q. And among your farmers have you any stock-breeders ?—A. Stock-breeders ?

Q. What stock-breeders are on your line ?—A. The firm known as John Miller & Sons.

Q. They are prominent stock-breeders —A. Stock-breeders, yes, Shorthorns and Clydesdales.

Q. And Graham Bros., are they on the system ?—A. No, they are not. We have connection with those people, not with them personally, but we go into Claremont.

Q. Now tell us, Mr. Hoover, in as short a form as you can, the effort your company made to obtain connection with the Canadian Pacific station at Locust Hill ? First of all, tell me, do most of the people who are subscribers in your company do business with the C.P.R. as customers, as passengers, and giving and receiving freight ?—A. Yes, I think that with the exception possibly of three subscribers who live in Markham, and of course right at the Grand Trunk there, I think all others are really patrons of the C.P.R.

Q. You are all patrons of the C.P.R. ?—A. Yes.

Q. That is, you travel by it ?—A. We travel and get our goods.

Q. And you ship by it ?—A. Yes.

Q. You get all your freight, how ?—A. By C.P.R., we have always done so.

Q. Now, tell us, have you made any effort to have your line put in the C.P.R. station at Locust Hill ?—A. Yes.

Q. And whether you succeeded or not ?—A. I made application to our agent, our C.P.R. agent at Locust Hill.

Q. Yes ?—A. He was very favourable, would like to have the telephone, and I think he took the matter up with Mr. Timmerman, at that time divisional superintendent.

Q. At Toronto ?—A. And I visited Mr. Timmerman myself. He approved of it but what became of it after that I am not in a position to state. I think it was no doubt handed on to his superior officer.

Q. And then what happened ?—A. I waited possibly a month and became anxious. We wanted to finish the equipment of the line by installing as we expected the telephone in Locust Hill station and not getting any reply I wired to Sir Thomas Shaughnessy at Montreal.

Q. Yes ?—A. And asked him to grant us the privilege of installing the telephone at Locust Hill. In the course of a couple of hours I got a reply saying that owing to an agreement which existed between the railway company and the Bell Telephone Company he was unable to grant the privilege of installing a telephone there.

Q. Did he ever send you a copy of that agreement ?—A. He did.

Q. Have you got it ?—A. I have not. It was handed over to the Crown Attorney of Ontario county.

Q. Then that agreement is part of the record in an action that was entered, I think, to compel service being given ?—A. Yes, sir.

Q. Have you got a copy of it ? I would like to produce it and ask Mr. Hoover if it is a copy. The C.P.R. deliberately declared it was their policy by reason of this contract with the Bell Telephone Company not to allow any private telephone company or any company other than their own, to have access to their railway stations. Was that not the substance of it ?—A. That is right.

Q. Mr. Hoover, I would like to know what arrangements you made, after the refusal of the Canadian Pacific Railway Company to let you enter their stations, to do business with the station at Locust Hill in regard to the telephone?—A. We installed a telephone as near the station as possible in a private house.

Q. Yes ?—A. We gave those people of course free access to the telephone over our line and we paid them 5 cents for a messenger service going to the railway station and inquiring as to freight.

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Q. That is every time any of your subscribers desired to make inquiry of the Locust Hill agent you must telephone your local agent at Locust Hill and he must either cross over, or send a messenger over, to ask the question and then come back and telephone you ?—A. He has got to, yes. He has either got to go or send a messenger, that costs us 5 cents each time.

Q. Each time?—A. Each time that he makes an inquiry.

Q. And it would be a great convenience to you if you could have direct connection without this station?—A. Yes, it certainly would.

Q. And what are the nature of the questions that you asked the Canadian Pacific Railway agent ?—A. As to the arrival of goods ?

Q. Yes.—A. Freight.

Q. Whether the trains are on time?—A. Yes, that is a question. Of course we do not bother about the train service.

Q. Just about freight?—A. It is generally freight, a matter of business. We take it for granted that the train service in the passenger way is generally pretty good.

Mr. MACLEAN.—Now I am going to put in this correspondence and this letter.

Mr. GRANT.—What is that, the agreement?

Mr. MACLEAN.—Yes. It is not the original, but we can put it in now. I want to read it. I am going to read it and ask Mr. Hoover if that is the agreement that was sent to him.

Mr. GRANT.—It would not be evidence.

Mr. MACLEAN.—It would not be called evidence.

Mr. GRANT.—It is a newspaper reprint.

Mr. MACLEAN.—But I was going to read it to him, and ask him if that is what he was told.

The WITNESS.—We had a certified copy of the agreement.

By Mr. Maclean:

Q. I beg your pardon?—A. The Canadian Pacific Railway gave us a certified copy of the agreement.

Q. Well, there is Sir Thomas Shaughnessy's telegram to you. I would like you to read that, and then I shall ask if that was not correct. Is that document shown to you the agreement (a certified copy of which was given to you, so far as you can judge) between the Canadian Pacific and the Bell Telephone Company ? It is down at the bottom of the column ?—A. This part that is marked here? Yes, I think that is all right, Mr. Maclean.

Mr. GRANT.—Read it.

Mr. MACLEAN.—I will read it, it will only take a very short time.

(Exhibit No. 4.)

'MONTREAL, February 5, 1903.

'A. HOOVER, Locust Hill.

'Very sorry that we cannot comply with your request unless it be with the consent of the Bell Telephone Company, with whom we have a contract for privileges in our stations.

'T. G. SHAUGHNESSY.'

Mr. MACLEAN.—This is Sir Thomas Shaughnessy's telegram to Mr. Hoover. That accounts for the reason why this private company could not get into the station, because of this contract. Well then, here is the contract:

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APPENDIX No. 1

(Exhibit No. 4*a*.)

'CONTRACT.

'This agreement executed in duplicate at the city of Montreal, in the province of Quebec, the first day of May, 1902: By and between the Bell Telephone Company of Canada, Limited, a body corporate, having its principal offices in the said city, hereinafter called the telephone company; and

The Canadian Pacific Railway Company, a body corporate, having its principal office in the said city, hereinafter called the railway company. Witnesseth:

'That the said parties have covenanted and agreed as follows: 1. The telephone company will furnish to the railway company, at all points in the Dominion, and where it may now or hereafter have exchanges, telephone connections between the offices and stations of the railway company and the exchanges of the telephone company free of charge. It will also issue to the officers of the railway company annual passes or franks good over the long-distance lines of the telephone company and free telephone exchange connection, and maintain during the term of this contract a local exchange in the head office of the railway at Windsor Street station, Montreal, affording communication with the different offices, as well as with the said local exchanges of the telephone company in the city of Montreal.

2. The railway company will furnish annual passes to the officials of the telephone company over its own railway and telephone lines, and lines leased or controlled by said railway company, and will also furnish free transportation to the employees of the telephone company over said railway lines in Canada.

3. The telephone company shall have the exclusive right of placing telephone instruments, apparatus and wires in the several stations, offices and premises of the railway company throughout the Dominion of Canada, when the telephone company has, or may, during the life of this contract, established telephone exchanges, it being understood in connecting with new exchanges being established that the railway company will be given a fair service sufficient for its business.

4. And each company, so far as it may properly do so, without prejudice to its own business, grants to the other company facilities for carrying its wires and lines through or over the poles, subways, bridges and other premises, on equitable terms, to be agreed upon. And the railway company will not grant similar facilities to any other telephone company.

5. The number of annual passes or franks, free telephone connections and extent of free transportation shall be determined from time to time by the president of the railway company and the president of the telephone company, as the expansion of both companies may require, and such passes, franks and telephone connections shall only be issued, on written application of an officer of either party, as designated by the president of each company.

6. The terms and conditions of this contract, as applying to the C.P.R., shall also apply to the C.P.R. Telegraph Company, and it is further understood and agreed that where telephone connection with local exchanges is required for an office of either of the above, the agent for which carries on any other business, or acts as agent for any other company, he shall pay one-half the regular exchange rates, and the company or companies herein represented by the C. P. Railway Company shall pay nothing for their services.

7. This agreement shall remain in force for a period of eight years from the date hereof.

In witness whereof each of the said parties has caused to be set hereto its corporate seal and the signatures of the officials below named.

[SEAL.]

Bell Telephone Co., by C. F. SISE,
President.
CHAS. P. SCLATER,
Secretary-Treasurer.

C.P.R. Co. by D. McNICOLL,
Second Vice-President.
A. R. G. HEWARD,
Assistant Secretary.

Mr. ALPHEUS HOOVER.

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MR. SMITH.—What was the date of the contract ?

MR. MACLEAN.—1902

By Mr. Maclean :

Q. Mr. Hoover, was some action taken by your company, or some one representing your company, in connection with the grand jury in the county of Ontario ?—A. That was in the county of York.

Q. Yes, in the county of York ?—A. Yes.

Q. Tell us in substance what that was.—A. Well,——

Q. You went, I think, to the Attorney General of Ontario ?—A. Yes.

Q. You stated your case ?—A. Yes.

Q. He referred you to the crown attorney of York ?—A. Yes.

Q. You stated your case and he instituted some kind of a suit in the courts of the country against the Bell Telephone Company and the railways, his contention being that it was against public policy to refuse to allow your company entrance to that station. And what happened in that suit ?—A. We had——

Q. It was heard before the grand jury, was it not ?—A. No, we had the trial before two magistrates, and then we went before the grand jury of York.

Q. Yes ?—A. Those two magistrates agreed to disagree. That is why we went to the Attorney General and secured a new trial. Well, County Crown Attorney Dewart, of York county, then took the matter up. It went before a certain judge in Toronto, I just forget who, and he said that the agreement and not the refusal, if I remember rightly, was the offence, and the fact of it having been made and signed in Montreal in the province of Quebec put it out of his jurisdiction.

Q. So practically you were non-suited, or no decision was reached ?—A. Non-suited, there was no decision.

Q. And on a technicality it was thrown out ? That suit has not been prosecuted since ?—A. It has not.

By Mr. Grant :

Q. You had the judgment of the magistrate first ?—A. I beg your pardon ?

Q. You had the judgment of the magistrate's court first ?—A. Yes.

Q. What was the charge laid before the migistrate ? Can you tell us ?—A. It was a criminal charge.

By Mr. Maclean :

Q. Combination is it not ?—A. Combination to hinder the barter and sale and transportation of goods and so on.

By Mr. Smith :

Q. What is the name of your company ?—A. ——

By Mr. Demers :

Q. You did not succeed before the grand jury ?—A. No.

MR. MACLEAN.—The grand jury made a case.

By Mr. Smith :

Q. We have not got the name of your company.—A. The Markham and Pickering Telephone Company.

By Mr. Maclean :

Q. You also had some correspondence had you not with people who were in similar circumstances and had been refused like accommodation at Port Arthur ?—A. Yes, sir, a great many cases.

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APPENDIX No. 1

Q. You had other cases come to your attention ?—A. Yes.

Q. Of people under similar circumstances ?—A. Yes, I think several.

Q. Well, have you had any communication with the Bell Telephone Company since ? Can you tell us whether they were in business in the locality ?—A. They were not. We had asked the Bell Telephone Company a number of times.

Q. To do what ?—A. To build a line or give us telephonic communication at those points ?

Q. Yes ?—A. And they practically wanted us to build the line and give it to them, and then pay them a rental of about $175 a year, if I remember rightly.

Q. For the whole line or was it for your private line ?—A. Per 'phone, Bell line.

Q. Per 'phone they asked you $175 ?—A. They did not ask me that, but one of our present subscribers told me that he had been told by an official of the Bell Telephone Company that that would be the approximate cost of his telephone.

An hon. MEMBER.—That is not evidence.

Mr. MACLEAN.—That is evidence in this way that he asked the Bell Telephone to give him a service and they refused it or put it at a prohibitive rate.

Mr. DEMERS (Iberville) :—That is no evidence at all.

The WITNESS.—We had asked the Bell Telephone Company to give us telephone communication. Not me, my father had done so. I was in the business at the time but of course he was the senior member and did the business.

By Mr. Maclean :

Q. But you know you tried to get a service from the Bell Telephone Company and did not succeed ?—A. Yes, sir. Then we built this line. Then the Bell Telephone Company paralleled our line.

Q. Yes, and they worked in opposition to you since then ?—A. They made the proposition at that time but the Markham and Pickering Company could not accept of the agreement.

Q. What was it they offered you ?—A. Well, I cannot just tell you that, Mr. Maclean.

Q. But you had then a satisfactory service outside of the connection with the railway and you did not want to change your position ?—A. We did not. We would have accepted connection with the Bell Telephone Company had it been favourable to our company. They would not allow any extensions of our line. We had to cease erecting.

Q. Are they paralleling your service to-day ?—A. Yes. They have in the past two months changed their line. I do not know why. They have made it a party line similar to the line we have.

Q. They have done away with the offices practically, that is public pay stations ? —A. Yes, their pay stations have to pay $20 a year at Green River, and they get a commission or percentage of 20 per cent on outgoing public messages.

By Mr Burrows:

Q. What do you mean by calling it a party line ?—A. A party line——

By Mr. Maclean:

Q. If they sell it out to another private line ?—A. No, perhaps Mr. Dagger can explain that to you better than I can; he is better versed in telephone questions. A party line, as I understand it, would be a line where we ring all 'phones on the line, each party having a certain number of rings.

By Mr. Grant:

Q. Every subscriber is rung ?—A. Yes, every subscriber.

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By Mr. Maclean:

Q. But each man knows whether it is his code or not?—A. Yes, we have a code of rings and each subscriber understands his particular ring.

By Mr. Grant:

Q. One, two, three or four?—A. Yes, and two short, three short, long and short, and so on. We are installing telephones at the present time where we overcome that.

By Mr. Maclean:

Q. The point I want to get out before the committee and which seems to be the one of interest to us is this, that you have to-day a satisfactory company, is that so?—A. Yes, quite right.

Q. That you are making a success of it?—A. Yes.

Q. That it costs you in the neighbourhood of what?—A. Forty-eight dollars per subscriber.

Q. Forty-eight dollars per subscriber, and that you have a satisfactory service between one and the other subscriber but that you are denied access with your telephone to the station of the Canadian Pacific Railway, the company with which you do most of your railway business?—A. Yes, and not only at Locust Hill. Our company has grown to some extent and we are co-operating with similar companies; it affects us at Stouffville, Markham, Claremont, and ultimately at Pickering; we are building towards Pickering at the present time.

Q. If you wish to do business with the Bell Company at any point where your line meets theirs, how do you do business with them?—A. We go to their office.

Q. You have to send a messenger. Supposing one of your subscribers wanted to talk to somebody on the Bell Company from your wires, could he do it?—A. No.

Q. They have refused to connect with you?—A. They have offered us a connection that we would not accept.

Q. Tell us what they offered, give it to me in substance?—A. The last proposition that they came to us with they offered to give us a connection at Markham.

Q. Yes, on what condition?—A. That we discontinue the agreement that we have with similar companies. They would not allow us to co-operate with similar companies.

Q. That if you refused to co-operate, they would give connection?—A. Yes.

By Mr. Grant:

Q. Who started this negotiation, you or they?—A. They, the Bell Telephone agent at Markham.

By Mr. Maclean:

Q. Before that, they had refused to connect up with your system?—A. Yes.

Q. Would it be an inconvenience for the station agent, so far as you know, at Locust Hill, to have your wire come into his office and answer your queries any more than if you go into the office and ask your questions about rates or anything—would it be a greater inconvenience to answer over the wire?—A. He has said not.

Q. He has said not, that is the point. So that, it would be a greater convenience to you who are clients of the Canadian Pacific Railway to have your line connected with their agent?—A. Quite so, Mr. Maclean.

By Mr. Smith:

Q. How did the paralleling of your line with the Bell Company affect your custom?—A. Not at all. We get all we are working for locally, and the paralleling of our lines by the Bell Company gives us the Bell communication which we have been asking for for years.

Q. Was their rate the same as that established by your local office? Did they affect the rates at all by paralleling your line?—A. Our rates?

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Q. Yes.—A. No, we had a ten-cent tariff for our 14 miles of line.

By Mr. Maclean:

Q. Is that for outsiders?—A. Yes.

By Mr. Smith:

Q. They did not cut the rates?—A. No.

By Mr. Maclean:

Q. Do you give outsiders those rates?—A. We do on our own system. Where we connect with other companies we have a fifteen-cent rate.

By Mr. Grant:

Q. What other companies?—A. The Stouffville and Bethesda company.

Q. A similar company?—A. Yes, and the company at Claremont, which is really owned by the Brodies, a doctor and a veterinary doctor. And the Scarboro Telephone Company, a line which we built and turned over to a couple of farmers, and one or two gentlemen in Toronto, as also a couple of men in Markham, subscribers of ours, that retain a share in the Scarboro line.

By Mr. Maclean :

Q. Do you know anything more useful to the ordinary citizen of the country to-day than the telephone?—A. I do not.

Q. As a great public convenience, there is nothing almost equal to it, and the comfort it gives and in the increasing of the ordinary comforts of life. Is that your opinion?—A. That is it, Mr. Maclean. It was quite a job to secure a sufficient number of subscribers, but to-day you cannot get the telephones from them.

Q. The company was pretty hard to form, but now nobody would give up their telephones?—A. They would not give it up at all.

By Mr. Zimmerman:

Q. You have to go to the Bell Telephone Company for long-distance connection? —A. Yes, sir.

By Mr. Maclean:

Q. I want to ask you this, would this be a great convenience for you, if the Bell Company would take in your wire at one of their stations and you were willing to pay their fee, so that you would have long-distance connection by having your wire attached to their switch-board?—A. It would.

Q. That would be a great convenience?—A. Yes.

Q. And you think it would be a great convenience if some kind of compulsory connection between all companies were made on a reasonable basis of proper payment? —A. I think so. That has been the thought of our company.

By Mr. Demers:

Q. What about the cost of building your line—did you pay for everything?—A. Yes.

Q. The farmers did not furnish the poles?—A. Oh, yes, the farmers who had poles could turn them in as part payment of their amount of subscription.

Q. It cost you less than it would cost the Government to build the line?—A. Well, I cannot tell you what it would likely cost the Government .

By Mr. Burrows:

Q. The company paid for all the poles, either to subscribers or other parties?— A. Yes.

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By Mr. Demers:

Q. Nothing was done for nothing?—A. Nothing.

By Mr. Grant :

Q. You have not told us the annual cost to the subscribers ?—A. We have no annual cost.

Q. What about repairs ?—A. We have sufficient revenue to maintain the repairs or keep our line in running order.

By Mr. Maclean :

Q. Do you mean from the transitory business ?—A. Yes, commercial or outside messages.

By Mr. Demers :

Q. Did the subscribers work in the construction of the line ?—A. Some of them. Every person was paid.

Q. Yes, I understand that you made an allowance. What I want to know is, if you include in the $48 as an expense—what I want to know is if the farmers worked for the building of the line?—A. Yes.

By Mr. Zimmerman :

Q. Did they put up the poles or carry the goods or do anything like that ?—A. We hired possibly three or four farmers to team poles.

Q. You paid them ?—A. Yes.

By Mr. Burrows :

Q. Did labour cost any less for your company than it would for any other company ?—A. No, I do not think so.

By Mr. Maclean :

Q. You made reasonable allowance for labour, and everything you got from your subscribers ?—A. Yes.

Q. Do you not think from your experience that ordinary farmers can supply their poles and put up independent lines very cheaply ?—A. Yes, where poles are obtainable. There are sections of the country where they are very scarce.

Q. There would not be any reason why farmers should not co-operate in building their lines and therefore keep them at the lowest possible cost ?—A. I think it would be encouraging if they could really have telephonic communication.

Q. Are you buying poles now?—A. Yes.

Q. How much are you paying for them a piece?—A. Thirty-five to fifty cents a pole.

Q. You can get a fair telephone pole for a private line for how much ?—A. From 35 to 50 cents each.

By Mr. Grant :

Q. What kind of wood ?—A. Cedar.

By Mr. Burrows :

Q. What size ?—A. Northing less than 4-inch tops.

Q. And how long ?—A. We do not accept anything less than 21 feet—18 feet in the clear is what we are supposed to have as poles.

Q. I used to give $1 a piece for poles in the North-west, 25 feet long——

By Mr. Maclean :.

Q. You get yours at from 35 to 50 cents ?—A. Yes.

Q. A serviceable pole for that kind of line ?—A. Yes, a pole to carry two wires.

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APPENDIX No. 1

By the Chairman :

Q. I would like to ask a few questions. When did you establish this line ?—A. Three years ago.

Q. And how many subscribers have you now ?—A. Twenty-five, I think, in our system.

Q. What is the total cost of this, labour and material ?—A. Figuring on the twenty subscribers, it was $48 each, but since that we have been taking them in at $50 each.

Q. What is the total capital outlay to get to whatever you have to-day ?—A. Possibly it exceeds $1,000.

Q. It would exceed $1,000 ?—A. Yes, very little.

Q. Much ?—A. Very little.

Q. Within $100 ?—A. I think so.

Q. It would be less than $1,100 ?—A. I think it would be.

Q. What is the present mileage ?—A. Approximately 25 miles.

By Mr. Maclean :

Q. Iron wire ?—A. Yes, sir, it is BB telephone wire.

By Mr. Burrows :

Q. Does that amount pay for instruments ?—A. Yes.

By the Chairman :

Q. Will the present mileage accommodate more subscribers than you have on it to-day ?—A. By using a switching device it will accommodate more. I think at the present time we have our line cut in two places, Green River and Brougham, during the day, or during business hours. But after these hours and on Sundays the line is connected from end to end, and the telephone that we are using will ring these bells clearly and they are guaranteed by the company that manufactured them to ring even more, as high as 40.

Q. What has been your system of repairing during these three years ?—A. We reconstructed our line considerably. It was built by a gentleman who, I think, was a thorough electrician but I really think the firm were experimenting possibly at our inconvenience and it was necessary for us to do away with a certain wiring, and that is about all the reconstruction or repairing that was necessary. We are, however, installing new telephones.

Q. What do you charge the public for the use of your system ?—A. Ten cents.

Q. A message ?—A. Ten cents a message.

Q. What conversation ?—A. Three minutes, it is supposed to be. We never cut them off.

Q. Have you any idea what revenue is derived from that source ?—A. No, I cannot answer that question.

Q. Does the revenue from that source maintain the line ?—A. Yes, sir, it will, that is not taking into consideration the reconstruction of our line, but that would more than pay the maintenance.

Q. It is sufficient to provide for depreciation ?—A. Yes, sir, we are allowing for depreciation in our business.

Q. You are estimating for the life of the poles ?—A. Yes, and the telephones.

Q. And you say the revenue from outside sources will pay for maintenance and reinstatement when the material becomes useless ?—A. Unless it should be some unforeseen ice storm or something of that kind.

Q. Do you apply to the municipalities for leave to use the highways ?—A. Yes, sir.

Q. Are you an unincorporated company ?—A. No, sir, we are incorporated under the Ontario Companies Act.

Q. With shareholders ?—A. Yes, sir.

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Q. But you do not pay a dividend ?—A. Not as yet.

Q. Do you contemplate making it a dividend paying enterprise or is it just on the co-operative principle ?—A. Principally on the co-operative for our own special benefit.

Q. Are the shareholders confined to the telephone users ?—A. I do not quite understand you.

Q. Would you allow outsiders to have stock ?—I am not wanting to buy any—or are the stockholders confined to those who are telephone users ?—A. Not solely. At the present time we have one member of our company who is not a telephone user.

Q. Then it might be turned into a purely stock company for revenue instead of having as an object cheap telephones for the country ?—A. No, sir, our company would not allow it.

Q. There is nothing in its law or constitution—— A. We have not framed our laws or constitution yet. We were just incorporated quite recently and we are still operating by the provisional board, and until we elect our officers in the proper way and frame a proper constitution and laws we of course are operating that way. And that is one thing no doubt that will be looked after,—the interests of our company; I do not think they will allow the sale of stock where there is any danger of the company being bought out.

By Mr. Maclean :

Q. With your experience, do you think 20 or 25 farmers could not get together and build a better line or as good with probably a better telephone in use for what amount per subscriber ?—A. That depends on the mileage, of course.

Q. I know, but put it another way, could you reproduce your line in the light of your experience for less than $48 per subscriber——

By Mr. Zimmerman :

Q. That will depend largely on the location.

By Mr. Maclean :

Q. They have got experience that cost them money ?—A. Yes, I think I would undertake to build that particular 14 miles of line for less.

Q. How much less ?—A. I have not given that any thought.

By Mr. Zimmerman :

Q. I thought it was 25 miles,—A. I am speaking of the original 14 miles.

By Mr. Maclean:

Q. You have reason to believe that farmers working under similar circumstances could do it for less ?—A. Quite so. I would not be afraid to go out and organize companies similar to that and get poles at possibly those prices.

By Mr. Grant:

Q. A good deal would depend upon the locality ?—A. Yes.

By Mr. Maclean:

Q. I said under similar conditions.—A. Yes.

By Mr. Grant:

Q. Are poles easily obtainable in your neighbourhood ?—A. Yes.

Q. You spoke of reconstruction as lately taking place ?—A. Yes.

Q. You did not tell the committee how you raised the expenses for that ?—A. It was necessary to make a small assessment to cover the reconstruction expenditure.

Q. How much per subscriber ?—A. Well, I cannot just answer that question, sir. That was included in the $48.

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APPENDIX No. 1

By Mr. Monk:

Q. If this work was executed as a government work, would it have cost you very much dearer, speaking generally?—A. I do not know, sir, I am sure. I have never had anything to do with Government jobs. There is certainly one thing that the Government might do to assist the farmers in this telephone question.

By Mr. Maclean:

Q. What is that?—A. In allowing farmers, or I might say companies similar to ours, to get telephones duty free, or by paying less duty. It is necessary to pay 25 per cent duty on these goods. That brings the cost up.

By Mr. Grant:

Q. These come from the United States?—A. Yes, there are no other instruments made in Canada except the Bell, and I do not know that they are made here solely. I never had much business with them.

By Mr. Johnston:

Q. The General Electirc Company deals in that sort of thing.—A. A good many companies are dealers in them, yet they import the goods.

By the Chairman:

Q. Is your a single-grounded line or metallic ?—A. Metallic.

Q. Have you any connection with trunk lines ?—A. No, sir.

Q. Do you find much demand from your customers for connection with trunk lines?—A. I think, sir, that if we had connection with trunk lines,—I am positive that the subscribers would go on so fast that it would be necessary to string more wires.

Q. What is your difficulty in getting connection with trunk lines? Who owns the trunk lines in your vicinity?—A. The Bell Telephone Company of Canada.

Q. Have you applied to them for connection?—A. Not exactly. We have met, I suppose, the proper officials on different occasions, with that object in view.

Q. Did you not make known your object?—A. Yes, sir, we made known our object, but the agreement was such that it was not very favourable to our company, and we would not accept the connection.

By Mr. Maclean:

Q. You would like to see some kind of trunk line service to which all these independent companies might have access?—A. Yes, that is the feeling generally.

By the Chairman:

Q. The terms were too close?—A. That is it.

Q. If it is convenient to you, perhaps you would send to the committee particulars showing the terms demanded of you, and what you are willing to have submitted to.—A. I have not anything in writing.

Q. The negotiations were all verbal?—A. Yes, the proposition that they put to us, I think I could give it to you.

Q. You might state the particulars of it.—A. They would allow us connection with their office at Markham. We, however, were not allowed to extend our line in any direction. I think their special agent, Mr. W. C. Scott, did say, however, that he would allow us to take on other subscribers where we had already constructed our lines, but we could not construct any lines where we would be paralleling or competing with them at any particular point. At the present time, we have a connection with the Stouffville and Bethesda Company or Association, as they term themselves, which gives us, I suppose, a population of 10,000, and it would be necessary according to this agreement, to do away with that connection; they would not allow us to co-operate with that company. We would be obliged to pay, those of us who are subscribers, the usual 15 cent tariff for this particular piece of line where we have a free service.

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By Mr. Maclean :

Q. But were you willing to pay the Bell Company's ordinary rate for a conversation with their subscribers for that connection ?—A. Yes, we were willing to pay the usual long distance rate, and we told Mr. Scott that we would charge the same tariff from Markham or from any competing points as they would put on the Bell line. He would not accept that.

Q. That would be an opportunity for the Bell Company to earn revenue, not only from you, who wished to use their trunk lines, but people on their service who wished to talk to your customers ?—A. Yes.

Q. It would be really profitable for them to give you the service ?—A. We thought so.

Q. But unless you accepted it in their terms they would not give it to you ?—A. No.

By the Chairman :

Q. The negotiations have broken off ?—A. Yes.

Q. You not being willing to submit to the terms that they desired ?—A. No.

By Mr. Monk :

Q. Did the Bell Company offer to take over your system ? How would you view that proposition ? Would you prefer to keep on ?—A. I do not think they could get it from our subscribers, unless there was just as free access as there is at the present time, and this no doubt would not be the case.

Q. How would you view the government taking control ? Would you prefer to keep the control locally ?—A. Well, that is a question that no doubt would require some thought and discussion by our company. It would depend altogether on the conditions as to whether the government no doubt would be expected to maintain the line and subscribers pay a rental or how it would be conducted. No doubt we would be favourable to an agreement of that kind.

By the Chairman :

Q. Have you any opinion in regard to the merits of municipal control of the telephone systems as distinct from yours, which is an incorporated company, a stockholders' company, with a desire to respect the co-operative principle, but being at liberty to disregard it ?—(No answer.)

Q. What is your opinion as to municipal control of the telephone system—say, take a township system, for example ?—A. I think, sir, that it could be done, and no doubt be successful.

Q. Have you thought it out at all ?—A. I have given the question some thought and have spoken to some of our members along that line, and they, I might say, are largely in favour of such a system.

Q. You think that the people in the rural districts, the comparatively isolated districts, would all welcome having telephones in their houses ?—A. Yes, sir, and more than that, I think they have more need of it really than the people in the towns and cities, as regards, for instance, the market reports.

The CHAIRMAN.—I think, perhaps, on this point we had better get some opinion. There is the union of municipalities, and I think it would be well for us to prepare some questions and submit it to the members of that union and get their well-thought-out opinion upon this subject.

Mr. MACLEAN.—Probably the easiest way to frame those questions would be to summon their secretary, Mr. Lighthall, first.

The CHAIRMAN.—We had better give them that information in advance so that when they come here they can come prepared.

Mr. ALPHEUS HOOVER.

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Mr. MACLEAN.—Mr. Lighthall has gone into it fully and I thought they might aid us in framing those questions.

The CHAIRMAN.—I think that the offhand opinion of Mr. Hoover as to the merits of the municipal system would not be as valuable as the opinion which has been arrived at as the result of careful thought.

By Mr. Roche :

Q. Take the 20 original subscribers on your line, have they to pay just the same as the outside subscribers for the use of the phone ?—A. We pay nothing, we have the free use of the phone one to the other, and also connection to the other phones. Any subscriber on one system has free connection with any subscriber on any system that we co-operate with.

Q. That is an advantage that members of the company have over the outsiders ?—A. Yes.

By Mr. Maclean :

Q. And so you have nothing more to pay now ?—A. Nothing more than the cost of maintenance, and the revenue is really sufficient to keep the line in repair.

By Mr. Roche :

Q. Has there been any complaint as to the system of signals ? As to other phones being rung up, there has been no nuisance at all, no complaint ?—A. No, we are installing a telephone at the present time, or are about to, that overcomes that largely, it is so constructed that in calling the central office you use, on the opposite side of the telephone, a push button. When you use that button, it calls only the central office, and the ring is not heard in the private houses; and in calling the private house you turn the crank in the ordinary way and it is not heard in the central office.

Q. But is it heard in the other offices where there is a connection all along the line ?—A. No.

By the Chairman :

Q. Do you understand the 'lock out' system whereby one subscriber can call for a connection with another one and automatically, himself, establish the connection ?—A. Is that the system, Mr. Dagger, that the 'Stark' people have ?

Mr. DAGGER.—No, Sir William is referring to the 'lock out' system, where you lock every other station on the line out, so that they cannot use it.—A. No, not with this telephone. In using the push button it simply calls the public office and the ring is not heard in the house. That is the question this gentleman asks with regard to ringing being heard, but in calling the subscribers we use the crank in the ordinary way, and the bell is not heard in the Central Office. That telephone is used on a metallic circuit line, two wires, you cannot use it on one wire.

By Mr. Maclean :

Q. Then in order to work that there must be two telephones at the same terminal ?—A. No, we have one telephone at Markham, and we have furnished that telephone with a switching device with a capacity of five lines, and the Scarboro line also comes in there.

Q. So that you can put a peg in and give connection from one line to the other.—A. That telephone is made with a very small box attached with the necessary number of plugs and holes in it in connection with the telephone, similarly to the ordinary wall telephone.

By Mr. Zimmerman :

Q. Do you have a central office to operate this line?—A. No.

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Q. You have paid help employed ?—A. We pay a percentage on messages in and out on the whole line.

By Mr. Maclean :

Q. You have not a central office to manipulate the system ?—A. Oh, no, just to give connections from one line to the other.

Q. Then this Markham station is one of your terminal points where you connect with the Bethesda and Stouffville subscribers, and you have to put some body at this terminal to make the necessary connection at the switch board.—A. Yes, sir.

By Mr. Grant :

Q. Your part of the country is old, and is well populated with a wealthy community—the counties of York and Ontario ?—A. Quite so.

Witness discharged.

COMMITTEE ROOM,
THURSDAY, March 30, 1905.

The Committee met at 11 o'clock a.m., Sir William Mulock, in the Chair.

Mr. ANGUS CAMERON, of Beaverton, Ontario, sworn :

By the Chairman :

Q. Where do you live, Mr. Cameron ?—A. Beaverton.

Q. County of Ontario ?—A. Yes, sir.

Q. Have you any connection with any telephone company ?—A. Not at present.

Q. Are you aware of any local telephone company in your district ?—A. No, there is no local telephone now.

Q. Was there one ?—A. Yes.

Q. What was the name of it ?—A. The Independent Telephone Company.

Q. The Independent Telephone Company. When was it established ?—A. In 1902, August, 1902.

Q. What has become of it ?—A. Sold to the Bell Telephone Company.

Q. Are they operating it now ?—A. Yes.

Q. What was the nature of that company ?—A. It was a company formed first among the farmers, and later among the business men of the village of Beaverton.

Q. What was the extent of this establishment ?—A. The number of miles of wire and so on ?

Q. Describe the company generally.—A. It comprises about 11 miles of poles and perhaps 20 or 25 miles of wire, and about 32 subscribers on those lines at the time we started, and it probably would have been 100 subscribers in two or three more months.

Q. It would ?—A. Yes.

By Mr. Burrows :

Q. How long was it in existence ?—A. Eight months.

By the Chairman :

Q. Perhaps you will allow me to finish first ? Let each one exhaust his ideas. You say it was in existence eight months. Where did it begin ?—A. In Thorah township.

Q. In the rural district ?—A. Yes, sir.

Q. Not in a village ?—A. No.

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Q. And where did it run?—A. It ran from the township; it started in the township from a creamery to a farmhouse and then to the village.

Q. What village?—A. Beaverton.

Q. To the village of Beaverton. What were the classes of people that composed your subscribers?—A. At first, farmers, and later business men who did business with farmers, like cattle buyers and implement agents and doctors. There were a couple of hotels, too.

Q. I see. How was it financed?—A. By private enterprise.

Q. By private enterprise. Have you any knowledge of its financial basis?—A. Yes, sir.

Q. Well, describe it, please?—A. I financed the thing myself, and we did not have any capitalization, you know, but the outfit cost about $1,600 for the 32 telephones and equipment.

Q. $1,600 for 32 telephones?—A. Yes, sir.

Q. And equipment?—A. Yes.

Q. Do you mean by equipment poles, wires, construction and everything?—A. Yes, sir.

Q. As a going concern?—A. Yes.

Q. You built the 11 miles?—A. Yes.

Q. Equipped with 32 telephones?—A. Yes, sir, and central.

Q. Central?—A. Yes, sir.

Q. For $1,600? And during the period it was in existence was there any expenditures with regard to maintenance?—A. Yes.

Q. How were they defrayed?—A. Well, out of the rentals of the telephone.

Q. What revenue had you?—A. We charged from $15 to $18 per annum for the telephones.

Q. To each subscriber?—A. To each subscriber.

Q. Was this a joint stock company?—A. No, sir.

Q. What was it?—A. Private partnership.

Q. Private partnership? You had no charter?—A. No, sir.

Q. Private enterprise?—A. Yes, sir.

Q. It was not a co-operative enterprise?—A. Not at that time, no.

Q. Not at that time, but did it ever become that?—A. We spoke of making it into a co-operative farmers' concern, but the Bell Telephone Company came along and offered to do as we were doing, take up the concern, you know, and pay the cost of the outfit, and as it cost more than it would to replace it, we thought it wise to let them have the business. Since then they have raised the rates on new subscribers from $15 to $20.

Q. So the partnership owners sold out to the company?—A. To the Bell.

Q. To the Bell Telephone Company, and this was followed by an increase of rates on their part?—A. Yes.

Q. From $15 to $20?—A. Yes, later, a year and a half later.

By Mr. Johnston (Cape Breton):

Q. You say the Bell Telephone Company raised the rates from $15 to $20?—A. Yes, sir.

Q. Does that mean that the people are paying $20 now?—A. No, the new subscribers.

Q. The new subscribers are paying $20?—A. Yes. Of course, they are getting a better equipment.

Q. For the same service?—A. They are getting a better equipment, but they won't put in a $15 service at all.

Q. Do they give a more extended service, covering a larger area than the $15 area?—A. Well, naturally more subscribers came in after the Bell Telephone Company took it over, and they have a larger exchange now, now the two companies combined. It is

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really better than the $15 service given by the old company ,because they have railway connection. We could not get it before; the Grand Trunk, of course, refused.

By Mr. Zimmerman :

Q. Had the independent line connection with the railways?—A. No; oh, no.

Q. Did you try to have connection?—A. Oh, yes.

Q. It was refused?—A. It was refused, yes.

By Mr. Burrows:

Q. Did you ask the Bell Telephone Company to establish this service before you formed this company?—A. Yes; oh, yes.

Q. And they refused to do so?—A. Well, they offered to do so at an exorbitant price, what we considered too much, $60 per annum.

By Mr. Zimmerman :

Q. How much ? $60 per annum ?—A. Yes.

Q. For a telephone?—A. You see, it started in the country——

By Mr. Bergeron :

Q. For every subscriber?—A. Yes.

Q. $60?—A. Yes.

By Mr. Zimmerman :

Q. You put in a system which practically cost $48?—A. $50. I do not think it would have cost them more than $50 to build a single line, but they wanted $60 per annum for every subscriber.

By Mr. Burrows :

Q. How did you get your right of way? By arrangement with the municipality? —A. Yes.

Q. They gave it to you free?—A. Yes.

By Mr. Bergeron :

Q. How many subscribers had you when you formed your company?—A. We had 32. When we equipped we had 32 installed and a number applying.

Q. And every one paid $50 as their subscription?—A. No, they rented the telephone just the same as the Bell rented the telephone.

Mr. ZIMMERMAN.—A private company established this line and then they rented telephones to subscribers?

By Mr. Bergeron :

Q. For how much ?—A. For $15 or $18 according to the——

Q. You spoke of $50?—A. The cost of the line was an average of $50 per 'phone. The capitalization of the company would necessarily be $50 per person.

Q. Every one of those subscribers paid $50 a year?—A. Yes.

Q. For the use of the 'phone?—A. Yes.

Q. But you said the Bell Telephone Company were asking $60?—A. Before that—

Q. Was that only for the use of the telephone or to put it in?—A. For the use of the telephone.

Q. Do I understand well that the difference between what the Bell Telephone Company were ready to do and what the private company did was a matter of $45?—A. Less the long-distance connection, of course.

Q. That is the difference?—A. Yes.

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APPENDIX No. 1

By Mr. Zimmerman :

Q. You stated the Bell Telephone Company gave extra service, superior service?—A. Of course, we were not able to connect with the long-distance line nor with the railway station, as we expected to do when we started the telephone.

Q. And now the Bell Telephone Company is operating that line, as I understand it?—A. Yes.

Q. The subscribers are paying how much to-day?—A. $15.

Q. The same price?—A. The same price, yes.

By Mr. Burrows:

Q. But you said they would not grant any more at the same rate?—A. No, it is $20 now.

By Mr. Bergeron :

Q. For the new subscribers?—A. Yes.

Q. The service must be more extended, if I understand well. Of course, you got connected with the trunk line?—A. Yes.

Q. And the railway?—A. Yes.

Q. The Bell Telephone Company is a great deal more advantageous?—A. That is exactly the reason why we went out of the business. We went into the business on account of the farmers around there being anxious to have something of that kind done. The members of the creamery board—there was a creamery board there—and the members of the council would have taken it up if we had not. So we told them we would take the matter in hand ourselves and see how it worked, and if the Bell Telephone Company would take it over we were willing to give them the telephone at cost price. So we applied to the Bell Telephone Company for entrance to the station ourselves and connection for long distance, and they came to us and offered to buy us out.

By Mr. Zimmerman :

Q. What position do you occupy, or did you occupy, in connection with this company?—A. I was a storekeeper simply. I have no relationship except doing business with them in other lines.

By Mr. Geoffrion :

Q. Was it a paying business you had?—A. It was.

Q. What induced the partners to sell it to the Bell Telephone Company?—A. Well, they insinuated that they would have to protect their business, and one or two things like that.

Q. They had to protect their business?—A. That is the way they put it.

Q. How would they protect their business if it is a paying business ?—A. The Bell Telephone Company said they wanted to protect their business, and I understood them to mean they would put us out of business, and they offered our subscribers the same rate for long distance and railway connection.

Q. As I understand it, you were a private enterprise?—A. Yes.

Q. Everybody having shares, and the majority of these partners decided for one reason or other to sell their business to the Bell Telephone Company?—A. Yes.

Q. What was the reason?—A. Because——

Q. Not on the part of the Bell Telephone Company to buy, but on the part of your company to sell?—A. Because the Bell Telephone Company acted in the way they did. They brought pressure to bear, you see.

Q. What kind of pressure?—A. They insinuated they would put us out of business if we did not act agreeable.

Q. How could they put you out of business if you are independent in the country where they could not reach you, where they refused to reach you and make money?—

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A. Well, of course, if I had the capital, if I had five or six thousand dollars I would still be in the business, but as I did not happen to have money to expend, and as I would have to stay in the business and could not go forward, but was more likely to go back, I decided to go out from my own personal standpoint. I could not fight a big concern; that is where it came in.

Q. But as a matter of fact, the majority of your business partners of the members of your partnership decided to sell?—A. Yes.

Q. They preferred to sell?—A. Yes.

Q. Although they were making money, as you say, they preferred to sell?—A. Yes.

Q. You say that now the Bell Telephone Company have the line in their hands they give you a better service?—A. Yes.

Q. An improved service in every way?—A. Yes.

By Mr. Burrows:

Q. I understand they only improved it in the way of giving connection with the railway and long distance?—A. That is all. That is what I intended to convey.

By Mr. Geoffrion:

Q. Do you pretend they have not improved the service in every way?—A. I think it is not as good.

Q. It is not as good as it was?—A. At least the subscribers said at first it was not as good. They told me they wished I had not sold it as they did not like this new mode of doing business in the way of making connection with the central. We had a single line, and they gave a party line service.

Q. And you say it is not as good since the Bell Telephone Company have had it?—A. In that way.

Q. And do they still keep their subscribers?—A. Oh, yes. The only difference is that every person in the telephone wants outside connection, and we were not able to give them that, nor railway connection.

Q. That is to say, you were not in a position to give a good service? For one reason or another you were not able to give as good service as the Bell Telephone Company was?—A. Yes.

Q. And that is the reason why your partners decided to sell?—A. Yes.

By Mr. Bergeron:

Q. Do you find $20 a very exorbitant price for the subscribers of the Bell Telephone Company?—A. Well, exorbitant,—of course I think the telephone is worth $20 to a man, but I know it can be supplied for a great deal less. and make money.

Q. But under the circumstances? You are connected with the trunk line and can telephone right and left for the difference between $15 and $20? You are connected with the trunk line and can telephone right and left to the surrounding cities or towns and you only pay $5 a year more. Do you consider that a very exorbitant price?—A. I think the price is too high, yes.

Q. You do?—A. Yes.

By Mr. Zimmerman:

Q. If the price was about half that, I presume there would be very many telephones used?—A. Of course, they have a monopoly. The way the question was put makes me answer it differently. Supposing you put it. 'Is the Bell Telephone worth $20 more than our telephone was worth $15?'

Q. That is the question I put.—A. If you ask me is it worth $20, I would say 'no.'

Q. You say yours is worth $15?—A. Yes.

Q. What is the difference in your argument, the $5 a year?—A. Of course——

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Q. The difference between the private telephone and the one existing now?—A. The $15 telephone given by them would be worth perhaps a dollar more to the Bell Telephone Company; it really does not cost them more. It is worth a dollar more for the outside connection, I mean in cost and selling price. But to ask $5 more—it is worth $50 to some people, it is worth $100 you might say. You might magnify it up to $100. If you could not get it any place else it would be worth $100. Our service at $15 with the long-distance connection, I would just charge the same as for the local 'phone.

Q. You answered Mr. Zimmerman that at $10 a year there would be a great many more subscribers?—A. I did not answer that question, but I say so.

Q. Do you not think it would be advantageous to the Bell Telephone Company to have as many subscribers as possible?—A. Certainly.

Q. Will you explain to me how it is, they are supposed to be business men, that they do not adopt that principle of getting as many subscribers as possible by giving a cheaper service?—A. They do not seem to want subscribers in the country, I do not know the reason why. They do not seem to want business in the country.

Q. You do not know why?—A. Oh, no.

Q. Well, we will have to ask the company themselves?—A. Yes.

By Mr. Burrows:

Q. I understand if you talk over the long-distance 'phone you have to pay for it?—A. Yes.

Q. How much extra service do you have that you do not pay for?—A. The privilege of connecting with the long distance.

Q. Just the privilege?—A. That is all. There is no extra service outside.

Q. The privilege to pay for a connection?—A. Yes.

By Mr. Roche:

Q. With the class of subscribers you have is that privilege very much utilized?—A. Yes. Yes, it is. They make use of it a good deal.

By Mr. Zimmerman:

Q. What is your experience with regard to the farmers? Do you think the farmers would use the telephone largely if there was a reasonable price?—A. Oh, yes, judging from our own part of the country.

The CHAIRMAN.—Is the Committee through with Mr. Cameron?

By Mr. Burrows:

Q. I was just going to ask the witness a question. How many instruments did you have when you sold out?—A. Just 33.

By Mr. Bergeron:

Q. What kind of instruments had you?—A. We were trying those instruments. We were not in the 'phone business and we were trying four or five different kinds of instruments.

Q. What happened when the Bell Telephone came and took possession?—A. They took all our instruments out and put in their own.

Q. Which is the best in your opinion? The ones you had or the ones they put in?—A. I think they were about equal. Take our good 'phones, I think our best 'phones were better than their 'phones and our poor 'phones were not as good as theirs. We got a few 'phones, naturally we did not know anything about the business, that were not as good, and the others we got later were long-distance 'phones. I talked over our telephones and the Bell Telephone system the first day or two, and it was a great deal better service than they put in afterwards.

Q. Are they improving their instruments all the time—the Bell Telephone Company?—A. Oh, I think so. Any company would. They have got to be kept up.

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Q. Are they in a better position to improve their instruments than a private company consisting only of 30 or 40 people ?—A. Yes, they are in a better position, but just because they have the monopoly, there is a larger business.

By Mr. Johnston:

Q. Have you long-distance connection with the city of Toronto?—A. With the Bell Telephone Company ?

Q. Yes.—A. Yes.

Q. What is the distance between your place and Toronto ?—A. About 70 miles.

Q. What tolls do you pay ?—A. Thirty cents for three minutes.

Witness discharged.

Mr. JOHN CRAWFORD, M.P., sworn:

By the Chairman:

Q. Mr. Crawford, we want to learn from you the state of the telephone question at Neepawa. You have a telephone system there ?—A. Yes.

Q. What is the nature of it. —A. Well, it is owned and operated by the town.

By Mr. Burrows:

Q. By the municipality ?—A. Yes.

By the Chairman:

Q. When was it established ?—A. I cannot give the exact date. It is several years in operation now—some five or six years.

Q. Do they issue an annual statement ?—A. Yes.

Q. Have you got one ?—A. No, I sent for one, but I have not got it here yet.

Q. When you get it will you be good enough to put it in ?—A. Yes.

Q. You know something of its history ?—A. I can only speak of it in a general way. I cannot give exact details—I am not in a position to do that.

Q. As a resident of Neepawa ?—A. Yes.

Q. It is some years since it was established ?—A. Yes, several years.

Q. Was there any telephone system there when it was established ?—A. Yes, the Bell Company had been there for a number of years.

Q. They were there when you established this system ?—A. Yes.

Q. Are they there still ?—A. Well, yes, they are—they are back again.

Q. Doing business there ?—A. Yes.

Q. In rivalry with the Neepawa system?—A. Well, not opposition or competing for the trade there. Of course, when they were there years ago they were only in as a local institution and when the town took up the business and established their system,—of course, when the people started their own institution,—the Bell Company practically had to go out of business because there was no business for them to do. As soon as the contracts expired, the people used our own system instead of the Bell. The Bell people then withdrew altogether, took down their poles and wires, bundled them up and shipped them away. About two years ago they came in with their long-distance line and opened an office there, and they are in operation there now. We have only got, I think, twelve 'phones operated by the Bell people in the town now. They are used by the business men of the town; banks and leading business men use the Bell office, that is for long distance purposes more than anything else. Of course they have the use of it for local purposes as far as it goes, but you see there are only twelve local 'phones in town.

Q. How many subscribers are there upon the town system ?—A. I think now there will be possibly over 200.

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APPENDIX No. 1

Q. What is the population ?—A. About 2,500 people, I think, now.

Q. What is charged each subscriber ?—A. $10 for private and $20 for business.

Q. Is the municipal system connected with the long-distance telephone?—A. No, no connection; that is the disadvantage or trouble we have found.

Q. It is a disadvantage ?—A. Yes.

Q. How can they use the long distance ?—A. They can use it by going to the central office or by putting in a Bell 'phone.

Q. And paying each time ?—A. Yes, paying each time they use it.

Q. Is there a different rate charged to non-subscribers than subscribers of the Bell Company for the long distance ?—A. No, a subscriber really pays more. Now, I have a long-distance 'phone in my own office as well as the local, and I pay $25 for the use of the long distance 'phone. I do not get any advantage on the rates outside at all, as I pay the same rates as if I went to the central office and used their system.

Q. The only difference is convenience?—A. The convenience of having it in my own office.

Q. You pay the same, whether subscribers or non-subscribers ?—A. Yes.

By Mr. Zimmerman:

Q. You have the municipal system in your office, have you ?—A. Yes.

Q. Therefore you have to pay double rates ?—A. Yes, have to pay $20 for our own local system and then $25 for the Bell.

Q. If you have long-distance connection for the municipal system you would not have to pay double rates ?—A. No, I would have one cut out, either the $20 or the $25 one.

By the Chairman:

Q. Then, the local system furnishes all necessary telephone system except the long-distance connection?—A. Oh, yes, we have a good service. I may say we increased it. We only put in a switch board for 150 'phones when it started and we found that overloaded, in fact, the number ran up to 175 and we had to double some of them on the switch board. The business kept on growing and last year—within a year ago—we doubled the capacity to 300, and got a new switch board costing $1,200.

Q. Do you engage a staff exclusively to manage the company?—A. Oh, yes—that is——

Q. It is not an automatic service?—A. It is not a company of course, it is entirely a municipal affair and the council——

Q. You have a central office?—A. Of course, we have a staff there.

Q. You have a staff there?—A. Yes, I may say we have three employees in the central office, that is two young ladies to keep it during the day, possibly till ten o'clock at night, and then there is a helper who is outside during the day and sleeps in the office at night and is there for any business during the night time. Of course we have other employees looking after the lines, who are installing new 'phones all the time and increasing our business; now we are 'cabling'; last fall we started to cable the line. You know what cabling means, I suppose?

Q. No.—A. That is running a lot of wires together. We have individual wires right from the central over the town. Now, we cable them for a certain distance and then distribute.

Q. Are your subscribers entirely within the town?—A. Yes.

Q. You have no connection with the rural districts?—A. No, not yet. We have been considering it.

Q. Is there any demand from the people outside to connect?—A. I think they would take it up if it was gone after the same as men would go after other business.

Q. How does your system pay ?—A. It pays well. We have now—of course I am only speaking from memory and not giving exact figures—there is a very large profit in the 'phone business.

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Q. How much capital has been put into it?—A. I cannot tell you exactly; I fancy $6,000 or $7,000, possibly $8,000 put into it now.

Q. And each year it has paid its way since it begun?—A. Yes, sir, and paid well.

Q. And been kept in good repair?—A. Yes—well, there was a while when our old switch board was giving us a little trouble. Last fall our switch board was getting out of repair, the drops were giving us trouble. It was an old style board, but we have got in a new board and it is working well and the people are pretty well satisfied with it. There was a lot of kicking, though, last fall before we got a new board in. It was owing to the condition the board got into.

Q. Speaking of it as it is to-day?—A. The service to-day is all right.

Q. Satisfactory?—A. Yes, it is all right. I may say in connection with our 'phones, that is the outside 'phones, we had old style 'phones, not up to date, and some of them were not giving very good satisfaction. We have been changing them. We bought last fall some 30 new 'phones, got them from Chicago, and they are very good. We replaced all those that were not working right by these newer ones.

Q. You say that the capital invested was $6,000?—A. Between $6,000 and $8,000.

Q. Has the system since its inauguration paid its way, paid for up-keep and afterwards yielded a surplus?—A. Oh, I would say so.

Q. Can you speak with any detail?—A. I have been in the council that was handling this thing all the time and was actually up against the working of it. I just dropped out of the council last fall and we felt that we had a good paying business. It paid well and our profits were very large for the amount of money that was invested.

Q. You don't know what the surplus was last year?—A. No, I will have that.

Q. That will all appear from the financial statement?—A. Yes.

Q. Is there any disposition on the part of the people to return to the Bell Telephone?—A. Oh, I do not think so.

Q. Do they view with favour the proposition to discontinue the municipal system?—A. Oh, no, I think they are in favour of it.

Q. The public would oppose abandoning the municipal system?—A. I think so.

Q. About how many years' experience have you had with this system?—A. About six years.

Q. And it is as popular now as it was?—A. Oh, I think fully more so. There was only just a while when they were beginning to feel that it was not just right owing to what I have told you about the switch board, and 'phones out of order. That same thing applied to the Bell people when they were there some years ago. Their system at that time was not giving us any too good a service; the 'phones were not clear and all this kind of thing.

By Mr. Burrows:

Q. What did the Bell Company charge you for a service before your own plant was established?—A. I think it was $20 for a private and $30 for an office.

Q. What is the reason the municipality established a separate system when they had the Bell system?—A. Well, there were a few of us there, government ownership and municipal ownership people, who thought we would try the experiment, and we thought we were not getting any better service than we were entitled to, that we were paying for more than we were getting.

Q. Thought you would get the service cheaper?—A. Yes, that is really the idea we had in establishing the system.

By the Chairman:

Q. Where did your system get their telephones, their instruments?—A. Well, the first instruments were Canadian, purchased, I think, in Montreal.

Q. Are they purchased in open market?—A. Oh, yes.

Q. Are they controlled by monopolies?—A. The 'phones?

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Q. Yes.—A. Oh, I do not think so, there are a great many different places where you can buy them. We bought our last ones in Chicago.

Q. No one has a corner on them ?—A. No, I do not think so.

By Mr. Johnston:

Q. Do you keep your telephone account separate and apart from all other departments of civic government ?—A. Yes.

Q. Have a system of audit ?—A. Yes, an annual audit.

Q. You are satisfied that the telephone system is standing alone ?—A. Oh, yes.

Q. As a paying concern ?—A. Oh, yes.

By Mr. Zimmerman:

Q. Would it be possible to get a statement of the moneys that were expended in putting in the plant, and the receipts from the time the plant was put in to the present time ?—A. Oh, I think so. I think I will have that in a few days.

Q. Your statement now is just more of a general statement ?—A. Yes.

Q. It would be very much more useful if we could have the actual facts ?—A. Yes, I will have them for you I expect in a few days. I sent for them a few days ago. One reason why I think I can give you these facts is we had a kind of commission appointed about a year ago to go into this very same point. You see we are running an electric light plant as well, and they work more or less one with the other as to labour and time, and we thought possibly that one account was being charged for expense that belonged to the other.

By Mr. Johnston:

Q. That is what I want to get at.—A. We had a commission go into that and straighten out anything of that kind that might exist and adjust it so that each account shall be charged what was entitled to it, and I think we can give you that very clear.

By Mr. Roche:

Q. Can you tell the profits for each year, the telephone as distinct from the electric light plant ?—A. I think we can give you each one separate.

Q. You don't know them now?—A. No. Take our electric light plant ; in 1903 we went behind owing to management or expense of fuel—the large expense of fuel. Last year, I think we paid everything, speaking in a general way in connection with our electric light plant, paid all expenses and the interest and I think sufficient to supply the amount required for sinking fund in connection with the electric light alone, but I cannot give you the figures.

Q. Do you think you would have had $1,000 or $2,000 profit at any time from the telephone system ?—A. Yes.

Q. I saw a letter from Mr. Pattison—he is your secretary?—A. Yes.

Q. And he gave some information in answer to a question from my own town, that that year there would be a profit of $2,000 and it was supposed to be largely made out of the telephone system ?—A. That is the combined electric light and telephone ?

Q. Yes.—A. I believe that might be, and our 'phones we have always considered were a good paying business.

Q. You said you have to pay $25 for your Bell long-distance 'phones?—A. Yes.

Q. Do you derive any benefit locally from that ?—A. Yes, in a way I do and in another way I do not. We have town 'phones in all the offices that have the Bell 'phones.

Q. That is quite a limited number ?—A. Yes, there are just twelve Bell 'phones in the town.

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Q. You say the Bell 'phone costs $25 for the convenience and in addition every time you use it you have to pay for the message?—A. Yes. Just for the convenience of having it in your office.

By Mr. Burrows:

Q. That is for long distance. You don't pay for local calls?—A. No, not for the local calls. For the local calls, it is really not worth anything for we have our own local system.

By the Chairman:

Q. I suppose persons subscribe simply to get the advantage of the long-distance connection?—A. Yes, they have that advantage.

Q. Not for any local 'phones?—A. Not for the local 'phones.

By Mr. Johnston :

Q. If the Bell Telephone Company gave you the same rates as the local service gives, you would regard it as an advantage to have the Bell telephone instead of the local?—A. Oh, yes, I would, at the present time, because we would have connection without any trouble.

Q. If the Bell rates were reasonable you would regard it as a distinct advantage to you to have one telephone rather than the dual system?—A. Looking at it from the standpoint of the business man without regarding it from the standpoint of town profits or anything like that it would be an advantage to have the Bell telephone.

By Mr. Geoffrion:

Q. Does the building occupied by your system belong to the town?—A. Yes, sir.

Q. Is there any rent charged up against your system by the town?—A. Yes, I think so. Part of the building is occupied for fire purposes and part for telephone purposes.

Q. You would find it very inconvenient for business people there if you did not have the long-distance connection. It would be very inconvenient for yourself, for instance, and other business people, if they did not have a connection with the long distance?—A. Oh, of course, we would find it so now. Up to the time the Bell people put in their long distance it was all right.

Q. You are connected with all the different systems and the towns around ?—A. Oh, yes.

Q. Could not your system establish a long-distance?—A. Our local system ?

Q. Yes.—A. Oh, well, we are not prepared to go up against that at the present time.

Q. Are you of the opinion that it would be almost impossible for a local system like yours, or any other town, like that to have a long-distance system established ?—A. Oh, we could not.

Q. It would not do?—A. No.

By Mr. Burrows:

Q. You were asked if you were connected with all the other towns and you said 'oh, yes,' but all the towns have not connections. For instance, are you connected with Gladstone?—A. No, not with Gladstone.

Q. With the Bell Telephone Company exchanges?—A. Oh, we talk with Winnipeg and Brandon.

Q. It happens that they only have one line running through the province, you could not talk to Dauphin, for instance?—A. No, because there is no system out there.

Q. It has not built a system?—A. No.

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APPENDIX No. 1

By Mr. Geoffrion:

Q. You think it would be almost impossible for a municipal system like yours to establish a long-distance connection all around with the different towns. In so far as you are concerned it would be impracticable?—A. No, it is not, we could not do it

Q. It is only a large company like the Bell or any other large company which could do it with any kind of profit?—A. Yes.

By Mr. Roche:

Q. But that difficulty would be overcome if you had connection with the long-distance system of the Bell in Neepawa?—A. Oh, if we had a connection with the long distance at would be all right.

By Mr. Burrows:

Q. What is the relative cost of poles in Manitoba and here, what do you pay for poles, do you remember?—A. Oh, we get some very expensive poles, some of the poles come high. Some we get for 35 cents. That is pretty cheap, and we get some at 65 cents, some at $1.50 and $2, and I think some of our poles cost about $5 apiece.

Q. Have you any timber in the immediate vicinity of your town that would answer for poles?—A. No timber fit for poles.

Q. How far do you have to bring them?—A. From British Columbia and from Rat Portage. We have an extra fine lot of poles there running down the main street about half a mile long.

By the Chairman:

Q. Is your system in a good condition of repair?—A. Yes.

By Mr. Zimmerman:

Q. It would be interesting, Mr. Crawford, if you could get the cost of these poles, and all matters of that kind in connection with your system because the conditions are different there from what they are in the town of Beaverton, for instance?—A. I will try to get them.

By Mr. Burrows:

Q. The reason I asked that question was this, notwithstanding that you have to pay big prices for poles some of which have to be brought 1,500 miles, you can install a service there and still have a cheap service.

The CHAIRMAN.—There are few spots that are 1,500 miles away from the sources of supply.

Mr. ZIMMERMAN.—In this country.

By the Chairman:

Q. Perhaps you could get us the annual report from the inception of your system? There will be information in some year's reports that is not in the others. Do you think you could get them, Mr. Crawford?—A. Oh, yes.

Q. The committee would appreciate it if you could get us those reports year by year because their early trials, and their early failures will probably appear in them. —A. I do not consider that we had any trials or failures in connection with our telephone enterprise. We had with our electric plants, with them we made some mistakes. There is just one thing I would like to say here in connection with this question—to give every person his just due—the Canadian Pacific Railway did not object in our town to our putting a local telephone in their office. As a matter of fact, both 'phones are there.

Q. Are both telephones in the railway station?—A. Yes.

Q. At the present time?—A. Yes—well ours was there before the Bell.

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By Mr. Burrows:

Q. When was that?—A. Ours was there first before the Bell telephone was put in, before they came there, and when the Bell instrument was put in, they did not eject us.

By Mr. Roche:

Q. Your station is quite a long distance from the centre of the town?—A. It is about three-quarters of a mile.

Witness discharged.

COMMITTEE ROOM,
TUESDAY, April 4, 1905.

The Committee met at 11 o'clock a.m., Sir William Mulock in the Chair.

Mr. JOSHUA DYKE, of Fort William, Ont., sworn:

By the Chairman:

Q. Where do you live, Mr. Dyke?—A. Fort William.

Q. Have you any connection with any telephone company or system?—A. My only connection with the telephone system is that of a municipal system in Fort William.

Q. In Fort William?—A. Yes.

Q. Would you give us a brief history of that system, please?—A. Yes, in 1902 I was elected mayor of the town of Fort William by acclamation. There had been for several years, say three to five years, very great dissatisfaction with the Bell Telephone Company in operation there.

Q. The Bell Telephone Company?—A. The Bell Telephone Company, and all applications for a better service were not attended to, and in my inaugural address, in January, 1902, I suggested that probably the time had arrived for the two towns to consider the propriety of installing and operating a municipal telephone system with a free exchange between the two towns of Fort William and Port Arthur. The Port Arthur council met a few days thereafter and without any further correspondence appointed a committee consisting of the Mayor of Port Arthur and two aldermen, who wrote a letter about their appointment, and requesting that I appoint a similar committee to consider the proposition. We met about the middle of January, got into correspondence with several telephone factories, gathered all the expert testimony available, and decided to recommend our councils to install the International Central Energy System of Chicago. This report was received by the councils in the following March, that is March 1902, and adopted, and we advertised our by-laws.

In March, 1902, the councils had considered the matter and decided to advertise the necessary by-laws for the sale of debentures to raise the funds to install the system in each town. Each town was to own, operate and maintain its own system; but there was to be a free exchange between the two towns; that would make it one system for all purposes of the subscribers, and in our application to the provincial government that item was placed in the Bill and is part of the legislation. The system has worked very well indeed and given the highest satisfaction.

Q. Describe the system please, and the extent of it?—A. You will pardon me if I refer to my notes. Unfortunately last week I was ill with bronchitis when I received your telegram and I had to get my papers together.

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Q. When did you begin to install the system?—A. We began to install the system about—as soon as the frost was out of the ground and we could erect poles. About June.

Q. In 1902?—A. 1902.

Q. Have you been extending it ever since?—A. We have been extending it ever since.

Q. How many telephones are there in use now?—A. We have in Fort William 500 telephones, and in Port Arthur we have 515.

Q. You spoke of free interchange. Do the municipal limits of these two places adjoin each other?—A. They adjoin.

Q. They adjoin?—A. Yes.

Q. Then it is practically one system?—A. It is practically one system.

Q. Embracing two municipalities?—A. Yes.

By Mr. Maclean:

Q. Each has its own central?—A. Yes.

Q. And the connection is made with the respective centrals?—A. Yes, if I want to speak to Port Arthur—the directory has the names of both towns in it—if I want to speak to Port Arthur, I call up Fort William central and say 'Port Arthur.' They immediately switch me on to Port Arthur and Port Arthur says 'Hello' and I call the Port Arthur number.

By the Chairman:

Q. You said you had about 500 telephones in Fort William, and how many in Port Arthur?—A. 515.

Q. That is 1,015 in all?—A. Yes.

Q. That is up to the present time?—A. Up to the present time.

Q. What is the charge to subscribers?—A. $1 a month for domestic 'phones and $2 a month for business 'phones. I have not the items of the wire and cable——

Q. You can tell us without giving the details, at this minute, the total capital outlay.—A. The total capital outlay for Fort William is $31,500.

Q. And for Port Arthur?—A. And for Port Arthur $21,000. I will give you the exact figure in a moment. I have here a certified copy of a statement. The reason of the $10,000 more expenditure in Fort William arises from the fact that Port Arthur town is very compact. It is situate on a beautiful terrace of hills overlooking the bay, and is very compact. Fort William has a town site representing 7,000 acres stretching from the mouth of the Kaministiquia river for four or five miles of beautiful plain well adapted for the building of a large city.

Q. Well, is this capital now being utilized to its fullest capacity or could it earn more?—A. No, we have calls for more 'phones all the time, as fast as we can put them in; indeed we have not been able to get the 'phones from the factory fast enough to keep up with the demand.

Q. What has been the financial result, so far, of your enterprise?—A. The financial result so far? The first year, 1903, we had a small deficit of $576. In 1904 we wiped out that deficit, paid all interest and sinking fund, and maintenance expenses and had a surplus of $470 some odd dollars. I have not the exact figures. Yes, here it is, a surplus of $459.93 after wiping off the deficit of 1903, which was very natural in connection with the first year's experience.

Q. And maintaining the system?—A. And maintaining the system.

By Mr. Maclean.

Q. Is there any sinking fund in that?—A. Yes. Here is a statement for 1904 for Fort William. I will give you that for Port Arthur in a few moments. The earnings for 1904 for Fort William were $5,424.13. Expenditure, maintenance, wages,

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and sundries, $3,359.58. Interest and sinking fund, $1,027.70. Deficit of 1903, $576.92. Surplus, $459.93.

By the Chairman:

Q. Have you an item there for depreciation?—A. Yes, and we also have on hand, of the amount of debenture money unused, $3,500, to be used for extensions this summer.

Q. Have you got the printed statements, the annual statements?—A. Yes.

Q. Can you file them?—A. I can. I brought them along.

Q. Put them in and we can analyze them at leisure?—A. Yes. I brought with me a certified copy from the town clerk of both towns with the town seal on it giving those statements. Exhibits 5 and 5 (*a*). The statement for Port Arthur is as follows:

Exhibit No. 5.

CORPORATION OFFICES.

JOSHUA DYKE, Esq., PORT ARTHUR, CAN., March 24, 1905.
Fort William, Ont.

DEAR SIR,—On March, 22nd instant, you requested me to give you a certified statement of the number of telephones on our circuit, and the number of applications we have for installation of 'phones. In accordance with your request, I hereby certify that the number of 'phones connected on March 18, 1905, was:—

Commercial	158
Residence	350

Besides there were extras for the convenience of customers.

Wall 'phones	11
Desk "	14
Micro "	9

And that at this time we have application for fifteen telephones.

The cost of the installation of the plant on December 31, 1904, was $20,992.

Yours truly,

J. McTEIGUE,
Clerk.

Q. Have you the statements for each year, Mr. Dyke?—A. Yes, I have those with me here.

Q. 1902, 1903, 1904?—A. 1903, you see we did not begin to install until November, 1902.

Q. You have not got the one for 1904 yet?—A. It is not quite out. The fiscal year ends at the end of the year, but I can supply you with the information later.

Q. I wish you would make it complete down to December 31.—A. I will supply you with a statement for 1904.

Q. Thank you. I was going to ask whether you have any automatic system of exchange, or do you employ people to attend to the exchange service?—A. We have six operators.

Q. What are their wages?—A. The wages are $25 a month.

Q. What is the total amount that you pay for exchanges?—A. And maintenance, $2,400. We own our own electric light plant, and the superintendent of the telephone line is also the superintendent of the electric plant.

Q. The cost is $2,400 a year for each of the two towns?—A. No, I will give you the cost of the two towns. For Fort William the total cost of exchange and maintenance is $2,400.

Q. I want it separate, because there are automatic exchanges. I want to see what would be the financial results if you used an automatic exchange instead of one worked by human beings.—A. There are six operators. Two get $25 a month, two get $20, one

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gets $22.50, and one learner at $15 a month. That is a total of $127.50. Then the superintendents and linemen's salary we divide between telephone and electric line work.

Q. That has nothing to do with it. You pay about $1,500 a year?—A. In each town.

Q. In each town, is it?—A. In each town, yes.

Q. Then if an automatic system does the work?—A. There is a saving of $3,000.

Q. Minus any cost to have it looked after?—A. Yes.

Q. Are you connected with the long-distance Bell Telephone?—A. No. There is no long-distance as yet. The towns of Fort William and Port Arthur, situated at the head of the lake, are somewhat isolated. North Bay and Sudbury are the nearest towns of any size this way, and Rat Portage, 300 miles west, is the nearest town of any size the other way.

Q. Does your telephone system extend beyond the two municipalities you named?—A. No, not yet.

Q. Not yet?—A. We have in contemplation extending it to the rural districts around, but we have only been in operation two years.

Q. Are you connected with the railway stations?—A. Well, we are in connection with the Canadian Northern Railway. They admitted us on my request very readily and thought that it was a great convenience to them, but owing to the ironclad agreement between the Bell Telephone Company and the Canadian Pacific Railway we are excluded from the Canadian Pacific Railway.

By Mr. Maclean:

Q. With all the railways, in fact?—A. I beg your pardon?

Q. With all the railways?

The CHAIRMAN.—Not all the railways.

Mr. JOHNSTON.—Not all the railways. They have connection with the Canadian Northern Railway.

The CHAIRMAN.—They have an agreement which speaks for itself.

Mr. DYKE.—Owing to an exclusive agreement we are not permitted to have connection either with the freight sheds, the railway station, the railway offices, or the elevators. We made the best endeavours we could in approaching the Canadian Pacific Railway, and thought we had some claim on the Canadian Pacific Railway for consideration in this matter. Fort William in the last fifteen years——

The CHAIRMAN.—I hardly think that is material.

Mr. MACLEAN.—Well, I would like, Sir William, at one stage, to get in the actual letters or correspondence between these municipalities and the railway company where their respective positions are defined.

The CHAIRMAN.—Yes, bearing on the question.

By Mr. Maclean:

Q. Have you any letters of that kind?—A. Not bearing on that. I have some affidavits here from our leading business men showing how their trade is injured, and that this is a restriction of trade and commerce.

By the Chairman:

Q. Just read that.

Exhibit No. 6.

DOMINION OF CANADA,
PROVINCE OF ONTARIO,
DISTRICT OF THUNDER BAY,
To Wit:

In the matter of a contract between the Bell Telephone Company and the Canadian Pacific Railway Company.

I, William Wallace Birdsall, of the town of Fort William, in the District of Thunder Bay, do solemnly declare that:

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1st. That I am a regularly qualified practising physician and surgeon residing in the town of Fort William.

2nd. That for five years previous to the year 1903 I was a subscriber of the Bell Telephone Company at Fort William, and that during that period I found the service most unsatisfactory, and although I made repeated appeals for a better service, I was rudely refused, and advised that my rate for service would and was raised from $32 to $45 per annum.

3rd. That the service now given me by the municipality is entirely satisfactory, and effective.

4th. That I now have no telephonic access to any portion of the Canadian Pacific Railway Company offices or buildings, and I am certain that the exclusive contract between the Bell Telephone Company and the Canadian Pacific Railway Company is a restriction to the trade and commerce of the Dominion.

And I make this solemn declaration conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath and by virtue of 'The Canada Evidence Act, 1893.'

DECLARED before me at the town of Fort William in the district of Thunder Bay this 1st day of April, A.D., 1905. } W. W. BIRDSALL

JNO. J. WELLS,
A Notary Public, &c.

Exhibit No. 7.

PROVINCE OF ONTARIO,
DOMINION OF CANADA,
TO WIT: } In the matter of the Bell Telephone Company.

I, F. W. Fraser, secretary-treasurer of the John King Company, Limited, of the town of Fort William in the district of Thunder Bay, do solemnly declare that:

In our opinion the agreement existing between the Canadian Pacific Railway Company and the Bell Telephone Company, by which a telephone monopoly is given to the Bell Company on all the premises of the company throughout the whole Dominion, and all other telephone lines are excluded, is a restraint of trade and against the best interests of the public.

And I make this solemn declaration conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath and by virtue of 'The Canada Evidence Act, 1893.'

DECLARED before me at the town of Fort William in the District of Thunder Bay this 1st day of April, A.D., 1905. } F. H. FRASER.

JNO. J. WELLS,
Notary Public.

By the Chairman:

Q. Are the others to a like effect?—A. Yes. Here is one from one of our largest clothing stores. (Filed as exhibit No. 8).

Q. What is the name?—A. Clarence Hugh Jackson, ex-mayor.

Q. To the like effect?—A. To the like effect.

Q. And the next one?—A. This one is from the cold storage owned by Gordon Ironsides & Fares. (Filed as exhibit No. 9.)

Q. Who makes that affidavit?—A. Their manager. They handle 50 tons per month and have no telephone connection with the Canadian Pacific Railway Company and he thought that a restriction.

MR. JOSHUA DYKE.

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APPENDIX No. 1

Q. Who makes that affidavit?—A. George W. Brown, manager. The next one is from one of our largest grocery stores.

Q. What is the name?—A. The name is J. Edgar Rutledge to the same effect, setting forth the disabilities under which he labours from not having access to the railway. (Filed as exhibit No. 10).

Q. They will all appear on the minutes.

Q. What is the next one?—A. The next is from our largest hardware store, to the like effect.

Q. What name?—A. Hugh M. Piper. (Filed as exhibit No. 11).

Q. How many householders are there in Fort William?—A. How many householders are there? I should think there would be about 700.

Q. Seven hundred householders? How many telephones has your system in Fort William in the houses?—A. I will give you that in a moment.

Q. I want to ascertain the proportion of telephones——

Mr. Maclean:

Q. I was going to say that we should get all the matter which relates to the railway station together.

The CHAIRMAN:—Yes. Have you any more dealing with the railway station? The witness we had the other day showed a refusal. There is no doubt of the attitude of the Canadian Pacific Railway.

By Mr. Maclean:

Q. In connection with that I would like to ask one question. Has your town bonused or given any exemption to the Canadian Pacific?—A. Yes. In exemptions from taxation, in lands donated, river front given, and streets closed up, we have given to the Canadian Pacific Railway the last fifteen years about $2,000,000.

Q. Good value out of the municipality?—A. Good value out of the municipality.

Q. You have given them over $2,000,000?—A. There is one thing I would like to mention, if I may be permitted, in connection with this agreement as it bears on the town. This agreement, this contract between the Bell Telephone Company and the Canadian Pacific Railway was signed on the 1st day of May, 1902, some time after our debentures had been advertised and we regarded it, and I think rightly too, we regarded it as an effort to destroy municipal ownership in telephones. There was no talk of anything like that before,and the effect of course in excluding us from the railway was to place an embargo on us which might, as they thought, destroy our system.

By the Chairman:

Q. To prevent you going into existence?—A. Yes.

By Mr. Maclean:

Q. Now all these people, the people of Port Arthur and Fort William, all wish this connection with the Canadian Pacific Railway and with the other railways, in the furtherance of business, and they are practically all giving business, and the facilitating of business between them and the railways?—A. Certainly, and just to show you——

Q. Just a moment. And these people who are desirous of connection with the railway are not enemies of the railway, but clients of the railway?—A. Clients.

By the Chairman:

Q. Patrons?—A. Many of them run down on their bicycles to find out if there is any freight and to ask questions.

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By Mr. Maclean:

Q. How do you find out what you wish to know? What is the actual inconvenience?—A. The actual inconvenience is that our people in being loyal to their own system, many of them send a messenger down, or go down on their wheel, or drive down, and a re much inconvenienced by having no connection. In a few instances the Bell Telephone Company has put 'phones in the business houses, but there are only a few that will receive them, as a matter of principle, owing to the 'phone agreement. It was entered into after we had started our scheme and advertised our debentures, and the townspeople consider it was an effort to entirely block them and injure them.

Q. Did you give the Bell Telephone Company any privileges in your municipality before that?—A. Yes, they had the privilege of our streets.

Q. Was there any agreement or contract?—A. No, we never gave any franchise, and they had no rights with us other than were in their legislation as declared for the general good of Canada.

Q. And therefore this Bell telephone which was on your streets became in substance the enemy of the municipality?—A. Very much so.

Q. Very much so. That is to say a corporation created by the Dominion Government and allowed to come into your municipality practically turned into a public enemy.

The CHAIRMAN.—I do not think it was the Dominion Government that created it.

Mr. MACLEAN.—Created the charter. They are a Dominion organization.

The CHAIRMAN.—They were incorporated by the Dominion Parliament thirty years ago.

Mr. MACLEAN.—Well, I mean the Dominion Parliament.

WITNESS.—The Dominion Parliament.

Q. What I want to get at was this broad principle: That an organization created by the Dominion becomes a public enemy when it sees fit and antagonizes the municipalities.—A. I would like to mention, if I may be permitted, as Mr. Maclean raises this point, to speak of the difficulties we had in inaugurating and developing our system. In the first place the Bell Telephone Company gave free 'phones; the proof of that lies here. I have a copy of their sworn statement. The Provincial Government requires that they shall make a sworn statement, for assessment purposes, of their gross receipts. This is the statement:—

Exhibit No. 12.

BOARD OF COMMISSIONERS,
WATER, LIGHT, TELEPHONE,
FORT WILLIAM, March 25, 1905.

Herewith find copy of notice served upon me as clerk of the municipality by the Bell Telephone Company of Canada.

REGISTER.

HAMILTON, ONT., January, 1905.

THE CLERK,
Of the Town of Fort William.

SIR,—Take notice that the gross receipts of the Bell Telephone Company of Canada, Limited, in your municipality for the year ending December 31, 1904, were $817.40.

Signed on behalf of the above company by

WM. GEO. SLACK.

Mr. JOSHUA DYKE.

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APPENDIX No. 1

I hereby make oath that I have knowledge of the particulars contained in the foregoing statement and that the same are in every respect fully and truly stated to the best of my knowledge and belief.

Sworn before me at Montreal, in the Province of Quebec, this 24th day of January, A.D. 1905. CHAS. N. SCLATER, *J.P.* } WM. GEO. SLACK.

I certify the above to be a correct copy of the notice in my possession.

A. McNAUGHTON,
Clerk.

By the Chairman:

Q. What year is that for?—A. The year ending December 31, 1904. I have with me the very latest directory (Exhibit 13), which I will leave on file with you, and it shows that in the town of Fort William there are 157 subscribers. Now this $817.40 would give them just 20 business 'phones at $24 a year, and 25 residential 'phones at $12 a year; or rather 25 business 'phones at $24 a year, $600; and 18 residential 'phones at $12, $216, making a total of gross receipts $816 and only 43 'phones in use.

Q. That is over 100 free 'phones?—A. Over 100 free 'phones. A similar state of things is true of Port Arthur. Here is the sworn statement:

Exhibit No. 14.

CORPORATION OFFICES,
PORT ARTHUR, CAN.

HAMILTON, ONT., January , 190 .

REGISTER.
THE CLERK,
Of the Town of Port Arthur, Ont.

SIR,—Take notice that the gross receipts of the Bell Telephone Company of Canada, Limited, in your town for the year ending December 31, 1904, were $786.70.

Signed on behalf of the above company by

WM. GEO. SLACK.

I hereby make oath that I have knowledge of the particulars contained in the foregoing statement, and that the same are in every respect fully and truly stated to the best of my knowledge and belief.

Sworn before me at Montreal, in the Province of Quebec, this 24th day of January, A.D. 1905. CHAS. N. SCLATER, *J.P.* } WM. GEO. SLACK.

I certify the above to be a true and correct copy.

J. McTEIGUE,
Clerk.

The CHAIRMAN.—If they would extend that system generally over the whole Dominion no one would take exception to it.—A. They would become philantrophists, would they not?

By Mr. Maclean:

Q. When did they start in to do that?—A. Just a moment. The sworn statement of Port Arthur is that the gross receipts for the year ending December 31, 1904, were $786.70. That would work out thus: 20 business 'phones at $24, equals $480; 25 residental 'phones $12, equals $300; making $780. So that in the town of Port Arthur according to their directory they have 73 'phones and that would give them

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28 free 'phones in the town of Port Arthur and nearly 150 free 'phones in the two towns. This is of course proved beyond dispute by the sworn statements as to their gross receipts. That is one form of difficulty we have had to meet with. You all know gentlemen, there are a few people in every town who are always glad to get something for nothing, no matter how little it is. I must say though that the people of the two towns have been wonderfully loyal to their system. However, there are a few that will take whatever is offered to them not thinking how it effects others. Then we were met by a very serious difficulty by open attacks on the credit of the two towns, false statements.

Q. From whom? Who made those attacks?—A. These attacks emanated from the Bell Telephone Company, so we believe. They appeared in the *Globe* and in the *Mail and Empire,* and in the leading periodicals and when, as Mayor, I wrote a letter of protest to the editor of the *Globe* about the publications of such statements that were not true he wrote me a letter—I am sorry I have not the letter with me, but I can send for it and place it on the file here—that the information supplied them was an advertisement.

By Mr. Grant:

Q. And were you endeavouring to sell municipal debentures at that time?—A. We were endeavouring to sell municipal debentures. They are all sold now and sold at 4½ per cent; some at par and others at 98. We have not a debenture in our vaults unsold. And this was done with a view to destroy our credit.

By the Chairman:

Q. Have you got those articles here?—A. I have not them. It is owing to illness, I had not the time to gather them all. I got out of bed to start on the train.

By Mr. Maclean:.

Q. You have issued them in pamphlet form?—A. I brought with me a statement that was issued by authority of the town council. I have seven or eight copies of Fort William, but unfortunately I could only get one of Port Arthur. I have brought these for distribution. That is an official answer to that kind of attack.

By the Chairman:

Q. Have you got the articles which you say appeared in the *Globe* and *Mail* ?—A. I will undertake to furnish them, sir.

Q. You can hardly connect that with your evidence if they are not here. You had better stay until to-morrow, examining the files of the newspapers. Then you can produce these articles or whatever those items are which appeared in the press. You say they were paid for as advertisements?—A. Yes, sir.

Q. By the company?—A. By the company.

Mr. MACLEAN.—By the Bell Telephone Company?

By the Chairman:

Q. To make attacks upon the financial credit of your towns?—A. Our towns.

Q. With the object of preventing them floating their debentures, with the object of injuring their credit?—A Yes. And another matter which comes very close home I may say and which will be very easily verified. I wrote a reply in the *Journal,* December 30, 1903, to that which appeared in the Ottawa *Free Press* of that date. During the fall of 1903, I think, that was the year, there was a by-law being submitted to the ratepayers of this town for the purchase of the street lighting plant, and a special commissioner was sent by the Ottawa *Free Press* to interview the councils and officials of Port Arthur and Fort William. He was received very courteously and given

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every access to our books and there appeared during the week that the discussion was on, a few days prior to the vote, there appeared very gross misrepresentations of the condition financially.

By Mr. Maclean:

Q. In an Ottawa paper?—A. In an Ottawa paper, in the Ottawa *Free Press*, I got an inkling that the movement was not a friendly one to us, and I wrote a reply and sent it to the *Journal* and asked them, should anything appear in the Ottawa papers that was not friendly to Fort William and Port Arthur, to publish this article over my signature, showing the actual condition of our finances. That was done. Both articles appeared December 30, 1903, and they can be obtained. Well then the letter of the commissioner of the Ottawa *Free Press* was published in the *Mail and Empire* a few days after that, and that was done, I believe, with a view to injure our credit. I can produce those papers and put them on file to-morrow.

By Mr. Maclean:

Q. Then Mr. Dyke, you have no hesitation in saying that in the efforts of these two municipalities to establish a municipal system, they were antagonized by the Bell Telephone Company making misrepresentations?—A. By free 'phones and by misrepresentations.

Q. By offering free 'phones, by stigmatizing your efforts in the outside press, and in other ways trying to injure the realization of what you had in view?—A. I have no hesitation in saying that. I also ought to say, I think, that we had in Fort William a serious difficulty in the case of a fire, the circumstances of which I think might be mentioned here. We opened our system in November, 1902, and March 10, 1903, had our central equipment burned in the Fire Hall which was a very combustible building. It was a wooden building, brick veneered, lined up with pine, and it was ioled up and varnished inside some eight or ten times, and had been up some 15 or 16 years, and this was destroyed. The fire occurred—we were supplying telephones to the Macdonald Engineering Company on the Canadian Pacific Railway premises. They were building an elevator, and in order to get to their premises we had to run our telephone line across an overhead bridge and to attach it to an electric line pole, on which there was a dead end of the arc circuit. It had not been in use for a year and there was no other way we could very well give it. As this was a dead end, and not being in use for a year we attached our telephone wire there. The telephone had been in this position for four months and no accidnt occurred, when one night, a still, drizzly night, as we believe, I do not see how it could have occurred otherwise—and mark you, I do not say that the Bell Telephone Company did this or had anything to do with it—that they had actual knowledge I would not say, but I do say this: That somebody climed the electric pole and put the telephone wires in connection with the primary wires which were carrying 2,000 volts, primary lighting wires. That had the effect of thrusting 2,000 volts on to the telephone wire which was only charged to carry 30 volts. It occurred in the middle of the night, or about two o'clock in the morning, and it set the central station on fire, the switchboard. The lady operator that was in the office ran out and got assistance. But the place was so inflamable that nothing could be done, and the central station was burned up. That accounts in part for there being a larger expenditure for Fort William, there being some $10,000 more debentures in Fort William than Port Arthur.

The CHAIRMAN.—I would like to continue now the line of inquiry that I was pursuing.

By Mr. Maclean:

Q. Just one thing, you said free 'phones. Did the Bell Company reduce their rates when you started the municipal system?—A. Yes, they brought their price down to our price at once. There is one matter in connection with our difficulties that I would like

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to mention, if not detaining you too long. A gentleman came to our town by the name of Captain Holmes, ostensibly as a grain buyer. He associated himself with organized labour, of which we have a rather strong element in Fort William, and he circulated a petition praying—(that was its attitude at the time the statement appeared in the press) —praying that a Government auditor be sent to Fort William to look into our finances. We had no objection to that. What we objected to was some outsider doing it surreptitiously, and which was proven by a party who was a leader in the labour movement, and who was made use of by them. He came to me and a public meeting was called. He told the story before all the citizens that he had been requested by an agent of the Bell Company to do this. Now, there were 34 names required to get a Government audit and 12 of these who signed the petition have since desired that their names be expunged because their signatures were got under false pretences. In the fire our records for 1902 were all destroyed, and also the town audit as far as it had gone. It was during this time that the records were burned, that this attack was made upon us.

By Mr. Smith:

Q. What is the name of this labour man?—A. Captain Holmes represented the Bell Company—W. H. Bryan.

By Mr. Maclean:

Q. Can you establish any connection between Mr. Holmes and Bryan?—A. Yes.

By the Chairman:

Q. What?—A. Holmes waited upon Bryan to ask him to circulate this petition. Bryan circulated the petition and obtained the names. That is when he saw the effect of it.

By Mr. Smith:

Q. Does Bryan live in Fort William?—A. Yes, or did until this spring. He is now living on a farm ten miles out.

By Mr. Maclean:

Q. The Bell Company to your knowledge started a petition demanding a government audit of the finances of the town; is that the statement you make?—A. The statement I make is that this Captain Holmes acted for the Bell Company.

By Mr. Johnston:

Q. You are positive about that?—A. Just wait until I read you our report here (referring to Exhibit No. 15).

'The special commissioner refers to organized labour being uneasy at the financial outlook, and also refers to a request for a provincial audit which was forwarded from this place to the provincial government. This request for a provincial audit was originated by the special agent of the Bell Telephone Company, prepared by him, and circulated by a man, also in the employ of the said company, named Captain Holmes, assisted by a man prominent in labour circles, who has since stated that he did so at the request of the Bell Telephone Company, and who, for the purpose of entrapping them and showing up their methods, allowed them to consider him their dupe. The required number of names, thirty-four in all, was secured, and the petition forwarded to the provincial government by Holmes.

Q. You were positive of the correctness of that?—A. This is an official statement of the town council.

Q. You are positive as to its correctness?—A. Yes, I believe the correctness of it.

Q. You have no doubt as to its correctness?—A. No, I have not any doubt whatever.

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By the Chairman:

Q. Was that statement published?—A. Yes, this statement has been published. we had some 5,000 copies of it struck off. This is the statement:—

(Exhibit No. 15.)

MUNICIPAL OWNERSHIP AT FORT WILLIAM.

REPLY TO THE 'SPECIAL COMMISSIONER' OF THE OTTAWA FREE PRESS.

On December 30, 1903, an article appeared in the Ottawa *Free Press* regarding the cost and maintenance of the public utilities in the towns of Fort William and Port Arthur. These two towns own and operate the electric light, waterworks, telephone and street railway systems, and are, therefore, the subject of study and comment by those who are interested in the subject of the ownership of these utilities by the people. The article was subsequently copied in the Toronto *Mail and Empire* on January 8, 1904.

About two weeks prior to the publication of the article, a man representing himself as an accredited correspondent of the Ottawa *Free Press* appeared in Fort William, armed with the proper credentials from his managing editor, asking that he be given all necessary information in regard to the working and financing of the different systems, as the paper wished to make an exhaustive report on the subject. The correspondent is referred to as a 'special commissioner' and will be so referred to in this reply. All possible courtesy was shown him by the officials of the town and by citizens generally, and every facility was placed at his command to aid him in his self-imposed task.

In order to make the reply to the special commissioner more clear, and to show a motive for the attack, as it proved to be, it will be necessary to state that the town is strongly opposed in its telephone system by the Bell Telephone Company of Canada. It is a peculiar coincidence that Mr. W. C. Scott, special agent of the Bell Telephone Company, was here at the same time that the special commissioner was; they stopped at the same hotel, left for the east on the same train, and it is reported on what is considered good authority that the article that appeared in the Ottawa *Free Press* was prepared on the train by the two men, and submitted to the head office of the Bell Telephone Company in Montreal before publication. It might be also well to state that the city of Ottawa was at that time in the heat of a municipal campaign, in which a by-law for $50,000 for street lighting was before the people, and the mayoralty campaign was based on the question of the city owning its own franchises. The question of the city installing its own system of telephones is also strongly talked in Ottawa. The by-law was carried by 638 majority, and the mayor, who favoured it, was elected by an equally large majority. The Ottawa *Free Press* was in opposition to both the by-law and the mayor.

It is no secret that the Bell Telephone Company, in common with all other monopolies that have money invested in street railways, electric light and waterworks systems, are alarmed at the growing inclination on the part of people to own and operate these franchises, and are leaving no stone unturned to discredit such growth, and Fort William, being a pioneer in the enterprise, is a particular object of attack. This is sufficient explanation of the reason why monopolies should be interested in making public such distorted reports as from time to time appear in subsidized newspapers. It is to their interest to make it appear that these franchises are operated at a loss. We endeavour in this article to make it plain that the special commissioner did not tell the truth. This reply to the report of the special commissioner of the Ottawa *Free Press* is prepared by a special committee appointed by the Fort William town council, consisting of C. H. Jackson, mayor; E. S. Rutledge and Wm. Newcombe, councillors; J. J. Wells, water and light commissioner; and F. E. Trautman, editor of

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the *Times-Journal*. The facts and figures submitted are all taken from the books of the town, and the same facts and figures are open to any person who desires to verify them. The report was submitted to the town council, passed by it at a regular council meeting, and goes out as an official document of that body.

The special commissioner's report gives the figures on receipts and maintenance of light and water as follows:

LIGHT.

	Receipts.	Maintenance.
1898	$ 3,446 99	$ 3,552 12
1899	5,018 87	7,405 36
1900	7,987 18	9,192 86
1901	7,429 10	11,736 44
	$23,882 14	$31,886 79

WATER.

	Receipts.	Maintenance.
1899	$ 1,005 75	$ 2,782 13
1900	5,374 28	6,522 52
1901	6,376 12	9,492 38
	$12,756 15	$18,797 03

It will be noticed that the above figures are given only to 1901, while the figures given below are to December 31, 1903. The statement given below shows the actual results.

WATER.

Year.	Receipts.	Expenditure.	Gain.	Loss.
1899	2,112 09	2,880 72	.....	768 63
1900	6,366 02	6,907 60	.....	541 58
1901	8,777 28	8,798 46	.....	21 18
1902	11,289 70	10,359 91	929 79	.....
1903	13,079 26	11,180 75	1,898 56	.....

LIGHT.

Year.	Receipts.	Expenditure.	Gain.	Loss.
1898	3,992 78	4,665 14	.....	672 36
1899	6,888 39	7,329 51	.....	441 12
1900	8,945 27	8,942 97	2 30	.....
1901	10,828 70	10,946 22	.....	117 52
1902	13,626 31	12,954 72	671 59	.....
1903	12,945 73	13,542 11	.....	596 38

TELEPHONE.

Year.	Receipts.	Expenditure.	Gain.	Loss.
1903	3,025 25	3,336 81	.....	311 56
	101,876 78	101,844 92	3,502 19	3,470 33
Deduct losses from gains			3470 33	
Balance surplus			31 86	

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These figures are taken from the statements published by the town, all of which have been audited except 1903, and the auditors are now at work on the statement for that year. The expenditures include all charges for maintenance, interest and sinking fund to end of 1903. There is now on deposit in the Bank of Montreal, Fort William, the sum of $11,803, being sinking fund in full on account of debentures issued for purposes of water, light and telephones to date. We have been able during the initial years to run our plants at a small profit and to provide our people with light, water and telephones as cheap or cheaper than any other place in the Dominion of Canada where steam power is used.

The article says that 'the plant was given credit in the receipts for $6,692.38 from the town on account of street lighting, and $2,987 for street hydrants for fire purposes.'

These figures are not correct, but the town is paying at the present time to the water and light plant approximately $3,600 per year for 50 arc lamps and 55 street hydrants, and are getting full value for this amount. The town requires the light and water and only pays to its plants a fair price for the service obtained.

The special commissioner says:—

'The Chairman of the Board of Commissioners quite frankly admitted that a large expenditure is needed almost immediately to place the town's waterworks system in satisfactory shape. The present supply is admittedly tainted, and to get pure water will require an expenditure of at least $100,000, a serious outlay for the taxpayers to face in view of the present liabilities of the town.'

This is an absolute and unqualified falsehood, and has been publicly denied by the chairman of the Board of Commissioners, and also by a gentleman who was present at the interview between the special commissioner and the chairman. Our water supply has been tested frequently by provincial officers and we are assured by medical health officers of the province and of Fort William that it is good potable water and absolutely pure and wholesome.

TELEPHONE SYSTEM.

Our telephone system has been attacked by the special commissioner. This system has been in existence a little over one year. The citizens were drawn into this department through the neglect and inefficient service of the Bell Company. After years of useless appeals for an up-to-date system the two towns—Fort William and Port Arthur—which are only four miles apart, decided almost unanimously to install similar systems with an agreement of free exchange at the following rates: Domestic, $1 per month; commercial, $2 per month, payable in advance. Fort William now has 310 'phones connected with their switch-board, and applications for 50 more are awaiting installation. The system is known as the central energy lamp line system, and is giving universal satisfaction to the citizens. In March last the central office was destroyed by fire, and we took immediate steps to have it replaced and a fireproof building erected for same. During the interval when we were without service the Bell Telephone Company made frantic efforts to extend their system, offering free 'phones to all and sundry, and succeeded in establishing a free list of about 75 'phones. They have over and above this about 37 paid subscribers. We have sworn evidence of their own officials that they have entered into contracts in this town to supply, and have supplied and are now supplying, free 'phones. Our citizens remained loyal, and as soon as the new plant was installed the demand became so great for town 'phones that we have not yet been able to install all that are on order.

In the evidence in the case of W. P. Stanser vs. A. F. Woodhead, in the District Court of the provisional judicial District of Thunder Bay, Mr. N. Dixon, an employee of the Bell Telephone Company, swore on oath as follows:—

Mr. JOSHUA DYKE.

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Question—You are the special agent of the Bell Telephone Company ?
Answer—Yes.
Question—Assistant ?
Answer—Yes.
Question—You have put in a lot of 'phones in Fort William for Mr. Woodhead ?
Answer—Yes.
Question—Put them in for a year for nothing ?
Answer—I have; yes.
Question—Not only him, but others ?
Answer—Yes.

The installation of a new central office equipment, erection of fireproof station and the necessary extensions to meet the demands of the service caused a capital expenditure this year of $11,890.93. The cost of the original installation was $12,500. Notwithstanding this, the system showed a deficit on account of maintenance at the end of 1903 of only $311.56, after providing all interest charges and sinking fund.

The special commissioner says:

'But I was not able to obtain from the officials a definite statement of expenditure on the plant since the original construction was completed, nor could I get any definite information as to the receipts or the cost of the maintenance of the telephone system. The clerk admitted, however, that a large portion of the amount the plant is supposed to be earning has not been collected.'

Commissioner John J. Wells took the special commissioner to the town offices asked for and obtained the telephone register, and showed him receipts which at that time amounted to over $1,000, told him that the accounts for the quarter ending December 20 were not yet due, and that the amounts expended on capital account could not at the time be accurately obtained, but would exceed $20,000. The special commissioner of the Ottawa *Free Press* dare not deny this.

FORT WILLIAM'S FINANCES.

The special commissioner says :—

'There has been no audit of the town accounts since 1901, and no financial statement has has been published or is available from any source which I could command.'

There is probably no town in the province whose accounts are better kept than the town of Fort William. The annual statements of the treasurer published since 1894, bear evidence of this, and many provincial accountants and treasurers of the larger municipalities have expressed themselves to the effect that Fort William's statement is one of the clearest and most comprehensive presented by any town in the province. The provincial auditor, J. W. Lang, says in his report for the year 1902: 'The treasurer of Fort William is an efficient officer. I found his balances correct and books well kept. The financial statement for the year was an elaborate production.'

The town accounts have been audited every year since incorporation and a financial statement published. The statement of the year 1902 was delayed on account f the fire in March, 1903.

The special commissioner says:—

'The clerk of the town gives the debenture indebtedness as $437,223.'

This statement is a half-truth, deliberately designed to convey a false impression. The amount quoted ($437,223.18) is the gross debenture debt, and no allowance has been made for sinking fund provided against the same ($71,012.64) which makes the net debenture debt $356,220.54. Here is a statement of the debenture debt, and the special commissioner had the same information at his disposal:—

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Debenture debt—gross—

Local improvement	$ 44,783 32
Waterworks	70,070 00
Electric light	79,000 00
Telephone	12,500 00
School	40,000 00
General debentures	180,949 86
	$427,233 18

Deduct sinking fund as follows:—

General debenture, school and local improvement (invested)	$40,971 10
(Sinking fund) cash in bank	18,238 54
Water and light, cash in bank	11,803 00
	$ 71,012 64
Net debenture debt	$356,220 54

All sinking fund to date has been provided for and set apart. Local improvement debenture debt is paid by a special levy on the property benefitted, and is, therefore, not included in the general tax levy.

The special commissioner says:—

'From his (the clerk's) admissions and other sources I learned that the town is indebted to the bank for something like $125,000.'

The special commissioner would make it appear that this $125,000 is in addition to the debenture indebtedness, which is in line with other misrepresentations which he has indulged in. As a matter of fact, the great part of it is included in the debenture debt, as the advances were made on the security of debentures unsold, and which it was inadvisable to sell in the face of a stringent money market. The statement below is to the end of the year 1903, and the figures are approximately correct:—

Current account at Bank of Montreal	$141,000 00
Advanced on security of debentures unsold, which debentures are included in total debenture debt	75,000 00
Advanced on local improvements for 1903, for which debentures will now issue and which are a charge on the property benefitted	25,000 00
Advances made by bank to carry on business till taxes are collected and on capital expenditure for which debentures are to issue, outstanding accounts and coal on hand	41,000 00
	$141,000 00

The special commissioner says:—

'It appears that the town has not sold some of the recent issue of its debentures, but that these have been hypothecated with the bank as security for advances.'

This is true, but no exception can be taken to it. All the debentures in question are of recent issue except $25,000 Ogilvie mill issue. These are not negotiable until the Ogilvie Company makes a start on their proposed mill and elevator, which will be in the spring. It is often advisable to carry our debentures in the bank here rather than force them on a tight money market and take a lower price for them than they

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are worth. We have never obtained less than par for our 4½ per cent debentures, and pay the bank 5 per cent for advances, so that the difference is not a serious one and is merely a question of convenience and judgment in financing.

The special commissioner says:—

'On the 31st of December, 1901, the current liabilities of the town as given by the auditors was $82,960.27, a large portion of which was for sinking fund, but not set apart.'

This is another deliberate misrepresentation. The commissioner neglected to mention current assets amounting to $74,284.14 to offset the liabilities of concurrent date, leaving a current deficit of $8,676.13. This current deficit was consolidated in 1902, and the town's statements for 1902 and 1903 show a small surplus of current assets over current liabilities. All current year's expenses in 1902-1903 have been fully met by concurrent tax levy.

The special commissioner says:—

'Up to 31st December, 1901, the amount required to be levied annually to meet interest and sinking fund amounted to $22,371.65. According to the town clerk's statement, the debenture indebtedness has been increased since that date by over $170,000. This, together with the indebtedness to the bank, which is drawing a higher rate of interest than the debentures, would bring the annual charge for interest and sinking fund up to $35,000. As already shown, the services for which this debt was chiefly incurred are being operated at a loss, and the ratepayers have, therefore, to bear this large burden in their annual taxes, or have it piled up in deficits.'

The point made by the special commissioner in regard to paying more interest to the bank than the debentures draw has already been fully explained. To further meet his arguments, we give below the amount of interest and sinking fund provided by the different departments for the years 1901, 1902 and 1903, which was the full amount required for those purposes.

Amount required to meet interest and sinking fund on general debenture debt:—

1901.	1902.	1903
$10,754.60	$13,564.80	$14,410.43

Amount required by water and light plants:—

1901.	1902.	1903
$6,779.66	$7,407.96	$7,407.96

Amount required for telephones in 1903 was $1,028.70.

By the above it will be seen that the total amount required for interest and sinking fund in 1903 was $22,847.09, of which the sum of $8,436.66 was paid out of the earnings of the plants, whereas the special commissioner would lead readers to believe the amount was $35,000.

The plants are self-sustaining, and the people generally have not been called on to pay one dollar to carry on our water, light and telephone systems. The systems are and have been operated at a small profit, which will continue to increase as the town adds to its population.

Recently we have adopted the plan of issuing our debentures on the instalment plan, which provides that the interest and part of the principal is paid every year.

ATTITUDE OF ORGANIZED LABOUR.

The special commissioner refers to organized labour being uneasy at the financial outlook, and also refers to the request for a provincial audit which was forwarded from this place to the provincial government. This request for a provincial audit was

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originated by the special agent of the Bell Telephone Company, prepared by him, and circulated by a man, also in the employ of the said company, named Captain Holmes, assisted by a man prominent in labour circles, who has since stated that he did so at the request of the Bell Telephone Company, and who, for the purpose of entrapping them and showing up their methods, allowed them to consider him their dupe. The required number of names, 34 in all, was secured, and the petition forwarded to the provincial government by Holmes. A counter-petition is now signed by twelve of the signers of the original petition, asking that their names be expurged, and stating that their signatures were obtained by false representations. This serves as an illustration of the methods that are being pursued by the Bell Telephone Company under the direction of their special agent here, and shows to what extent an unscrupulous corporation will go to gain its ends.

THE PRIMARY OBJECT.

It may be asked by some what object the Bell Telephone Company, or any other corporation whose money is invested in public utilities may have in seeking to scatter broadcast statements tending to show that the operation of street railway, water, light and telephone systems is a losing investment, when these same corporations are seeking by every possible device to strengthen their grasp and extend their investments at every opportunity. The trend of the whole article in the Ottawa *Free Press* is to endeavour to show that the constant call in Fort William has been for more money, and that the ratepayers have poured money into the systems without any return in sight, and that there is still a call for more. The figures here given show that the systems have paid for themselves; that they are now making a small profit and that a valuable asset can be shown for every dollar of expenditure. The strongest proof of the popularity of the principle of municipal ownership can be found in the fact that the rank and file of our inhabitants are owners of their own homes, and that no offer, however great, could induce them to sell their franchises. In conclusion, we have only to say that we invite and court publicity; the books of the town and help of the officials are at the command of any person who desires to investigate. All we ask is the truth.

C. H. JACKSON,
Mayor.

A. McNAUGHTON,
Clerk.

Fort William, Jan. 28, 1904.

(Exhibit No. 16.)

OFFICIAL STATEMENT OF THE OPERATION OF THE FRANCHISES OF THE TOWN OF PORT ARTHUR.

PUBLISHED UNDER THE AUTHORITY OF THE TOWN COUNCIL.

And a Reply to the Special Commissioner of the Ottawa Free Press.

On December 30, 1903, a statement appeared in the Ottawa *Free Press*, purporting to be by a reporter of that paper, giving an impartial statement of the experiences of the towns of Port Arthur and Fort William, in the municipal ownerships of the two towns.

The town of Port Arthur owns and operates the electric street railway in the municipalities of Port Arthur and Fort William, the electric lighting of the town of Port Arthur and the municipal telephone plant.

As a foundation of the impartial (?) statements of the reporter, he publishes the following as a statement of the receipts and operating expenditures, and claims that the result is a loss to the town in operating expenses of $21,258.37.

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	Receipts.	Operating Expenses.
1893	$ 7,642 27	$ 15,567 51
1894	8,290 65	9,252 20
1895	7,571 42	16,460 48
1896	9,365 10	7,860 95
1897	11,753 77	11,942 73
1898	13,151 83	18,792 14
1899	14,390 74	16,081 59
1900	15,401 76	15,983 50
1901	19,287 57	18,601 56
1902	25,828 45	23,399 27
	$132,683 56	$153,941 93

and from these figures he claims the loss of $21,258.37 in operating expenses.

Where did the reporter obtain these figures? From the tone and remarks of his statement, it would be believed that they were obtained from the town treasurer, and were what he represents them to be—a true report of the receipts and operating expenses of the street railway and electric light, whereas, they must have been copied from the accounts forwarded by the town auditors to the Bureau of Industries in Toronto. These accounts show the receipts and payments of the town, in connection with the electric railway and light plants, that the town paid out $155,160.45, not $153,941.93, as figured by the reporter.

In addition to this statement of the town's receipts from, and payments to the electric railway and electric light plants, the auditors also furnished to the Bureau of Industries, statements of income and expenditure of the electric railway and light, which the reporter entirely ignored. Below is a tabulated statement of the receipts and payments, and following afterward, a statement of the income and expenditure:—

STATEMENT OF RECEIPTS AND PAYMENTS.

Cash Payments.

Year.	Receipts.	Gen. and Maint.	Fuel.		Capital.
1893	$ 7,642 27	$7,431 29	$1,808 53	.....	$7,327 69
1894	8,290 65	7,166 35	1,481 38	.....	604 47
1895	7,571 42	5,209 56	1,552 48	.....	9,698 44
1896	9,365 10	6,039 06	1,771 42	.....	50 47
1897	11,753 77	5,864 45	2,109 18	.....	4,605 93
1898	13,151 83	7,699 96	3,277 73	.....	7,814 45
		General.		Maintenance.	
1899	14,390 74	6,894 15	3,926 45	$2,768 14	2,074 54
1900	15,401 76	6,838 88	4,551 97	3,845 05	747 60
1901	19,287 57	7,682 83	4,633 30	4,133 25	2,152 18
1902	25,828 45	8,803 01	*2,470 89	3,811 82	8,313 55
	$132,683 56	$69,629 54	$27,583 33	$14,558 26	$43,389 32

* Plant operated by water-power six months.

Mr. JOSHUA DYKE.

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The reporter improperly called a statement of the receipts and payments of the town, to and from the electric railway and light commissioners, a statement of the receipts and operating expenses of the electric railway and light, and by this mis-statement, he represented that our plants were operated at a loss of $21,258.37, whereas $43,389.32 of the $155,160.45, (or as the reporter calls it $153,941.93) was spent on capital account, but these figures have nothing to do with the controversy, excepting as introduced by reporter, as they are accounts between the town and the electric railway and eight commissioners. It is said that figures never lie, but by an extraordinary manipulation of them, this reporter figures that the following is the loss to the town of Port Arthur:—

Loss in operating expenses	$ 21,258 27
Interest on capital paid from taxes	67,250 00
Sinking fund not provided	30,000 00
	$118,508 27

We submit the following as the actual statement of the earnings and operating expenditure of the electric railway and electric light plants from 1892 to 1902, inclusive:—

	Income.	Expenditure.
1892	$ 6,139 65	$ 7,691 77
1893	8,357 47	12,657 75
1894	10,603 73	13,373 98
1895	10,668 32	10,461 37
1896	13,002 55	10,958 67
1897	12,166 97	12,053 43
1898	14,438 13	12,295 68
1899	15,585 29	14,000 75
1900	17,312 56	15.232 70
1901	21,275 14	16,603 75
1902	26,797 76	14,617 32
	$156,347 57	$139,947 17

The gross income being	$ 156,347 57
The gross expenditure for operation, fuel, maintenance and everything else, except interest, sinking fund and capital expenditure	139,947 17
Leaving a profit on operating expenses of	$ 16,400 40

The interest on capital expenditure, including 1891, the construction period, is as follows:—

On $75,000 from 1891 to 1892 at 5 per cent	$45,000
On 40,000 from 1893 to 1902 at 5 per cent	20,000
On 15,000 from 1899 to 1902 at 5 per cent	3,000
	$68,000
Less profit on operating	16,400
	$51,600

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As a loss which, divided over 12 years, $4,300 per annum, taken out of general taxation.

The reporter figured loss on operating	$21,258 27
Interest on capital	67,250 00
	$88,508 27
Whereas the loss was	51,600 00
A difference in the town's favour of	$36,908 27

He also claims a burden of $30,000 during that period for sinking fund. Of this a portion has been collected, and by an Act of the legislature we are not at present collecting sinking fund on $115,000 of the above issues. We do not consider the sinking fund as a loss; our railway and electric light plants are increasing in revenue and value every year, and for 1903 they paid every charge against them, leaving a balance of $3,120 to the town's credit.

The *Free Press* reporter then proceeded to criticise further capital expenditure as 'Unsatisfactory Expenditure.'

At an expenditure of $68,500—

The town developed water power at Current River to the extent of 1 500 h. p., head being 87 feet.
Built a large storage dam at the head waters of Current River.
Installed 450 h. p. turbine wheel for lighting plant.
4,000 light dynamo.
250 h. p. turbine water wheel for electric railway.
250 h. p. dynamo for railway.

Leaving vacant space in the pen-stock for additional turbines.

As a result of this expenditure—

We have ample power to drive the additional street cars.
Surplus power to sell.
Have installed 4,500—16 c.p. lights—which are profit-producing.
And replaced 150 h. p. steam plant by 700 h. p. water power plant.

The fuel bill of our 150 h. p. steam plant was	$4,633 00
The interest at 5 per cent and sinking fund at 1 per cent on $68,500 is	4,110 00
Difference per annum	$ 523 00

Therefore, the fuel bill of our former steam engine pays all the interest and sinking fund of the new capital of $68,500, with a saving of $523 to the good.

To carry this 'Unsatisfactory Expenditure' (?) further : Supposing the town had had to continue operating our enlarged plant with steam :

700 h.p. at $30 per h.p. per annum	$21,000 00
Whereas the interest at 5 per cent and sinking fund at 1 per cent on $68,500 is	4,110 00
	$16,890 00

Or a difference of $16,890 per annum, which amount is now saved to the town by that expenditure.

So much for the Ottawa *Free Press* reporter's 'Unsatisfactory Expenditure.'

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The reporter condemned the extension of our lighting plant, the purchase of cars, and the extension of the railway.

The demand for electric light, owing to the large number of new business places and dwelling houses being erected, having absorbed the capacity of the 4,000 light dynamo, it became necessary to increase our plant by another dynamo and turbine water wheel, and the council asked the ratepayers for an additional $10,000 issue of debentures for this purpose. To accommodate the increased railway traffic, we had to purchase new cars, and as our town built up, to extend our railway, add turn-out switches, &c., erect poles, and wiring, for our electric lighting. All of these require increase of capital expenditure, and for which the ratepayers have authorized the issuing of debentures for the necessary capital, and it is difficult to understand why the above-described expenditure, increasing as they will our annual revenue, is headed by the *Free Press* reporter as 'Unsatisfactory,' unless there is some ulterior motive behind it.

In regard to the reporter's criticism on the fact that we were relieved from levying sinking fund.

It is true that on $115,000 of our debentures, we are relieved from levying sinking fund, but behind this issue are assets that could now be disposed of at a considerable increase in value over and above the debentures issued and sold to pay for the same.

In 1903 the legislature granted the town special legislation as to certain of our sinking funds, whereby the sinking fund is arranged according to the prospective value of the property for which debentures are issued; for instance, the sinking fund on permanent construction and real estate was made 1 per cent, and on short-lived improvements, such as street cars, poles, wiring, &c., the debentures all fall due in 15 years, principal and interest payable in annual instalments. Certain debentures on permanent construction, and the bonus debentures to the Canadian Northern Railway had been issued, and the legislature gave the town permission to put these debentures on a 1 per cent sinking fund, on obtaining the consent of two-thirds of the debenture-holders; it is certainly reasonable that the present ratepayers should be relieved as much as possible from the burden of paying back the capital and handing over all our improvements and franchises to future ratepayers for nothing. Is not the burden of starting and placing our franchises on satisfactory footing, sufficient for the present ratepayers to pay, for it is generally the experience that at first they do not pay all charges of operation, interest and sinking fund, and it is only fair that such should be divided over future as well as present ratepayers.

Proceeding to the town's liabilities :—

DEBENTURE DEBT OF THE TOWN OF PORT ARTHUR.

For Municipal Franchises.

Electric street railway	$115,000		
New cars, 1903	10,000		
Extensions, 1903	7,000		
		$132,000	
Current River water power		60,000	
Electric light plant		15,000	
Municipal telephone		12,000	
			$219,000

Railway Bonuses, &c.

Canadian Pacific Railway, water lots	$14,000	
Port Arthur, Duluth and Western Railway	25,000	
Canadian Northern Railway	50,000	
Contribution, Dominion Government for breakwater	26,000	
		115,000

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School Buildings.

High School	$12,500	
Public School	25,000	
		$37,500
Fire hall building, lot and fire engine	15,000	
		52,500

Real Estate.

Lot 5, North Arthur Street	$6,000	
Lots leased Pigeon River Lumber Co.	6,000	
Town Park (128 acres)	3,000	
Lot 10, South Pearl Street	2,250	
Lot 13, N. Waverley Street	1,000	
Water Lot 5 P	500	
		18,750
		$405,250
Less sinking fund in bank	$15,695	
And Debentures retired	5,000	
		20,695
		$384,555

The item of $219,000 was borrowed for the construction and development of the electric street railway, the electric lighting plant, the water power at Current River, and the municipal telephone system. The electric lighting paid its way from the first, but it was some years before the receipts of the street railway were sufficient to fully pay all interest charges, as well as its maintenance and operation, thus causing an average amount of $4,300 a year from 1892 to 1902 to be collected by general taxation ; though much heavier in the earlier years of its operation, as may be seen by referring to the statement of the actual earnings and expenditure of the electric railway and light plants. In 1903 the earnings covered all expenses of operation, maintenance, interest and sinking fund (excepting sinking fund on $115,000), the electric railway and light plants turning into the town's treasury, for the relief of taxation, $3,120, after paying all these charges.

From the preceding statement it will be seen the ordinary debenture debt of the town is $165,555, and $115,000 of this sum is represented by bonuses to railways and breakwater.

(The town is receiving, and will receive indirectly, a much greater benefit than the amount of sinking fund and interest represented by this debt.)

School buildings and property, $52,500 and real estate, $18,750, and worth now considerably more than the debenture issue for same.

In 1903 the ratepayers voted $85,000 to install a waterworks system; they also voted $62,000 for a sewer system, $30,000 of which will be borne by the property specially benefited.

The only expenditure that will fall directly on the town is the $32,000 for sewers. The waterworks and extension to the railway and light, being revenue producers, will carry themselves and be no burden to the ratepayers, as the power for operating the waterworks and railway has already been developed.

It will be seen from statement of debenture debt that none of it is for general purposes, the streets, bridges and sidewalks being constructed either under frontage assessment or paid for out of general taxation.

The $80,000 owing the bank is borrowed for the constructing of the waterworks and sewers and extension of the railway and light plants, &c., on security of debentures unsold.

Mr. JOSHUA DYKE.

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There is practically no floating debt to be met from general taxation ; the general levy for taxes covering each year's current liabilities.

The Bell Company have had an exchange here from the year 1885. An opposition company began business, but after a season's fighting in the free for all tactics of the Bell Company they finally sold out to the Bell.

The service rendered by the Bell Company here was most inefficient, owing to antiquated instruments being used. The operation of the system became so very unsatisfactory as to be almost useless, and after repeated efforts by citizens to have the head office furnish a better service—which petitions were unheeded—the councils of the two towns appointed a committee of each council, which committee in turn appointed a sub-committee, to investigate as to the cost of an up-to-date telephone system, such as would meet the requirements of the telephone users.

After correspondence with many of the leading manufacturers of telephone apparatus, the committee reported fully as to cost of a 'Central Energy' two-hundred subscriber plant installed complete, thinking this would be sufficient in each town for some years, as the Bell Company had only about 100 paid subscribers in each town.

At this juncture the Bell Company's representatives paid us a visit. At their request a meeting of the committee was called to confer with them. At this meeting they made the generous (?) offer that if they were given the franchise of our streets they would give two 'phones free for town use. They would supply later pattern telephones (these costing $10 wholesale) at a further extra cost of $5 per annum, making a cost for service of $35 for business and $30 for domestic 'phones per annum.

The total revenue received by the town from the Bell Company up to 1903 was about $27 per annum taxes. The town paid for every 'phone used.

By this time the councils decided to submit the question to the ratepayers. A by-law was prepared which, together with the estimates of cost, maintenance, &c., was advertised.

A new set of estimates were made by the Bell Telephone Company, showing that in their view it would cost very much more than we estimated, while operating expenses would be enormous. Judging by salaries they paid, it did not appear so to us. Notwithstanding the Bell Company's liberal canvassing, distribution of circulars, paid letters in the press and retaining two lawyers, the vote was taken and the by-laws carried in each town, 14 in Port Arthur and 7 votes in Fort William being all that were recorded against the by-laws.

Having received such unanimous support the councils at once called for tenders, with the result that before January 1, 1903 each town was in possession of an up-to-date 'Central Energy' telephone plant, equipped fully in each case with two hundred latest telephones. The rates were placed at $2 per month for business houses, with the privilege of the subscriber having extension sets free by their buying them themselves at a cost of $10. This is a great accommodation, as they place the Micro hanging 'phone at the different counters and desks, and the users do not have to run to one central point. The domestic 'phones are $1 per month. In the installation extra provision was made for protection from lightning and electric dangers.

Since the installation of the system there has been a complete exemption from accident or trouble, and the greatest satisfaction has been expressed by the patrons and subscribers. Practically every office and place of business in the town subscribes and pays for the municipal 'phone.

The Canadian Pacific Railway Company, owing to an agreement with the Bell Telephone Company, are not subscribers of the municipal telephone system, and therefore have no means of communicating with the police or fire department for the protection of their property and the convenience of their patrons.

Mr. JOSHUA DYKE.

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The Canadian Northern Railway Company, seeing the necessity of such protection, have municipal 'phones in all their departments, two of which are free and the balance are paid for at regular business rates.

The Bell Telephone Company can certainly claim furnishing service to a certain class that the town refused to supply.

The estimated cost of a system, for two hundred subscribers, was $9,000, the vote being for $12,000, of which $3,000 was for a building, which it was afterwards decided not to erect, and this sum has not been expended. The system was completed for $8,746.99, being $253.01 less than the estimates.

The system was so successful and the demand for 'phones so great that an extension of the plant to double the original capacity was necessitated. Accordingly a by-law for $9,000 for that purpose was submitted to the ratepayers on the 4th ult., and was carried overwhelmingly.

The system at present consists of the following, viz.: Wire, over 250 miles, of which a great portion is copper wire in lead-covered cables. A 'Central Energy' switchboard with capacity for over 400 subscribers. Telephones at present installed and in use, 345; many more are ordered and in course of installation, and of the whole system only three are free, all others paying full rates. We do not think the Bell Telephone Company have twenty paying subscribers in town.

From the way in which the system is growing it would appear that a still further extension of plant will soon be necessary.

The receipts and expenditures for the year 1903 are as follows:—

RECEIPTS.

Amounts collected to date	$3,402 50
Amounts still owing (all of which is perfectly good)	143 85
	$3,546 35

EXPENDITURES.

Salaries	$1,878 65
Rent	95 84
Insurance	55 00
Miscellaneous and repairs	718 00
Interest on debentures	600 00
	$3,347 49
Balance profit	198 86
	$3,546 35

In the foregoing it must be borne in mind that but few subscribers had 'phones for the full year, owing to the fact that the system was in process of installation.

We pay the following salaries :—

	Per month.
Superintendent	$75 00
Chief operator	30 00
Two assistants, $25 each	50 00
Night operator	20 00
Spare operator	10 00
Total	$185 00

Or $2,220 per annum, as against $1,050 paid by the Bell previous to our service being installed.

Mr. JOSHUA DYKE.

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The Bell staff were paid at the following salaries :—

Three lady operators at $12.50 per month	$37 50	
One relief operator	5 00	
The superintendent, general manager, electrician, book-keeper, collector, &c., for both Port Arthur and Fort William exchanges, all combined in one man at a salary of	45 00	per month.
Total	$87 50	"

Or $1,050 per annum. The rates were : For business 'phones, $30, and domestic, $25 per annum. Any extension sets were charged $15 per annum extra.

At present we contemplate reducing the rates to $20 for business 'phones and $10 for domestic.

The total amount of outstanding accounts on December 31 was $601.50. Since then there has been collected $157.60, leaving uncollected as at December 31, 1903, $143.85.

There is not a better installed telephone plant in Canada than the municipal system owned by Port Arthur.

The *Free Press* comments upon the loyalty of the people of Port Arthur and Fort William. This is not to be wondered at when it is remembered that the franchises are owned by the people and are paying satisfactorily.

It seems significant that the special representative of the Bell Company should be in Fort William the same time that the 'special commissioner' of the *Free Press* was visiting the towns, and it is significant also that both these gentlemen should go east on the same train.

The commissioner states that most of the business men of both towns have connection with both the telephone systems, and also that our telephone service is bad. No doubt he got his information from our opponents, as the statement is quite untrue. He states the town clerk informed him the capital expenditure had been increased to $16,300, but he did not state that the increase was made for increased telephones, owing to the rapid growth of the system, and that this is included in the $9,000 voted by the ratepayers on January 4, 1904. The commissioner tries to make it appear that only about 50 per cent of the telephones had been paid for. Read the statement above showing the income as $3,546.35, with but $143.85 unpaid, and this amount is perfectly good.

We court the fullest investigation of all these statements, believing that many other municipalities having in contemplation the installation of a municipal telephone system will find it not only prove a source of profit, but also greatly reduce the cost of telephones used. It can be seen that we pay our employees a much higher salary and furnish telephones at from one-half to two-thirds of the price the Bell Company charged and yet made a profit out of it.

The town is growing rapidly in population, as the following enumerations demonstrate :—

Year.	Population.
1899	2,424
1900	2,779
1901	3,148
1902	4,213
1903	5,556

An increase in five years of 3,132, or 129 per cent.

Situated at the head of lake navigation; a port of the Canadian Pacific Railway, and the terminal lake port of the Canadian Northern Railway; the prosperity of the great west; the building of large grain elevators and saw-mills has infused confidence;

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and many fine stores, wholesale warehouses and residences, &c., as well as large numbers of dwelling houses, have and are being erected; consequently our assessment valuations for taxation purposes are steadily increasing, as the revised assessment rolls of the municipality show, viz.:—

Year.	Amount.
1899	$1,017,353
1900	1,079,913
1901	1,179,176
1902	1,503,019
1903	1,845,273

The gross valuation for 1903 was $2,741,113, and the rate of taxation 23·74 mills, being a reduction from 1902 of 3¼ mills.

The preceding statements prove that the town's financial condition is sound; her municipal undertakings on an assured basis; the profits rapidly increasing; contributing in 1903 $3,310 to reduce general taxation. The time may not be far distant when these profits will almost cover the general expenses of the town, which should be the ultimate aim of municipal ownership.

GEO. CLAVET, Mayor.
J. McTEIGUE, Clerk.

Port Arthur, Feb. 23, 1904.

Q. Did you send a copy of that statement to the Bell Telephone Company?—A. Yes.

Q. Did they controvert or deny it?—A. No, I have not any knowledge of that.

Q. When did you send it to them?—A. When it was printed, January 28, 1904.

By Mr. Maclean:

Q. And their agent in the town would get copies?—A. We sent them to the municipalities.

Q. The Bell Company's agents in the towns would get them?—A. Yes.

By the Chairman:

Q. Is Holmes in Canada now?—A. I do not know where he is. This official statement goes on:

'A counter petition is now signed by twelve of the signers of the original petition, asking that their names be expunged, and stating that their signatures were obtained by false representation.'

By Mr. Maclean:

Q. Was the audit ever held?—A. No.

The CHAIRMAN.—We will ask Mr. Dyke to remain until to-morrow, so that he can get the extracts from the newspapers.

Mr. JOHNSTON.—I think it would be important to know the whereabouts of these men mentioned by Mr. Dyke.

The CHAIRMAN.—Mr. Bryan lives on a farm outside of Fort William now, but he doesn't know where Holmes is.

By Mr. Smith:

Q. This statement is based on the fact that Bryan says Holmes was an agent of the Bell Company?—A. Yes.

Q. That is the only evidence that Bryan had?—A. Yes, but Captain Holmes was in town, and Holmes went away with the petition, and I think it can be proved that he carried the petition to the head office of the Bell Company in Montreal.

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APPENDIX No. 1

By Mr. Johnston:

Q. You will vouch for the correctness of this——

Mr. SMITH.—That is, the official statement?

The WITNESS.—Yes, as absolutely correct so far as we know.

By Mr. Johnston:

Q. Which you swear to be correct?—A. Yes, so far as we know.

Q. You have no reason to doubt the accuracy of it?—A. I have no reason to doubt it.

By Mr. Bergeron:

Q. Do you say that this has been received by the Bell Company?—A. Well, the town clerk was instructed to mail it to them.

Q. You don't know whether they received?—A. I cannot say as to that; we have no acknowledgment.

By the Chairman:

Q. It was published in the newspapers?—A. It was published in our newspapers, and I think we distributed 5,000 of them all over Canada, sending them to the press and to the municipalities throughout the Dominion, also to the financial organization, so that they would see our actual standing.

Q. Had the Bell Company a representative in Fort William?—A. Yes.

Q. Had they at that time?—A. Yes.

Q. Did he receive a copy of this statement?—A. I believe he did. I cannot say positively.

Q. Did it appear in the Fort William papers?—A. Yes, it appeared in them; it was publicly printed in them.

By Mr. Monk:

Q. Have you any reason to believe that Holmes acted under instructions from the head office, or did he act of his own motion, or in the zeal he might have had for his own advancement?—A. There is a statement about that in this book, if my memory serves me right. I would prefer to confine my statements to this book, because this was done by a committee appointed to inquire into the affairs. Their report was read in council and was published as a document of the council. Now, here is what this pamphlet (Exhibit No. 15, page 81) says on the point that Mr. Monk has raised:—

'In order to make the reply to the special commissioner more clear, and to show a motive for the attack, as it proved to be, it will be necessary to state that the town is strongly opposed in its telephone system by the Bell Telephone Company of Canada. It is a peculiar coincidence that Mr. W. C. Scott, special agent of the Bell Telephone Company, was here at the same time that the special commissioner was; they stopped at the same hotel, left for the east on the same train, and it is reported, on what is considered good authority, that the article that appeared in the Ottawa "Free Press" was prepared on the train by the two men, and submitted to the head office of the Bell Telephone Company in Montreal before publication.'

That is exactly the point that I wanted.

By Mr. Johnston:

Q. That statement you also vouch for as being correct?—A. I vouch for it as being the belief of the town council of Fort William.

Q. The town council is not the witness. You are the witness and you are giving us evidence?—A. I believed it thoroughly at the time, and I have no reason to change my opinion now.

Mr. JOSHUA DYKE.

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Q. Do you believe that the report of the commissioner was prepared on the train and submitted to the Bell Company?—A. That is our opinion.

Q. I mean your opinion?—A. I mean my opinion—excuse me. A question raised by Mr. Monk is somewhere answered in this pamphlet.

By the Chairman:

Q. There will be an opportunity to-morrow to continue this line of inquiry. I think it would be interesting to know what was the effect upon the use of the telephone by establishing the municipal system, and I was desirous also of learning what progress had been made in the extension of the telephone since your two towns had inaugurated this system. You may remember, I asked you how many telephones you now have in use in Fort William. You said 500?—A. Yes.

Q. And in Port Arthur, 513?—A. Yes.

Q. And I asked you how many householders there are now in Fort William. You said about 700?—A. Yes.

Q. And how many of the 500 telephones in Fort William are in houses?—A. 350.

Q. 350 telephones in private houses?—A. Just a moment—that is Port Arthur. There are 370 telephones in residences in Fort William.

Q. Out of about 700 householders?—A. Yes.

Q. And how many has the Bell Company now?—A. Well, according to their statement, they have——

Q. They have 157, according to the directory?—A. Yes, but you must remember that 73—I have the number here somewhere—it is some 60 or 70 in connection with the Canadian Pacific Railway.

Q. Out of the 157?—A. Yes.

Q. They have about 100 telephones outside the Canadian Pacific Railway?—A. Yes.

Q. How many of these would be in private houses?—A. Unfortunately I have not counted them up. It is here in their directory, which I will file as an exhibit.

Q. You can get ready to answer that to-morrow?—A. Yes, I will make a note of that.

Q. You can ascertain for to-morrow how many telephones there were in private residences before the municipality began their system, and how many there are now in private houses?

Mr. MACLEAN.—And just put alongside of that the cost.

By the Chairman:

Q. We are coming to that. You will deduct from your statement, or show in your statement the number of free telephones in private houses?—A. Yes.

Q. In order to ascertain the effect upon the legitimate lease of the telephone?—A. Yes, and the progress that has been made.

Q. And the same information with regard to Port Arthur—you will get that?—A. Yes.

Q. About the business 'phones, you might give us the like information with regard to business houses, placed both before and since the arrival of your system on the scene?—A. I can give——

Q. Then I want to ask a few questions bearing upon your system. Can you tell us to-day, or perhaps you can to-morrow if not to-day, the cost of equipping your central office in each place?—A. The cost per 'phone—I can give you the cost per 'phone——

Q. You can look up this question, and give the information to-morrow?—A. Yes.

Q. Then I will give you a number of questions that you can answer to-morrow. It will save time.

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APPENDIX No. 1

By Mr. Maclean:

Q. Have you public pay-stations in your towns?—A. No; our 'phone quarterly payments are collected in the same office by the town clerk as the water and electric light rates.

Q. Perhaps you don't understand me. Have you any stations where the public can go in and for five or ten cents call up any subscribers?—A. No, we can't charge anybody anything. They can go in anywhere.

Q. The public have access to the 'phones, and anybody can go in and use the 'phones?—A. Certainly. We don't make any discrimination.

By Mr. Bergeron:

Q. You are only working in the two towns?—A. Yes, that is all.

Q. You cannot connect with any long distance lines?—A. There is none in yet.

Q. That is why anybody can use the 'phones. It operates only between the two towns?—A. Yes.

By Mr. Maclean:

Q. If an ordinary citizen wants to talk to somebody he can go into a subscriber, and the subscriber can allow him to use the 'phone and get his answer?—A. Yes.

By Mr. Monk:

Q. You mean, it is tolerated?—A. No, we have no rule. The system is there for the public, and as long as it pays we are obliging the public.

By Mr. Maclean:

Q. By the contract in the cities you must not allow the public—a subscriber has no right to let any one use his 'phone.

By Mr. Monk:

Q. Do you make contracts with your subscribers?—A. Yes; I will be able to fyle copies.

By Mr. Roche:

Q. What is the capacity of your switchboard?—A. 750 in Fort William and 500 in Port Arthur. The reason we have a larger board is that we started a telephone with a 500-central, but when the fire occurred we increased it to 750.

Q. You have an all-night service?—A. Yes, day and night.

Q. The wages you pay to your employees—do you know the number of employees?—A. Yes; there are six operators in Fort William and six in Port Arthur. Two get $25——

By the Chairman:

Q. That is on record. They are young ladies?—A. Yes.

By Mr. Maclean:

Q. Have you had many inquiries from other towns and municipalities asking for details of your system?—A. Yes, many inquiries.

Q. Showing a widespread interest in the question of municipalization?—A. Yes.

Q. And you have gone to a great deal of trouble in giving this information?—A. Yes, we have received inquiries and have been very glad to answer them.

Q. Are you, as a citizen, satisfied with the experiment you have made in the municipalization of your telephone?—A. Most certainly so, in efficiency of service and satisfaction to the general public, and I think this statement shows that although it has only been in existence two years, we have wiped out a deficit of nearly $600 and

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left a surplus of nearly $500 in this second year; I think that shows a financial success.

Q. Do you think the centralization of the telegraph and the telephone system under one management, in connection with the post office or municipal management would be better for the public than a private-owned corporation?—A. I think it would, because the more you centralized these public utilities, giving a good service, the more convenient it is to the community and the less expenditure it is to operate them.

By Mr. Roche:

Q. Are your instruments the most modern?—A. Yes, the very latest pattern. In fact, it has been, we thought, a compliment to us, when the Bell installed similar instruments in a number of cases afterwards. I made a very careful personal inquiry during 1903 and compared our system with the system in Hamilton, the system in Toronto, the system in Montreal and the system in this city—that is, as to convenience to the public, as to attention and quickness of reply—and it was my candid opinion that our system was very much superior. It was a new system and had the latest appliances of all kinds. All the employees are very attentive and very enthusiastic over it. It was my opinion that we had a better system than either of those of these cities I have named.

Q. How many miles of wire have you?—A. Three hundred and sixty miles of iron wire, extra best, and we have two miles of 50 pair cables. We have 16 miles of surface connection, 10 miles of poles, 40 poles to the mile. The average cost of our telephone in Fort William is $63 per phone. The interest and sinking fund per phone per annum is $4.50. The maintenance of each 'phone per annum is $6.65, making a total cost per 'phone of $11.15.

By Mr. Maclean:

Q. Does that include a switch-board?—A. Yes, everything. Our telephone charges are $12 for domestic and $24 for commercial per annum. We wished to put in domestic 'phones at about cost, leaving on the business 'phone about $12 or $13 over cost for depreciation and maintenance, and other contingencies that might arise.

Q. Is it almost the unanimous opinion of the business men that it is against their interests and a great public inconvenience that the Canadian Pacific Railway should make such an agreement with the Bell Telephone Company as to exclude them from the station?—A. I think it is.

By Mr. Smith:

Q. In what shape is that expressed? Have they had meetings?—A. In these affidavits. I could have brought 150.

The CHAIRMAN.—Naturally, they desire to get all the facilities they can.

Mr. BERGERON.—Is not any company, either the Canadian Pacific Railway or the Grand Trunk, the proprietor of their own station?

The CHAIRMAN.—That is a point of law.

By Mr. Smith:

Q. Has there been any public protests about this matter of monopolies by the railway companies?—A. Oh, yes, there have been protests by dozens, and the council protested about their difficulties, and presented their demands to the railway commission.

By Mr. Maclean:

Q. You have brought the Bell Telephone Company into court?—A. Yes.

By the Chairman:

Q. Before the commission?—A. Yes.

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APPENDIX No. 1

By Mr. Maclean:

Q. And the case is now pending? Who instituted that case?—A. Do you mean the amendment to the Railway Act?

Q. No; the case against the Canadian Pacific Railway in the Railway Commission.

By the Chairman:

Q. Last summer the matter was brought before the Railway Commission. Application was made by Fort William and Port Arthur to compel the Canadian Pacific Railway to admit your system into their station?—A. Yes.

Q. And the Bell Company cited their contract, and the Canadian Pacific Railway pleaded the contract?—A. Yes.

Q. And the question was determined by the commissioners that you might be allowed to put in your system subject to terms, and the terms, as I understood it, have never yet been settled?—A. No. I may tell you about that. The two councils met, and decided through the Union of Canadian Municipalities to bring their case up, and the case was heard, and we were represented by counsels, and the judgment was presented to our councils, and we thought—you will excuse me if I say so—I wish to appear most respectful in every way—we thought that the judgment was not a fair one. I have got a paper on that somewhere here. We thought it was not a fair one, for this reason, the award of damages was centred against Fort William and Port Arthur, providing that point was conceded that damages should be awarded under this contract, which we are not prepared to concede, because we consider the Bell Company got their exclusive right at the time when the parliament was not fully aware of the far-reaching effect of the telephone system—got that clause, 'to be for the general advantage of Canada,' when parliament was not aware of its far-reaching effect. Then, we consider that the Canadian Pacific Railway, having received such large considerations from our town, it would be an unjust thing to pay them damages. Then, these damages, supposing we concede that they are awarded to be paid by Fort William and Port Arthur for the whole amount, while there are hundreds of other towns and cities on their line, you will bear in mind that the statement takes into account the total amount and the total amount the Canadian Pacific Railway and the Bell Company would, as they say, suffer if the contract was broken up.

The CHAIRMAN.—Perhaps it is a mistake to say that, but I was under the impression that the Railway Commission had not given judgment, only as to the question of damages. The question was whether the damages would be limited to the payment of the cost of material and so on, or whether it would include consequential damages?—A. No. Mr. Blair made a statement which I have here.

Q. The matter is still subjudice?—A. Mr. Blair recommended that it be referred to the Supreme Court of Canada. I will read his statement:—

Q. Is that what Mr. Blair wanted to have referred to the Supreme Court? Is that what he wanted to know? What was covered by the word 'damages'?—A. This is Mr. Blair's statement:

'Mr. Blair admitted a close analogy between the telegraph and telephone, but held that the agreement between the Bell Telephone Company and the Canadian Pacific Railway was a valid and binding contract.' I may say that Mr. Bernier and Dr. Mills differed from Mr. Blair in that; but this was a point in which it was a decision in law, and the circumstances of the commission was such that on a point of law the president must determine; his opinion prevailed. And the town councils have not referred any appeal, because their understanding was that the word 'compensation,' as it appeared in the amendment to the Act referred to anything we might pay, or that they might pay for the use of the 'phones, and that it did not include anything for the violation of the contract.

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By the Chairman:

Q. That is the question now to be settled?—A. I think, if the consensus of opinion of the hard-headed business men of Canada were taken in an unprejudiced way, I believe that 90 per cent of them would declare openly, and satisfactorily to themselves, that that agreement is an unrighteous one for this country.

By Mr. Maclean:

Q. You haven't any doubt that it is within the competence of parliament to make clear what this clause means?—A. I believe it is within the comptence of parliament to make that clear.

By Mr. Johnston:

Q. I was not here at the opening and the question may have been answered; if it is, you need not bother. What proposition have you made to the Canadian Pacific Railway?—A. We made no proposition of compensation.

Q. I do not mean that. Have you made a proposition to the Canadian Pacific Railway asking them to install your 'phones in their railway stations?—A. Yes. We complied with the Act, which distinctly states that when a municipality or a private company desires to make connection with a railway company's station, it shall first make application to the railway company, and if refused, they shall then apply to the Railway Commission, which commission has power to order it to be put in. We made the official application.

Q. Did you ask them to install one of your 'phones?—A. We asked them to have one of our 'phones installed in the railway station and in the freight shed.

Q. You were prepared to do that?—A. At our own cost.

Q. Without payment of any tolls?—A. Yes. And we made application to the Canadian Northern and they accepted.

Q. I simply want to know whether you have made this proposition to the Canadian Pacific Railway for the instalment of free 'phones?—A. No, we asked to have our 'phones admitted, and we waited for them to make a statement whether they would or not and then on what terms, although we were prepared, if it were necessary, inasmuch as the Bell Telephone Company gave them free 'phones, we were prepared to place our 'phones there free too.

Q. And you intimated that to the Canadian Pacific Railway?—A. I would not be sure about free 'phones, but I know that we made application, but whether it was for free 'phones or not, I would not say just now.

Q. You recognize that it is important for this committee to know whether the Canadian Pacific Railway received an offer from you similar to that which they received from the Bell Telephone Company?—A. Yes, they have refused admission to our 'phones.

Q. But are you perfectly sure that they refused an offer similar to that they received from the Bell Telephone Company?—A. I will answer that question specifically to-morrow.

By Mr. Bergeron:

Q. What reason did they give you for refusing your application?—A. Mr. McNicoll assured me they would very much like to oblige us, but there was this agreement which they had signed. But they had not signed it until after we had advertised our debentures.

By the Chairman:

Q. But before you had inaugurated your system?—A. Yes.

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APPENDIX No. 1

By Mr. Maclean:

Q. But before you were in operation?—A. Yes. We had advertised to get money, but we had been making our arrangements for four months, pending this. The agreement was signed on May 1.

Q. This agreement was devised for that purpose?—A. Yes, I believe so.

The CHAIRMAN.—And you stated your intention, in your January address, to inaugurate this system.

By Mr. Maclean:

Q. Tell us about the Canadian Northern now?—A. I do not now whether they have made an agreement or not, but I have made application to the company, and they said: 'Yes, install your 'phones as soon as you like.' And we installed our 'phones, and there is no difficulty there.

Q. And any subscriber of yours has a connection with the Canadian Northern?—A. Yes.

Q. And can find out about freight and trains by the 'phone?—A. Yes.

Q. And the company give the information?—A. Yes, and there is no inconvenience in the office by reason of having to answer two 'phones, because if the agent is answering one 'phone he is not answering the other. If there is a call on one line at the time he is answering another they have to wait.

By Mr. Johnston:

Q. I regard this difficulty with the Bell Telephone Company and the Canadian Pacific Railway and any of the local telephone companies as of some importance, and that it is of importance to the committee to know where to get some of the details. Now, you say that the Bell Telephone Company has made an onslaught on your local telephone system?—A. Yes.

Q. You say that subsequent to the time when you started to develop your system the Bell Telephone Company entered into an agreement with the Canadian Pacific Railway?—A. Yes.

Q. For an exclusive service?—A. Yes; on the first of May, 1902.

Q. You say to this committee positively that the agreement of the Bell Telephone Company with the Canadian Pacific Railway was made subsequent to that date?—A. Subsequent to our decision and to the advertising of our debentures.

Q. You have no doubt about that?—A. Oh, it is a fact. Here is the date of the contract.

Q. There was no former contract?—A. Not that I am aware of.

Q. You are positive about that?—A. Well, I can only say as to what I know.

Q. That is fair?—A. I can only say as to what I know. I would not wish to misrepresent anything.

Q. You are not able to give any information as to where this Capt. Holmes is?—A. I do not know anything about him, only what appears in this official pamphlet issued by the town.

Q. You have given this committee a statement on your own responsibility, that the request for a provincial audit originated with the Bell Telephone Company?—A. I believe it did.

Q. I believe it is of some importance to the committtee to know that?—A. Yes; and I based my statement on this official report of the town council.

Q. You have no personal knowledge at all of the matter?—A. I was mayor of the town while this matter was on—that is, the matter of the petition.

Q. You say the Bell Telephone Company are giving free 'phones in the towns of Port Arthur and Fort William?—A. Yes.

Q. Are you able to give us any information as to any offices in which these free 'phones are given?—A. Well, my proof that free 'phones are given is to be found in the sworn statement of the gross receipts.

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Q. I must accept your statement as to free 'phones. You have no doubt, the conditions under which these free 'phones are given?—A. A number of people have told me that an officer of the Bell Telephone Company has come to them and said that they wanted to install their 'phones, and that it would not cost them anything.

Q. Will you secure us the names of those who have free 'phones? We want the proof?—A. How long will this committee sit?

The CHAIRMAN.—Oh, we will sit quite a time.

A. Yes, I will get them for you. I can get a number of affidavits if necessary.

Examination adjourned.

Mr. GRANT.—Mr. Alexander Graham, of Uxbridge, Ont., a constituent, writes me, deprecating the action of the committee in accepting to a certain extent foolish complaints with reference to the Bell telephone service. He is a stockholder, and he hopes that the committee will not take any action which will cause a loss to him, and to many others who, like himself, hold small lots of stock in the Bell Telephone Company.

The Committee adjourned.

COMMITTEE ROOM,
WEDNESDAY, April 5, 1905.

The committee met at 11 o'clock a.m., Sir William Mulock in the Chair.

Mr. JOSHUA DYKE, of Fort William, Ont., examination continued:

Gentlemen, with your permission, I would like to give the information called for in a series of questions which were handed to me by Mr. Dagger yesterday for the purposes requested by the committee. If I proceed to read them and to file the papers that I have with the committee then any general questions after that I can answer I will be very glad to do so. I was asked to give separate accounts of the cost of 'phones to Fort William and Port Arthur. I telegraphed to the officials there, and the invoice price of the residential 'phones is $8.50 per 'phone, and the invoice price of the desk 'phones is $11.25. The cost of the central exchange, equipment, installed, including 200 'phones, was $7,876.

For Port Arthur the cost of the central exchange equipment, also including 200 'phones, was $6 850. You will see there is a difference there, but we have a larger central equipment than they have. The desk 'phones complete, and the wall 'phones are the same price as at Fort William, $11.35 and $8.50.

I herewith file with you official audits of the Fort William Telephone system for the two months, November and December, in 1902, and for the whole of the years 1903 and 1904 as follows:—

Exhibit No. 17.

FORT WILLIAM TELEPHONE SYSTEM FINANCIAL STATEMENT, YEAR ENDING DECEMBER 20, 1904.

Construction.		
Debentures issued	$ 12,500 00	
Unprovided	18,928 77	
Expenditure.		
January 1, 1904	23,947 56	
Street wires	2,829 19	
Service connections	2,785 99	
Power system	1,587 17	
Interest	278 86	
		$ 31,428 77

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APPENDIX No. 1

MAINTENANCE.

Earnings.

Rated telephones		$ 5,389 63

Expenditure.

Deficit from 1903	$ 576 92	
General expense and fixed charges	823 50	
Central office	1,359 83	
Street wires	132 55	
Service connections	652 23	
Rebates	262 65	

Liabilities.

Interest	562 50	
Sinking fund	465 20	
	$ 4,835 38	
Balance—Profit on year's business	554 25	
		$ 5,389 63

Exhibit No. 18.

TOWN OF FORT WILLIAM TELEPHONE COMMITTEE FINANCIAL STATEMENT, DECEMBER 20, 1902.

Street Wires.

Wire—			
American Electric Fuse Co.	$ 39 20		
Watson, Jack & Co.	246 40		
Dominion Wire Manufacturing Co.	341 79	$ 627 39	
Cable—			
Chase, Shawmutt Co.	75 46		
Moon Manufacturing Co.	133 88		
Illinois Electric Co.	977 50		
International Telephone Mfg. Co.	143 10	$ 1,329 94	
Poles and Fittings—			
McConnell, T.	824 50		
Chas. Jenks	106 50		
Illinois Electric Co.	13 09		
W. E. Piper	150 00		
Jas. Rabideau	63 20		
Canadian General Electric Co.	966 26	$ 2,123 55	
Tools—			
Canadian General Electric Co.	10 74		
J. & T. M. Piper	7 45		
American Electric Fuse Co.	6 00	$ 24 19	
Labour as per pay-sheets	1,327 02		1,327 02
Miscellaneous—			
Canada customs	406 08		
Imperial Oil Co.	2 62		
Sundries	1 00		409 70

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Service Telephones.

Wire cable,—		
Canada General Electric Company	$ 135 87	$ 135 87
Labour as per pay sheets	57 65	57 65
Micellanous,—		
W. S. Piper	23 35	
A. Dawson	9 16	32 51

POWER SYSTEM.

Dynamo and Storage Batteries.

Material,—		
International Manufacturing Company	215 00	
Labour and incidentals,—		
J. & T. M. Piper	27 90	242 90
International Telephone Manufacturing Company, as per contract	5,475 00	5,475 00

General Expense.

Salaries,—		
T. S. Jones	50 00	
Labour,—		
T. Ed. Oakley	50 00	100 00
Office expense,—		
Stamps	5 30	
Sundries	5 00	
Telegrams	16 64	26 94
Stationery and printing,—		
Superior Printing Company	70 25	70 25
Freight, draying and express,—		
Canadian Pacific Railway	74 95	
Express	9 85	
Jas. Davidson	43 00	
Jas. Carson	1 00	
Thos. Cherry	12 50	
W. E. Carson	4 00	145 60
Miscellaneous,—		
Town of Port Arthur	7 50	
J. J. Wells, insurance	67 50	
Sundries	5 75	80 75

POWER SYSTEM AND SWITCHBOARD.

Salaries and labour as per pay sheets	72 50	
Sundries,—		
Wells & Emmerson	0 65	
		73 15
Total expenditure		$ 12,282 11
Less charges to maintenance,—		
Insurance	$ 67 50	
Switchboard operation	72 50	
Sundries	0 65	
Customs rebate	9 00	
		149 65
		$ 12,132 46

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APPENDIX No. 1

Exhibit 19.

TOWN OF FORT WILLIAM.

Financial Statement.

TELEPHONE DEPARTMENT FOR THE YEAR ENDING DECEMBER 31, 1903.

Receipts—Telephone.

Current account—		
Rated telephone subscribers	$ 1,539 40	
London Assurance Company	2,696 66	
Town treasurer	255 37	
		$ 4,491 43
Overdraft, Bank of Montreal		6,889 41
Amount expended by town		5,094 04
		$ 16,474 88

Expenditure—Telephone.

Construction—		
Street wires	$ 5,569 04	
Service connections	1,981 87	
Central office	960 33	
Sundries	492 58	
Amount expended by town	5,094 04	
		14,097 86
Maintenance—		
General expense and fixed charges	729 39	
Power system and switchboards	1,071 17	
Street wires	256 06	
Service connections	97 50	
		2,154 12
Cash on hand December 31, 1903		157 79
Overdraft, Bank of Montreal, January 1, 1903		65 11
		$ 16,474 88

Audited March 21, 1904.

CONSTRUCTION—TELEPHONES.

Debentures issued	$ 12,500 00	
Unprovided	11,447 56	
		$23,947 56

Expenditure.

January 1, 1903	$ 12,265 11	
Street wires	5,569 04	
Service connections	2,058 30	
Central office	5,775 94	
Sundries	975 83	
	$26,644 22	
Less insurance received	2,696 66	
		$23,947 56

Mr. JOSHUA DYKE.

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MAINTENANCE—TELEPHONES.

Earnings.

Rated telephone subscribers	$ 3,031 25	
Deficit at date	576 92	
		$ 3,608 17

Expenditure.

General expense and fixed charges	$ 729 39	
Power system and switchboards	1,071 17	
Street wires	256 06	
Service connections	97 50	
Rebates	426 35	

Liabilities.

Interest	562 50	
Sinking fund	465 20	
		$ 3,608 17

ASSETS AND LIABILITIES—TELEPHONE—DECEMBER 31, 1903.

Assets.

Telephone plant	21,947 56	
Cash on hand	157 79	
Due from subscribers	1,065 50	
Deficit on capital account	1,873 63	
Deficit on maintenance account	576 92	
		$ 25,621 40

Liabilities.

Debenture liability	$ 12,500 00	
Advances from town	4,923 04	
Due Bank of Montreal	6,889 41	
Due sinking fund	465 20	
Due for debenture interest	843 75	
		$ 25,621 40

BALANCE SHEET—TELEPHONE.

Capital	$ 1,873 63	
Debentures		$ 12,500 00
Telephone plant	21,947 56	
Town of Fort William, debenture account		4,923 04
Cash	157 79	
Bank of Montreal		6,889 41
Telephones	576 92	
Rated telephone subscribers	1,065 50	
Sinking fund liability		465 20
Suspense		843 75
	$ 25,621 40	$ 25,621 40

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APPENDIX No. 1

IN ACCOUNT WITH CONSUMERS, 1903.

Rated Telephone Subscribers.

Earnings as per register		$ 3,031 25
Rebates	$ 426 35	
Cash received current	1,536 40	
Cash received delinquent	3 00	
Due from subscribers	1,065 50	
		$ 3,031 25

GEO. McEDWARD,
WM. McPHILLIPS,
Auditors.

The cost of poles, that is another question that was asked, is 5 to 10 cents per lineal foot according to the quality, with 6-inch tops, say a length of 30 to 50 feet.

The number of phones in Fort William, the detail is filed here, the total is 500. Port Arthur has 158 commercial, and 350 resident with orders waiting for 18. The desk sets in use, 14; making a total of 540. Those 18 are not installed but are waiting to be installed.

Another question I was asked was to place before the committee some evidence that the Canadian Pacific Railway were requested to admit to their premises the municipal phones at Port Arthur and Fort William. I went over to the Board of Railway Commissioners to get access to the volume I of the bound evidence taken before the commission. In that evidence are copies of two letters sent by myself as mayor of Fort William, and by the mayor of Port Arthur, and also personal letters to Mr. McNichol from myself, calling his attention to our request; I will read the following:—

Exhibit No. 20.

BOARD OF RAILWAY COMMISSIONERS FOR CANADA,
OTTAWA, February 29, 1904.

Case No. 6.

In the matter of an application of Fort William and Port Arthur, under section 193 of the Railway Act, for installation of telephones in the C.P.R.

Cases of the municipalities.—Under the Municipal Act of 1897, sec. 16, Fort William and Port Arthur proceeded to install independent municipal telephone systems, &c.,—caused contest with Bell Company, May 1, 1902, Bell and C.P.R. signed an exclusive contract.

Page 377, line 12.—Mr. Lighthall who appeared for municipalities states: 'We first of all made demand by letter upon the C.P.R. Company through its General Manager McNicoll.' Mr. McNicoll replied: 'Only objection their company had to this arrangement was an objection arising out of this contract.'

Page 383, vol. 1, Board of Railway Commissioners. Copy of letter dated Fort William, December 17, 1903.

'D. McNICOLL, Esq.,
General Manager, C.P.R.,
Montreal.

DEAR SIR,—In behalf of the corporations of Fort William and Port Arthur, acting by order of our respective councils, we hereby request the Canadian Pacific Railway Company to grant permission for our telephone systems to be placed at once in your stations, offices, elevators and premises. We base our request on section 193 of an Act to amend and consolidate the law respecting railways, 1903, page 58, which says: "Whenever any municipality or corporation has authority to construct, operate and maintain a telephonic system in any district: and is desirous of obtaining telephonic connection or communication with any station or premises of the company in such

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district, and cannot agree with the company with respect thereto, such municipality or corporation may apply to the board for leave therefor, and the board may order the company to provide for such connection or communication upon such terms as to compensation as the board deems just and expedient; and may order and direct how, when, where or by whom and upon what terms and conditions such telephonic connection or communication shall be constructed, operated and maintained." We also call your attention to copy of statement on 'Hansard,' page 8415, August 6, 1903, which by statement of Hon. Mr. Blair and the Hon. the Minister of Justice, declares the provisions of this amendment apply to the corporations of Fort William and Port Arthur.

On the above ground we request the admission of our phones at the earliest possible date.

Signed in behalf of

Fort William, JOSHUA DYKE, Mayor.
Port Arthur, GEO. O. CLAVET, Mayor.'

Page 384, vol. 1, letter from Mayor Clavet, Port Arthur, to D. McNicoll, Esq., July 22, 1903, is as follows :—

'Referring to our conversation in your office last March, *re* installation of our municipal telephone in C.P.R. offices, here, you informed me that as soon as the McLean Bill had been acted upon favourably you would be prepared to take action. I would be pleased to hear from you at your earliest convenience on this subject. I might inform you that the Canadian Northern Railway here have installed our telephone in all their offices and the great number of patrons which your company has here are greatly inconvenienced by your not admitting our telephone also. Daily complaints are made to me personally on this subject. I am, dear sir, yours respectfully,

G. O. CLAVET,
Mayor,
per W. J. G.'

Page 385, vol. 1.—The following letter dated September 17, 1903, from the mayor of Fort William to D. McNicoll, Esq., reads as follows:—

"Mr. W. D. Lighthall, M.A., the hon.-sec. of the Union of Canadian Municipalities, will call and see you at an early date and present a letter from His Worship Mayor Clavet and myself requesting admission of our telephonic system to your premises as per section 193, an Act to amend and consolidate the law respecting railways, page 58. We trust you will give us a prompt and favourable reply to our request.

'Very truly yours,

'JOSHUA DYKE,
'Mayor.'

WITNESS.—The number of telephones; that was another question asked, what number of 'phones the Bell Company had in Fort William and Port Arthur. The number of Bell telephones, as per their directory, which is here placed on file, date November, 1904, and which was corrected for a subscriber up to the middle of last week, is as follows:—

Fort William, 77 business 'phones, that includes the Canadian Pacific Railway and the Canadian Pacific Railway hotel, 'phones used by the Bell Telephone Company themselves, and 'phones used by the Canadian Northern. There are 80 residential 'phones, making a total on their directory for Fort William, of 157 'phones. According to their sworn statement, a copy of which is on file here as to their gross receipts for 1904, they would have actually paid for 25 business 'phones at $24, equal $600, and 18 residential at $12, which equals $216. That will make a total paid 'phones of 43 as against 157 on their directory, from which we may presume that the free 'phones number 114.

As to Port Arthur, they have residential 'phones on the directory 34, and business

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and railway 'phones 37, making a total of 71. Their sworn statement of the gross receipts, a copy of which is on file here, a certified copy, shows a total of $780 for 1904. This would be 20 business 'phones at $24, $480, and 25 residential 'phones at $12, $300, which would be together $780, leaving paid 45, and free 26 in the town of Port Arthur.

By Mr. Zimmerman:

Q. Is there not a possibility that they have not kept the price up, but charge so much for all 'phones instead of dividing it up, as you have done?—A. Well their price is stated and advertised as $12 and $24.

I was also asked what the population of Fort William and Port Arthur was, and how that would average per 'phone according to population or families. The population of the towns is 14,000, there would be about 1,000 families in the two towns, we have a very large number of boarding houses and workingmen's hotels, and a large population of that class. We have also a very large foreign population, and I think a thousand families is an outside statement. We have a very large foreign population that boards in boarding houses. Put it at that and that would make one municipal 'phone for every 14 homes. Of course——

By the Chairman:

Q. It is more than that, you just mean the Bell telephone alone, do you?—A. Oh, no. I mean the municipal. I do not include in that——

Q. Let me have those figures again. How many telephones are there in residences in Fort William?—A. The Bell telephone?

Q. Well, I have the Bell now, give me yours?—A. That is on file.

Q. There is more than one in fourteen, how many have you got?—A. A total of 370 residence.

Q. That is in Fort William?—A. In Fort William.

Q. How many in Port Arthur?—A. The Port Arthur residence number—the finance statement is here, it is on the file. That will give it.

Q. There are 513 altogether, business and residence?—A. In Port Arthur there are 158 commercial and 350 residence and 14 desk 'phones.

Q. And there are of the Bell Telephone Companies' 'phones in Fort William?—A 18 that are paid, so far as we can judge.

Q. That is what you say, and in Port Arthur there are 25 paid?—A. Yes.

Q. That is 763 'phones paid for in the two towns, and there are a thousand families. How do you make it out that there would be only one in fourteen? You said families.—A. I beg pardon, that is per thousand population.

Q. At present there are 763 telephones in private residences in these two towns, and you estimate that there are about 1,000 families?—A. Yes, about that.

Q. So that there are about three-fourths of the houses now supplied with telephones?—A. Yes, sir.

Q. Is there any demand for further residential 'phones?—A. Yes, the demand is greater than we can supply, and this without any canvassing. There are always from 15 to 25 and even 30 orders on the books in the town clerk's office waiting for the instalment to be made. In this case there are 18 in Port Arthur waiting now, and about 15 in Fort William.

Q. It appears likely that soon you will have a telephone in every house?—A. I think that is the object in putting the cost at $1 per month for domestic and $2 per month for business. It is very popular for the citizens, and scarcely anybody at all but wants a telephone. It is a great convenience in business matters, they can call up the store and give their orders, and everything like that.

The next question asked me was what there was in the material in the outside construction. Fort William has 360 miles of single iron wire; two miles of 50 pair, paper insulated, lead covered, aerial cables, 16 miles two-ply wire cables or surface leaves from the main wires; 10 miles of poles, 40 poles to the mile.

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Port Arthur has 415 miles of iron wire; eight 50 pair cables of the same quality as Fort William, paper insulated, lead covered, aerial cables; about 4 miles of cables for surface leaves and 20 miles of poles. I filed here with you the financial statement for Port Arthur for 1904, I haven't it with me for any other year. You have now on file the Fort William financial statement for two months of 1902 and the years 1903 and 1904. I now file the statement for Port Arthur for the year 1904.

Exhibit No. 21.

TOWN OF PORT ARTHUR TELEPHONE DEPARTMENT.

Statement of Income and Expenditure, January 1, 1904, to December 15, 1904.

Income.

Receipts from commercial subscribers	$ 3,065 35	
Receipts from residence subscribers	2,752 40	$ 5,817 75
Sale of desk sets, &c		77 00
Accounts due to December 15, 1904		482 35
Total income		$ 6,377 10

Expenditure.

Superintendence	$ 654 50	
Operators' salaries	1,343 50	
Secretary and treasurer, salary	195 37	
Rent	95 84	
Insurance	55 00	
Miscellaneous and repairs	752 42	
Printing, advertising and stationery	85 60	3,179 23
Interest $21,000 debenture		1,050 00
Depreciation		400 00
Stock on hand January 1, 1904	328 00	
Stock on hand December 15, 1904	178 00	150 00
Balance gain		1,597 87
Total		$ 6,377 10
Expenditure on capital account		$ 3,779 75

Another question I was asked was in reference to the publication—I was asked to put on file copies of the articles that appeared in the Ottawa *Free Press*, and in the *Journal* of this city, and in the Fort William and Toronto papers. I got access to the library, and I hunted up the file in which these articles are. I will only give you the reference to them in these files, the dates on which the article appear, it was not possible for me to get the articles, but Sir William can order the files to be brought forward if necessary, for the committee to look them over.

The Ottawa *Free Press*' article by the 'Special Commissioner' which was sent by that paper to Fort William appeared in the Ottawa *Free Press* of December 30, 1903.

The reply to that article, written by myself, as Mayor of Fort William, appeared in the *Journal* in this city December 30, 1903.

The Commissioner's letter, looking to the damage of the credit of Fort William and Port Arthur, was published in the *Mail and Empire* in the issue of Friday, January 8, 1904. I put these references on record so that the committee will know where to find these articles in case they should want to look them over. I think, Sir William, that covers all the questions that were asked me yesterday, all the information as completely and fully as I could cover them.

Mr. JOSHUA DYKE.

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APPENDIX No. 1

By the Chairman:

Q. I would like to ask a question. The financial statement is for the fiscal year ending December last, I presume this is intended to cover the complete calendar year. It speaks here 'from January 1, 1904, to December 15, 1904'—I am referring to the Port Arthur statement?—A. That must be a mistake—I am not so well acquainted with Port Arthur, but I know everything regarding Fort William.

Q. What I wanted to know is whether it is intended to cover the one full calendar year—apparently it falls two weeks short of it.—A. I think that is the full calendar year.

Q. Looking over the column for expenditure you have for depreciation $400. What is the value of the plan, what has the plant cost you for which you allow $400 depreciation?—A. The cost of plant in Port Arthur, including everything, is $21,000.

Q. The plant for which this $400 depreciation is charged cost $21,000?—A. $21,000.

Q. And is $400 a sufficient sum to allow for depreciation on that plant?—A. I might say in answer to that that our method of financing has been to allow a small amount for depreciation, and also to keep the surplus for extension and depreciation.

Q. I only want to see whether your finances are sound, to see whether you can afford to give telephones at the price you are giving them or not?—A. Yes, sir.

Q. Whether in time to come you will find the plant wearing out, whether you are using up capital now, and whether you are collecting enough to maintain the system efficiently.—A. After paying the interest and sinking fund we will have a small margin for depreciation.

By Mr. Maclean:

Q. Have you a sinking fund as well?—A. Yes, it must be borne in mind that the debentures are twenty-year debentures and that our sinking fund is to wipe it out in toto at the end of that period.

By the Chairman:

Q. Where is the sinking fund here, I do not observe it?—A. This is Port Arthur, I am not familiar altogether with this account but I am with Fort William.

Q. Just let me see your own town's financial statement, you perhaps cannot explain this. The year 1904, what was the total expenditure.—A. You see that our statement for Fort William for the last year gives the sinking fund at $465.20, and it also shows a profit on the year's business after providing for the deficit from 1903 of $576.92, and after meeting the general expenses, the fixed charges, and the central office, the street wires, the service connections, the rebates, and paying the interest of $562.50, and the sinking fund of $465.20, it leaves a balance of profit on the year's business, after paying off, as I said before, the deficit from the previous year, it gives a profit of $554.25; now that we called depreciation, because we do not apply that money to anything else.

Q. What would be a sufficient amount to set apart each year for depreciation of the plant in the Fort William system? What do you consider the life of that plant, the average life of that plant?—A. Well, now, Sir William, that is a question for an expert. I am a practical every day man, I do not know that I could answer that question with sufficient intelligence to warrant me in going upon record. Perhaps Mr. Dagger can help the committee out on that.

Q. What have you spent in the plant?—A. We have spent $31,500, that is represented by a debenture that is to be retired in 20 years by the annual sinking fund.

By Mr. Maclean:

Q. $1,000 per year will not do that.

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By the Chairman :

Q. $465 is the amount of money set apart this year for a sinking fund?—A. Yes.

Q. How many years have the debentures to run ?—A. Twenty.

Q. That would give you less than $10,000 in twenty years?—A. Our theory is, whether it is correct or not, that whatever profit we make on the operation of the plant, after paying the interest and sinking fund and the operating expenses, should be applied to depreciation first and extension, that is about it.

Q. The amount put to the credit of the sinking fund for this last fiscal year was $465.20, and you claim a profit for the year of $554.25, making a total of $1,119.45?—A. Yes.

Q. That you have that after paying the cost of maintenance and all other charges?—A. Yes.

Q. What I wish to know is whether that is a sufficient sum to provide for depreciation of a plant of $30,000 ?—A. I think so.

Q. So that you think you are carrying on business on a paying basis when you are collecting these rates, that is what I want to get at?—A. Yes, we have a profit on professional and business 'phones of nearly $13, and we apply that to depreciation.

By Mr. Maclean:

Q. Did you meet the representative of the Bell Telephone Company up there in your negotiations ?—A. We met Mr. Dickson, who is the sub-manager, and Mr. Scott, who is their special agent.

Q. What is his first name ?—A. Mr. W. C. Scott, I believe it is—it is in this book.

Q. He was the special agent of the Bell Telephone Company ?—A. Yes.

Q. Did he direct the action of the company?—A. Well yes, he was there in charge of their staff after we installed our municipal system. The headquarters of the company for Fort William and Port Arthur were in Fort William, and Mr. Scott had his headquarters in the Kaministiqua Hotel and they had a large staff of men putting their telephones and wires into the very best possible shape. I may say as a matter of fact that six months after our installation their system was certainly as perfect as they could make it. Their machines and receivers were somewhat out of date, but in about six months the Bell Telephone Company put their works in first-class condition.

Q. There were certain hostilities manifested by the Bell people towards the municipal system—do you know that ?—A. Well, yes.

Q. Who directed that?—A. Well now, I suppose Mr. Scott being the head and having all matters under his direction would direct them.

By Mr. Johnston:

Q. Your depreciation here on the Port Arthur account is $400 odd on a capitalization of $21,000. That is less than 2 per cent ?—A. Yes.

Q. Do the business men generally regard as efficient that amount for depreciation ?—A. Well, what the depreciation on a telephone plant should be I am not prepared to say. I have been closely identified with the installation of this system, and now the facts as to its installation and we got the figures at the time from different companies. We were advised as a committee that if we provided a sinking fund and interest, and kept these paid up and applied our surplus from time to time to what is called depreciation and the extensions, it would be a perfectly sound financial venture.

Q. As a matter of fact you know that 5 per cent depreciation is allowed more often than 2 per cent ?—A. I know that Mr. Scott, the special agent of the Bell Telephone Company, placed the figure at 3 per cent in some correspondence that was in the press at the time that we were installing ours. That was the quotation he gave as being necessary. We thought it high, I do not know; I am not an expert on these matters.

Q. You say your superintendence here cost $65 1.50, that is very cheap ?—A. Well it must be borne in mind that the superintendent is also superintendent of the elec-

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tric light line, and part of his salary is paid out of the telephone fund and part out of the electric light fund. There is not enough work for a staff of men to look after the electric light lines or the telephone lines alone, but the two combined make sufficient for two men. That staff can keep it going, but when there are extensions to be made they have to get additional help.

By Mr. Bergeron:

Q. The superintendent gets a salary from both departments?—A. Yes, about $100 per month altogether.

By Mr. Johnston:

Q. That applies to the secretary and treasurer?—A. The town clerk is secretary, and the town treasurer is treasurer. It is all done by the staff of the municipality.

By Mr. Zimmerman:

Q. What salaries are paid to these two men?—A. To the town clerk?

Q. Yes, and to the treasurer—I mean for the special work they do in connection with the telephone?—A. Well, the superintendent gets $600 from the telephone and gets $600 more from the electric light. He gets $1,200, but for the purposes of bookkeeping it is charged $600 to each account. His assistant gets $75 per month, probably.

Q. What about the secretary and treasurer?—A. Well, the treasurer's salary is about $1,000 and the town clerk's salary is also $1,000.

Q. I mean for the special work they do in connection with the telephone?—A. Oh, no, no. Their salaries are for the duties they have to perform for the whole town.

Q. That will be an additional expense if the government were to run it, that is what I want to bring out?

By Mr. Johnston:

Q. Have you ever had an expert accountant make an audit of your accounts?—A. Yes, the government auditor visits us annually and looks over our accounts, and makes a report to the provincial government, and in the case of Fort William I have quotations in this little pamphlet from his report which I will read if required.

Q. I do not think it is necessary?—A. He speaks of the books as being very well kept and the accounts and vouchers as being all in order. All accounts are audited at the end of the year by the auditors specially appointed, and in the spring of the year they are audited by the provincial Government Inspector who certifies to the correctness of them.

Q. Before the installation of your system was there some dissatisfaction with the service given to the town by the Bell Telephone people?—A. Yes, for several years the system was in a disorganised and inefficient condition. I think had it been otherwise our people might never have supported the municipal ownership idea.

Q. You made complaints to that effect, you presented the grievances to the Bell Telephone people?—A. We did.

Q. Through whom?—A. Through their superintendent.

Q. Through the superintendent, who in turn lodged with his company these complaints?—A. I should suppose so.

Q. Who was the superintendent?—A. His name was Macauley.

Q. Is he still in the service of the Bell Telephone people?—A. No, he left the Bell Telephone people. His wages were very small, I think about $45 per month, he was superintendent of both towns, and the Port Arthur people have engaged him. I think he is their superintendent of electric lines.

Q. He has nothing to do with the telephone system now, has he?—A. I think not; he has nothing to do with the system in our town, and never had, and I think in Port Arthur a man named Fox is the local superintendent of the telephones.

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By Mr. Zimmerman:

Q. Are these two separate companies, or is it just one company?—A. It is one system with each town owning and operating its part with an agreement for a free exchange and it is in the bill by which we obtained the right to do this that each town must keep its part in good ordinary repair and neither town——

Q. The debentures have been issued by the two corporations?—A. Independently—and neither town can sell or assign without the consent of the majority of ratepayers in both towns.

Witness discharged.

Mr. Alderman NORMAN ANDREWS, Brantford, Ont., sworn :

By the Chairman :

Q. You are living in Brantford, Mr. Andrews ?—A. Yes, Sir William.

Q. You are one of the city fathers there, I believe?—A. Yes.

Q. Have you any experience with any of the telephone systems ?—A. I have had no practical experience, Sir William.

Q. Have you given any study to the question of telephone systems?—A. Yes, Sir William, I have. During the agitation in Brantford last year, I was the leader in the fight between the Bell Telephone system and the city. During that time I acquired a great deal of information and knowledge in connection with telephones throughout Canada, and also I have been through England seeing the telephone systems there. I have also seen the telephone system in Germany as well as in Amsterdam.

Q. As a result of your experience what conclusion have you reached as to what system can best serve the people of Canada ?—A. I believe that the best system will be government ownership of long distance lines and municipal or independent ownership of local lines.

Q. What different systems have you examined ?—A. I visited the system in England where they have—I am speaking of two years ago—the national system. The British government at that time were considering—there was an agitation to secure all long distance lines by the government and I believe now they have succeeded in doing so. The national system in the part I visited mostly, in Devonshire especially, in a place called Exeter, was anything but satisfactory.

By Mr. Maclean :

Q. What do you mean by National ? The National Company ?—A. That is the company having a monopoly there.

Q. Some of us would understand that the National was the public owned telephone, so do not call it the National system, but when you are speaking of it call it the National Company system?—A. They call it the National over there.

Q. But when you call it the 'National' you mean that it is a company system ?—A. Yes, that is the name of the company.

The CHAIRMAN.—We will understand from this time forward that when you are speaking of the 'National' you mean a joint stock company system, as apart from the government system ?—A. Yes, sir.

By Mr. Bergeron :

Q. Like the Bell Company here ?—A. The same as the Bell Company here.

By the Chairman :

Q. Under a different name ?—A. Under a different name.

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APPENDIX No. 1

By Mr. Bergeron :

Q. I always thought that belonged to the government?—A. It belonged to the Bell Telephone Company.

Q. And when you say they became attached to the trunk line, are you sure of that?—A. That is within the last two months.

Q. Are you sure of that ?—A. According to the report.

Q. Do you believe that ?—A. Yes, I believe that.

By the Chairman :

Q. Well, Mr. Andrews, it would be well if we could get a connected story from you about your experiences, and therefore you had better perhaps describe the systems at present in force in Great Britain as you have seen them?—A. The system that I saw in Great Britain it was controlled, that is the local system, was controlled at that time by the National Telephone Company.

Q. Yes ?—A. And the long-distance by the government. It was in such a crude condition at that time that it was almost a matter of impossibility to get a connection from Exeter to any distance, in fact I tried myself to phone from Exter, a distance of a couple hundred miles, to London, and after trying for about an hour they told me I had better telegraph and not wait any longer at the 'phone, as the National 'Phone Company and the government were not working together as they should do and they could not give the proper connections. Then I found——

Mr. ZIMMERMAN.—Pardon me, Sir William, would it not be more interesting if you took Mr. Andrews' evidence as to what has been done in this country. We have all this on record ?

The CHAIRMAN.—We have it on record, but we have the opportunity here of getting a statement from an observer who has gone through this country and some continental countries.

Mr. ZIMMERMAN.—Well, of course——

Mr. GRANT.—How have we this on record already ?

Mr. ZIMMERMAN.—We could easily get it on all right.

The CHAIRMAN.—You will find that in having it on record you would need to examine a good many volumes of evidence. Have you seen the report of the Imperial Parliamentary Committee? You will be greatly relieved if you can get anything from the present witness that will save time.

The WITNESS.—Sir William, I would suggest that I go right through with our campaign in Brantford. All these points will perhaps be brought out.

The CHAIRMAN.—Perhaps it would be better to allow Mr. Andrews to tell his own story as he has it.

The WITNESS.—Up to the time of the agitation in Brantford the Bell Telephone was giving the city $450 a year for the franchise. They were charging for residence 'phones $25 a year and business 'phones $30 a year. They were charging for extension sets, that is these desk sets, as high as $20 a year, and latterly they commenced to put in what they call the long distance attachment, and charged us an extra $5. When they came before the city to ask for the renewal of the franchise last year we naturally felt somewhat diffident in renewing that franchise. The service was not as good as it should be, and in some cases we found that they were almost trying to force some of their subscribers to take the long distance attachment in order to charge the $5 extra.

By Mr. Bergeron:

Q. Are you talking of Brantford now?—A. I am talking of Brantford now. They almost forced them to take the long distance attachment in order to charge them $5 extra.

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By Mr. Grant:

Q. $5 per annum ?—A. $5 extra for long distance attachment, making residence 'phones $30 and business 'phones $35 a year. When they approached the city they offered to give us $700 a year for the franchise and to give us ten 'phones for $200 a year for the city's use. At that time a special committee was appointed to look into the financial question.

By Mr. Maclean:

Q. Have you granted a franchise ?—A. They wanted a two to three years.

Q. How long ?—A. Two to three years.

Q. Why two to three years? Why not two or three years?—A. They wanted a two, three, or five years, whichever we would give them.

Q. And they offered you $700 and ten free 'phones ?—A. Not free 'phones, ten 'phones for $200. It was then that our fight commenced, and it was then, unfortunately, we found out the Bell's method of conducting their warfare. In the first place they tried to poison the public's mind by giving out that if the people went in for municipal 'phones that the cost of the 'phones would come ont of the taxes; consequently that people not having 'phones would have to pay for people that did use 'phones, which would be unfair.

By Mr. Grant:

Q. What methods did they adopt of circulating that ?—A. I will bring that out as I go along.

Q. All right?—A. And, of course, we showed the people that in bringing before them this scheme——

By Mr. Maclean:

Q. What scheme ?—A. The municipal scheme—that the revenue derived from the 'phones would pay all indebtedness, but this bug-bear of taxes seemed to have taken the desired effect largely at that time. In looking into the question I found out that in England there was an organization there that was for the express purpose not only of poisoning the people's mind in Canada, but also right throughout the British islands. I may say that I found that out when I was over in England two or three years ago. I have an English paper here. If you wish I will leave it with you or I will read just an extract.

The CHAIRMAN.—What is the pleasure of the committee ?

By Mr. Maclean:

Q. How long is that extract ?—A. Very short.

Mr. ZIMMERMAN.—Well, read the extract.

By Mr. Bergeron:

Q. Is it only to prove that they were doing in Brantford the very same thing they were doing in England?—A. That is right.

Mr BERGERON.—Well, tell us what they did in Brantford and then we will draw a conclusion from the others.

By Mr. Maclean:

Q. How long is that extract?—A. It is only just a few lines.

Q. Well read?—A. I will give a few facts connected with the Industrial Freedom League: 'The Industrial Freedom League, which is so active in municipal politics just now, is an annex of the British Electric Traction Company. Its promoters include gentlemen associated with that great trust; it is worked almost entirely by them, and for them. It has held meetings and carries on agitations in districts where the B.E.T. is in conflict with local authorities—where it is trying to consolidate its monopoly,

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as in Bournemouth, Birmingham, Wednesbury, Brighton, &c. No organization has succeeded better in trying to appear to be what it is not. It does not exist to free industry, but to fetter municipal action. Its object is not to advance industrial progress, but to serve the interests of great companies engaged in public work. It was not founded, as it says, 'to ensure the freedom of private enterprise,' but by hostile action to drive more public services into the hands of the electric trust and its allies.'

Now these are some of the planks of the platform:—

'To prepare and publish statistics in regard to municipal trading and its injurious effects.

'To arrange lectures, addresses, and debates throughout the country.

'To keep the press well informed of the trend of municipal socialism.

'To extend assistance to local traders unfairly hampered by restrictive by-laws.

'To distribute literature, and otherwise take part in municipal elections.

'To assist ratepayers' associations in opposing wanton extravagance on the part of the councils.

'To watch cases giving rise to suspicion of municipal corruption.

'To urge action on the part of ministers and private members of Parliament.

'To generally rouse public opinion, in order to secure the revival of that spirit of industrial toleration to which the past commercial success of the nation has been so largely due.

'To press upon parliament the necessity of a government audit of municipal accounts.'

Some of the gentlemen connected with the league are Sir Charles Rivers-Wilson, G. Cornwallis-West, the Hon. Robert P. Porter, a gentleman who is known from one end of Great Britain to the other, Messrs. J. S. Morgan & Co., Pierpont Morgan's firm and C. F. Moberley Bell, manager of the London *Times*, and so on.

By the Chairman:

Q. What is that paper from which you have read?—A. That is the *Municipal Journal* of England, sir.

Q. Now, come to Brantford?—A. So we found out that the same tactics that were adopted in England were adopted there in Brantford. Then we tried to prove to the people that municipal ownership in the old country was a success, and the result was that misrepresentations were published in the press. I have a paper here, the Brantford *Courier* of August 4, 1904, containing a letter by Mr. C. F. Sise, President of the Bell Telephone Company, and headed 'Municipal Telephone service—Glasgow's Experience—Important Statement by the President of the Bell Telephone.' Shall I read the letter, Sir William? It is a very short letter, showing you the misrepresentations.

By Mr. Maclean:

Q. Who is it from?—A. From Mr. Sise, President of the Bell Telephone Company.

Q. Yes, read it.—A. (reads).

(Exhibit No. 21½). 'THE BELL TELEPHONE COMPANY OF CANADA,
'MONTREAL, July 28, 1904.

'To the Ratepayers:

'As bearing on the very general discussion of "Municipal Ownership of Public Utilities," the example of Glasgow is cited as an evidence, of the success of such ownership and operation. The subjoined extract from an article in the London, Eng., "Engineering" of July 15, 1904, is commended to the earnest and careful attention of the ratepayers and telephone users in Canada.

'It is evident that in Glasgow, which is constantly cited as a most valuable example of the advantages of municipal ownership, the results—so far at least as the telephone service is concerned—show municipal ownership has not been a success either as regards the ratepayers or the telephone subscriber.

C. F. SISE, *President.*'

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By Mr. Bergeron:

Q. You say it is a way of misrepresenting. Do you know that there was such a state of things in Glasgow and that an investigation which took place there showed the municipalization of telephones had not been a success?—A. No, sir. I have got the Glasgow report here of last year, which I wrote direct to the Glasgow city council for. If you wish, as it is very short, I will read it. It says here——

Mr. RITCHIE.—May I say, Sir William, as representing the Bell Telephone Company, that this evidence is practically a direct attack upon the Bell Telephone Company rather than the furnishing of evidence to the committee to enable them to judge as to whether the telephone system of Brantford is an instance which will serve the committee in trying to arrive at a conclusion as to whether municipal ownership is advantageous or not. I would ask that I might occasionally be allowed to put a question to the witness. For instance, in this case he produces a letter from Mr. Sise who says that he incloses a statement showing the state of affairs in Glasgow. The witness does not put that statement in, but he makes his own assertion, 'thus you see how the Bell Telephone Company misrepresented the condition of affairs in Glasgow.' If the statement goes in that was inclosed in Mr. Sise's letter it might show no misrepresentation of the state of affairs in Glasgow at all, and at all events it seems to me that it could hardly be that this witness could say directly or from personal knowledge that the people of Glasgow have been misrepresented. If he is allowed to go into evidence of that sort he ought to go the whole length, I think, and a statement should not be received from him which he clearly cannot give from his own personal knowledge.

By Mr. Johnston:

Q. You have the statement inclosed by Mr. Sise?—A. Yes. The statement is here in the press.

The CHAIRMAN.—Well, I think the committee will have every disposition to allow every interest that may consider itself prejudiced an opportunity of defending itself here. That is our desire, but in order to expedite the inquiry it would be perhaps more convenient, Mr. Ritchie, if, after the witness has concluded his evidence, you agree to put any questions to him then. The committee, I am sure, will be pleased to allow it.

We will try and confine the evidence to what is right, but as a rule I think we would make more progress by allowing the witnesses to tell their own stories and then be placed under examination.

The WITNESS.—I have here the report from the Glasgow corporation for 1904 and it says: 'The surplus for the year amounted to £3,650 17s. 10½d. which, together with the surplus of £2,092 9s. 7d. brought forward from the previous year, makes a sum of £5,743 7s. 5½d., which the Telephone Committee have carried forward to the General Depreciation Fund.

By Mr. Bergeron:

Q. What is that report?—A. That is the Glasgow report.

Q. Is that the balance sheet which has been controverted? Has there been no objection taken to that? Was there not an investigation made upon that report afterwards? That is the whole question.—A. This is the latest report.

Q. I know, but there was an investigation into that report?—A. By whom?

Q. I do not know?—A. This is by the corporation, direct from the city council of Glasgow.

Q. The investigation would not be made by the corporation into anything they had done themselves? The investigation was conducted by somebody else. I know there was something of that kind?

The CHAIRMAN.—It was a parliamentary inquiry?

The WITNESS.—It is the first I ever heard of it.

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By Mr. Maclean :

Q. What is the extract referred to in Mr. Sise's letter ?—A. He says it is from London 'Engineering' in regard to the telephone system in Glasgow.

By Mr. Bergeron :

Q. Is it a long report ?—A. Well, it is about a column and a half.

Mr. ZIMMERMAN—I cannot see what there is in all this evidence that amounts to anything. We want to get out what has been done at Brantford.

By Mr. Maclean :

Q. What has been your experience ?—A. I was going to show the obstacles we have had to contend with in order to get through.

Mr. BERGERON.—We will take it for granted the Bell Telephone Company did all they could to prevent the municipalization of telephones in Brantford. We will take all that for granted for the sake of argument, and let us go forward now.

Mr. MACLEAN.—There is little doubt that it did, but it is just as well to show that there is a system in this country, an organized system, to block the municipalization of telephones just as there is in England.

The CHAIRMAN.—To affect public opinion ?

Mr. MACLEAN.—To affect public opinion. It is just as well to bring that out.

The CHAIRMAN.—Proceed, and tell us your experience in Brantford and what you have done and what you intend to do.

By Mr. Zimmerman :

Q. Tell us from your own personal observation and knowledge?—A. The next thing we had to deal with was—I was going to show you, gentlemen, what we had to contend with in bringing this before the public.

The CHAIRMAN.—But what have you done ?

By Mr. Bergeron :

Q. What is the answer to all that?—A. The next thing that was done, as far as the local press was concerned, in order to show the people of Brantford that municipal 'phones were a failure we had some announcements in the press giving statistics of Neepawa for instance. This is a paragraph that appeared in one of our local papers. 'The Neepawa *News*, of June 7 last, contains the announcement that Mr. E. W. Davis, manager of the municipal electric light and telephone system there, has given up the position. He recommended $5,828 to be the amount necessary to refix the telephone system, and this the council granted. Then it was found that the two systems combined are running behind at the rate of $200 a month and an amount of comment developed which resulted in Mr. Davis losing his job. The *News* says he was unfairly treated as he could not properly be expected to work the impossible.' I might say here, Sir William, and gentlemen, I took that paper and forwarded it at once to the mayor of Neepawa, and asked him how much truth there was in it. This is the reply I received from Neepawa. 'Neepawa is a town of upwards of 2,000 inhabitants. The cost of installation of the present telephone system about $8,000. There are now about 150 'phones in use. Rates are $10 domestic, $20 commercial. Our revenue is a trifle over $2,000 per year. This provides all charges, both interest and sinking fund and costs of operation, leaving a surplus of $200. The Bell Company had about 75 'phones installed when the town started up its present system. The Bell Company then pulled out. There has been a certain amount of dissatisfaction shown by a few parties against our 'phone system, but the large majority of the ratepayers prefer it to the 'Bell.' We are about to cable our wires and put in a new switchboard of 250 capacity and expect to get our system as up to date as is possible. Up to the present time,

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from the commencement of operations in 1900, our electric light and telephone systems have almost paid all charges of whatsoever kind, including both interest and sinking fund, and from this time forward we anticipate a surplus.

By the Chairman:

Q. Who is the signer of that letter?—A. James W. Pattison, secretary-treasurer.

Q. And the date of it?—A. June 30, 1904.

Q. All right. Now tell us what you have done in Brantford? Have you done anything towards the municipalization of telephones?—A. Yes, sir, we went and we prepared estimates for——

By Mr. Maclean:

Q. Did the council appoint a committee to investigate it?—A. Yes. I was going——

Q. You were coming to that?—A. I was going to come to that. The council appointed a deputation to proceed to Port Arthur and Fort William.

By Mr. Bergeron:

Q. I understand that was the commencement of their work?—A. That was the commencement of the work, yes, in going to Port Arthur and Fort William. I might say, gentlemen, that we first of all sent to Port Arthur and Fort William to ask for a further civic statement regarding the municipal 'phones. They sent these two pamphlets which I now produce.

The CHAIRMAN.—We have them. (Exhibits 15 and 16.)

WITNESS.—And when that was brought before the committee some of the committee objected to it. They said some of the figures were wrong, that we could not accept these figures and they were not reliable. Then the committee decided that the best way would be to send a deputation to Port Arthur and Fort William and examine the books and see for themselves. The mayor, Mr. Brewster, and myself were upon that deputation and I might say we proceeded to Port Arthur. When we got to Owen Sound, in going to Port Arthur, we had not been on the water way long before we found on the boat, Mr. Scott, the Bell representative. He had come on board and accompanied us to Port Arthur and Fort William and stayed there most of the time while we were there. We examined the books of Port Arthur and Fort William and found them just as the two pamphlets had stated them. Every figure, as far as we could see, was perfectly right and reliable. I might say this that Mr. Scott in going up to Port Arthur and Fort William made a statement that Fort William and Port Arthur could not sell their debentures and that the banks would not accept the civic accounts. Of course when we arrived at Port Arthur and Fort William we made inquiries and found out there was no truth in the statement. The debentures were sold and of course the banks had accepted their accounts. Then another fact we had to contend with, as far as the controversy was concerned, the next difficulty was in the nature of two 'phones. It was given out that two 'phones would be a nuisance and also an expense. Now, I have statistics here to show you—perhaps you have seen it already, if not I will leave it with you, showing that where there are two 'phones they are a success as far as the United States is concerned, and knowing the number of cities and getting an answer from the various places, they unanimously vindicate the two 'phone system instead of the one. I have a return compiled from the reply.

By Mr. Bergeron:

Q. I do not think that is evidence. Keep on with your own story and we will have that from somebody else.—A. All right.

Q. That is a matter for later discussion when the two 'phones will be better than one. Keep on with your trip. Now you were in Port Arthur and went back home. What is your report?—A. Our report from there?

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Q. Yes.—A. Our report was satisfactory. We found the figures perfectly correct.

By the Chairman:

Q. What year was this ?—A. Last year.

Q. 1904 ?—A. 1904. I reported everything was satisfactory and coincided exactly with these pamphlets we received and that we would recommend municipal 'phones.

Q. For the city of Brantford ?—A. For the city of Brantford. We then went to work and got up the following estimate for 500 'phones:

ESTIMATES of Receipts and Expenditures of the Proposed Brantford Municipal Telephone Exchange.

Charges—		
Interest and sinking fund 4 per cent debentures, payable in 25 years		$2,240 35
Contingent depreciation, 2½ per cent		875 00
Operating Expenses—		
Manager	$ 1,000 00	
Lineman	540 00	
Assistant	480 00	
Chief operators, $25 per month	300 00	
Four assistants, $20 per month	960 00	
One assistant, $20 per month	240 00	
One relief, $15 per month	180 00	
		3,700 00
Rent of room	250 00	
Coal	50 00	
Current of batteries	40 00	
Light	50 00	
Stationery	100 00	
Insurance	50 00	
Sundries and supplies	425 00	
		965 00
		$7,780 35

By Mr. Bergeron:

Q. For 500 telephones?—A. For 500 telephones.

By the Chairman:

Q. What is the total capital?—A. $7,780.35.

By Mr. Maclean:

Q. Does that include the wiring of the town and everything ?—A. This is the yearly expenditure on a capital of $35,000. We are estimating on the lowest tender which we received.

Q. You did not tell us that ?—A. Oh.

By Mr. Zimmerman:

Q. Debentures for 25 years ?—A. Yes. Our estimated revenue was as follows :—

250 subscribers, $25	$6,250 00
250 subscribers, $12	3,000 00
100 extension sets, $5	500 00
	$9,750 00
Less estimated expenditure	7,780 35
Surplus	$1,969 65

after paying all expenses.

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By Mr. Bergeron :

Q. And the interest upon your capital ?—A. Yes.

By Mr. Maclean :

Q. What is the price of your telephones under that ?—A. $12 for residence and $25 for business.

Q. Did you include long-distance 'phone equipment as good as the Bell?—A. Yes, sir.

Q. All right.—A. The long distance attachment was included. To show you how near we can come to the Bell in cost of construction Mr. Scott gave an estimate to the city of the expenditure which would be necessary for a municipal telephone exchange. He estimated an expenditure on capital account of $40,000 . We got our tender for $35,000. His charges are as follows :—

Sinking fund		$1,200	
Interest on capital, 4 per cent		1,000	
Depreciation, 10 per cent		4,000	
Operating expenses .—			
Manager	$ 800		
Linemen or inspectors	1,200		
10 operators	2,160		
Rent	250		
Light	50		
Heat	75		
Insurance	50		
Printing	50		
Supplies	300		
Electric current for batteries	100		
Sundries	200		
		$5,235	
			$12,035
Estimated revenue :			
250 subscribers at $25		$6,250	
250 subscribers at $15		3,750	
			10,000
Annual deficit			$ 2,035

To cover this deficit the residence rate would have to be raised to $25 per annum. Now, gentlemen, you will find by comparing these two the interest and sinking fund of the Bell's proposition is $2,800 and of the Brantford, $2,240.35, the difference between the two being $559.65, which the Bell was in excess of the city depreciation. The Bell charged 10 per cent for depreciation and the city 2½ per cent, the Bell's estimate being $4,000, and the City of Brantford, $875, the difference being $3,125 in excess of the city. This item has been a bone of contention as far as the telephone plant is concerned, and I might state that after making full inquiries from the best sources so far as depreciation is concerned in telephone plants I received the following facts. Here is a letter from J. F. Butterfield which says :—

Exhibit No. 22.

J. F. BUTTERFIELD,
ELECTRICAL ENGINEER AND CONTRACTOR,
CHICAGO, ILL., August 17, 1904.

Mr. W. Norman Andrews,
Secretary, Telephone Committee,
38 Nelson Street, Brantford, Ont.

DEAR SIR,—Answering your request for information regarding the cost of maintenance of a 500-subscriber telephone plant. I herewith submit information which I

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have obtained from practical experience on telephone plants, during the past few years, I own a one-fifth interest in the Champaign and Urbana, Illinois, telephone plant, which has a total of 1,449 subscribers in both towns. The towns are located close together and one manager handles the business, there being about 1,000 subscribers in Champaign, the balance being in Urbana. Last year our operating expenses, which included linemen, troublemen, operators, bookkeeper, manager, rentals, heat and power and keeping the telephone in repair; in other words everything properly chargeable to maintenance and operation of the plant, exclusive of new construction, interest on investment, &c., amounted to a total of $7.32 per telephone. I believe this plant, or rather the combined plants, were operated on a very economical basis and possibly the expense is slightly below the average.

At Logansport, Indiana, a plant having about 2,100 subscribers, the operating expense amounted to about $8.50 per telephone, and at South Bend, Indiana, a plant having 2,700 subscribers the expense amounted to about $10 per telephone.

The plant at Holdrege, Nebraska, which I practically own, having some 80 per cent of the capital stock, is now being operated at an expense of about $7.50 per telephone. This plant has now in operation about 600 telephones.

I am, therefore, of the opinion that any plant of 500 subscribers should without doubt be operated at an expense of less than $8 per telephone, with any kind of economical business management.

Further, a plant of 500 telephones should easily be operated and give strictly first-class service with six operators, and one general operator. Salaries for these operators range throughout the country at from $15 to $22 per month. One lineman with an assistant should easily take care of a 500 exchange, clearing all trouble and keeping the exchange in good order. But of course would not include new construction work.

Regarding the depreciation of a plant, in my opinion 2½ per cent is sufficient and I base my opinion in the following manner: The poles, which must be figured, will only live from about 12 to 14 years and cost approximately 10 per cent. The wire, which will depreciate and perhaps the majority of it will have to be replaced in about eight years, costs about 1½ to 2 per cent. The switchboard and telephones about 15 per cent, making a total of about 28 per cent on the material, which might have to be replaced in about 12 years. Therefore, 2½ per cent per year would entirely replace the poles, wire, cross arms, switchboard and telephones every 12 years, or in other words, 2½ per cent would keep the plant up to its original standard at all times. The cables, inside wire, &c., should be as good in 20 years after being installed as the day they are installed. I handled cable in Chicago 20 years ago and had occasion about 2 years ago to pull out some of it after it had been in service 18 years and it was as good and tests showed no deterioration in the 18 years' service, so we put them back in service again.

Trusting this information meets with your request in the direction, I remain,

Yours very respectfully,

J. F. BUTTERFIELD.

By Mr. Maclean:

Q. That is, Mr. Butterfield means 2½ per cent on the whole investment for depreciation?—A. Yes.

Q. The Bell Company recommended 10 per cent on the whole investment?—A. Yes.

By Mr. Bergeron:

Q. As a matter of fact, did you change your system?—A. No, sir.

Q. You have not changed it?—A. No, sir.

Q. And have not got the municipalization yet?—A. No.

By Mr. Maclean:

Q. Go on with the story till we come to that.—A. I was going to read another para-

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graph as regards depreciation, because that has been one of the greatest points we have had to discuss.

By the Chairman:

Q. Proceed. What are you reading from now?—A. This is from a magazine called 'Sound Waves.'

Exhibit No. 23.

INDEPENDENT TELEPHONE SECURITIES COMPARED WITH OTHER SECURITIES, BY L. W. STANTON.

Through the courtesy of both author and publishers, *Sound Waves* is enabled to reproduce, herewith, an exceptionally strong article on 'Independent Telephone Securities, compared with other Securities.' This article by Mr. LeRoy W. Stanton consulting and constructing engineer of Cleveland, O., appeared originally in *Finance*, of that city, under date of June 18. It follows:—

Owing to several unusual causes, the values of independent telephone securities were not at first recognized by the investing public, and are not recognized to-day as they will be in the future.

When the fundamental telephone patents expired, the early manufacturers placed on the market an inferior class of equipment, which was due to two causes—lack of experience, and the fact that only a few of the patents had expired. These two causes, together with the fact that the construction of the early plants was in the hands of inexperienced men, caused an inferior class of service to be furnished, gave a high maintenance cost, and a rapid depreciation. A number of the plants had to be rebuilt, and in some cases remodeled two or three times before they were equipped in a satisfactory, up-to-date manner for giving good service, with low operating expense. These causes, together with the fact that there were no independent toll-lines, and that the Bell Company was constantly harrassing the independent companies by litigation with the view of intimidating capital and discouraging the operating companies, had a very detrimental effect upon independent telephone securities. To-day these causes do not exist. Better equipment can be securd from the independent manufacturers than has ever been manufactured by the Bell Company.

These facts are recognized and acknowledged by both Bell and independent telephone engineers. The methods of construction have become standardized, and at the present time, through modern engineering methods, plants can be built which are more substantial and have a less depreciation than the equipment used in almost any other class of industry. This is due to the fact that less than 15 per cent of a telephone plant is subject to mechanical motion which tends to wear out or deteriorate same.

The conduit system which forms from 10 to 20 per cent of the cost of a modern telephone plant is composed of vitrified clay, or stone duct, imbedded in a mass of concrete, and the whole securely buried under the substantial paving of the streets, which, under ordinary conditions, and with ordinary care, will last for an almost indefinite period of time.

From 30 to 50 per cent of the cost of a telephone plant is invested in the distributing system—that is, the cables and wires—a large proportion of the cables lying securely protected by the conduit system.

The most approved methods in aerial construction eliminate the use of cross-arms and open wires, in which case we have no wooden cross-arms to decay, wires to rust or other attending evils, the subscribers being connected direct from the cable by means of a short insulated service wire. This method is used in the outlying districts, which are not fed from the conduit system. In this way, practically all wires are encased in a metal sheath and securely protected. With such construction we have a distributing system which shows far less depreciation than most investments.

Modern instruments, as they are made to-day, have few moving parts, and are

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subject to very slight depreciation from wear, while the old instruments of a few years ago, with their cranks, cog gear, and complicated mechanism and local batteries were a constant source of trouble and expense.

The best design of subscribers or sub-station equipment used to-day can practically be taken as standard and it is not likely that there will be much change in the future.

From the above it will be seen that there is very little wear and tare on a telephone plant, in comparison with most other lines of industry. A telephone plant is not at the expense of generating energy in the form of light, heat and power, and selling same at a small profit above the cost of production, the company is merely leasing the use of its distributing system, without going to the expense of producing, which admits of a very decided saving in a great many ways.

In a street railway property almost the entire system is subject to rapid mechanical motion which produces a very high deteriorating effect on the property; for instance, the central station equipment, such as dynamos, motors, boilers, &c., and the outside equipment, such as cars, rails, trolley wires, &c., which includes practically the entire plant, is subject to this deteriorating influence. In addition there is a heavy maintenance charge, tracks to keep up, washouts to repair, bridges to maintain, and in addition to this, there is a very heavy operating expense, such as coal bills, and a large force of employees. There is also a much greater danger, risk, owing to wrecks and accidents.

A comparison might be drawn between a long-distance toll-line and a railroad system, connecting two large cities, such as New York and Chicago. It requires twenty-four hours to haul a passenger train from city to city, conveying on an average, as statistics show, less than 150 passengers, including both through and local, at $25 each, which would give an earning of $3,750, while a long-distance toll-line company, operating ten circuits, averaging fifty messages per day per circuit, and receiving $9 for each five minutes' conversation, earns $4,500.

The telephone company, in five minutes' time, with comparatively no operating expenses, or risks, has earned almost half as much as it received from one passenger, which it takes the railroad company twenty-four hours to convey from city to city, besides the railroad company practically insures the passengers against accidents.

The difference in the cost of operating the two companies is enormous, the one company employing high priced engineers, conductors and other trainmen, not to mention the proportion of general expense, such as is incurred at the main office, intermediate stations, telegraph service, &c. In addition to this, there is the fuel bill, wear and tear on the rolling stock, maintenance of tracks, bridges, washouts and the expense of wrecks, accidents, &c., while for the telephone company there is a comparatively slight expense. The one item just mentioned, that of telegraph service, being equally as great as that of operating the telephone company.

It is true that here is a heavy freight and express traffic to bear a proportional part of the expense of the railway system, but at the same time a telephone company has also an additional source of revenue. In addition to the long-distance conversation carried over the long distance telephone lines, the telephone company is able to lease each side of the telephone circuits to brokers, newspaper companies, &c., for telegraph purposes so that each pair of wires carries intelligence for three different sets of people at the same time—two sets communicating by means of telegraph, while the other is telephoning, thus almost trebling the earning power of such a line.

In comparing telephone properties with manufacturing, we find the fire risk in manufacturing to be much greater, owing to the fact that factories are usually much more inflammable than telephone properties, and that the factory is located in one place while the telephone property is scattered over a large area. In a telephone property there is not the constant wear and tear on engines, machinery, &c., that there is in a manufacturing establishment. In a telephone property you are not compelled to carry a large amount of raw meterial, which is constantly fluctuating in price. You are not compelled to carry a large amount of manufactured material on hand unsold. You

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have no expensive salesmen on the road disposing of your products. You are not subject to the fluctuations in price and stringency in the money market and business depression that is noticeable in almost all lines of manufacturing. If a manufacturing establishment is not equipped with the latest type of machinery it is handicapped in competing with hundreds of other plants throughout the country which have later and more improved appliances, producing at a lower cost, which enables them to cut prices. In a telephone plant you have only one competitive company and that is the company in your own city, which in a majority of cases has been installed a number of years and is more or less inefficient.

It is sometimes stated by persons who are not well informed that telephone securities are not tangible, that they are more of a chattel nature. In a modern telephone plant, constructed after the most approved ideas, this is probably less true than it is of securities of any other public serving corporation. The system is more permanent, less liable to deterioration, through mechanical motion, and when discarded there is probably a greater salvage obtained than from almost any other kind of an operating plant.

As stated before, in a modern city plant we find from 10 to 20 per cent of the investment in the conduit system, which, when judiciously planned and properly constructed, is almost indestructible, and in some cases has a constantly increasing value instead of a deteriorating value, owing to the fact that the space underneath the surface of the streets becomes crowded with water pipes, gas pipes, electric light and power wires. In New York city, as well as several other leading cities, the conduit systems are valued several hundred per cent above what it cost to build them. It only requires a short time for the rent of the conduit system in New York city to pay for the first cost of the system.

It has been noted that a large per cent of the cost of a telephone system is included in wire and cable plant, which, when discarded, will sell at a very fair per cent of its original cost. The same being almost totally composed of lead and copper, when sold as scrap, brings from 75 to 80 per cent of its original cost by weight. Of course, the cost of manufacturing and installing is lost. From the foregoing, it will be seen that the wear and tear, cost of maintenance and operation of a telephone plant is very slight in comparison with most other lines of industry, which accounts for the higher rate of dividends than are paid in most other lines of investment and also explains why there have been fewer failures of independent telephone companies in the past nine years than there have been of national banks. When we appreciate the above facts and remember that the independent movement is by the people and for the people, we realize the value of independent securities.

Q. Is that an editorial?—A. No, that is by an expert of the name of Stanton.

Q. Who is Mr. Stanton?

MR. DAGGER.—He is a telephone expert in Cleveland.

Q. What is his standing in the telephone world?—A. He is supposed to be one of the best experts in the telephone world.

Q. What is his occupation; is he in the employ of any company or is he a professional engineer? What are his associations?—A. Perhaps Mr. Dagger could give the information.

Q. You do not know?—A. No, sir. I understood he was a professional engineer.

By Mr. Bergeron:

Q. How did you get this report?—A. It is a magazine or periodical which I obtained at the time this matter was up.

THE CHAIRMAN.—It is marked here as 'an advocate of independent telephony.' This was the July, 1904 number, and it is published at Logansport, Indiana. Is this Mr. Stanton an independent authority, or is he in the service of any telephone institution, do you know? Oh, here is his advertisement in the magazine called 'Telephony':

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APPENDIX No. 1

'Le Roy W. Stanton,
Consulting Telephone Engineer;
Plans, specifications and supervision of
installation of complete telephone plants.
Special reports on telephone properties
and apparatus.
411 Electrical Building, Cleveland, O.'

He is carrying on business as an electrical engineer, telephone engineer. That would appear to be his position.

By Mr. Bergeron:

Q. You have had some difficulties with the Bell Telephone Company?—A. Here is another quotation on the same subject.

By the Chairman:

Q. Who is the writer of that?—A. It was the editor of 'Telephony.'

By Mr. Bergeron:

Q. What is the gist of it?—A. It confirms the others; shows that telephone securities are one of the best securities you can invest in. The following is an excerpt from an editorial on page 454 of the journal called 'Telephony' for June, intitled 'Independent Telephone Securities':

(Exhibit No. 24.)

'The modern methods of installing a telephone plant practically placing the entire wire system underground, enables the company to operate and maintain its plant at an extremely low cost, and when to this is added the excellence of construction and equipment supplied, together with the popularity of the independent character of the enterprise, these systems at once show exceedingly profitable returns on the money invested in their construction. In the earlier years of the independent telephone movement, poor construction and inferior instruments handicapped, to a large extent, the progress of these enterprises, but with the expiration of basic patents, enabling independent manufacturers to provide instruments and equipments of the highest order, these companies were, and are now, able to supply equipment and instruments of as perfect type as is reasonable to expect human ingenuity to devise.'

By Mr. Bergeron:

Q. How far have your negotiations gone in your desire in Brantford to have a municipal telephone system? Where are you now after all your discussion with the Bell Company, and putting the matter before your city? Where do you stand now?—A. We stand in the same place now that we did last year; precisely the same.

Q. What is the cause of it?—A. I want to bring out all the opposition we met with to show the cause.

Mr. JOHNSTON.—We admit that there is opposition.

Mr. MACLEAN.—Put in those estimates.

By the Chairman:

Q. Up to the present time Brantford has not established a municipal system?—A. No, sir.

By Mr. Bergeron:

Q. You have not been able yet to convince the people of your desire to have a municipal telephone?—A. Yes.

Q. That is what it really means?—A. Yes.

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By Mr. Maclean:

Q. How much more have you to tell of how you did not succeed?—A. Not very much.

Q. Well, go on?—A. I was showing the misrepresentations that we had to contend with, and then we had one strong argument in the matter of long distance. We were informed that if a municipal or independent telephone was established we would be deprived of our long distance; in fact, some people had an idea that the Bell Company would positively refuse long distance connection, although we tried to prove that according to their statement they received $9,000 a year from the long distance in Brantford. They would lose that and demoralize their own system, all because we brought in a municipal 'phone. Besides this it was stated that we could not possibly get connection with the Canadian Pacific or Grand Trunk Railway stations if we built a municipal telephone. These things created a great deal of dissatisfaction in the minds of the business men, because they did a lot of business with the stations in freight and so on, and that would inconvenience them. That was another factor; and of course when I brought these estimates out the Bell Company brought their estimates out, based upon the $40,000 figures which I have mentioned. That created a certain amount of doubt in the minds of the people at the time, though from the municipal standpoint it was argued, supposing the Bell adopted the same method in Brantford as they had in Port Arthur and Fort William by giving free 'phones, could the city bear the strain? No doubt they would adopt the same system in Brantford providing we went in for a municipal 'phone. That was another great difficulty that we had to contend with, and all these were brought to bear very heavily upon the people. So, just about the time we had gone so far as submitting a by-law to the people we received an offer of an independent 'phone from the Stark Company of Toronto. This was an exceptionally good offer, and simply bore out our statement as far as municipal 'phones were concerned, as far as expense of installation. The Stark people had made this offer at the second reading in council. They offered:—

'The company shall, subject to the provisions hereof, have the right to furnish a telephone service within the city of Brantford during a period of 15 years from the date hereof, at the following rates, which shall be the maximum rates for the services respectively mentioned, namely:—

For business telephones, the sum of $25 per annum.

For residence telephones, the sum of $12 per annum.

For telephones supplied as desk telephones by extension from a telephone installed and in use by the same subscriber in the same office or place of business and for the use of the same subscriber, an additional charge of $5 per annum.

'The company may require a payment to be made for six months in advance before putting in a telephone service, and may similarly require payment for telephone service to be made half-yearly in advance.

'The rate charged to subscribers within the city of Brantford in accordance with the provision hereinbefore contained shall cover and include telephone connection with all points reached by the system of the company within a radius of fifteen miles from the city hall in the city of Brantford, and no additional charge shall be made to any subscriber for connection or communication within such radius during the subsistence of this franchise.

'The company, after the completion of the Brantford telephone system, shall obtain if possible the necessary franchises with all possible despatch, and as far as same shall be installed in such places as shall be determined by the city council, and shall supply exchange service thereto and maintain same during such time as said telephone service shall be operated under this by-law without charge.

'So long as the telephone service shall be operated in the city of Brantford under this by-law, the company shall pay to the city the sum of $700 in each and every year, the first payment to be made on the day of and yearly thereafter.'

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This was looked upon as an exceptionally good contract from the Stark people. but we had the opposition influence to fight, and when our by-law reached its second reading, it got the six months' hoist.

By Mr. Bergeron :

Q. The by-law never went before the people?—A. Not necessarily when giving a franchise.

Q. You then dropped the idea of having your own telephone and took up this proposal.

By Mr. Maclean :

Q. You did not sign this agreement?—A. No.

Q. What was the question before the council?—A. As far as municipal ownership was concerned, we had drafted a by-law that was to be submitted to the people.

By Mr. Zimmerman :

Q. What was the result of that vote on the 17th November?—A. In the meantime this offer was made to the council which was giving us practically the same as we were advertising for, $25 and $12 'phones.

By Mr. Bergeron :

Q. What did you do with the by-law?—A. Withdrew it.

Q. As a matter of fact it did not go before the people?—A. No.

Q. You had this before your Council?—A. Yes. In connection with this last offer they were to give us free telephonic communication within the 15 mile radius of the City Hall.

Q. It went for second reading, and on account of the opposition or something else it was given the six months' hoist. Where do you stand now?—A. The same place as we did then. A new council had been elected and a new telephone committee had been appointed.

By the Chairman:

Q. You are still dealing with the question?—Yes.

Q. The city has not decided on any course?—A. No.

Q. Do you still have the Bell system?—Yes.

Q. What are the rates charged?—A. $25 and $30.

Q. Twenty-five dollars for private residence?—A. Yes, and $30 for business, and $12 for desk extension.

Q. In the same house or building?—A. Yes.

Q. What are the long distance rates?—A. The long distance rate from Brantford to Toronto is 40 cents.

Q. Forty cents for three minutes?—A. Yes, and from Brantford to Paris, seven miles; we are paying at the present time, 15 cents.

Q. What is the rate for any greater length of time. Is there a schedule?—A. Well, I presume so; I do not know it.

Q. You only know the three minute rate?—A. Yes, I only know the three minute rate.

Q. Does your Brantford system extend into the rural districts?—A. They are doing it now. Since the agitation began the Bell have gone out to Burford, Scotland, Harrisburg and Oakland, and they are now extending further.

Q. Radiating from Brantford?—A. Radiating from Brantford.

By Mr. Zimmerman :

Q. Did you not have connection previous to this?—A. No, sir. The farmers of North Brant last year had a meeting and passed a resolution asking the council to consider this matter in order that they might have telephones in rural districts.

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By the Chairman:

Q. Do you know how many telephones are in use in Brantford?—A. About 600.

Q. How many residences or business houses have them?—A. I cannot tell you that.

Q. What is the population of Brantford?—A. About 18,000.

Q. How many households do you estimate there are in Brantford? There would be about five persons to a family?—A. That would make about 3,600.

Q. And how many telephones are there?—A. There are now about 600. At the time of the agitation there were only about 500. Since then they have got party lines and they have increased a little in number.

By Mr. Bergeron:

Q. Probably your agitation has done good?—A. Yes, we have got the long distance attachment now at the same price. They used to charge $5 extra for it. Not only that, but the extension 'phones for which they used to charge $20 a year are now down to $12. In fact a friend of mine told me last week that they are putting one in for him for $11.

Q. So that it will make it harder to bring before the people again—the people will be more apt to stand as they are?—A. No, I think at the present time the people are for municipal or independent 'phones. There is no doubt in my mind that they are anxious for them.

By the Chairman:

Q. Have you seen and compared the different telephone systems anywhere? There are different classes, different systems. There is the purely joint stock company, there is the co-operative system, there is the municipal system and there are private systems, but I do not think we need to consider those. Have you seen these different systems in operation anywhere?—A. I have just seen the private system in the north of Michigan in the rural districts, in Livingstone county.

Q. What did you see there?—A. We saw there the rural 'phones where they were charging farmers $12 and $15 a year for the connection.

Q. Who was charging that?—A. That was the Livingstone——

Q. A company?—A. A company.

Q. Carried on for profit by a company?—A. Yes.

Q. And have you seen any co-operative system?—A. I have not seen a co-operative system.

Q. Have you seen any municipal system at work anywhere?—A. I saw it at Port Arthur and Fort William.

By Mr. Maclean:

Q. Was it satisfactory to you?—A. Yes.

Q. The people were satisfied with it?—A. Yes. I made inquiries from several people, and they were perfectly satisfied with their success, and we tested the system ourselves, and everything seemed to work perfectly as far as we could judge.

Q. Who were with you?—A. May or Halloran and Mr. Brewster.

Q. You went first where?—A. To Fort William.

Q. Then where did you go?—A. To Port Arthur.

Q. Who went there?—A. Who composed the deputation?

Q. Yes?—A. Mr. Brewster and myself.

Q. What became of the mayor?—A. Well——

Q. I would like to know?—A. Is it necessary to know that?

The CHAIRMAN.—Oh——

Mr. MACLEAN.—I have a reason to know that.

Mr. JOHNSTON.—Is it evidence?

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APPENDIX No. 1

Mr. BERGERON.—It may be painful for the witness to say som thing that may have no bearing.

By Mr. Maclean:

Q. Who followed you to Port Arthur?—A. Mr. Scott.

Q. Who is Mr. Scott?—A. Mr. Scott, it seems to me, is one of the head men employed by the Bell Company in order to manipulate matters during the time there is a controversy on for an independent or a municipal 'phone system.

Q. He appears, in fact, wherever there is an agitation for a new telephone system?—A. He appears, and leaves one or two men in charge.

Q. How did he know of your going to Port Arthur?—A. He must have got the news somehow. How he got it I cannot say.

Mr. JOHNSTON.—I would suggest that Mr. Maclean tell the committee.

Mr. MACLEAN.—I want to get out some information. He knows that Scott followed his committee.

Q. Did he go on the same train?—A. On the Friday night?

The CHAIRMAN.—The same vessel.

The WITNESS.—We were making arrangements to go to Port Arthur, when we were telephoned by one of the committee to know what boat we were going up by, and we told him the boat, and this gentleman said, 'You are sure that is the boat?. I said, 'Yes.' He said, 'Mr. Scott would like to meet you in Toronto at the Queen's hotel if you will go down and see him.' We called there, and he was not there, but we found him at Owen Sound. He must have got the news.

By Mr. Bergeron:

Q. He knew you were there?—A. Yes.

Q. You went to Port Arthur at any rate?—A. Yes, and to Fort William.

Q. That is the result of it?—A. Yes.

Q. The mayor was not with you at Fort William?—A. At Port Arthur.

By Mr. Johnston:

Q. You are in favour of the municipilized system of telephones?—A. Yes.

Q. You regard it as the best system?—A. I regard it as the best system.

Q. What do you mean by an independent telephone line?—A. Any company outside the Bell.

Q. Would you regard the Bell as an independent telephone company?—A. No.

The CHAIRMAN.—They say it is very independent.

By Mr. Bergeron:

Q. They complain that it is too independent?—A. Independent, I understand, is the name given to companies outside the Bell, in distinction to the Bell.

By Mr. Johnston:

Q. Assume that another telephone company were to go into operation in this country on lines exactly similar to the Bell, would you regard that as an independent telephone company?—A. Yes, certainly.

Q. But you would not regard the Bell as an independent company?—No answer.

By Mr. Smith:

Q. We understand you are speaking locally?—A. Independent of the Bell. It applies to any company outside the Bell.

By Mr. Maclean:

Q. They are of the same class?—A. Yes.

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By Mr. Johnston :

Q. Would an independent telephone company not be likely to develop the same evil features as the Bell Company?—A. Certainly.

Q. Therefore you would regard it as an injury to this country to have any more of these companies?—A. Decidedly, if conducted like the Bell Company.

By the Chairman :

Q. You favour a municipal system?—A. No, I favour government control of the long distance and municipal ownership of the local.

By Mr. Bergeron :

Q. Or private companies—as long as the long distance is controlled by the government? That is the point?—A. Yes.

Q. So that they would not hold you like they threatened to do in your own town by withdrawing the long distance Bell connection and keeping you within your own town of Brantford?—A. Yes.

By Mr. Johnston :

Do you know as a matter of fact that it is proposed to establish an independent company in Ontario?—A. Yes.

Q. What do you know about that company?—A. That is all I do know, that as a matter of fact it is intended to establish one.

Q. You do not know anything about it?—A. Yes.

Q. What connection?—A. We are trying to get a bill through that we might form an independent company for the province—a charter.

By the Chairman :

Q. Do you mean it to be under some municipal control or a joint stock company?—A. It is to construct 'phones for municipalities or independent systems.

Q. To construct systems and sell them to the municipalities?—A. Yes.

Q. That is, it is to be a construction company?—A. Or to establish independent 'phone systems.

By Mr. Johnston :

Q. It has all the features of the Bell Telephone Company?—A. No.

Q. Is not the application at the present time before the Legislature of Ontario? Does it not contain all the features of the Bell Telephone Company?—A. I do not think so.

By Mr. Bergeron :

Q. Do you know whether or not it does?—A. No, I do not know. I say I do not think so, because I do not know that the bill was made out. The bill is not there is it? There is an application put in. That is all.

By Mr. Johnston :

Q. There is a petition?—A. Yes, that is all that I know of.

By Mr. Smith :

Q. Are you interested in that company?—A. Yes.

Q. Have you any idea of the nature of that proposal?—A. No, because the company has not met, the petition is in.

By Mr. Johnston :

Q. What does the petition set forth? The petition would indicate——

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APPENDIX No. 1

By the Chairman :

Q. What is the name of it?—A. The name of it is to be the Ontario Independent Telephone Company.

By Mr. Bergeron :

Q. It will be before the House?—A. It is provincial. Really I am not——

By Mr. Maclean :

Q. If you went into it, it would be as an investment?—A. Yes.

Q. With all the bad features of the investments so far as the public are concerned. You are not going into it as a missionary enterprise?—A. Certainly not.

By the Chairman :

Q. Speaking from the standpoint of the public, I understand you to say that in the public interests it would be better to have the telephone under municipal control except the long distance?—A. Yes.

Q. As to the long distance, it would be better to have the Dominion Government control this?—A. Yes.

Q. That is your idea as to a sound policy?—A. Yes, that is the resolution I brought before the Union of Canadian Municipalities last year (producing document).

By Mr. Maclean:

Q. We have got that. I want to ask one or two questions. Did the deputation examine the Fort William books, and find the financial statements correct as put in by Mr. Dyke, and which had been the subject of disparaging statements? Did you examine these books?—A. Yes, we did.

Q. And you found them correct?—A. Yes.

Q. You say that you found that two of the great sources of discouragement to the municipal system in Brantford were, first, the probable denial of the long distance service by the Bell, and second, the denial of access to the railway stations?—A. These were the two important points.

By Mr. Bergeron:

Q. Just on that point. Even if you had succeeded in getting a municipal telephone you could not prevent the Bell Company from having their customers in Brantford?—A. No, sir.

Q. You cannot change that?—A. No, sir.

Q. I understand you to say that the Bell Company would even destroy their long distance line rather than let you use it. Supposing they had a few subscribers there why should they destroy their long distance line in spite? I would hardly think they would do that?—A. You may have misunderstood me. I said one of the difficulties we had to contend with was a report that if we established a municipal system our long distance would probably be taken away—we would have no long distance connection.

Q. That would not be believed?—A. Unfortunately, it was believed.

By Mr. Maclean:

Q. Who circulated it?—A. The Bell Company had two men there; Mr. Scott was there every now and again.

Q. Was the press of your town hostile?—A. One of the papers was very hostile to it.

By the Chairman:

Q. Have you any information as to the cost of installing a municipal system? I understand you have some quotations from companies that manufacture municipal telephone systems?—A. Here is one from the International Telephone Company:—

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(Exhibit No. 25.)

INTERNATIONAL TELEPHONE MFG. CO.

City of Brantford,
Brantford, Ont.

CHICAGO, June 29, 1904.

GENTLEMEN,—Your request, through Mr. W. Norman Andrews, for an estimate on the installation of a telephone system in your city, to cover the territory approximately as indicated by the plans and map furnished by your special expert, Mr. Arthur C. Lyons, is received.

It would be our plan to put in considerable more underground than indicated as used by the Bell Company, and also to use as much cable construction as possible, to avoid heavy open wire leads.

Construction of this character, while it costs considerable more in the first installation, the additional cost is more than repaid in a very short time, in the saving of maintenance, greatly reducing outside incidental trouble and increasing the efficiency of the service.

It would also be our intention to install a full central energy system, with a strictly multiple lamp line signal switch-board, with double lamp superisory clearing-out signals, with pilot lamps for the line and disconnect signals, so that all batteries of the exchange would be at the central office, leaving no batteries or individual generators at the subscriber's station, and having the system so designed that when the subscriber removes the receiver from the hook a small lamp signal at the switchboard, corresponding in number with the subscriber's telephone, will indicate automatically, and so that when the subscribers replace their receivers on the hooks, a lamp disconnect-signal will indicate automatically and show the operator at the central when the disconnection is to be made; and also when an operator calls a party wanted, a signal is given when the called party takes the receiver from the hook, to indicate to the operator immediately when the call is answered, so that an operator knows the exact conditions of the lines, and when subscribers answer and when either or both the subscribers replace their receivers and when a conversation is complete—without listening in on a connection—making it possible to give an absolutely secret and reliable connection between subscribers.

The switchboard to be of the strictly multiple type, so that any one operator can complete a connection with any subscriber in the exchange, without reaching beyond either of the positions immediately adjoining the position in which the call is received, enabling giving the quickest service possible.

The system we would propose to furnish would be of the simplest possible construction for the service and system proposed, to enable making every detailed part strong and durable, to give the system lasting quality as well as the most efficient service, thereby reducing the cost of maintenance to a minimum.

Our plan of system is to reduce the work of the user of a telephone to the greatest possible extent, to require the least amount of attention by or instructions to the general public, which policy in all lines of business has proven the most successful.

We wish to say that if, in your city, the soil and ground is practically free from gravel and free from rock or rock formations, so that excavations for the underground work and pole-setting can be done easily, and you will insure the necessary city and other permits for carrying out the work of construction and installation without interference, we are ready to enter into a contract with more detailed specifications for building and putting in operation a twenty-five hundred (2,500) line ultimate capacity and five hundred (500) lines immediate equipped system, as above briefly indicated, for not to exceed forty thousand ($40,000) dollars.

The system herein contemplated would be similar to the ones in operation in the towns of Port Arthur and Fort William, excepting that the system herein proposed would be built with an ultimate capacity of twenty-five hundred (2,500) subscribers and be of the strictly multiple switchboard type.

Mr. W. NORMAN ANDREWS.

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APPENDIX No. 1

This same system is in use in many of the independent exchanges in the States. The Port Arthur and Fort William systems are as described on pages 50 to 53 of our catalogue, mailed to you under separate cover, and also as described in the *Canadian Engineer,* enclosed herewith.

The switchboard proposed will be similar to the one shown in our catalogue on page 41, with a power switchboard and power plant similar to the ones shown on page 48—the battery plant similar to the one shown on page 47—the distributing board and lightning arrester rack similar to the ones shown on page 45, with the general system as described in the reprint of the Saratoga, New York, exchange, sent you herewith.

We shall be glad to give any further information that may be desired at any time, and when your ratepayers of your city have elected to install the system, we shall be pleased to enter into a contract, with detailed specifications, for furnishing the entire system along the lines indicated.

Yours very respectfully,

INTERNATIONAL TELEPHONE MANUFACTURING CO.

HENRY SHAFER, President.

By The Chairman:

Q. Is that a strong company?—A.—I understand so.

Q. Doing business where?—A. In Chicago. It is the same company that put in the Port Arthur and Fort William systems.

Q. What else have you?—A. This is one from Elhart, from Chicago, with a tender for $37,500.

Q. From what company is that?—A. From the Chicago Telephone Supply Company.

Q. What is the standing of that company?—A. It is one of the largest companies there.

Q. In Chicago?—A. In Chicago.

Q. Have you got anything further—have you any other offers?—A. Here is one from the Canadian Machine Telephone Company :

(Exhibit No. 26.)

CANADIAN MACHINE TELEPHONE COMPANY, LIMITED.

Alderman Andrews, TORONTO, August 19, 1904.
Chairman Telephone Committee, Brantford.

DEAR SIR,—We have the pleasure in stating that in the event of your city deciding to establish a municipal telephone exchange we could supply you with the Lorimer machine switchboard and the necessary construction for a system of 500 telephones for $35,000. This figure is an approximate one and might be reduced upon a careful enquiry by us into the local conditions as regards the construction work. Our system, which is a Brantford invention and which will revolutionize the telephone business, is now being installed in the town of Peterborough, and no time will be lost in getting our exchange there in complete running order. Our construction will be up to date, being underground in the business section of the town and on the cable principle as far as possible throughout.

We are satisfied that we have the ideal telephone system for a municipality to install as a civic exchange because, among other reasons, its annual cost of operation and maintenance will be much less than that of any other. Then, too, the central office apparatus to serve 500 telephones may be installed to commence with and this added to by sections 100 at a time as the business develops. This increase could be continued up to an exchange for 10,000 telephones without necessitating any change in the original apparatus, simply additions to the number of sections. Then the same attendant that would look after a 500 exchange would be able to attend to a 1,000 or 1,500 exchange. Thus the expense would not be increased and the cost of the central office

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apparatus would always be in direct proportion to the number of subscribers served. With a manual system you would install a switchboard for 500 subscribers with say an ultimate capacity for 1,000. You would have a switchboard larger than your present business demanded or, in other words, an investment a large proportion of which would not be earning anything, and when your additional 500 subscribers were connected up, your number of operators would have to be more than doubled and the number of attendants proportionately increased. Besides this, your switchboard having reached its ultimate capacity, you would have to face the cost of a new central apparatus if your business developed further. Thus with a manual system an increase in the size of your exchange may necessitate an increase in the rates charged to subscribers, but under municipal management a growth of your exchange with our system might even make it possible to make a substantial reduction in the annual rental charged to subscribers.

Our system does away with the girl entirely, wiping out this annual expense, and requires no more skilled attendants than does the manual board which has its trouble men to look after the central office apparatus. Our system, to put its claims in a general way, insures a more efficient service at lower rates than can possibly be given at a profit with a manually operated system, and, besides other advantages peculiar to itself, it furnishes a service that is absolutely secret and entirely free from any 'cutting in' during conversation. This latter is a most important feature in the construction of a system in a town the size of Brantford.

In the event of the city deciding not to undertake the installation of a telephone exchange as a municipal enterprise, we would be willing to accept a franchise (not exclusive) of your streets to install our system and we will guarantee a service to your citizens at rates not to exceed those proposed by you under municipal management, viz., $25 for business 'phone, $15 for residence 'phone. These could be fixed as our maximum rates and we might be able, after investigating local conditions, to furnish a service for even a lower rental. In Peterborough within three weeks from time to time the franchise was granted to us we had some 400 subscribers under contract to use our service. This number we confidently expect to double when we get our exchange in operation.

A third proposition that might be considered by you would be that you grant us a franchise and we install a system under an agreement by which the city may at the end of a stated term of years take over and operate it as a municipal plant.

Brantford, noted for its enterprise, is certain to desire to have, when it installs or allows to be installed a competitive telephone system, the most up-to-date equipment that is obtainable. This is exactly what we claim to have and therefore we feel satisfied that in any case you would give our propositions careful consideration; but when this new system is a Brantford invention, that has been supported through its years of development largely by Brantford capital and enterprise, we feel doubly sure that Brantford will be one of the first communities to introduce it.

Hoping this will receive your favourable attention, we will be pleased to hear further from your committee,

We remain,
Yours respectfully,

CANADIAN MACHINE TELEPHONE CO., LIMITED.

F. W. MACKAY,
Manager.

By the Chairman :

Q. This is a company in Toronto ?—A. This is an automatic company. Their tender is $35,000.

Q. These tenders were for Brantford ?—A. These were for Brantford, yes.

Q. Have you any other tender ?—A. These are all the tenders I have for municipal 'phones.

W. NORMAN ANDREWS.

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Q. These are the tenders furnished to Brantford ?—A. Yes, sir.

Q. In connection with your scheme ?—A. Yes, sir.

By Mr. Johnston :

Q. While contemplating the installation of a municipal system there?—A. Yes.

By Mr. Maclean :

Q. Is your committee now sitting or discussing the question ?—A. Yes, and the council has recommended advertising for an independent 'phone, and also for a plant to be established by the municipality. They are just giving their advertisements out now.

The CHAIRMAN.—We will see what the outcome of the advertisements is. It is now one o'clock. Mr. Ritchie, if you wish to examine Mr. Andrews we will have to postpone until to-morrow, as we have some business to do ourselves.

Mr. RITCHIE.—I have only one or two questions.

By Mr. Ritchie :

Q. Mr. Andrews, in spite of the opposition of the Bell Telephone Company, as you found it, you did decide up there to submit a by-law providing for municipal ownership? —A. Yes, sir.

Q. And eventually you abandoned that ?—A. Yes.

Q. Not by reason of the Bell Telephone Company's opposition, but because you received an advantageous offer from an independent company, a construction company, in Toronto?—A. Coupled with the influence of the Bell, of course.

Q. I do not quite understand your answer when you say that you abandoned the proposition because of the independent company's offer, coupled with the Bell Company's influence. Was the independent company linked with the Bell ?—A. No, not at all.

Q. What is the meaning of your answer, then?—A. Because at that time the Bell Company were charging us $5 extra for those long distance 'phones, and $20 for extensions, and the service was not as we thought it should be. That is why we objected to the service and the extraordinary prices. That was the reason why we withdrew the municipal and went for the independent system.

Q. In other words, it was the independent company's offer which induced you to abandon the submission of the by-law to the people?—A. Yes.

Q. And it was not the Bell at all, because the Bell opposition had not prevented you from preparing the by-law with the intention of submitting it.

Question objected to by Mr. Zimmerman.

By Mr. Maclean :

Q. You refer to the Bell influence on the aldermen?—A. Yes.

Mr. ZIMMERMAN.—He states it was caused by the submission of another offer.

By Mr. Ritchie :

Q. I just wanted to make that perfectly clear. You put in a letter from Mr. Sise there, in which he states that the Glasgow system is not a success. Is the statement published in the same newspaper ?—A. Yes.

Q. What was that statement?—A. It is all there if you wish to see it.

Q. No, I wish you to tell me, if you please?—A. I will read it over if you want it.

Q. I wish you to tell me what the statement was?—A. I could not tell you offhand now. I have it all there if you wish to see it.

Q. Surely if you come here to give testimony on your oath and put in this as something of interest to the committee, and a matter of importance, you ought to be in a position to state to us or to the committee who that statement was prepared by?—A. Well, I have it right here and it speaks for itself.

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Q. Please tell me who it is prepared by?—A. I will just read it.

Q. I do not ask you to take up the time of the committee by reading that statement, but tell me who it is signed by?—A. It is simply a statement made by Mr. Sise from the London *Engineer*.

By Mr. Johnston:

Q. Is it by the London *Engineer*, or was it contributed to them?—A. I cannot say. It just says the London *Engineer*.

Q. It is an excerpt from the London *Engineer*, is it not?—A. Yes, sir.

Q. What is the opinion of the writer of the article?—A. That municipal ownership in Glasgow was not a success.

Q. Do you of your own knowledge know whether that statement of that writer with regard to the Glasgow system is correct or incorrect?—A. According——

Q. Do you of your own knowledge know?—A. Well, my knowledge is this: I wrote straight to the mayor of Glasgow, and got the report direct from the mayor, and the report says yes, it is a success.

Q. It says that it is a success?—A. Yes.

Q. And have you any knowledge that the report has been criticized—that report of the Glasgow system?—A. No, sir; I have no knowledge of that at all.

Q. You have no knowledge whatever; you have heard nothing about an investigation into the telephone affairs of Glasgow?—A. Not in this report.

Q. Not in that report—I am speaking of the telephone affairs generally?—A. I have seen criticisms similar to what Mr. Sise has here.

Q. You have seen them?—A. Yes; that is why we wrote to Glasgow to find out whether it was correct or not.

By the Chairman:

Q. Have you letters and correspondence?—A. I have at home, sir.

Q. And the answers you have received?—A. Yes.

Q. It will be interesting to have the letters that passed?—A. It was simply writing them, asking for the report.

Q. Have you entered into correspondence with the officials at Glasgow in relation to their financial affairs?—A. No, sir.

Q. You have just taken it from the report. That is the only knowledge you have as to telephone affairs in Glasgow?—A. Yes, sir.

The CHAIRMAN.—Mr. Ritchie, I have had handed to me a newspaper excerpt purporting to contain the correspondence that has been alluded to. It begins with a letter from the editor of the Brantford *Courier* to the Lord Provost of Glasgow, and there is also a letter from John A. McCallum, assistant manager of the Glasgow system, purporting to give information. Perhaps it will be in that newspaper extract—probably that is the correspondence referred to.

Mr. RITCHIE.—That is the correspondence referred to.

(Exhibit No. 27.)

GLASGOW 'PHONES—AN OFFICIAL ANNOUNCEMENT AS TO THEIR SUCCESS.

In order to settle once and for all the conflicting statements put in circulation regarding the Glasgow municipal 'phone plant, the *Courier* some three weeks ago sent the following letter to the Lord Provost (mayor) of Glasgow:—

DEAR SIR,—In connection with an agitation in this place, for a municipal telephone system, the experience of Glasgow has naturally figured quite prominently. On the one hand it is asserted that the success of your city plant is in doubt, and on the other hand that results have been most gratifying, not only in the essentials of reduc-

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ing rates and increasing the number of 'phones, but also in the matter of an excess of earnings over expenses.

We should be deeply obliged to you if you could forward a statement as to the facts.

Yours, &c.,
EDITOR, *Courier*.

To this the following answer was received:—

F. D. REVILLE, Esq., GLASGOW, September 9, 1904.
Courier, Brantford, Canada.

DEAR SIR,—Your favour of 26th ulto., addressed to Lord Provost, has been sent to me for attention, and I beg to inform you that I shall have great pleasure in forwarding the information desired by you within the course of a day or two.

Yours truly,
JOHN A. McCALLUM,
Assist. Manager.

A COMPLETE SUCCESS.

Yesterday this further letter came to hand:—

GLASGOW, September 13.

Editor, *Courier*.

DEAR SIR,—With further reference to your letter of the 26th ult., addressed to the Lord Provost of Glasgow, I have now pleasure in submitting the following information on the points raised by you.

The corporation system was inaugurated in August, 1901, by the opening of the Central Exchange, with something like 1,500 stations working, and the extent and progress of the department's operations since then will best be seen by a comparison of the following figures:—

Switch-rooms in operation,—

May 31, 1902	9
" 1903	17
" 1904	19

Stations in operation,—

May 31, 1902	5,785
" 1903	9,616
" 1904	12,032

The corporation provide a telephone service within an area of 143 square miles, and their wires are laid entirely underground in the centre of the city, thus securing perfect immunity from the effect of storms.

The scale of charges is as follows:—

1. Exchange line, with unlimited service, £5 5s. per annum.

2. Toll service, or message rate line: £3 10s. per annum, with 1d. per each outward call.

3. Party lines, with unlimited service: £4 4s. and £3 10s. per annum for groups of two and four subscribers respectively.

With regard to the financial results of the department's operations. The first balance sheet at May 31, 1902, showed an excess of earnings over expenses of £398. The following year the balance was £1,694, and at May last, £3,650.

These surpluses are arrived at after debiting each year with full maintenance charges, interest on money borrowed up to date, and sinking fund necessary to wipe off the capital borrowing within a period of thirty years.

The principal rates charged by the National Telephone Company, our competitors here, which prior to the installation of the corporation system had a monopoly of the telephone business in Glasgow, were as follows:—

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1. Exchange line. with unlimited service: £10 per annum, within the city boundary; and outside this, various rates up to £25 per annum.

These high rates have now totally disappeared, and the company are charging a uniform rate of £10 per annum for unlimited service over their whole area, which is the same as the corporation's.

They have further introduced the following rates:—

1. Two party line, unlimited use, £6 per year.

2. Exclusive line, measured service, £5 per year, 600 calls; excess calls, 1d. each, or 300 for £1.

3. Four party line, unlimited use, £4 per year.

4. Ten party line: No installation charge. Subscriber to guarantee 2d. per day; extra calls, 1d. each.

5. Omnibus line, 25s. per year, for 600 outward calls; excess calls, 1d. each.

The National Telephone Company's service was originally worked on the single wire, with earth return system, which, together with the high rates charged and the need of providing the commercial community with something better and cheaper, was the primary cause of the corporation of Glasgow applying for a license. The company has since entirely remodelled its system, introducing metallic circuits, and in other ways has effected considerable improvement on its past service.

I inclose a copy of the department's last balance sheet, from which you will observe that there can be no doubt as to its financial success, the results being most gratifying in the face of such strong competition in the hands of a powerful monopoly.

The municipal telephones in Glasgow have been instrumental in developing the telephone to an extent never dreamt of before. Rates are lower, the service all around is better, and the large increase in the number of telephone users adds considerably to the value of the service to the individual.

From a ratepayer's point of view, municipal telephony has been a good thing, in so far as a new and considerable rateable value has been created in the corporation telephone system, and the contributions to the rates out of revenue amount almost to £3,000, while at the same time it has provided constant and remunerative employment for hundreds of employees of both sexes.

I trust this information is such as you desire, and if there is any other point on which you desire enlightenment I shall be pleased to supply you with the necessary information.

Yours truly,

JOHN A. McCALLUM,
Assist. Manager.

By Mr. Smith :

Q. When does the agreement between the city of Brantford and the Bell Telephone Company expire?—A. It expired last year.

Q. Has the city renewed it?—A. No, sir.

By Mr. Maclean :

Q. And therefore you are receiving no revenue?—A. Receiving no revenue.

By Mr. Roche :

Q. The population of Brantford is 18,000?—A. It is nearly 20,000 now.

Q. And you have 600 'phones of the Bell Company?—A. Yes, sir.

By Mr. Smith :

Q. What was the Bell Company paying you?—A. $450 up to last year, then they made an offer of $700 and ten 'phones free.

Q. Can you tell what control the city had over the location of poles?—A. They had no control.

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Q. The company simply placed them where they liked?—A. Yes.

Q. Without consulting the city?—A. Without consulting the city.

By Mr. Maclean:

Q. Have you any right to order them not to put the poles in the ground?—A. No, sir, we have no right whatever.

Q. You could make it in your contract?—A. The contract did not provide for that.

Witness discharged.

COMMITTEE ROOM,
THURSDAY, April 6, 1905.

The Committee met at 11 o'clock, Sir William Mulock in the chair.

Mr. NATHANIEL D. NEILL, of Brantford, sworn:

By the Chairman:

Q. Where do you live, Mr. Neill?—A. Well, I have lived a part of my time in the United States, but my permanent home is in Brantford.

Q. What business are you engaged in?—A. I am acting as president and general manager of the American Machine Telephone Company.

Q. What has been your experience in telephone work?—A. Well, it has been rather varied.

Q. Please describe it generally?—A. We have been interested in developing an automatic telephone exchange. We have been at work on this, the company has been at work on this, for about twelve years.

Q. Who are we?—A. Well, the directors of the company are G. W. Lorimer, one of the inventors; Dr. E. Hart, of Brantford; Edward L. Gould, Brantford; C. J. Kintner, a patent attorney of New York; Robert Neill, of Peterborough and myself.

Q. The system that you have been developing is the Lorimer system?—A. Is the Lorimer system.

Q. Is that the system which is represented in Toronto by what is called the Canadian Machine Telephone Company?—A. Yes, that is a subsidiary company.

Q. And the machine that you spoke of is their machine?—A. Yes.

Q. An automatic exchange?—A. Yes. A development of the parent company.

Q. And what other experience have you had except in endeavouring to promote that enterprise, that patent? What other telephone experience?—A. I had experience in building a small telephone plant in the town of Troy, Ohio, about eight years ago.

Q. For the municipality?—A. No, it was a company's undertaking.

Q. Is that the extent of your experience?—A. We built this plant and we found that our automatic telephone exchange was not sufficiently developed, so we sold it out. I have assisted other people in promoting companies down there and done considerable work in that line.

Q. Then your relations to the telephone are those of the promoter?—A. Largely, yes.

Q. Not an operator?—A. No.

Q. Are you familiar with any systems in operation?—A. Yes.

Q. What different classes of systems under control?—A. The different classes of systems?

Q. I mean under control of joint stock companies, under control of municipalities, under control of co-operative societies. Have you any experience of these respective systems?—A. The one that I am more particularly acquainted with is the one which was put up about three years ago in the town of Piqua, where I resided.

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Q. Pickwell ?—A. Piqua.

Q. What state is that in ?—A. In Ohio.

Q. What class of system does that belong to ?—A. I think it was put up in—possibly Mr. Dagger remembers that.

Q. Under what control? Is it under municipal control?—A. No, a joint stock company was organized and the stock was taken up locally. This system started out with about 300 subscribers in competition with the Central Union, which is the Bell Company. To-day they have something over 1,100 subscribers in this town connected with the rural districts.

Q. What is the population of that town ?—A. I think it is about 14,000.

Q. They have how many, 1,100 you say ?—A. They have 1,100 on the independent lines and the Bell Company, I think, have between 200 and 300.

Q. Between 1,300 and 1,400 telephones altogether?—A. Altogether, yes.

Q. What are the rates charged by the independent company ?—A. We charge for a business telephone about $25, and I think it is $18 for residence 'phones.

Q. Do you know how many residence 'phones there are in the town?—A. I could not tell you, but they are very greatly in excess of the business telephones.

Q. Has the number of users increased since the arrival of the independent company ?—A. This company that was organized after it was in operation for a year and a half had to throw their switchboard out. They had not calculated on the immense increase that would come to them by way of subscribers, and they threw their first board out entirely and put in a system for 1,000, and they have been endeavouring to connect another 100 alongside this 1,000 in order to accommodate subscribers, and they find they have to throw the 1,000 out again and put in a 2,000 board.

Q. Why do they not adopt the automatic, the Lorimer system?—A. Well, they have never had an opportunity yet to adopt that.

Q. What do you mean by that ?—A. Well, we have never placed it in that particular way yet.

Q. They are installing the system in Peterborough, we are told?—A. Yes.

Q. Why do you not give an opportunity to the town of Piqua if it is such a good device?—A. Well, they have never applied to us for it. They are talking about it now.

Q. Do you wait until some one calls before you offer your goods for sale?—A. Well, we had other matters in hand at that time.

Q. Are there any other automatic devices in operation?—A. Yes. There is a very large company in Chicago that are doing a lot of business. I think they are possibly doing more business than any other telephone company in America outside of the——— Company.

Q. What is the name of that company?—A. The Strowger Automatic.

Q. Manufacturing company?—A. Manufacturing company.

Q. Is that a telephone operating company?—A. Yes, they do operate some of their exchanges.

Q. Where?—A. The one in Dayton is largely operated through them, although they have a great deal of local capital. They are now organizing a very large company in Columbus, Ohio.

Q. Take the one in operation in Dayton. Do they use their automatic device there?—A. Yes.

Q. For exchange work?—A. Yes; I have seen it several times.

Q. How many users are there on that automatic exchange?—A. The capacity of the exchange is 9,000 when it is all connected up. They have 6,000 connections, and they have about 4,000 subscribers, and they are gradually increasing.

Q. How many people does it take to attend to that automatic?—A. I presume they would have, from my observation, they would have about 1 to every 1,000, or probably a little better than that.

Q. Subscribers?—A. No; one attendant.

Q. One attendant to every 1,000 what? Subscribers?—A. Yes.

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Q. How many attendants would be necessary under the old system? I mean where the connections are made by hand?—A. Well, that depends very largely on the quality of the service you want to get.

Q. Take Dayton, Ohio, for instance?—A. Well, it will depend upon the city.

Q. Well, Dayton is a city. Dayton is a place where you are saying the automatic system is in operation. What is the population of Dayton?—A. About 100,000.

Q. One hundred thousand. Have they got any other telephone system there?—A. Yes; the Central Union are operating there.

Q. Do they use the automatic exchange?—A. No; they use the regular Bell telephone apparatus.

Q. The connections being made by hand?—A. The connections being made by hand.

Q. Do you know how many subscribers they have?—A. I really could not say.

Q. Were you ever in their exchange office?—A. No, I have never been in the exchange office.

Q. You do not know how many employees are required to do the exchange connection work?—A. Well, that matter could be very readily obtained. Of course, if they wanted to give a very good service, they could cut down from 40 to 60 subscribers.

Q. Call it 50 on the average. It would take 20 for every 1,000 subscribers?—A. Yes.

Q. As against one under the automatic system?—A. Yes.

Q. How long has the automatic system been in operation in Dayton?—A. It has been installed now about two years.

Q. Do you know when it was installed?—A. I think they began to give a service about two years ago.

Q. With how many subscribers?—A. I think they started them with probably about 2,000 subscribers.

Q. And they have now attained?—A. They have now attained to about 4,000. They told me they are connecting up continuously.

Q. And with that machine, four persons can do the work of eighty? It would take eighty persons to make connections by the Bell system that is done by four under the automatic system?—A. Yes, I think that would be a reasonable proposition.

Q. Have you any acquaintance with the workings of any other systems elsewhere?—A. No, not excepting the ordinary systems that are placed out in the ordinary way.

Q. What caused the great increase in the use of telephones at Dayton, Ohio?—A. Well the automatic was a novelty.

Q. Were the rates lower?—A. The rates were lower, yes.

Q. What were the rates at Dayton, before the automatic system was established?—A. I could not say definitely.

Q. Well, how do you know then if they were lowered?—A. I knew at the time they were lowered.

Q. At Dayton?—A. Yes.

Q. Do you know how many telephones were in use when the Bell Telephone line was in connection with that territory?—A. I could not give you the exact data, but I know there was a substantial increase in the number of subscribers.

Q. In the number of subscribers in the two companies?—A. Yes.

Q. A substantial increase?—A. Yes.

Q. Have you any idea what the reduction in the rates amounted to?—A. No.

Q. Did the other company, the old company, reduce its rates?—A. Yes, they reduced their rates.

Q. What connection has your automatic system with outside municipalities or outside people?—A. Well, I find in Dayton——

Q. It is the Dayton system I am speaking of?—A. Well, I find in Dayton that the Automatic Company connect up with all the small independent companies on the

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outside. They also form a connecting link in the long distance part of this business, they are in sympathy with the movement and they offer their exchange in Dayton as a bridging condition between the different systems on the outside. Now, I found the condition there that I have never seen talked of before. The hotel, the principal hotel in the town, has an exchange there. It requires an operator and connects with every room in the hotel.

Q. Yes?—A. And the automatic is used for that purpose.

Q. What are the various telephone systems in operation in Ohio now?—A. Well, the Central Union, which is a sub-company of the Bell, have dominated that field for twenty-five years, and the enterprise is largely carried on by local capital. A number of business men get together, and they obtain an estimate from Chicago as to what the cost of a telephone plant will be, and they form a little company among themselves and put the rates at a figure where they can make a comfortable dividend, and they make extensions to the line and employ such people to look after it as will suit them, and it makes a lot of simply independent companies.

Q. Let us trace the history of the development of the telephone in Ohio. First of all, you say, you call it the Union?—A. The Central Union.

Mr. MACLEAN.—Better known as the Bell.

By the Chairman:

Q. Well, it is called the Central Union there; it is probably an offshoot?—A. It is one of the sub-companies of the Bell.

Q. And this Central Union has had possession of the territory in the state of Ohio?—A. Yes.

Q. And to what extent did it extend its operations before rivals appeared on the scene?—A. Well, they were of a very meagre character.

Q. Have they established long distance connection?—A. They did establish some long distance connections, but not to the extent they have done it to-day, because they have been compelled to connect up with all the small towns, which they never did before.

Q. At first, then, their development was in towns and centres of population?—A. Yes.

Q. Later on they established connections between these towns, is that it?—A. Yes.

Q. Then did they extend their system into the rural districts?—A. No, they did not bother with the rural districts at all. The rural district part of it was forced on them by the attitude the independent companies took.

Q. Then who next invaded the telephone field of Ohio? Was it the municipal telephones or was it other joint stock companies?—A. I cannot say that. I have heard of no municipal companies, but it is largely as I say through independent companies formed from local business men. They put up a certain amount of money. They buy their exchange in Chicago, they might buy it on time and the Chicago people might take an interest in the investment themselves. At such times they naturally would, and go out and build another one.

Q. And what is to prevent these new companies selling out to the old ones?—A. There is nothing to prevent that.

Q. And that may ultimately be the fate of these companies, may it not?—A. It is quite possible. A large company was formed at Toledo for the promotion of telephone companies down the Mimmi valley, and to-day they own a great number of these companies, they own a controlling interest in the stock. It was a profitable investment, and I am told they made a great deal of money out of it. There is one thing I would just like to mention to give you an idea of the progressive movement in the telephone field in the United States from data which I know is absolutely correct. Eight years ago when I went to Picqua there were 118 subscribers on the Bell alone, and during those eight years the number has grown to 1,400; it is almost incredible.

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Q. Did the population increase?—A. No, I do not see that the population has increased. I do not think so.

Q. Then, to what do you attribute the increase in the use of the telephone?—A. Well, it has been made popular by cheaper rates and by more courteous service and by extending the lines to the rural districts.

Q. Are the lines now being extended to the rural districts?—A. They are.

Q. Extensively?—A. Very extensively.

Q. Are the subscribers being found amongst the farmers?—A. Yes.

Q. Do you know what is charged the farmers for telephones?—A. Well, he is charged about $12 a year and they are largely on party lines connecting three, four, five, or six as the case may be.

Q. Farmers on one line?—A. Farmers on one line.

Q. And that line running into a centre?—A. That line is brought into the city and connected with the exchange.

Q. How do the farmers speak to other farmers on different lines?—A. Well, they connect from the city and get the toll line.

Q. Have they to pay to communicate with each other?—A. Well, it depends upon the conditions of the franchise.

Q. Well, where the rates are $12 for a farmer's telephone, what does he get for that sum?—A. He gets connection with the city and with neighbouring villages, say from 8, 10 to 12 miles from there.

Q. Without further pay?—A. Very often with pay, and sometimes without further pay.

Q. Well, how can neighbours speak to neighbours, if they are on different lines, without extra pay?—A. Well, they could talk with their neighbours.

Q. There is no automatic system to enable people in the rural districts to speak to each other?—A. No, I do not think that has been worked out yet.

Q. There is no system of grouping neighbours together so they can speak together?—A. That has not been done by the Strowger people, as far as I know, but I know it can be done with the system that we are now manufacturing.

Q. You mean the Lorimer system?—A. The Lorimer system.

Q. Is that machine on the market?—A. This machine is being put in Peterborough for the first time.

Q. Is there any factory where it is being made?—A. Yes, we have a factory on Duncan Street in Toronto where this machine is made.

Q. You have just made one machine, is that it?—A. This machine is capable of accommodating 300 subscribers.

Q. Has there only been one machine made?—A. There have been several machines made but this is the first machine that has been placed out on actual service.

Q. This has not been tested practically by the public?—A. No.

Q. And when will the Peterborough system be in operation?—A. The Peterborough system will be in operation in about three or four weeks.

Q. Are you aware of any municipal systems in operation?—A. No, I have never studied that end of the business.

Q. Are you familiar with telephone conditions in Canada?—A. Oh yes, I have done considerable work here.

Q. As a promoter do you mean?—A. Promoting this Canadian company. I might give you an outline of the Canadian company and to show my position with it. The American company sold its rights to the Canadian company and they organized with an Ontario charter for $250,000. The object was to get $100,000 in money to build this Peterborough plant. They have been two years endeavouring to get that money. This money would have been forthcoming long ago if it had not been for the very strenuous efforts put forth by the owners of the long distance line.

Q. Whom do you mean by 'the owners'?—A. Represented by the Bell interests.

Q. In Canada?—A. Yes.

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Q. Yes?—A. The object of a corporation of that kind is to intimidate capital, and capital at any time is timid enough, and when a man thought of investing in this company he was immediately looked after. I am speaking very plainly, gentlemen, because these are facts and I presume that is what you are after. This man was immediately looked after and a few words were sufficient to blow it right out of his head.

By Mr. Boyce:

Q. These are the facts from your own observations?—A. Yes, sir, I have been up against it very strongly too.

Q. With the Bell Telephone Company?—A. With all its emissaries, which is just the very same thing.

Q. That is their agents?—A. Their agents.

Q. Their known agents?—A. Yes, their known agents.

By the Chairman:

Q. Well, you are proceeding to describe the system in Canada?—A. This money we could not get in Canada. Finally we had to go to Chicago to get the money to build the system at Peterborough. There is sufficient money now in the treasury, in spite of the opposition, and the system will be completed. They will start to put in telephones in about three or four weeks at the outset; we will have some running at that time. The system as it is built is built right through the leading streets. It is all underground and a great deal of cable is laid down. There are very few poles and there are no poles on the main streets. I think this is the model system of Canada. I think there are few systems in America that will compare with it.

By Mr. Maclean:

Q. Is it to be a joint stock company?—A. The Canadian Machine Telephone Company own this at present. What disposition they are going to make of it I do not know.

By the Chairman:

Q. Are they restricted by the license given to them by the town of Peterborough as to any disposition they might afterwards make of their system?—A. I do not think so.

Q. Are they free to sell to any company?—A. I think so.

Q. The municipality has no pre-emptive right?—A. I think not, I am not sure.

Q. Then what is to prevent this very admirable system you speak of falling into the hands of the monopoly?—A. I do not know.

Q. Nothing whatever?—A. Not at present.

Q. Nothing whatever. It is a wonder that Peterborough did not adopt some such safeguard. Are you quite sure that it has not?—A. I am not quite sure.

Q. You are not sure?—A. It did not impress me that it has.

Q. Do they pay a royalty to the city of Peterborough?—A. No. They give them very low rates. We were anxious to get into Peterborough. My brother, who is president of the company, lives there and he was very anxious that this system should be placed in the town and he was also very anxious to give them very, very low rates, which has been done.

Q. And are these rates to be maintained no matter what may be the fate of the company, no matter into whose hands the system may pass?—A. They cannot increase the rates.

Q. If the Bell Telephone Company were to acquire your company in Peterborough would it be at liberty to increase the rates on your system?—A. No, but they might increase the rates under their old franchise and still use the automatic.

Q. I fancy Peterborough has made a safer bargain than that. What are the dis-

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advantages, the people of Canada suffer from in regard to telephone service?—A. Well, I think that if the long-distance lines were in the hands of the government, a thoroughly independent party that would extend courtesies to all kinds of companies and allow them to connect with and use these lines you would remove every obstacle that stands in the way of the development of telephony to-day in Canada.

Q. That, you think, is the key to the situation?—A. That, I believe, sir, is the key to the situation because local capital will have no hesitation about coming forward when a long-distance service is assured.

Q. You think the acquisition by the government—you mean, I suppose, the Dominion government—— ?—A. Yes.

Q. Not provincial governments. You think that the acquisition by the Dominion government of the long-distance telephones would encourage the development of a telephone system generally?—A. Very substantially, sir.

Q. Throughout Canada?—A. Very substantially.

Q. Have you any idea of what it costs to-day to construct long-distance telephone lines?—A. I have never gone into the construction of long-distance lines at all. I have not brought any data with me.

Q. You cannot speak as to the cost and the cost of maintenance?—A. I would not care to.

Q. Have you any experience from observations of the municipal systems in Canada?—A. No, I have never examined any.

By Mr. Maclean:

Q. I would like to ask you a few questions. You have gained rather a wide experience in connection with telephones by promoting your own company?—A. Yes.

Q. And what are the main things in connection with the organization of a telephone company? I suppose they are the construction of lines and the establishment of a central?—A. Well, the first thing, Mr. Maclean, is to get the money.

Q. Yes, I know, but having the money, we will assume the money is forthcoming, the main item of expense are the lines, the street lines and the central?—A. Yes.

Q. And if a great reduction could take place in the expense of that central station the telephone would be cheaper?—A. Cheaper, yes.

Q. And there is a great improvement now in both these respects?—Practically the construction of lines is largely standardized?—A. Yes.

Q. And is likely to have an improved system of switchboard connections that will also be standardized?—A. Yes. But on that I do not want you to misunderstand me. The outside construction of the wire will be a little more expensive in the future than it has been in the past.

Q. But it should be permanent?—A. But it will be more thoroughly done and the cost for maintenance will be very, very low.

Q. On the whole it will be practically cheaper?—A. It will practically be cheaper. The cost of the switchboard control system we are now putting on the market will be materially reduced.

Q. You spoke of these independent companies in Ohio and states like that? They forced the Bell companies to put them into their offices, that is the little independent companies. Did they or did they not get into connection with the Bell line?—A. Well, it has very seldom been accomplished.

Q. Well then how do they connect up? Are there independent long distance lines?—A. Independent long distance lines.

Q. There are both independent long distance and independent companies?—A. Yes.

Q. And these independent long distance companies are glad to accept the business on a toll or otherwise from these local companies?—A. Sure, they have an amicable understanding.

Q. And it is profitable for them to do it?—A. Very profitable, yes.

Q. And therefore if the Bell Company in this country says, or if it says in the

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United States that it is not able to give connection with these independent companies it is not because it would not be profitable to them?—A. No.

Q. But for some other reason?—A. My view is that it is coercion, that is all.

Q. What about railway stations? As far as you know of in the United States do they admit telephones into their stations?—A. Oh, there has been no hesitancy about getting two systems into any public places or anything of that kind.

Q. They are only too glad to have them?—A. Oh, yes.

Q. And do you know of any cases in the United States where a great railway corporation has given an exclusive franchise to the Bell Company to put their instruments only in railway stations?—A. I think the Bell probably have an understanding with large corporations to give them a telephone for nothing.

Q. And that they shall exclude others?—A. I do not know of anything of that kind.

Q. You never heard of a contract such as we have in Canada?—A. No, I have never heard of a similar contract anywhere.

Q. Do you know any place in the United States, especially in Ohio where the Bell Company had offered independent lines access to their lines or connection with their lines?—A. I do not know of any.

Q. But it is a fact that these independent long-distance services in Ohio and other states is glad to de business with and accept the business of independent companies and as far as you know the construction of these local independent companies is such that they will transmit the business and not cause the long-distance company or subscriber any inconvenience?—A. No, none whatever.

Q. It is a pure myth that small independent lines connecting with the big one interfere with the working or the giving of the service?—A. I have never heard of anything like that.

Q. Now, you told Sir William, that the independent lines were all connected up, more or less. Do you know of cases of this kind where two little independent lines would have a common terminal in some one house in order to switch there and make connections ?—A. Sure.

Q. As a matter of fact, according to your knowledge, not only are the towns well supplied with telephones by reason of the competition of the independent companies but so are the farmers all around,—the villages?—A. Yes.

Q. The local doctors are all in touch, are in telephonic touch over all independent lines and by the small independent lines, connecting one with the other, or going into the local exchange of the town, and then having connection ?—A. Yes.

Q. And a service of that kind connecting the farmers with the town—you get this sort of a service very often for $12 a year ?— A. Yes.

Q. And on this service the local company pay a dividend and has connection with the local independent or long-distance, and they are all making money out of it. Is that your experience ?—A. Yes, that is my experience.

Q. Well, now, on this system, if the government own the trunk lines here, would it not almost be possible in a well settled province like Ontario—I mean southern Ontario—do you not think it would be possible by the system that you suggest to give almost every farmer in the well settled portions of Ontario a good telephone service for $12 or $15 a year ?—A. Easily.

Q. Easily ?—A. Yes.

Q. And that if the government owned these long-distance wires the people through Ontario would practically have a uniform long-distance connection at probably from 15 to 25 cents, but not exceeding that ?—A. Just exactly, I think so.

By Mr. Roche:

Q. What rates does your company charge in Peterborough ?—A. $15 and $20, I think.

Q. Is the Bell Company operating there ?—A. Yes.

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Q. Do you know what rates they have been charging ?—A. I think they varied from $25 to $35, probably according to the distance from the local exchange.

Q. Is it because of the automatic appliances that your company are going to be able to give cheaper 'phones ?—A. Yes.

Q. Or because their rates are too high, at any rate?—A. Yes, we think we can make a profitable investment to our stockholders on the rates we have given them.

Q. Have you a franchise for a certain length of time ?—A. Yes.

Q. And you cannot exceed these present rates ?—A. I do not think so.

Q. Do you know the number of subscribers the Bell Company have there now ?—A. I think it is somewhere in the neighbourhood of 400. We have 500 subscribers on our list, which is the ultimate capacity of the exchange. We are getting new applications for subscribers every day and it is our intention to add 400 more in the spring during the next sixty days.

By Mr. Maclean:

Q. By the system of units ?—A. Yes, at our discretion.

Q. Can't you produce a copy of the agreement between your company and the town?—A. Well, I can produce that, I suppose; I don't know whether it should be. I will tell you what you can do——

Q. Write the mayor of the town ?—A. Write the mayor of the town and he will give you a copy.

By Mr. Boyce:

Q. Would you state generally your reasons for the view that you have expressed that the acquisition by the government of a long-distance line would greatly facilitate telephonic construction ?—A. My experience down through Ohio during eight years, combined with my experience in Ontario here, developing the Canadian Machine Telephone Company justifies my saying that because competition has come up so close to me during that period in the matter of getting capital subscribed, and I have traced it down invariably to the one source, the source I have given.

By Mr. Maclean:

Q. Did you experience any interference by the Bell people in trying to get your company in Peterborough ?—A. Our general manager told me he experienced a great deal of difficulty.

Q. Do you know that as a matter of fact a Bell agent appears in every town where there is an agitation and is very active ? ?—A. I know wherever I have gone where there is an agitation there is always a number of them there.

Q. In fact the policy of the Bell would be to hold a monopoly and queer every competing enterprise ?—A. Yes.

The CHAIRMAN.—That is the policy of every monopoly.

Mr. MACLEAN.—I want the Bell to be treated in the best possible way when it comes, but the idea I want to get out is that it is a monopoly and that it is pursuing a policy of queering every attempt of the public to improve the situation.

By the Chairman:

Q. Another question I would like to ask. What automatic devices are there in practical operation to-day for exchange?—A. The Strowger Automatic is the principal one, and they have conducted their business all over America, and I presume they have probably in the neighbourhood of 100 exchanges in operation.

Q. Automatic exchanges?—A. Yes. There is another smaller company called the Globe. It has never turned out exchanges as far as I know in greater units than one hundred.

Q. Can you tell me, please, where the Strowger Automatic device is in operation—give us some places?—A. I have mentioned Dayton. There is one at Grand Rapids, there is one at Augusta, Ga. I cannot just name them.

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Q. Can you give us a list?—A. Yes.

By Mr. Maclean:

Q. Is there one in Chicago?—A. Yes, they claim they have 10,000 subscribers on that. I have seen it and it works very nicely.

Q. Is there any connection between your company and the Strowger?—A. No, none whatever.

Q. No business connection?—A. None whatever.

Q. Are you pure rivals?—A. Pure rivals.

Q. Is their machine at all like yours?—A. No.

Q. It differs radically?—A. It differs radically.

Q. There are none of theirs in operation in Canada?—A. They have a small one, I think, in operation in Toronto Junction, I am told, with 100 subscribers. I have not seen it. Some of our experts have been out and passed on it.

Q. How long has it been in operation there?—A. Only a few months.

Q. Do you know the view of your experts with regard to it?—A. It has coincided with different opinions that we have had before us.

Q. What is the difference?—A. To make a comparison of the two systems: One is worked with the aid of electro-magnets. We use power, supplied by motor, gas engines, water-power or anything.

Q. Yes, it is only a question of power if it does not go to the mechanism.—A. The mechanism when operated by power must be made very much stronger, and the contacts heavier, where the Strowger contact is very light. But at the same time they seem to do a very profitable business.

Q. Is the principle the same?—A. The principle is entirely different. We work on altogether different lines.

Q. I think we might well apply to the Strowger Company for information as to the working of their system?—A. Yes.

Q. Your machine is not yet on the market?—A. Not yet.

Q. You have no idea therefore what it will be sold at?—A. There have been a number of estimates made on the cost of it. We know pretty nearly what it will be sold for.

Q. How many subscribers will each unit serve?—A. One hundred subscribers.

Q. That is estimating how many to be using it at the same time?—A. That is estimating on a 10 per cent basis.

Q. That is about one-tenth used at the same moment?—A. Yes, that percentage could be increased or diminished.

Q. What electric horse power would be required to operate 100 telephones?—A. About one quarter horse power or less.

Q. Could that not be obtained by the use of chemicals—batteries?—A. A gas engine could be used.

Q. Would that be necessary?—A. Not if you have electric power.

Q. One or the other would be necessary?—A. Yes.

By Mr. Maclean:

Q. But there are places where electric power—?—A. Electric power is more expensive. It is not difficult to obtain it in almost any place.

Q. Can you furnish an estimate of what your automatic device would cost, say for 100 subscribers, 50 subscribers and 25 subscribers?—A. Yes.

Q. Are you in a position now or would you later on be able to give us an estimate of what it would cost the public to acquire an automatic device with all the requirements for say 25 subscribers, 50 subscribers, 100 subscribers and multiples of 100?—A. I am perfectly satisfied if you will make application to the Canadian Machine Telephone Company they will give you all that data very cheerfully.

Q. Very well, that will be satisfactory. As to the price charged the public who buy

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out and out telephones, I mean the instruments and all the attachments, I mean the automatic instruments and all the attachments in the houses, what is the average charge in Canada for such an outfit?—A. I can not tell you what it is in Canada. I could give you the price in Chicago.

Q. Tell us that?—A. It runs possibly as low as $6 and as high as $12.

Q. What is the cause of the difference?—A. The different quality of workmanship and the different way in which it is mounted, the quality of the receiver and transmitter that is used and the reputation of the firm who turns it out.

Q. What is the life of these instruments?—A. Well, I cannot say definitely, for my experience has not run along that line. I have known telephones in existence for ten years.

Q. Do you know whether much is required in the way of repairs?—A. Well, they always require a certain amount of repairing, not at a very great cost, particularly the diaphragm, of the transmitter, and the cords have to be replaced.

Q. You don't know the retail price in Canada?—A. No.

Q. Are there factories in Canada manufacturing these instruments?—A. There is a firm in Montreal but I cannot remember the name.

Q. Is there only one firm manufacturing in Canada?—A. Outside the Bell.

Q. They are also manufacturing them?—A. Yes.

Q. Does the Bell sell the instruments out and out?—A. I do not think so.

Q. They rent them?—A. They may rent them.

Q. You don't know whether they sell them?—A. No.

Q. Where would our Canadian individual subscribers be able to buy telephones outside?—A. A company would be organized for that purpose to manufacture them.

Q. In Canada?—A. Yes. Heretofore there has not been enough business for a telephone company to organize, as the Bell has a monopoly, and independent companies were very scarce and with very small capitalization.

By Mr. Johnston:

Q. Is the Bell Company a monopoly?—A. Yes, I think so.

Q. In what respect is there anything that prohibits the manufacture by any other person of telephone instruments?—A. No, I do not think there is anything in the way of prohibition.

Q. In what sense have the Bell people a monopoly?—A. Well, there is the long-distance line and it is instituted as a great monopoly in this country to intimidate capital investing in telephone enterprises, which accounts for the small investment that there is up to date.

Q. What you regard as the best thing for the country is to have the long-distance line, the trunk lines under the control of the government?—A. I certainly would strongly recommend that, and my experience of the last eight years devoted largely to the telephone business justifies my saying that.

Q. And of the local lines as well?—A. Well, I cannot say anything about the local lines. That is optional with the government whether they wish to do it. I think it would facilitate matters very much if the government after their exhaustive investigation would make a recommendation of some particular system and then leave it to the general community to make a decision.

Q. There is no reason why it would not be just as much in the interests of the people to have the local lines owned by the government as well as the trunk lines?—A. Well, I do not know. I am not prepared to say.

Q. It would be a reasonable proposition?—A. To have all the local lines controlled by the government?

Q. As well as the trunk lines?—A. Yes, I think it would be quite reasonable. The people would have it in the hands of the government then, who would be more liable to deal fairly with them than a corporation.

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Q. In your judgment then the business of telephone companies is more or less a source of evil in the country?—A. All telephone companies are a source of evil.

Q. Yes.—A. I do not think I have made any statement of that kind.

By Mr. Boyce:

Q. Leaving aside for a moment the question of the acquisition or control by the government of local lines, what effect would the acquisition or control of trunk lines have upon the competition in local lines for city, town or farmer telephones?—A. In the first place, it would facilitate the acquiring of capital to build local lines.

Q. It would strengthen local companies?—A. It would strengthen local companies to know that the long-distance company would take business off their hands. They would not be cumbered with that immense expenditure.

Q. Would that prevent local companies being crushed out of existence by a strong combination?—A. I think it would help local companies very largely. It would not prevent two companies going into competition with one another in a town or city, because both would have equal rights over the long-distance lines and the business would then go to the company that would produce the best system.

By Mr. Maclean:

Q. Then the ideal system would be one local company in each place if thoroughly organized?—A. Yes.

By Mr. Boyce:

Q. The acquisition of all trunk lines by the government would not prevent this warring between the local companies?—A. I am not prepared to say that.

By Mr. Maclean:

Q. There is one other question that ought to be brought out. One merit, I imagine, of the automatic system is that you get a night and day service, day in and day out throughout the year, by the automatic service?—A. Yes.

Q. And in a small independent system, one which is not operated by codes, or where there has to be connection by a switchboard, or if a switchboard intervenes in any connection, the trouble is that the switchboard closes after the day's business, whatever time that may be?—A. Yes.

Q. But take the system—the automatic system—the advantage of it is that it works at any time at one hour as well as another. That is a fact?—A. Yes, they can give a night and day service.

Q. It means that the difference in the cost of operation is considerable?—A. Yes. There is this about the handling of the exchanges in small districts, that the Bell Telephone Company up to date have had considerable trouble in making their system pay in small villages where they would only have probably a half dozen subscribers, but still had to find an attendant. But with an automatic system, something like the system that I suggest to you that we are making, the telephone office and the post office might be combined.

Q. And by paying a better salary you could get a better service?—A. Yes, get a better service altogether.

The CHAIRMAN.—Mr. Ritchie representing the Bell Telephone Company desires to ask a question.

By Mr. Ritchie:

Q. Mr. Neill, you have stated that it was very advantageous for the local independent people to connect their wires on the long distance line?—A. Yes.

Q. In speaking of the telephone conditions in Ohio, would that necessarily be called advantageous to the long-distance line, to a long distance-line, which had feeders of its own?—A. Well, I would think that the more business the local company would bring to the long distance line, the better it would be, I should think.

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Q. Does not the success of all telephone companies' business, just as in any other business that caters to the public, depend upon the quality of the service which it gives to the public?—A. Yes.

Q. To the public with whom it has contracts?—A. Yes.

Q. Do you think then that long-distance lines which had also local systems connected with it, and having subscribers for these local systems, who would make their contract with the company on the understanding that they would have connection with these long-distance lines, might they not suffer if the long-distance line was allowed to be used by persons entirely unconnected with that company?—A. My answer to that question is this, that the government, if it took hold of the long-distance line would protect its interests inasmuch as it would prescribe a certain type of transmitter and receiver that would be used over these lines, consequently the service would be equalized.

Q. Yes, but I am not speaking of long-distance lines which are in the hands of the government. I am speaking of long-distance lines while they still remain the property of a corporation such as the Bell. Might it not be a disadvantage to the Bell Company to have any local company have the right to attach its wires to that long-distance line, and allow this independent company's subscribers to use the long-distance line to the exclusion of the Bell Telephone Company subscribers. Might not that be disadvantageous to the Bell Company?—A. If they are going to get as much business as you suppose they are going to obtain by giving connection to these independent companies it would be wise for the Bell Company to build more long-distance lines in order that they may be able to accommodate the traffic nad make more money.

Q. Then if you are answering honestly, and I have no doubt you are, do you think it is not a disadvantage to the Bell Company subcribers to have their long-distance line connected with the subscribers of all sorts of companies?—A. On the contrary, I think it would be a great advantage, because if any other company came into competition with the Bell Company in any town, village or city, it would increase its list substantially, and bring about such an increase in business that it would be necessary for the Bell Company to build more long-distance lines in order to accommodate the business.

Q. With regard to these local companies, there are a large number of telephone systems, are there not?—A. Yes, but there is a great similarity between them all.

Q. But they are not all of equal quality?—A. No, they are not.

Q. And these small companies, for instance, or associations of farmers, might put up a line, or a private individual might put up a line and attach a few of his friends to it. Now can you not conceive of such systems as that being sufficient for local purposes of these people, and yet not be really efficient telephone systems?—A. Well, if they want a telephone with which they can talk to Chicago they certainly will have to put in telephones that will enable them to do it.

Q. Can you not conceive of a number of small systems where more or less inefficient 'phones are used, good enough for a local 'phone, but not good enough for long-distance telephony.

The CHAIRMAN.—I will just explain to you on this point that whilst, of course, it would be possible to have different classes of machines in use, doubtless, if we were to adopt a policy of long distance trunk lines, we would probably follow the example of the Imperial Government which has provided standard conditions, standard classes of machines, to meet that case. So that persons using the long distance lines would have to use some telephone that complied with the government standard.

By Mr. Ritchie:

Q. Quite so, sir, that might be essential in the case you mention; I admit that. I simply wanted to establish the fact that it was essential to have an efficient telephone?

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By Mr. Zimmerman:

Q. There would not be any difficulty in adopting a machine of that kind for any person that wanted to use the long distance telephone?

Mr. RITCHIE.—None whatever. I merely wanted to get from the witness evidence that an inefficient 'phone might be of great disadvantage on our long distance line.

The CHAIRMAN.—Well, we would not probably allow an inefficient 'phone to be used. In England they do not; the Post Office Department requires that all those who are going to use the long distance to use an efficient phone, complying with the government standard.

By Mr. Ritchie:

Q. Have you considered the cost of a long distance line still remaining the property of a private corporation, have you considered the difficulty of that corporation collecting the proper charges for the use of the long distance lines, by the subscribers of these small local companies. Many of them may be practically bankrupt, or on the verge of bankruptcy, or these companies might have subscribers of the character that the long distance line would not deal with at all. Have you considered that?—A. I do not see any obstacle in the way at all.

Q. Well, supposing that the small telephone system claims connection with a long distance line, owned by a private corporation, and someone belonging to that local system who is not financially responsible, demands a connection with the long distance line for the purpose of using that line for a long period of time, at very considerable expense, do you mean to say that the long distance line, the owners of the long distance line, might not very often experience difficulty in obtaining their proper toll or charge for the use of the long distance line from such persons. He would have no control in the matter?—A. I have not any doubt at all about it, but that the Bell Company would find a way to make him settle.

Mr. ZIMMERMAN.—They would demand their money in advance before making the connection probably, or they might have a deposit account.

By Mr. Ritchie:

Q. Supposing for instance that John Smith, who lives 10 or 15 miles out in the country and has a 'phone on one of these small companies' lines, telephones to the long distance and asks for a connection with Chicago, for instance, at a cost of about $5 for about three minutes conversation?

Mr. MACLEAN.—Unless his money is there he probably would not get the connection,—they would get their money first.

Mr. ZIMMERMAN.—I will guarantee there is lots of business done in this country with weak men, and we all know how to do business with weak men. I will guarantee that there is no concern that knows better how to do business with weak men than the Bell Telephone Company.

Mr. RITCHIE.—The complaint seems to be that the Bell Telephone Company know when not to do business with that sort of people.

The CHAIRMAN.—That is what we complain of.

Mr. RITCHIE.—It seems to me that people in business should be allowed to decline to do business with those people they do not consider responsible.

Q. However, naturally, you yourself cannot suggest to this committee which is desirous of getting information on every point connected with telephony, you cannot suggest any way in which the owner of a long distance line can protect himself in the collection of his tolls?—A. Well, to answer your question, I would think that a man ought to be knighted who could tell the Bell people anything along that line.

Q. You are better supplied with facetiousness than with suggestions. I expected that, however. But I thought I would give you an opportunity to make any suggestions that you had to offer. You spoke of the independent long-distance line in Ohio

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which you say is only too glad to connect with the local companies. That would be natural because that line had no feeders of its own, would it not? That independent line is not in the same position as the Bell Telephone Company is with reference to the long-distance lines?—A. I do not know what you mean by 'the same position.'

Q. In this respect, that the independent company owning the long distance line in Ohio, as I understand it, is simply a distinct independent company which does not have any local telephone business, and therefore it has no local subscribers as feeders to that line?—A. Many of those long-distance lines, in an independent way, were built by joint interests with local companies agreeing to build a certain line and connect with another corporation, and another corporation taking it up and agreeing to build another length, and in some places in Ohio some of the independent long distance lines will amalgamate sometimes with the small independent companies which were built in that way.

Q. You spoke of the timidity of capital. Do you think it is an encouragement to capital to know that when it has invested its money under a given charter, or franchise for certain given privileges——

Mr. MACLEAN.—And duties.

By Mr. Ritchie:

Q. And privileges, that these may be encroached upon at any time, as the result of agitation, that they would be an encouragement to capital?—A. I do not think I should be asked to adjudicate on a matter of that kind at all.

Q. I see. Still you gave expression, in a strong voice, on the question of the timidity of capital, and how capital might be intimidated. I ask you now if you think this very method of dealing with the rights of capital has a tendency to encourage capital?—A. I do not think I should be asked to answer a question of that kind.

Q. Very good. I think it is quite easy to gather the kind of question you would prefer to answer.

By Mr. Maclean:

Q. Mr. Ritchie elicited from you, or he was trying to elicit, that the customers, the subscribers of the Bell Company might be inconvenienced by the subscribers of local lines getting in on their long distance. On the contrary, is it not the desire of every subscriber of the Bell Company to have his connection with as many other 'phones as he can, and if the doctor, if every country doctor could get a greater number of calls, and if the storekeeper can get connection with a larger number of consumers—in other words, if the number of connections which can be obtained is larger, is not that a distinct advantage to the subscriber?—A. Sure.

Q. Then that bugaboo disappears; and you also made clear that if the Bell Company had many calls it would as a commercial proposition increase its facilities in order to accommodate the business, and therefore earn more money. That seems to be a pretty clear proposition?—A. That is a self-evident proposition.

Q. I want to show that the subscribers of the Bell Company would be accommodated to a greater extent, and that the Bell Company, by reason of the expansion of business would be in a position to make money, more than at present, even if it had to increase the facilities. Is not that correct?—A. Sure.

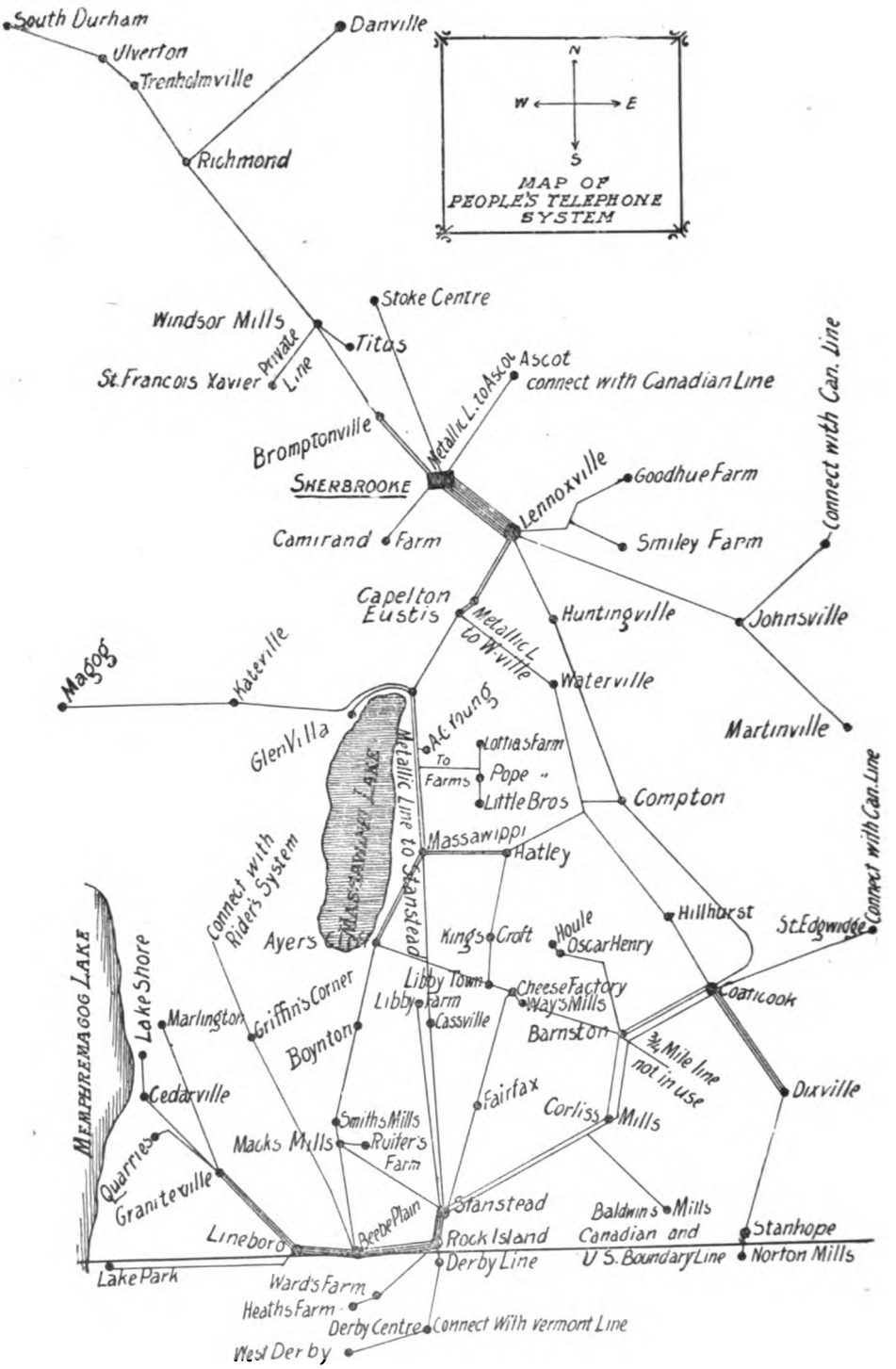
The CHAIRMAN.—These are rather deductions than statements of fact, and the witness can scarcely give deductions as evidence.

Witness discharged.

Mr. NATHANIEL D. NEILL.

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Exhibit No. 28.



Mr. CHARLES SKINNER.

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APPENDIX No. 1

COMMITTEE ROOM,
FRIDAY, April 7, 1905.

The Committee met at eleven o'clock a.m., Sir William Mulock in the Chair.

Mr. CHARLES SKINNER, of Sherbrooke, P.Q., sworn.

By the Chairman:

Q. Mr. Skinner, you live in Sherbrooke, Quebec, do you not?—A. Yes, sir.
Q. Are you associated with any telephone company?—A. Yes, sir.
Q. What is the name of the company?—A. The People's Telephone Company.
Q. Where does it operate?—A. In Sherbrooke and vicinity.
Q. In the rural districts, do you mean by that?—A. Yes.
Q. The rural districts. What is the extent of its operations?—A. Well you will understand it better by my producing this map. That tells the whole business.

Map filed and marked Exhibit No. 28.

(Map, Exhibit 28, will be found on opposite page.)

POPULATION of principal places included in the People's Telephone System:—

Sherbrooke	12,000	Barnston	500
Coaticook	3,000	Compton	500
Richmond	3,000	East Hatley	500
Magog	3,000	Dixville	500
Windsor Mills	2,500	Ayer's Cliff	500
North Hatley	1,800	West Hatley	800
Lennoxville	1,000	Stanhope and Norton Mills	800
Bromptonville	1,000	Rock Island, Derby Line, Stanstead and Beebe Plain (combined)	4,000
Danville	1,000		
Waterville	800		

By the Chairman:

Q. Do the black lines on this map indicate the lines of your company?—A. That we own, yes, sir.
Q. This map shows the number of lines in the district round about Sherbrooke?—A. Yes, sir.
Q. Do you remember the number of miles?—A. It is something over 400 miles of line and about 300 miles of poles.
Q. Four hundred miles?—A. That is the toll lines; part are metallic lines and part are ground lines, but it represents all mileage whether they are one or the other. The mileage of the metallic line is counted mile for mile.
Q. Yes. How long has your company been in existence?—A. Since 1888. This paper gives all the facts about our company.

Exhibit No. 29.

A SUCCESSFUL INDEPENDENT TELEPHONE COMPANY.

By C. Skinner, General Manager People's Telephone Company, Sherbrooke, Que.

(Reprinted from the *Canadian Engineer*, Feb., 1905.)

The various articles that have appeared in your valuable monthly relating to telephone matters, lead one to believe that you regard the subject of some importance to your readers. Just how far I may be able to contribute to their interest in this line, by anything I may say, is not altogether clear.

MR. CHARLES SKINNER.

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The writer has been actively engaged in the telephone field for the greater part of the time since the invention was placed before the public in 1878, first by installing private lines, and later employed by the Bell Company to establish an exchange in Sherbrooke, Que. At this time telephone rates were $30 and $35 per annum, and telephone service was understood to include only business hours, from 8 a.m. until 9 p.m. In 1882, the Dominion Telephone Company was organized by Eastern Township men, who proposed to compete for the city of Sherbrooke business by offering a $17 and $20 rate, and were so far successful as to secure nearly every subscriber from the Bell Company. At the same time, the Dominion Company brought an action to annul the Bell Telephone patents, and without much delay succeeded in annulling the patent for the Bell receiver. This so discouraged the Bell Company that they were disposed to abandon Sherbrooke to the enemy.

Acting upon my advice, the Bell Company finally consented to give me a chance to reinstate them in business. The new company have progressed so far as to give continuous service day and night, and in many ways educated the public to believe that they had not been getting value for their money, hence it became no easy task to induce them to return to the Bell Company—much persuasion, competing rates, and one year free service, finally secured them upon a three-year contract—and in a few months bankruptcy overtook the Dominion Company, and they forever disappeared. In 1886, a Montreal company, who had in a small way commenced the manufacture of telephones, and being threatened by the Bell Company for infringing their patents, proceeded to bring suit to annul all the patents pertaining to the telephone, and owned by the Bell Telephone Company, which resulted within a very few months in the telephone and all its parts being declared free from any patent restriction.

When it is known that decisions upon matters relating to patents are vested entirely in the Commissioner of Patents, or better known as the Minister of Agriculture, from whose decision there is no appeal, it will explain the limited time taken to terminate this important case. About the year 1887, the Federal Telephone Company was organized by Montreal men, and was the first to introduce metallic circuit lines. This company became strong competitors, and after continuing for about three years was bought out by the Bell Telephone Company at a fair value. Next in order, was the People's Telephone Company, organized by the writer, in August, 1888, with head offices in Sherbrooke, originally with $5,000 subscribed capital, later increased to $25,000, and now with authorized capital of $100,000. This company has passed through all the obstruction intended by the Bell Telephone Company for independent companies, such as opposition in the legislature, manipulating municipal councils, obtaining exclusive privileges for telephone service, and exclusive privileges to connect with railway stations, obtaining injunctions, securing protests, cutting rates, obstructing the building of telephone lines, tampering with lines and telephones and employing agents to deceive and mislead subscribers. Having failed in all that goes to make up the catalogue of unfair dealing, the Bell Company have, as a last resort, decided that they must improve their wretched service or go out of business.

The People's Telephone Company is the oldest company now competing against the Bell Company, and it is supported by public sentiment, and capital provided by many of the most influential men of the city of Sherbrooke and surrounding towns. Its system extends over all the country in the immediate vicinity of Sherbrooke, includes nine telephone exchanges, and 400 miles of toll lines. Recently the whole plant in Sherbrooke has been replaced by an up-to-date central energy or common battery system, being the first of its kind in the province. The switch-board necessary for this improvement, with a capacity of 550 telephones, was made and installed by Messrs. Couch & Seeley, of Boston, and its complete efficiency in every particular is a credit to the firm.

There are many towns and cities in the Dominion who are smarting under the excessive rates and questionable methods usually applied by the Bell Company where competition has not come to their relief. But there is not always a clear way to obtain

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capital or experienced men to successfully launch a company into the independent telephone field.

The facilities offered at the present time by telephone manufacturers for the supply of equipments for complete and up-to-date telephone systems is an advantage that early companies did not enjoy. Public sentiment, capital, experience, and push is all that is required for the success of any business, and the telephone is no exception to this rule.

By the Chairman:

Q. Have you got the financial statements with you?—A. No sir, I have not.

Q. I suppose you issue an annual statement?—A. No, we generally have one before our board, that is all.

Q. You do not give one to the public?—A. No sir.

Q. Do you not give one to the public?—A. No sir. I can give you any information probably that you want.

Q. Very well, if you do not mind. Then I will ask you what is the amount of your capital stock?—A. 100,000.

Q. Dollars?—A. Yes sir.

Q. In actual cash?—A. No, no, as the capital stock.

Q. What is the actual cash put into the enterprise?—A. The actual cash as represented in the amount of the whole investment?

Q. Yes?—A. Between 65,000 and 70,000. The yearly statement has not been made out this year, so I put it at between 65,000 and 70,000.

Q. Dollars?—A. Yes.

Q. This is money derived from——?—A. That is money derived from stock and from loans.

Q. Of all kinds?—A. Yes sir.

Q. That represents the total capital expenditure?—A. Yes, sir, that is what it represents.

Q. What is the population of the territory that your line serves?—A. It is given on this map.

Q. It is?—A. Yes. Of course that is approximately. I know the places.

Q. Well, at the foot of the second page is a schedule entitled 'Population of principal places included in the People's Telephone Company.' Are these names of villages and towns only or do they include the townships?—A. No, I mean the local places.

Q. Villages and towns?—A. Villages and towns.

Q. Not townships?—A. Oh no, villages and towns.

Q. Then are you not serving any people in the townships?—A. Oh yes, those lines connect, you know, and we have telephones between those points.

Q. You have telephones along the line?—A. All over the line, all over the section.

Q. Have you farmer's telephones?—A. Farmer's telephones? Any quantity of them.

Q. Any quantity of them?—A. Yes sir.

Q. How many telephones have you in operation?—A. Well, I could not tell you exactly.

Q. About?—A. I would say just about 900.

Q. About 900?—A. Yes.

Q. Do you know how many of those are residential telephones?—A. No, I could not tell that. I do not think I make that distinction.

Q. Do you know how many telephones you have in private houses?—A. No, I could not tell that.

Q. Perhaps you could furnish information in reply to this question, if you are not able to answer it to-day?—A. I could furnish those. We have had a good many, but I could not tell you now. Those lines are all filled up with farmers; those lines be-

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tween the points indicated are more or less filled up with farmer's telephones excepting the main line.

Q. How many farmer's telephones have you to the mile of line?—A. I think we have 11 or 12 at the most.

Q. That is about the most you have on any one mile of line?—A. Yes.

Q. 11 or 12?—A. Yes, sir. That is the most. We could put in a good many more if we were to construct the line and put in the proper telephones, put in the proper construction.

Q. What is the capital cost per subscriber of supplying them with telephone service?—A. Well, I figured that out yesterday and it is somewhere in the vicinity of $63.

Q. Well, you have given us the total cash invested, $67,700?—A. It is an easy matter to divide that by nine. But that represents the toll line as well, you understand.

Q. The toll lines?—A. When you speak of the cost of a telephone you are including the cost of toll lines as well, you see.

Q. What toll lines have you?—A. We have toll lines between all those towns represented in this map.

Q. By toll lines you mean lines connecting with the exchange?—A. Yes, where we charge.

Q. Where you charge?—A. That is for speaking.

Q. That is the annual amount charged to subscribers?—A. Yes, sir.

Q. What is your rate charged to subscribers?—A. There are different rates in different places.

Q. Take Sherbrooke, for example?—A. Our rate at Sherbrooke is $15 for a house and $20 for a business 'phone.

Q. Do you know how many telephones you have in Sherbrooke?—A. We have something over 200.

Q. Over 200?—A. Yes.

Q. How many of them are in private residences?—A. That I could not tell you.

Q. You do not know how they are apportioned?—A. No, sir.

Q. You could supply that information?—A. Yes, sir.

Q. I would ask you to do so. What is the population of Sherbrooke?—A. About 12,000.

Q. About how many separate houses or residences are there?—A. I could not tell you that.

Q. You do not know? Is there any other telephone system in Sherbrooke but your own?—A. The Bell.

Q. Do you know how many subscribers they have in Sherbrooke?—A. They claim to have about 600.

Q. You do not know?—A. No.

Q. Then outside of Sherbrooke you have telephones in villages?—A. Yes, sir.

Q. And rural districts?—A. Yes, sir.

Q. What are your rates?—A. The usual rates are in some places $15. That is for business.

Q. And private residences?—A. The same mostly in outside places.

Q. The same as Sherbrooke?—A. No, they are mostly $15 in outside places in the villages.

Q. Well, did you not say they were $15 in Sherbrooke?—A. I did, but that is, as I said, for residences. I say now that in the business places and residences in the outside parts it is $15, a uniform rate of $15 excepting in some special cases on party lines we have some at $13.

Q. Then you have other sources of revenue, namely tolls for using the toll line?—A. Yes, sir.

Q. What do you charge for the use of the toll line?—A. Well, according to the distance somewhat.

Q. According to the distance. And the time?—A. Well, we do not limit the time.

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Q. Did you not limit the time?—A. No.

Q. What is your schedule of rates?—A. We do not go by distance. We have got places and we give about a 15 mile territory around Sherbrooke at 15 cents.

Q. Fifteen cents?—A. Have you a large revenue from tolls?—A. Not very much, about $600.

Q. A year? How do these rates pay? Is your company solvent?—A. Yes, they have paid their bills so far.

Q. They have paid their bills?—A. Yes.

Q. Have they kept up the line?—A. Yes, sir, in good shape.

Q. Is everything in a good state of repair?—A. Yes, sir, in a good state. We have got good lines and a good system.

Q. Do they pay any dividend?—A. They pay dividend on the preferred stock only.

Q. What is the amount of the preferred stock?—A. At present about $12,000.

Q. Is there other stock representing cash put into the enterprise?—A. What do you mean?

Q. You spoke of a preferred. There is another class of stock?—A. Oh, yes, the common stock.

Q. Well, is the common stock, stock issued for cash paid in?—A. Yes, sir, nothing else. It is all cash. The stock is all cash. There is no——

Q. There is no watered stock?—A. There is no watered stock.

Q. What is the amount of the common stock?—A. About $25,000.

Q. You have not paid any dividends on the common stock?—A. Yes, we have paid the sum of $3,000 since we started.

Q. What rate of dividend did you pay on the common stock?—A. Six per cent, but we have only paid it two or three times.

Q. Why do you not always pay dividends on the common stock?—A. Because we used the funds to improve the plant.

Q. You mean by extending it or keeping it up in repair?—A. Both. More particularly to improve it. We have been improving our plant almost exclusively during the last two years.

Q. You have practically been increasing your capital out of the earnings?—A. Well, we have to a certain extent, but we have put in new capital. We built over our entire business in Sherbrooke and put in a new system.

Q. If you had extended your lines out of earnings would you have been able to pay a fair dividend on your common stock and keep up the existing line in a proper state of repair?—A. I want to get that question clear.

Q. Suppose you had paid a dividend on the common stock instead of using the earnings to extend your line, would you have been able to do that and keep up the existing line in a state of repairs?—A. We would not unless we got money from some other source.

Q. Are the earnings insufficient? Suppose you do not extend your lines any more, are the earnings to-day sufficient at the existing rates to pay say 6 per cent on the preferred and the common stock and to keep the line in repair and to pay all interest charges?—A. I do not think it would.

Q. You do not think it would?—A. No.

Q. Then do you think your rates are not paying rates?—A. I think they are paying rates.

Q. What do you mean by paying rates, then?—A. Well, we have invested money that has gone to the wind fighting the Bell Telephone Company, a lot of it.

Q. Well?—A. And we have had to put that money in just the same to keep our existence. We have paid out thousands of dollars to fight those fellows.

Q. Thousands of dollars?—A. Yes.

Q. What fights have you had with the Bell Telephone Company?—A. We have had fights in every direction. In the first place when I say Bell Telephone, I mean to

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say it was the city of Sherbrooke, to begin with, that was at the back of it in protesting against our doing business with Sherbrooke at all, and they issued an injunction and undertook to drive us out and we had to fight that thing through. We had to fight it to the extent of a law suit and changing the council, and changing the charter of the city, and lots of other things.

Q. You had to promote a campaign ?—A. Practically, yes.

Q. To affect public opinion in Sherbrooke ?—A. Yes, we did Well, public opinion was all right, only the council was not right at the start.

Q. Well, you had to bring the council into harmony with public opinion?—A. Well, yes, by getting the charter amended so we could get more councillors. That is one thing.

Q. Yes, and when did you become able to proceed with your company ?—A. Oh, we started business in the spring of 1889.

Q. 1889 ?—A. Yes. That is to connect subscribers, we started business in 1888, you will understand, but we commenced operating the exchange in May, 1889.

Q. Is the council still anxious to drive you out of Sherbrooke ?—A. The council, every man of them, is in favour of us to-day.

Q. They are ?—A. To a man.

Q. What long-distance connections have you beyond your own system ?—A. Well, we have connections with the Canadian Telephone Company, first of all.

Q. What company is that ?—A. The Canadian Telephone Company, with headquarters at Sawyerville.

Q. Is that an extensive company in Quebec ?—A. Well, it is capitalized at about $15,000, I think.

Q. This system is limited then ?—A. Yes. Still, they have quite a system. They cover quite a territory.

By Mr. Monk:

Q. For what distance?—A. I have heard them make a statement of something over 200 miles. They call them trunk lines.

By the Chairman:

Q. What other long distance line connections have you?—A. Well, we connect with four or five companies on the other side of the line, which materially assits us because we go to the boundary line a little south.

Q. How can you 'phone to Montreal?—A. Well, we can only telephone over the Bell.

Q. Do they allow you?—A. Well, by paying for it, that is all. We do not connect with them.

By Mr. Monk:

Q. Why do you not connect? Are you trying to connect with the Bell?—A. We never tried. I did not suppose it was of any use trying. I know very well they would not let us.

By the Chairman:

Q. Have you never made application to them for connection?—A. No sir.

Q. Why not?—A. Because I did not suppose that they would let us, that is why.

Q. You would find out definitely by applying?—A. Well I guess we would find out pretty soon.

By Mr. Roche:

Q. Do any of these other companies have connection with the Bell?—A. No sir.

By Mr. Monk:

Q. Have any steps been taken on behalf of your company to obtain that connection with the Bell?—A. No.

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APPENDIX No 1

Q. Formal or informal?—A. No. I will tell you as a telephone man I did not think it would be in our interest to connect with them except for long distance purposes. I think it would be very bad policy.

Q. I mean for long distance, you have not done anything?—A. No. We would not want to connect with them, not for general purposes.

By Mr. Roche:

Q. Have you got the most modern instruments?—A. Yes sir, right up to date.

Q. Do you remember the number of subscribers you had at the outset in 1889 when you started?—A. We had 106.

Q. And 800 now?—A. No. It is most 900 now.

Q. What are the rates of the Bell Company, the same as your rates?—A. Their rates are $20 and $25 in Sherbrooke.

Q. What were they before your company started?—A. They were $30 and $35 before they were opposed there. They were opposed before, but at the time we commenced I think their rate was $25 and $30. They reduced them $5 in order to get the exclusive right of way in Sherbrooke which was given them by the council.

Q. Are the people there as well satisfied with your service as they were with the Bell service?—A. I think they are a good deal better now but we have only had it a short time you know. The reason of our being behind is because of the high currents —you know that bothered us—while we had a ground wire service and they got ahead of us during that time. Up to the time that the high current, the high voltage, as introduced into Sherbrooke we were equal to them or more. We had more subscribers than we have to-day.

By the Chairman:

Q. Is the number of your subscribers increasing?—A. Yes sir, they are. We have as many as we can handle now.

Q. What increase did you have in the last year?—A. Well, I could not tell you that, but we have increased in Sherbrooke. Altogether we have put in some 40 telephones since the first of January.

Q. This year?—A. Yes.

Q. You mean throughout your whole system?—A. Yes.

Q. 40 since the first of January?—A. Yes sir.

Q. Making a total to-day of what number?—A. Well, I could not say that. It might be 900, I have not counted up.

Q. About 900?—A. About 900.

Q. Do you use any automatic exchange?—A. No sir.

Q. How are connections made at exchange offices?—A. They are made with a switchboard cord.

Q. With an operator?—A. Yes.

Q. By manual exchange ?—A. Yes, sir.

Q. Are you acquainted with any automatic system of exchange ?—A. I have been shown it.

Q. You have not tried any?—A. No, sir, and am not at all in favour of it myself.

Q. You are not at all in favour of it?—A. I am entirely opposed to it.

Q. What is the reason for your opposition to the automatic system ?—A. Well, the reason is the expense attending it.

Q. Do you mean the cost of acquiring it ?—A. Yes, sir.

Q. The original value ?—A. The original value.

Q. Yes ?—A. And the very great uncertainty that the customer is put to when he cannot get his connections.

Q. Do you mean the danger of the machine going out of order ?—A. I mean there is a danger, decidedly.

Q. But if the machine does not go out of order, what would your opinion be then? —A. I think it is practical under satisfactory terms if it can be produced.

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Q. It is a question then which would be the better system to operate ?—A. That is it. That is the only thing.

Q. How many switch-boards have you?—A. We have got eight exchanges.

Q. What is the capacity of your present equipment and service ?—A. The capacity is 359 as it stands to-day. However, it is arranged for 550.

Q. What does it cost you to make the manual exchange ?—A. From Sherbrooke ?

Q. Yes ?—A. I could not tell you just now.

Q. How many persons have you engaged?—A. Four operators. I will give you the figures if you want them.

Q. Is the service continuous throughout the whole twenty-four hours ?—A. Yes, sir.

Q. Well, if you will just tell us, we will see.—A. Fourteen dollars a week.

Q. Seven hundred dollars a year, about ?—A. Yes, sir.

By Mr. Johnston:

Q. What do you mean by $14 ?—A. That is for the operator.

By the Chairman:

Q. The wages of the operator ?—A. The wages of the operator.

By Mr. Johnston:

Q. How many ?—A. Four.

Q. At $14 a week ?—A. Yes, sir, if I have made no mistake. We pay $5, $4.50, $3 and $2.50. You can figure it out yourself.

By the Chairman:

Q. We could not get off for that in the government service.—A. Well, we could get all we wanted at that rate.

Q. You can ?—A. Yes, sir, there is one girl has been there nine years.

By Mr. Roche:

Q. She is not retired yet ?—A. And this $4.50 one we are going to lose her. She has been there three or four years and she is going to get married.

Q. Do you give an all night service ?—A. Yes. One girl goes on at night. This girl gets $7 for two weeks, the $3.50 a week girl, the night girl.

By the Chairman:

Q. Are the subscribers' circuits of copper or iron ?—A. Iron.

Q. Are they grounded or metallic?—A. We have both.

Q. How many miles of poles are there in your long-distance ?—A. About 300.

Q. About 300 ?—A. Yes.

Q. Do you find any demand amongst the farmers for telephone service ?—A. Yes, we find more than we want.

Q. More than you want ?—A. Yes, sir. That is the poorest investment we make.

Q. The poorest ?—A. Yes, sir.

Q. Why ?—A. On account of the expense of keeping up the lines and telephones. We can make more money in the larger places with $15 than we can in a country at $15. We do not consider the country lines are remunerative except as stimulating for subscribers in the larger places.

By the Chairman:

Q. Do you connect with the railway stations?—A. No, sir. I beg your pardon. I ought to change that. We do connect with the Grand Trunk at Sherbrooke and also at Windsor. That is all the connections we have, and we have that connection in Sherbrooke by permission of the Grand Trunk, and we have it in Windsor by permission—

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by the acts of the Great North-western Telegraph Company, forcing our company to put our telephone in there. They put it in themselves, they went and installed it themselves.

Q. You work in harmony with the Great North-western Telegraph Company?—A. Well, we did all the business at Windsor at the time.

Q. Whatever be the reason or influence, you are able to install your telephone offices at Sherbrooke and Windsor?—A. Yes, sir.

Q. What about other places on the Grand Trunk system?—A. Well, we cannot get in at Richmond and Coaticook, two very important places, we cannot get in there.

Q. Why?—A. They won't allow us.

Q. What reason do they assign?—A. They say they have a contract with the Bell Telephone Company.

Q. That prevents it?—A. Yes.

Q. Are you connected with the stations of the Canadian Pacific Railway?—A. No, sir.

Q. Why?—A. Well, will you let me make a statement? In Waterville, for instance, we hire the station agent there, pay him $10 a year, to put it in his private living part, to answer our purpose, to give information from the railway to our subscribers.

By Mr. Roche:

Q. $10?—A. Yes, we do that as a private matter to the local agent because the Grand Trunk won't allow us to put our telephone into their regular office, you know.

By the Chairman:

Q. What reason does the Grand Trunk assign for not allowing you to install your telephones in their office?—A. That they have a contract. The reason, they say, is that they have a contract with the Bell Telephone Company, giving them the exclusive right of way.

Q. Have you installed your system in the Canadian Pacific Railway offices?—A. No, we have not, not at present. We did at one time.

Q. Why have you discontinued it?—A. We were ordered to take them out.

Q. By whom?—A. Ordered by the local superintendent.

Q. On the Canadian Pacific Railway?—A. Yes.

Q. What reason was assigned?—A. He did not give any reason, but I got their reason.

Q. You know the reason?—A. Yes, sir. The reason was because they have a contract with the Bell Telephone Company, giving them the exclusive right of way.

Q. Are there any other railways in that district?—A. The Boston and Maine.

Q. Are you connected with that line?—A. We are under contract with them. That is the original contract which has been repeated without being practically renewed. We furnish telephones free on their line and they give a pass over their line to myself and men. This is a contract which has existed about seven or eight years. Previous to that time we could not get on at all on account of their being with the Bell Telephone Company.

Q. Mr. Skinner, in the case of several subscribers on the same line; how do they connect with each other? On the same wire I mean?—A. They can ring up one another.

Q. They can ring up one another?—A. Yes, sir.

Q. How many can you accommodate in that way on the same wire?—A. Well, on the lines and telephone property you can connect up to 18 and 20 without any trouble.

Q. What do you mean by saying lines and wires connected right?—A. When you have a line of that number of subscribers you should have a metallic line and should have bridging telephones, I do not know but the number is almost unlimited.

Q. Would you describe a bridging telephone?—A. A bridging telephone is one that is provided with what we call a high current generator, a high volted ringer. It also has a high resistant bell for ringing. Now, I am speaking of high resistant bells

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from 1,000 to 1,600 resistance. When a line is supplied with that style of telephone we don't know the limit that you might go, because you can go up to 18 or 20 anyway. I know that on the other side of the line where we are connected they use up to 18 or 20 now if properly connected. They are put in the way to cut out, so that when you are speaking you don't talk through the cord, they pass you by, you get your wire free from the resistance of the ringers, which are in a series. You would talk through all the ringers if the receiver was up, whereas in a bridging system you don't talk through the ringer, but by that, so to speak, it is bridged over.

Q. Can more than two persons talk over the same wire by that system at the same time ?—A. No, sir.

Q. When two are speaking are all the other telephones then useless ?—A. They would be useless.

Q. They cannot be used ?—A. No.

Q. If when two are using the bridge system a third endeavours to call up another, can he do so ?—A. He can ring into them and disturb the two that are talking.

Q. He cannot connect with another ?—A. He cannot get any service while the others are using it. I understand that there is a system in use so that the ringing up party does not disturb the other. He cannot get any service on the line.

Q. You have not got such a system ?—A. No, what they call ringing up coils. I assume Mr. Dagger is familiar with that. They are introducing what they call ringing up coils.

By Mr. Roche :

Q. Both your company and the Bell Company have access to the Grand Trunk in Sherbrooke ?—A. Yes.

Q. Do you find much complaint on the part of your patrons for not having access to the Canadian Pacific Railway ?—A. Most certainly.

Q. There is considerable inconvenience caused by it ?—A. If we had access to the Canadian Pacific Railway we would clean the Bell out of Sherbrooke. That is all I want.

By the Chairman :

Q. What is to prevent you selling out to the Bell Company ?—A. I do not know any reason why we should sell out to them.

Q. There is nothing to prevent you doing so if it paid ?—A. No.

Q. You are at liberty to do so ?—A. There is no law against it that I know.

Q. No contract with the city nor anything in your charter —A. No, sir.

By Mr. Roche :

Q. Just local men have your stock ?—A. Yes, sir, including the President of the Eastern Townships Bank who stands second or third on the list.

By Mr. Johnston :

Q. You are not in a position to give the exact financial position of your company ? —A. I will answer any question you will ask.

Q. What are the earnings, the net earnings of your company for the past year ?—A. Somewhere over $9,000.

Q. The net earnings ?—A. They were last year. This year they are running up to something over $10,000.

Q. That was equal to a dividend of what ?—A. It would not be a dividend of anything if we paid running expenses.

Q. Did I understand you to say that there were net earnings of $9,000 ?—A. No, the gross earnings.

Q. I asked for net earnings.—A. The net earnings are about $3,500.

Q. You have a capitalization of about how much ?—A. Between $65,000 and $67,000, the whole investment.

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Q. And your net earnings $3,500 ?—A. They are that all right enough. We are running things very economically. We are not spreading the earth with money.

Q. Is your rate of wages the prevailing rate of wages in your part of the country ?—A. Yes, as far as I know. We pay $900 for our best man.

Q. For your best man ?—A. Yes, next to me.

Q. What would his position be ?—A. He is assistant manager and electrician. He has full charge, practically.

Q. Can you get a first class man for that position for $900 ?—A. I can tell you that he is a first class man. He has been about seven years with us and has learned the business from start to finish with us; and of course I have been at it a long time.

Q. And those under him are paid what?—A. The usual rates.

Q. The rates which are obtained throughout the country?—A. Yes. Well, we hire good linemen. We could not keep them if we did not pay good wages.

Q. What do you pay a good lineman?—A. We have got a lineman for $9 a week the year around.

Q. Finding himself?—A. Yes, when he is in Sherbrooke. When he is out we find him.

Q. $1.50 a day?—A. Yes, and he is a good one too.

Q. What are his hours? Has he any special hours?—A. He works ten hours a day.

Q. For $1.50 a day?—A. Yes, we could get a score of them for that.

Q. The fact that you are able to get men at so low wages enables you to have a surplus?—A. We consider it is a high rate. I can hire lots of men for $1.25 the year round—good men. We are paying men high rates.

By Mr. Roche:

Q. Does the Bell pay anything more for linemen?—A. No, they have been trying to hire this very man and don't offer him any more. They are not paying any higher for the same class of men.

By Mr. Johnston:

Q. You are doubtless aware that in other parts of the country labour is not obtained at such a low rate?—A. I don't know anything about it, to tell the truth.

Q. Let me put this proposition to you: If conditions came about which would necessitate the raising of your wage scale, you would be obliged to raise your rates. For instance, if you had to make an increase in the wages of 25 per cent?—A. Well, not necessarily.

Q. Not necessarily?—A. With the present help we could carry nearly double the number of subscribers in Sherbrooke—with no additional help for operating. Our maintenance is practically nothing at all in Sherbrooke and at the central office we have one man who does'nt work one quarter of his time.

Q. What class of work do you get done for $2 a week?—A. That is a relief operator. There are two regular operators and a relief and night operator.

Q. What are the duties of the relief operator?—A. She comes on at certain hours, when the other girls are out.

Q. She is a young lady?—A. Yes.

Q. For part of the day?—A. She comes on, I think, at twelve and stays till one, and at five and stays till seven and takes such hours as these, meal hours. We always have a relief operator.

Q. You already mentioned that you have not made any application to the Bell Company for long distance connection with them?—A. Certainly, we have not. I do not generally do such business. I do not see why I should spend my time on such work as that when I know we could not get it.

Q. Well, the fact remains that you have not made any effort to get it ?—A. No, that is right.

Q. You think you shall not ask to do so?—A. No.

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Q. You have 300 miles of telephone line?—A. I said about 400 miles of wires.

Q. You have connection with other telephone companies?—A. Certainly.

Q. They get the use of your trunk line?—A. We work on the mutual plan. We keep no books between the companies.

Q. Have you any arrangement at all with other telephone companies that connect with your lines—that you accommodate?—A. We go on the mutual plan, each one serving the other without any compensation.

Q. Supposing other telephone companies started out in the region within which you operate, you would not have any objection to giving them the use of your trunk line if they give you theirs?—A. So far, we have done so.

Q. And you regard it as a good business arrangement?—A. Oh, yes, certainly.

Q. That, no matter how many telephone lines would be operating there, you would all have a mutual exchange?—A. Certainly. We connect with a large number of telephones on the other side. It is material to us because we connect with probably 2,000 telephones on the other side of the boundary line. I would like to file a paper in regard to this Grand Trunk business; it was published three years ago in the Sherbrooke *Examiner* and a copy was sent to every member of parliament.

Exhibit No. 29.

To the Editor of the *Examiner*:

DEAR SIR,—When corporations combine to coerce the public against their common interest, it becomes an interesting problem to solve, and in this case the only course open for redress, appears to be through the press, and for this reason we ask you to publish the following statement:—

Recently an order was issued by Mr. McGuigan, manager of the Grand Trunk Railway, to have the People's Telephone Company's telephone removed from their station at Waterville, Que. This 'phone has been furnished free of charge for the convenience of the seventeen (17) telephone subscribers they have in Waterville. This order has been given evidently in the interests of the Bell Telephone Company, who have three subscribers in their Waterville division, one a farmer, two miles out, one a doctor, the other Messrs. Gale & Sons, who have both 'phones. So that this order discommodes sixteen subscribers all for the express purpose of obliging them to use a Bell Telephone if they wish to communicate with the Grand Trunk station.

We hold a letter from Mr. Hays, as former manager of the Grand Trunk Railway system, wherein he states that there exists a contract with the Bell Telephone Company to give them the exclusive right of their station for telephone purposes. This agreement appears to be of a kind that may be enforced or not, just according as the Bell Company may direct, as the People's Telephone Company, have for the past four years been allowed to keep a telephone in Waterville station. The Bell Telephone Company have during this time lost nearly all their subscribers in this place, and as a last resort have commanded the Grand Trunk Railway management to come to their assistance.

The prevailing telephone rates of the People's Telephone Company have been $15 per annum, including freight service, for a distance of twenty-five miles from Waterville, while the Bell Telephone rates have been the same for a local service, which at the present time apparently include three telephones.

We regard the action on the part of the management of the Grand Trunk Railway as discriminating against public interest and as far-reaching in principle.

We are also in possession of reliable information that the same kind of a combine exists between the Canadian Pacific Railway and Bell Telephone Company, and for some years the People's Telephone Company have been denied the privilege of furnishing for their subscribers a free telephone at the Canadian Pacific Railway station in the city of Sherbrooke.

Our purpose in referring to this matter is to bring it to the attention of parliament now in session, that, if necessary, some special legislation may be enacted to

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APPENDIX No. 1

protect public interest, and we respectfully request that a marked copy of this issue be mailed to every member of the House.

In the meantime we propose to compensate any subscribers who may suffer from inconvenience of not having telephone communication to the station, and wish to assure them that we propose to continue telephone service in the village of Waterville, even to the extent, if necessary, of giving free service.

Yours respectfully,

C. SKINNER,

General Manager, People's Telephone Company.

By Mr. Johnston:

Q. Let me ask you another question in connection with this labour problem. Do you think the government of Canada could obtain labour in your part of the country at the rate of $1.25 per day, as you say, for good men ?—A. Certainly they could.

By the Chairman:

Q. (Referring to Exhibit No. 29). This is a letter from yourself to the Sherbrooke *Examiner,* which appeared in that paper on March 17, 1902. This is a statement, I suppose, of your position ?—A. Yes, sir.

Q. In relation to the railways ?—A. Yes, sir.

Q. What shall we do with this letter ? Is there anything in this letter not covered by your testimony to-day ?—A. Well, I cannot say.

Q. Do you corroborate what you wrote here ?—A. Yes, most decidedly.

Q. You swear to the truth of the statements ?—A. Yes, I will swear to them all right.

Q. You proceed to say, after some preliminary remark, 'Recently an order was issued by Mr. McGuigan,' and so on. That has to do with the removal of your telephones from the Grand Trunk premises ?—A. Yes. It also has something to do with the Canadian Pacific Railway.

Q. The statements in this letter are, you swear, correct ?—A. They are correct.

Q. They have to do with your difficulty in trying to get access to the stations ?—A. Yes. Well, I might say, talking of expenses, I want to tell you of another expense. I was arrested one time. I was arrested for cutting Bell Telephone wires.

Q. Yes, were you guilty ?—A. No—— I cut the wires.

Q. What became of the case ?—A. After three days trial in court they said we were justified in cutting the wires.

Q. But you say your company was put to the expense of defending it ?—A. Yes, it was quite an expense too.

Q. All companies have similar experiences of various kinds before they get established. We all have troubles ?—A. I merely refer to it to show that the Bell Company would resort to obstruction.

Q. No doubt they use all means in their power to retain their territory ?—A. Yes, I suppose.

Q. And I suppose your company would do the same if it could, would'nt it ?—A. We never got to that pitch of meanness yet.

Q. Human nature is pretty much the same. It is the tendency of any one enjoying an advantage in trade to try and retain it ?—A. Since they got beaten on that case they have acted as any other company would act.

Q. Acted, do you mean fairly ?—A. Yes.

Q. Well, then, it was a good thing in the end ?—A. Yes.

Q. Is there anything else you would like to say, Mr. Skinner ?—A. Well, I do not know. I do not know that it is very material—of course we are particularly concerned in having something done to relieve the monopoly of the railways, which is very important with us.

Q. It is a matter which prevents the development of your company ?—A. Most decidedly.

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Q. Business extensions ?—A. Most decidedly.

Q. If you could connect with the railways you could very greatly extend your company ?—A. It would be a great advantage.

Q. That and the use of the long-distance ?—A. That would clear the way absolutely.

Q. What is your opinion as to the disposition of the long-distance, the trunk line ? Do you think they should be owned by corporation or municipalities or by the government ?—A. I am inclined to think that the government should own the long-distance.

Q. What do you think of a municipality owned telephone system ?—A. I am decidedly in favour of that.

Q. You are in favour of the municipality owning it ?—A. Yes.

Q. Why ?—A. Because I think they could reduce the cost to the minimum.

Q. How ?—A. First of all, they furnish capital cheaper and then they have always more or less loose help on hand.

Q. They can utilize their municipal organization?—A. Most decidedly.

Q. Any other reasons that occur to you?—A. I think that ought to cover pretty nearly all the reasons.

By Mr. Johnston:

Q. Do you believe any municipal corporation could operate this line cheaper than you are operating it?—A. Yes, most decidedly they could.

Q. Would they get labour cheaper than you are getting it?—A. No, but they could furnish capital cheaper.

Q. In what respect?—A. They could borrow money at 4 per cent, and we pay 6.

The CHAIRMAN.—They could make use of a municipal premises and municipal offices.

By Mr. Roche:

Q. And with additional duties in connection with the operating of the system?—A. There is one thing I would like to refer to if it is in order. I had no notice, but you as chairman have outlined something about connecting farmer systems so that they could operate between one another. It occurs to me that that would be impracticable, but at the same time wherever these farmers lines would centre there could be an exchange.

By the Chairman:

Q. In some neighbouring village?—A. Yes, so that you would obtain all that you require in that way rather than looking for any common mutual way of exchange. That is what I mean.

Q. Each locality would have to be treated with regard to local conditions?—A. Certainly. I think the idea was a good one, only I do not think there is any necessity of finding a common way of connecting them.

Q. No general scheme would be applicable to all localities ?—A. Well, I do not think there is anything more. I might say this, however. In regard to where we have access to the railway station—we have this convenience for instance in Windsor—where we have access to the station we practically do all the business in Windsor, we have about 35 telephones against 3 for the Bell. On the Boston and Maine we have been able to reduce the Bell telephones from 155 down to 30, and to raise our number from nothing up to 250.

By the Chairman:

Q. During what period of time?—A. That is during the 10 years.

By Mr. Johnston :

Q. In that connection, were the Bell Telephone Company furnishing free telephones to the Boston and Maine Railway?—A. Yes, and they are to-day.

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Q. Just as you are doing. Have you offered free telephones to the Grand Trunk? —A. Yes.

Q. And to the Canadian Pacific Railway?—A. Yes.

Q. They would not accept them?—A. No, sir.

Q. Is the Bell Company furnishing free telephones to the Canadian Pacific Railway in your region?—A. I understand they are.

Q. You have no personal knowledge?—A. I don't know anything about it.

Witness discharged.

COMMITTEE ROOM,
TUESDAY, April 11, 1904.

The Committee met at 11 o'clock a.m., Sir William Mulock in the Chair.

Mr. L. B. McFarlane, General Superintendent Bell Telephone Company, Montreal, being called;

Mr. T. C. Casgrain, K.C., said: Mr. Chairman, will you allow me to appear for the Bell Telephone Company, together with my friend, Mr. Lafleur? We have a statement to make on behalf of Mr. L. B. McFarlane, who was summoned to appear here as a witness this morning.

The CHAIRMAN.—With pleasure, certainly.

Mr. CASGRAIN.—Mr. McFarlane has been ill for some time, and I have here a certificate from his medical man, Dr. Elder, who is a well-known physician in Montreal, and who sends the following certificate:—

'OFFICE OF DR. J. M. ELDER,
'4201 SHERBROOKE ST., WESTMOUNT
'(COR. GREEN AVE.),
'April 10, 1905.

'This certifies that I have had Mr. L. B. McFarlane, of the Bell Telephone Company, under my care for some time; and that, in my opinion, he could not now go to Ottawa, and give evidence there, without seriously increasing his present trouble and endangering his life.

'J. M. ELDER, M.D.'

I would like to say that we have now before the Committee all the documents which Mr. McFarlane was called upon to produce, all the documents which are in the possession of the Bell Telephone Company.

Mr. MACLEAN.—Yes, but before we proceed to that, may I ask when was Mr. McFarlane taken ill?

Mr. CASGRAIN.—Mr. McFarlane was taken ill on his return from New York the other day. He was ill when he went down there.

Mr. MACLEAN.—What was the other day?

Mr. CASGRAIN.—Thursday morning.

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The CHAIRMAN.—Was he in Ottawa last week?

Mr. LAFLEUR.—Last week? I do not think so.

Mr. MACLEAN.—Is he now in bed, confined to the house?

Mr. CASGRAIN.—Yes, that is what the certificate says. The fact is, he was too ill to give us proper instructions. He is the official next to Mr. Sise, who has the same knowledge that he has.

I now produce the documents which were called for and which are in the possession of the Bell Telephone Company, and if it is the pleasure of the Committee, we will place them on file, so that the Committee may take cognizance of them. The documents comprise a list of shareholders, the contracts with railways, and the list of patents which are owned by the Bell Telephone Company. The other documents mentioned in the subpœna the company has not got.

The CHAIRMAN.—Perhaps you would like to have the originals back again?

Mr. CASGRAIN.—These are copies.

Mr. LAFLEUR.—Are they all copies?

Mr. CASGRAIN.—I think so.

Mr. LAFLEUR.—Yes, they are copies.

The CHAIRMAN.—Who has certified to them?

Mr. CASGRAIN.—Mr. Sclater, the secretary of the company.

The CHAIRMAN.—Could we not have the originals, so that the copies might be compared with them by the clerk?

Mr. CASGRAIN.—I think there would be no difficulty in having them sent up.

The CHAIRMAN.—It would be convenient, and perhaps it would be satisfactory, to have the originals left here, and the clerk could compare these copies with the originals. On behalf of the Bell Telephone Company, Mr. Casgrain files with the Committee the following documents:—

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(Exhibit No. 30.)

THE BELL TELEPHONE COMPANY OF CANADA, LIMITED.

LIST OF PATENTS.

Patent No.	Date Issued.	Term.	Applicant.	Subject.	Memo.
		Years			
7789	Aug. 24, 1877	15	A. G. Bell	System of telephony	Voided Jan. 24, 1885.
10705	Nov. 27, 1879	15	A. G. Bell & C. Williams, jr	Transmitter	Expired.
10021	May 28, 1879	15	F. Blake	"	Voided Mar. 3, 1887.
10416	Sept. 2, 1879	15	G. M. Phelps	Speaking telephone	Expired.
11737	" 8, 1880	15	E. Berliner & Williams, jr	Transmitter	"
12922	June 7, 1881	5	W. W. Jacques	Insulating compound	"
13049	" 30, 1881	10	John Goodman	Galvanophone	"
8026	Oct. 17, 1877	15	T. A. Edison	Speaking telegraph	"
9922	May 1, 1879	15	"	"	"
9923	" 1, 1879	15	"	"	"
12777	" 13, 1881	5	T. A. Watson	Telephonic fire alarm	"
13006	June 16, 1881	5	"	Telephone circuit	"
13007	" 16, 1881	5	"	Telephone signal apparatus	"
13247	Aug. 19, 1881	5	"	Telephone exchange system	"
14454	Mar. 21, 1882	15	"	Microphone telephone	"
13158	July 25, 1881	10	G. L. Anders	Switch for telephone circuits	"
13246	Aug. 12, 1881	10	"	Telephone transmitters	"
13363	Sept. 2, 1881	10	"	Electric speaking telephone	"
15825	Nov. 21, 1882	15	T. D. Lockwood	System of telephone signal and apparatus	"
14151	Feb. 9, 1882	15	E. T. Gilliland	Combined telephone and automatic switch	"
15134	July 19, 1882	15	E. T. Quimby	Telephone switch	"
18308	Dec. 15, 1883	5	C. W. Brown	Call signals	"
13917	Jan. 2, 1882	15	F. Blake	Switch board	"
19234	April 30, 1882	5	"	"	"
19335	May 14, 1882	5		" for telephone	"
18391	Feb. 10, 1884	5	H. C. Baker	Cut-out for magnets in telephone circuits	"
19590	June 16, 1884	5	E. Berliner	Transmitter	"
19591	" 16, 1884	5	"	"	"
22352	Sept. 2, 1885	15	E. T. Gilliland	Telephone circuits and apparatus	"
22475	" 17, 1885	15	"	" "	"
22491	" 19, 1885	15	"	Telephone system	"
22492	" 19, 1885	15	"	Multiple circuit changes	"
22774	Nov. 5, 1885	10	Gisborne & Keeley	Improvement in telephone instruments	"
22780	" 5, 1885	10	" "	" "	"
23300	Feb. 1, 1886	15	T. D. Lockwood	Electric battery telephone	"
23363	" 6, 1886		J. B. Everall	Automatic regulator of clocks	Expired, not assigned.
23574	Mar. 9, 1886	5	Gisborne & Keeley	Electric switches	Expired.
23677	" 27, 1886	10	" "	Improvement in telephone instruments	"
24564	July 27, 1886	5	T. N. Vail	Improvement in protectors	"
25151	Oct. 16, 1886	5	E. T. Gilliland	Improvement in telephones	"
25731	Jan. 13, 1887	15	C. W. Brown	Improvement in magnet signal apparatus	"
19958	Aug. 9, 1884		Jas. Wright		"
19959	" 9, 1884		"		"
19971	" 15, 1884		"		"
26014	Feb. 16, 1887	15	E. T. Gilliland	Telephone transmitter	"
26020	" 16, 1887	15	E. Berliner	Improvement in telephone transmitter	"
26195	Mar. 10, 1887	15	Keller & Lyon	" "	"
25106	Oct. 12, 1886	15	H. B. Thornberry	" "	"
11590	Aug. 2, 1880	15	Lockwood & Bartlett	Transmitter	"
12945	" 10, 1881	15	Lockwood	Telephone	"

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THE BELL TELEPHONE COMPANY OF CANADA, LIMITED.

LIST OF PATENTS—*Continued.*

Patent No.	Date Issued.	Term.	Applicant.	Subject.	Memo.
		Years			
14353	Mar. 7, 1882	15	Bartlett & Waite.	Improvement in transmitter.....	Expired.
11576	July 30, 1880	15	Lockwood & Bartlett....	Telephone receiver.....	"
14354	Mar. 7, 1882	15	Bartlett & Waite.....	Reiss receiver for telephones.....	"
28932	April 16, 1888	15	C. W. Brown.....	Improvement in telephone system	"
29234	May 29, 1888	5	"	Improvement in adj. supports for transmitters.....	"
29836	Sept. 8, 1888	15	"	Improvement in transmitters....	"
29143	May 11, 1888	15	I. H. Farnham.....	" "	"
31342	" 11, 1889	15	C. F. Sise	Improvement in telephone communication	"
32545	Oct. 19, 1889	15	J. C. Reilly.	Telephone circuit con. device....	"
31842	July 28, 1889	15	J. A. Barrett.	Electric circuits.....	"
35920	Feb. 2, 1891	15	J. J. Carty.....	Telephone circuits and apparatus.	
36002	" 17, 1891	15	"	" exchange apparatus...	
36040	" 23, 1891	5	J. C. Reilly.....	Electrical cables	"
36537	May 4, 1891	15	C. W. Brown.....	Improvement in fire alarms.....	
34006	April 1, 1890	10	C. F. Sise	" current arrester.	"
26438	" 12, 1887	15	A. M. Rosebrugh.....	" telephones and tel. circuits ..	"
43527	July 7, 1893	6	C. W. Brown.....	" tel. systems.....	"
43895	Aug. 10, 1893	18	A. White.....	" telephones.....	
43975	" 19, 1893	18	H. V. Hayes.....	" tel. transmitters.	
44023	" 22, 1893	12	C. W. Brown.....	" tel switch boards	
44606	Nov. 3, 1893	6	Hayes & Richards.....	" telephones.....	"
44826	Dec. 5, 1893	12	C. E. Scribner.....	" multiple switch boards.....	
44827	" 5, 1893	12	"	" " ..	
44828	" 5, 1893	6	"	" " ..	"
44829	" 5, 1893	6	"	" tel. exchange apparatus.....	"
44830	" 5, 1893	12	Scribner & Patterson....	" spring jacks ...	
44909	" 18, 1893	6	C. E. Scribner....	" test systems	"
44910	" 18, 1893	6	"	" multiple switch boards.....	"
44922	" 20, 1893	6	T. Spencer.....	" station apparatus	"
46419	June 22, 1894	18	J. S. Stone.....	" tel. circuits.....	
46420	" 22, 1894	18	"	" tel. and transmitters.....	
46421	" 22, 1894	18	"	" tel. circuits....	
46422	" 22, 1894	18	F. A. Pickernell.....	Appar. for suppressing telephonic disturbances	
46713	Aug. 2, 1894	18	A. M. Rosebrugh.....	Improvement in multiple tel.....	
46774	" 7, 1894	18	J. S. Stone.....	" tel. transmission.	
46786	" 8, 1894	18	C. W. Brown.....	" plugs.....	
47037	Sept. 13, 1894	18	F. A. Field.....	" wareh'se system.	
48374	Mar. 8, 1895	6	O. A. Bell.....	" trunk line signal.	Expired.
48375	" 8, 1895	18	C. E. Scribner	" tel. circuits.....	
48376	" 8, 1895	6	"	" exc. call boxes ..	"
48588	April 3, 1895	18	W. L. Richards.....	" telephones.....	
48607	" 4, 1895	6	F. R. McBerty	" plugs and cords..	"
49955	Sept. 11, 1895	6	C. E. Scribner.....	" multiple switch boards.....	"
50391	Oct. 24, 1895	6	Scribner & McBerty	" plugs.	"
50750	Dec. 5, 1895	6	C. E. Scribner.....	" multiple switch boards.....	"
51557	Mar. 5, 1896	6	Hayes & Spencer.....	" tel. exchange apparatus.....	"
51558	" 5, 1896	6	F. A. Pickernell.....	" tel. and sig. apparatus.....	"
51559	" 5, 1996	6	C. E. Scribner.....	" annunciator circuits.....	"
51673	" 16, 1896	18	J. J. Carty.....	" tel. transmitters	
53455	Sept. 11, 1896	6	C. E. Scribner	" appar. for tel. switch boards.	"
53456	" 11, 1896	18	.....	" " ..	

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APPENDIX No. 1

THE BELL TELEPHONE COMPANY OF CANADA, LIMITED.

LIST OF PATENTS—*Continued.*

Patent No.	Date Issued.	Term.	Applicant.	Subject.	Memo.
		Years			
53457	Sept. 11, 1896	6	C. E. Scribner	Improvement in tel. sig. appar.	Expired.
53458	" 11, 1896	6	"	" tel. exch. system.	"
53550	" 21, 1896	18	"	" appar. for telephone lines.	
53551	" 21, 1896	18	"	" lockout system.	
53552	" 21, 1896	18	"	" tel. circuits.	
53553	" 21, 1896	18	"	" selective sig. and lockout sys	
53605	" 28, 1896	18	Scribner & McBerty	" keyboard app.	
53606	" 28, 1896	18	C. E. Scribner	" "	
53720	Oct. 9, 1896	18	"	" busy signals.	
53721	" 9, 1896	18	J. S. Stone	" sys. of current supply.	
53722	" 9, 1896	18	"	" tel. circuits.	
53723	" 9, 1896	18	S. D. Field	" call counters.	
53724	" 9, 1896	18	"	" service registers.	
53794	" 15, 1896	18	C. W. Brown	" sig. systems.	
53902	" 28, 1896	18	A. DeKhotinsky	" signals and sig. apparatus.	
53903	" 28, 1896	6	C. E. Scribner	" apparatus for tel. switch boards.	Expired
53904	" 28, 1896	18	"	" tel. circuits.	
53905	" 28, 1896	18	J. P. Davis	" tel. exchanges.	
53906	" 28, 1896	18	Pickernell & Perrin	" mult. telephony.	
53907	Oct. 20, 1896	18	H. B. Thayer	" spring jacks.	
53908	" 20, 1896	18	J. P. Davis	" switching app.	
53909	" 20, 1896	6	F. R. McBerty	" signal apparatus.	"
53967	Nov. 4, 1896	18	"	" apparatus for sw. boards.	
54223	Dec. 1, 1896	18	O. A. Bell	" mult. sw. boards.	
55087	Feb. 24, 1897	6	C. E. Scribner	" spring jacks	"
55088	" 24, 1897	6	"	" test system.	"
55214	Mar. 10, 1897	6	"	" tel. circuits.	"
56782	July 24, 1897	18	N. H. Holland	" tel. annunciator.	
58009	Nov. 5, 1897	6	F. R. McBerty	" keyboard appar.	"
58010	" 5, 1897	6	Scribner & McBerty	" circuits for annunciators	"
58533	Jan. 3, 1898	18	F. R. McBerty	" relays.	
58955	Feb. 9, 1898	18	"	" calling appl.	
59455	Mar. 26, 1898	18	C. E. Scribner	" appar. for sw. boards.	
59893	May 6, 1898	18	"	" plugs and spring jacks.	
59894	" 6, 1898	6	F. R. McBerty	" supervisory signals	"
59926	" 7, 1898	18	J. A. Barrett	" mult. station circuits.	
59927	" 7, 1898	18	Barrett, Whittemore & Craft	" selective signaling.	
60009	" 14, 1898	6	J. Steiner	" self-restoring annunciator.	"
60010	" 14, 1898	6	C. E. Scribner	" appar. for switch boards	"
60011	May 14, 1898	18	"	" "	
60012	" 14, 1898	6	"	" supervisory signals	"
60432	June 23, 1898	6	"	" annunciators	"
60479	July 2, 1898	18	"	" tel. circuits.	
62555	Feb. 4, 1899	18	J. S. Stone	" repeaters.	
62556	" 4, 1899	18	H. E. Shreeve	" transmitters.	
62869	Mar. 10, 1899	6	G. K. Thompson	" tel. circuits	"
62984	Apr. 24, 1899	18	C. E. Scribner	" signals.	
64275	Oct. 10, 1899	18	J. S. Stone	" differential magnets.	

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THE BELL TELEPHONE COMPANY OF CANADA, LIMITED.

LIST OF PATENTS—*Continued.*

Patent No.	Date Issued.	Term.	Applicant.	Subject.	Memo.
		Years			
64884	Nov. 13, 1899	6	T. C. Wales	Improvement in tel. switchboards circuits.	
64885	" 13, 1899	6	Wales & Crane	" trunk circuit.	
65319	Dec. 13, 1899	6	G. K. Thompson	" toll counters.	
65320	" 13, 1899	6	"	" cord circuits.	
66299	Jan. 19, 1900	6	J. L. McQuarrie	" appl. for sw. bds.	
66800	Mar. 29, 1900	6	C. E. Scribner	" supervisory signals.	
66801	" 29, 1900	6	G. K. Thompson	" trans. and repeating tels.	
66822	" 30, 1900	6	T. C. Wales	" signal appar.	
66840	" 31, 1900	6	C. E. Scribner	" signals.	
67830	June 22, 1900	6	"	" auto. app. for trunk lines.	
68197	July 24, 1900	6	"	" exchange app.	
68198	" 24, 1900	6	F. R. McBerty	" "	
68218	" 26, 1900	6	C. E. Scribner	" tel. appliances.	
68232	" 27, 1900	6	G. L. Cragg	" exchange system	
68721	Sept. 14, 1900	6	C. E. Scribner	" station appl. for toll lines.	
68722	" 14, 1900	6	"	" signals for trunk lines.	
68723	" 14, 1900	6	"	" pilot signals.	
68809	" 24, 1900	6	F. R. McBerty	" signal appar.	
68810	" 24, 1900	6	"	" spring jacks.	
68811	" 24, 1900	6	Scribner & McBerty	" relays.	
68812	" 24, 1900	6	C. E. Scribner	" signals for trunk lines.	
68899	Oct. 4, 1900	6	J. J. O'Connell	" signal appar.	
68900	" 4, 1900	6	F. R. McBerty	" switchboards.	
68933	" 8, 1900	6	"	" supervisory signals.	
68934	" 8, 1900	6	Scribner & McBerty	" signals for trunk lines.	
69670	Dec. 14, 1900	6	C. E. Scribner	" supervisory and busy test appr.	
69773	" 27, 1900	6	J. J. O'Connell	" apparatus for sw. boards.	
69861	Jan. 15, 1901	6	Thompson & Robes	" selective signals.	
69862	" 15, 1901	6	T. C. Wales	" tel. sw, bd. appl.	
69922	" 22, 1901	6	F. R. McBerty	" supervisory signals.	
69790	" 3, 1901	6	N. H. Holland	" signal system.	
71309	May 14, 1901	6	C. E. Scribner	" telephone exch. apparatus.	
71310	" 14, 1901	6	"	" signal apparatus.	
71311	" 14, 1901	6	F. R. McBerty	" tel. appliance.	
71394	" 14, 1901	6	"	" signal for trunk lines.	
71693	June 4, 1901	6	"	" appar. for party lines.	
72112	July 2, 1901	6	C. E. Scribner	" appar. for switch boards.	
72113	" 2, 1901	6	"	" supervisory signal.	
72114	" 2, 1901	6	W. W. Dean	" call signal app.	
72181	" 9, 1901	6	C. E. Scribner	" telephone circuits.	
72973	Sept. 3, 1901	6	F. R. McBerty	" signals for trunk lines.	
72974	" 3, 1901	6	H. M. Crane	" "	
74241	Dec. 24, 1901	6	F. R. McBerty	" supervisory sign'ls	
74249	" 31, 1901	6	N. H. Holland	" intercommunicating system.	
74422	Jan. 14, 1902	6	J. L. McQuarrie	" telephone exch'ge system.	
74423	" 14, 1902	6	C. E. Scribner	" supervisory sign'ls	
74462	" 21, 1901	6	F. R. McBerty	" telephone exch'ge system.	

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THE BELL TELEPHONE COMPANY OF CANADA, LIMITED.

LIST OF PATENTS—*Concluded.*

Patent No.	Date issued.	Term.	Applicant.	Subject.	Memo.
		Years			
74682	Feb. 4, 1902	6	C. E. Scribner	Improvement in telephone circuits	
74683	" 4, 1902	6	Scribner & McQuarrie	" exchange system.	
74719	" 11, 1902	6	F. R. McBerty	" calling appliance.	
74892	" 25, 1902	6	A. M. Bullard	" app. for toll line.	
76003	May 12, 1902	6	W. W. Dean	" calling appliance.	
77045	Aug. 12, 1902	6	E. C. Robes	" service meter apparatus.	
77046	" 12, 1902	6	A. B. Stetson	" exchange appar.	
77374	Sept. 9, 1902	6	J. J. O'Connell	" calling appliance.	
78165	Nov. 11, 1902	6	J. L. McQuarrie	" auto. signalling system.	
79188	Jan. 27, 1903	6	F. R. McBerty	" selective calling apparatus.	
80740	May 5, 1903	6	R. F. Hall	" electric cable.	
81668	June 30, 1903	6	C. E. Scribner	" spring jacks.	
73770	Nov. 12, 1901	6	M. I. Pupin	" reducing attenuation of electric waves.	
73771	" 12, 1901	6	"	" "	
83273	Oct. 6, 1903	6	W. W. Dean	" relays.	
82006	July 21, 1903	6	C. E. Scribner	" coin collectors.	
82775	Sept. 1, 1903	6	"	" supervisory sign'ls	
82849	" 8, 1903	6	J. J. O'Connell	" telephone exch'ge system.	
84906	Jan. 19, 1904	6	W. W. Dean	" appar. for trunk lines.	
84938	" 19, 1904	6	C. E. Scribner	" supervisory sign'ls	
87144	May 10, 1904	6	H. B. Holmes	" flexible cords.	
87145	" 10, 1904	6	F. R. McBerty	" toll apparatus.	
88527	July 26, 1904	6	M. I. Pupin	" art of reducing attenuation of electrical waves	
88466	" 26, 1904	6	E. H. Smythe	" signal apparatus	
88514	" 26, 1904	6	J. L. McQuarrie	" telephone switch board apparat's.	
88386	Sept. 27, 1904	6	Scribner & McBerty	" service meters.	
88390	Oct. 4, 1904	6	J. L. McQuarrie	" measuring service system.	
89517	" 11, 1904	6	C. E. Scribner	" ringing keys.	
89518	" 11, 1904	6	F. R. McBerty	" "	
89756	" 25, 1904	6	J. L. McQuarrie	" through ringing.	
91174	Jan. 24, 1905	6	C. E. Scribner	" telephone exch'ge system.	
92377	Mar. 28, 1905	6	J. L. McQuarrie	" busy signals.	

(Exhibit No. 31.)

This agreement executed in duplicate on the 16th day of November, 1899, between:—

The Bell Telephone Company of Canada, Limited. A body corporate having its principal office in the city of Montreal, in the province of Quebec, hereinafter called the Telephone Company of the first part, and the Bay of Quinté Railway Company, hereinafter called the Railway Company of the second part:

Witnesseth: that the said parties have covenanted and agreed as follows:—

The Telephone Company will furnish to the Railway Company free of charge ten telephone connections with the exchanges of the Telephone Company at such railway offices and stations as may be designated by the Railway Company.

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And the Telephone Company will furnish to the Railway Company at one-half the Telephone Company's current exchange annual rates, in the city of Kingston and in the towns of Napanee and Deseronto, any additional telephones required for the officials of the Railway Company not exceeding three in the aggregate, and located within one-half mile of the exchange, all additional instruments and extra mileage to be paid for at regular rates.

The Railway Company will furnish annual passes to the officials of the Telephone Company over its own line, and lines leased or controlled by it and will also furnish free transportation to the employees of the Telephone Company over the said lines.

The Telephone Company shall have the exclusive right of placing telephone instruments, apparatus and wires in the several stations, offices and premises of the said Railway Company—except wires and instruments owned by the Railway Company and excepting the contract between the Bay of Quinté Railway Company and the North American Telegraph Company—and each of the companies to this agreement, as far as it may properly do so, without prejudice to its business, grants to the other company, facilities for carrying its wires and lines through or over the poles, subways, bridges or other premises on equitable terms to be agreed upon, and the Railway Company will not grant similar facilities to any other telephone company except as hereinbefore mentioned.

It is understood that the telephone service herein referred to shall be furnished by means of the Telephone Company's standard instruments, which consist of a Blake transmitter, Bell Telephone and Magneto Bell properly mounted on backboards ready for use.

All existing arrangements between the companies to this agreement for services and facilities, shall terminate at the end of the terms for which payment is due or has already been made.

This agreement shall remain in force for three years from the date hereof, and thereafter until terminated by six months previous notice in writing from either party of its intention to terminate the same.

In witness whereof, we have hereunto appended our respective seals and signatures.

THE BELL TELEPHONE COMPANY OF CANADA, LTD.

C. F. SISE, *President.*

THE BAY OF QUINTE RAILWAY COMPANY,

R. C. CARTER, *General Manager.*

C. A. MILLENER,
Certified correct copy,

CHARLES P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 32.)

Agreement made this twenty-ninth day of October, nineteen hundred and four (1904), by and between the Boston and Main Railroad, a corporation duly established by law, having its principal office in the city of Boston, commonwealth of Massachusetts, U.S.A., hereinafter referred to as the 'Railroad,' and Bell Telephone Company of Canada, Limited, also a corporation duly established by law, having its principal office in the city of Montreal, hereinafter referred to as the 'Telephone Company.'

It is hereby mutually agreed by each of the parties hereto:—

1. That for and in consideration of the within covenants and agreements of the Telephone Company for the furnishing of telephone instruments, lines and service, the Boston and Maine Railroad, for itself, its successors and assigns, hereby agrees with and grants to the said Bell Telephone Company of Canada, Limited, its successors and asigns, as follows:—

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(a) The Railroad grants to the Telephone Company the right to occupy for telephone purposes only, with its poles and wires thereon and with its conduits and wires therein, the location of said Railroad between the stations of Stanstead and Sherbrooke, Canada, including the consequent and necessary use of crossings, bridges, viaducts, yards, structures and buildings, provided such use does not, in the judgment of the superintendent of the said Railroad, interfere with the proper use of such places by said Railroad. These rights are granted in so far as the Railroad may legally grant such rights.

(b) It is expressly covenanted and agreed that the Telephone Company will not exercise any of the rights herein granted within the location of limits of said Railroad without first giving written notice to the superintendent of said Railroad of the work which it desires to perform.

Upon receipt of such notice said Railroad shall, if the location and the work proposed be approved, without undue delay, give the said Telephone Company authority to enter upon the Railroad premises and perform work to be done under the rights herein granted, prescribing in such authority such requirements in the way of precautions and safeguards as may in the judgment of said Railroad be necessary, and said Telephone Company agrees to comply with all such requirements.

(c) The Railroad shall furnish such trip passes to the officials and employees of the Telephone Company between Newport, Vermont, and Sherbrooke, Canada, as the business of the Telephone Company, as covered by this contract, may require.

2. That in consideration of the foregoing grants and agreements of the Railroad, and without other payment, the Bell Telephone Company of Canada, Limited, for itself, its successors and assigns, agrees with the Boston and Maine Railroad, its successors and assigns as follows:—

(a) The Telephone Company agrees to furnish, free of charge, during the term of this agreement, telephone sets in the following stations of said Railroad, namely,—Smith's Mills, Rock Island, Boynton, Stanstead Junction, Stanstead, Lennoxville, Capelton, North Hatley and Ayer's Cliff, also a telephone set in the collector of customs' office at Stanstead Junction, one telephone set in that portion of the Boston and Maine freight shed at Derby Line situated on Canadian territory, one telephone set in the freight office, and one telephone set in the ticket office of the Railway in Sherbrooke; and the Telephone Company agrees also to furnish free local telephone service at the above-mentioned offices.

(b) The Telephone Company agrees to furnish annually, during the term of this agreement, four books of franks to the value of twenty-five dollars ($25.00) each, good between Sherbrooke and Stanstead, and intermediate points, on the business of the Railroad Company.

(c) The Telephone Company agrees to indemnify and save harmless the said Railroad against all claims for personal injury or damage to property which may arise on account of the existence, construction, maintenance, or repair of its poles, wires, conduits and other property; also to indemnify and save harmless the said Railroad against any and all claims which may arise on account of injury to person, or damage to property, of its officers, servants and agents, whether caused by negligence of said Railroad, or otherwise, while said officers, servants and agents are upon the property of said Railroad, or upon its trains and cars, while engaged in business for said Telephone Company, or when travelling on passes furnished under the terms of this agreement.

3. This agreement shall continue in force for one year from date hereof, and for periods of sixty days thereafter until cancelled by notice in writing from either party to the other sixty days in advance of its intention so to do.

In witness whereof the parties hereto have caused these presents to be signed

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and their corporate seals to be hereto affixed by their respective officers thereunto duly authorized, on the day and year first above written.

C. F. S., Jr.

BOSTON AND MAINE RAILROAD,
By LUCIUS TUTTLE,

THE BELL TELEPHONE COMPANY OF CANADA, LTD.,
By C. F. SISE, *President.*

Certified correct copy,

CHARLES P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 33.)

This agreement executed in duplicate at the city of Montreal, in the Province of Quebec, this the 11th day of May, 1898, by and between the Bell Telephone Company of Canada, Limited, a body corporate having its principal office in the said city hereinafter called the Telephone Company, acting herein and represented by Charles F. Sise its president, of the one part, and the Canada Atlantic Railway Company a body corporate having its principal office in the city of Ottawa, in the province of Ontario, hereinafter called the Railway Company, acting herein and represented by E. J. Chamberlin, General Manager, of the other part.

Witnesseth: that the said parties have covenanted and agreed as follows:

The Telephone Company will furnish to the Railway Company at all points in the provinces of Quebec and Ontario where it may have exchanges, telephone connections between the local and general offices and stations of the Railway Company and the local exchanges of the Telephone Company free of charge.

The Railway Company to pay the usual charge for all private lines except free instruments to houses of officers of the Company in Ottawa, not to exceed six in number at any one time.

The Telephone Company will also issue to stated officials of the Railway Company annual passes good over the long-distance lines of the Telephone Company.

The Railway Company will furnish annual passes to stated officials of the Telephone Company over its own lines and lines now or hereafter leased or controlled by it and will also furnish free transportation to the employees of the Telephone Company over said lines.

The Telephone Company shall have the exclusive right of placing telephone instruments, apparatus and wires in the several stations, offices and premises of the Railway Company throughout Canada. This does not apply to telegraph apparatus, wires or instruments.

And each company so far as it may properly do so without prejudice to its own business, grants to the other company facilities for carrying its wires and lines through and over the poles, subways, bridges and other premises on equitable terms to be agreed upon. And the Railway Company will not grant similar facilities to any other telephone company.

The Railway Company hereby grants to the Telephone Company the right to erect and maintain during the existence of this contract, a line of telephone poles and wires along its right of way from the city of Ottawa to the village of Coteau Landing. Two of the wires of said line to form a through telephone line from Ottawa to Coteau and Montreal.

The Telephone Company agree that they will have their line in operation between Montreal and Coteau Landing by June 1, 1898, and the extension from Coteau Landing to Ottawa by July 31, 1898, or as soon thereafter as possible. The work of construction to be commenced forthwith.

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The number of annual passes, free exchange connections and extent of free transportation shall be determined from time to time by the General Manager of the Railway Company and the President of the Telephone Company as the expansion of both companies may require. And such annual passes shall be issued by an official to be designated by each company.

The present agreement shall remain in force for a period of fifteen years from the date hereof.

THE BELL TELEPHONE COMPANY OF CANADA, LTD.

C. F. SISE,
President.

CHAS. P. SCLATER,
Secretary-Treasurer.

THE CANADA ATLANTIC RAILWAY COMPANY,

E. J. CHAMBERLIN,
General Manager.

A. W. FLECK,
Secretary-Treasurer.

Certified correct copy.

CHARLES P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 34.)

This agreement executed in duplicate at the city of Montreal, in the province of Quebec, this first day of May, one thousand nine hundred and two: By and between, The Bell Telephone Company of Canada, Limited, a body corporate, having its principal office in the said city, hereinafter called 'The Telephone Company,' and The Canadian Pacific Railway Company, a body corporate, having its principal office in the said city, hereinafter called 'The Railway Company.'

Witnesseth: that the said parties having covenanted and agreed as follows:—

1. The Telephone Company will furnish to the Railway Company at all points in the Dominion of Canada where it may now or hereafter have exchanges, telephone connection between the offices and stations of the Railway Company and the exchanges of the Telephone Company, free of charge. It will also issue to the officials of the Railway Company annual passes or franks good over the long-distance lines of the Telephone Company and free telephone exchange connection, and maintain during the term of this contract a local exchange in the head office of the Railway Company at Windsor Street Station, Montreal, affording communication between the different offices therein, as well as with the said local exchange of the Telephone Company in the city of Montreal.

2. The Railway Company will furnish annual passes to the officials of the Telephone Company, over its own railway and telegraph lines, and lines leased or controlled by said Railway Company, and will also furnish free transportation to the employees of the Telephone Company over said railway lines in Canada.

3. The Telephone Company shall have the exclusive right of placing telephone instruments, apparatus and wires in the several stations, offices and premises of the Railway Company throughout the Dominion of Canada where the Telephone Company has or may during the life of this contract established telephone exchanges, it being understood in connection with new exchanges being established that the Railway Company will be given a fair service sufficient for its business.

4. And each company, so far as it may properly do so without prejudice to its own business, grants to the other company facilities for carrying its wires and lines

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through or over the poles, subways, bridges, and other premises, on equitable terms to be agreed upon. And the Railway Company will not grant similar facilities to any other telephone company.

5. The number of annual passes or franks, free telephone connections, and extent of free transportation, shall be determined from time to time by the president of the Railway Company and the president of the Telephone Company, as the expansion of both companies may require, and such passes, franks and telephone connections shall only be issued on written application of an officer of either party as designated by the presidents of each company.

6. The terms and conditions of this contract as applying to the Canadian Pacific Railway Company, shall also apply to the Canadian Pacific Railway Telegraph, and it is further understood and agreed that where telephonic connection with local exchanges is required for an office of either the above, the agent for which carries on any other business, or acts as agent for any other company, he shall pay one-half the regular exchange rates, and the company or companies represented herein by the Canadian Pacific Railway Company shall pay nothing for their service.

7. This agreement shall remain in force for a period of eight years from the date hereof.

In witness whereof each of the said parties have caused to be set hereto its corporate seal and the signature of the officials below named:

THE CANADIAN PACIFIC RAILWAY COMPANY,

By

D. McNICOLL,
2nd Vice-President.

A. R. G. HEWARD,
Assistant Secretary.

THE BELL TELEPHONE COMPANY OF CANADA, LTD.,

By C. F. SISE, *President.*

CHAS. P. SCLATER,
Secretary-Treasurer,

Agreement between the Bell Telephone Company of Canada and the Canadian Pacific Railway Company as to telephone business and exchange of passes, &c.
Certified correct copy,

CHAS. P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 35.)

MEMORANDUM OF AGREEMENT BETWEEN THE BELL TELEPHONE COMPANY OF CANADA, LIMITED,

Hereinafter called the 'Telephone Company,' of the first part, and

THE CENTRAL ONTARIO RAILWAY COMPANY,

Hereinafter called the 'Railway Company,' of the second part.

Witnesseth as follows:—

1. That in consideration of the agreements and stipulations hereinafter contained on the part of the Railway Company, the Telephone Company agrees:—

(*a*) To furnish to the Railway Company free of all charge by way of rental or otherwise, at all or any of its stations and offices in Canada, between Trenton and Picton inclusive or at the dwelling houses of the officials of the Railway Company, the use of all such complete sets of telephone instruments (as defined below) as may reasonably be required for railway purposes, and all necessary materials for repairing the

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same from time to time, and also to replace free of charge, for use as aforesaid, any instruments which may have been accidently and without gross negligence destroyed or rendered useless.

(*b*) To grant and permit to the Railway Company in cities, towns and villages in which the Railway Company has a station and the Telephone Company has an exchange between Trenton and Picton inclusive, all such free connections by means of the Telephone Company's lines with and to such exchange or central office as may be reasonably required for the purposes of the Railway Company's business, the number of telephone instruments and free connections furnished as hereinbefore provided not to exceed five altogether exclusive of any instruments which may be put in by the Telephone Company at its own desire and for its own purposes and exclusive of the instrument at the office of the superintendent of the Railway Company.

(*c*) To allow to the officers and servants of the Railway Company such free passes or liberty to talk over the lines of the Telephone Company as may be agreed upon by a memorandum to be indorsed hereon or annexed hereto.

(*d*) To pay the Railway Company the sum of one hundred dollars per annum half yearly on 1st November and 1st May in each and every year during the term of this contract.

2. That in consideration of the premises the Railway Company agrees:—

(*e*) To grant and permit to the Telephone Company the sole and exclusive right as against any other company, corporation, person or persons carrying on any telephonic business to enter any office, station, freight shed, building or other premises of the Railway Company between Trenton and Picton inclusive, and so that no other company, corporation, person or persons shall bring to or place therein any telephone instrument, pole wire or other appliance, for the purpose of doing or carrying on thereon or therein any telephonic business or communication.

(*f*) To allow the Telephone Company and all subscribers thereto to make connection and carry on all telephone communication from or through the central office in any city, town or village referred to in clause (*b*) with railway stations and railway offices in such city, town or village, and to give the Telephone Company and its subscribers all such facilities for doing business with the Railway Company as are now usually given by railway companies when connected with the telephone company's exchanges.

(*g*) That the officers, agents and other employees of the Railway Company shall well and carefully use and attend to the instruments to be furnished as above mentioned, and take all reasonable and proper care of the same.

(*h*) That the Railway Company, its officers, agents and other employees, shall not either directly or indirectly, and either gratuitously or for money, permit any other person or persons to use the said instruments and—subject to the provisions of clause (*c*)—shall not use the said instruments or permit the same to be used for any purpose except the business of the Railway Company.

(*i*) That the Railway Company shall from time to time supply the Telephone Company with such free passes as may be required to pass the officers, servants, workmen and employees of the Telephone Company in their trains and over their road as agreed upon in the memoranda annexed hereto and permit such servants, workmen and employees to carry with them, free of charge such tools, implements and materials as they usually carry, or as may be required for the purposes of their work.

(*j*) That the said telephonic instruments are, and shall continue to be, the property of the Telephone Company, and are made and used by it, under patents which it owns or has the right to use. At the expiration of this agreement, or on breach or non-fulfilment by the Railway Company of any of the agreements on its part hereinbefore contained, the Telephone Company shall have the right by its officers, servants and workmen to enter upon and into the premises of the Railway Company and remove the said instruments but such removal shall not deprive the Telephone Company of any other right or remedy to which it may be entitled by reason of any such breach or non-fulfilment of this agreement.

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(*k*) To grant to the Telephone Company the sole and exclusive right to put one or more telephone wires on the poles upon the present line of the said Railway Company between Trenton and Picton inclusive provided the Telephone Company shall not obstruct or interfere with the use by the Railway Company of their own line or lines of wire on said poles and also the exclusive right to put up another line of poles for telephone wires along the opposite side of the railway track from that on which the Railway Company's poles are planted. In which case telephone wires to be removed to Telephone Company's poles.

3. It is hereby declared and agreed by and between the parties hereto:—

(*l*) That in construing this agreement a set of instruments shall be taken to consist of

1. One Blake transmitter.
2. One Bell telephone.
3. One magneto call bell.
4. One cell of battery.
5. One flexible cord.
6. One backboard and battery box.

(*m*) That this agreement shall continue in force and be binding upon the said parties for five years from the first day of May, 1900.

In witness whereof the said parties have caused their respective corporate seals to be hereunto affixed under the hands of their proper officers in that behalf this 23rd day of March, 1900.

THE BELL TELEPHONE COMPANY, LIMITED

By C. F. SISE, *President.*

Signed, sealed and delivered
in the presence of
CHAS. P. SCLATER,
Secretary-Treasurer.

THE CENERAL ONTARIO RAILWAY COMPANY,

By GEO. COLLINS,
General Supt. and Secretary.

A. M. BOOTH.

Certified correct copy.
CHAS. P. SCLATER,
Secretary-Treasurer.

Memorandum of free instruments allowed Central Ontario Railway by Bell Telephone Company on account of agreement, March 23, 1900:

D. Duffs, residence.
J. W. Collins, residence.
Geo. Collins, residence.
Round house, C.O.R.R.
R. Spencer, residence.

Memorandum of annual passes allowed Bell Telephone Company by Central Ontario Railway Company, March 23, 1900:—

C. F. Sise, President.
L. B. McFarlane, General Superintendent.
H. C. Baker, Manager, Ont. Dept.
C. F. Sise, jr., Superintendent of Toll Lines.
T. H. Wadland, Superintendent of Construction.
A. W. Barnard, Auditor.
W. C. Scott, Special Agent.

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C. E. Deviney, Local Manager.
One lineman.
One lineman.
A. T. Smith, District Superintendent between Picton and Trenton.
G. Post, between Picton and Trenton.
C. W. Stringer, District Manager between G.T.R. Junction and Trenton.
And also trip passes as required.

(Exhibit No. 36.)

This agreement made in duplicate this thirtieth day of August, 1904, between the Bell Telephone Company of Canada, Limited, a body corporate, duly incorporated, having its head office and principal place of business in the city of Montreal, Province of Quebec, herein acting and represented by Charles Fleetford Sise, its president, who for the purposes hereafter is duly authorized. Hereinafter called the 'Telephone Company,' party of the first part, and the Central Vermont Railway Company for itself and the railways owned, operated or leased by it. Hereinafter called the 'Railway Company,' party of the second part.

Now this agreement witnesseth:—

Whereas the Railway Company desires to obtain from the Telephone Company sets of railway composite for use upon the telegraph wires of the Railway Company, as hereinafter provided.

Now, therefore, it is agreed by the parties hereto as follows:—

1. The Telephone Company will, as the Railway Company may from time to time request:—

(*a*) Furnish at the office of the Telephone Company in Montreal, Que., for any use in the conduct of the business of the Railway Company, as herein provided, sets of railway composite, each set to include a long-distance transmitter Standard Bi-Polar receiver, and initial cord, each at an annual rental, when not maintained by the Telephone Company, as hereinafter provided for, of $15.

(*b*) Furnish at the office of the Telephone Company at Montreal, Que., the following apparatus, to be used in connection with the foregoing sets of railway composite, at the annual rentals herein specified; intermediate differentiators for bridging out telegraph stations, where no telephones are used, but where through service is desired, each at an annual rental of $1. Terminal differentiators, each at an annual rental of $1.

(*c*) Furnish at the office of the Telephone Company in Montreal, Que., for any use in the conduct of the business of the Railway Company, portable sets of railway composite for emergency or train use (Number 229), each including extension pole for tapping wires between stations and initial extension wire each at an annual rental, when not maintained by the Telephone Company as hereinafter provided, of $15.

(*d*) Install or maintain, or both install and maintain, any of the foregoing sets of railway composite, and any of the foregoing apparatus, at actual cost of labour and materials employed, plus 15 per cent, the charge for such maintenance to be added to the rental of such sets of railway composite or of the apparatus used in connection therewith, and to be herein treated as a part of such rental.

(*e*) Furnish, or construct, at the request of the Railway Company, upon the property or right of way of the Railway Company any special wiring, to be used in connection with the foregoing sets of railway composite and any of the foregoing apparatus, at actual cost of labour and materials employed, plus 15 per cent.

2. All sets of railway composite furnished hereunder shall be located on the premises of the Railway Company, or at the residences of its officers, or employees, and shall be used only in the conduct of its business, as herein provided, upon telegraph wires owned by it, or leased or furnished to it for the transaction of its business; but it is expressly understood that the telegraph wires of the Railway Company, upon which

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such sets of railway composite and apparatus in connection therewith are used shall have no connection with any circuit or wire in the Dominion of Canada upon which telephones or telephone apparatus not furnished by the Telephone Company are used and it is further expressly understood that the sets of railway composite and the apparatus used in connection therewith are designed for use on grounded telegraph wires, or with the telephones and apparatus, used in connection with any telephone exchange service.

3. The Railway Company will:—

(*a*) Give at all reasonable hours such access to its premises for furnishing, installing, maintaining, inspecting, or removing by the Telephone Company the sets of railway composite, wires and apparatus used n connection therewith furnished hereunder, or contemplated herein, as may be requisite for the purposes of this contract, and when required by the Telephone Company, furnish proper right of way upon the property or right of way of the Railway Company for all wires to be furnished here under by the Telephone Company.

(*b*) Receipt to the Telephone Company for all sets of railway composite, transmitters, receivers and apparatus furnished hereunder, such receipt to specify the individual numbers, if any, of such sets of railway composite, transmitters, receivers instruments and apparatus.

(*c*) Furnish without charge to the Telephone Company reasonable facilities required by it for the transportation and distribution of materials, tools, and men for any use in the construction, reconstruction, maintenance, repair or inspection of any apparatus upon said Railway Company's right of way or coming under this contract.

(*d*) Equip at all times with protective devices satisfactory to the Telephone Company, which shall be properly maintained by the Railway Company, all sets of railway composite and the apparatus in connection therewith maintained by the Railway Company as herein provided.

(*e*) Exercise due diligence in the protection of the property of the telephone company furnished hereunder, and reimburse the telephone company for loss or destruction of such property due to the negligence of the employees of the railway company.

(*f*) Return to the telephone company, at the expiration or termination of this contract, all sets of railway composite, transmitters, receivers, or apparatus leased hereunder, the telephone company removing at its own expense all apparatus maintained by it.

4. The Railway Company will not, during the continuance of this contract, use in the conduct of its business, within the territory of the Telephone Company, any sets of railway composite, or any similar apparatus not furnished by the Telephone Company, and no wires upon which are used sets of railway composite or similar apparatus not furnished hereunder, shall have connection with any wires upon which are used sets of railway composite or similar apparatus furnished hereunder. No part of the sets of railway composite, apparatus used in connection therewith, or materials furnished to, or used hereunder by, the Railway Company, shall be used for any service for which a charge or compensation shall be received by it from any person or corporation, nor shall any of the sets of railway composite or apparatus used in connection therewith be used outside of the territory of the Telephone Company, except that connection may be made with sets furnished by any of the licensees of the American Bell Telephone Company in the United States of America under a similar agreement.

5. If at any time during the term of this agreement, the Telephone Company furnish sets of railway composite and apparatus to any other parties at a lower charge for rental than the sums herein specified, then the Telephone Company will reduce the rents charged under this contract to the same rates as may be paid by such other parties.

6. The rental for sets of railway composite and apparatus used in connection therewith furnished hereunder, shall begin with the first day of the calendar month following the date of installation or delivery thereof, as the case may be, and shall

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continue until the last day of the calendar month in which the Railway Company shall return the same to the Telephone Company. No set of railway composite or apparatns used in connection therewith shall be discontinued unless a rental therefor shall have been paid for at least six months. Rentals hereunder for the sets of railway composite, and apparatus used in connection therewith, shall be payable half-yearly in advance beginning with the first day of August, 1904.

7. It is agreed by and between the parties hereto that, at the expiration of the first year, from the date thereof, this agreement shall continue in force until terminated by one month's notice in writing, given by either party to the other and upon such termination that the Railway Company will pay to the Telephone Company such proportion of the yearly charges herein specified as is proportionate to the time for which sets of railwey composite or apparatus in connection therewith have been used since the end of any full year from and after the date hereof.

Signed in duplicate by the parties hereto on the date first hereinabove written.

THE BELL TELEPHONE COMPANY OF CANADA, LIMITED,
C. F. SISE,
President.

Signed, sealed and delivered in the presence of :
CHAS. P. SCLATER,
Secretary-Treasurer.

CENTRAL VERMONT RAILWAY COMPANY,
By E. H. FITZHUGH,
Vice-President and General Manager.

Signed, sealed and delivered in the presence of :
C. F. S., JR.,
E. WALTON.

Certified correct copy.
CHAS. P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 37.)

Memorandum of agreement made this eighth day of July, nineteen hundred and two, between the Bell Telephone Company of Canada, Limited, hereinafter called the 'Telephone Company,' of the first part, and the Galt, Preston and Hespeler Street Railway Company, hereinafter called the 'Railway Company,' of the second part, witnesseth as follows :—

1. That in consideration of the agreements and stipulations hereinafter contained, on the part of the Railway Company, the Telephone Company agrees :—

(*a*) To furnish to the Railway Company, free of all charge by way of rental or otherwise (for use on the Railway Company's private line now existing between Galt, Oliver's Crossing, Preston Power House, Clare's Crossing, Idylwylde Park, and Hespeler, as shown on map attached hereto, forming part of this agreement), one Blake Wall telephone set, and one extension Bell, at each of the following offices of the Railway Company, viz.: Hespeler, Idylwylde Park, Clare's Crossing, Preston Power House, Oliver's Crossing, Business Office of the Railway Company, Galt, and the Freight Office of the Canadian Pacific Railway Company at Galt, and one Blake Desk telephone set with extension Bell in the office of the President of the Railway Company at Galt.

(*b*) To keep aforesaid instruments in good order and repair, and to replace, free of charge, for use as aforesaid, any instruments which may have been accidentally and without gross negligence destroyed or rendered useless.

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(*c*) To furnish, and keep in good order and repair, one No. 115 key in each of the following offices of the Railway Company, viz.:—

Power house at Preston.

Business office of the Railway Company at Galt.

Business office of the Railway Company at Hespeler.

And to grant and permit, free exchange connection by means of the Telephone Company's telephone lines, as follows:—

Between the aforesaid power house and the exchange of the Telephone Company at Preston;

Between the aforesaid business office of the Railway Company at Galt and the exchange of the Telephone Company at Galt;

Between the business office of the Railway Company at Hespeler, and the exchange of the Telephone Company at Hespeler.

(*d*) That at the expiration of this agreement, or on breach or non-fulfilment by the Telephone Company, of any of the agreements on its part hereinbefore contained, the Railway Company shall have the right to order the removal from its premises, of all instruments and property of the Telephone Company covered by this agreement, but such removal shall not deprive the Railway Company of any other right or remedy to which it may be entitled, by reason of any such breach or non-fulfilment of this agreement.

2. That in consideration of the premises, the Railway Company agrees:—

(*e*) To grant and permit to the Telephone Company, the sole and exclusive right as against any other company, corporation, person or persons carrying on any telephone business, to enter on such business, any office, station, freight shed, building or other premises of the Railway Company, and so that no other company, corporation, person or persons shall bring to or place therein any telephone instrument, pole, wire, or other appliance for the purpose of doing or carrying on thereon or therein any telephonic business or communication.

(*f*) To allow the Telephone Company and all subscribers thereto to make connection and carry on all telephonic communication from or through the central office in any city, town or village with railway stations and railway offices in such city, town or village, which may be connected with the central office of the Telephone Company and to give the Telephone Company and its subscribers all such facilities for doing business with the Railway Company as are now usually given by Railway companies when connected with the Telephone Company's exchanges.

(*g*) That the officers, agents and other employees of the Railway Company shall well and carefully use and attend to the instruments to be furnished as above mentioned, and take all reasonable and proper care of the same.

(*h*) That the Railway Company, its officers, agents and other employees, shall not, either directly or indirectly, and either gratuitously or for money, permit any person or persons (other than the said officers, agents, servants, workmen and employees) to use the said instruments, and shall not use the said instruments, or permit the same to be used for any purposes except the business of the Railway Company.

(*i*) That the Railway Company shall supply the Telephone Company with annual passes over the railway of the said Railway Company between Galt and Hespeler, (1) for the president, (2) manager for Ontario, (3) superintendent of construction and (4) travelling auditor to be used when engaged in the business of the said Telephone Company, and from time to time with such free passes as may be required to pass the officers, servants, workmen and employees of the Telephone Company, when engaged in actual telephone work, in their trains, and over their road, and permit such servants, workmen and employees, to carry with them free of charge, such tools, implements and material as they usually carry, or as may be required for the purposes of their work. But shall not include material for the construction of new lines.

(*j*) That the said telephonic instruments are and shall continue to be the property of the Telephone Company, and are made and used by it under patents which it owns or has the right to use. At the expiration of this agreement or on breach or non-

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fulfilment by the Railway Company of any of the agreements on its part hereinbefore contained, the Telephone Company shall have the right by its officers, servants and workmen to enter upon and into the premises of the Railway Company and remove the said instruments, but such removal shall not deprive the Telephone Company of any other right or remedy to which it may be entitled by reason of any such breach or non-fulfilment of this agreement.

3. It is hereby declared and agreed by and between the parties hereto:—

(*k*) That in construing this agreement a wall set of instruments shall be taken to consist of,—

1. One Blake transmitter.
2. One Bell telephone.
3. One magneto bridging call bell.
4. One cell of battery.
5. One flexible cord.
6. One backboard and battery box.

And that a desk set of instruments shall be taken to consist of,—

1. One Blake transmitter and portable stand.
2. One Bell telephone.
3. One bridging extension bell.
4. One cell of battery.
5. One flexible cord.

1. That this agreement shall continue in force and be binding upon the said parties for three years from the date hereof.

In witness whereof the said parties have caused their respective corporate seals to be hereunto affixed under the hands of their proper officers in that behalf.

THE BELL TELEPHONE COMPANY OF CANADA, LTD.,

By ROBERT MACKAY,
Vice-President.
MARTIN N. TODD,
President.

Signed, sealed and delivered in the presence of:
CHAS. P. SCLATER,
Secretary-Treasurer.

WM. H. LUTZ,
Secretary.

Certified correct copy,
CHAS. P. SCLATER,
Secretary-Treasurer.

Supplementary agreement between the Bell Telephone Company of Canada, Limited, and the Galt, Preston and Hespeler Street Railway Company, Limited, made this 17th day of March, 1904.

In addition to the service and equipment provided for in the agreement between the said Telephone Company and the said Railway Company, dated the 8th day of July, 1902, the said Telephone Company agrees to furnish during and under the terms of the said agreement, nine additional Blake Wall telephone sets, three Blake Desk telephone sets, three extension bells and one 104 key, and one five point switch for the use of the said Railway Company on its private line, the Blake Wall sets to be located as follows: Three at Preston, one at Summit, one at Freeport, one at Centreville, two at Berlin and one at Waterloo; the Blake Desk sets to be located one at Preston, one at Berlin and one at Waterloo; the extension bells to be located one at president's house, one at Preston and one at Berlin; the 104 key at the president's house; or such other points on the Railway Company's private line that may be necessary for their business, the consideration being that the privileges granted to the Telephone Company under the aforesaid agreement shall cover the extension of the Railway Com-

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pany's system from Preston to Berlin and Waterloo, during the term of the said agreement.

GALT, PRESTON & HESPELER ST. RY. CO., LTD.,
MARTIN N. TODD, *President,*

THE BELL TELEPHONE COMPANY OF CANADA, LTD.,
C. F. SISE, *President*

L. B. M.

Certified correct copy,
CHAS. P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 38.)

This agreement executed in duplicate at the city of Montreal, in the Province of Quebec, this 25th day of July, 1900, by and between the Bell Telephone Company of Canada, Limited, a body corporate, having its principal office in the said city of Montreal, hereinafter called 'The Telephone Company,' and the Grand Trunk Railway Company of Canada, a body corporate, having its principal office in the said city, hereinafter called 'The Railway Company,'

Witnesseth:—

That the said parties have covenanted and agreed as follows:—The Telephone Company will furnish to the Railway Company to all points in the Dominion of Canada where it may have exchanges, telephone connection between the offices and stations of the Railway Company and the exchanges of the Telephone Company free of charge. It will also issue to the officials of the Railway Company annual passes or franks, good over the L. D. lines of the Telephone Company, and free telephone connection and maintain during the term of this contract a local exchange in the head office of the Railway Company, Montreal, affording communication between the different offices therein, as well as with the local exchange of the Telephone Company in the city of Montreal.

The Railway Company will furnish annual passes to the officials of the Telephone Company over its own railway, and lines leased or controlled by said Railway Company in Canada, and will furnish free transportation to the employees of the Telephone Company over said railway lines as may from time to time be requested by the president of the Telephone Company.

The Telephone Company shall have the exclusive right of placing telephone instruments, apparatus and wires in the several stations, offices and premises of the Railway Company throughout the Dominion of Canada.

And each company so far as it may do so properly, without prejudice to its own business, grant to the other company, facilities for carrying its wires and lines through or over the poles, subways, bridges and other premises on equitable terms to be agreed upon, and the Railway Company will not grant similar facilities to any other telephone company.

The number of annual passes or franks, free telephone connections, and extent of free transportation, shall be determined from time to time by the general manager of the Railway Company and the president of the Telephone Company as the expansion of both companies may require, and such annual passes, etc., shall be issued by an official to be designated by each company.

The number and location of telephones and L. D. franks furnished by the Telephone Company and the number and names of parties to whom annual passes and quarterly passes have been issued by the Railway Company on the date of making of this contract, are as per attached lists, which have been initialled by both parties hereto.

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This agreement shall remain in force for a period of five years from the date hereof, and thereafter subject to one month's notice in writing from either party to the other.

In witness whereof the parties hereto have executed these presents the day and year first above written.

THE BELL TELEPHONE COMPANY OF CANADA, LTD.,
Per C. F. SISE, *President.*
C. P. SCLATER, *Secy.-Treas.*

THE GRAND TRUNK RAILWAY COMPANY OF CANADA,
Per CHAS. M. HAYS, *General Manager,*

Certified correct copy,
CHAS. P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 39.)

This agreement, made in duplicate this nineteenth day of February, 1904, between the Bell Telephone Company of Canada, Limited, a body corporate, duly incorporated, having its head office and principal place of business in the city of Montreal, Province of Quebec, herein acting and represented by Charles Fleetford Sise, its president, who for the purposes hereof is duly authorized, hereinafter called the 'Telephone Company,' party of the first part, and the Grand Trunk Railway Company of Canada, for itself and the railways owned, operated or leased by it, hereinafter called the 'Railway Company,' party of the second part,

Now this agreement witnesseth:—

Whereas, the Railway Company desires to obtain from the Telephone Company sets of railway composite for use upon the telegraph wires of the Railway Company, as hereinafter provided;

Now, therefore, it is agreed by the parties hereto as follows :—

1. The Telephone Company will, as the Railway Company may from time to time request :—

(*a*) Furnish at the office of the Telephone Company in Montreal, Que., for any use in the conduct of the business of the Railway Company, as herein provided, sets of railway composite, each such set to include a long distance transmitter, standard bi-polar receiver, and initial cord, each at an annual rental, when not maintained by the Telephone Company, as hereinafter provided for, of $15.

(*b*) Furnish at the office of the Telephone Company in Montreal, Quebec, the following apparatus, to be used in connection with the foregoing sets of railway composite, at the annual rentals herein specified : Intermediate differentiators for bridging out telegraph stations, where no telephones are used, but where through service is desired, each at an annual rental of $1; terminal differentiators, each at an annual rental of $1.

(*c*) Furnish at the office of the Telephone Company in Montreal, Que., for any use in the conduct of the business of the Railway Company, portable sets of railway composite for emergency or train use (number 229), each including extension pole for tapping wires between stations and initial extension wire, each at an annual rental, when not maintained by the Telephone Company as hereinafter provided, of $15.

(*d*) Install or maintain, or both install and maintain, any of the foregoing sets of railway composite, and any of the foregoing apparatus, at actual cost of the labour and materials employed, plus 15 per cent; the charge for such maintenance to be added to the rental of such sets of railway composite or of the apparatus used in connection therewith, and to be herein treated as a part of such rental.

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(*e*) Furnish, or construct, at the request of the Railway Company, upon the property or right of way of the Railway Company any special wiring, to be used in connection with the foregoing sets of railway composite and any of the foregoing apparatus, at actual cost of labour and materials employed, plus 15 per cent.

2. All sets of railway composite furnished hereunder shall be located on the premises of the Railway Company, or at the residences of its officers, or employees, and shall be used only in the conduct of its business as herein provided, upon telegraph wires owned by it or leased or furnished to it for the transaction of its business; but it is expressly understood that the telegraph wires of the Railway Company, upon which such sets of railway composite and apparatus in connection therewith are used, shall have no connection with any circuit or wire in the Dominion of Canada upon which telephones or telephone apparatus not furnished by the Telephone Company are used. And it is further expressly understood that the sets of railway composite and the apparatus used in connection therewith are designed for use on grounded telegraph wires and shall have no connection with the telephone circuits or wires, or with the telephones and apparatus, used in connection with any telephone exchange service.

3. The Railway Company will :—

(*a*) Give at all reasonable hours such access to its premises for furnishing, installing, maintaining, inspecting, or removing by the Telephone Company the sets of railway composite, wires and apparatus used in connection therewith furnished hereunder, or contemplated herein, as may be requisite for the purposes of this contract, and when required by the Telephone Company, furnish proper right of way upon the property or right of way of the Railway Company for all wires to be furnished hereunder by the Telephone Company.

(*b*) Receipt to the Telephone Company for all sets of railway composite, transmitters, receivers and apparatus furnished hereunder, such receipt to specify the individual numbers, if any, of such sets of railway composite, transmitters, receivers, instruments and apparatus.

(*c*) Furnish without charge to the Telephone Company, reasonable facilities required by it for the transportation and distribution of materials, tools, and men for any use in the construction, reconstruction, maintenance, repair or inspection of any apparatus upon said Railway Company's right of way or coming under this contract.

(*d*) Equip at all times with protective devices satisfactory to the Telephone Company, which shall be properly maintained by the Railway Company, all sets of railway composite, and the apparatus in connection therewith, maintained by the Railway Company as herein provided.

(*e*) Exercise due diligence in the protection of the property of the Telephone Company furnished hereunder, and reimburse the Telephone Company for loss or destruction of such property due to the negligence of the employees of the Railway Company.

(*f*) Return to the Telephone Company, at the expiration or termination of this contract all sets of railway composite, transmitters, receivers, or apparatus leased hereunder, the Telephone Company removing at its own expense all apparatus maintained by it.

4. The Railway Company will not, during the continuance of this contract, use in the conduct of its business, within the territory of the Telephone Company, any sets of railway composite, or any similar apparatus not furnished by the Telephone Company, and no wires, upon which are used sets of railway composite or similar apparatus not furnished hereunder, shall have connection with any wires upon which are used sets of railway composite or similar apparatus furnished hereunder. No part of the sets of railway composite, apparatus used in connection therewith, or materials furnished to, or used hereunder by, the Railway Company shall be used for any service for which a charge or compensation shall be received by it from any person or corporation, nor shall any of the sets of railway composite or apparatus used in connection therewith be used outside of the territory of the Telephone Company, except that connection may be made with sets furnished by any of the licensees of the American Bell Telephone Company in the United States of America under a similar agreement.

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5. If at any time during the term of this contract, the Telephone Company furnish sets of railway composite and apparatus to any other parties at a lower charge for rental than the sums herein specified, then the Telephone Company will reduce the rents charged under this contract to the same rates as may be paid by such other parties.

6. The rental for sets of railway composite, and apparatus used in connection therewith furnished hereunder, shall begin with the first day of the calendar month following the date of installation or delivery thereof, as the case may be, and shall continue until the last day of the calendar month in which the Railway Company shall return the same to the Telephone Company. No set of railway composite or apparatus used in connection therewith shall be discontinued unless a rental therefor shall have been paid for at least six months. Rentals hereunder for the sets of railway composite and apparatus used in connection therewith, shall be payable half yearly in advance beginning with the first day of December, 1903.

7. It is agreed by and between the parties hereto that, at the expiration of the first year, from the date thereof, this agreement shall continue in force until terminated by one month's notice in writing, given by either party to the other and upon such termination that the Railway Company will pay to the Telephone Company such proportion of the yearly charges herein specified as is proportionate to the time for which sets of railway composite or apparatus in connection therewith have been used since the end of any full year from and after the date hereof.

Signed in duplicate by the parties hereto on the date first hereinabove written.

THE GRAND TRUNK RAILWAY COMPANY OF CANADA,

CHAS. M. HAYS.
Second Vice-President and General Manager.

THE BELL TELEPHONE COMPANY OF CANADA, LTD.

C. F. SISE,
President.

Signed, sealed and delivered in the presence of:—
A. MORTON.
C. F. S. Jr.

Signed, sealed and delivered in the presence of:—
CHAS. P. SCLATER,
Secretary-Treasurer.

Certified correct copy.
CHAS. P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 40.)

NOVEMBER 27, 1901.

GREAT NORTHERN RAILWAY COMPANY OF CANADA,
GUY TOMBS, Esq., G. F. & P. A., Quebec, Que.

DEAR SIR,—Confirming the interview we had to-day in reference to placing telephones in your stations at Joliette, Grand Mere, St. Raymond and Shawenegan. We beg to say that we will place these telephones and give local service in each of the exchanges in consideration of your company furnishing us with two linemen's periodical passes, good between Hawkesbury and Quebec. If we understand this agreement correctly, we would like to have an acknowledgment and the two passes requested.

Yours truly,
L. B. McFARLANE,
General Superintendent.

Certified correct copy.
CHAS. P. SCLATER,
Secretary-Treasurer.

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(Exhibit No. 41.)

THE BELL TELEPHONE COMPANY OF CANADA, LIMITED,
GENERAL SUPERINTENDENT'S OFFICE, MONTREAL, JULY 9, 1902.

GREAT NORTHERN RAILWAY AGREEMENT.

C. F. SISE, Esq.,
President.

DEAR SIR,—The arrangement made through Mr. Guy Tombs, G. F. & P. A. of the G. N. Ry. Co., for exchange of free telephones and transportation privileges has been enlarged by our agreeing to include free telephones at their stations at Hawkesbury and Lachute and by the furnishing of an additional instrument at the ticket office, Shawenegan Falls, on the same line as the freight office telephone. The consideration given us is four card passes good between all stations on the Great Northern Ry. Co. (Hawkesbury and Quebec.)

Yours truly,
L. B. McFARLANE,
General Superintendent.

Certified correct Copy,
CHAS. P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 42.)

Memorandum of agreement between the Bell Telephone Company of Canada, Limited, hereinafter called the 'Telephone Company,' of the first part, and the Hamilton Radial Electric Railway Company, hereinafter called the 'Railway Company,' of the second part.

Witnesseth as follows:—

1. That in consideration of the agreements and stipulations hereinafter contained on the part of the Railway Company, the Telephone Company agrees to furnish forthwith to the Railway Company free of all charge by way of rental or otherwise, except as below for use at any of its stations or offices, six complete sets of telephone instruments (as defined below) for $20 each set.

2. That in consideration of the premises the Railway Company agrees to grant and permit forthwith to the Telephone Company the sole and exclusive right, as against any other company, corporation, person or persons carrying on any telephonic business, to enter on such business any office, station, freight shed, building, or other premises of the Railway Company and there to bring or place telephone instruments, poles, wires or other appliances for the purpose of doing or carrying on therein or thereon any telephonic business or communication; and so that and to the end that no other company, corporation, person or persons shall bring to such office, station, freight shed, building or other premises of the Railway Company or place therein any telephone instrument, pole, wire, or other appliance for the purpose of doing or carrying on thereon or therein any telephonic business or communication. To allow the Telephone Company and all subscribers thereto to make connection and carry on all telephonic communication from or through the central office in any city, town or village with railway station and railway offices and other premises of the Railway Company in such city, town, or village which may be connected with the central office of the Telephone Company and to give the Telephone Company and its subscribers all such facilities for doing business with the Railway Company as are now usually given by railway companies when connected with the Telephone Company's exchanges.

That the Railway Company, its officers, agents and other employees, shall not either directly or indirectly, and either gratuitously or for money, permit any person or persons (other than the said officers, agents, servants, workmen and employees) to

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use the said instruments, and shall not use the said instruments or permit the same to be used for any purpose except business of the Railway Company.

3. It is hereby declared and agreed by and between the parties hereto that in construing this agreement a set of instruments shall be taken to consist of: one Blake transmitter, one Bell telephone, one Magneto bridging call bell, one cell of battery, one flexible cord, one backboard and battery box. That this agreement shall continue in force and be binding upon the said parties for the period of twenty-one years from the date hereof.

That this agreement shall be read and construed as extending to and binding upon the successors and assigns of the said parties of the first and second parts respectively.

In witness whereof the said parties have caused their respective corporate seals to be hereunto affixed under the hands of their proper officers in that behalf, this twenty-second day of July, 1897.

THE HAMILTON RADIAL ELECTRIC RAILWAY COMPANY,
THOS. E. LEATHER, *Mgr. D.*

THE BELL TELEPHONE COMPANY OF CANADA, LTD.,
By C. F. BISE, *President.*

Signed, sealed and delivered in the presence of.
F. H. WATSON.

Certified correct copy,
CHAS. P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 43.)

This indenture, made the seventh day of January, one thousand nine hundred and one, between the Bell Telephone Company of Canada, Limited (hereinafter called the Telephone Company), of the first part, and the Hamilton and Dundas Railway Company (hereinafter called the Railway Company), of the second part, witnesseth that the said parties have agreed and do hereby agree each with the other in manner following :—

1. The Telephone Company shall construct at their own expense a metallic iron circuit of Number 12 iron wire for a private line between the Dundas office of the Railway Company on Hatt street, and the Hamilton office, on the corner of Gore and James streets, such lines to be erected upon the poles or span wires of the Railway Company, and the Telephone Company shall supply the material for such line except the attachments for fastening the line wires to the span wires where that may be done which are to be furnished by the Railway Company.

2. The Railway Company shall purchase from the Telephone Company the necessary instruments to equip the said private line and the Railway Company shall furnish free transportation to the Telephone Company's officials and linemen as has been done in the past, and shall also carry over the Railway Company's line all such material (excepting poles) as the Telephone Company shall require for maintenance and repair of their lines free of charge. For the purpose of carrying out the agreement as to transportation of the Company's officials and linemen, the Railway Company shall supply to the local manager of the Telephone Company at Hamilton and to the superintendent of construction of such company annual passes and shall give trip passes to the linemen and other officials of the company as the same may be asked for by the said local manager or superintendent of construction.

3. The Telephone Company shall connect the Hamilton Office of the Railway Company at the corner of Gore and James streets with its Hamilton exchange, and shall connect the Dundas office of the Railway Company above mentioned with its

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Dundas exchange free of charge, and such connection with the Hamilton exchange shall entitle the Railway Company to the same privileges as the other subscribers to the Telephone Company's Hamilton exchange have, and such connection with the Dundas exchange shall entitle the Railway Company to the same privileges as the other subscribers to the Telephone Company's Dundas exchange have.

4. The railway grants to the Telephone Company free of any charge for rental the right to continue their line of poles on the lands and right of way of the Railway Company as at present (the Telephone Company to continue on the south side of the railway track as at present) and to erect such new poles in addition to or in place of any such poles now existing as may be required for the ordinary business of the Telephone Company, and also the right for the Telephone Company's officials, linemen, workmen and servants to go on the Railway Company's lands and right of way from time to time, and at all times, as may be necessary to inspect, repair, erect or maintain the Telephone Company's lines thereon, provided that any additional poles shall be erected under the supervision of the manager of the Railway Company.

5. This agreement shall continue for the period of ten years from the date thereof.

In witness whereof, the said parties have hereunto set their corporate seals.

Signed, sealed and delivered and countersigned by
C. F. SISE,

President of the Bell Telephone Company of Canada (Ltd.), in the presence of
CHAS. P. SCLATER,

Signed, sealed and delivered and countersigned by
JOHN DICKENSON,

President of the Hamilton and Dundas Railway Company, in the presence of
M. MURGATUYD.

Certified correct copy.

CHAS. P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 44).

Memorandum of agreement made this 29th day of July, one thousand nine hundred and three, between the Bell Telephone Company of Canada, Limited, of the first part, and the Michigan Central Railroad Company, of the second part, witnesseth that in consideration of the undertakings hereinafter made,

1. The said Telephone Company agrees to furnish, during the period of one year from the 1st day of July, 1903, thirty-five telephone instruments, located as per attached list, forming part of this agreement.

2. And the said Railroad Company agrees to pay to the Telephone Company the sum of three hundred and seventy dollars ($370) in cash, in monthly payments of $30.83, on the first day of each month during the said period, the first payment to be made on the first day of August, 1903; and also agrees with the Telephone Company to give transportation to an amount not exceeding two hundred dollars ($200) during the said year, by the issue of mileage books, such mileage books to be issued from time to time on the written request of the president of the Telephone Company, addressed to the general superintendent of the Railroad Company at Detroit, Michigan; each such request shall refer to this contract.

3. It is mutually agreed that the mileage travelled or telephone service given, in excess of that hereinbefore provided for, shall be paid for at the regular rates of the parties hereto.

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APPENDIX No. 1

In witness whereof the parties hereto have executed this contract.

THE BELL TELEPHONE COMPANY OF CANADA, LIMITED,
By CHAS. P. SCLATER, *Sec.-Treas.*

THE MICHIGAN CENTRAL RAILROAD COMPANY,
By R. H. L'HOMMDEAU.

C. F. S., Jr.
Certified correct copy.
CHAS. P. SCLATER.

MICHIGAN CENTRAL RAILROAD COMPANY.

Instruments Covered by Contract.

Amherstburg, station, 1 Blake wall	$15 00
Bridgeburg, station, 1 Blake wall	15 00
Essex, station, 1 Blake wall	15 00
Hagersville, station, 1 Blake wall	15 00
Leamington, station, 1 Blake wall	15 00
London, freight, 1 L. D. wall set	45 00
London, ticket, 1 L. D. wall set	45 00
Niagara Falls, Queen station, 1 Blake wall	25 00
Petrolea, station, 1 Blake wall	25 00
Ridgetown, freight, 1 Blake wall	15 00
St. Thomas, roadmaster's res., 1 Blake wall	20 00
" trainmaster's res., 1 Blake wall	20 00
" Supt. Morford's res., 1 Blake wall	20 00
" superintendent, 1 Blake wall	25 00
" freight, 1 Blake wall	25 00
" solicitor, 1 Blake wall	25 00
" station, ticket, 1 Blake wall	25 00
" despatcher's res., 1 Blake wall	20 00
" chief despatcher's office, 1 Blake wall	25 00
" asst. superintendent's res., 1 Blake wall	20 00
Tilbury Centre, station, 1 Blake wall	15 00
Tilsonburg, ticket, 1 Blake wall	15 00
" freight, 1 Blake wall	15 00
Waterford, freight, 1 Blake wall	15 00
Welland, station, 1 Blake wall	15 00
Windsor, station, 1 Blake wall, Detroit service	40 00
	$570 00

Free Instruments, account B. T. Co.

Comber, station, 1 Blake wall	$15 00
Niagara Falls, Victoria station, 1 Blake wall	40 00
Niagara-on-the-Lake, station, 1 Blake wall	15 00
Oil Springs, station, 1 Blake wall	15 00
St. Thomas, roundhouse, 1 Blake wall	25 00
" trainmaster, 1 Blake wall	25 00
" Morford's private office, 1 L. D. desk	33 50
Waterford, station, 1 Blake wall	15 00
Ridgetown, 1 Blake wall	31 00
	$214 50

MONTREAL, July 21, 1903.

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It is hereby mutually agreed that the within contract, bearing date July 29th, 1903, between the Bell Telephone Company of Canada, Limited, and the Michigan Central Railroad Company, with respect to telephone service, shall remain in force for the period of one year from the first day of July, 1904.

Dated, June 30th, 1904.

THE BELL TELEPHONE COMPANY OF CANADA, LIMITED,
By C. F. SISE, *President.*

THE MICHIGAN CENTRAL RAILROAD COMPANY,
By R. H. L'HOMMDEAU, *General Manager,*

Certified correct copy.
CHAS. P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 45.)

This agreement, made in duplicate this thirtieth day of October, 1903, between the Bell Telephone Company of Canada, Limited, a body corporate duly incorporated, having its head office and principal place of business in the city of Montreal, Province of Quebec, herein acting and represented by Charles Fleetford Sise, its president, who for the purposes hereafter is duly authorized, hereinafter called the 'Telephone Company,' party of the first part, and the Michigan Central Railroad Company for itself and the railroads owned, operated or leased by it, hereinafter called the 'Railroad Company,' party of the second part.

Now this agreement witnesseth:—

Whereas, the Railroad Company desires to obtain from the Telephone Company sets of railway composite for use upon the telegraph wires of the Railroad Company, as hereinafter provided,

Now, therefore, it is agreed by the parties hereto as follows:—

1. The Telephone Company will, as the Railroad Company may from time to time request:—

(*a*) Furnish at the office of the Telephone Company in St. Thomas, Ontario, for any use in the conduct of the business of the Railroad Company, as herein provided, sets of railroad composite, each such set to include a long-distance transmitter, standard bi-polar receiver, and initial cord, each at an annual rental, when not maintained by the Telephone Company, as hereinafter provided for, of $15.

(*b*) Furnish at the office of the Telephone Company in St. Thomas, Ontario, the following apparatus, to be used in connection with the foregoing sets of railway composite, at the annual rentals herein specified: intermediate differentiators for bridging out telegraph stations, where no telephones are used, but where through service is desired, each at an annual rental of $1.

Terminal differentiators, each at an annual rental of $1.

(*c*) Furnish at the office of the Telephone Company in St. Thomas, Ontario, for any use in the conduct of the business of the Railroad Company, portable sets of railway composite for emergency or train use (Number 229), each including extension pole for tapping wires between stations and initial extension wire, each at an annual rental, when not maintained by the Telephone Company as hereinafter provided, of $15.

(*d*) Install or maintain, or both install and maintain, any of the foregoing sets of railway composite, and any of the foregoing apparatus, at actual cost of the labour and materials employed, plus 15 per cent, the charge for such maintenance to be added to the rental of such sets of railway composite or of the apparatus used in connection therewith, and to be herein treated as a part of such rental.

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(e) Furnish, or construct, at the request of the Railroad Company upon the property or right of way of the Railroad Company any special wiring, to be used in connection with the foregoing sets of railway composite and any of the foregoing apparatus, at actual cost of labour and materials employed, plus 15 per cent.

2. All sets of railway composite furnished hereunder shall be located on the premises of the Railroad Company, or at the residences of its officers, or employees, and shall be used only in the conduct of its business, as herein provided, upon telegraph wires owned by it, or leased or furnished to it for the transaction of its business; but it is expressly understood that the telegraph wires of the Railroad Company, upon which such sets of railway composite and apparatus in connection therewith are used shall have no connection with any circuit or wire in the Dominion of Canada upon which telephones or telephone apparatus not furnished by the Telephone Company are used. And it is further expressly understood that the sets of railway composite and the apparatus used in connection therewith are designed for use on grounded telegraph wires and shall have no connection with the telephone circuit or wires, or with the telephones and apparatus, used in connection with any telephone exchange service.

3. The Railroad Company will:—

(a) Give at all reasonable hours such access to its premises for furnishing, installing, maintaining, inspecting, or removing by the Telephone Company the sets of railway composite, wires and apparatus used in connection therewith furnished hereunder, or contemplated herein, as may be requisite for the purposes of this contract, and when required by the Telephone Company furnish proper right of way upon the property or right of way of the Railroad Company for all wires to be furnished hereunder by the Telephone Company.

(b) Receipt to the Telephone Company for all sets of railway composite, transmitters, receivers and apparatus furnished hereunder, such receipt to specify the individual numbers, if any, of such sets of railway composite, transmitters, receivers, instruments and apparatus.

(c) Furnish without charge to the Telephone Company, reasonable facilities required by it for the transportation and distribution of materials, tools, and men for any use in the construction, reconstruction, maintenance, repair or inspection of any apparatus upon said Railroad Company's right of way or coming upder this contract.

(d) Equip at all times with protective devices satisfactory to the Telephone Company, which shall be properly maintained by the Railroad Company, all sets of railway composite, and the apparatus in connection therewith, maintained by the Railroad Company as herein provided.

(e) Exercise due diligence in the protection of the property of the Telephone Company furnished hereunder, and reimburse the Telephone Company for loss or destruction of such property due to negligence of the employees of the Railroad Company.

(f) Return to the Telephone Committee, at the expiration or termination of this contract, all sets of railway composite, transmitters, receivers, or apparatus leased hereunder, the Telephone Company removing at its own expense all apparatus maintained by it.

4. The Railroad Company will not, during the continuance of this contract, use in the conduct of its business, within the territory of the Telephone Company, any sets of railway composite, or any similar apparatus not furnished by the Telephone Company, and no wires, upon which are used sets of railway composite or similar apparatus not furnished hereunder, shall have connection with any wires upon which are used sets of railway composite or similar apparatus furnished hereunder.

No part of the sets of railway composite, apparatus used in connection therewith, or materials furnished to, or used hereunder by, the Railroad Company shall be used for any service for which a charge or compensation shall be received by it from any person or corporation, nor shall any of the sets of railway composite or apparatus used in connection therewith be used outside of the territory of the Telephone Company, except that connection may be made with sets furnished by any of the licensees

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of the American Bell Telephone Company in the United States of America under a similar agreement.

5. The rental for sets of railway composite, and apparatus used in connection therewith furnished hereunder, shall begin with the first day of the calendar month following the date of installation or delivery thereof, as the case may be, and shall continue until the last day of the calendar month in which the Railroad Company shall return the same to the Telephone Company. No set of railway composite or apparatus used in connection therewith shall be discontinued unless a rental therefor shall have been paid for at least six months. Rentals hereunder for the sets of railway composite, and apparatus used in connection therewith, shall be payable half-yearly in advance, beginning with the first day of November, 1903.

6. It is agreed by and between the parties hereto, that, at the expiration of the first year, from the date thereof, this agreement shall continue in force until terminated by one month's notice in writing, given by either party to the other and upon such termination that the Railroad Company will pay to the Telephone Company such proportion of the yearly charges herein specified as is proportionate to the time for which sets of railway composite or apparatus in connection therewith have been used since the end of any full year from and after the date hereof.

Signed in duplicate by the parties hereto on the date first hereinabove written.

S. P. HUTCHINSON,
General Superintendent.

Signed, sealed and delivered in the presence of:—
J. A. WILLIAMS.

THE BELL TELEPHONE COMPANY OF CANADA, LIMITED,

C. F. SISE,
President.

Signed, sealed and delivered in the presence of:—
CHAS. P. SCLATER,
Secretary-Treasurer.

Certified correct copy.
CHAS. P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 46.)

THE BELL TELEPHONE COMPANY OF CANADA, LIMITED,

DISTRICT SUPERINTENDENT'S OFFICE, MONTREAL, July 3, 1900.

T. J. LAROCQUE, Esq.,
New York and Ottawa Railway, Russell, Ont.

DEAR SIR,—We have your favour of the 28th ult., and in reply to same beg to inform you that this company will accept proposition to furnish one lineman with transportation over your railway, between Cornwall and Russell, and in consideration of which we will place a telephone in the railway station, with free communication with that agency only,—regular tariff charges to all points beyond the Russell exchange.

We are also to have permission to use a few of your poles from the road, to enable us to reach the station premises.

If the conditions are satisfactory, please forward to this office, an annual pass for one lineman,—and on receipt of same we will immediately arrange to have the telephone placed as desired.

Yours truly,

W. J. GILMOUR,
Dist. Supt. E.D.

Certified correct copy.
CHAS. P. SCLATER,
Secretary-Treasurer.

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(Exhibit No. 47.)

NEW YORK AND OTTAWA RAILROAD.

RUSSELL, ONT., STATION, July 21, 1900

W. J. GILMOUR, Esq.,
District Superintendent, Montreal, Que.,

DEAR SIR,—Yours of the 3rd and conditions therein to install a 'phone in this office has been accepted by Railway Company.

I herewith enclose annual pass No. 725 for which please acknowledge prompt receipt.

As per yours of same date 'phone is to be immediately set up.

Yours truly,

F. J. LAROCQUE,
Agent.

Certified correct copy.

CHAS. P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 48.)

OTTAWA AND NEW YORK RAILWAY.

HENRY W. GAYS,
President and General Manager,
OTTAWA, ONT., Sept. 30, 1903.

W. J. GILMOUR Esq.,
District Superintendent, Bell Telephone Co.,
Montreal, Que.

DEAR SIR,—Am in receipt of your letter of September 16, addressed to Mr. Phillips.

It would be agreeable to this company for you to install a telephone at Crysler on the terms as indicated by you.

Yours truly,

H. W. GAYS,
General Manager.

Certified correct copy,

CHAS. P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 49.)

MONTREAL, September 16, 1903.

Mr. PHILLIPS,
Passenger Agent, New York and Ottawa Ry.,
Ottawa, Ont.

DEAR SIR,—We have received a request from your patrons at Crysler to approach you in connection with the installation of a telephone in your station at that place and we have informed them that you would be communicated with.

We would be pleased to place an instrument, provided you would agree to occasionally issue a trip pass to points on your railway for our employees, in addition to the annual pass now in use by our repairers.

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Should you approve of this proposition, we will agree to install a telephone without charge in your Crysler station for the benefit of your patrons.

Kindly let me hear from you on the subject.

Yours truly,

W. J. GILMOUR,
Dist. Supt. E. D.

Certified correct copy,

CHAS. P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 50.)

This agreement executed in duplicate this tenth day of February, nineteen hundred and four, between the Bell Telephone Company of Canada, Limited, a body corporate, duly incorporated, having its principal office in the city of Montreal, hereinafter called the 'Telephone Company,' herein acting and represented by Charles Fleetford Sise, its president, party of the first part, and the Quebec Southern Railway Company, a body corporate, duly incorporated, having its principal office in the city of Montreal, hereinafter called the 'Railway Company,' herein acting and represented by H. A. Hodge, Esquire, its president, party of the second part.

Witnesseth:—

That the said parties have covenanted and agreed as follows :—

The Telephone Company agrees to furnish free of all charge by way of rental or otherwise, 1 long-distance wall style telephone set located in the office of the general manager of the Railway Company, in the Board of Trade Building, Montreal, Que.; 1 long-distance wall style telephone set located in the office of the agent of the Railway Company at Sorel, Que.; 2 long-distance wall style telephone sets, one located in the residence, and the other located in the office of the superintendent of the Railway Company at St. Hyacinthe, Que.

One long distance wall style telephone set, located in the station of the Railway Company, at Iberville, Quebec, including local exchange service on the business of the Railway Company at the respective exchanges through and by means of the aforesaid telephone sets.

The Railway Company agrees to furnish to the Telephone Company, free of charge, annual passes over the lines owned or controlled by the Railway Company, in favour of the following officials :—

C. F. Sise, President.
L. B. McFarlane, General Superintendent.
C. F. Sise, jr., Asst. Genl. Superintendent.
W. J. Gilmour, District Superintendent E. D.
W. H. Winter, Superintendent of Construction, E. D.
D. J. Rayside, Asst. Supt. Construction, E. D.
Six—One lineman, trip passes.

and such other trip passes over aforesaid railway lines as may from time to time be required for officers or employees of the Telephone Company engaged upon telephone business.

To grant to the Telephone Company, the right of placing telephone instruments, wires and apparatus, in all stations, and offices of the Railway Company.

It is mutually agreed that this agreement shall remain in force for a period of

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APPENDIX No. 1

one year, and yearly thereafter, unless discontinued by notice in writing by either party to the other, thirty days in advance of the expiration of any such yearly term.

In witness whereof, the parties hereto have hereunto set their hands and seals.

THE BELL TELEPHONE COMPANY OF CANADA, LIMITED,
C. F. SISE,
President.

Countersigned.
CHAS. P. SCLATER,
Secretary-Treasurer.

QUEBEC SOUTHERN RAILWAY COMPANY,
By H. A. HODGE, *President.*

Signed, sealed and delivered, in the presence of :—
C. B. HIBBARD,

Certified correct copy.
CHAS. P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 51.) 517.

SC. JANUARY 28th, 1905.

W. J. FARBAR, Esq.,
D.S., Montreal, Quebec.

DEAR SIR,—For some time we have tried to arrange with the Quebec and Lake St. John Railway for permission to place a telephone in their station at St. Raymond. The terms they asked were unreasonable, but finally we have secured this right in return for one free telephone in Quebec and an agreement to write off accounts for L.D. messages between Quebec and St. Raymond not exceeding $1 per month and only when this use is necessitated by their telegraph lines being interrupted.

Will you please arrange to place a L. D. telephone in this station as soon as possible, and have the district manager notify our subscribers of the arrangement, and if possible secure new business on the strength of it.

The above arrangement is in force until the 1st of January, 1906.

Your truly,
C. F. SISE, jr.,
Asst. General Supt.

H. A. D.,
C. P. S.

Certified correct copy.
CHAS. P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 52).

This agreement executed in duplicate at the city of Montreal, in the Province of Quebec, this seventeenth day of December, 1898, by and between the Bell Telephone Company of Canada, Limited, a body corporate, having its principal office in the said city, hereinafter called the Telephone Company, acting herein and represented by Charles F. Sise, its president, of the one part, and the St. Lawrence and Adirondack Railway Company, a body corporate, having its principal office in the said city, hereafter called the Railway Company, acting herein and represented by W. Seward Webb, its president, and Frank G. Smith, its secretary, of the other part:

Witnesseth: that the said parties have covenanted and agreed as follows,—That Telephone Company will furnish to the Railway Company at all points in the Domin-

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ion of Canada where it may have exchanges, telephone connections between the offices and stations of the Railway Company and the exchanges of the Telephone Company free of charge. It will also issue to the officials of the Railway Company annual passes good over the trunk lines of the Telephone Company, and free telephone exchange connection;

The Railway Company will furnish annual passes to the officials of the Telephone Company over its own lines and lines leased or controlled by the said Railway Company and will also furnish free transportations to the employees of the Telephone Company over said lines.

The Telephone Company shall have the exclusive right of placing telephone instruments, apparatus and wires in the several stations, offices and premises of the Railway Company throughout the Dominion of Canada. And each company, so far as it may properly do so without prejudice to its business, grants to the other company facilities for carrying its wires and lines through or over the poles, subways, bridges and other premises on equitable terms to be agreed upon. And the Railway Company will not grant similar facilities to any other telephone company.

The number of annual passes, free telephone communication and extent of free transportation shall be determined, from time to time, by the president of the Railway Company and the president of the Telephone Company, as the expansion of both companies may require. And such annual passes, &c., shall be issued by an official to be designated by each company.

All existing arrangements between the two companies for services and facilities shall terminate at the end of the terms for which payment has already been made.

The present agreement shall remain in force until terminated by either company by its giving to the other company, in writing, sixty days notice of its intention to terminate it.

In witness whereof, we have hereunto appended our respective seals and signatures.

THE BELL TELEPHONE COMPANY OF CANADA, LTD.

By

CHAS. P. SCLATER,
Secretary-Treasurer

C. F. SISE,
President.

ST. LAWRENCE AND ADIRONDACK RAILWAY COMPANY,

Attest:

By

FRANK G. SMITH,
Secretary.

W. S. WEBB,
President.

Certified correct copy.

CHAS. P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 53.)

This agreement, executed in duplicate on the sixteenth day of November, one thousand eight hundred and ninety-nine, between the Bell Telephone Company of Canada, Limited, a body corporate, having its principal office in the city of Montreal, in the Province of Quebec, hereafter called 'the Telephone Company,' of the first part, and the Thousand Islands Railway Company, hereinafter called 'the Railway Company,' of the second part, witnesseth that the said parties have covenanted and agreed as follows:—

The Telephone Company will furnish to the Railway Company, free of charge, three (3) telephone connections with the exchanges of the Telephone Company, at such railway offices and stations as may be designated by the Railway Company.

And the Telephone Company will furnish to the Railway Company, at one-half the Telephone Company's current exchange annual rates in the town of Gananoque,

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any additional telephones required for the officials of the Railway Company in the town of Gananoque, not exceeding two (2) in the aggregate, and located within one-half mile of the exchange; all additional instruments and extra mileage to be paid for at regular rates.

The Railway Company will furnish annual passes to the officials of the Telephone Company over its own lines and lines leased or controlled by it, and will also furnish free transportation to the employees of the Telephone Company over the said lines.

The Telephone Company shall have the exclusive right of placing telephone instruments, apparatus and wires in the several stations, offices and premises of the said Railway Company—except wires and instruments owned by the Railway Company, and excepting the contract between the Thousand Islands Railway Company and the North American Telegraph Company—and each company, so far as it may properly do so, without prejudice to its own business, grants to the other company facilities for carrying its wires and lines through or over the poles, subways, bridges and other premises, on equitable terms to be agreed upon; and the Railway Company will not grant similar facilities to any other Telephone Company, except as hereinbefore mentioned.

It is understood that the telephone service herein referred to shall be furnished by means of the Telephone Company's standard instruments, which consist of a Blake transmitter, Bell telephone and Magneto bell, properly mounted on backboards, ready for use.

All existing arrangements between the companies to this agreement, for services and facilities, shall terminate at the end of the terms for which payment is due or has already been made.

This agreement shall remain in force for three years from the date hereof, and thereafter until terminated by six months' previous notice in writing, from either party, of its intention to terminate the same.

In witness whereof we have hereunto appended our respective seals and signatures.

THE BELL TELEPHONE CO. OF CANADA, LTD.
C. F. SISE,
President.

THE THOUSAND ISLANDS RAILWAY CO.
C. A. MILLENER, per R. C. CARTER,
General Manager.

Certified correct copy.
CHAS. P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 54.)

This agreement, made this 18th day of August, one thousand nine hundred and two, between the Bell Telephone Company of Canada, Limited, hereinafter called the 'Telephone Company,' of the first part, and the Tilsonburg, Lake Erie and Pacific Railway Company, hereinafter called the 'Railway Company,' of the second part.

Witnesseth:—

That in consideration of the agreements and stipulations hereinafter contained on the part of the Railway Company, the Telephone Company agrees:—

(*a*) To furnish, install, and maintain in good order and repair, the following telephone instruments and apparatus in the premises of the Railway Company, viz.: 1 L. D. wall set in the station at Port Burwell, Ont., 1 L. D. wall set in the station at Vienna, Ont., 1 L.D. wall set in the station at Straffordville, Ont., 1 L. D. wall set in the station at Eden, Ont., 1 L. D. wall set in the station at Ingersoll, Ont., 1 L. D. wall set in the station at Mount Elgin, Ont., 1 L. D. wall set in the station at Tilson-

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burg, Ont., 1 L. D. wall set in the station at (G.T.R. loop line) at Tilsonburg, Ont., and any additional L. D. wall sets in railway stations or other premises on aforesaid right of way at an annual rental of ten dollars ($10) per set.

1. Specification No. 47, switchboard in the railway station at Tilsonburg and any additional Specification No. 47 switchboards, in railway stations or other premises on aforesaid right of way, at an annual rental of five dollars ($5.)

2. Bridging extension bells in the railway station at Tilsonburg, and any additional bridging extension bells, at an annual rental of two dollars per bell.

All payable annually in advance.

(*b*) That after aforesaid instruments and apparatus have been installed for a period of one year, the Railway Company, may order their removal, or shall have the right to purchase aforesaid instruments and apparatus, at the Telephone Company's then current prices, upon written notice to the Telephone Company, six months in advance of its desire to remove or purchase, and upon payment of rental charged to date of such removal or purchase. In the event of such sale being made by the Telephone Company, the maintenance and repairs of aforesaid instruments and apparatus shall, after date of purchase, be made by, or at the expense of the Railway Company.

(*c*) To grant and permit to the Railway Company, all such free connections by means of Telephone Company's lines between the Telephone Company's exchange at Tilsonburg and the station of the Railway Company at Tilsonburg, and also between the Telephone Company's exchange at Ingersoll and the Railway Company's station at Ingersoll, as may reasonably be required for the purposes of the Railway Company's business.

(*d*) To furnish to the Railway Company, install, and keep in good order and repair, free of all charges by way of rental or otherwise, one L. D. desk telephone set in the residence of Mr. C. C. L. Wilson, in the town of Ingersoll, Ontario, in connection with the Railway Company's private line; one L. D. desk telephone set in the residence of Mr. John H. Teall, in the town of Tilsonburg, Ontario, and to grant and permit exchange service by means of Telephone Company's lines between said telephone set and the subscribers of the Telephone Company at Tilsonburg, Ontario.

2. That in consideration of the premises the Railway Company agrees:—

(*e*) To grant and permit the Telephone Company the sole and exclusive right as against any other company, corporation, person or persons carrying on any telephone business, to enter any office, station, freight-shed, building, or other premises of the Railway Company, and so that no other company, corporation, person or persons shall bring to, or place therein, any telephone instrument, pole, wire or other appliance for the purpose of doing, or carrying on thereon or therein any telephonic business or communication.

(*f*) To grant and permit the Telephone Company, the sole and exclusive right as against any other telephone or electric light company to occupy the Railway Company's right of way between Port Burwell and Ingersoll, and any further extensions which the Railway Company may make to aforesaid right of way for the purpose of erecting thereon a telephone line or lines.

(*g*) That its officers, agents, and other employees shall well and carefully use and attend to the instruments furnished under this agreement, and take all reasonable and proper care of the same.

(*h*) That its officers, agents and other employees shall not either directly or indirectly or either gratuitiously, or for money, permit any person or persons not in the employ of the Railway Company to use said instruments.

(*i*) To confine the use of aforesaid instruments connected to aforesaid private line, to the business of the Railway Company.

(*j*) Not to attach or permit any instrument or attachments to be connected to aforesaid private line of instruments, except as provided for in this agreement, without the permission of the Telephone Company.

(*k*) To furnish to the Telephone Company, its officers, agents or other employees, free transportation upon its railway between Port Burwell and Ingersoll and upon

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future extensions thereto when engaged upon the business of the Telephone Company, and to permit such officers, agents or other employees to carry with them, free of charge, such tools and material as they usually carry, or as may be required for the purposes of their work, and to transport free of charge, all tools, materials, &c., necessary for the construction of the Telephone Company's line to be erected upon the Railway Company's right of way.

(*l*) That the aforesaid telephonic instruments and apparatus leased to the Railway Company under this agreement, are, and shall continue to be the property of the Telephone Company, and at the expiration of this agreement, or on breach, or non-fulfilment by the Railway Company of any of the agreements on its part hereinbefore contained, the Telephone Company shall upon written notice to the Railway Company six months in advance of its intention to do so, have the right by its officers, servants and workmen to enter upon, and into the premises of the Railway Company and remove the said instruments, but such removal shall not deprive the Telephone Company of any other right or remedy to which it may be entitled, by reason of any such breach or non-fulfilment of this agreement.

3. It is hereby declared and agreed by and between the parties hereto:—

(*m*) That in construing this agreement, a wall set of instruments shall be taken to consist of: 1 L. D. transmitter, 1 bi-polar telephone, 1-1000 ohm bridging magneto, 3 cells of dry battery, 1 flexible cord, 1 backboard and battery box, and that a desk set of instruments shall be taken to consist of: 1 L. D. transmitter, 1 portable stand, 1 bi-polar telephone, 1-1000 ohm bridging extension bell cells of dry battery, and 1 flexible cord.

(*n*) That this agreement in all its parts, except as provided for in clauses 'b' and 'c,' shall continue in force, and be binding upon said parties, for a period of fifteen years from date hereof.

In witness whereof the said parties have caused their respective corporate seals to be hereunto affixed, under the hands of their proper officers in that behalf.

Signed with the corporate seal of the Bell Telephone Company of Canada, Limited:

THE BELL TELEPHONE COMPANY OF CANADA, LTD.,
ROBERT MACKAY, *V.-President.*

In the presence of,

CHAS. P. SCLATER,
Secretary-Treasurer.

Signed with the corporate seal of the Tilsonburg, Lake Erie and Pacific Railway Company:

JOHN CHARLTON,
President.

In the presence of:

THOS. JENKINS,
Secretary.

Certified correct copy,

CHAS. P. SCLATER,
Secretary-Treasurer.

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(Exhibit No. 55.)

Subject:—Extension of contract.

THE BELL TELEPHONE COMPANY OF CANADA, LIMITED.

PRESIDENT'S OFFICE, MONTREAL, December 13, 1904.

E. FISHER, Esq.,

General Superintendent, T. H. & B. Ry., Montreal.

DEAR SIR,—Referring to our conversation of this morning; we will, for one year from January 1, 1905, furnish to the Toronto, Hamilton and Buffalo Railway Company, exchange service as at present existing, and on the existing terms; and will when required, furnish four additional exchange sets at half rates. We will also furnish books of franks to three officers of the railway, as may be designated by you.

The Railway Company will furnish annual passes to the officials of the Telephone Company over its own lines and lines leased or controlled by it, and free transportation to the employees of the Telephone Company over said lines; and will also carry free of charge the freight business of the Telephone Company, both local and through over the said lines; the value of such free freight and passenger business not to exceed the value at regular rates, of the telephone service furnished hereunder.

Please let me have a formal acknowledgement of your acceptance of these terms.

We overlooked the fact that the right of way which was referred to in our conversation, is already provided for under the contract of July 18, 1903, which was made for five years.

Yours truly,

C. F. SISE,

President.

Certified correct copy.

CHAS. P. SCLATER,

Secretary-Treasurer.

(Exhibit No. 56.)

TORONTO, HAMILTON AND BUFFALO RAILWAY COMPANY.

GENERAL SUPERINTENDENT'S OFFICE, HAMILTON, January 6, 1905.

Subject:—Contract.

Mr. C. F. SISE,

President, Bell Telephone Company of Canada, Montreal, Que.

DEAR SIR,—I have your letter of the 30th instant, in regard to extension of contract between our respective companies, for one year from January 1, 1905.

I take pleasure in accepting on the part of the Toronto, Hamilton and Buffalo Railway Company the offer contained in your letter. Will you please have the long distance franks issued as follows:—

E. Fisher, general superintendent.
F. F. Backus, general freight and passenger agent.
George W. Holmes, purchasing agent.

With best wishes.

I am, yours very truly,

E. FISHER,

General Supt.

EF. C.

Certified correct copy.

CHAS. P. SCLATER,

Secretary-Treasurer.

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(Exhibit No. 57.)

THE WABASH RAILROAD COMPANY.

BUFFALO, N.Y., February 12th, 1900.

Mr. C. F. SISE,
President, Bell Telephone Company of Canada,
Montreal.

DEAR SIR,—Complying with your favour of February 9th, I give you below the names of the two representatives of our company for whom I desire telephone franks : Mr. T. L. Cochrane, travelling freight agent, and Mr. J. A. Richardson, district passenger agent.

I beg to advise that we honour Grand Trunk passes on our trains at the present time, and if at any time our management should decide to discontinue the honouring of Grand Trunk annuals on our trains, I will advise you and arrange for furnishing Wabash annuals for those who desire to use our trains.

Kindly arrange to have the telephones put in our trainmaster's home and our general foreman's office, St. Thomas, as per my former letter.

Yours truly,

A. E. ROBBINS,
Superintendent.

Certified correct copy.

CHAS. P. SCLATER,
Secretary-Treasurer.

(Exhibit No. 58.)

Subject:—Exchange of facilities.

THE BELL TELEPHONE COMPANY OF CANADA, LIMITED.

PRESIDENT'S OFFICE, MONTREAL, 14th February, 1900.

The Wabash Railway Company,
A. E. Robbins, Esq., Supt., Buffalo Division,
Buffalo, N.Y.

DEAR SIR,—I have yours of the 12th instant, and have given instructions to have instruments placed in the trainmaster's house, and the general foreman's office, St. Thomas; and hand you herewith books of franks for T. L. Cochrane, travelling freight agent, and Mr. J. A. Richardson, district passenger agent.

Yours truly,

C. F. SISE,
President.

Certified correct copy.

CHAS. P. SCLATER,
Secretary-Treasurer.

List of shareholders of the Bell Telephone Company up to April 1, 1905, also filed and marked.
(Exhibit No. 59.)

Mr. MACLEAN.—Mr. Chairman, would you mind reading the letter addressed to Mr. McFarlane, asking for other documents ?

Mr. CASGRAIN.—Would you allow me to put in evidence, or rather to make the statement, in regard to some other contracts also. Here is a letter which has been received

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from Mr. McFarlane. He says that he includes 'certified copies' of all agreements with railways in Canada for telephone facilities. Of course, they are in addition to these hundreds of cases where railways have signed ordinary subscribers' leases for telephones at current rates, to which I suppose the summons does not refer.

'There are no contracts between this company, the Northern Electric and Manufacturing Company, the American Bell Telephone Company, the American Telephone and Telegraph Company, and the Western Electric Company, in regard to the use by the two first-named companies of the patents controlled by the last-named companies, this company making use only of its own Canadian patents, of which it has over 200, and of which I inclose a list showing original date and date of termination.'

This is a letter from Mr. Sclater, secretary-treasurer of the company. Then would the committee allow me to state that since the committee was appointed Mr. Sise was cabled to—he was then on his way to Italy—and as soon as he arrived in Italy he immediately retraced his steps and is now on his way back to Canada and will be here on the 19th or 20th of this month. I might say that Mr. Sise, whom you know is the president and general manager of the company, is probably the only person at present who could give this committee all the information that it desires to have in regard to the affairs of the company, its subscribers, shareholders and its dealing with the public in general. He will be here, as I say, the 19th or 20th of this month. Now, as regards the copies which we have produced before the committee, I may say that at any time when the committee so desires, either an officer or an employee of the company will be sent up here with the originals, so that they may be compared by the clerk or by anybody whom the committee wishes to appoint for that purpose.

Mr. MACLEAN.—Mr. Casgrain, that letter does not refer, as I understand it, to the request of the committee, addressed to the Bell Telephone Committee for the production of the original agreement between the old Bell Company and the current company and the present company, in regard to the occupation of the Canadian field and the share each had in the occupation of that field.

Mr. CASGRAIN.—Well, I did not read the subpœna in that way.

Mr. MACLEAN.—All right; I thought it was clearly set forth.

Mr. CASGRAIN.—I say to the committee very frankly that we have offered to produce everything that is in our possession, and we have no desire to hide anything. If there is anything more that the committee wishes to call for we will produce it with the greatest pleasure. I do not think this was called for by the subpœna which was served upon the company. If you will allow me I will read what was called for. I will read over the enumeration of the documents and that will tell whether I am right or not.

(Reads subpœna.)

'L. B. MCFARLANE, Esq.,
'General Superintendent,
'The Bell Telephone Co. of Canada, Ltd.,
'Montreal, Que.

'Take Notice, that you are hereby summoned and required to appear at Ottawa on Tuesday next, the eleventh day of April, at 11 o'clock a.m. in Committee Room No. 30. and give evidence before the Select Standing Committee of the House of Commons on Telephone Systems, and that you bring with you and then and there produce certified copies of all agreements existing between the Bell Telephone Company of Canada and the railway companies of Canada, setting forth the conditions under which telephone facilities are supplied by the first-named company; also certified copies of all agreements between the Bell Telephone Company of Canada, the Northern Electric Company, the American Bell Telephone Company, the American Telephone and Telegraph Company and the Western Electric Company, in regard to the use by the two first-named companies of the patents controlled by the three last-named companies; also

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particulars showing which of the patents enumerated in the before-mentioned agreement have lapsed, and what patents now used by the Bell Telephone Company or the Northern Electric Company are still in existence; also a list of the stockholders in the Bell Telephone Company of Canada, with particulars of their holdings.'

Now, with the exception of 'certified copies of all agreements between the Bell Telephone Company of Canada, the Northern Electric Company, the American Bell Telephone Company, the American Telephone and Telegraph Company and the Western Telegraph Company in regard to the use by the two first-named companies of the patents controlled by the three last-named companies,' everything has been produced.

Mr. LAFLEUR.—There are no such contracts.

Mr. CASGRAIN.—There are no such contracts in existence. They were not mentioned here in the second sentence (reading): 'also certified copies of all agreements between the Bell Telephone Company of Canada, the Northern Electric Company, the American Bell Telephone Company, &c.' As Mr. Sclater states in his letter, 'this company (the Bell Telephone Company) making use only of its own Canadian patents, of which it has over 200, and of which I inclose a list.'

The CHAIRMAN.—You think Mr. Sise will be in Canada on the 19th of this month?

Mr. CASGRAIN.—On the 19th or 20th. He is on the ocean—he is on his way out.

The CHAIRMAN.—He is coming to Montreal?

Mr. CASGRAIN.—Yes; he sailed from Italy as soon as he got the cablegram recalling him.

Mr. MACLEAN.—Mr. Sise was cognizant of the original communications in connection with the establishment of the Bell Telephone Company in Canada?

Mr. LAFLEUR.—I think he was, from the inception.

The CHAIRMAN.—It is probable, Mr. Casgrain, that the Committee may desire to question Mr. Sise rather closely upon matters, so far as they concern the public, and it perhaps would be helpful to that examination if he knew in advance at least some of the points to which his attention would be directed in the witness-box, and in that view, some members of the Committee have asked me to obtain information from the company. I, therefore, jotted down some questions and some points, and other members of the Committee may desire to submit further points. But in order to assist the examination, if you wish it, I will give you now these points, upon which the examination will be conducted. Of course, you will understand that the examination is not limited to these points.

Mr. CASGRAIN.—I quite understand.

The CHAIRMAN.—The examination, when it comes to examining, will be general.

Mr. CASGRAIN.—Yes.

The CHAIRMAN.—In order that the points may not be overlooked, I have had these questions put down.

Mr. CASGRAIN.—I think it will be very helpful to Mr. Sise.

The CHAIRMAN.—I would suggest to the Committee generally, that it would be impossible to have Mr. Sise's examination thorough, unless, in advance, his attention is called to the detailed information that would be expected from him, so that he will be able to turn up the records and come prepared to testify. You all know that witnesses sometimes are not able to answer or give explanations that have been expected, on the ground that they had been asked questions that they did not expect to be asked. So I think it will help, if members of the Committee will inform the clerk from time to time as to what points they want Mr. Sise to come prepared to be examined upon. If that is the understanding of the Committee, I will leave the subject in that way, and I will give to Mr. Casgrain the questions which have been prepared. I had perhaps better read them to the Committee. They are as follows:—

'1. What are the charges made by your company for telephone services?

'2. What is the amount of capital stock?

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'3. What is the amount of bonded indebtedness ?

'4. What amount of money has each year been expended on capital account by the company in the actual acquisition of plant and real estate and the construction of its works, but not including expenditure for patents or patent rights ?

'5. What amount has each year been written off such capital expenditures ?

'6. What amount of money has been expended each year in acquisition of patents and patent rights ?

'7. What amount has each year been written off expenditures in acquisition of patents and patent rights ?

'8. What is the present estimated value of the following assets of the company :

'(*a*) Its real estate ;

'(*b*) Its lines now actually constructed and in operation ;

'(*c*) Its switchboards now in actual use ;

'(*d*) Its telephones now in actual use ;

'(*e*) Its other plant in actual use ;

'(*f*) Its telephones, instruments, and other telephone material on hand ;

'(*g*) Its patents and patent rights ?

'9. Please furnish to the Committee copies of any contracts between the company and any railway company entitling your company to install its telephones in the stations or other premises of such railway:

'10. Also please furnish copies of any agreements made with the American Bell Telephone Company, the Nationl Bell Telephone Company or any other telephone company in respect of the acquisition or right to use any patents, patent rights or patented devices pertaining to telephones or telephone switchboards or any other inventions.

'11. Please furnish a statement of royalties each year paid by the company to the American Bell Telephone Company, the National Bell Telephone Company or any other company, or to any person or persons, and showing the consideration for payment of such royalties.

'12. Does the company, and if so, to what extent, manufacture its supplies ?

'13. From what company or companies or persons does it make its chief purchase of supplies ?

'14. Are such purchases made at the fair market price ?'

The CHAIRMAN.—Is it the pleasure of the Committee that this list of questions be submitted to the Bell Telephone Company ?—Carried.

Mr. MACLEAN.—Mr. Casgrain, there is a list of companies between whom and the Bell Telephone Company agreements have been made. Could you say whether these companies or all of them, or what portion of them, are incorporated under the federal Act, or are provincial companies?

Mr. CASGRAIN.—No, I could not answer that question.

Mr. MACLEAN.—Well, is there any means of giving us that information, or could we find it out ourselves ?

Mr. CASGRAIN.—I suppose we could give it to you. Let me know what you wish. We have given a list of the railway companies having agreements with the Bell Telephone Company.

The CHAIRMAN.—I have had a few communications from people inquiring whether this man was going to be subpœnaed or that man. I do not think it is the duty of this Committee to take upon itself the responsibility of exhausting every possible imaginary source of information, although we must make our inquiry as thorough as possible. But we should also show a measure of responsibility, I think, upon the public who may feel an interest in this matter in order that they may consider themselves at perfect liberty to give this committee any advice or any information which they may possess. Without, therefore, relieving ourselves of any obligation, I have thought that it would be well to notify the public that we invite their co-operation as well, and to that end I would suggest that the Committee consider the following suggestion :

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'With reference to the telephone question, now under consideration, the Committee desire it to be understood by the public that all persons in anywise interested in the inquiry may lay their views before the Committee, either by written communication or by appearing before the Committee and giving evidence, and that all communications be addressed to the chairman.'

Suggestion approved by the Committee.

Mr. MACLEAN.—To return to the examination of the Bell people. You undertake to produce witnesses, Mr. Casgrain?

The CHAIRMAN.—We are not ready for them yet.

Mr. MACLEAN.—I want to know when they will produce witnesses.

The CHAIRMAN.—Do you mean Mr. Sise?

Mr. MACLEAN.—Yes.

The CHAIRMAN.—I think it would be premature to produce Mr. Sise until the Committee have furnished him with all the points upon which he will be examined and which will be arranged for his examination. Mr. Sise will be here on the 20th.

Mr. CASGRAIN.—On the 19th or 20th, yes.

Mr. GEOFFRION.—Well, probably, as soon as Mr. Sise comes back, Mr. Casgrain will communicate with him and let the chairman know when he can attend.

Mr. CASGRAIN.—Certainly, with pleasure.

The CHAIRMAN.—It will take Mr. Sise a considerable time to gather the various bits of detailed information that we are asking for, and there is no use forcing him into the witness-box until he comes prepared to give complete evidence.

Mr. MACLEAN.—Mr. Chairman, I would like to ask who signed that contract of the Bell Company with the Grand Trunk Railway Company? There is no reason why we should not examine the officials of the Grand Trunk and the Canadian Pacific Railway at our next meeting. Who signed the contract of the Canadian Pacific Railway with the Bell Telephone Company?

The CHAIRMAN.—It is signed by D. McNicoll and A. R. G. Heward.

Mr. MACLEAN.—I would like to have the Grand Trunk and the Canadian Pacific Railway examined as early as possible. I would like to have Mr. McNicoll summoned before the Committee.

Mr. CASGRAIN.—Would you allow me to suggest this: I take it that this would be a part of our case, and I would suggest, if it is the pleasure of the Committee, that this matter should not be gone into before Mr. Sise is here. Of course, the company may have something to say upon the examination of these witnesses, and I may tell the Committee very frankly that we have not been able to get from Mr. McFarlane, who in Mr. Sise's absence is the only one that can give us proper information, the instructions to appear before the Committee that we would like to have.

Mr. CASGRAIN (resuming after interruption).—I was saying, this would be part of our case, the summoning of these gentlemen who have signed contracts with the Bell Company. We are not properly instructed yet, not able yet to get proper instructions from Mr. McFarlane, and there is nobody else in Mr. Sise's absence to instruct us. I would ask the Committee, as a fair proposition, to put the examination of these parties off until Mr. Sise is here and able to give us proper instructions as to what line we should follow, and I think, if you will allow me to say so, give the Committee some help if Mr. Sise is here when these gentlemen are examined, because, if they were examined in his absence we might be obliged, probably, to have them summoned again to give information to the Committee which at the time they were examined in his absence we would not be able to get from them. I think it would be conducive to shortening the examination of these gentlemen and the work of the Committee if we were allowed that consideration, that favour.

Mr. GEOFFRION.—I suppose we have some other gentlemen that we might examine

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in the meantime, and I think the proposition of Mr. Casgrain seems to be very fair. He wants to wait until Mr. Sise comes back in order to communicate with him. Have we not some other gentlemen to examine in the meantime so that we can wait until Mr. Sise can give full information.

Mr. MACLEAN.—The reason we have not the Bell Company's witnesses here to-day is for the reason of the Bell Company themselves. They say they are not able to come up owing to absence and illness. We accept that, but there are others in the country ready to come, and I especially would like to bring out the attitude of these two great railway corporations to the public in the light of these agreements.

Mr. GEOFFRION.—I understand.

Mr. MACLEAN.—I would like to get that out at as early a date as possible. There is reason for that.

Mr. GEOFFRION.—Mr. Casgrain would prefer, if the Committee is willing, that Mr. Sise should be here to give that same information.

Mr. MACLEAN.—But he is not here.

Mr. GEOFFRION.—But he will be here soon.

Mr. CASGRAIN.—If he had known that this Committee would have been appointed he would not have gone away.

Mr. MACLEAN.—We accept your good faith.

Mr. CASGRAIN.—He has undertaken a trip, but as soon as he heard of the committee being appointed, he turned around to retrace his steps. He was then in Italy.

Mr. GEOFFRION.—Has he started to come back ?

Mr. CASGRAIN.—Yes. He went away because he was sure nothing would be done this session. The examination of the officials of these railways is a very important part of our case.

The CHAIRMAN.—I would think, Mr. Casgrain, it would be better for the Committee to deal with that question subsequently. We understand your suggestion. There is no disposition on the part of the Committee to take any person at a disadvantage, but simply to get at the real facts in a most thorough and exhaustive way and not to proceed in a fragmentary way in the matter inquired into, but to take up each branch and exhaust it when there is such a point as this, to exhaust it thoroughly, and perhaps a better point, instead of taking up the time of the Committee with those not concerned: the better course would be to reserve deciding this point that you have raised until the Committee has done with the public, and then the Committee will decide it ourselves in a little while. It might not be unreasonable to fall in with that plan.

WEDNESDAY, April 12, 1905.

The Committee met at 11 o'clock, Sir William Mulock in the Chair.

Dr. J. T. DEMERS of Quebec sworn:

By the Chairman:

Q. Dr. Demers, you are the manager of a telephone company, I believe?—A. Of three or four telephone companies.

Q. Of three or four? What are those companies?—A. There is the Bellechasse Telephone Company for one. It is the largest.

Q. Yes?—A. The St. Maurice Telephone Company, and the Portneuf Telephone Company. I am also the authorized agent of the Beauce Telephone Company.

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Q. You are manager of the other three companies and the authorized agent of the Beauce? Are all these three companies joint stock companies?—A. Yes, sir, incorporated.

Q. Incorporated joint stock companies?—A. The Bellechasse Telephone Company was incorporated by provincial legislation in 1893, and the Beauce Telephone Company was incorporated by an Act of the legislature a little later.

Q. Well, we will take the history of each one and its operations now. Take the Bellechasse Company, it was incorporated in what year do you say?—A. In 1893.

Q. 1893? Has it been in existence ever since?—A. Yes, sir.

Q. In active work?—A. Yes, sir.

Q. When did it organize for business?—A. Well, the Bellechasse Telephone Company we bought it up in 1900, for having the charter we started business before that with the Metis Telephone Company.

Q. You bought out the little going concerns?—A. Yes.

Q. Have you got the financial statement of your company?—A. Yes, Sir.

Q. Will you produce it, please?—A. Yes, sir.

(Exhibit No. 60.)

FINANCIAL STATEMENT OF LA COMPAGNIE DE TÉLÉPHONE DE BELLECHASSE.

PROFIT AND LOSS FOR YEAR ENDING MARCH 31, 1904.

1904.		$ cts.	1903.		$ cts.
Mch. 31...	Maintenance	850 00	April 1...	Balance	7,691 16
	Expenses	4,761 86		Less amount placed to rest account	2,500 00
	Interest	1,571 12			5,191 16
	Dividend No. 5	3,629 94	1904.		
	Balance	12,009 21	Mch. 31...	Income	17,630 97
		22,822 13			22,822 13

	ASSETS.			LIABILITIES.	
1904.			1904.		
Mch. 31...	Construction	135,469 35	Mch. 31...	Capital	100,671 01
	Stores	2,300 00		Réserve	2,500 00
	Tools	900 00		Loans	3,500 00
	Office furniture	428 44		Bills payable	27,351 75
	Real estate, Lévis	3,910 68		Creditors	1,828 10
	Agencies	2,880 00		Profit and loss	12,009 21
	Cie de Tel. Provincial	365 00			
	Cash on hand	1,606 80			
		147,860 07			147,860 07

I, the undersigned, certify having examined the books and accounts of La Compagnie de Téléphone de Bellechasse for the year ending 31st March, 1904, and found same correct. The foregoing statement agrees in every respect with the books.

QUÉBEC, le 23 juin 1904.

ROBT. LAROCHE, *Auditor.*

J. T. DEMERS, *Sec.-Tres.*

Q. Is that the latest statement?—A. Yes, it is the statement of a year ago.

Q. This is the financial statement of the company for the year ending March 31, 1904?—A. Yes, sir. The last year has expired but the report is not yet published.

Q. How many miles have you in your line?—A. We have got around 1,200 miles of pole line construction for the Bellechasse Telephone line alone.

By Mr. Maclean:

Q. That is the Beliechasse line?—A. The Bellechasse line.

By the Chairman:

Q. Of pole line construction?—A. Pole line construction.

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Q. Where are those lines?—A. It starts in the county of Matane at Cap a la Baleine, below Matane town, and goes straight up through the county of Lotbinière to St. Jean des Chaillons. Besides that straight line alongside the St. Lawrence river, we have branches that go to several points beyond. For your information I will produce a map showing all the lines we have got built.

Map produced by witness.

By Mr. Monk :

Q. Do you go down into Gaspé ?—A. No, not yet, but we are close to the county of Gaspé.

By the Chairman :

Q. Dr. Demers, will you kindly go over to the map and indicate the routes?—A. The blue line you see on the map is following up the pole line construction owned by the companies I have described.

Q. Now trace that trunk line westerly ?—A. Ste. Félicité is the next parish and then the town of Matane.

Q. Go on to the end of the line.—A. It is like this.

Q. It extends westerly to where ?—A. To St. Jean des Chaillons.

Q. That is how many miles of trunk line ?—A. A little over 1,200 miles of pole line construction.

Q. Then have you any lateral trunk lines running off it ?—A. Yes, this is one to Causapscal. It is intended to go to Campbellton. We have forty miles more to build to Campbellton, N.B., Causapscal being the last parish in the county of Matane.

Q. And then going west ?—A. Both sections join in St. Octave de Métis, in the county of Matane.

Q. Any other trunk line ?—A. We have another trunk line in the county of Temiscouata.

Q. What is the length ?—A. The length is about 80 miles. We have also got one from Trois Pistoles to St. Cyprien.

Q. How many miles ?—A. Forty miles.

Q. Any more?—A. Yes, you see all these little points for a distance of from 10 to 15 miles alongside the main line. Besides the main line in the counties of Lévis, Dorchester, Bellechasse and Lotbinière, we have main lines going south which are about 80 miles each.

By Mr. Maclean :.

Q. Stub lines?—A. Then we have got trunk lines running to the limits of all these rural counties I have named. In addition we have lines in Temiscouata, Rimouski and Matane, going south in all directions.

Q. Running in a southerly direction to the southern limits of Quebec ?—A. Yes, through all the parishes to the southern limits of the province of Quebec, to the last parish in each county. This part south of Ste. Marie parish belongs to the Beauce Telephone Company. It has over 200 miles of pole line construction and 500 subscribers operating in four parishes alongside the Bell Telephone Company, where they have reduced to nearly nothing the number of the subscribers of the Bell Telephone Company and increased their own more than in proportion.

By the Chairman :

Q. You stated that you have about 1,200 miles of pole line construction extending from the commencement of the system in Matane westerly to—— ?—A. St. Jean des Chaillons.

Q. Then you have several hundred miles of lateral lines running southerly towards New Brunswick and to the southern limits of the Province of Quebec ?—A. Yes, sir.

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Q. And then you have a number of small services off these trunk lines to neighbouring points?—A. Yes, sir.

Q. And altogether can you tell how many miles of line you have?—A. Of pole lines?

Q. Of pole lines, yes?—A. Around 1,200 miles.

Q. How many subscribers have you?—A. We have around 1,300 subscribers.

Q. One thousand three hundred subscribers?—A. Yes.

Q. Are they increasing?—A. Increasing, yes.

Q. When you speak of 1,200, do you mean to-day or since your last report was issued?—A. No; it is 1,200 to-day.

Q. Can you say what increase there has been in the number of your subscribers since last year?—A. The number increased 300 since the 1st of April, 1904.

Q. In one year?—A. Yes. Since the 1st of January last we have increased 300.

Q. When did you begin to get subscribers?—A. In 1898.

Q. In 1898?—A. Yes. You see it is divided into two parts. I went to St. Octave de Métis, in the county of Matane, to practice my profession. I wanted telephone accommodation for my practice, with the parish of St. Angèle, the first year, and we built this line for our own communication. In the same year we wanted connection with Ste. Flavie, where Dr. Ross, the member for Rimouski, lives. So we started a company and we got letters patent of incorporation. Under the name of the Métis Telephone Company we started a company with an authorized capital of $2,500. In the first year this money was all spent, and we found we were doing a nice business, so we decided to continue through the county of Matane. We obtained supplementary letters patent and got our capital increased to $7,500, so with that money we were able to build the very next year from Ste. Flavie to Matane and then from Ste. Flavie to Rimouski. At Rimouski they had the local plant which was built and operated by the Bell Telephone Company eight years previously. We thought of buying that plant or else paralleling it, and we wrote to the Bell Telephone Company and told them we wanted to buy their plant in the town of Rimouski. They had only the town connection, and we understood that if they were not willing to sell us we would build a parallel line taking all the subscribers away from their plant. I do not know what they understood, but they decided to sell it for $2,000, and we paid them. So we had all the country connections. They had at the time 33 subscribers; we have now 120.

Mr. BERGERON.—What do you think of that, Mr. Chairman?

The CHAIRMAN.—I suppose the Bell Telephone Company had to surrender before its powerful competitor.

WITNESS.—So we told them they would have to sell the plant or we would ruin their company. They sold it for $2,000 and we paid them.

By Mr. Bergeron:

Q. How many telephones did they have?—A. They had 33 and to-day we have got 120.

By the Chairman:

Q. In Rimouski?—A. In Rimouski.

Q. That is a large increase. Continue your narrative, it is very interesting?—A. Then after we bought their plant and connected it with the country lines in the same year we built up from Rimouski to Bic, ten miles or more, and just put one telephone there because we had no more money and could not do any better. After that we were thinking of building the line up to Levis and continuing that business going up. We put an announcement in the papers asking for incorporation with a capital of $100,000. After we put the notice in the papers we found out that in the county of Bellechasse in 1893 there was a charter given to that company under the name of the Bellechasse Telephone Company, with sufficient legislative powers to do what we thought it proper to safeguard our interests; that they had enough authorized capital to go on with

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what we wanted to establish. So we went to these people to buy out what they had. They had one wire alone in the county of Bellechasse, starting from St. Charles to about fifty miles beyond in the country. They had only twenty-three subscribers, and we bought their charter rights with the line altogether. This was in the year 1900. So in the spring we wanted to connect this little separate line with our circuit in the county of Matane and then we could put our system into operation with success. We decided to build in the town of Levis and in the country surrounding the town and to do the best we could. We went to the city council in Levis where the fight with the Bell Company started, but after that we succeeded in having our franchise and we built our right of way in the summer in the town of Levis. Then we started building in the country away beyond to St. Henri. The Bell Telephone Company undertook to parallel the line, but we were building, I suppose, too quick for them, we were building fifty or sixty miles ahead, so they discontinued building the line behind us, and they have stayed there ever since. We continued increasing the plant all around.

By Mr. Bergeron:

Q. How much did you pay for that line in Bellechasse county?—A. Well, I do not remember exactly the price we paid for the charter rights, but it was supposed to pay them the money they had disbursed and the cost of their line, which was not worth much.

By the Chairman:

Q. Well, Dr. Demers, do you confine your telephones to villages and towns, or do you also reach the rural district?—A. We have practically no towns, no large towns on our circuit. It is all rural country telephones we are operating, excepting at Levis, Montmagny, Rivière du Loup and Rimouski. These are the largest places.

Q. What do you charge for the use of telephones?—A. Well, we charge from $15 to $20, and a few $25, a year. It depends upon the distance and the accommodation they ask and the quality of the line and the circuit they ask—the privileges.

Q. Well, describe the conditions of each class, the $15, the $20, the $25? What does the $15 subscriber get?—A. Well the $15 rate is sometimes for residents and sometimes for business places, it depends upon the place where they are. We operate by counties. Some subscribers have two counties free connection, and others have one county free connection, and some people in a few of the counties prefer to pay more money for having a large circuit than having just one place and one county, and paying less. There are lots of people who do not like to be charged so much for talking 20 miles or 50 miles. They rather like to make an agreement for what they want and pay so much.

By the Chairman:

Q. A bulk sum? Your lowest charge is $15?—A. We started last year to do business practically with farmers. When I say farmers, I mean farmers who are not selling potatoes, or who are not keeping machinery, but the regular farmer who handles the products of his farm only. We started last year to build lines especially for farmers and switching a wire for their use. We started with a rate of $12 for them.

Q. What will they get for $12?—A. They get the same circuit as a regular subscriber who pays more money for the same county where they live; we put three or four farmers on the same single wire. Of course it is not supposed that the farmer wants to talk as often as the merchant and the line is mostly not engaged for a good part of the day. Four farmers can do their business during the day, whilst the merchants would keep the line more busy than the four.

Q. What length of mileage will a farmer get for $12? You build a line to the farmers; I suppose you would charge more if you had to build a longer line to the farm district, would you not?—A. Well, suppose we go alongside our pole line construction. We have to stretch a wire four miles. One farmer will be one mile, another two, and another three miles distant from the switch board between the parishes.

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Q. There would be perhaps three miles between the four farmers?—A. Yes, around that.

Q. And each one would pay $12?—A. Yes.

Q. That would be an average of three-quarters of a mile of pole line for each farmer?—A. I do not say we are building pole lines for that. I say alongside our actual pole line construction, that is a different question. We put up cross arms to accommodate the business. Mostly all our lines have cross arms.

Q. To whom can these farmers speak for their $12?—A. Well, suppose it is in the county of Lévis, they will talk to the counties of Lévis and Dorchester, to all the subscribers in both counties for $12.

By Mr. Maclean:

Q. Including Lévis town?—A. Including Lévis town. There is a cheap service.

By Mr. Bergeron:

Q. Have you a trunk line to Rimouski?—A. Yes, sir.

Q. Can you speak from Rimouski to Point Lévis?—A. Yes, sir, a first class service.

Q. You can speak from where you live?—A. No, because I live in Quebec and we have no connection.

Q. I thought you lived at Métis?—A. I left Métis and discontinued my profession when the company became larger and I had to devote all my time to its business. So I came up and am now living in the city of Quebec, because it is a more handy place to handle business.

By the Chairman:

Q. When did you start putting in farm telephones?—A. Well, we had a few farmers' before, but only last year we started to put in telephones for farmers. Before that the farmers had to pay the usual rate, but last year we decided to start that business.

Q. To supply the farmers?—A. Yes.

Q. And you started?—A. And we started.

Q. How many farmers subscribers have you under the $12 rate?—A. We started building in the county of Lotbinière last summer and in that county we put wires for farmers in St. Agapit and all these places around there. We have 12 already in one single parish and we have 12 in two parishes.

By Mr. Bergeron:

Q. At $12?—A. At $12 a year.

Q. Where can they speak?—A. In the whole county where they live.

Q. And not outside of that?—A. Not outside of that.

Q. If they want to speak to Rimouski what have they got to pay?—A. The same regular rate as our other subscribers.

By the Chairman:

Q. They can speak to subscribers in the county towns?—A. Yes.

Q. In their own county?—A. Of course.

By Mr. Maclean:

Q. What is the size of the county? That is the large county?—A. A large county.

Q. Fifty or sixty miles?—A. The county of Lotbinière is a very large county. It is about 50 miles wide by about 45 miles.

By Mr. Bergeron:

Q. What is the population of that county?—A. I do not know, sir.

Mr. BERGERON.—Because although it is very large in area it is not very populated.

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The CHAIRMAN.—But still the farmer gets for $12 the advantage of communicating with any one who is living in that area.

Mr. BERGERON.—In that county ?

The CHAIRMAN.—The farmer does not have much to do outside of his own county.

By Mr. Bergeron :

Q. Do you go as far as Lake St. Peter ?—A. No, not the Bellechasse Telephone Company.

By the Chairman :

Q. In one year you have only got 12 farmers subscribers, you say ?—A. I did not say that. I have 12 in the same parish in one year.

Q. You are developing this system all along the line ?—A. Now, yes.

Q. How many farmers at $12 have you got now in the Bellechasse system ?—A. We have got to go around and solicit, of course, but we did not go around any of the parishes yet. We have only started in a few, just to see what we will do. In Lotbinière I suppose we have got 30 or 35; in two parishes, and it is nearly all the busi, ness, we have got 12 in each. Last week I was in Bic, where the business of the company has been established for some years, and there I took six farmers subscribers in that one day only. I took them myself to start with.

Q. To what extent do you think the farmers will take the telephone at this rate ?—A. I think that about 50 per cent of the farmers will take our telephone at that rate before three or four years.

Q. Throughout the whole district ?—A. Yes, sir.

Q. Is the Bell Telephone Company operating in any part of this district ?—A. Yes, sir.

Q. Where ?—A. Well, in Lévis, St. Henri, and alongside Montmagny, &c. But here I want to explain something else. Of course we built that eastern section down below first and then we bought the company which was operating in Rivière du Loup. We extended the business and brought it up to Rivière du Loup, and then for 18 months we had no connections between the eastern and western sections, our company was like being separated in two—and one year ago we stretched a pole line without stopping over in any parish, just put a pole and one wire; we could not do any better for that year. Last summer we stretched a metallic copper circuit between Lévis and Rivière du Loup and again without stopping in any of the parishes. Of course the Bell Telephone Company was alongside our line in that circuit, but we did not operate it because we had not money enough.

Q. Is the Bell Telephone Company developing its business in your territory or is it yielding to you ?—A. Well, it is merely a toll line they have, except at Montmagny, where they claim to have 70 or 80 subscribers, but they do not follow the same way, the same highways that we do. They are on the first road on the St. Lawrence, you see, just like this, going down, and we are behind here, six, seven and eight miles, and we touch different parishes.

Q. Are they serving farmers ?—A. No.

Q. They are not ?—A. No.

Q. What class of business do they do ?—A. Toll lines.

Q. Nothing but toll lines ?—A. Except in Montmagny.

Q. And Lévis ?—A. Yes.

Q. Have you any instruments in the railway stations? Take the Quebec Central Station ?—No answer.

By Mr. Maclean :

Q. What road do you parallel, is that the Intercolonial ?—A. Yes.

By the Chairman :

Q. Have you instruments in the Intercolonial Railway offices?—A. Yes, we were allowed by the department to put our telephones in their stations.

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Q. And you have availed yourself of that privilege?—A. Yes, sir.
Q. That is a public convenience?—A. Yes, sir.
Q. The people appreciate it?—A. Yes.

By Mr. Maclean:

Q. Is the railway company paying anything for it?—A. No, except when they have special accommodation.

By the Chairman:

Q. Have you telephones in the stations of the Quebec Central?—A. We got permission to put telephones in the Quebec Central stations. We have that privilege for all the stations, and we have used it except in one case where we have not decided to put a telephone in yet.
Q. But you have the privilege to avail yourself of?—A. Yes, at any time we like.

By Mr. Bergeron:

Q. Do you pay anything for it?—A. No, sir.
Q. And do you give the company the right to use your telephone lines?—A. We have no contract, we have just a letter stating we could put our telephones in their stations whenever we liked.
Q. And as a matter of fact they use your telephone?—A. They use it, of course.
Q. And you do not charge them?—A. No.
Q. It is a kind of understanding without being written?—A. Yes.

By the Chairman:

Q. You have described what the $12 subscriber gets, and the $15 subscriber. Will you name what the $20 subscriber gets?—A. Well, the $20 telephones are more modern instruments. They are what the Bell Company call long-distance telephones, having solid back transmitters, &c. They are modern instruments, and we use them practically in the towns where we can give a continuous service, and other places.
Q. Night and day?—A. Night and day, Sunday and every other day, and it is all the year round.
Q. What district can they speak over, the $12 men? I suppose in the same county?—A. The same circuit.
Q. The same as the $15 man?—A. Yes, the same circuit.
Q. They get no more?—A. No more.
Q. And they have a night and day service?—A. Yes.

By Mr. Bergeron:

Q. Can the farmer speak at night?—A. Well, if the lines go through a switch where such a service is given, day and night, they will have connection. There are three or four towns that have it, Lévis, Montmagny, Rivière du Loup and Rimouski.
Q. Supposing they want a doctor in the night?—A. If they are connected with a switch where there is a night and day service they will get connection.
Q. What do you call your company now, doctor?—A. The Bellechasse Company.
Q. You must have changed the name since you commenced at St. Flavie?—A. It was the Métis Telephone Company.
Q. And you bought their charter and adopted their name—the Bellechasse?—A. Yes.
Q. And you call yourself the Bellechasse Telephone Company?—A. Yes.
Q. Is it a large company, a stock company?—A. Yes, sir.

By the Chairman:

Q. We have their statement here now. Supposing we just complete one branch first. I want to know what the $25 subscriber gets?—A. Well, we charged that price

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for a larger office, for a concern like a mill, people who are supposed to call sixty or seventy-five times a day; for example, a concern that makes four hundred thousand logs a year.

Q. I understand, a firm that is largely engaged in business?—A. Yes.

Q. That is because they differ in the charge?—A. Yes.

Q. What does the Bell Telephone Company charge at Lévis where they meet you in competition?—A. They were charging $20 a year, and when we opened up there they were talking of putting it up to $35 a year. They had decided to do so. They were at first furnishing a ground line, and charging $20 a year, and as I said before, when we came in they were talking of putting it up to $35 there, but they could not, they had to change their plant from a ground line to a metallic circuit.

Q. We will not take up the question of finance for a moment. Mr. Bergeron asked you about the capital stock. I see in your statement that you have a capital subscribed and paid up of $100,671.01; that is right, is it?—A. Yes.

Q. And you owed money, $3,500?—A. Yes.

Q. And bills payable, $27,351.75?—A. Yes, sir.

Q. And you showed to the credit of profit and loss a surplus of $12,009.21?—A. Yes, sir.

Q. So that the financial results of the year's operation, for the fiscal year closing on the 31st of March, 1904, has been that you have maintained your system in good repair?—A. Yes.

Q. And you have made all proper expenditures for renewals?—A. Yes.

Q. And paid a dividend, have you?—A. Yes.

Q. How much?—A. Seven per cent.

Q. And you have a profit over—this does not show the profit for the year, it shows the profit and loss since the commencement. Had you a profit for the fiscal year ending 31st March, 1904?—A. The profits were $12,000.

Q. Not for the year? Well, your gross income was $17,000. We will take the year's operation, doctor I want to know whether after paying expenses, everything for the proper maintenance of the lines and keeping them in an efficient state of repair, and paying a dividend, and all expenses, what had you over for the year?—A. We earned 11 per cent last year on our common stock; we have no bonded indebtedness and no preferred stock.

Q. That means you cleared about $4,000 above the $7,000 for interest on the $100,000 capital stock?—A. Well, you see with regard to that question of capital paid up, the $100,000 was not all paid up on the 1st of April, at the commencement of the year.

Q. So that you did not have to pay a dividend on all?—A. Not on all.

Q. You had to pay interest instead?—A. A good part of the capital was paid in the last portion of the year and on that we had only a portion to pay.

Q. Your investment paid 11 per cent on the capital invested?—A. Yes.

Q. What are the prospects for the year ending 31st March, 1905?—A. Fourteen per cent.

Q. You think you have made 14 per cent?—A. Yes.

By Mr. Bergeron:

Q. And the company began business eight years ago?—A. Seven years ago.

Q. With $2,500?—A. With $1,100 subscribed, and $110 paid.

By the Chairman:

Q. It was more profitable than keeping up your profession?—A. Sure; that is why I left my profession.

Q. Now suppose you exhaust the Bellechasse history before we take up the next company, there are two other companies?

Mr. BERGERON.—I think we have gone over the Bellechasse, doctor, pretty well.

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By Mr. Maclean:

Q. Is there a telegraph line through the country as well?—A. Yes, right alongside.

By Mr. Bergeron:

Q. As I understand it, as a matter of fact, you have nearly chased the Bell Telephone Company from that part of the country since you have begun work down there?—A. I know nothing of the Bell people's business, I only know my own.

Q. As a matter of fact you have been doing work at Lévis and in Montmagny and in Rivière du Loup and Rimouski, and besides that we do not hear about them at all, and still you have your telephone in use there?—A. Down in Matane they never built a line except in the town of Rimouski, and that had no connection with anywhere else, it was just a local line. They established an exchange in the town of Rimouski but they had no long distance line, it was just local.

Q. And the telephone business is in the hands of your company down there as a matter of fact?—A. It is pretty well, I think.

By Mr. Maclean:

Q. Tell us about your toll rates as compared with the Bell rates?—A. They have established a rate of 60 cents from Lévis to Rivière du Loup and we have established our wires there since the 1st of January of this year and we put it down to 25 cents.

By Mr. Smith:

Q. For what time?—A. For five minutes, and we have more business than we can handle. We give them five miutes for 25 cents. The Bell rate is 60 cents for three minutes, so that our price is more than one-half lower for conversation and nearly double the time.

Q. What do you give for a fifteen cents service, say?—A. Between Rivière du Loup and Lévis our pole line is 155 miles, and we give a perfect service, we can hear a watch ticking from one end to the other, we can hear talking plainly without pronouncing the words.

Q. What do you mean by that?—A. (Illustrating). Just in a whisper.

Q. And how much is that service?—A. 155 miles.

Q. I mean, how much do you charge?—A. Twenty-five cents for five minutes.

Q. Have you any lower priced toll service than that?—A. Yes.

Q. Have you any 15 cents?—A. Yes, to the next parish.

By Mr. Bergeron:

Q. What about that North shore line?—A. My company had some trouble about the railway connection, if you like to hear me.

The CHAIRMAN—Certainly.

A. Well, the Grand Trunk Railway has a terminus at Lévis and of course if we could put a telephone in there it would be a great deal better, but we have not got permission yet.

By Mr. Maclean:

Q. What steps did you take to get that?—A. We had our lawyers corresponding with the railway company but we could not do anything with them, we did not have any success.

Q. What was the answer they gave you in reply to your application?—A. That they did not allow it.

Q. Because of what?—A. They did not give any reason. But I got some other evidence about that in connection with another station. We have built a line in the county of Lotbinière last summer, into the parish of St. Agapit, which is a parish

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on the Grand Trunk Railway and we asked permission to put in a telephone and they said they were ready to allow us if the Bell Telephone Company would allow them to have it put in. We had to sign a contract. I will read it:

(Exhibit No. 61.)

This agreement, made this thirtieth day of September, in the year 1904, by and between the Bellechasse Telephone Company, party of the first part, and the Grand Trunk Railway Company of Canada, party of the second part, witnesseth :—

Whereas, the party of the first part has requested of the party of the second part permission to place a telephone instrument in the railway station of the party of the second part, at St. Agapit, in the Province of Quebec, said telephone instrument to be for general use, and

Whereas, the party of the second part is willing that said telephone instrument may be placed in the said station at St. Agapit upon the terms and conditions herein contained.

Now, therefore, in consideration of the premises, it is hereby agreed by and between the parties hereto, as follows :—

1. Upon the terms and conditions herein stated, the Grand Trunk Railway Company of Canada, party of the second part, will permit the party of the first part to install a telephone instrument in the railway station of the party of the second part, at St. Agapit, in the Province of Quebec.

2. The party of the first part agrees that the said telephone instrument shall be placed and maintained in said railway station entirely at the risk and expense of the party of the first part, and free of the usual rental charge, and also agrees that it will not seek to hold the said Railway Company responsible for any damage to said instrument, no matter how much damage may occur.

3. The party of the first part agrees that at any time, upon the demand of the Grand Trunk Railway Company of Canada, it will remove from the premises of said Railway Company, the said telephone instrument, and all wires and other equipment in connection therewith, and if in putting in said instrument it is necessary to do any carpenter work, or other work, at the said station, the party of the first part will, upon the removal of said instrument, wires and equipment, do any repair work made necessary by the installation and removal of said instrument as aforesaid.

In witness whereof the parties hereto have hereunto set their hands and affixed their corporate seals, this thirtieth day of September, in the year 1904.

Signed, sealed and delivered in the presence of :—

A. GARANT,
P. E. COTÉ.
A. MORTON.

THE BELLECHASSE TELEPHONE COMPANY,
Per [SEAL.]
A. B. DUPUIS,
Vice-President.
J. T. DEMERS, M.D.,
Secretary.

THE GRAND TRUNK RAILWAY COMPANY OF CANADA,
Per CHAS. M. HAYS,
Second Vice-President and General Manager.

Q. Did you sign that ?—A. Yes.

Q. But you are on sufferance ?—A. The principal conditions are not given there. I will explain them.

Q. What is that ?—A. They first say we have got to have the permission of the Bell Telephone Company to put a telephone in the station. When this contract came

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I had to give them back all the correspondence they had sent me to read—I had to return that. I tried to keep it, but I was not allowed. There was a letter from the Grand Trunk asking the Bell Company's permission to put one of our telephones in their station. They were not doing any business in that locality. The Bell wrote a letter saying they gave the permission to put one of our telephones in the station. Then there was another letter to us saying that whenever the Bell Company will request the Grand Trunk to have our telephone removed we will have to comply. But I thought they had put that in the contract, but they did not. It is in the letter which I was obliged to return to them.

Q. So you were there on sufferance ?—A. I am sure, only as long as the Bell Company would allow us to be there.

By Mr. Bergeron :

Q. You have not been disturbed since ?—A. Well, that is only six months.

Q. You have not been disturbed since ?—A. No, not yet.

By Mr. Maclean:

Q. The Bell has not got a line there ?—A. They pass half a mile away but do not stop there.

Q. The Intercolonial Railway allowed you in all right ?—A. Yes, we have nothing to complain of.

Q. The Quebec Central allowed you in ?—A. Yes, we have nothing to complain of.

By Mr. Bergeron:

Q. Is the Bell in the Intercolonial offices ?—A. Yes.

Q. So they have the two ?—A. Yes.

Q. You had no difficulty there at all ?—A. No.

By Mr. Maclean:

Q. I would like to ask you if you ever tried to make any connections with the Bell Company's service ?—A. Well, I cannot say that we have tried to have any connection with the Bell Company. The first thing we had to do with them we asked to buy their plant in Rimouski, and we have asked to buy the plant between L'Islet and Lévis, to which they replied it was not for sale.

Q. I mean in regard to business, taking the business from them or offering them your business ?

By Mr. Bergeron:

Q. Exchanging your business ?—A. Yes, and they came with a contract in 1900. It was a document of about 12 pages typewritten, and all articles. The first page did not say much, but on the second page in the first clause they provided that we had to remove from Lévis town, where we were installed, and where we had 30 telephones, poles, wires, &c. Then they would exchange business, allowing us not to build any more lines, not to go into their districts or build anything without asking first their permission. Of course, they themselves did not agree not to build alongside our line at any time. The agreement was all on one side. We did not read the paper through, and I don't know what the other conditions were.

Q. You did'nt do anything ?—A. No.

Q. You were not obliged to ?—A. No, we are carrying on our own business.

By Mr. Maclean:

Q. About the capitalisation. You have $100,000. Where do you get that money, roughly, from residents mainly in your own district ?—A. From our subscribers partly. The balance of the capital is in Quebec, the wholesale trade of Quebec, the Seminary of Quebec, which has $10,000 of paid up capital, and others.

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Q. Is it comparatively easy now to get money?—A. Yes.

Q. You don't find the Bell people antagonising you in your efforts to raise money? —A. No, they have tried to disturb us from giving a service. I have in my hands an advertisement published in the local papers when we were establishing a plant in Lévis. We were using the metallic circuit in Lévis and were installing it, while they were using a ground circuit. Of course the metallic circuit was giving better satisfaction than the ground line. The first telephones we had in Lévis were bridging 'phones. So they put an advertisement in the local papers in Lévis and Quebec, I think. I have a paper here of November 15, 1900, with the advertisement, which is published in French, reading something like this:

THE BELL TELEPHONE COMPANY OF CANADA, LIMITED,
176 NOTRE DAME ST., MONTREAL.

Notice.

This company possesses the Canadian patent No. 35920, granted to John J. Carty for ameliorating circuits of telephone appliances taking in all kinds of bridging bells. Any person who, without the written consent of the patent-holder will construct or put in use the invention to which this patent applies, or who will procure this invention from any person unauthorized by the patent-holder and makes use of it will be prosecuted according to law.

BELL TELEPHONE COMPANY,
C. F. SISE, *President.*

November 15, 1900.

When the first subscriber read this advertisement and came to us saying he would be sued if he used our telephone, he asked, 'what kind of protection will you give us for being subscribers of yours?' We told them they would not be sued, or if they were sued we would stand behind them. But we had our clientèle made up all right enough.

By Mr. Bergeron:

Q. How many employees have you got altogether in all your lines?—A. I never counted them.

Q. Well, about how many?—A. I cannot say to you.

Q. Can't you say how many employees you have?—A. No.

Q. How much wages do you pay a month?—A. It is not divided by months in the books.

Q. How would you divide it?—A. Well, when we pay the wages it all goes in one amount. I do not know how much a month. I am not ready to supply that.

By Mr. Zimmerman:

Q. Does'nt the statement show that?—A. The statement is not detailed.

By Mr. Bergeron:

Q. You cannot tell how many employees you have?—A. It depends upon what you mean.

Q. I am talking of operators, like the girls that they employ in the Bell Company. Have you central offices where you employ girls or men to do that work ?—A. We have somebody to reply at the switchboards.

Q. Somebody employed by you ?—A. Yes.

Q. How many switchboards have you got ?—A. Around 65 or 70.

Q. How many people at each switchboard ?—A. Just one to each.

Q. That would be seventy people?—A. Yes.

Q. How much do you pay?—A. Each is paid out of the revenue.

By Mr. Maclean :

Q. A percentage ?—A. Yes.

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By Mr. Bergeron :

Q. So much per cent ?—A. Yes.

Q. How much per cent ?—A. They get 10 per cent on the subscribers and 20 per cent on the tolls.

Q. Have you any idea how much it gives them ?—A. The more subscribers the more money they get.

By Mr. Smith :

Q. Are they paid entirely on that principle ?—A. Pretty nearly.

By Mr. Bergeron :

Q. Are they allowed to do anything after hours ?—A. We don't care what they do after hours. Provided our business is carried on we don't care what they do afterwards.

Mr. ZIMMERMAN.—Likely these switchboards are all in stores or places of that kind. Have you got a line equipment ?

Mr. MACLEAN.—Linemen.

By Mr. Bergeron :

Q. Have you an equipment for that?—A. For construction and repairing, we have an equipment for construction. We engage men when they are needed for construction and they are discharged when the line is built.

By Mr. Smith :

Q. Do they do that by contract?—A. No, by day labour. We don't build by contract. When we build we engage the men and put them at it and pay them what they earn.

By Mr. Bergeron :

Q. For repairing hav'nt you got a permanent staff of men for the year round ?—A. Yes.

Q. How many men do you employ for that ?—A. Four men.

Q. For the whole line ?—A. Yes.

Q. How many miles of line did you say you have?—A. 1,200 miles.

Q. Four men take care of all that ?—A. Yes.

By Mr. Smith :

Q. What do you pay them ?—A. Well, we pay them about $9 a week.

Q. You provide facilities for travel when they have to go long distances ?—A. When they are outside their places we pay their expenses.

By Mr. Bergeron :

Q. On what scale did you fix your prices, what was the model, may I say, on which you fixed all your different prices ?—A. I do not understand what you mean.

Q. When you made up your mind to charge $25 and $20 and $15, and $12 for the farmer, on what did you base your finances to come to such an arrangement to know that it was a paying basis?—A. I will explain the whole thing by one example. I will take the $12 rate. Suppose I got four farmers between two parishes. This means between the church, the central point in one parish and the central point in the next parish. Suppose the distance is four miles and suppose I got four subscribers on it, perhaps three in three miles and one at the fourth mile; perhaps two in the first mile and two in the fourth mile. It is the same thing. Well, I say I will need four miles of line to run of No. 12 galvanized wire, $3, on the spot. It takes 150 pounds a mile, $4.50 a mile, multiplied by four, $18. Then, I say——

By Mr. Zimmerman :

Q. $18 for what ?—A. For the wire only. Then I say $10 to put it up and $10

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incidental, and four telephones, $50. Four times $12 will give you $48. Then there is expense of running. I give 10 per cent to the central. They will have now extra calls on the line for outside circuits and the calls from the neighbours of these new subscribers, then there will be $3.50 for each drop in the switching apparatus. Suppose then that the line will cost $100 instead of $88 and lower down the revenue of that line to $25 instead of $48, will it not be still a paying proposition to have a 25 per cent net income on that $100 expended on that farmer line? We will then be perfectly satisfied that a rural line will pay its way. That is the principle on which we decided to build and to accommodate the farmers who want to come on.

By Mr. Bergeron:

Q. What was that $10 incidental?—A. I wanted to raise as much as possible the cost price of building that line, I wanted to set the cost, the price, as high as possible and to show the revenue as little as possible in order to demonstrate to this committee that it is still a paying business proposition.

By Mr. Bergeron:

Q. That is all right, that is the conclusion I came to myself, because we are going to have some time all these different companies before us, and we want to find out if they can do it cheaper. Could you not give it to the farmers at less than $12 and still make money—on your own figures?—A. It might be done, we have not tried it.

Q. As a matter of information, doctor, you could rent your 'phones cheaper than $12?—A. I am not interested in replying to you any more on that subject. You ask me to demonstrate to you that this was a paying proposition at a $12 rate, and I have done so.

Q. Yes, but can you not supply them cheaper?—A. You asked me how I calculated it, and I have shown you.

Q. There is a little dark spot there, that little allowance of $10?—A. There is a little dark spot in most places.

By Mr. Maclean:

Q. There is a good deal of co-operation in the administration of your company, it is based largely on the co-operation of the farmers?—A. And the operators.

Q. Of the subscribers being on the switchboard and the operators?—A. Yes.

Q. It is a good deal on the principle of co-operation?—A. People who are in charge of the switchboard are the most interested in giving a good service even outside the regulations, sometimes giving connections when they are not obliged to, because their revenue is going to be increased as a result and people will all run in and take 'phones. If they only follow the regulations of the company and do not accommodate the people and place them outside the regulations, they may be sure that their wages will get lower, because if the people are not satisfied they will take their 'phones out. So you see that everybody in my concern is interested to try and do right.

Q. Are your centrals, or switches, largely in the post offices?—A. I beg pardon?

Q. Have you many of your switches in the post office?—A. Yes, I have some. As a general principle, we do not put our switchboard in business places because it will interfere with the business, undoubtedly. If I put my switchboard in a merchant's office, another merchant will not take the telephone, because he knows that his business will go to the other man, and the other man will be cognizant of his business.

By the Chairman:

Q. What is the largest number of subscribers you have on any switchboard?—A. Two hundred.

Q. Is that automatic?—A. No, that is hand work.

Q. You have not adopted the automatic?—A. No, sir, because it will not pay, so we found it.

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Q. What does the 200 switchboard cost ?—A. Well, I am not ready to give you those figures.

Q. Now, I think we have exhausted the Bellechasse case.

By Mr. Monk :

Q. In that calculation you made a moment ago, you did not say anything about the poles?—A. No, because the poles, as I said, are there already. We do not build lines for the farmers at these prices, but we use our pole line along that road. Supposing a farmer wanted a telephone connection with us and he lives where we have no line, I suppose he will furnish us with poles, and help us in some way to make a connection. We are always glad to attach new territory, because it gives satisfaction, and brings good-will to the company and satisfies all the people.

By Mr. Bergeron :

Q. Do you manufacture your own instruments or do you buy them ?—A. We buy them.

By Mr. Maclean :

Q. From whom do you get them, from a firm in Canada or from a firm in the United States ?—A. From the United States.

By Mr. Bergeron :

Q. Are they not made in Canada ?—A. I do not know any firm making telephones in Canada that would suit us.

By Mr. Maclean :

Q. Chicago is largely the centre for those goods ?—A. Chicago is the centre.

By Mr. Bergeron :

Q. Are your instruments about the same as the Bell ?—A. I think our instruments are better than the Bell, those that we buy in the United States.

By Mr. Maclean:

Q. Have you had any trouble about the patents?—A. No, sir.

Q. There was no trouble about patents in manufacturing the goods?—A. No, sir.

By the Chairman:

Q. What is the date of that letter you read on that subject?—A. The 12th.

Q. You have five years from that free from interference?—A. Yes, sir.

Q. And you were not concerned with any of the patents ?—A. No, sir. I must say, with regard to this line that we are building, that it is one of the best lines there is in this country. I have seen in the reports of the proceedings of this committee that one of the witnesses said that the cost of the lines was very much greater in the old country than in this country, because in the old country they were using 400 lbs. of copper wire per mile, and in this country only 200 lbs. I might say that we are using 346 lbs. of copper wire per mile in our line.

By Mr. Bergeron:

Q. You are not complaining of anything, you are perfectly satisfied with the state of things you are enjoying down there?—A. Surely—that is, with the Intercolonial. If the Grand Trunk and the Canadian Pacific Railway would admit our lines to their stations business would be flourishing.

By Mr. Maclean:

Q. The general public, as far as you know, and especially those who are your subscribers, find it a very great accommodation to have communication with the railway stations?—A. Oh, railway stations are the life of trade.

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Q. If a monopoly could be got in regard to telephone connection with the railway stations it would be a monopoly? A telephone company getting control, as this Bell Company has, of the two main roads, it has a great monopoly, it is the backbone of the monopoly—the control of the stations is what gives them a monopoly.

Mr. BERGERON.—That is only a matter of opinion.

By Mr. Maclean:

Q. No, no, he said access to the railways is the life of trade?—A. Yes.

Q. If you don't have that—it is not correct for any company to have the only privilege of going there.—A. All companies should have the same privileges there.

Q. Free trade in railway stations?—A. Yes.

By Mr. Boyce:

Q. Have you had more than one instance of trouble with the Bell Company at railway stations? You spoke of Point Lévis?—A. That is the only point we have had trouble with them. Where we are in connection wth the station at St. Agapit in Lotbinière County, we have the permission, and we had a contract, as I said.

Q. There has been no friction with the Bell Company except that one instance?—A. About railway connection?

Q. Yes.—A. With my company, there is no other.

By Mr. Bergeron:

Q. Have you had any other offer from a small company like the little ones you have brought in to sell their franchise to you or to amalgamate with you?—A. What did you say?

Q. Is there any other company that you have got in your view now, either to buy or amalgamate with you?—A. Well, we don't contemplate buying up any company, nor are we disposed to sell our company, but we are asked every year if our company is for sale.

By the Chairman:

Q. By whom?—A. We don't know by whom. To-day it is a New York syndicate who want to buy the line.

By Mr. Bergeron:

Q. You don't know who is at the bottom of it?—A. No.

Q. There is a telephone, I think, in the county of Maskinongé, a little county telephone. Do you know of it?—A. Yes, it has nothing to do with the Bellechasse Telephone Company.

Q. That would be on your line, is'nt it?—A. Quite so.

Q. Have there been any pourparlers between them and you as to coming to any arrangement?—A. Between that company and mine?

Q. Yes.—A. None.

Q. Because, if I understand well, the longer a company can travel the better it is?—A. Yes.

Q. Is'nt that the principle?—A. Yes.

Q. That is on the south side of the St. Lawrence. You have something on the north side. Is that the Bellechasse Company again-?—A. No.

By Mr. Maclean:

Q. You say somebody has been trying to buy yours out. Has our company any means or protection against being purchased? Is there any agreement between shareholders not to sell out?—A. No.

Q. Everyone is free to sell?—A. Yes.

Q. If sufficient inducements are offered the company can be bought out and the rates advanced at the end of the present contract?—A. Yes, because the public have

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obtained shares. I am able to sell my shares without asking permission from anybody else.

Q. Your subscribers are not protected in their present rates beyond the present contract ?—A. No.

By Mr. Bergeron :

Q. On the contrary, they could make a pile of money ?

By the Chairman :

Q. I would suggest that you take up the St. Maurice Telephone Company. That is another company?—A. Yes.

Q. That is independent of the Bellechasse ?—A. Yes.

Q. Covering a different territory ?—A. Yes.

Q. Have you a map ?—A. Yes. (Witness refers to map.)

The CHAIRMAN.—Mr. Monk, you might take up the examination on this question.

By Mr. Monk :

Q. Where does the line begin?—A. The company started business ten years ago and was sold so often by auction I don't remember its date.

By Mr. Bergeron :

Q. By auction ?—A. Yes. It was not a paying proposition, so we acquired its rights about a couple of months ago. This St. Maurice Company starts at Three Rivers and runs to Shawenegan behind the parishes of Yamachiche.

Q. How many miles does it cover?—A. It is supposed to be 87 miles.

Q. How many parishes does it go through?—A. Well, around about fifteen.

By Mr. Monk:

Q. How many subscribers has that line?—A. Nearly none. The line is in bad order. It will have to be rebuilt and reorganized. This is what I am going to do this summer and put up a good first-class service, copper wire, and give satisfaction to the people.

Q. Is it a joint stock company ?—A. Yes, sir.

By Mr. Bergeron :

Q. How much did you pay for it ?—A. Keep that for next time I come before the committee.

Mr. BERGERON.—I think we are entitled to know that. It will have a great deal to do with the rates charged to subscribers.

The CHAIRMAN.—Is it the purchase price of some other company ?

Mr. BERGERON.—Yes.

The CHAIRMAN.—I hardly think that is of any public interest.

Mr. BERGERON.—It has a great deal to do with the rates charged to subscribers. What is the object of our committee but to see that the public are protected ? Parliament may control all these rates and it will be important to know what your company is doing, how much you have paid for these lines, and how much you are making.

Mr. MONK.—The witness has stated that he is about to reorganize the company. Perhaps the knowledge of the amount that he paid for the system as it exists may interfere with the work of reorganizing.

Mr. BERGERON.—I do not think it would hurt him to say what the amount was.

The CHAIRMAN.—I do not think it is a matter of consequence.

By Mr. Grant :

Q. How long since you acquired the line ?—A. Two months.

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By Mr. Zimmerman :

Q. Did you buy it as a running concern or was it practically bankrupt ?—A. It was running but it could run better.

By the Chairman:

Q. I must take hold of you. I want to get a straight story down in consecutive order. You are speaking of the St. Maurice Telephone Company?—A. Yes.

Q. What is the length of it?—A. 87 miles.

Q. Over what territory ?—A. In the county of St. Maurice, Grand Mère, Yamachiche, Three Rivers and intermediate points.

Q. It is a trunk line?—A. Yes.

Q. What is the length of the pole line?—A. 87 miles.

Q. Does that mean total mileage, 87 miles?—A. Yes.

Q. It goes through several parishes?—A. About 15 parishes, in which are Three Rivers, Grand Mère and Yamachiche.

Q. How long have you been in possession of that company?—A. Two months.

By Mr. Monk:

Q. Do you propose reorganizing as a distinct company, or is it purchased by the Bellechasse company?—A. A distinct company.

By the Chairman:

Q. You propose to develop it as you have the Bellechasse company?—A. Yes, to make it a first-class line and a paying proposition, if it is possible.

Q. At present how many subscribers have you?—A. I cannot say. I suppose about 30, perhaps more.

Q. Is it in an active state?—A. Yes.

Q. How long has it been in existence?—A. Ten to twelve years.

By Mr. Bergeron:

Q. Why was it sold by auction?—A. I suppose it did'nt pay.

Q. When?—A. I think the last time it was sold it was six or seven years ago.

By the Chairman:

Q. I do not think that the investigation of that will be very helpful to us ?—A. We bought a line in Maskinongé two months ago and some other lines.

Q. You have the other, the Portneuf ?—A. That is a company we organized last winter, and last summer we built around 67 miles of line in the county of Portneuf.

Q. What company is that?—A. The Portneuf Telephone Company. They had some difficulties with the Canadian Pacific Railway station. We put telephones in the private residences of the agents of the Canadian Pacific Railway at these stations.

By Mr. Maclean:

Q. Where is that ?—A. At Grondines and La Chevrotière.

By Mr. Monk:

Q. What are the difficulties with the C. P. R.?—A. We could not get permission to put the telephones in the C. P. R. station.

By Mr. Maclean:

Q. What answer did they give, the old one of the Bell?—A. No, they did not say. They said we were not allowed to put telephones in the station. So we had arranged to take the agent as a subscriber.

Q. Putting the telephone in his apartments at the station?—A. Yes. We thought his being a subscriber it would be all right. We installed the telephone, but after two

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months the agents were told to take the telephones out of their residences or to get out of the stations. So rather than give up their positions the telephone was taken away.

By Mr. Bergeron:

Q. I heard you say a moment ago that you had bought the Maskinongé Company?—A. You asked if the Bellechasse Company had anything to do with it, and I said no

Q. Who bought it?—A. The St. Maurice Company.

Q. It does'nt make any difference. That is your company. You are in the St. Maurice company?—A. Yes.

Q. I was asking you because my object was that all these little companies—it is better for them and for the public to be all together to give them a longer distance to speak on.

By Mr. Maclean:

Q. It is clear now in connection with this north shore office that you were put out by the C.P.R.?—A. What did you say?

Q. In the north shore offices you were refused entrance by the C. P. R.?—A. Yes, the agents came in as subscribers.

Q. And you had to take them out?—A. Yes.

Q. And therefore your subscribers cannot get into the stations, cannot have access to the stations to find out if their goods have arrived?—A. I do not understand you.

Q. Your subscribers on the Portneuf line are not in a position to call up the C. P. R. and ask about their freight?—A. No, or they can't find out if a train is on time.

Q. And yet these people do business with the C.P.R.—A. Yes, a very large trade. There are five or six parishes in which the Bell does not operate, and yet these people have to go to the stations in order to do their business.

Q. And they cannot ask a question over your line of the C.P.R. station?—A. No.

By Mr. Grant:

Q. Is the Bell system operating in that district?—A. Yes, they have telephones in the stations at Grondines and St. Casimir. I think they have only the central and one telephone in that place.

Q. Do they run into the back parishes at all, into the rear country?—A. No.

By Mr. Bergeron:

Q. You are increasing the system as much as you can?—A. Yes.

Q. Because naturally it is a paying system?—A. Yes.

Q. And you increase it as much as you can?—A. Yes.

Q. You don't complain of the Bell Company. They are not in your way, or any other company. As a matter of fact you don't complain of anything?—A. Well, if we got free access to the stations——

Q. That is the only thing?—A. If we could get to the Grand Trunk and C.P.R. stations that would suit us all right.

Q. Would you be in favour of the government controlling the rates of your company?—A. I do not think controlling the rates would do very much more for the people, because if you lower the rates until it is not a paying proposition to extend into the country under the rates that would be required by the government, they will not extend, and the public will still be without telephones when it is so useful for everybody in the country to have telephone connection in his own house. If the government was owner of all the trunk lines, the main lines, the long-distance lines, it would be a big thing for the people of this country, and then let the towns or the villages be the owners of their own local exchanges and they could run them cheaper than we could and the government could manage the long-distance lines at a cheaper rate. They would only have to pay 3 or 4 per cent on their bonds, instead of 7 or 8 per cent.

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By Mr. Bergeron:

Q. You would not advise taking away from private enterprises any of their works and putting them into the hands of the government. It would not advance matters, if I understand right, if the government would take hold of them or control the rates, and your company would not be making the money, you would have no interest in pushing forward ?—A. On that condition it would be of some interest to control the rates, only I think it would be better to the owner of the trunk lines. The government would accommodate the people much better than if it was under private control. It is not giving satisfaction to the people who are deprived of the use of the telephone. If the government is owner, if it is important to touch a little parish behind, or if it does not look as if it would pay to extend to it they will go in, just like opening a new post office in the back country. It will just happen. They don't ask if it will pay on that office alone. The receipts are coming in and it pays in the long run. I say the government might easier build lines back into the country because by their administration it will pay in the long run.

By Mr. Grant:

Q. What principle do you act on in extending back into the parishes. Do you go and get so many subscribers first ?—A. We don't make these expenditures because we consider even if it does not pay now it is to accommodate the people, and the people living in the central points by increasing the traffic will make it up all right, even if there are not more than one or two subscribers for every five or six miles. Then the farmers can supply the poles. If the government owned all the telephones for main lines they would be in the same state of business as we are ourselves. They will be able to get help from the farmers if they wish it to take their lines back into the country just as the companies do.

By Mr. Monk:

Q. Do you think that is sure ? Wouldn't they expect that the government should furnish poles and all the rest of that ? Wouldn't they be more exacting in the case of the government ?—A. If the government owned all the lines they could say they would furnish a telephone if the farmer would furnish the poles, and the farmer would likely do it much quicker than he would for us, because he knows that the government being owner of all the lines in Canada, that that telephone which reaches their place will take their voices all around the whole country, while with us he can only send his voice through a few counties.

By Mr. Smith:

Q. You believe in the principle of the Government owning the trunk lines, that it will be a benefit to the people of Canada?—A. Yes. The Government can charge any rates they like, and they will get the revenue out of it.

By Mr. Bergeron:

Q. The Government would not like to make money out of it?—A. Well, they would see after a year was done whether they had charged too high rates or not.

Q. If you make it pay, perhaps, it would not be a Government work as long as it will pay expenses ?—A. I think it would be a paying proposition for the Government to run it.

By Mr. Monk:

Q. Would there not be danger of politics getting into the running of the line?—A. Well, I have not studied that point of it.

By Mr. Grant:

Q. Your company have communication, I suppose, with many parishes where there is no railway?—A. Yes.

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Q. And at considerable distances from the railway?—A. Yes, sometimes 50 miles to the nearest railway. There are many places where it is over that distance from the nearest railway, and at St. Agapit, one of the stations in the county of Lotbinière, we have run 40 miles behind the railway.

By Mr. Bergeron:

Q. Is that telephone in Maskinongé in operation now?—A. Yes.

Q. Is it in good order?—A. It is a cheap construction where I have seen it in Louiseville, of course, all these lines are not built to go to many places in the first place, and consequently they are not built up to standard; they are not built equal to the other lines in the size of the poles, they do not use as heavy a pole as is necessary to build a good line, and their wires are not stretched properly. They are only built to reach two or three parishes, and when that is the case what is the use of putting ten poles more to the mile. It was the same way with us when we were starting business, we thought we were only going to communicate with a few parishes and we only put in sufficient poles to answer the purpose. It was not built with the idea of going far away.

Q. You are going to make that all right, and put it on a moderate basis?—A. Yes.

Q. Good instruments and other things, make it thoroughly modern?—A. They will be repaired; we buy new transmitters and put them on, and are just as good as any. It is not necessary to have new instruments provided that it rings all right, but it takes a good transmitter to transmit, if you have not a good transmitter you cannot transmit the voice a long distance, but if you have a good transmitter the better the transmission you will get for your voice.

By Mr. Maclean:

Q. Well, doctor, do the farmers appreciate the telephone?—A. Yes, sir.

Q. They appreciate the service?—A. Yes, sir.

Q. And you think every farmer, as a matter of fact, should have a telephone for $12 or less a year?—A. $12 or less.

Q. That is your opinion after investigation, and that it will be a paying proposition at that rate?—A. Yes, and I expect we will double the number of our subscribers.

Witness retired.

Mr. Ritchie, representing the Bell Telephone Company, called the attention of the committee to the fact that in the evidence of Mr. Norman Andrews, before the committee on April 5, the letter of Mr. C. F. Sise, president of the Bell Telephone Company, in reference to the non-success of the municipal telephone system at Glasgow, was printed, and that the excerpt from London, England *Engineering* of July 15, 1904, which accompanied it and which the letter commended was not published. In view of the allegations of misrepresentations which were made against Mr. Sise, he thought it fair that this omission should not have been made in the records of the committee.

The chairman ruled that the committee had dealt with the point raised, and the decision was that as the extract in question was by an anonymous writer, and inasmuch as the committee had nothing to do with any quarrel between Mr. Andrews and Mr. Sise, it was not in the public interest to encumber the printed records of the committee with the excerpt. The excerpt was on file and could be referred to if necessary when Mr. Sise appeared before the committee.

Committee adjourned.

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COMMITTEE ROOM,

THURSDAY, April 13, 1905.

The Committee met at 11 o'clock a.m., Sir William Mulock in the chair.

The CHAIRMAN,—Gentlemen, Dr. Demers, who was examined yesterday, is prepared to offer some supplementary evidence. Shall he be further examined?

Carried.

Dr. DEMERS, recalled and sworn.

By the Chairman :

Q. Dr. Demers, will you please look at this document (Exhibit 62) ? What is it?—A. This is a memorandum of agreement proposed for a joint and physical connection between the lines of the Beauce Telephone Company, and the Bell Telephone Company of Canada, Limited.

Q. What is the date of it ?—A. Well, it was submitted to the shareholders of the Beauce Telephone Company on the 1st February last.

Q. Who prepared it ?—A. The Bell Telephone Company.

Q. And how did you come by it ?—A. Because I was a shareholder in the Beauce Telephone Company, and I had a copy of it.

Q. I mean, was it delivered by the Bell Telephone Company to the Beauce Company ?—A. It was delivered by the Bell Company to the Beauce Company.

Q. Why ?—A. Well, I could not say exactly why, because I suppose they wanted the exchange business.

Q. Yes. Would the Committee like to hear this document read ? I believe that up to this time the Beauce Company was in working harmony with the Bellechasse Company ?—A. The Beauce Company was exchanging its business with the Bellechasse Company since three or four years before.

Q. And this agreement would have had some bearing upon your relations ?— A. Yes, it was to take the Bellechasse Telephone Company out of the field, out of doing business with the Beauce Telephone Company.

Q. This agreement is somewhat lengthy, but it can go on the minutes.

(Exhibit No. 62.)

Memorandum of agreement proposed for a joint and physical connection between the lines of the Beauce Telephone Company and the Bell Telephone Company of Canada, Limited.

The Beauce Company agrees as follows:—

1. In the event of such an agreement being concluded, to forthwith place its lines and apparatus in good working order and condition, and where necessary to secure good commercial talking, through the lines of both companies, to provide with due expedition metallic circuits on such lines as may be used.

2. That it will not connect, directly or indirectly, or allow to be connected, its lines and apparatus with the lines of other companies or persons without the consent of the Bell Company, and will never disconnect the lines of any company or person now connected before this agreement becomes operative.

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APPENDIX No. 1

3. That it will not engage in competition with the Bell Company, nor extend its lines to places already connected by the Bell Company.

4. That it will purchase from the Bell such telephone sets as it may require at the following prices.—

Solid Back Wall, consisting of 1,000 ohm. bridging Bell, Bi-Polar Telephone, Solid Back Wall Transmitter, Backboard and Battery Box,—$15 per set at Montreal.

The Beauce Company to have the benefit of any general reduction made in this price from time to time.

And that it will purchase from the Bell Company such other apparatus and materials as it may require, provided the price and terms are equal to or lower than those offered by others. The Bell Company will from time to time furnish a price list of apparatus and material it has for sale.

5. Should it prefer to lease sets or separate telephones and transmitters the following rentals will be charged by the Bell Company at Montreal.

Five dollars ($5) per annum for each L.D. wall set without battery.

One dollar ($1) per annum for each hand telephone and,

Two dollars ($2) per annum for each solid Back Transmitter payable annually in advance.

Leased sets to be returned when repairs are necessary at the cost and charge of the Beauce Company, the Bell Company to repair free or replace such sets as are defective.

6. That it will withdraw from Ste. Marie Parish, Beauce county, handing over to the Bell Company its subscribers in Ste. Marie parish numbering about thirty-six (36). In exchange therefor the Bell Company to hand over to the Beauce Company its subscribers at St. Joseph, Beauceville and St. George, about nineteen (19). The Bell Company to operate the exchange at Ste. Marie Parish exclusively, and the Beauce Company the exchanges and lines in Beauceville, St. Joseph and St. George and elsewhere where they now exist throughout the County of Beauce. In exchange for the outside construction which the Beauce Company will hand over at Ste. Marie to, and which shall thereupon become the property of the Bell Company, the Bell Company will hand over to the Beauce Company the outside lines of the subscribers and its poles erected, which lines and poles shall thereupon become the property of the Beauce Company (except such poles as carry its long distance lines) at the other three places named. Contracts with subscribers of the Beauce Company at Ste. Marie to be assigned to the Bell Company, and those of the Bell Company at St. George, Beauceville and St. Joseph to be assigned to the Beauce Company, each company to agree to faithfully carry out and perform all the requirements of these contracts.

Each company will arrange for an exchange of its telephone sets so that the Bell Company will retain the instruments of its subscribers at St. Joseph, Beauceville and St. George and the Bell Company will transfer to the Beauce Company an equal number of Beauce Company's sets taken from the subscribers at Ste. Marie.

THE BELL COMPANY AGREES

7. That it will not engage in competition in the territory in Beauce County in which it is agreed that theBeauce County shall operate, the Bell Company reserves the right, however, to extend its lines into and through the territory of the Beauce Company for the purpose of building and maintaining through lines.

8. Reserves the right to refuse the acceptance of business from or to points on the system of the Beauce Company at which the lines or apparatus are not maintained in good working order.

9. To furnish at its Ste. Marie exchange from or to its Ste. Marie subscribers on their business while such subscribers' leases exist, unlimited free county service with the subscribers of the Beauce Company in connection with the Beauce Company's exchanges, during the term of their contract.

10. That its pole line and wires thereon extending from Quebec to St. George will remain its property. The copper line will be looped into the offices of the Beauce Com-

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pany at St. George, Beauceville and St. Joseph, said line to be used only for paid through business 'incoming' or 'outgoing' north of Ste. Marie, and not to be used for any interchange of business paid or free whatsoever between Ste. Marie, St. Joseph, Beauceville and St. George.

11. That its office at Beauce Junction will be closed, and long-distance service shall be had with that place via St. Joseph, at St. Joseph rates, and that its offices at St. George, Beauceville and St. Joseph will be closed during the term of this contract, unless the Beauce Company shall fail to supply a proper and prompt service at said offices in which event the Bell Company may reopen and operate any or all of said offices.

12. Whereas it contemplates extending its line from Scottstown to Megantic and opening an exchange at the latter place in that event it is agreed that a connection with the existing line of the Beauce Telephone Company shall be made there on terms to be arranged.

13. That for the purpose of timing conversations it will provide and maintain, at its own expense, calculagraph at the office of the Beauce Company at St. George, Beauceville and St. Joseph.

It is mutually agreed:

14. That the Bell Company shall have the first option of purchase of the Beauce Company's telephone plant, property and stock, the intention of the parties being that by this clause the Beauce Company shall not dispose of its plant to the prejudice of the Bell Company, provided that the latter is willing at the time of the proposed sale to pay as much as any other bona fide purchaser, but shall give the Bell Company the preference, other things being equal.

15. That the parties hereto shall not have the right to transmit messages free over the lines of each other.

16. That neither party shall be liable to the other for any error or errors in sending messages, whether through the fault of any operator, agent or other person or persons, or from any other cause whatsoever, and that each party hereto, shall only be liable for any accidents, damages, losses or costs occurring or incurred at or on its own lines unless the same shall be proved to have been caused through the act, neglect or fault of the other party.

17. That for the purpose of delivering written messages or for calling customers to the telephone, messenger service will be furnished when required, at reasonable rates by both parties hereto.

18. Toll business between Ste. Marie and points south to be transmitted on the lines of the Beauce Company, the Bell Company to receive 15 per cent of the receipts on such 'In' and 'Out' paid business, the Beauce Company to receive 15 per cent on 'In' and 'Out' messages over the Bell Company's lines originating at or destined to St. George, Beauceville or St. Joseph. The above percentage of receipts due to the Beauce Company shall apply only on the Bell Company's portion of the tariff of business from or to 'other lines' points.

19. That each company will furnish to the other complete lists of its offices and the local tariffs to switching points and that the initial unit of time for conversations over the lines of both companies shall be three minutes; overtime in excess of such unit to be charges per minute.

20. The agreement shall not be transferable by either party without the consent of the other.

21. Regular monthly settlements and remittances to the head offices to be made for all business interchanged by the connecting companies, each company to keep a correct record of the previous month's business interchanged and forward report of name to the other company for comparison and ratification of errors.

22. Both companies will faithfully observe the terms of the contract and maintain

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their lines, apparatus and service in good working order and condition, and make repairs with all reasonable despatch.

23. The period of this contract shall be for five years.

Approved by

L. B. McFARLANE,
General Superintendent.

MONTREAL, December 7, 1904.

The CHAIRMAN.—The effect of this agreement if entered into by the Beauce Company would have been 'the Beauce Company hereby contracts not to grant exchanges to the Bellechasse Company'?—A. Yes, to any company without having first seen the Bell Telephone Company.

Q. So that the effect of the Beauce Company entering into this arrangement with the Bell Company would have been to have impaired the usefulness of your company?—A. Yes, to take us out of the field.

Q. To have deprived you of the benefit of the exchange which you had then, and which you still have with the Beauce Company?—A. Yes.

Mr. MONK.—Is there a special clause to that effect?

The CHAIRMAN.—Well, I have not read it all. Shall I read it all to the committee?

Mr. MONK.—Not for me.

The CHAIRMAN.—It contains other provisions.

By Mr. Geoffrion:

Q. You say this document was prepared by the Bell Telephone Company?—A. Well, I supposed, because it was submitted——

Q. You do not know?—A. No, it was submitted to the Beauce Telephone Company's shareholders.

Q. Would it be supposed the Bell Telephone Company would not have prepared such a document without consulting first with the Beauce Company?—A. Well, I do not know of anything. I am merely a shareholder.

Q. You do not know anything about it? The only thing you know about it is that it came into your hands?—A. It was submitted, yes.

Q. In fact you do not know whether it was prepared by the Bell Telephone Company?—A. Well, it was signed on it 'approved by L. B. McFarlane, general superintendent.'

Q. Yes, but you do not know as a matter of fact whether this was prepared by the Bell Telephone Company?—A. I do not know anything of it, except as a shareholder. I know as a shareholder.

By the Chairman:

Q. Well, there will be no trouble in determining that if it is material. I do not know if it is material. There is no doubt whatever that a monopoly will hang on to its monopoly as long as it can. Dr. Demers, are you aware of any contracts by the Bell Telephone Company, other than that of railways, of the nature of those that were put in by the Bell Telephone Company?—A. Well, I think there are some contracts with the Richelieu and Ontario Navigation Company.

Q. Are there any others?—A. There might be. There might be some other contracts with private companies or large corporations, I do not know.

Q. Why do you say they have a contract with the Richelieu and Ontario Navigation Company?—A. Because Mr. Forget, the president of the Richelieu and Ontario Navigation Company told it to my father.

Q. Well, we will get it from the Bell Company. You have not got the automatic system at Lévis, have you?—A. No, sir.

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Q. You are operating an exchange there, are you not?—A. Yes.

Q. Do you think an automatic system would be helpful there?—A. Well, not for a small place like Lévis, because we are operating with two girls, and for handling the long-distance service it will take just the same, two girls. So the automatic will not suit us for that place.

Q. You told us yesterday that you had made 14 per cent in the year just closed, 11 the previous year. How about preceding years from the commencement of the Bellechasse Company?—A. Well, we have, since the seven years we have been in business, we have paid a yearly dividend of 7 per cent to our shareholders, and we had something else left.

Witness was then discharged.

Mr. ALEXANDER STARK sworn.

By the Chairman:

Q. Where do you live, Mr. Stark?—A. I now live in the Junction. My business is in Toronto.

Q. You are carrying on business in Toronto?—A. Yes, sir.

Q. What business?—A. The electric light and telephone.

Q. What is the nature of the telephone business you are engaged in?—A. Regular exchange work.

Q. What do you mean by regular exchange work?—A. Supplying service to the municipality.

Q. To what?—A. Local service.

Q. What municipality?—A. Toronto Junction and the district.

Q. Describe the extent of your works at Toronto Junction?—A. We have water-power on the Humber, about a mile or a mile and a half from Lambton, which is about two miles and a half from the Junction. We have got about 300 horse-power, and we are supplying between 5,000 and 6,000 lights.

Q. I am not concerned about the lights. It is the telephone side of it I want?—A. We are just installing a system now.

Q. Telephone system?—A. Yes.

Q. What progress have you made?—A. We have got the outside construction built to accommodate between 400 and 500 subscribers. We have got the inside construction completed for 100 subscribers. We have got about 26 of those subscribers working. We started to install that system last November.

Q. Is the Bell Telephone Company in the Junction as well? Is it operating in the Junction?—A. Yes, sir.

Q. What do you charge subscribers?—A. We charge them $6 a year for installation, and then we charge a cent a call. Our limit for private houses is $15, and for business houses $20. It is a toll system.

Q. $15 for private houses and $20 for business houses?—A. As the limit.

Q. The outside limit?—A. Yes, sir. It cannot cost them any more than that.

Q. But they may contract at a smaller amount?—A. The telephone may not cost them $10 a year.

Q. They may contract for $6 a year and pay one cent, is that it?—A. Yes.

Q. Per call?—A. Per call.

Q. This rate is for people within the Junction?—A. In the district.

Q. Are they separate wires?—A. Yes, sir.

Q. What sort of exchange do you operate?—A. Automatic.

Q. What system?—A. The Strowger system.

Q. The Strowger system?—A. Yes, sir.

Q. Is that in use elsewhere?—A. Yes, sir.

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Q. Where?—A. It is in use to my knowledge in Grand Rapids and in Portland—that is, I have been at those points—and in Chicago.

Q. You have seen it in operation?—A. Yes, sir; and it is in operation, I think, in over 25 different places.

Q. Can you describe that system?—A. Well, it is rather difficult to describe.

Q. Very well, we will get at it in another way. Can you get, under the system, a maximum sufficient for varying numbers of subscribers?—A. Yes, sir.

Q. What is the minimum number that can be served by the Strowger system?—A. They can be served from two up to any number.

Q. But there is a unit, I suppose, in this machine?—A. Yes, they put in hundred units, that is the smallest.

Q. The smallest unit is 100?—A. That is the capacity.

Q. What would that cost delivered in Canada?—A. It would cost—that would be per line? They always figure per line complete.

By Mr. Bergeron:

Q. What do you call per line?—A. For instance, if they supplied you with an exchange for 100 you might only have 50 on that 100, but they would charge you per line. That is to say, supposing it was $40 a line, well then they would charge you 50 times 40.

By the Chairman:

Q. $2,000?—A. Yes, sir.

Q. Why not 100 times 40, 100 subscribers?—A. Well, if you had 100 subscribers on the switchboard, then they would charge you the full amount.

Q. I want to ascertain what it would cost the Canadian public to install an exchange, we will say with 100 subscribers, with the Strowger system? What would you have to pay the owner of the invention?—A. You would have to pay them nearly $40 per line.

Q. $4,000?—A. Yes.

Q. And what would you get for that?—A. You would get a switchboard apparatus complete in the exchange, all the telephone instruments complete for the subscriber's premises; you would have to build lines and any outside construction to connect the two together.

Q. From the central office?—A. Yes, sir.

Q. They would give you the complete equipment for the central office, the exchange office?—A. Yes, sir.

Q. The remainder would be—— ?—A. And for the subscribers.

Q. The remaining work would be to connect the subscribers with the central office by line?—A. Yes, sir, that is it.

Q. And then you would have a service of 100 subscribers?—A. One hundred subscribers.

Q. At a capital outlay of $4,000, and in addition to that the cost of the lines?—A. Well, you have got to pay the duty in addition to that.

Q. Duty?—A. Yes, sir.

Q. What will it cost a year to maintain that system, the unit of 100?—A. Well, I cannot give you that of my own knowledge, because we have not been a year operating yet, and furthermore, our system is not simply a telephone system, it is a combination.

Q. Well, I want you to forget your other relations?—A. Yes, sir.

Q. And to give us as far as your knowledge will go the cost of maintaining an automatic service supplying 100 subscribers. What do you think it will cost? What attendants or other assistance do you require on this automatic system?—A. Well, of course you would have to have one man for a system comprising 100 lines.

Q. Do you mean one man in the office?—A. Yes, sir. If you had 200 lines or 300 lines the increased cost would not be in proportion. That is the maintenance.

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Q. The attendance?—A. Yes, the attendance.

Q. One man could attend more than one unit of 100?—A. Yes, sir. One man could attend up to 1,000.

Q. A thousand is the maximum?—A. That is what is considered to be the maximum. I am not speaking from my own experience; I am speaking now from information I got.

Q. From the Telephone World?—A. From practical men.

Q. So that if you required to keep an exchange of 1,000 open the whole twenty-four hours?—A. You would have to have three men.

Q. Three men?—A. Yes, sir.

Q. What would it cost by the manual system for 1,000? How many attendants would be necessary for the same service continuously?—A. Well, I would judge that it would cost a third more anyway, just for the attendance alone.

Q. How many persons would require to attend for twenty-four hours the service of 1,000 subscribers?—A. Is that just for the attendance to the switchboard or for the operating as well?

Q. Well, to do the work that the automatic does?—A. To do the work that the automatic does? Well, I should think it would take between 15 and 20, including operators, and supervisors as well as operators, the relief, the night operators and the attendance, all the parties.

By Mr. Bergeron:

Q. That would be 15 or 20 compared with 3?—A. Compared with 3, yes.

By the Chairman:

Q. Fifteen or 20 for the whole twenty-four hours?—A. That is including operators and the supervision.

Q. To do the work that the automatic machine does?—A. Yes, sir.

Q. The difference is between 3 and 15 or 20?—A. Yes, it would be about that.

Q. Can you tell me what it would cost, we will say in the county of York—you are speaking of Toronto Junction, which is in the county of York——A. In the township of York.

Q. In the township of York?—A. Yes, sir, and in the county of York.

Q. Can you tell me what it would cost a mile to construct a pole line in the county, in the rural district, a line sufficient to carry enough lines to serve a rural district, one or two lines per pole?—A. That would mean just the cost of the poles and the wire.

Q. Yes, and the insulators and the erection of whatever else there is?—A. Per mile?

Q. Per mile?—A. Well, you could only figure on the poles. You have got to figure on the number of wires before you can find the cost of it, because it will cost much more in proportion to build one wire than it will to build ten wires.

Q. Well, I will put it in another way to you, Mr. Stark. We will suppose that there are two farmers living two miles apart, and they desire to construct a telephone system between their two premises. What would be the cost of a system sufficient to meet their needs?—A. Well, sir, I do not think that you can get a standard. That cost would depend altogether on the circumstances. Some men might do that very cheaply, and in some places it might cost a great deal more than others; but if you built on the regular long-distance system then you have got to get your poles and get them brought in and delivered, and your construction is altogether different; it costs a great deal more. But you take farmers' lines, and they could get 25-foot poles, and perhaps they could cut them and deliver them themselves.

Q. Well, make them good standard poles?—A. Well, it would take 100 poles to the mile, and really it would take about $10 per pole.

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Q. Oh, no.—A. Yes, it would.

Q. Ten dollars for a pole?—A. Yes, sir.

By Mr. Zimmerman:

Q. That is put up?—A. That is put up, yes.

By the Chairman:

Q. Oh, no.—A. I can show you the bill for it, sir.

Q. Well, I should be amazed. I built a line myself.—A. Well, that is just it; it depends altogether upon the conditions.

Q. Ten dollars a pole?—A. Put up.

Mr. BERGERON.—How much did your poles cost, Sir William?

The CHAIRMAN.—It was some years ago. They only cost 75 cents.

A. Oh, poles are poles now. You cannot get those same poles now for less than $1.50 or $1.75.

By Mr. Zimmerman:

Q. How far apart do they put those poles, Mr. Stark?—A. How far apart?

Q. Yes?—A. There is about 100 to the mile.

Q. That is extraordinary.—A. Oh, hold on a minute. About 100 feet apart, ordinary construction.

By the Chairman:

Q. That would be 52?—A. That is down to 32 paces.

By Mr. Zimmerman:

Q. I understood they put poles 110 feet apart?—A. They put them according to construction. If your construction is heavy they are closer. If you take long-distance work they will run as high as 35 paces.

Q. But, Mr. Stark, there are only 35 telegraph poles to a mile?—A. 35 poles to the mile?

Q. Yes.—A. To the mile.

Mr. ZIMMERMAN.—That is the ordinary country line.

By the Chairman:

Q. Take the telegraph lines that run across lines of railway carrying many wires?—A. They have put them as high as 40 and 45 paces, but that was years ago. They are not built as far apart now, and I have put up thousands of poles, and I have put them up 100 feet apart, 100 to 110 feet.

By Mr. Zimmerman:

Q. Forty paces would mean 120 feet?—A. Yes. I am talking about long-distance telegraph lines now that they built some years ago. I suppose the telephone lines at the start would be about the same length.

By the Chairman:

Q. Well, I am asking for lines for the use of people living in rural districts?—A. Yes, sir; they can be built a great deal cheaper.

Q. Well, that is what I am trying to get at. Can you estimate what it would cost to build the line such as I have described between two farmers at a distance of two miles and to be operated for their own use?—A. It would be hard work for me to give a price on that unless I knew the conditions.

Q. I see.—A. But under regular long-distance construction, what I stated a moment ago would apply. There is no doubt that to build a line between two farmers you could build it a great deal cheaper than that.

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Q. I suppose the standard of long-distance lines differs materially from the standard of private lines?—A. It has got to be in A 1 shape, if the service is going to be worth anything over the line.

The CHAIRMAN.—It is very extraordinary.

Mr. ZIMMERMAN.—I think the gentleman who gave his evidence yesterday told us the cost would be $120 per mile with two wires.

By the Chairman :

Q. Have you ever constructed anything else in the rural district?—A. My construction has been mainly in Toronto.

Q. I see. Then you have no knowledge of the conditions in the rural districts in Canada, the cost of poles or labour, have you?—A. Well, I have not had any great experience in it.

By Mr. Grant :

Q. You would have to bring your poles from the northern part of Ontario?—A. Now they have to do so.

Q. A hundred miles or more into Toronto?—A. Now they have to do so.

Q. At a considerable freight charge?—A. Yes. The freight is high.

Mr. BERGERON.—Well, according to your first answer the cost would be about $1,000 a mile.

The CHAIRMAN.—For the poles.

By Mr. Bergeron :

Q. For the poles?—A. Yes. That is right, but then those poles will carry cables as well as wires. For instance, I have seen those poles carry 900 wires, including cables.

By Mr. Zimmerman:

Q. I presume that would be a forty-feet pole?—A. That, of course, is city construction, not country construction. Of course, a line between two farmers could be built very much cheaper than that.

By the Chairman :

Q. I thought you would have been able to give us your experience of systems in rural districts. Supposing there was a group of farmers of 20 who desired to establish a little system with perhaps a connection with the nearest town, I thought you would have been able to give us a fair business estimate of the cost of that system?—A. Do you mean the cost of the line?

Q. I mean the cost of everything.—A. Yes, sir. Well, I have been figuring on a line of that sort, and I think it would cost the farmer $10 a year.

Q. Well, I am asking you the capital outlay?—A. I do not think I could answer you that satisfactorily.

Q. How do you arrive at the annual cost to the user if you do not know the capital outlay?—A. That was according to the number on the line. There is about 15 or 20 on this line, which costs about $2,000, the four miles of it. That would be about $500.

Q. Do you know the extent of the Bell Telephone Company's system in Toronto Junction?—A. They have got about 130 subscribers, I think.

Q. How are you going to connect with the trunk lines?—A. With the trunk lines?

Q. Yes.—A. Well, if we have long-distance lines we will have to build them.

Q. Have you approached the Bell Company?—A. No, sir.

Q. Do you get subscribers without being able to give them long-distance connection?—A. Yes, sir, I have got more subscribers now, contracts signed, than the Bell have got in the Junction.

Q. How many have you got signed?—A. Over 150.

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Q. When do you expect to have them installed?—A. I expect to have 100 of these completed at the end of this month. The other 100 will be delayed some because we are putting up a new building.

Q. Have you not approached the Bell Telephone Company to secure a long-distance connection?—A. No, sir.

By Mr. Grant:

Q. Are any of the Bell subscribers signing contracts with you?—A. They are mostly all Bell subscribers.

By Mr. Bergeron:

Q. Whenever you have been thinking of having a long-distance connection have you ever thought of approaching any of the telegraph companies; they seem to have poles all over the country?—A. Well, you see we have only been started since last November. We are installing our system, and we have not got to that point yet. We have no outside points yet to get connection with, so it has not been necessary for us to approach the long-distance question.

Q. I am asking, because of all those who have been here I have never heard of their trying to make use of the telegraph system for long-distance connections, but only with the telephone. It seems to me that these telegraph companies go all over the country, and that a young company like yours might make an arrangement with the telegraph company. But as you say, you have not come to that point yet.—A. We have not yet come to that point.

Q. Just one word about that system you are using. You import your instruments from the United States?—A. Yes, sir.

Q. And you pay the duty?—A. Yes, sir.

Q. How much do you pay?—A. Twenty-five per cent.

Q. Is this system that you have in vogue, is it becoming general, or do you think it will become a general system in Canada?—A. I am certain about it.

Q. Is it supposed to be the best?—A. I suppose it is the best.

Q. I am just asking this—it may not have much bearing upon our subject—but could not these instruments be made in Canada?—A. They could be made in Canada; there is no reason why they should not be.

Q. They could be made in Canada?—A. Yes, sir.

By Mr. Geoffrion:

Q. As far as I can gather from your evidence, you have no experience as to the cost of building a telephone line in the country?—A. I have never built any long-distance lines.

Q. So you cannot give, as a certainty, the cost which would have to be incurred in building such a line? Your company is a new company?—A. Our company is a new company.

Q. Did you commence your experience in the telephone business with that new company, or did you have any experience before that?—A. I have been over twenty-five years in the business.

Q. In what company?—A. In the Bell Telephone Company.

Q. You have been twenty-five years with them?—A. I haven't been the whole twenty-five years with them. I think I was in the business before they started.

Q. How many years were you with them?—A. Over twenty-four years, I think.

Q. When you left them you entered immediately in that new company; you undertook to start that new company?—A. Well, myself and a certain number of men started to form a company. We had not started, but practically begun the business as I told you I think last November.

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By Mr. Bergeron :

Q. What was the object of your starting this ? Was it because you were not well served by the Bell Telephone Company, or any other company, or was it because you thought it was a good paying business—as a matter of business—that you were going into that?—A. I started it because it was a new invention of my own.

Q. That is your invention ?—A. Yes, sir, my invention.

Q. What is your invention that you import from the states?—A. My invention is a combination of the telephone and electric light on the same circuit at the same time.

By Mr. Geoffrion :

Q. You say you have not approached the Bell Telephone Company in regard to being served by their long-distance lines, that you had not approached them to make any agreement with them. Why?—A. I have not approached them; I did not think it was any use approaching them.

Q. Have you any reason to believe it was of no use?—A. Yes, I have.

Q. How can you say so—have you spoken to them about it?—A. No, I have not.

Q. What makes you say you have reason to believe you could not make any agreement with them ?—A. My experience while I was with them.

By Mr. Zimmerman :

Q. I do not think this would be evidence ?—A. I am only answering the questions asked me.

By Mr. Bergeron :

Q. Were you with the Bell Telephone Company?—A. Yes.

Q. In what capacity?—A. I was superintendent.

Q. In the city of Toronto?—A. Yes.

Q. For how many years?—A. I was operating in the city of Toronto in telephone lines before the Bell Company came into it, and I operated it for the Bell Company up to the time I left two years ago this month. In fact, I built the telephone plant in the city of Toronto, as far as that is concerned, with the exception of what they have done since I left. I laid it out and put it all up.

By Mr. Zimmerman :

Q. So that your knowledge is really of city construction rather than long-distance or outside construction?—A. It is city construction, yes, sir.

By Mr. Grant :

Q. And you would not say for a moment that the figures you gave as to the cost of construction of rural line apply to the rural portion?—A. No, as I have said before a rural line constructed as the chairman has mentioned would be constructed very differently and at a much cheaper rate.

Q. At a much cheaper rate?—A. Yes, sir.

Witness discharged.

Mr. WILLIAM BAMPFIELD, Kingston, called and sworn.

By the Chairman :

Q. Are you engaged with any telephone company ?—A. With the North American Telegraph Company.

Q. At Kingston. is it ?—A. Yes, sir.

Q. The headquarters is at Kingston?—A. Yes, sir.

Q. Do you call it a telegraph company?—A. Yes.

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Q. Is there a telephone company also?—A. Yes.

Q. When was it begun?—A. The charter was obtained in 1886, but I believe the first work was done in June, 1887.

Q. I am speaking of the telephone side of it—are you in the telephone business?—A. Yes.

Q. Does your company do a telephone business?—A. Yes.

Q. Where?—A. We occupy the territory on the east of a line drawn north from Port Hope and west of a line drawn north from Brockville; we operate a telephone between these two points and west of the Ottawa river; that is the territory we operate.

Q. Describe the system, the extent of your system?—A. Well, we have 41 telephone exchanges and 81 telephone toll offices, and we have 682 telephones in operation.

Q. How many miles of pole line?—A. 1,989 miles of toll lines.

Q. What do you mean by toll lines?—A. That is a line over which we charge for conversation, that does not include the subcribers' wire.

Q. What we may describe as the long-distance?—A. Yes, long-distance.

Q. In addition to the long-distance lines you have individual service?—A. Yes, individual exchanges.

Q. You mean you have individual pole line, that is what I want to get at.

By Mr Bergeron:.

You mean wire?—A. Yes, wire.

By the Chairman:

Q. I meant pole line, you might have many miles of wire but on the same pole line?—A. Yes, we have; that would be about one-half that number of miles.

Q. The total number of miles of pole line would be, how long?—A. About 1,000 or 900 miles.

Q. Then you have—— A. I find I have it here—miles of poles on long-distance line, 753.

Q. Yes, and now for subscribers?—A. I have not got that here; I can tell you the number of subscribers we have and the average.

Q. It is of no great consequence. You are doing the business in the towns and villages? And in the rural districts?—A. Yes.

Q. Have you any lines running direct from your exchanges to the rural district, to individual subscribers, to farmers, for example?—A. No,—yes, we have one line on which there are some farmers connected.

Q. At what point is that?—A. We have a line running from Deseronto to Bath, and on that line there are about five farmers.

By Mr. Bergeron:

Q. What is the distance?—A. From Deseronto to Bath the line runs right through and as the farmers came in, we do not do very much through business on that line, we have given them connection.

Q. Have they a branch from the line to their houses?—A. The line goes by their houses in every instance.

Q. But there is a wire from the line into their houses?—A. Yes.

Q. You have not built wire lines direct to the houses?—A. You mean for farmers?

Q. In the rural districts, a mile, two miles or three miles in length?—A. No.

Q. Have you any information as to the cost of such a line?—A. Yes.

Q. Per mile? Per mile of pole line?—A. Per mile.

Q. What is it?—A. We are at present estimating for building some lines especially for farmers; we have started that this year. We have estimated that this line will cost us, they may cost differently in different sections of the country, if you come to a rough, rocky section it will cost more, but we estimate that a line that will give the farmer a first-class service will cost perhaps about ten miles long, on which we hope to put ten farmers, about $1,500.

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Q. Does that cover the cost of the instruments as well?—A. No.

Q. Just the line itself?—A. The line itself.

Q. Poles, wire and erection, I suppose?—A. Poles, wire and erection.

By Mr. Bergeron:

Q. Do you use copper wire for that?—A. No.

Q. What kind of wire do you use?—A. No. 9 iron wire.

By the Chairman:

Q. That will be $150 per mile?—A. Yes.

Q. And in addition you will have to supply each of these ten subscribers with an instrument?—A. Yes.

Q. What do you allow for that?—A. About $20 or $21.

Q. For the 15?—A. Oh no, for each.

Q. For each 'phone?—A. Yes.

By Mr. Bergeron:

Q. For each 'phone?—A. Yes.

By the Chairman:

Q. How is this amount arrived at?—A. Well, we will have the telephone, that is the cost. We have to furnish him with a 'phone, with a telephone and a bell, and the telephone cord, and a three-cell battery, and a lightning arrester, and that will run up to $20.

Q. Where do you get these supplies?—A. We buy them from the Northern Electric Company.

Q. Where is that?—A. In Montreal.

Q. What do they charge for such an outfit?—A. That is what they charge.

Q. To the public?—A. We do not sell them to the farmer.

Q. You would have to pay that?—A. That is what I am saying. That is the cost of the outfit I think to us.

Q. That is the lowest net cost price to you?—A. $21 per set. That is for a long-distance instrument. You understand we could furnish them with a Blake set for about $14.50; that is what the cost to us would be.

Q. What would he get for that?—A. Practically the same; but he would not get a long-distance transmitter, and would only get a one-cell battery.

Q. Then it will cost the farmer $150 for the line, and $21?—A. $21.

Q. That is $171—that will be the capital cost per mile?—A. That will be our capital cost.

Q. That will be the capital cost to erect it? I was not saying to whom?—A. Yes; but of course if we were going to put up a line we would put up a line that we expect to maintain; a farmer might put up a much cheaper one.

By Mr. Bergeron:

Q. Is that a single or a double line?—A. It is a metallic circuit, a double line.

By the Chairman:

Q. That is the system he is speaking about—a metallic circuit, double line. That is what you call a first-class line?—A. That is a first-class line, a double line.

Q. A first-class line, with first-class instruments and long-distance 'phones would be $171 per mile?—A. About that.

Q. Have you any experience with the working of the automatic system?—A. No.

Q. Have you any information in regard to the working of the automatic system?—A. I have not seen an automatic system for over seven years, so I cannot tell you.

Q. You have not studied the latest devices?—A. No.

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Q. You are not in a position to offer any opinion as to other 'phones?—A. No.

Q. Have you a financial statement of your company here?—A. Yes.

Q. I suppose it is not private ?—A. There is nothing here that I cannot submit to the Committee.

Q. Well, we want to ascertain what it is likely to cost the public to construct telephone lines, and your experience with telephone systems would be helpful.

By Mr. Bergeron :

Q. How much did you say you charged the farmers?—A. What we are charging them ?

Q. Yes.—A. $15. The contracts we are trying to get are on the basis of one farmer per mile, charging him $15 a year, and he is connected with the nearest exchange. We have built lines about on that basis.

By the Chairman :

Q. He will get a good long-distance instrument and long-distance connection?—A. Yes.

By Mr. Bergeron :

Q. For that $15 has he a right to use the long-distance telephone ?—A. He has the right to talk free to all subscribers in the nearest exchange, that is, the one with which he is connected.

Q. In that district?—A. Yes.

By Mr. Grant :

Q. How is it outside of that ?—A. He pays the regular toll as everybody else does.

Q. What is the rate?—A. Our rate is about one-half cent a mile.

By Mr. Bergeron :

Q. If I understand you aright you have not got any long-distance line, have you?—A. Oh, yes.

Q. How far?—A. 753 miles.

Q. It would be from Kingston——?—A. From Kingston we run to Belleville and from Belleville up to Stirling, from Stirling to Peterborough, and we run from Stirling to Marmora and to Madoc.

Q. That goes through how many counties ?

The CHAIRMAN.—Durham, Hastings——

WITNESS.—Everything between Port Hope and Brockville.

Q. That is what you call your long-distance ?—A. We call them toll lines.

Q. A farmer paying $15, if he wants to speak on the whole of that line he will have to pay——?—A. The same as if he went into one of the regular offices.

Q. This $15 is for the subscribers in the district ?—A. Yes.

By the Chairman :

Q. You have an arrangement with the Bell Company, have you?—A. Yes.

Q. You have a written agreement with them?—A. Yes.

Q. Have you got it with you?—A. Yes, a copy of it.

By Mr. Zimmerman :

Q. Do you work with the Bell Company in any way?—A. We have a working agreement with them—it is a working agreement with them.

The CHAIRMAN.—This is an agreement bearing date January 1, 1900, between the Bell Company and the North American Telegraph Company. Well, we will put it on the minutes. (Exhibit No. 63.)

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By Mr. Bergeron :

Q. You charge $15 a year. Have you any objection to telling us what are the profits of your company on that kind of telephone to the farmers?—A. No, I cannot tell you that, because we have not had one farmer for a whole year yet.

By Mr. Zimmerman :

Q. What do you mean by that, you say you have not had one farmer a whole year?—A. At the present time we have only got four or five farmers connected with our system, and these contracts have been made within the last year.

The CHAIRMAN.—I would like to read over this agreement. It is interesting. I think it explains somewhat the high cost of these instruments. The agreement as produced is as follows :—

'Exhibit No. 63.

'Memorandum of Agreement made in duplicate this first day of January, nineteen hundred;

'Between the Bell Telephone Company of Canada (Limited), hereinafter called the Telephone Company, of the first part, and

'The North American Company (Limited), hereinafter called the Telegraph Company, of the second part.

'Whereas, it has been considered advisable and expedient by the said companies that an agreement be entered into whereby an interchange of telephone business may be made, and to provide for the use or partial use of certain wires and poles of the said companies by the one or the other or both of said companies within the limits of the district hereinafter described.

'Now this Agreement witnesseth, that the said companies agree, one with the other, that—

'1st. That the Telegraph Company shall occupy and operate for telephone purposes the said territory lying between the parallel lines drawn north and south through the towns of Port Hope and Brockville, and bounded on the north by the Ottawa river and such other points of territory as may be mutually agreed upon, in the manner following, namely :—

'It is agreed that the limits of the existing exchanges of the telephone company's which it shall continue to occupy and operate in said territory are comprised within a five-mile radius of such exchanges, and the parties hereto agree to take no subscribers and give no service within such limit except as herein provided.

'2nd. That the Telephone Company shall, except as hereinafter provided, make no further extensions of its system within the territory hereinbefore named during the continuance of this contract, all extension of telephone lines thereof and of all existing lines and exchanges of the Telegraph Company in said territory being left in the hands of the Telegraph Company, except that where and when it may be considered expedient to extend or lessen the territory operated by the Telegraph Company such change shall be the subject of mutual agreement by the parties hereto and endorsed hereon.

'3rd. The Telegraph Company agrees to use no telephonic apparatus except that furnished by the Telephone Company, and to pay therefor a price equal to the price paid by the Telephone Company and five per cent commission thereon.'

By the Chairman:

Q. I would ask you whether you are complying with this provision when purchasing from the Northern Electric? That is a part of the Bell Company's business?—A. The Northern Electric Company furnishes their instruments.

Q. Do they direct you to buy there?—A. We buy from the Bell Company.

Q. You buy from the Bell Company?—A. Yes.

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Q. Not from the Northern Electric Company ?—A. They are made by the Northern Electric Company.

Q. You purchase the $21 outfit from the Bell Company?—A. Yes.

Q. That is the price they charge you?—A. Yes.

Q. You are obliged under this contract to purchase from them ?—A. Yes.

Q. You are not at liberty to go to the open market?—A. No.

By Mr. Bergeron:

Q. You pay five per cent more?—A. We pay a price as they stand on their books, plus five per cent.

Q. Why do you do that?

The CHAIRMAN.—It is a part of the agreement.

By Mr. Bergeron:

Q. Is that why you do it?—A. It is to our advantage.

By the Chairman:

Q. You are practically arranging not to compete ?—A. We get the advantage of the use of their line, which is a great advantage to us.

Q. By this agreement you are not competing in the territory ?—A. No.

The CHAIRMAN.—We will go on and read the rest of this agreement (Exhibit No. 63), and we will see if there is anything in it.

'4th. All the telephone lines and exchanges erected by the Telegraph Company are to be maintained by that company in good order.'

Q. Then you have poles in common?—A. If we want to run a line by their poles we get permission from them, and vice versa.

The CHAIRMAN.—The agreement goes on (Exhibit No. 63):—

'5th. Where the poles of either company are used by the other for the purpose of carrying wires, a uniform charge of 10 cents per pin occupied shall be made. Formal and prior application for the use of poles must be made by each company to the other, and where the privilege is granted a proper record thereof must be kept by both parties hereto, and each party agrees to keep its own wires in good order.

'6th. The conditions and divisions of tolls on business between the two companies shall be fixed from time to time as per schedule to be attached hereto and become part of this contract.

'7th. Accounts of both companies to be rendered and settled monthly.

'8th. This contract shall not be assignable without the consent of the Telephone Company and the Telegraph Company.

'9th. Both parties to the agreement having issued passes and franks, each agree to honour the same over the lines of the company issuing the pass or frank.

'10th. In case the Telegraph Company desires to sell the telephone exchanges and telephone lines or parts thereof created and covered by this contract, the Telephone Company shall have the first right to purchase on terms to be agreed; and provided the companies hereto cannot agree on a price, then the question of price shall be left to arbitration in the usual way.

'11th. This agreement shall be binding on the said companies for ten years from the date hereof.

'12th. That the existing telephone wires between Napanee and Tamworth, owned by the Telephone Company, and erected and supported on the poles of the railway, together with all the rights and obligations pertaining thereto, shall be and is hereby sold to the Telegraph Company for the sum of one dollar.

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'In witness whereof, the parties hereto have executed these presents, the day and year first written herein.

'THE BELL TELEPHONE COMPANY OF CANADA,

'By C. F. SISE, *President.*

'CHARLES P. SCLATER, *Sec.-Treas.*

'THE NORTH AMERICAN TELEGRAPH COMPANY, LIMITED,

'W. BAMPFIELD, *General Manager and Secy.*'

Mr. BERGERON.—That is a combine.

The CHAIRMAN.—A combine, yes.

Mr. BERGERON.—Where does the farmer come in ?

The CHAIRMAN.—He is in between these two companies.

Q. Do you install your instruments in railway stations ?—A. Yes.

Q. By what arrangement ?—A. By arrangement of the railways.

Q. Have you an agreement with the railways?—A. No.

Q. Just verbal consent?—A. Sometimes verbal, sometimes written.

Q. Do you have to get permission of the Bell?—A. No, we do not.

Q. Do they obtain it for you ?—A. I cannot tell.

By Mr. Bergeron :

Q. I understand you are very friendly with the Bell Company?—A. Yes.

Q. How many railways are there in your circuit ? Sir William asked if you had made arrangements with any of the railway companies. How many railways are there? —A. We have the Grand Trunk and the Canadian Pacific Railway——

Q. And your instruments are in the Grand Trunk stations ?—A. Yes.

Q. And the Canadian Pacific Railway?—A. Yes.

Q. What other railway?—A. The Bay of Quinte Railway.

Q. Yes ?—A. The Thousand Islands Railway.

Q. Have you got your instruments in every one of these railway stations?—A. Yes, and the Brockville, Westport and Sault Ste. Marie and the Canada Atlantic.

Q. Do they pay you anything for them?—A. No.

Q. They do not pay anything—you put your instruments in the station; they don't pay anything and use your instruments free ?—A. Yes.

Q. This is a consideration, I imagine?—A. It is a consideration for us, yes.

By Mr. Grant :

Q. You have to make a formal application in every case to the railway head offices? —A. Yes—we always apply to the local superintendents, as a matter of fact.

By Mr. Bergeron :

Q. That is done by verbal arrangement, there is no writing?—A. I think we have had one or two writings.

By Mr. Geoffrion :

Q. You consider it an advantage to your company to have connection with the railway companies for the public?—A. Yes.

Q. It is an advantage to the public to have connection with the railway ?—A. Yes.

By Mr. Zimmerman :

Q. It gives you extra business, I presume?—A. Yes, the subscribers generally want it.

Witness discharged.

Mr. WILLIAM BAMPFIELD.

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The CHAIRMAN.—There are no more witnesses, but I have a letter which I think the committee would like to hear read, from Mr. E. R. Conklin, secretary-treasurer of the Independent Telephone Company, Aurora, Illinois. This letter is instructive, inasmuch as it describes several rural systems, and the cost to the subscriber of each rural system.

(Letter read. See Appendix 'A,' No. 24.)

Mr. BERGERON.—Mr. Chairman, Dr. Demers, who is here, has heard Mr. Stark give an estimate of the cost of constructing a rural line. He has made up some figures which he would like to give the committee.

THE CHAIRMAN.—Very well. The proper way would be for him to be recalled.

Dr. DEMERS recalled, and further examined.

By Mr. Bergeron:

Q. You heard Mr. Stark, of whom the chairman asked the price of poles in rural districts, give an estimate of the cost of construction. Will you tell the Committtee, as briefly as possible, what you look upon as being the cost of construction for poles in country districts for farmers' use?

Mr. ZIMMERMN.—That is, from your own experience?

A. It costs to make a good country line $1 per pole, or $40 for 40 poles for a mile. For carrying the poles from the railway station to their right spot, 15 cents each, $6. Digging the hole and putting up the pole, 50 cents each, $20; cross arms, 4 pairs, at 25 cents, and carrying, $10; incidentals, $4; insulators, $5—it will really cost only $1; two wires, No. 12 best galvanized wire, $10; to put up wires, $10; freight on poles, proportion of carload, $15. As a carload of poles contain about 80 poles, and they will travel about 400 miles of distance for $30,—the furthest poles are 400 miles from the spot,—I calculate $15 to carry the freight. It is supposed to be a nice clean pole, barked within five feet of the bottom, chopped at both ends, seven-inch top.

Q. Would you look upon that as a standard pole?—A. I am counting on the highest quality of cedar pole.

By the Chairman:

Q. What are you allowing for them?—A. One dollar. I could get 25-foot poles, 6-inch top, that will just as well carry four pins, cross-arm attached to each pole, for 75 cents—perhaps 80; 75 cents is the minimum. Then we put sometimes 100 poles to a car; never less than 85.

By Mr. Bergeron:

Q. How much will that be altogether?—A. That is about the standard. It may be only $100 per mile or it may be $150. This is supposed to carry only two wires, and if you put more than two wires on there is nothing there for the bracing of the poles or for the guying in the curves and corners.

Q. It costs how much a mile?—A. About $12 more.

By Mr. Zimmerman:

Q. That would be $150 a mile?—A. Yes, for a first-class line with two galvanized wires, ready to carry two copper wires after.

By the Chairman:

Q. Then you agree with the last witness?—A. Yes, he was about right. This is with two wires No. 12, and he estimated with No. 9 wires.

The CHAIRMAN.—You will file your statement.

Dr. J. T. DEMERS.

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(Exhibit No. 64.)

FOR ALL COUNTRY PLACES IN THE PROVINCE OF QUEBEC.

Forty poles at $1	$40 00
Carrying poles at 15 cents	6 00
Digging at 50 cents	20 00
Cross-arms, four pair at 25 cents	10 00
Incidentals	4 00
Insulators	5 00
Two wires	10 00
Putting up wires	10 00
Freight	15 00
A mile	$120 00

Poles 25 feet long, 7-inch top; all cedar.

By the Chairman:

Q. Yesterday I asked a question which I would like to ask again, the number of pounds of copper wire per mile; you told me -90?—A. No. 346 pounds.

Q. Is that for a single wire or a double wire?—A. If we say a copper circuit, it is two wires.

Q. Three hundred and forty-six pounds?—A. A circuit. I do not know of any company putting up single copper wire for telephones.

Q. I only wanted to make it clear—346 pounds?—A. That is for a circuit, two wires.

By Mr. Bergeron:

Q. No. 12?—A. No. 10, drawn sharp.

By the Chairman:

Q. Single wire would be 173 pounds?—A. I never heard that a copper wire line was made in single lines. It is two wires.

Witness discharged.

The Committee then adjourned.

COMMITTEE ROOM,
FRIDAY, April 14, 1905.

The Committee met at 11 o'clock, Sir William Mulock in the chair.

Mr. JOSEPH MOISAN, of Montreal, sworn:

By the Chairman:

Q. I understand that you are manager of a telephone company in Montreal?—A. Pardon me, secretary treasurer.

Q. What is the name of the company?—A. The Merchants Telephone Company.

Q. How long has it been in operation?—A. In operation since 1895.

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Q. Where does it operate?—A. In Montreal.
Q. Wholly within the city?—A. Wholly within the city.
Q. It does not do any rural business?—A. Pardon me?
Q. It does not extend its wires into the country?—A. No, sir.
Q. How many subscribers have you in Montreal?—A. 1,546.
Q. How many of them are in private houses?—A. About 190.
Q. And the rest are in business places?—A. In business places.
Q. What rates do you charge?—A. From 20 to 35.
Q. Dollars?—A. Dollars.
Q. $20 to residents?—A. $20 and $35 for residences, and $30 to $35—$20, $30 and $35 for business places.
Q. Have you got a copy of your financial statement here?—A. Yes, sir. Mr. Chairman, I would suggest that this statement should not be left for publication.
Q. Well, is there any reason for it?—A. Well, it has not been brought before the public in Montreal at any meeting. It was only read before a meeting of the stockholders.
Q. I am sure, Mr. Moisan, if it is put in here as part of our Minutes it will be printed, and will be read by the public.—A. It is——

Mr. GEOFFRION.—Unless he wants to withdraw it, he could give us an extract from the statement.

By the Chairman:

Q. We do not want to do any harm to the company?—A. It is only that printed statement.

Mr. BERGERON.—Why not look over it and see what it is like.

The CHAIRMAN.—We will see whether it has any bearing on our inquiry.

By Mr. Monk:

Q. Was the statement given at a general meeting?—A. Yes, sir.
Q. Did it not get into the papers then?—A. No, it did not.

By Mr. Geoffrion:

Q. You do not want your business interests to be known by the public?—A. By the public, exactly.

By Mr. Zimmerman:

Q. If it is a chartered company can this information not be got from the provincial government?—A. Yes.
Q. If a paper wants it?—A. Pardon me?

By Mr. Monk:

Q. Have you not made a report to the provincial government?—A. No.
Q. Is it a provincial company?—A. Yes, exactly. We have made it.

By Mr. Geoffrion:

Q. You made an annual report but you did not give the ordinary details you put in that statement?—A. No, sir.
Q. That is why you object, you do not want it to be known to the public?—A. Exactly.

By the Chairman:

Q. I do not know that there is anything of any interest to the public in the statement, but the members of the committee can look at it. Have you got an agreement with the Bell Telephone Company?—A. No, sir.
Q. Are you working in opposition to them?—A. Exactly, yes, sir.

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Q. Are you allowed to string your wires on the Bell Telephone Company's poles?—A. No, sir.

Q. Are you allowed to connect with their long-distance lines?—A. No, sir, but it would be a great advantage to us if we could get an interchange of connection, if the government had the monopoly and took up the lines or any other company.

Q. Do you find yourself hampered in your business by not having connection with trunk lines?—A. Exactly, yes, sir.

Q. Seriously?—A. Yes, sir.

Q. Very seriously?—A. Yes, sir.

Q. You have no working agreement of any kind with the Bell Telephone Company?—A. No, sir.

Q. You purchase your supplies wherever you choose?—A. Exactly.

Q. In the open market?—A. Yes, sir.

Q. What does it cost you for an outfit? For your telephone outfit?—A. Telephone outfit. A wall costs $13, a wall set and a desk set will cost about $13.50.

Q. What will the subscriber get for that $13.50?—A. They get all connections all through our system.

Q. Everything that is put into the premises except the wire, I suppose?—A. Excepting wire.

Q. Except the wire to take the current of the system?—A. The system? Yes. We charge rent for it.

Q. You charge rent but that is what it costs you?—A. It costs, the instrument itself costs, $13.

Q. The instrument itself?—A. The instrument itself costs $13.

Q. Where do you buy it?—A. We buy it from the Kellogg Switchboard and Supply Company, Chicago.

Q. Then you have put more than instruments in the house?—A. Exactly.

Q. Well, I am asking you the cost of everything?—A. Well it would average—it is very hard to say, it depends on the work of course, but the average may be $30.

Q. $30 for each subscriber?—A. That is each subscriber in all.

Q. What do they get for $30?—A. We get $25. We have an old instrument for which we charge $20.

Q. I will put it another way. Describe to me the various pieces of telephone mechanism that you put in a house when you are installing a service?—A. The instrument and the inside wiring.

Q. Well, leave out the wiring. the instrument?—A. The instrument, yes.

Q. And there is a bell?—A. It would be calculated with the instrument.

Q. The bell and the instrument?—A. Exactly.

Q. Anything else besides that?—A. No.

Q. Is there not a little battery?—A. The battery is calculated in the instrument.

Q. Then you include under the term 'instrument' everything that goes with it?—A. With it, exactly.

Q. And that costs how much?—A. That costs about $13.46.

Q. $13.46? Then when you mentioned $25 or $30, what were you speaking of?—A. $25 and $30, I was talking about the wall set. We have got two sets.

By Mr. Zimmerman:

Q. The cost for running it?—A. Exactly.

By the Chairman:

Q. That is not what I was after. I was wanting to know what it would cost if I were to go to your office and tell you I wanted to put an instrument into my house so that I could speak.—A. So that you could speak?

Q. I wanted to know what it would cost you to buy that material.—A. Buy that material? Well, you do not include the line?

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APPENDIX No. 1

Q. No, not the line.—A. Not the line. Well, it would cost—it is very hard to say.
Q. Well $13 or $13.50, that is about right ?—A. That is about right.
Q. Are these long-distance instruments ?—A. Exactly.
Q. Are they as good as there are ?—A. That is the best we can get.
Q. Well you can get the best ?—A. Yes, exactly.
Q. That is the best in the market ?—A. In the market.
Q. In your judgment ?—A. Yes.
Q. Did you install your telephone in the Grand Trunk or the C.P.R. offices ?—A. No, sir.
Q. Why not ?—A. We could not get any access.
Q. You applied ?—A. We applied, yes, sir.
Q. Was any reason given for the refusal ?—A. They had a contract with the Bell for exclusive instruments.
Q. Which excluded your company ?—A. Our company.
Q. Have you installed your service in the Richelieu and Ontario Navigation Company's office ?—A. No, sir.
Q. Have you tried ?—A. We tried, exactly.
Q. Why did you not succeed ?—A. Well, exactly on the same terms as the railroad, they have the exclusive privilege.
Q. They gave the same reason ?—A. The same reason.
Q. Have you tried to install in any other public company's office ?—A. Yes, we have access to the city.
Q. To the city ?—A. To the city itself.
Q. And any other companies engaged in the carrying trade, railway or navigation companies ?—A. The navigation company refused.
Q. Any other navigation company ?—A. There is a cartage company, too.

By Mr. Geoffrion:

Q. Cartage ?—A. Cartage.
Q. What company is that ?—A. The Shedden Company, I guess.

By the Chairman:

Q. The Shedden Company ? I suppose it contracts with the railway ?—A. Yes.
Q. Well, did these restrictions on your development hamper you in your operations ?—A. Exactly, sir.
Q. They embarrassed the company ?—A. Embarrassed the company.
Q. If you had been able to install your instruments in the railway offices, in the navigation company offices, would you have been able to develop your business more satisfactorily ?—A. Much more satisfactorily.
Q. Have you any opinion as to how the trunk lines could be best managed in the interests of the public ?—A. No, sir, I have not.

The CHAIRMAN.—I have nothing more to ask.

By Mr. Geffrion:

Q. Mr. Moisan, when you said you were refused access, to a good many of the different public companies in Montreal, such as the railway companies, and the Shedden Company, etc., is it, or is it not, a fact that you went there after the Bell had installed its own instruments and that these companies simply answered that they already had accommodation with telephones ?
Q. That is the answer they gave you in a good many cases, was it not ?—A. Well, they had connection, but they had that contract.
Q. Well, they said they had a contract with the Bell Telephone Company ?—A. Exactly.
Q. That they were already accommodated ?—A. Accommodated, yes.

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Q. Just the same I suppose—I simply ask you for information—as if you were in a private house and asked the proprietor if you could install your instrument and he would answer you 'we already have an instrument'?—A. Well, as I said before, they had that contract with the Bell preventing us from having a 'phone.

Q. Have you seen the contract?—A. No, I have not, sir.

Q. They told you so?—A. They told us so.

By Mr. Zimmerman:

Q. Verbally or by letter?—A. Well, they did not tell me that, but I heard it from others. It was——

The CHAIRMAN.—We have a copy of the contract here.

By Mr. Bergeron:

Q. You cannot swear that, Mr. Moisan?—A. What is that?

Q. You cannot swear that, if you have not seen it yourself?—A. Well, of course I cannot swear that.

By Mr. Geoffrion:

Q. But you have been told?—A. Been told so.

By Mr. Grant:

Q. Did you make a direct application to the company?—A. It was the company made the direct application, they sent a request.

By Mr. Geoffrion:

Q. I understand that was for the railway offices, but how is it for the other company you mention, for instance the Sheddon Cartage Company?—A. They were in the same class.

Q. Did they tell you also they had a contract forbidding that?—A. Well, they did not tell me that, they did not tell it to myself.

Q. You heard so?—A. Exactly.

By Mr. Grant:

Q. But a representative of your company went to the Sheddon Company and made application?—A. They sent different requests, I guess.

Q. Has your company been in continuous operation since 1895?—A. Exactly.

Q. Under the present management?—A. No, sir.

Q. Did a reorganization take place?—A. Exactly, sir.

Q. When?—A. Two years ago.

Q. Is your company paying any dividends?—A. No, sir.

Q. Either on the common stock or preferred?—A. Pardon me?

Q. You have paid no dividend?—A. No dividends.

By Mr. Geoffrion:

Q. How many subscribers did you say you had?—A. 1,546.

Q. In the city of Montreal?—A. In the city of Montreal.

Q. You operate only the city of Montreal?—A. Montreal and Ste. Cunegonde, St. Henri and Maisonneuve.

By Mr. Bergeron:

Q. You expect your company to increase?—A. Exactly.

By Mr. Zimmerman:

Q. Would it be very much benefit to you if there was a long-distance telephone operated independently of the Bell Company, or even if the Bell Company gave you

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connection with their long-distance line? Would that add to your business much?—A. Much business.

Q. It would?—A. Oh, yes, that is what we are looking for.

By Mr. Geoffrion:

Q. Well, why don't you try to build long-distance lines—your own company?—A. Well, at present we have got more work than we can do in the city of Montreal.

Q. Well, there is nothing to prevent you from building long-distance lines connecting with the different cities around Montreal?—A. Yes, but we have more, as I said, we have got much more work than we can do in Montreal.

Q. But there is nothing to prevent you from doing it if you wanted to ?—A. Exactly.

By Mr. Grant:

Q. Does your system pretty well cover the island of Montreal ?—A. Not the island, it embraces the city of Montreal.

Q. But you spoke of having a suburban service ?—A. That is in the surrounding municipalities.

By Mr. Bergeron:

Q. Are your wires upon your own poles or are you renting them from any company ?—A. We put up our own, I mean through contractors, of course, and we have agreements with other companies to use their poles.

Q. To use their poles ?—A. To use their poles and they do the same.

Q. In what proportion are the poles used or rented?—About one-half or one-quarter?

In what proportion of all your line have you got poles which have been put up by yourselves?—A. Well, the larger proportion that we use ourselves is our own line.

Q. What is the length of your wire in Montreal, about ?

The CHAIRMAN.—Do you mean the pole line ?

By Mr. Bergeron:

Q. Miles.—A. Miles of wire ? About 3,000 miles.

Q. That is doubled ?—A. Doubled.

Q. About 1,500 miles ?—A. Yes.

By Mr. Grant:

Q. In some cases then, in stringing your wires you use the poles of other companies ?—A. Other companies, exactly.

By Mr. Zimmerman:

Q. What other companies are there?—A. The Montreal, Light, Heat and Power Company, we have an agreement with them.

Mr. BERGERON.—Well, Mr. Chairman, I suppose we need not ask questions concerning this report ?

The CHAIRMAN.—Oh, I think not.

Mr. BERGERON.—Of course if we do not put it in the Minutes we had better not speak about it at all.

Mr. MONK.—Perhaps, Mr. Chairman, the witness might produce simply the general statement showing the balance sheet, resources and liabilities. There is nothing that the public could not know there. We might know the assets of the company, bills and accounts receivable, the capital stock, and that kind of thing which would give us a general idea of the financial affairs of the company.

The CHAIRMAN.—Very well.

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By Mr. Geffrion:

Q. Do you object to that, Mr. Moisan ?

By Mr. Monk:

Q. You do not object to the general statement ?—A. Well, the general statement—

Q. It just gives us an idea of the assets and liabilities.—A. That is the general statement.

Q. That you report to the stockholders and the profit and loss?—A. Well, that is the general statement.

The CHAIRMAN.—I think this company is endeavouring to reorganize itself.

Mr. BERGERON.—They have, I think, reorganized themselves.

The CHAIRMAN.—There are negotiations now on foot with a view to their organization, and I imagine that on account of that they do not care to disclose their affairs.

Mr. BERGERON.—There is one thing that surprises me. They must be obliged sometimes to make a report to the public.

By the Chairman :

Q. Where were you incorporated?—A. In Quebec.

By Mr. Monk :

Q. Do you make an annual report to the government?—A. We have to make a report to the Provincial Government, showing the capital stock.

Q. That is a general statement?—A. Well, not exactly.

-By Mr. Geoffrion :

Q. You make a general statement to the Provincial Government ?—A. Not a general statement. We give the capital stock so as to enable them to make the charges for taxes. That is the only idea, I guess.

By Mr. Bergeron :

Q. Are you not obliged by law to make a report every year?—A. I don't think so.

By Mr. Zimmerman :

Q. Companies have to in Ontario?—A. We never had to.

By Mr. Monk :

Q. These negotiations that you carried on with the Bell Telephone Company were they in the form of correspondence?—A. Negotiations ? Well——

Q. Had you correspondence with them?—A. We had correspondence. These (producing letters) are some of them. The others are similar to those.

Q. You have no objection to producing them?—A. No, sir. I brought them up for that purpose.

Q. The object you had in view was to secure communication for long-distance telephoning, and also, I think, the securing of connections within the city limits?—A. We were trying to get connection outside—it would be a big advantage—and inside the city. That of course was what we were looking for too. I guess the Bell Company would not have much more business to do; much more subscribers to connect.

Q. Well, but the company refused to give you inside city connections?—A. We never asked.

Q. And for outside the city?—A. Outside, we never asked for it, for we knew very well——

Q. But I thought you just said that you endeavoured to secure long-distance connection?—A. It was long-distance instruments.

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Q. Oh, instruments?—A. That we asked.

Q. But you never tried to obtain connection for the purpose of connecting outside the city?—A. Outside the city, no sir.

Q. Did you know you could not get it—A. Well we have a charter for all the Province of Quebec, but we had all the work we could do in the city of Montreal.

Q. Then you have never attempted any long-distance work?—A. No long distance work, no.

Q. You have never attempted to obtain any accommodation from the Bell Telephone Company for long-distance?—A. No, sir.

By Mr. Geoffrion:

Q. You think your best field is in the city of Montreal?—A. The best field, yes.

Q. And you work there?—A. I work there.

Q. You did not try anywhere else?—A. We have more work than we can do in the city.

Q. For the present you do not want to extend your field?—A. No.

By Mr. Bergeron:

Q. You say that you have more business than you can attend to, you are getting new subscribers so rapidly and putting in new instruments so rapidly, you cannot do anything else?—A. Well, we are reconstructing the line and we have to take care of the increase of the subscribers.

Q. That is what keeps you poor?—A. That keeps us very poor. We had a fire last February, and our main exchange was entirely burned out. That is presently giving us lots of trouble, of course, but we are all connected.

By Mr. Geoffrion:

Q. Your company financially has not been a success?—A. Not so far.

Q. You have not paid any dividends at all?—A. No dividends.

By Mr. Bergeron:

Q. And still your charges are just as high as the other company?—A. Pardon me.

Q. Your charges are just as high as the Bell Company's?—A. Well I understand that the Bell is getting a charter for the Dominion of Canada.

Mr. MONK.—But Mr. Bergeron is speaking about the charges.

By Mr. Bergeron:

Q. The cost of the telephone?—A. Oh, the cost of the telephone. Well I did not understand exactly. They are manufacturing their own instruments.

By Mr. Geoffrion:

Q. Do you charge your customers the same price as the Bell Telephone Company?—A. Oh, no, we do not. The Bell Company charges from $30 up to $55.

Q. From $30 up to $55?—A. About.

Q. For providing accommodation to every subscriber?—A. For the subscribers.

Q. From $30 to $55?—A. $30 to $55.

Q. What are your charges?—A. They are $20 up to $35.

By Mr. Bergeron:

Q. But do you give the same service for $35 that they give for $55. What does the Bell Company charge the $55 for?—A. They charge $55 for long-distance transmitter instruments, the same that we charge $30 for.

Q. That is all?—A. Yes.

Q. There is no difference in the instrument at all?—A. No, they are of the same type, about the same type, but not manufactured by the same company.

Mr. JOSEPH MOISAN.

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Q. But if I understand you charge $35 for what they charge $55?—A. What we charge $30 for they charge $55 for.

Q. That I suppose entitles the subscriber to a very much larger field than on your line?—A. Well, I don't think so. They have got the city, they have a telephone in the city as well as we have. It might be a little bit larger space but not much.

By Mr. Zimmerman:

Q. They have got long-distance connection though?—A. They have got long-distance but they charge extra.

Q. Yes, but they have got the benefit of using it?—A. Well they have got the benefit of course.

By Mr. Geoffrion:

Q. That would be a reason for a higher price. If you can reach 5,000 or 6,000 or 10,000 subscribers in one case, whereas you can only reach 1,500 in another case that would make a difference in the price?—A. Yes, sir. Well it is a reason among others.

Q. That is one reason for the increased price?—A. Yes, sir.

By Mr. Bergeron:

Q. Who is the president of your company?—A. G. N. Culbertson.

Q. Who is the vice-president?—A. Arthur Jones.

Q. Have you no Frenchmen in the company?—A. Yes, sir. There is Mr. A S. Delisle and Mr. A. S. Hamelin, all directors.

By Mr. Grant:

Q. I suppose a number of persons take your 'phone and take the Bell 'phone also?—A. Well, there are.

By Mr. Bergeron:

Q. Take the majority of those who have the Bell telephone, merchants and business men, they have both?—A. In the wholesale business they have both, but not in the retail. The retail have only our 'phone.

Q. Most of the people, I think, who use your 'phone use the other one also?—A. Well it is pretty hard to say.

Q. It seems to me I have seen the both together?—A. There is a certain number that have only one 'phone.

Q. Yes?—A. Oh, yes.

The witness was then discharged.

TUESDAY, April 18, 1905.

The Committee met at 11 o'clock, Sir William Mulock in the chair.

Dr. A. OCHS, of Hespeler, was called and sworn :

By the Chairman :

Q. You live at Hespeler, Doctor ?—A. Yes, sir.

Q. You have been residing there for some years, I understand?—A. Since I was born.

Q. Have you had any experience in the telephone world?—A. Yes, a little, just in our own small way.

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APPENDIX No. 1

Q. Well, just describe in your own way your experience on the subject of telephones ?—A. My experience, Mr. Chairman and gentlemen, began when I started to practice medicine.

Q. You are not the first medical man that has transferred his affections to the telephone ?—A. No, but it took active form in 1891, as nearly as I could see in my letter to you. There are a number of little villages in our neighbourhood, and we could get no service, and the Bell refused to consider any telephone service in those parts, although their main lines run through the same villages. So a number of us started to build lines of our own, just in a small way, and we kept on growing and growing until we built 30 miles and had 30 instruments on the line—we did not have any charter, we did not think we needed it—but we became a little ambitious and thought we would extend to the neighbouring towns, which we did. We took in Berlin and Waterloo, and Preston and Hespeler. Hespeler was the most important, where we had the largest central station. This went on very nicely until—oh, for a few years—when it was not very convenient. We had besides this a Bell telephone service in Hespeler and also in Berlin, and we thought it would be better to have one system—at least we found the two centrals to be inconvenient, having to have the two instruments, and the Bell approached us with a view to uniting, not financially, but just for the convenience of the company's subscribers, and we agreed to do so. This went on for a few years, but there were continual misunderstandings, and we blamed the Bell very much in our neighbourhood for not keeping faith with us, in promises which they had given before uniting, and eventually they made an offer to us to purchase, agreeing to do the right thing with us, through their agent, Mr. Scott. It went on very nicely for about six or seven years, and then gradually they cut off our privileges one after another. One thing that I felt myself very much annoyed at them for, was in taking down six miles of poles which was very essential to my practice, to other people, and to the convenience of the public. It went so far that I put it into my solicitor's hands, and they agreed then to build part of it, which they have done—rebuilt it. The service in the rural district was very much neglected since the Bell took it over. In fact they rather discouraged it, and one subscriber after the other had the instrument taken out. The county council, of which I am a member, appointed a committee. This telephone service has been discussed for a number of years past, and last January they appointed a committee of which I was chairman, to see what could be done with a view to extending into the rural districts of the county, and the result has been as follows: First, we met a representative of the Bell to see what rates could be arranged, because we had always held the rates to be too high. They wanted $20 and $25 per annum, which is altogether out of reason to our way of thinking, for the farming community. And when we met Mr. Scott the best terms he would give us were $15, and I tried to press him to agree to this—that he would perhaps allow two people to use the same instrument, if they were neighbours and lived near by, but he did not agree to that. However, while the committee did not endorse accepting the Bell offer, a great many of the farmers have taken subscriptions, something in the neighbourhood of fifty subscribers being taken, since that time. The Bell is very active in canvassing the farmers just now, because we promised them opposition if they did not meet our wishes, as we have been in correspondence with other companies. There is no use in having a separate company in the rural districts without also being able to connect with the towns, and that was one difficulty with our old farmers' line. We got into Berlin, but we were excluded from Galt and Guelph on account of the exclusive franchise which the Bell had at that time. This is going back to 1892. This telegram that I received this morning just reminds me of the experience which the people had in the southern part of the county with reference to the Bell. It is with a little village outside Galt, about six miles, Branchton. They wanted a telephone service very badly there. They took a subscription of something like $100 for the Bell, who wanted $25 a year beside. I do not think that at the present time—I have not had time to get all the information since Saturday—but I understood from Mr. McDonald, a former member of the council, that the instruments were taken out again,

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although the people had subscribed to them. On the whole, we feel that the Bell has not dealt fairly with the public. That is our feeling in the county, especially in the southern part, and we were very much pleased indeed to learn that the Government was taking an active part in the investigation of this question, because it extended along the lines upon which we have been working and acting for so long. There is no further information, gentlemen, except what I wrote in the letter. I did not expect to be called as a witness, and I gave full information then as nearly as I could, as accurate as I could.

Q. Dr. Ochs what has become of your system?—A. Our telephone system?

Q. Your unincorporated voluntary system?—A. We sold it in 1894.

Q. To the Bell?—A. Yes.

Q. There has been no further attempt to re-establish it?—A. Nothing further except this: At that time the Bell agreed to give, me especially, and certain others, a certain service, night service. But they took down this line, and there was no excuse for it at all as they had no other line running parallel with it or to take the place of it. When they deprived us of that service I made application again to the township to have my own line put up and also put it in the hands of the Bell, and for some reason or other they have rebuilt the line themselves.

Q. How long had your line been in operation?—A. Before the Bell bought it, about two years.

Q. How many instruments had you?—A. We had 30 instruments.

Q. And what did it cost you for them?—A. Well, we paid nothing after the first installation, there was practically no cost. We had some little mismanagement. You know in a concern of that kind we had our officers, professional officers, and some of the members had not been very careful. Our line was built first by voluntary contributions. The farmers gave poles and the rest of us supplied the money and our first eight miles did not cost us much over $150 to build.

By Mr. Burrows:

Q. The first eight miles?—A. The first eight miles, yes.

Q. How many instruments are there on it?—A. Each person bought his own instrument and owned it.

By the Chairman:

Q. That was for the material you bought?—A. Just for the material and the work was done by the people along the road.

Q. The people supplied the poles and erected them themselves?—A. Yes.

Q. And strung the wires?—A. We had men to do that.

By Mr. Bergeron:

Q. It was a mutual affair?—A. Yes, a mutual affair.

By the Chairman:

Q. It was an unincorporated association?—A. Yes.

Q. And for two years there was no expense in regard to maintenance?—A. Well, we had at the end of three years a debt of about $600, but that was on account of extension of lines further on. We built from Hespeler to Preston which cost us somewhere in the neighbourhood of $150.

Q. A mile?—A. $150 for three miles.

Q. Had you any contributions towards that?—A. No. That was simply to build—

Q. Paying for the material?—A. Yes.

Q. And for poles?—A. Well there may have been some poles given. It is a number of years ago and I could not find any record but I think those poles were all purchased.

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Q. The debt of $600 that accumulated was it for working expenses or capital extensions?—A. And then we also had some debt in connection with our centrals. The centrals with switchboards.

Q. Well, but this debt that was hanging over you arose from working expenses?—A. No.

Q. Or from extensions?—A. From extensions and also from our centrals. The work even as cheap as it was we did not think the men, I know they did not, do their duty faithfully by us.

Q. You had not the experience?—A. No, we had not the experience.

Q. Is there any demand in the rural districts for rural telephones?—A. Yes, in our district.

Q. To what extent?—A. Well, just as far as I have stated. The Bell is now—they have taken 50 subscribers.

By Mr. Maclean:

Q. At what rate?—A. $15.

By the Chairman:

Q. That is for private residences?—A. Well, they are all private residences.

By Mr. Bergeron:

Q. The Bell Telephone Company?—A. The Bell Telephone.

By Mr. Zimmerman:

Q. On independent lines?—A. On party lines.

By the Chairman:

Q. On each line, how many instruments?—A. Well, they have about—Mr. Scott said they would not have more than 8 or 10 on the one line, but it would be an all metallic line. Mr. Scott is the representative of the Bell. This was——

Q. Then one of the causes of your selling out was you could not get connection with some of the towns, with Galt for example?—A. With some of them, and the inconvenience of having the two centrals in Hespeler and the Bell promising to give us the same service and it was taken off our hands. I had not time to look after that kind of work.

By Mr. Bergeron:

Q. You had too large a debt in this $600, I suppose?—A. I beg pardon?

Q. I suppose that was an important consideration, the debt of $600?—A. We had a debt of $600.

Q. And which would probably increase?—A. Well, our intention at that time was either to sell or to incorporate.

By the Chairman:

Q. Does each of the subscribers who pay $15 become entitled to connection with each other, and with the exchange?—A. Not with all of them. They do with all the farmers. They have a five-cent call to Berlin or Waterloo.

Q. Berlin or Waterloo?—A. Yes. And then they have, I think, a few instruments that go to Hespeler, but they have not the whole Hespeler exchange.

Q. What does a farmer get for $15?—A. Simply connection with the other farmers.

Q. With his neighbour?—A. Yes.

By Mr. Maclean:

Q. And connecting with the Bell system, as a toll line?—A. Yes.

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By the Chairman:

Q. But that is probably extra for the toll line?—A. Yes.

Q. Even to his nearest town?—A. Yes.

Q. If his nearest town is Berlin, he would have to pay 5 cents extra?—A. Yes, that is the agreement at the present time. That is the agreement the Bell Company has in force.

Q. You remember what you had to pay for instruments?—A. For the Bell instruments ten years ago? Well, in 1892 we had to pay $20.

Q. What did you get for that?—A. We simply got the instruments with the cell, the battery. For the Ness instrument, manufactured at that time in Montreal, we paid, I think—they were $4 or $5 cheaper, $4 cheaper, I forget the exact amount.

By Mr. Bergeron:

Q. They were just as good?—A. Just as good.

By Mr. Lewis:

Q. What did the Bell pay for the whole line of 30 miles?—A. They simply took it, and agreed to give us a good service. We had no charter, and it was simply verbal and with individuals. They made an agreement with a number of us, in taking this work, to pay our debt and agreed to give us a good service.

Q. And you received nothing for what you paid?—A. No, we received nothing. Well, we had our service. Our line cost us practically nothing except the construction.

By Mr. Burrows:

Q. How many 'phones did you have on your line when you sold it?—A. We must have had—well, we had 30, I think over 30.

By Mr. Bergeron:

Q. Well, you were not charging anything to subscribers?—A. That is the way we conducted it, but our idea was to charge, to keep up the——

Q. You understood you could not keep it up by that?—A. No, each one took care of his own instrument.

By Mr. Maclean:

Q. It was co-operative?—A. Co-operative, yes, but really there was no cost for the first number of years. With the poles we put up and the wire, that would practically be a matter of nothing.

By Mr. Bergeron:

Q. How did you manage your central office?—A. Well, for part of the time there was a lady in Hespeler in a private residence at the central, and in Breslau it was in the post office, Mr. Wimer, and in Berlin we had no central, we had simply a few instruments and they were just connected the same as on a party line.

By Mr. Maclean:

Q. Did not the Bell charge to Berlin and Hespeler and these places?—A. The Bell charges to Hespeler $20.

Q. And Berlin the same?—A. $25.

Q. What is the toll rate between these three towns and Waterloo as well?—A. To Berlin and Waterloo is one rate, $25.

Q. Well, what is the toll to Hespeler and Waterloo?—A. I think it is fifteen cents.

Q. Fifteen cents?—A. Yes.

Q. They are within the one county?—A. Yes.

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Q. Waterloo is one of the most enterprising towns in western Ontario?—A. I I think so.

Q. And every man would like to have a telephone?—A. Yes.

Q. If they got it at a reasonable amount?—A. Yes. Now the sugar beet factory is a very important part in connection with the farmers' sugar beets in Waterloo county. That is one of the things that they have got to have, connection with certain manufacturers. The farmers have connection free with the sugar beet factory for certain months.

Q. How did you get into the railway stations with your line?—A. We did not get there.

Q. Did they refuse to allow you in?—A. well we did not make a very great application because the Bell had not got an instrument in the railway stations at that time and our line was not in a position to ask for it because each subscriber was supposed to buy his own instrument and of course the company would not do that, would not get their own instrument and therefore we made no application in that way.

By Mr. Zimmerman:

Q. What is the distance between Hespeler and Waterloo?—A. About 12 to 13 miles.

Q. And they charge 15 cents a message?—A. Yes.

Q. Just for 12 miles?—A. Yes.

By Mr. Maclean:

Q. From your telephone experience are you able to say this: That a well organized system which is controlled by one authority with a large number of subscribers would be in a position to give a uniform service throughout the county of Waterloo at a rate say of from $15 to $20 a year, a first class service?—A. Well, with our experience with the farmers I am satisfied that you can give the farmers a service.

Q. No. But I mean a county service which includes farmers and all these towns you spoke of and no tolls. You could establish what I would call a county service for Waterloo county taking in all these towns with centrals working together, do you not think it possible to give the farmers and business men and all these towns communication on the telephones for $15 or $20?—A. I think so. Of course our experience did not extend largely enough into the towns around.

Q. I am not asking your experience in the county but the study you have made of the question?—A. I certainly think the service could be along that line, that way.

The witness was then discharged.

Councillor JAMES WILLOCK, Chairman, Electricity Committee, Corporation of Glasgow, Scotland, was called.

The CHAIRMAN—Will you take the oath, Mr. Willock?

The WITNESS—I affirm that I will tell the whole truth and nothing but the truth. That is our form of oath in Scotland.

By the Chairman:

Q. Very well. You are a resident of Glasgow?—A. Yes.

Q. And you have been a member of the city council for some years?—A. Some 12 years?

Q. Will you please tell the committee in your own way the experience which the city of Glasgow has had with the telephone system?—A. Yes. You will excuse me for referring to this book which I have. It is not a testament.

Q. I thought you always travelled with one?—A. This is our year-book, describing our municipal enterprise and published with the authority of the corporation, and I

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refer to it in order to give you proper data. I want to say nothing here but what is the actual written testimony of the authorities. We started to agitate for telephones in 1892. We believed that there was need to provide for the commercial interest something better and cheaper than at time existed under the National Telephone Company.

The CHAIRMAN.—The National Company, is we are told, a stock owned company.

By Mr. Maclean:

Q. The Bell, I suppose?—A. It is a private company.

By the Chairman:

Q. A private company?—A. A private company. We agitated, and were heard before two or three commissions, which sat in Glasgow, Sheriff Jamieson presiding, to hear evidence. But latterly there was a Royal Commission. Some difficulty was found in regard to the Act of Parliament, and Mr. Hanbury, then Financial Secretary of the Treasury and Chairman of the Royal Commission, introduced—the Telegraph Act of 1899—and a license was ultimately granted on March 1, 1900, for the whole of the Glasgow telephone area. That embraces portions of four counties outlying our city boundaries altogether. There was Lanark, Renfrew, Dumbarton, and Sterling, and it covers an approximate area of about 143 miles.

By Mr. Burrows:

Q. Square miles?—A. 143 square miles. At the corporation's own desire the license was made terminable on December 31, 1913. We at once took steps to organize a telephone department, and made application to the Secretary of State for Scotland to borrow £120,000. The corporation appointed a manager who had had great experience in the National Telephone Company, and had been their leading manager for some time, Mr. Bennett, to carry on the work. It was commenced in July, 1900, and the central switchboard was completed on March 20, 1901. I might say that the National Company's tariff at that time was—I speak now from my own personal experience as a merchant in Glasgow, and in my central office I paid £10 for a telephone. At one of my branch offices, a 2-mile radius, it was £20. But owing to having one connection in the central a reduction was made of £2-10, so that my 2-mile radius telephone cost me £17-10. The corporation, when they adopted and carried out the scheme, fixed it at 5 guineas, £5 5s. per annum for an unlimited service.

By the Chairman:

Q. As against £17 10s.?—A. As against £10 in the central and £17 10s., or higher, if you were outside the 2-mile radius. At the present time my house is situated 3 miles from the Royal Exchange, at Glasgow, which is the central basis from which the mileage is calculated, and the head office of the National Telephone Company, and I now have a telephone in my house for 5 guineas, and I have had it for two years now—complete unlimited service.

By Mr. Miller:

Q. As against a service which was costing £22 10s.?—A. It was costing me over £20, about £25.

By Mr. Maclean:

Q. Is it unlimited as to all that area?—A. Unlimited as to all that area, and further: I have full liberty to call up at the post office and speak to a post office at any part of Scotland. Say I go and spend the week's end with my wife and family, or perhaps my wife and I leave the family at Dunblane, 36 miles from Glasgow. If I go into the post office at Dunblane and pay three pence, 6 cents, I can communicate with my house at Rutherglen, 3 miles from Glasgow. If I speak from the house where I am residing at Dunblane, about a mile from the post office, and through the National telephone on

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to the post office into Glasgow, and then on to the corporation telephone, I pay 3 pence extra, or 6 pence.

By Mr. Burrows:

Q. Is there any limit as to the length of time you are allowed to speak?—A. Three minutes from eight o'clock in the morning until eight at night, and six minutes from eight at night until eight o'clock in the morning.

By the Chairman:

Q. These are the regular rates to the general public?—A. These are the regular rates to the general public. They are the rates which are supposed to be paid, I believe.

Q. They are not special rates?—A. No special rates. We receive nothing special in the city of Glasgow. We receive no tram fares although we have our own system. Everything is paid by the council the same as in other matters.

By Mr. Zimmerman:

Q. Do I understand that is only for the subscribers, or can any individual who has not a telephone on his premises go in and telephone at the same rate?—A. We have established now 300 public telephones. In the railway stations there are two boxes. The one will be the National and the other will be the corporation. You go in and put a penny in the slot. You first of all lift your 'phone off and say 'I want 3672,' that is my office. You ring up 3672, and when they are ready they will say 'Put your penny into the slot please.' You put your penny into the slot, and it will ring, and I am on to 3672.

By Mr. Maclean:

Q. You can have these facilities in Glasgow for a penny?—A. For a penny.

Q. Anybody?—A. Anybody, it is open to the public. Any person on the street can just drop into a shop—they have them in shops, book-sellers' shops, stationer's shops and railway stations. They also have numerous lavatories in Glasgow belonging to the corporation and any one going into the lavatory can ring by telephone from there.

By Mr. Zimmerman:

Q. What about the hotels?—A. In the hotels they pay their five guineas and all the guests have the use of them.

Q. There is no fee by the guests?—A. There is no fee by the guests. It is the hotel telephone and there is no fee by the guests. You simply go to the telephone and use it.

Q. Is there a telephone to each room?—A. A telephone in each room in the hotel makes no difference. In the telephone in the hotel you are put on through the clerk down below. You are not switched direct from there on to the switchboard. You have to ask the hotel clerk 'just put me on to 3672.'

By Mr. Bergeron:

Q. These boxes you spoke of a moment ago where you can put your penny in the slot. I understood you to say that on one side is the 'National' telephone and on the other side is the corporation?—A. Just so, they are in a separate box.

Q. But in the same place?—A. In the same place.

By Mr. Burrows:

Q. Both in the same place?—A. Both in the same place.

By Mr. Maclean:

Q. Before that what did you pay?—A. I have just told you. Now I might say I pay for the National in my office £10.

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Q. Supposing you are in the station, an ordinary citizen, and wanted to use the telephone. Now you pay a penny, but what would you pay before there was competition?—A. Before the competition? There were very very few, hardly any public telephones at all until the corporation entered into competition. And now in answer to the question 'what are the National rates now.' I pay for my central office telephone still £10. For my two-mile radius telephone, my outside one, it ought to be £10, but having city connection I got it for £8.10.

By Mr. Burrows:

Q. It is reduced then from what it used to be?—A. From £17.10 down to £8.10. Now in London, where the National Company have a monopoly, the rate there for the ordinary city telephone is £17.10.

By the Chairman:

Q. You use both the 'National' and the municipal telephones?—A. I do. In my office I have five municipal 'phones and one 'National.'

Q. What are the rates of the 'National' and of the municipal alongside?—A. Well in my office——

Q. For all services?—In the cases I am speaking of there is no restriction, I will tell you where there is any restriction. I have my telephone from the 'National' in my office and I have also my corporation telephone.

Q. Costing each?—A. I pay £10 for the National, £5.05 for my corporation telephone.

Q. Yes? Well then, what is the residential rate?—A. The residential rate is the same. I pay £5.5 for my residential three miles from the exchange.

Q. And the 'National' residential telephone is what?—A. The 'National' residential telephone is £10. If unlimited but they have like the corporation a limited supply rate. That is they give you for £3.10, 1,500 calls outwards. You can call, be called as often as you like inwards without any charge.

Q. A year do you mean?—A. A year, 1,500 a year, and after that a penny per call. We do the same or something after the same. This is since the competition, understand, for it did not exist previous to that. There was no reduction of rates previous to that nor did they do anything of that kind outside of Glasgow. We have now a second rate in Glasgow of £3.10 and a penny for each call you need. You see the 'National' has gone one better than us. They say 'we will give you 1,500 calls free and then charge you a penny.' It is applicable of course over the whole area. Then latterly we have had party wires introduced whereby a subscriber joining with another is afforded unlimited telephone service for £4.4. That is each of the two houses joined together and you have an unlimited service for 2 guineas.

By Mr. Maclean:

Q. From the corporation?—A. From the corporation. By joining the two houses together the two of us can get on, if it is the same wire, but the only double connection is from house to house, and then you get on to the same wire.

Q. Then a citizen of Glasgow by joining with his neighbour has an unlimited telephone service for practically 2 guineas a year?—A. Two guineas a year.

By the Chairman:

Q. Can each one hear what the other is saying?—A. Not unless he lifts the 'phone off when the other is using it. You may ask what success we have had. First of all let me state that all our cables in the city, in the city area, are underground. When we go out into the country at times and go off a main road to perhaps one or two houses we carry our wires overhead; not as a rule from poles, but from house-top to house-top. Both the National and the corporation in such circumstances, where they touch the roof,

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are held liable for all repairs on that roof. They just simply take over the roof and keep it up.

By Mr. Burrows:

Q. The whole of the roof?—A. The whole of the roof, oh, yes.

By Mr. Monk:

Q. Have you an agreement between the city of Glasgow and the National?—A. No, we have not, we are at daggers drawn. So much so that the National every week put out 'We have now 21,000 and the corporation have only so many.' They have men canvassing and canvassing around the district. They will go in to a shop and they will say: 'We will give you the National telephone.' 'What will it cost me'? 'It will cost you nothing, for any payment will be repaid by a percentage of 25 per cent on the drawings. The telephone will be put into your place free of cost, and when you use it you will pay a penny. Now the telephone will bring customers to you. Will you take one ? 'Yes.' They have done that with every other shop. In the one place you will see a sign put up 'Corporation telephone' and in the next place you will see it 'National telephone.' So you do not need to travel far before you get into the telephone business. It costs the people nothing. You walk into a shop and there are instruments lying before you. You put your penny in the slot and have your conversation, which is open, of course, to before all the people as a rule.

By Mr. Bergeron:

Q. But if there is such a difference in the price between the National and the corporation how is it that the National can still carry on business?—A. The National dare not touch our streets, but they have a license to carry on telephone operations. They carry their wires all over the houses, but they may go down as they do, and apply to us to put a pole, say on one of our outlying districts. They may go to the corporation and ask that they may be permitted to put a pole on the north-west corner of Queen's Park, in order to carry their wires from such a district to such a district, and unless it is going to spoil the appearance of the park, after consideration, we always grant their application; but we will not—and that is a point I would like to be particular on—we will not allow them to go into the streets.

Q. With poles?—A. Or to carry any wires.

By Mr. Maclean:

Q. For cables?—A. No cables, we will not allow them. We will not allow any company or any private undertaking——

By Mr. Burrows:

Q. To have charge of the streets?—A. To go into the streets without our permission. At the present time we have no company operating on our streets but ourselves.

The CHAIRMAN.—That is sound doctrine.

By Mr. Maclean:

Q. Supposing parliament ordered you to allow the National to do so, what would you do?—A. Parliament, as a rule, has better sense. The Postmaster in Glasgow might say that he wants to do something in the case of a tube. He has a tube from one district to another, the tube system, and there is something the matter with it, and he wants to put it right. He makes application to the corporation of Glasgow, saying that he requires to put down a tube from such a place to such a place. The corporation usually grants leave. But I may say there was quite a hub-bub over his trying to command us, but we would not have it. He must ask permission and get it under the direction of the Master of Works that the street is opened in a proper manner and is

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again put down in the manner in which it was found, to the satisfaction of the Master of Works.

By Mr. Monk:

Q. To whom do the tubes belong in the streets, the tubes or conduits?—A. The Postmaster has the tubes with the permission of the corporation.

Q. Yes?—A. We have water, we have gas, we have electricity, we have telephones, and sewers.

By Mr. Maclean:

Q. And the government telegraph?—A. And the government telegraph is all under the corporation control. Nobody dare open a street without application to the corporation that they are about to do so and that for a private purpose. To no company in any case will they give permission to open a street, the corporation are most jealous of that.

By Mr. Burrows:

Q. Who looks after the maintenance of these conduits in the city of Glasgow, supposing anything goes wrong with the tubes?—A. The Postmaster makes application to the corporation to have that tube put right.

By Mr. Bergeron:

Q. His own tube?—A. To have liberty to open the street to have that tube put right and he puts the tube right himself.

Q. What other tubes are there?—A. There are no other tubes but what belong to the corporation.

By Mr. Maclean:

Q. No private company has a tube?—A. No private company has a tube in the streets, we will not have it.

By Mr. Bergeron:

Q. Your corporation builds tubes and then allows the gas or the electric companies to use them?—A. There is no electric company. We are our own electric company.

By the Chairman:

Q. The whole municipal system?—A. The whole municipality. We own the gas and our gas main. This section of our streets which I have drawn shows in diagram something like this (produces diagram). On each side of the street we have electricity wires in order to connect up with our shops.

By Mr. Bergeron:

Q. Underground?—A. Underground.

By Mr. Maclean:

Q. Are those power wires?—A. Power wires, and lighting, and all. And then we have water and we have gas and in the centre here, at a medium depth, we have communication for the tramway. We have our own tramways. The wires are put in tubes and short sections are built like so. All the section wires are run like so, in tubes. The wires are drawn through as we require them. They come out there and as one section comes out it is taken up on a beautiful pole, not an eyesore like you have here, a wooden pole, but a beautiful iron pole, with usually a grand ornament on the top of it. We have perhaps 15 or 16 conduits that wires can be run through to those open places. I will show you my diagram and pass it around.

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In one corner we have junction boxes and the other is an opening in order to allow telephone feeders, feeders along the line. We would not take telephones along say the centre of Sparks street here, we would take one back street, one street to the back, and let it in there, and let our telephone in to the back of your building. We avoid as far as possible opening up the principal streets. This, as I said, is a section of the street (exhibiting diagram). We have telephones, tramways, water, gas, electricity and sewer. All that belongs to the corporation.

Q. If the Government wants to put down tubes for telegraph wires, or pneumatic tubes, what do they do?—A. They have to get permission from the corporation. Our Master of Works, as we call him, has charge of all streets. Supposing the telephone system wants to open up from Sparks Street—I will bring the illustration to your own city, where I have picked up some of the names in the last few days—supposing they wanted to open up Sparks Street and down Bank Street, the Electrical Engineer gives notice to the Master of Works that we are about to open up that part of Sparks Street, and that part of Bank Street. The Master of Works then communicates with our Gas Engineer, and with our Tramways Engineer, and with our Water Engineer, and tells them he has an intimation from the electricity committee that they are about to proceed in a certain direction, and asking them if they want to do any work in that section, to intimate to him within the next seven days. If no intimation is given then the council grants permission—this permission is put on the minutes of the council—and if the Master of Works sees no objection, the council grants permission.

Q. There is the least possible disturbance of the street under that condition?—A. Yes, we have very little disturbances of our streets.

Q. In our city the telephone company opens up the street one day, the telegraph people to-morrow, and perhaps the city the next day.—A. Yes, we avoid that as far as possible.

By Mr. Zimmerman:

Q. Which of the two telephone systems have the greater number of subscribers in Glasgow?—A. The National has still the lead in the subscribers.

Q. How many?—A. We have about 14,000—they are increasing daily. The National have about 20,000.

By the Chairman:

Q. You had 11,405 at the end of the fiscal year 1904.—A. Yes, and our year is just about ended now.

Q. When does it end?—A. Our financial year ends May 31.

By Mr. Maclean:

Q. They have this larger number by reason of the great concessions in charges and on account of the competition—they have increased the number largely by cutting down the price?—A. Yes, greatly.

Q. Giving them for nothing?—A. Besides, that includes public stations they have put up in nearly every shop. We had nearly 250 public stations on the corporation system.

Q. And you have no free telephones, and make no discriminations. You give absolute equal treatment?—A. No free ones.

By Mr. Bergeron:

Q. I am sorry you did not quite catch the question I put to you? How is it that the National is increasing so much more than you, when your prices are so much lower than theirs?—A. Well, you understand that we have been in existence only since 1901. We began operations on June 2, 1901, some four years ago, and they have been doing business for many, many years before that.

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Q. How is it that they still have higher charges than yours? I would think that they would come down to your charges?—A. Had they only Glasgow to consider, that would be right enough, but then they have Manchester, Liverpool and all other large cities, that are clamouring for reduction on the same basis as Glasgow, and London—there is a £17 charge for a local rate in London. Now, if they began to cut rates in Glasgow, they would have all the merchants in Manchester, Liverpool and other cities saying, 'you must be able to make it pay at these low rates in Glasgow. If you can make a system pay at £8 or £5 in Glasgow, why not make the same rate in our city.' They have to hang on to their rates, because their business extends all over the kingdom.

By the Chairman:

Q. Why do they get business in Glasgow if they maintain rates?—A. That is really the only opposition that they have in the kingdom.

By Mr. Bergeron:

Q. If they are increasing their business it is because they go out of Glasgow, and you cannot go?—A. We have communication with every part. They have no communication that we have not. Their communication is just like ours, through the trunk wires. The trunk wires belong to the Government. The moment you go outside of Glasgow, outside a certain radius, you have to go on the trunk wires. So also has every subscriber to the National.

Q. You are in the same position as they are as far as that is concerned?—A. As far as trunk lines are concerned.

Q. Then you can go in and out of Glasgow on the trunk lines the same as the National?—A. Yes.

By Mr. Maclean:

Q. Is the National in Glasgow bound to connect with you on the corporation system?—A. We have an agreement with them which gives them connection over the trunk system with our line. We are placed on the same basis with regard to the trunk line system as they are. The charge is three pence.

Q. They are bound to give you that connection?—A. Yes.

Q. You also have to pay the National toll?—A. Yes.

Q. The National is bound to do business with you through the trunk system, at your own rates?—A. Yes.

By the Chairman:

Q. If the National charges more in Glasgow than the Glasgow corporation how comes it that they get the business?—A. They have had the right for many many years.

Q. Still you people in Glasgow know the value of a dollar the same as other people. Why do people pay more for a service that they could get for less money?—A. Their principal increase is not in what you would say ordinary wares, although all business people of any large business, you know, a business conducted say like mine. I have six corporation telephones, and always keep one National. You will find this usually the case under the present competing system.

By Mr. Bergeron:

Q. Just for business?—A. Yes.

By Mr. Burrows:

Q. Did I understand you to say that the National Company are increasing their business notwithstanding the fact that they charge more, and that is principally owing to the fact that they give a whole lot of telephone service for nothing?—A. The increase is not on the telephone they charge more on.

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Q. That is what I want to get at?—A. The increase locally is on the telephone that they charge less for. You can have a telephone put into your house by the National for 25s. under certain conditions.

By the Chairman:

Q. A year?—A. Yes. And when you want to use it you pay a penny for your message. Over and above 25s. you take a telephone in your own house and you are entitled to receive as many messages as you like from the outside, but you pay a penny for every call out.

By Mr. Bergeron:

Q. Every time you use the telephone from your own house you pay a penny?—A. Yes.

Q. That is just to prevent a man going from his house to the corner grocery to speak?—A. Yes, that's it.

Q. Do you do the same thing in your corporation?—A. I told you what we did. The cheapest we can give is an unlimited service for 4 guineas.

By Mr. Maclean:

Q. That is really cheaper. You don't have to pay a penny?—A. Yes.

By the Chairman:

Q. Do you know how many National subscribers there are at £10 as compared with municipal at £5 5s.?—A. You don't catch the National giving that to the public.

Q. When you state that the increase in the number of National subscribers was by an increase in those who paid the smaller rate, I think you could give us the detail?—A. No.

Q. How do you know the nature of the increase?—A. Because it is evident to any observer that the house rates are being taken up, on looking at the directory—there is a directory issued—and also by the number of pay stations that are being opened along the street.

Q. How can you tell that the increase in the National subscribers is in the £3 3s. class instead of the £10 class? Are you not guessing that? And knowing the thrifty nature of your people, who would not pay £10?—A. No.

Q. It is your inference? You don't know the facts?—A. We know by the directory where the instruments are established.

Q. You cannot tell whether they are paying £3 or £10?—A. Yes. Take a man with a rent of £20, he will not pay £10 for the National telephone if he can get it for 25s.

By Mr. Bergeron:

Q. Is your system paying? Can you say whether it is paying?—A. The annual report up to May 31, 1904, showed that the capital expenditure stood at £320,000, and the annual revenue £49,000, and after paying all working expenses, including royalty, interest, sinking fund, there was a balance of £3,650. This was added to the balance of the previous year, making £5,753, that is being carried to general depreciation fund.

By Mr. Maclean:

Q. Your accounts in the city of Glasgow are carefully examined? They were never found wrong in the past?—A. No, they must be submitted to the chartered accountant and they are discussed in open council. And we have anti-municipal men in our council who are ready to probe to the bottom any such thing. You will find men who will tell you that the depreciation allowance is not near large enough.

By the Chairman:

Q. Mr. Willock, just to bring out some points that are mentioned in this annual

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report (producing documents). This annual report states—I presume you can corroborate it—that at the end of the fiscal year 1904, there were 11,405 lines?—A. Yes.

Q. Is that correct?—A. That is it.

Q. You have the figures?—A. Yes.

Q. Can you tell us the capital cost per line to construct those 11,405 lines?—A. No.

Mr. ZIMMERMAN.—What do you mean by lines?

The CHAIRMAN.—Subscribers.

Q. In Glasgow, where they have 11,000 services, separate lines, it only cost them, according to this report, £20 per line?—A. £20 6s. 6d.

Q. If in Glasgow with these 11,000 services they are able to construct lines costing £20 6s. 6d., about $100, and give such a class of work as they are giving there, what ought we in Canada to pay, where things are cheaper?

Mr. BERGERON.—We will have to find the length from the trunk line to the subscriber's house.

—A. This report takes the average of the long and the short one.

By Mr. Maclean:

Q. It averages the whole thing?—A. Yes.

By Mr. Bergeron:

Q. You have the trunk line in the street, and if I understand the question, you are trying to find out the price of the little line.

The CHAIRMAN.—No, the whole service. The service extends within a certain area. All the lines are underground and outside that area they are overhead?—A. Yes.

Q. How much?—A. 143 square miles.

Q. Then these 11,000 subscribers' lines are covering that whole area? And you say that they cost, how much to install?—A. £20 6s. 6d.

Q. An average for the whole 11,000 lines?—A. Yes.

Q. The capital cost of installing each of these lines averaged £20 6s. 6d. What is the annual cost for maintenance of each of these lines, including sinking fund, depreciation, working expenses, and all other outgoings for maintaining the lines, keeping it up? These figures are stated in the report to be £4 0s. 7½d.?—A. The total working expenses, including interest and sinking fund—you know, I suppose, what sinking fund means—it is the clearing off the whole capital in a certain number of years.

Q. What does that cost per line?—A. £4 0s. 7½d. per line.

By Mr. Maclean:

Q. You must provide a little for profit and loss, a reasonable amount, does it include that?—A. Understand that parliament makes no demand, but includes in its sinking fund such an amount for depreciation. We have that not only in the telephone system, but in all our other systems.

By the Chairman:

Q. You find that that £4 0s. 7½d. covers sinking fund and interest and all charges for the service, and leaves £3,650 surplus for the year?—A. We charge 5 guineas as our average for each line.

Q. Over and above all charges for renewals and maintenance there was a net surplus last year of £3,650, according to that statement?—A. Yes, that is so.

Q. That £3,650 if not earned, would have reduced the annual charge on each instrument by the proportion distributed over the total number of the instruments?—A. That is so.

Q. So that the rental charged could have been reduced if this surplus had not been accumulating?—A. The rentals amounting to £53,000 equal to £4 13s. 1d. per line.

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By Mr. Maclean:

Q. You have 143 square miles of territory. How many services is that based on?

Mr. ZIMMERMAN.—11,000.

Mr. MACLEAN.—A capital cost of what?

The CHAIRMAN.—£20 6s. 6d.

—A. Well, but we have made provisions for 20,000 lines.

Q. The price may be reduced later on?—A. Yes, that will reduce it later on. The maintenance is £4 0s. 7½d. for working expenses, including interest and sinking fund.

Q. And the charges are £4 3s. 1d., showing a profit of?

The CHAIRMAN.—£3,650, that is a surplus.

—A. Remember that is not merely a surplus to go into depreciation, but that is after providing for interest and sinking fund.

By Mr. Maclean:

Q. At the same time your general plant is for 20,000 'phones, and as they are taken up the average capital cost will be reduced.

By the Chairman:

Q. Do I understand that your sinking fund is based upon an estimated life of thirty years?—A. Thirty, yes.

Q. Is that what your engineers or experts have estimated as the average life?—A. You can get people who hold that it is not safe, but the engineer says it is.

Q. Take Mr. Bennett, the municipal engineer at Glasgow?—A. He tells us it is quite sufficient.

Q. I think he says the life is much longer than thirty years.—A. As a rule it is, but that is quite sufficient for all purposes.

Q. He says in that annual report it is about thirty-six years.—A. Of course, I have not as full report as I might have.

Mr. MACLEAN.—Modern installation is considered by many engineers to last fifty or one hundred years.

By Mr. Zimmerman:

Q. Are there not rapid changes, improvements being made?—A. The Postmaster General has recently laid down a rule that the life of a plant is thirty-six years, whereas the Glasgow telephone loan is repayable in thirty years.

By Mr. Maclean:

Q. You are on the safe side?—A. Yes.

Q. Tell us is your view of this, is it that the Postmaster General of England is within five years to take over the National system?

The CHAIRMAN.—1911, I think.

Q. That will include the National system in Glasgow?—A. I presume so.

Q. Some kind of consolidation will take place?—A. Yes, and he will take over the Glasgow system.

By Mr. Bergeron:

Q. Through all England, Scotland and Ireland?—A. Yes, he will take over the whole system.

By Mr. Maclean:

Q. There will be a unified system, central management and the highest possible efficiency will be worked out in that way.—A. I do not believe it will be the cheapest way.

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Q. You believe that local management is cheaper than Government owned trunk lines?—A. Yes.

Q. That is your own opinion?—A. My reason for it is this, that the capital of the National Telephone Company is far too high. They will pay too much for it, and will never be able to give the same rates as the Glasgow system.

Q. May I ask you this, supposing Glasgow and all the municipalities of Great Britain maintained their own system, and that the Government owned the trunk line, would that be a cheaper system than if the Government owned your line?—A. I think it would.

Q. Local and trunk?—A. I think it would be a better system.

By Mr. Bergeron:

Q. Wouldn't it procure competition?—A. There would be no competition, but there would be a bona fide public service. We have no profits on our tramways, gas or electricity. Whenever we have profits they go to the reduction of the individual service from which we get them. For instance, our tramway fares have been reduced since we took it over by 50 per cent.

By Mr. Burrows:

Q. In the cost of the service?—A. And we have a faster and better service.

Q. You mean in the cost to the public?—A. Yes. What money is made above cost is applied to the reduction of the rate. Thus money made from the tramway is applied to the reduction of the rate. The same with every department. We do not apply any money from any one department on what you would say a reduction of the general rate. We do not believe that is a sound policy. This is perhaps digressing a little, but if we take one penny on the pound as taxes in Glasgow, a profit of £20,000 from the tramway would reduce the taxation of Glasgow one penny. Apply the reduction of one penny on the system of assessment, that is so much on a pound of rental. A working man pays £10 and he uses the tramway perhaps more than a man with £100 rental, and on this the man with £100 will get 8-4d. reduction, while the workingmen will get 10 pence, and at the same time has contributed more than the man who has £100. Hence we have decided to apply the profit to the reduction of the rates.

By Mr. Bergeron:

Q. Did you have an investigation of your municipal affairs some years ago?—A. An investigation?

Q. Yes.—A. By whom, or what?

Q. I am referring now to that investigation into the municipal system of which we heard the other day.

The CHAIRMAN.—You mean by a Committee of the House of Commons, or do you mean into the telephone system?

Mr. BERGERON.—There has been some discussion here.

WITNESS.—In what are we running behind?

Mr. MACLEAN—The charge has been made and quoted here in Canada. A Brantford man in giving his evidence told us that President Sise had asked the people of Brantford to accept the statement, an anonymous statement in an English paper to the effect that you are running behind in your accounts, and that the system was not really paying?—A. Speaking of telephones?

By the Chairman:

Q. It was suggested that the last financial statement or report issued by the city of Glasgow was open to criticism and that there had been an investigation as to its accuracy to the financial operations of Glasgow. Is there any truth in that?—A. Is

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that in all our departments? I am chairman of the finance committee of the gas and our annual revenue is £850,000, roughly.

By Mr. Burrows:

Q. What is your expenditure?—A. We make a profit and we hold a plant which is now valued in our books——

By Mr. Bergeron:

Q. But was there an investigation?—A. No, I cannot see what investigation there was if you refer to telephones.

Q. No, generally speaking, was there an investigation over the municipal system of Glasgow which has gone out to the world as a perfect system? It has been said here that Glasgow was a model as far as that is concerned. In answer to that we are told that an investigation was held which had taken away some of that eulogium. We want to know if it is true?—A. I know of no such thing pertaining to Glasgow. I know of no investigation, no inquiry and I cannot think of any such thing.

By Mr. Monk:

Q. Was there an investigation into the telephone department?—A. No.

By Mr. Maclean:

Q. Let me read you from Mr. Sise's letter to the ratepayers of Brantford.

THE BELL TELEPHONE COMPANY OF CANADA.

MONTREAL, July 28, 1904.

'To the Ratepayers,

'As bearing on the very general discussion of municipal ownership of public utilities the example of Glasgow is cited as an evidence of the success of such ownership and operation. The subjoined extract from an article in the London, England, *Engineering* of July, 15, 1904, is commended to the earnest and careful attention of the ratepayers and telephone users in Canada.

'It is evidenced that in Glasgow, which is constantly cited as a most valuable example of the advantages of municipal ownership, the results—so far at least as the telephone service is concerned—show municipal ownership has not been a success either as regards the ratepayers or the telephone subscribers.

'C. F. SISE,
'President.'

This company makes this statement based on an anonymous article in an engineering publication in the old country.

A. Now, I am somewhat happy when you narrow it down to our infant. We have from time to time had infants in our municipal undertakings. The last infant that we had before we founded this foundling, was the electricity department of which, Mr. Chairman, you will notice the report in our records. I am chairman of that. It was the infant, and all the critics of municipalization, always attacked the infant. Now, in the electricity department, as you know, it is quite impossible to do a business, such as we have to do in the electricity department, unless you put down large mains, far larger than was enough at the moment to supply our customers. We put down large feeders, large mains, a lot of machinery, and in that way we buried in the streets a great amount of money. The first year they turned around and said 'that is not paying, that is not paying.' How could any concern with thousands of pounds worth of wires buried in the streets have sufficient revenue the first year, or even the second year, to make the thing pay. It is nonsensical to think of it, even with regard to a going private concern. We are not going to open our streets and put down a small number of wires, telephones, and then the opening up another year to

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put down another lot, so we make provision for something far forward, and in putting down plant for 3,000 subscribers that we had the first year, we made provision for 20,000 subscribers. It is utterly impossible for a concern to pay interest, sinking fund, and then show a depreciation over the top of that cost. We had some anti-municipalisationists who demanded that from the moment you put the stuff in the ground it was depreciating and that the revenue ought to bear that. Hence the National Telephone Company issued circulars and anonymous letters, some of them came to my own house. We had to turn around and get our Mr. Bennett to answer that statement, and put it under ground, but if the misrepresentation has gone forth to America, where it suits the anti-municipalisationists, the answer does not get so far, it does not suit them to send it. We have a gigantic trust in the National Company in England who think it quite proper to spend a lot of money and buy out or squash any municipality that takes any hand in running their own franchises.

Mr. MACLEAN.—As a matter of fact there is an association formed in England for the purpose of depreciating public ownership.

By Mr. Burrows:

Q. Then you deny the statement of Mr. Sise that the municipal ownership of telephones in Glasgow has not been a success?—A. I deny it. More than that, I say that if we require it, all we need to do is to raise our rates, that we have room enough, as I told you, between £10 charged by the National and 5 guineas charged by the corporation, we have ground enough to go upon, and to cover any deficit if need be, and still retain all our customers. This little small dribbling of rates, this small penny in the slot will never do for a business man. The National charges for the first connection £10, and for the second £8 10s., nothing less than that. The corporation charges £5 5s., that is the real difference between us. If we have to make up a deficit, and add on a pound on our rates, if we have 20,000 subscribers, there is £20,000 put on to our revenue at once.

By Mr. Bergeron:

Q. Do you expect that you will increase the number of your subscribers all the time, of course that number. I do not suppose the population of Glasgow is increasing so rapidly as that, probably the increase in the number of your 'phones will be taken away from the National?—A. No. Telephones are becoming a necessity to-day. I had not a telephone in my own house up till recently, and now all my friends around me have telephones, because it is quite a necessity of the day. We are accustomed to it in our business, and we have to have it in our houses, so that it is people who never had a telephone in before that the increase will come from. You get one man saying 'I will throw out the National and take the corporation, I will not have anything more to do with the National,' 'and another man will be saying: 'I will take the National, I will not have the corporation.' That is an every day occurrence.

By Mr. Maclean:

Q. Have you found the methods of the National Company—their opposition to public ownership, have you found that their attempts to obliterate your concerns have not been at all honourable or above-board? Or, to put it another way, have they resorted to all kinds of unfair means to put down the municipal system?—A. They have resorted to all means, by letter, by writing articles, and in every other way to make little of the municipal system.

Q. By most unfair competition or attack?—A. Well, it is stretching it—I would say that so far as the corporation is concerned, we cannot as a public body descend to any such thing.

Q. But you are subject to that unfair attack?—A. We are subject to it.

Q. And from the National?—A. From the National, yes.

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By the Chairman:

Q. I have in my hand a summary of the last report of the Glasgow corporation, by Mr. A. R. Bennett. If Mr. Willock happens to have with him a copy he can put in the last annual report of the corporation, and I am sure we will be glad to have it.—A. That is the last year we have a report for.

Q. Well, perhaps you will be able to identify it, just look at it and tell me if it is. These figures are from your financial report?—A. I have a copy, I see that this is a complete copy of the report for 1904 of the Glasgow corporation.

Document filed as Exhibit No. 65.

(Exhibit No. 65).

GLASGOW CORPORATION TELEPHONE ACCOUNTS, 1903-4.

THIRD ANNUAL REPORT—SECOND COMPLETE YEAR.

NOTEWORTHY POINTS.

The capital expenditure (page 7) amounts to £320,782 12s., and the number of complete instruments (page 5) is 11,405. The gross cost per line is, consequently, £28 2s, 7d.

The foregoing cost, however, includes £9,957 7s. 6d. for preliminary expenses (page 7), and £79,000 , the cost of 9,065 partially completed lines (page 5) which are not yet earning revenue. Deducting these items it will be seen that the 11,405 working lines have cost £231,824 12s. 6d., which is equal to £20 6s. 6d. per line. The original estimate was £19 1s. per completed line. The small difference is satisfactorily accounted for by the adoption of underground distribution for subscribers' offices in the centre of Glasgow, and by the substitution of underground work on the junction routes and in the suburbs, for which only overhead work was originally contemplated.

The rentals received and outstanding, together with miscellaneous receipts for the year (page 8), amounted to £53,095 5s. 2d., equal to £4 13s. 1d. per line.

The total working expenses, including interest and sinking fund (pages 8, 9 and 10), amounted to £45,988 3s. 3½d., which is equal to £4 0s. 7½d. per line.

The surplus for the year amounted to £3,650 17s. 10½d. (pages 3, 9 and 10, which, together with the surplus of £2,092 9s. 7d. brought forward from the previous year makes a sum of £5,743 7s. 5½d., which the telephone committee have carried forward to the general depreciation fund.

The assertion that the tariffs adopted by the corporation—£5 5s. unlimited rate, and £3 10s. per annum and 1d. per call toll rate—are too low is, consequently, shown to be unfounded.

Appended to this statement is the opinion on the subject of depreciation of one of the leading authorities on account keeping. It will be observed in connection with the Glasgow telephone accounts that the converse of the case stated by Mr. Dicksee obtains, that is to say, that the loan is repayable before the expiry of the life of the plant.

The Postmaster General has recently laid down the rule that the life of a telephone plant is thirty-six years, whereas the Glasgow telephone loan is repayable in thirty years, so that, according to Mr. Dicksee's ruling, no depreciation fund in addition to the sinking fund is required at Glasgow.

The telephone committee, therefore, in transferring their surplus to depreciation are really going ahead of all requirements, and it might be argued that the account to which the surpluses are placed would be better termed a reserve.

It will be noticed from the statistics on page 12 that both the gross and the net cost per line is less than last year. Mr. John Macfee, present general manager of the Glasgow Corporation Telephone Department, has drawn up a comparative statement showing the results obtained respectively by the Glasgow Telephone Department and the National Telephone Company, which I give below:—

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COMPARATIVE Statement showing difference between the financial results of the National Telephone Company, Ltd., and the Glasgow Corporation Telephone Department.

—	Standard Unlimited Rate for Telephones.	Dividend or Interest.	Provision against the Future.	Remarks.
The National Telephone Company, Ltd.	£17 London, £10 Provinces, £8 10s. in some smaller towns in provinces.	4·38 p. c. (Average dividend and interest on various classes of stocks and shares.)	*1·95 p.c.	Calculated on capital expenditure and carried to reserve fund, which is invested in company's plant. (From report presented to thirty-third general meeting of shareholders.)
Glasgow Corporation Telephone Department	£5 5s.....	3·20 p. c. interest on money borrowed.	†4·67 p.c.	Includes sinking fund and depreciation. (From third annual report.)

*Calculated on capital expenditure at Dec. 31, 1903. If calculated on previous year the result would be 2·1 per cent.

†Calculated on previous year's capital expenditure.

A. R. BENNETT.

QUEEN ANNE'S CHAMBERS,
BROADWAY, WESTMINSTER,
LONDON, S.W., July 12, 1904.

Q. Then, these statements contained in Exhibit 65 are correct?—A. They are correct.

The CHAIRMAN.—Well, we will have this printed on the Minutes.

By Mr. Maclean:

Q. You have paid a great deal of attention to civic government, and you regard civic government as one of the great modern problems, that being the case, is it not a principal of good civic government that the corporation should control absolutely its own streets?—A. That is my opinion, and that is the opinion of the populace of the city of Glasgow.

By the Chairman:

Q. One question, it has been stated that your municipal system has not afforded an efficient telephone service, is that true?—A. The telephone service is good. Of course, it has caused a disturbance to all men more or less, you never get the attention that you think you should have.

Q. Is your service as good as the National?—A. On the whole it is quite equal.

By Mr. Bergeron:

Q. Is it on the same principle?—A. We have two different systems in working, and so have the National, in regard to the calling. One system is liked by one party, and another party would prefer the other system, so that we have the two systems.

Q. And your subscribers are increasing?—A. In both systems.

By Mr. Maclean:

Q. How do you pay your employees, as compared with the National?—A. We pay them well.

Q. Better than the National?—A. I would not say that.

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Q. Do you give them better hours?—A. I would not like to say that, we give them very much the same time.

By Mr. Monk:

Q. Do you expect soon to catch up to the National?—A. The National is to be bought out by the Government, and we expect that the Corporation will be bought out also. That is a matter, of course, for the Government to consider, but that is undoubtedly the expectation of all.

By Mr. Lewis:

Q. Is it expected that the Government will own the municipal systems all over the country?—A. That seems to be the intention, it has not passed the House of Commons yet, but the agreement to be presented to the House of Commons is, I believe, now in hand.

Q. They own the trunk lines?—A. They own the trunk lines already.

By Mr. Bergeron:

Q. I would like to ask a question or two that is perhaps not pertinent to this matter. What is the population of Glasgow?—A. We have 890,000, roughly speaking, but we have now recently taken in Kinning Park, just this year we are going to formally take in another suburb, and that will take it up to 1,000,000 people. But our water area supplies 1,100,000, and our gas area supplies about 1,200,000.

Q. Then you go out of the city with these services?—A. Yes, we supply all the suburbs with gas, water, electricity, we supply all these small places.

Q. And with the telephone also?—A. Our telephone goes there also.

Q. Is that all under one municipal council?—A. No, the outlying boroughs have their own councils. I reside in Rutherglen, a more ancient borough than Glasgow, but it is a very small town 3 miles from the exchange. They have their provosts and mayor, but they grant us leave to go on their streets, and they get our water and gas, and take this year, we are going to parliament to take over the electricity as against a company.

Q. What is the name of the town?—A. Rutherglen.

By Mr. Bergeron:

Q. They have their own council?—A. Yes.

Q. That is out of Glasgow for municipal purposes?—A. Yes.

Q. But what I want to get to is, that in the city of Glasgow proper, of which you spoke a few moments ago, if I understood you well, that has 800,000 population, and that has one municipal council?—A. Yes, that is the municipality of which we always speak when we speak of Glasgow.

Q. How many councillors have you?—A. There are 25 wards which have three councillors each, and there is one representative from the Trades House, that is not the trades union, but an old incorporation dating away back to the thirteenth or fourteenth century, that the trades, the tailors, masons, wrights, maltsmen and gardeners and they were established for the purpose of helping fallen merchants—you pay a very large sum of money to get into one of these corporations, it would cost say about £150, but I will not get anything out of it except if I was dying and left my wife and children in need, and they would give them help. They have one representative called the Deacon Convener, he is the convener of the deacons, for all these institutions have deacons for their head.

Q. He is the Speaker?—A. Yes, he is the head of them. Then we have one from the Merchants House, who is called the Lord Dean of Guild. That is a very old institution in Glasgow, I am a member of it, we own cemeteries, buildings and houses, and have a very large capital at the back of the institution. It does not enter into re-

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gular merchandise business, but it is for the purpose of helping merchants who have fallen by the way, as a great many do who have trouble in business, and this has done a great deal of good in the city.

Q. Have you eighty or ninety in council, then ?—A. No, we have seventy-seven members; twenty-five wards with three each, one from the Corporation of the Trades —and the Dean of Guild from Merchants' House—the mayor is a member of the council. For assessors and liners, there are a lot of business men in the city, who lay out the lines for building, high buildings, etc. These are all put up before him.

Q. He does not sit in council ?—A. Yes, he is in the council—these are two extra members.

Q. You have one mayor ?—A. He is included in the seventy-five.

Q. How is he elected ?—A. By the council.

Q. And you are elected for how long ?—A. Three years.

Q. The whole of you at one time ?—A. No, one would retire each year.

Q. Are the councillors paid a fee ?—A. Neither the mayor nor the councillors receive any fees. Then there are the magistrates, we have seven police courts in Glasgow that sit every day, and we have fourteen magistrates besides people who, like myself, have passed through the magistrates courts and are termed police judges. I sit on the bench the same as other magistrates. We have no stipendiary magistrates. All our functions in the police courts are conducted in that way and nobody gets any fees. In the higher courts we have sheriffs who are paid.

By Mr. Miller:

Q. Generally speaking, you consider that your municipal control in Glasgow of all these various utilities has been a success and an advantage to the citizens ?—A. Undoubtedly so. Since we took over the gas works 33 years ago, the price of gas which was then 5 shillings per 1,000 cubic feet, has been reduced, until last year it was 2 shillings and 1 penny, and at the same time we have been writing off for depreciation. We have a plant there which is valued at £2,500,000, that is according to the valuation on our books, but according to the output of other gas works in London and elsewhere, the value of our plant should be £3,500,000.

By Mr. Bergeron:

Q. Is there any debt against the city ?—A. Yes.

By the Chairman:

Q. When you say the plant is worth over £2,000,000, do you mean that it has been paid out of the earnings ?—A. What we do, we have a debt which is about £14,-000,000— -

By Mr. Bergeron:

Q. That is on the whole city ?—A. On the whole city, that includes all our commercial undertakings.

By the Chairman:

Q. How much is there in that debt represented by your gas plant ?—A. About £2,500.

Q. Is that all ?—A. That is all we put down in regard to that debt, because what is written off we do not write up as debt, when it is paid off. Understand this. We borrow money from the city. We have a registrar, or banker, we call him a registrar and the gas wants say a million of money; we do not want it all at once, but that amount is wanted, and our treasurer goes to the registrar and says: 'I want £10,000.' He borrows from the bank and we also take short loans from the citizens and pay them one-half per cent over the bank deposit rate. When the registrar gets back his rates he pays back to his banker the £10,000. We average that up during the whole year, we

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take an average of the cost of the money, we have debentures running, we have promissory notes running, we have short loans running, and the interests on all these loans are taken and an average struck for the whole year, it is a little over 3 per cent. According to the average for the year, every department is chargd for its money, that is they pay according to the average of all the money borrowed by the municipal banker.

By Mr. Miller:

Q. Your endeavours having proved so successful have any other of the British cities shown any inclination to follow your example?—A. They are every one following our example, even the small towns.

Q. It seems to me that the city of Glasgow having made such a great success and the other cities having watched it, it is a wonder if the other cities consider that they have made it a success in Glasgow that they do not follow?—A. Manchester is agitating at the present time and other cities have taken it up all along the line, but this threatened buying up of the telephones has somewhat shaken the movement, but in all other things they are following our example as fast as they can. London is the worst example.

By Mr. Bergeron:

Q. How many years since you had this municipalization in Glasgow? Since when have you commenced the municipalization of these accommodations in Glasgow?—A. We opened our first waterworks, which was the first municipal undertaking municipalized in 1858, and our gas dates from 1869, and in regard to electricity it dates from 1896. Our telephones date from 1900.

By Mr. Zimmerman:

Q. Do I understand that the Government proposes taking over the National Telephone system of Great Britain in 1911?—A. Yes.

Q. And at the present time really the National Company do no business, or construct no new lines, or 'phones, without the consent of the Government. Now you make the statement that they are putting in many 'phones in Glasgow practically for nothing?—A. Yes.

Q. Well, now is the Government a party to that?—A. You know the Government —they have an agreement with the Government, and the skeleton of that agreement has been seen, but really nobody knows what the agreement between the Government and the National really is. It is only speculation for me to say what my opinion is, because it has never come before the House of Commons. It is no use for me to speculate whether or not the Government is a party to it, it is the first time I have heard the statement made, I might say.

Q. I have read a report somewhere, I think it was in the Library of the House of Commons, a very complete statement as to the agreement between the Government and the National Telephone Company, and that is one point I noticed, that the National can do nothing without the consent of the Government, and it appears to me that the Government would not be a party to allowing the National to put in their telephones for nothing?—A. You understand that there is no telephone can be established without a license, not a general license, but that there is a rate charged to each, a small rate, you understand, and there would be every opportunity for the Government to increase the fees or rates. But within the last year in Glasgow I do not know whether the National is paying the general rate or not, I could not say.

Q. Have you made any serious mistakes in putting in your system, have you as up-to-date a system as the National?—A. Well, I consider it to be.

Q. What 'phone do you use, do you manufacture them in Glasgow, or is it a foreign instrument?—A. Well, it is manufactured by a Swedish company, I cannot tell you the name, but it is the same as the National have.

Q. It is as good a 'phone as the National have?—A. I say it is a matter of in-

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dividual opinion. Some think that the system of the National is better than that of the corporation, and some think that the corporation system is better than the National.

By Mr. Maclean:

Q. What do you charge a customer for an extension, supposing he has one on the wall and he wants one on his desk?—A. If you only have one, that is the same, but if you want a double instrument, then you have to pay, according to the instrument you have, from about 25 shillings up to nearly £3.

By Mr. Burrows:

Q. Per annum?—A. Yes.

By the Chairman:

Q. What would be the cost to have an additional bell in your own house, having it put in an additional room?—A. That would be a matter of about 1 guinea, or 25 shillings, if it is a switch where you can switch on.

By Mr. Maclean:

Q. Per year, or what?—A. It would be per annum.

By the Chairman:

Q. When I speak of a bell—I do not know whether you have the same system as we have—but in ours, when a subscriber is called up the bell rings in the room where the instrument is, and sometimes people desire to have more than one bell in the house—in another room—what charge do you make for an additional bell in that case?—A. That is if you put say one bell in your bedroom, so that you would require to have a bell on the instrument, and another one in another room?

Q. Yes.—A. There is a very, very small charge for that, according to the distance.

Q. Is it just equal to the cost of the wire and the bell?—A. Yes.

Q. No annual charge?—A. Not an annual charge, if there is an instrument.

Q. And if there is an instrument?—A. We charge from 25 shillings to £3, according to the instrument you put in.

Q. Is that a capital charge?—A. No, it is an annual charge for an extra instrument.

By Mr. Lewis:

Q. How long has the government had charge of the trunk lines?—A. I cannot answer that just right offhand. I would not like to answer.

By the Chairman:

Q. It will be about ten years, I think?—A. It will be ten or twelve years.

By Mr. Lewis:

Q. Did the National have a franchise right from the government to go into Glasgow?—A. They had.

Q. Franchise power from the government?—A. Oh, yes, they are licensed from the government.

My Mr. Maclean:

Q. Are you satisfied with the government ownership of telegraph systems?—A. Oh, yes.

By Mr. Lewis:

Q. It is considered in Glasgow that the government having charge of the trunk line is a success?—A. They have done very well, very good work, I have no reason to complain and I use them very much.

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Q. So much so that they are contemplating taking over the municipal 'phones?—A. That is the government's contemplation, and most of the people think that it will be as successful as the government telegraph was. They looked for a considerable degree of success, although my own opinion is that owing to the tremendous expenditure they will have to make for the National wires they will be somewhat expensive.

Q. Were the trunk lines in charge of any one before the government took them over, or did the government build them?—A. The National had them; but it was not so extensive a system as it is now.

Q. Since the government has had charge of the trunk lines have they been as successful as they were before the government had charge?—A. Yes, I think so, fully as much so. They have been very well run.

Q. And the public have received a good service?—A. Yes, a very good service, they have no reason to complain of them at all.

By the Chairman:

Q. Would it be convenient for you, or should we write to Glasgow, for a copy of the report for the year that is just closing?—A. The financial year ends on May 31, so that the report will not be in the hands of the council till about the month of July or August.

Q. Then it will be better for us to communicate with Glasgow ourselves?—A. It takes a month or so, and July last year was a holiday with us so that it was the month of August before the report came out.

The witness was then discharged.

The Committee then adjourned.

WEDNESDAY, April 19, 1905.

The Committee met at 11 o'clock a.m., Sir William Mulock in the Chair.

Mr. THOMAS BEGLEY, of Egerton, called and sworn.

By the Chairman:

Q. Where do you live?—A. In the township of Proton.

Q. We are informed that you have had some experience in the construction of telephone lines, is that correct?—A. Well, yes it is.

Q. What has been your experience?—A. Well the experience is that we formed into a company, a joint stock company, in the neighbourhood I live in, and we took out a charter from the Ontario government and we built 18 miles of line.

Q. Yes?—A. We built 18 miles of line and there was a doctor who had a private line of three miles, and we bought his line out and connected it on. The charter was taken out in the name of the Conn Telephone Company, Limited.

By Mr. Zimmerman:

Q. What is the capitalization?—A. I beg your pardon.

Q. What is the capitalization?—A It is only $1,500 at present, but, I was in Toronto yesterday to get the charter extended to $40,000.

By the Chairman:

Q. How much money have you put into the enterprise?—A. About $1,300.

Q. And you have built 18 miles?—A. We have built 18 miles and we bought out three miles more.

Q. Have you any debt?—A. Not one cent.

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By Mr. Zimmerman:

Q. You say that $1,300 was invested?—A. About that. I can give you the exact figures, I have brought the figures with me.

By Mr. Burrows:

Q. What did you pay for the three miles you bought?—A. Well we bought the three miles for $125 and we had to put on 'phones ourselves, that was the company had to put it on. I was asked to bring papers with me and I have the stock book of the company here.

By the Chairman:

Q. That is all right, Mr. Begley, that is what we want.—A. The charter and everything else, I have them all.

Q. That is right, you do your work thoroughly, I see?—A. And even to the style of insulators and the price of the wire.

Q. Good. When did you start your company? When did you commence to do business for the company?—A. With the lines?

Q. Yes.—A. A year ago last fall, or thereabouts. I cannot give the exact date.

Q. How many subscribers have you now?—A. We have 130 shares, that is capital stock.

Q. No, I mean how many persons have instruments in their premises?—A. In their premises? Well, I would have to count them first. There is one, two, three, four. five, six, seven. Seven and a connecting line with the Central Dufferin, is eight.

Q. Seven and a connecting line with the Dufferin?—A. Seven offices, while we connect with the extension——

Q. Has each person an independent wire to his premises?—A. No, sir, there are only two persons that have an independent wire. One is Mr. Russell's house near Mount Forest, and the other is in Dr. Perry's office at Conn.

Q. All the rest are on the same wire?—A. All the rest are on the same wire.

Q. Where does your line run to?—A. Well, it runs between the counties of Grey and Dufferin and between the counties of Wellington and Grey.

Q. Entirely in the rural district?—A. Entirely in the rural district and to the town of Mount Forest in the county of Wellington.

Q. What do you charge your patrons, the people who have the telephones?—A. Fifteen cents for the use of the line and they have got to pay the messenger for delivering the message. If it is in the country the rate is 20 cents a mile one way for delivery. In the town or village it is five cents, in the day time from the hour of 7 o'clock to 6. The hours at night are from 6 o'clock to 7 a.m. and the rate is 10 cents.

Q. What do you mean by 20 cents a mile?—A. For delivering the messages.

Q. That is not what I mean?—A. Oh, for the use of the line.

Q. Yes.—A. We charge 15 cents. Whenever you send a message you would be charged 15 cents.

Q. And the company has been in existence, how long?—A. Since I started to do business with the line, it is a year and a half, say a year and eight months.

Q. Do the general public make use of your lines?—A. Yes, sir, they do.

Q. What has been the revenue on your line since it started?—A. Well, for the first seven months and three weeks we paid a dividend of 6 per cent.

Q. How did you collect from the patrons, the people who use your line?—A. Well, I could not tell you about that exactly, but, at the present time it would pay a dividend at the rate of 10 per cent since last July.

Q. You have not had a very long experience?—A. No, we have not had a very long experience.

Q. This is all the experience you have had?—A. That is all.

Q. Is there a large demand among the people up there to have telephones installed?—A. Yes, sir, it is all the demand, throughout the country principally, they are looking for telephones.

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Q. What class of people?—A. Farmers.

Q. Do you think it would be of much advantage to the farmers to have telephones? —A. I think it would be a big advantage.

Q. To what extent would they be benefited by a mutual or stock company like yours, that pays such a big dividend?—A. Well, that would depend upon the system it was run by. Take the way in which the Bell Company runs. I sent a telephone message to Sherbrooke, Que., to-day, talked over the 'phone, and I paid $2.15 for seven minutes talking. That is what I paid, or at least it is charged against me down at the hotel, and when I settle my bill I suppose I will have to pay it.

Q. Quite true.—A. That is so, sir. So if it be a case——

By Mr. Zimmerman:

Q. What distance is that?—A. It is about 300 miles, I think, somewhere about that.

By Mr. Bergeron:

Q. It would be 225 miles.—A. I cannot give you the exact figures, but I think it is in the neighbourhood of 300 miles.

Mr. DAGGER.—About 230.

—A. Well, any of you can go down to the Grand Union hotel and see what the charge is.

By Mr. Burrows:

Q. You say you have only seven 'phones on 21 miles of line?—A. Any person can come in and use them. They are kept as public offices.

Q. They are public 'phones?—A. Yes, sir.

By Mr. Bergeron:

Q. Is it a slot machine?—A. I beg your pardon?

Q. Is it a slot machine?—A. No, they are made by the Chicago Telephone Supply Company, at Elkhart, Ind.

Q. You employ somebody, women or men?—A. Well, we are all agents on the line, I am one myself. I have a 'phone in the house myself. If you, for instance, had had the telegram which was sent to me 'phoned I would have got it on Saturday. But it was directed to be sent through the mail, and I did not get it until Monday evening.

By Mr. Burrows:

Q. What do you find the cost to be of putting up a mile of line, speaking generally? —A. Generally?

Q. Yes.—A. Well, in ours I think it was $200 and some odd it cost us for about 23 miles altogether. (*Vide* explanation contained in letter No. 62, of Appendix 'A.')

Q. 23 miles?—A. I do not say you can build it for that in every part. It is all owing to what you pay for poles.

Q. What did you pay for poles?—A. We got them for 50 cents, except what went to the town of Mount Forest. We paid 60 cents for them.

By Mr. Zimmerman:

Q. How many poles to the mile?—A. Thirty-five, sir, it averaged that. For instance, if you go along the front of a man's gate you must either go ahead or back up a little. It averaged thirty-five poles to the mile, that is 150 feet.

By Mr. Bergeron:

Q. What prompted you to start this company? Does the Bell Telephone Company not pass around that part of the country?—A. Is it working around?

Q. Yes, the Bell Telephone Company, are they not working around there?—A. Yes, and the Bell Telephone tried to get us to connect with them, but——

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Q. Why did you go to the expense of establishing a telephone system of your own? —A. Well, we were quite a distance from the town, and we looked at it in this way: The country was improving and we thought we would improve with the country too.

Q. I see. But the Bell Telephone Company did not afford you the advantages that your own line does?—A. No, sir, it did not. Even if we had the Bell Telephone Company on the same circuit as our own they would not give us the same advantages, for this reason: We have a night and a day service in case of sickness. The Bell Telephone Company in that section of country only gives it from 2 to 4 on Sundays, and I think not later than 8 o'clock at night. They shut down the place until next day. That is as near as I am able to tell you.

Q. How much did you pay for your instruments, your 'phone?—A. We pay $11.50 in Elkhart, Ind., and they will pay the freight on them. Well, if there was no duty on them, the freight on the instruments delivered at Mount Forest amounts to about $1.03 or $1.05, but with the duty they come to about $14, and either 83 or 85 cents. I am not positive as to the 2 cents, but say 85 cents.

Q. How much is it altogether?—A. I beg your pardon.

Q. Altogether, how much did your 'phones cost you?—A. About $14.85 by freight, or about $16.60 by express.

Q. Well, how did you get them, by freight or by express?—A. We got them both ways. Extension bells with the lightning arrester we bought at a cost of $5; without the lightning arrester they are $4.50.

Q. And do you buy them one by one, or do you buy a lot of them together?—A. If we want to buy one we buy it. If there are more to be bought, we buy them. The first 'phones we made a contract for putting on the wire and five 'phones. Since that I put the rest of them on myself.

Q. Are there many people using the Bell Telephone line?—A. Well the Bell Telephone Company are not really close there. They are some five, six or seven miles north.

Q. Does not the Bell Telephone Company go to Mount Forest?—A. The Bell 'phones in Mount Forest and the 'phones we have in Mount Forest are not over sixteen or eighteen inches apart on the same wall and we cannot connect them.

Q. But they are operating there?—A. Oh, certainly.

Q. Do you know how many subscribers they have there?—A. In the town of Mount Forest?

Q. Yes.—A. Well, I could not answer you positively on that. I would rather think about fifty or sixty, somewhere around that. I would not be positive though.

Q. Well, how do you come to increase your 'phones considering that the Bell Telephone Company are there and that they afford a great deal more convenience to their subscribers than you can because of their having long-distance lines?

Q. How do you expect to improve your company in the future?—A. Well we expect to extend our lines. The Bell Telephone Company won't run into any township if there is no other company starting to build a 'phone or to build a telephone line. The Bell Telephone Company never offered to put lines through there until the people took it up themselves. As soon as they took it up themselves, and built, or were building a line, the Bell Telephone Company wanted to connect with them and to control the line, but we would not give them control of the line.

By Mr. Grant:

Q. Did they offer to purchase or buy you out?—A. When we first started they offered to furnish us with 'phones, with wire. They offered to build a line for us; to do everything that was done.

Q. On what terms?—A. We did not ask them for terms because we did not want to have anything to do with them.

Q. Why not?—A. For the simple reason. What right have they over the whole country?

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Mr. ZIMMERMAN.—They did not want to give away a good thing.

By Mr. Bergeron:

Q. Is there any railway station on your circuit?—A. No, there is not. Both railways go into Mount Forest and we connect with the Central Dufferin line, which runs into Shelbourne, and also with the Grand Valley line that runs into Grand Valley.

Q. Has your company got instruments in any of these stations?—A. No, sir, we have not.

Q. Have you tried to have your 'phones—— ?—A. Put in the station?

Q. Put into the station.—A. No, we have never tried, but I see by the accounts it would be useless for us ever to try.

Q. What?—A. I have seen by the accounts in other parts of the country throughout the Dominion that it would be useless.

Q. But did you try?—A. No, we never tried.

Q. When you say you might not have succeeded you surmised that from what you have heard?—A. No.

Q. But as a matter of fact you never tried?—A. No, we never tried to put 'phones into any of the stations.

Q. Do you not think it would be very important for your company to have their instruments in the railway stations?—A. Well, not extra, not in that part of the country, because where our lines run at both ends the Bell Telephone is in there and they pay so much a year for it, and if we want to find out anything at the station they will find out for us.

By Mr. Grant:

Q. But still, if you had a number of subscribers throughout the country it would be a great convenience to have connection with the station?—A. Oh, yes, certainly it would, but under the present rules with the Bell Telephone Company I do not think we could get in. But we never tried, not in that way.

Q. Where do you touch the Canadian Pacific Railway and the Grand Trunk Railway systems?—A. At the town of Mount Forest the Grand Trunk Railway and the Canadian Pacific Railway and in Shelbourne the Grand Trunk. The Canadian Pacific Railway and the Grand Trunk railways run to the town of Mount Forest.

Q. Did your company ever consider the advisability of extending its system through the country, of establishing a rural system and giving telephone conveniences to farmers?—A. Well, they are at the present time. We are going to have a meeting to extend our charter on May 1, so as to put up more rural telephone lines.

By Mr. Zimmerman:

Q. We would like to get down to the cost. You say that you put up 35 poles to the mile at 50 cents each. That is $17.50, what was the cost of the wire?—A. Well, the cost of the wire for 18 miles and five 'phones we give $446, and I think, a few cents for it.

Q. $446?—A. Yes, that is for No. 9 B.B. galvanized wire.

Q. How many miles?—A. Eighteen miles.

Q. What did it cost you for putting up the poles per mile?—A. For erecting them?

Q. Yes.—A. It cost us for digging the holes, some we paid 15 cents and some 20 cents. I would say on the average about 17½ cents.

Q. That is not putting up the poles?—A. Yes, putting them in the holes.

Q. For 17½ cents?—A. Yes.

Mr. ZIMMERMAN.—That is cheap labour up there.

By Mr. Grant:

Q. Did you hire men?—A. We made a contract.

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By Mr. Bergeron:

Q. How many a day did you put in, do you know?—A. I am not able to say, there were four or five men working.

Q. That is very cheap?—A. We got it done cheaply. We got the poles cheap, cheaper than we could get them to-day.

Q. What is the length of the poles?—A. At all cross roads the wire was 22 feet above the ground. Where they run along the fence it is 18 feet.

By Mr. Grant:

Q. That would mean that the cost for erection and placing in the ground would be 67½ cents?—A. Well it would not be 67, some of them we bought for 50 cents.

Q. No, but the cost of the poles. The pole placed in the ground ready for use would cost your company only 67½ cents?—A. Yes.

By Mr. Zimmerman:

Q. What kind of pole was it?—A. Cedar.

Q. Twenty-five feet pole?—A. They are 22 and 27.

Q. Twenty-two and 27?—A. Yes.

Q. You do not rent the telephone outright to subscribers?—A. No, sir. The way we do is, the company buys out the 'phones and places them at or about every three miles along the line and at each office that has a 'phone in, they get 20 per cent commission for the money they take in for the company.

Q. Now let me understand?—A. Yes, sir.

Q. Supposing I went to one of these offices and telephoned to a man a mile and a half way?—A. Yes.

Q. I pay 15 cents?—A. Yes.

Q. For the use of the wire?—A. Yes.

Q. This message must be delivered. What do you charge for delivery?—A. If it is in the country we charge 20 cents a mile or 10 cents a half mile.

Q. That would be 35 cents?—A. According to the distance.

Q. Do you not think it would be better to rent the telephones along the line instead of adopting that system?—A. No, I do not think that it would be any better. A man gets $20 on the $100 for what he takes in for the company, and he does not pay anything for the use of the 'phone, although he has got to take care of the checks and make out monthly sheets. The sheets have to be sent in every month.

Q. What are your receipts a month?—A. Well, they vary.

Q. Well, just give us a rough average.—A. I could not give it to you, because I did not take it from the books before I left.

Q. Can you not give us an idea?—A. Some offices will take in three times as much as others, but we do not get them bulked together.

Q. Give us a rough idea.—A. I could not do that until the end of the year, because I did not look for it.

By Mr. Grant:

Q. Name the places that you have your stations at?—A. Well, there is Mount Forest, one; and Mr. Russell's, two. Mr. Russell bought the 'phone out. He got us to buy it, and I installed the 'phone for him.

Q. Never mind, just name the places?—A. That is two, and Steve Moore's is three, Conn's is four, Cedarville is five, Egerton is six, Stonywood is seven, I am eight, and McWhirter's is nine. I did not count enough places for you when I gave the first statement. There are nine altogether. We did not put any 'phone, understand, at one of those places. We only put in an extension bell, because the Central Dufferin line has a 'phone there. All we did was to put in an extension bell to call for connection so as to be connected with the Central Dufferin line and the Grand Valley line.

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APPENDIX No. 1

Q. What is your method of exchanging business with the Central Dufferin line?—A. Well, if we send a message over their line we charge 20 cents for that message, and they get 10 and we get 10.

Q. How long a line is that Central Dufferin line, how extensive?—A. Well, let me see. It is 8, 12, it must be about 16 or 17 miles, around that. I never measured, but it is 16 or 17 miles.

Q. Is it situated in the county of Dufferin?—A. Yes, it is right in the county of Dufferin. Well there is about 4 miles on the county line between Grey and Dufferin.

Q. Well, a man might speak from the point furthest west on your line?—A. Yes.

Q. On your line to the furthest point east on the Central Dufferin, in all about 40 miles, 38 or 40 miles?—A. Well, it would not be quite that distance.

Q. Well, nearly that distance?—A. Well, nearly that.

Q. For 20 cents?—A. Yes.

Q. How long a conversation would you allow for 20 cents?—A. We don't limit them down there, they can talk for 15 or 20 minutes for 20 cents, unless the line is extra busy.

By Mr. Bergeron:

Q. They treat you better there than when you talk to Sherbrooke?—A. Yes, a little better. We don't limit them down there. We never limited a man yet.

By the Chairman:

Q. The wire never gets hot?—A. No, it never gets hot.

By Mr. Grant:

Q. Now those places you mentioned where you have stations?—A. Yes, sir.

Q. I suppose they are the usual villages as we know them in Ontario?—A. Well, my office is not in a village, it is in a farm-house. The others are post offices.

By the Chairman:

Q. And stores?—A. Stores and villages. I do as large a business, and more than some of the post offices that have 'phones.

By Mr. Zimmerman:

Q. Do you find the business increasing?—A. Well, yes, it is increasing fairly well.

By Mr. Grant:

Q. Are you satisfied with your enterprise so far?—A. Well, I am one of the directors, and I candidly say we have never had a complaint from a shareholder yet.

Q. Are you satisfied with the financial result?—A. Yes, we are.

Q. Can you tell me roughly what your gross receipts have been?—A. All the earnings?

Mr. GRANT.—Yes. Well, the gross receipts.

By the Chairman:

Q. Well, the total in a rough way?—A. I will tell you for eight months.

Q. Yes?—A. That is, I could not tell you for the past year. You might ask me for the rules.

Witness produces rules.

By the Chairman:

Q. They are convenient to know, but we would like to have the other information though?—A. Here is the auditor's report; you can read it for yourself. (Produces report.)

The CHAIRMAN.—This will give the financial results.

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By Mr. Grant:

Q. This statement is for the eight months ending May 31, 1904?—A. Yes, sir.

Q. Showing your total receipts to be $1,322.50?—A. Yes, sir.

By the Chairman:

Q. What is that, revenue?—A. That is the capital stock.

By Mr. Grant:

Q. The capital stock is $1,320. This was the first eight months of your organization?—A. Yes, sir.

Q. Now then, just to get at the actual standing. Your total expenditure was $1,227.93?—A. Yes, sir.

Q. That would be for the construction of the line?—A. Yes, sir.

Q. And the putting in of the 'phones?—A. Yes, sir.

By Mr. Zimmerman:

Q. $100 of that was included for charter?—A. $125 was included for charter.

By Mr. Grant:

Q. Now, as to the eight months' earnings?—A. Well, you will see it there.

Q. I see it stated as $131.60. Is that statement correct?—A. Yes, everything there is correct.

Q. You paid a six per cent dividend?—A. Yes, for seven months and three weeks.

Q. Are there no liabilities?—A. No liabilities.

By the Chairman:

Q. The earnings of $131.60 is that for the first eight months?—A. The first eight months the line ever ran.

By Mr. Grant:

Q. This brings it up to the first eight months of 1904?—A. Yes.

By the Chairman:

Q. But it has been running more than eight months?—A. It has.

Q. Well has the business increased since then?—A. It appears to be increasing.

By Mr. Grant:

Q. I see the earnings at Mount Forest are the largest?—A. Well, yes, Mount Forest is quite a large town.

Q. Did you ever think of extending your line in the town of Mount Forest yourself?—A. Well, we have not thought about doing it yet.

Q. Would that not pay you ?—A. It would, if we did not have trouble with the Bell Company.

Q. But the Bell Telephone Company could not prevent you from extending your line in the town of Mount Forest? You have got the right to put your poles on the streets?—A. Yes, sir, we could. Still we never thought about doing it, and we could not do it unless we increased this charter for the capital stock is all sold out except $170 and we were offered more stock not more than three days ago, as soon as we were prepared to take it.

Q. With whom did this idea originate? Did a number of farmers get together?—A. Well, farmers and doctors, and storekeepers, all combined.

Q. You felt the need of telephonic communication in the country ?—Yes, we felt the need.

Q. How far do you yourself live from the towns?—A. The towns ?

Q. Yes?—A. The principal town is Mount Forest, and I live between 12 and 13 miles from it.

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Q. And prior to the inception of this company, was the nearest telephone communication at Mount Forest?—A. Yes, sir, it was.

Q. Was it the nearest telegraphic communication too ?—A. Yes, sir.

Q. So that you were labouring under considerable disabilities in that regard in your part of the country?—A. Yes, sir.

Q. And the formation of this company was an endeavour on the part of local people——A. Yes.

Q.—to remove this difficulty?—A. To remove that difficulty.

Q. Is it probable that the result of your meeting—you say you are to have a meeting very soon?—A. Yes.

Q. Is it probable that that meeting will result in the extension of your system through the country?—A. Yes, sir, it is.

Q. Is the feeling in your neighbourhood strong for telephonic communication between the farmers?—A. Yes, sir, it is, very strong.

Q. Very strong?—A. As soon as we get our charter extended they want us to put up more lines through the country. A great many in fact that would not have anything to do with it when we first put it up, will now put money into the capital stock of the company in order to extend the line.

By Mr. Zimmerman:

Q. I notice on your list of regulations, that in case a person sends a message and the person desired to be spoken to should not be on hand or at home, then in such case the messenger shall leave word at the office or place of residence of such person, and that he or she shall have the privilege of answering at the 'phone at any time within 24 hours or after. Now there is no extra charge then for the reply?—A. No, sir, no extra charge.

Q. It is just 15 cents if I send the message and that party comes back to talk?—A. Supposing you were in Mount Forest and sent a message and I go a mile to deliver that message for you, well, that is 20 cents.

Q. Yes?—A. Well, if that party to whom that message is sent, is not at home, but is away, they have the privilege of coming back inside of 24 hours, and there is no more charge on the line.

By Mr. Grant:

Q. Could you buy serviceable poles to-day in your neighbourhood for 75 cents ?—A. Well, I would not promise you that. Cedar has gone up in value and labour has gone up.

Q. We had a witness here the other day who said that a good serviceable pole for city use, made of cedar, and of the requisite length, cost $10.

The CHAIRMAN.—That was a different style. That was a bog pole.

—A. They must be 40 or 50 feet poles.

The CHAIRMAN.—For carrying great cables.

By Mr. Grant:

Q. Yours is a cedar country, is it not?—A. Well, it has been. We had cedar, but it is getting scarce.

Q. Well, I thought there was a cedar telephone pole industry there, belonging to Mr. Morgan, of Dundalk?—A. Well, that industry is about done now. The poles are principally out of the country, the biggest part of them. Excepting some odd places, the principal business in poles is done. Yes, I know Mr. Morgan well.

By the Chairman:

Q. I just want to summarize a little of what you have said. You stated that for the first eight months your receipts for messages were $131.60?—A. Yes, it is in the auditor's report.

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Q. That would represent for the year $175.46, provided that your business is continuing at that rate?—A. Yes, I guess it would be about that amount.

Q. You say it is increasing a little?—A. Yes, I think it is.

Q. If so, your revenue for the year would amount to at least $175?—A. Well, since that statement was made up, we counted it up at the directors' meeting we had, and we could pay now 10 per cent.

Q. I see. You charge 15 cents a message, do you?—A. Yes, sir.

Q. Your $175 would pay for 1,170 messages?—A. That is what we charge. Of course, if you send a message to me, you understand, and you want it delivered one mile, or two, or three, or five, you will pay 20 cents a mile extra for delivering, over the 15 cents.

Q. That goes to the man who delivers?—A. Yes, sir.

Q. It is not included in the revenue of the company?—A. That is not included in the revenue of the company at all.

Q. Well, your eighteen miles are patronized by the——.—A. Say twenty-two miles.

Q. —have been patronized by the general public to the extent that they have sent 1,170 messages in a year.—A. Yes, about that.

Q. Or on an average of between three and four a day all the year around?—A. Yes.

Q. That is the convenience which is served?—A. Yes, for instance a farmer——.

Q. That will do. You did not tell us what instruments you were using, but you said you had brought one of them with you. Have you it here?—A. A 'phone?

Q. I misunderstood you then.—A. Yes, sir. I told you we are using the 'phones made by the Chicago Telephone Company of Elkhart, Indiana.

Q. Have you one of them here?—A. No, they are too heavy.

Q. What do they cost?—A. In Elkhart, Indiana, they are worth $11.50 apiece.

Q. What do they cost if laid down?—A. And they will pay the freight on them for 800 miles, and we are within the freight limit.

Q. What do they cost?—A. They will cost us laid down and freight and duty paid $14.85.

Q. Are they good 'phones?—A. Well, I do not think there is any better in the Dominion, or any safer 'phones in regard to lightning. We have never had any trouble with 'phones neither our company or the Central Dufferin or the Grand Valley line. We all use the same kind of 'phones.

Q. Then we would have to add on the 'phone the cost of construction to ascertain what it really cost you to build these eighteen miles?—A. Well, there are five 'phones, included in the report. If you will look at that auditor's report you will see the statement $446 and some odd cents, and there are five 'phones and one extension bell included in that. The other 'phones we have we bought them since.

By Mr. Lewis:

Q. Just one question. Have you had any communication with the Bell Telephone Company in reference to their buying you out?—A. Buying us out?

Q. Yes?—A. No, sir, they never offered to buy us out.

Q. Have you had any correspondence?—A. No, sir. We don't want to be bought out, we will not sell out to them if they gave us two prices. We would not allow the Bell Telephone Company to control us in any shape or form.

The witness was then discharged.

ALEXANDER W. MACRAE, called and sworn.

By the Chairman:

Q. You live in St. John, Mr. MacRae?—A. Yes, sir.

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Q. And you are a member of the city council ?—A. Yes, and have been for the last eight years, and elected to-day for the ninth year.

Q. You have a municipal telephone committee, I believe ?—A. Yes, we have had one for some years.

Q. Are you a member of that ?—A. I am chairman.

Q. Has your council taken any steps in the way of establishing a municipal telephone system ?—A. Yes, we have. I think, Mr. Chairman and gentlemen, the easiest way to get at that—your subpœna required me to bring all copies of estimates, tenders and other papers relating to the proposed establishment of a municipal telephone system in St. John and the local conditions which prompted the citizens to take the matter up. The shortest way to get at the information would be to supply you with copies of the results and that sort of thing.

Q. Very well, you may proceed and make your own statement, dealing with the subject.—A. I am a lawyer, and I suppose I will know how.

Q. Very well, begin with the movement, the cause of the movement. They say lawyers make very bad witnesses?—A. They do. There is no question about that. The Bell Telephone Company carried on its business in New Brunswick, in St. John, through what is known as the Nova Scotia Telephone Company, in the early eighties. In 1888 a company was incorporated known as the New Brunswick Telephone Company, by Chap. 78, of 51 Vic. This company was incorporated with general telephone powers in the province of New Brunswick, incorporating with the Hon. James Holly, Alfred A. Stockton, now a member of this House, Henry A. Muirhead and Charles D. Jones. The other gentlemen who are known to have been connected with the matter at that time are the present Senator Thompson, Mr. Whitehead, M.P.P., now of York county, Mr. Black, who, I think, was then a member of the local house in Westmoreland; Mr. Fawcett, of Sackville; Mr. McLellan, who was then, I think, provincial secretary of the province of New Brunswick, and others. This company was given an exclusive franchise for a period of ten years, and had the right 'of erecting poles and maintaining telephone communication between the following towns for a period of ten years from the passing of this Act, viz.: between the city of St. John and the city of Fredericton, and the town of Woodstock, in the county of Carleton, and between the city of St. John and the town of Moncton, in the county of Westmoreland; and between the city of St. John and the town of St. Andrews, in the county of Charlotte; and between the said town of St. Andrews and the town of St. Stephens.'

That was an exclusive franchise for the long-distance between important stations in New Brunswick. They started a central system in Fredericton, I think in Amherst and in one or two other centres and the result was that the Nova Scotia Telephone Company, which really was the Bell Telephone Company came in and made an arrangement with them by which the interests of the Nova Scotia Telephone Company in New Brunswick was transferred to this New Brunswick Telephone Company, and the New Brunswick Telephone Company, one of its large shareholders then became, a gentleman named Sise, in Montreal, who is understood to represent the Bell Telephone interests, that is, the general current opinion was that he did; and also all instruments were marked: 'the property of the Bell Telephone Company,' and so on, although the New Brunswick Telephone Company claims to be a local independent company. They have a contract made with St. John. In 1886 it was transferred to them and so on. Now the New Brunswick Telephone Company which had control for ten years of what you may call the long-distance, of course that gave them the entire control of the long-distance in time. They got the St. John system and all the principal towns in New Brunswick. About 1902 they changed their system and put in a first class central energy system. A new building was erected. They took out their old system. Mr. Hazen, M.P.P., formerly a member of this House, now leader of the opposition in New Brunswick, stated before the committee of the House that it was at a cost of $120,000 that they installed this system and he is one of the stockholders.

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By Mr. Grant:

Q. I may show my own ignorance in the matter, but I do not understand what 'central energy system' means?—A. You do not ring a bell. You simply unhook, and it is a quasi-automatic instrument, if I may use that expression. It has that advantage, it shortens it to that extent. The company obtained certain privileges from the city of St. John with regard to the placing of conduits.

By the Chairman:

Q. You might just outline in a general way—just give us the causes of the telephone movement in a general way?—A. Then they proceeded to increase their rates from $35 for business telephones to $40 and from $20 for residence telephones, to $25. There was some feeling of indignation in St. John and the result was that on the 27th of May, 1903, I moved at the board of works that a committee be appointed to secure subscribers for a term of years for a municipal telephone system to be established for St. John with the understanding that the rates charged will be only enough to cover interest, sinking fund, working expenses and a percentage to cover wear and tear. Also that a committee have estimates prepared showing the cost of installing the system, cost of working, depreciation, &c., and the charges necessary to meet all expenses, also a recommendation as to the best system to adopt. That was carried on June 1, 1903, in council, and the committee appointed consisted of Aldermen MacRae, Christie, McMulkin, Tilley and Robinson. On January 4, 1904, we gave in our first report as follows:

(Exhibit No. 66).

To the Mayor and Common Council of the City of St. John.

GENTLEMEN,—Your committee on telephone systems beg to report that they have carefully examined into the question of an independent municipal telephone system in this city. We have secured subscribers for a term of ten years, ensuring 1,000 telephones in operation upon the opening of the exchange at the rate of twenty-two dollars and fifty cents ($22.50) per annum. The list of subscribers includes fully ninety-five per cent of the business establishments now using telephones in St. John.

Your committee inquired into the different systems in use in the United States and in Canada, and are satisfied that an automatic system is preferable to a manual switch system such as is at present operated in this city. The expense of such a system, in its immediate installation, is from twenty to twenty-five per cent greater than the manual switch. However, the expense of management, operation and maintenance would be from three to five dollars less a year per telephone in use. The automatic system furnishes the advantages of immediate connection, greater certainty, absolute secrecy of conversation, equally good service days, nights and holidays, as well as the cutting off or clearing, depending upon the parties conversing, and being instantaneous.

To install a new telephone system in the city of St. John would necessitate the laying of conduits throughout the principal streets in the business, and part of the residential portion of the city. The system also should be 'All Cable Distribution' (i.e.) that is running practically no open wires except from a distributing pole to a subscriber's instrument in the immediate neighbourhood, this would, of course, increase the cost.

After most careful inquiries we find that a first-class automatic telephone system, with an immediate capacity of one thousand main line telephones, and an ultimate capacity of five thousand, could be built and equipped in this city for a sum not exceeding one hundred and fifty thousand dollars. The additional telephones from one thousand to five thousand could be installed from time to time as the growth of the service called for them, in sets of fifty to one hundred, at a cost not exceeding forty dollars per line.

We find that there are telephone companies independent of the New Brunswick Telephone Company, having charters for almost all parts of the province which would,

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on fair terms, be prepared to give long-distance connections with a new system established in the city of St. John. In the up-river counties one or more automatic systems are now in operation giving satisfactory results wherever used.'

The company incorporated by the Parliament of Canada at its last session is empowered to establish automatic systems and telephone connection independent of the Bell Telephone Company in every province in Canada, subject to the rights of municipalities.

We, therefore, recommend that steps be immediately taken to install in this city an automatic telephone system to be owned by the city and controlled and managed by this council through its board of works.

Respectfully submitted.

ALEXANDER MacRAE,
Chairman of Committee.

JANUARY 4, 1904.

On motion of Alderman MacRae,

Resolved, That the report be received and that the Committee on Telephone Systems be continued with power to conduct negotiations with companies willing to undertake the installation and operation of an automatic telephone system in this city; also to prepare and submit to this council a financial scheme, showing full details, for the installation and operation of such automatic telephone system by the city through one of its departments.

WITNESS.—At our March meeting of the council we received this communication from the board of trade :—

(Exhibit No. 66a.)

THE ST. JOHN BOARD OF TRADE,
ST. JOHN, NEW BRUNSWICK, CANADA,
February 3, 1904.

HERBERT E. WARDROPER, Esq.,
Common Clerk, City.

DEAR SIR,—At a regular monthly meeting of the St. John Board of Trade, held on Tuesday, 2nd inst., the following resolution approving of the efforts of the common council to install and operate a civic telephone system, was moved by Mr. W. Frank Hatheway, seconded by Mr. C. Winter Brown, and carried unanimously:

'This Board of Trade approves of the efforts now being made by the common council to install and operate a civic telephone system and thus reduce the cost of telephones to $22.50 per year, and we respectfully urge the common council committee to make their extended report on the same as soon as possible.'

It was also moved by Mr. Hatheway at this meeting, seconded by Mr. F. A. Dykeman, that a copy of this resolution be sent to the common council.

Your truly,

W. E. ANDERSON,
Secretary.

WITNESS.—Under the instructions of the council I then proceeded to obtain terms as to the installation of a system, and got an estimate from the engineers who installed the system at Grand Rapids, the system at Dayton, O., and the present independent system in Chicago. I would not be positive of the name, but I think it is the Ideal Construction Company. I am not sure of that. I will read you the letter attached to the estimate addressed to me.

(Exhibit No. 67).

'MY DEAR SIR,—The attached estimate provides for an immediate installation of 1,000 main line automatic telephones, including all central office equipment for the same. The central office equipment so to be installed as that it may be increased from time to time to an ultimate capacity of 9,999 lines.

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The subway provision is ample to care for 4,000 main line telephones. It is always economy to provide in the first instant all subway capacity which will ever be required, as the ditch being open, the cost of laying additional ducts is but slight. In this instance the ultimate size of your exchange is assumed not to exceed 4,000.

This estimate contemplates the immediate installation of sufficient main cable to care for 4,000 main line telephones and provides for the immediate installation of sufficient cable for 2,000 main line telephones from the main cable terminals to the distributing poles. By installing 2,000 line capacity to the distributing poles now, will enable you to instal the second 1,000 telephones merely by running 'drop' wires from the distributing poles to the subscribers' stations; and to care for your growth between 2,000 and 4,000 by running distributing cable from main cable terminals to distributing poles, and wires to subscribers as above.

By running main cable from the central office to the main cable terminals you have substantially lessened the cost of future installation at the expense of the first thousand, but if the plant grows to 2,000 or over, as it certainly will, it will work economy in the end. This can readily be seen as the estimate shows that the first thousand installed with provision for growth as above provided, will cost $179 per line; but the second thousand can be installed for about $57 per line, and the third and fourth thousand at about $92.50 per line. In this way a 2,000-line plant would cost you $113 per line; 3,000 $106 per line, 4,000 $102.75 per line approximately.

Should you feel that your plant will not grow beyond from 2,000 to 3,000 it of course, would be economy to reduce the amount of main line cable to sufficient amount to care for your ultimate growth. This would materially reduce the cost of your first thousand without increasing the cost of your second or third thousand. In other words, of course, it is economy not to install more cable in the first instance than will ultimately be needful. Should you not follow this plan and seek to provide sufficient cable for your first thousand telephones, it would reduce the cost of your first thousand, of course, but substantially increase the cost of your plant above the figures here given when completed to 3,000 or 4,000 lines.

In the map which you submitted and in your letter accompanying the same, you indicate that there would be approximately nineteen miles of subway. This seems such an unusually large percentage of underground work we have assumed that there was an error and that your subway should be distributed in the heart of the city in sufficient amount to care for your cables leaving the central office for a distance of 1,500 feet in all directions; and from the end of the subway, under this plan, an aerial cable to be carried on small poles without cross arms to the distributing poles in the immediate neighbourhood of a group of subscribers' stations.

If this assumption is wrong and you require nineteen miles of subway the cost would be increased materially, but I do not see how this could be, as nineteen miles of subway would be almost 100,000 feet, which would be highly expensive and wholly unnecessary in a city the size of St. John.

In the absence of more definite data upon which to base this estimate, all things have been included at a maximum price.

In the absence of unusually difficult construction conditions, it is fair to assume that the plant can be built for 10 per cent less than this estimate indicates, but we want to make this safe so that in financing the matter you will not have to alter your plans after you are well along.

Trusting that this information will enable you to go ahead to the point that we may get to actual figures in the matter,

We are, very truly yours,

ESTIMATE FOR TELEPHONE PLANT, ST. JOHN, N.B.

This estimate contemplates the installation of central office equipment for 1,000 lines; subway equipment (Zone 3980') having capacity for 4,000 lines; main cable

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APPENDIX No. 1

equipment from central office to terminals of 4,000 lines; distributing cable equipment from main cable terminals to distributing poles of 2,000 lines.

Central office equipment, as per page 2, exclusive of building, f.o.b. Chicago...	$ 33,000 00	
Subway, as per page 3..	27,200 00	
Cable equipment, as per page 4..	81,860 25	
Pole and wire equipment, as per pages 5 and 6..	27,091 26	
		$169,151 51

Central office and subscriber's equipment for 1,000 lines, including automatic Electric Company's switch-board, complete with distributing board, power board, power plant, 1,000 automatic telephones, and all necessary apparatus for operation at central office ..	$ 33,000 00

Subway Equipment—

1 Main manhole..	$ 150 00	
32 6 x 3 x 6-foot manholes, $100..	3,200 00	
10,100 ft. trench, $1.25 per ft..	12,621 00	
97,000 feet ducts, ·06½ per ft..	6,305 00	
6,600 feet, 2½-inch iron pipe..	1,584 00	
2,500 feet, 3-inch iron pipe..	750 00	
45 2½-inch pipe bends ..	187 20	
24 3-inch pipe bends..	128 00	
9,100 feet pipe laying at 25 cents..	2,275 00	
		$ 27,200 20

CABLE EQUIPMENT.

Underground—

2,875 feet 25 pr. cable ·15..	431 25	
11,445 feet 50 pr. cable ·29..	3,319 05	
1,335 feet 75 pr. cable ·39..	520 65	
3,335 feet 100 pr. cable ·49..	1,634 15	
400 feet 125 pr. cable ·56..	224 00	
2,150 feet 150 pr. cable ·63..	1,354 50	
400 feet 175 pr. cable ·70..	280 00	
20,675 feet 200 pr. cable ·77..	15,919 75	
42,615		23,683 35

Aerial—

72,300 feet 25 pr. cable ·15..	10,845 00	
35,400 feet 50 pr. cable ·25..	8,850 00	
14,100 feet 75 pr. cable ·33..	4,653 00	
41,900 feet 100 pr cable ·40..	16,760 00	
163,700		41,108 00

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Installation—

25 pr. cable '06	4,510 50	
50 pr. cable '07	3,279 15	
75 pr. cable '07	1,080 45	
Other sizes '08	5,508 80	
2 25 pr. pole top terminals, $10	20 00	
36 50 pr. pole top terminals, $20	720 00	
485 10 pr. side bracket terminals, $4	1,940 00	
1 25 pr. side bracket terminals, $10	10 00	
		$ 17,068 90
		$ 81,860 25

POLE AND WIRE EQUIPMENT.

Material—

200 30-ft. poles, $3	$ 600 00	
1,050 35-ft. poles, $3.50	3,675 00	
350 40-ft. poles, $5.25	1,837 50	
50 45-ft. poles, $6.50	325 00	
25 50-ft. poles, $11	275 00	
4 60-ft. poles, $22	88 00	
34 65-ft. poles, $28	952 00	
190 ⅝-in. x 6-in. guy rods	47 50	
187 1-in. x 9-in., with ½ x 6-in. plates, $1	187 00	
600 guy thimbles '03	18 00	
61 angle iron cross-arms '80	48 80	
190 angle washers and eye bolts '32	60 80	
182 messenger sheaves and frames '20	36 40	
1,500 messenger clamps 5½	92 50	
38 distributing rings, $7	266 00	
380 porcelain fittings for rings 4½	17 10	
970 T. brackets complete '11	106 70	
172,000 7-16-in. S.M. strand, $1.90 Hd.	3,268 00	
10,000 ⅜-in. Ord. strand, $1.40	140 00	
1,500 3-bolt and guy clamp '14	210 00	
30 25 ft. guy stubs, $2	60 00	
40 5-ft. anchor logs '50	20 00	
187 8-ft. anchor logs '80	149 60	
100 10 pin and arms complete '70	70 00	
25,000 pole steps '02½	625 00	
1,400 ⅝-in. machine bolts .07	98 00	
7,000 ½-in. x 6-in. lag screws, $1.60	112 00	
800 ½ x 4 lag screws, 1.40	11 20	
1,500 ⅜-in. x 3-in lag screws, $1	15 00	
		13,412 10

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APPENDIX No. 1

ESTIMATE FOR TELEPHONE PLANT, ST. JOHN, N.B.

Amount brought forward	13,412 10	
380 No. 14 H.D. rubber duplex, $15	5,700 00	
1,200 lbs. No. 14 H.D. bare copper, 14	168 00	
500 line joints 40	20 00	
10,000 D.O. glass insulators, $11	110 00	
8,000 No. 4 porcelain knobs, $7	56 00	
8,000 wood brackets, $11	88 00	
80,000 feet interior wire, $8	640 00	
2,700 wood pole steps, $10 per M	27 00	
1,600 sq. washers, $8.50	13 60	
	20,234 70	
20 per cent on poles and hardware if purchased in Canada	4,046 94	
		$16,187 76

LABOUR.

Setting 200 30-ft. poles, $2	$ 400 00	
" 1,050 35-ft. poles, $2.50	2,625 00	
" 350 40-ft. poles, $3.50	1,225 00	
" 25 50-ft. poles, $5	125 00	
" 4 60-ft. poles, $7	28 00	
" 34 65-ft. poles, $9	306 00	
" 40 5-ft. anchors, $2.50	100 00	
" 187 8-ft. anchors, $3.50	654 50	
" 30 guy stubs, $2	60 00	
Guying 260 guys 50	130 00	
Stringing 1000 drop wire and wiring buildings for 'phones for extensions, &c. at $4	4,000 00	
50 miles line wire at $5	250 00	
Installing 1,000 'phones, $1	1,000 00	
		10,903 50
		$ 27,091 26

WITNESS.—There is the report of the director of public works, and the city engineer. I will leave a copy of their report with you. (Exhibit No. 67a.) Their report upon this estimate—most of the items are such as only an expert in electrical construction and operation could critically report upon, and so on, but they conclude that it could be done on the figures mentioned.

Then on March 17 of this year the council having this report, instructed me as chairman of the bills and by-laws committee to prepare a bill and forward to the legislature of the province of New Brunswick to enable the city of St. John to establish a municipal telephone company for the city and county of St. John—I am warden of the county, and our city council are all members of the municipal council—and here is a copy of the bill which we forwarded to the House. (Bill produced and filed).

By the Chairman:

Q. Has your bill become law?—A. The bill was thrown out by a vote of twenty to thirteen, I think.

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Q. Oh, what was the matter?—A. Well, it was very keenly opposed by the leader of the opposition——

Q. By Mr. Hazen ?—A. Yes, and a prominent gentleman in the government, Mr. Whitehead, who were stockholders in the New Brunswick Telephone Company.

Q. I see.—A. And there was a question raised as to vested interests, that we would be competing with the New Brunswick Telephone Company if we put a cheaper system in St. John. We would not be subject to taxation as they are. That question was raised.

Q. Then your efforts have all been brought to a standstill?—A. As far as that is concerned.

Q. Well, have you anything further?—A. The only thing I would say is that I have made some inquiries with respect to the New Brunswick Telephone Company through brokers. I find that their stock, the last sale that I could get any statement with respect to, was that the $50 shares had sold for $150. The brokers stated that their last dividend was 8 per cent with a bonus of 7 per cent and they are to——

By Mr. Zimmerman:

Q. What do they charge for 'phones?—A. Oh, their charge is $40 for a business telephone and $25 for a residence telephone, and since this agitation started they took 10 per cent off if the bill is paid within 10 days, being payable six months in advance, you see.

By the Chairman:

Q. What telephone systems have you in New Brunswick?—A. Would you allow me, Sir William, I would like to call your attention to one matter before I speak of that.

Q. Very well—A. This Act provides in the 9th section, of the Act of their incorporation:

'The rates or charge imposed by the said company, for the transmission of messages over the lines of the said company within this province shall be subject to the regulation of the Lieutenant-Governor in Council, who shall have the right to fix the same from time to time.'

Acting on behalf of the city council I appeared before the Governor in Council—at least before the executive—in 1902 and called attention to this when the rates were increased. The then Solicitor General, Mr. McEwen, and the Attorney General, Mr. Pugsley, as I understand it, were appointed a committee to see these people, and they informed me afterwards through their solicitor. I think Mr. Stockton was their solicitor—their solicitor claimed that this limitation of rates and checking of rates only applied to the long-distance charges mentioned in this 9th section and for the period that they had an exclusive franchise. When I promoted our city bill before the House in Fredericton, Mr. Hazen and Mr. Whitehead claimed that their rates could not be excessive because they were subject to the control mentioned in sction 9. Thus you will see, they were blowing hot and cold, claiming that the government had no check upon them——

Q. I hardly think we need follow up your story.—A. I merely mention that.

Q. Describe to us the telephone systems in New Brunswick as far as you know.—A. I might say in addition to the increase they made in St. John city that they increased their long-distance rates. Their minimum price used to be 25 cents for five minutes, or less for the shortest distance, and they increased that to 35 cents during the day time and left it at 25 cents at night, and a similar increase was made for all places.

Q. What different telephone systems are there in New Brunswick ?—A. Do you mean companies or systems ?

Q. Company systems.—A. In New Brunswick to-day there is the New Brunswick Telephone Company, which is——

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Q. Yes, this is the one you refer to.—A. It really holds the Bell—whatever the Bell rights are. It is practically a branch of the Bell system, as far as I can make out.

Q. It enjoys exclusive rights ?—A. No, it is not exclusive.

Q. Under its charter ?—A. No, there is a limitation of ten years and the ten years are up.

Q. During the ten years it enjoyed exclusive rights ?—A. Yes, it had exclusive rights for ten years.

Q. It represents the Bell——

By Mr. Zimmerman:

Q. Is that for the whole province?—A. What?

Q. The exclusive rights.—A. No, the exclusive rights were not for the whole province, but between the points named in section 9.

By the Chairman:

Q. What is the extent of the New Brunswick system ?—A. The New Brunswick telephone system is on all through the province practically, running along the line of the Canadian Pacific Railway and the Intercolonial Railway from St. John to Nova Scotia. On the north shore they have not got the same connections and they don't run into Quebec. They have no connection with Montreal from New Brunswick. They connect with Boston by the New England Telephone Company and connect with Nova Scotia.

Q. Can New Brunswick not telephone outside of New Brunswick ?—A. No, the New Brunswick Telephone Company has been capitalized at $250,000. Within the last month or six weeks they got power to increase their capital to $600,000. If allowed they wish to go into Quebec and connect westerly.

Q. At present their powers are limited to New Brunswick ?—A. Yes, limited to New Brunswick, then connection with the New England Telephone Company for Boston, New York and so on.

Q. Are they connected easterly with Nova Scotia ?—A. Yes.

Q. They do chiefly, I suppose, city and town business ?—A. They do city and town. They don't look for the rural business, as far as I know.

Q. Do they do any rural business ?—A. I think they do.

Q. You don't know the extent of it.—A. I don't know. I cannot give any information with respect to that.

Q. We can get that from the company itself.—A. I do not know it.

Q. What other telephone systems are there in New Brunswick ?—A. There is the Union Telephone Company, which is established with an automatic system in the town of Woodstock and which runs up the Tobique river and St. John Railway and has some hundreds of miles—I should imagine about 300 miles—of wire, which is largely a rural business, and runs practically, I think, from Grand Falls to the head waters of the St. John river.

Q. We have summoned Dr. Ross of that company.—A. Yes, Dr. Ross.

Q. He will give us detailed information. What other systems are there ?—A. Then there are a large number of companies, local companies in different counties.

Q. Yes.—A. There is the Sackville Company, the Stanley Telephone Company, the St. George and Pennfield Telephone Company, the Richibucto Telephone Company——

Q. Gloucester county.—A. Up there the Bell Company does not go, although I understand they do intend to go.

Q. There is the Gloucester Telephone Company, the St. Martin's Telephone Company.—A. The St. Martin's is entirely absorbed by the New Brunswick Telephone Company.

Q. The Central Telephone Company.—A. It is a company that has a charter equal to the New Brunswick Telephone Company. They got a charter about a year

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ago and have perhaps a couple of hundred miles of rural wire; and the New Brunswick Telephone Company has within the last month or two sold out their right in the town of Hampton to this company, as I understand it, for so much of their stock.

Q. Charlotte county.—A. Charlotte county, yes, I think it has the Citizen's Telephone Company.

Q. Is there another called the Madawaska Company ?—A. Yes, there is a small one, I believe.

Q. The New Brunswick Telephone Company.—A. That is the main one.

Q. The Central Telephone Company of Bridgewater.—A. It is a Nova Scotia Company.

Q. New Brunswick, it is marked here.—A. That must be an error.

Q. Have you any municipal telephone companies ?—A. No, not in New Brunswick.

Q. Have you any mutual telephone companies—co-operative ?—A. I think not.

Q. You know what I mean.—A. I think there are a number. For instance, there is the M. Walsh Company, which is Mr. Michael Walsh, who has a large lumber incorporated company, and runs it in connection with his lumbering business.

Q. Yes. You have no municipal or co-operative companies.—A. There is the Salmon River Telephone Company, which runs practically with the business of a lumber company.

Q. Well, your efforts to establish a municipal telephone system in St. John have been for the time defeated by the legislature. Has the council of St. John expressed any opinion as to that defeat?—A. No, the Bill was just thrown out last Friday.

Q. Last Friday ?—A. Yes, just the last thing the House did. They adjourned on Friday at 9 o'clock.

Q. Who were the representatives of the city and county of St. John ?—A. In the legislature ?

Q. In the legislature.—A. Mr. Lantalum——

Q. I won't ask their names. Did they support the Bill ?—A. I think they did.

Q. They all voted in favour of the Bill.—A. Yes, I think the whole six for the city and county.

Q. You were defeated by the outside vote ?—A. Yes. If we had a by-law to put the thing through——

Q. Were your council unanimous in favour of the city going into the telephone business—establishing a municipal telephone system ?—A. Practically unanimous.

Q. Practically unanimous?—A. There was some debate on it, but I do not think there was any division on it.

Q. As far as you can understand the public opinion of your city, how does it regard the proposition ?—A. Well, when you consider that there have been 1,000 persons who have subscribed and bound themselves for ten years to take the municipal telephone, where there are not over 1,500 telephones altogether to-day, I think that would be reasonable assurance of public sentiment.

Q. You were going to give telephones at $22.50 apiece?—A. Yes, $22.50.

Q. What would they get for that $22.50 ?—A. Just a telephone.

Q. With what connections, just within the municipality ?—A. Just within the municipality, I figured it with considerable care under these estimates. You see we issue our bonds at three and a half per cent, and I figured that we would have to pay interest and sinking fund, $9,000, and I allowed $3,000 for depreciation, which is one and a half per cent in the sinking fund, and then another $3,000, you understand, for extra depreciation—expenses $5,500, and that made $19,500, leaving $3,000 to go and come on. In case we increased our figures, if we went on to our second thousand, the result would be enormously profitable to the city.

Q. I made out the cost this way. The first thousand would cost you $179 per line, but the second thousand costing $57 per line would represent an average of $118 for

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2,000 subscribers, and for 4,000 subscribers it would have cost you on the average $104.75. However ,the analysis of the report will speak for itself—A. Yes. The 2,000 line plant would cost $113. That is what they give here.

Q. Well, the figures will appear in the report.—A. The 3,000 line plant would cost on an average $106 and the $4,000 line plant $102.

By Mr. Zimmerman:

Q. Is there any dissatisfaction with the present system ? Is that the reason that you were wanting to start a municipal system ?—A. There is a feeling that perhaps in the first place the charge is rather high. They pay nothing to the city except taxes. They have the use of the streets and an agreement with the city to use the city poles. That agreement was made with the Bell Company in 1886, and of course it passed to these people as their assignee, showing that these people represent the Bell Telephone Company.

Q. Was that for all time to come?—A. Yes.

Q. A perpetual franchise?—A. That is for the use of the city poles, that is the poles the city puts up for its fire alarm business. They can use them.

Q. Without any charge?—A. Without any charge, and then the city under the Act, you know, has the right to use their poles as long as they don't interfere with them.

Q. It is a mutual arrangement?—A. It is a sort of mutual arrangement. I could not find any records of council by which that arrangement is made.

Q. They are giving you a good system, are they, the Bell?—A. I think they give as good manual system as you can get. Perhaps it is a little strong and there is more power than is requisite for their system, and consequently it is trying on your hearing.

Q. I would like to get at your reasons for wanting to start a municipal system?—A. The reason is in the first place that we believe that our present system is too expensive, it costs more than it ought, we ought to get telephones more cheaply. They had no right to raise their rates as they did, because they were getting sufficient and were a fine paying concern.

Q. What were they getting originally?—A. Well, previous to this last increase—they raised their rates from $35 to $40 and from $20 to $25. And in the second place there is a strong sentiment amongst those who have looked into it in St. John, there was a feeling that the automatic system is the better system for the city. It provides the element of privacy and secrecy, an immediate connection and everything of that kind. For example, I was recently up in Grand Rapids and I found there that the automatic system had developed from some 2,000 a few years ago in the Citizen's Company to 6,500 now, and the Bell Company had gone from 4,000 to about 1,500.

Q. Well, the real reason why you wanted to establish another system, a municipal system was to have cheaper 'phones?—A. Cheaper 'phones.

Q. That is the foundation of your agitation?—A. That is the foundation of it.

By Mr. Miller:

Q. You wanted a better service?—A. A better service, and a good many of us believed that we should own our own telephones. I believe myself that if all the small telephone companies all over the country had the right to interchange and the power to get into the railway stations, and the long-distance was controlled so that you could connect with it, whether the government held it or the Bell Telephone Company or anything of that kind, that the result would be that the telephones would cheapen very much and it would be a great advantage to the public. But the real difficulty——

By Mr. Zimmerman:

Q. Your opinion is that the government or some one company should own the long-distance lines and give the independent companies connection ?—A. Yes.

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Q. You think that would be a benefit to the community?—A. A benefit to the whole community.

Q. Yes.—A. And of course the rates should not be exorbitant. The rates should be fair. I believe capital should have fair chance but nothing more than what is fair.

By Mr. Miller:

Q. After making an exhaustive inquiry you believe from the figures furnished to you and the results of this inquiry that it would be quite possible for you to establish a municipal system to give a better service and a better system than you are getting now?—A. I do.

Q. That is your conclusion?—A. I have not a doubt of it. I am quite prepared to undertake, if I had the backing of the city of St. John, to undertake to put a system in there for a company personally.

By Mr. Lewis:

Q. Have you known any other city under similar circumstances with 'phones for $22.50 a year, about the same size as St. John? What do you base your estimate at $22.50 on?—A. I base my estimate on figuring out what it would cost just as I gave you here.

By Mr. Miller:

Q. From the tenders actually made to you ?—A. The estimates are here itemised. The cost of establishing the system is there. I figured out what the amount of interest and sinking fund would be. I figured out the cost per year of running, based upon estimates in Grand Rapids, Dayton, Portland, New Bedford and Fall River. I have been there, gone over the plants and I know that these figures are safe for the city of St. John.

By Mr. Lewis:

Q. From the experience of other cities?—A. From the experience——

Q. You know these figures are safe?—A. Yes, from the experience, I may say of consulting with people, the managers in the different cities. I spent some weeks going around myself to see them personally.

By Mr. Zimmerman:

Q. How long did you intend your debentures for?—A. Our debentures are for 40 years.

Q. The average life of a 'phone?—A. The life of such a system as this I understand would be about 36 years. It is underground cable, with just an aerial distribution. The life would be about 36 years. You see our bonds are redeemable in 40 years. I allowed over and above the amount necessary for that in my estimate, $3,000 a year, and still have a surplus of $3,000 a year to come and go on, after allowing for expenses, interest, sinking fund and then $3,000 extra for depreciation.

By Mr. Boyce:

Q. Do you show the cost of installation for the line ?—A. Yes, everything is itemised in the fullest manner.

The CHAIRMAN.—He has read a detailed report.

WITNESS.—Of course, for instance, in this connection with central, the estimate for the central office and so on is $33,000. This is for an automatic system, and one particular one, the Strowger system. You could get one such as was spoken of by the last witness who was here for about $14,000 or $15,000. You understand, Mr. Dagger, what I mean. And you could get a manual system, but the cost of running it would be so much greater. Then you could get the Faller system in New York, probably for

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$20,000, or the Lorimer system, which I think is in Peterborough to-day, for about $18,000.

By Mr. Zimmerman:

Q. Your system includes the best known?—A. The best that has been tested. I have stood where they have had from 6,000 to 8,000 in one office, I have stood in the central and have seen the whole thing, and know it is a practical success. That is the reason I advocate it. I know there could not be any failure about it.

By the Chairman:

Q. You say that you saw 6,000 or 8,000, where was that?—A. In Grand Rapids, last October. I think it is 6,500 there.

Mr. DAGGER.—5,600.

WITNESS.—I thought it was 6,500. Well, there are more in Dayton, Ohio.

Mr. DAGGER.—In Dayton there are 6,000.

WITNESS.—In Chicago, I do not know how many there are. There are 1,400 in Portland. There are about 1,400 or 1,500 that I saw at Fall River.

By Mr. Zimmerman:

Q. They have the Strowger system?—A. Yes, they have the Strowger system. These other instruments that I spoke of have not been tested by practical experience, therefore I would not advocate them—I mean where I would be practically risking my reputation in St. John in doing it.

Q. Have you knowledge of the telephone system in the rural districts? Do you think that the farmers would subscribe for telephones if they could get them at reasonable rate?—A. Oh, well, I do not know whether my opinion would be worth anything in that regard.

Q. Well, I am just asking you if you have any knowledge?—A. I would say that in New Brunswick there is a strong desire on the part of the farmers to have telephones, and many of them have them.

By the Chairman:

Q. Are there any farmers' telephones? I think you said there were no mutual or co-operative systems in New Brunswick?—A. None that I know of. They are all companies with stock holders, but the farmers have telephones in their houses.

Q. Do you know what is charged the farmers for these telephones?—A. No, but I will say this——

Q. We will get that from some of the others.—A. I will communicate with the secretary, and let you know the names of those who can give you the fullest information in that regard.

The CHAIRMAN.—We are very much obliged to you. We will be very happy to hear from you.

The witness was then discharged.

The CHAIRMAN.—We were desirous of obtaining a copy of the report of the Railway Commission dealing with the case of the Bell Telephone Company of Canada and the towns of Fort William and Port Arthur in regard to the exclusion from the Canadian Pacific Railway offices of the telephones connecting with the municipal systems of the said towns. The clerk wrote to the Railway Commissioners, and I have a letter from Mr. Cartwright, the secretary, wherein he states that a return containing the report in question had, in obedience to an order of the House, been made some time ago. The application on behalf of the towns of Fort William and Port Arthur for an order under section 193 providing for the instalment of municipal telephones on the premises of the Canadian Pacific Railway Company, together with the judgment of the Board of Railway Commissioners (see No. 30, printed in Appendix 'A,' page 38).

The Committee adjourned.

Mr. ALEXANDER MACRAE.

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MAY 1, 1905.

The Committee met at 11 o'clock, Sir William Mulock in the Chair.

DR. WARREN DOAN, called and sworn:

By the Chairman:

Q. You live in Harrietsville, Middlesex county?—A. I do.

Q. And are connected with the telephone company are you?—A. Yes, sir.

Q. Will you explain the nature of that company and its history?—A. From the start?

Q. Yes.—A. Well about——

Q. Explain the reasons for its coming into existence.—A. The reasons for its coming into existence were as follows: About 13 or 14 years ago after the Canadian Pacific Railway had built through Dorchester, their station was about two miles north of the village of Harrietsville and the merchants of Harrietsville and the proprietor of the cheese factory, and others living there, wanted to have communication with the station and they got up a subscription, $5 apiece and so on, among the farmers and the community and raised enough money to build their line and then asked the Canadian Pacific Railway for assistance and the Canadian Pacific Railway sent up an ordinary Bell Telephone and placed it in their station. The people bought their supplies from the Canadian Pacific Railway outside of the poles, that is the wire and glass, the insulators and so on, and the Canadian Pacific Railway sent up their men to string the wires and attach the instruments.

By Mr. Maclean:

Q. That is you had one 'phone at your end and the Canadian Pacific Railway had one at the other end, is that it?—A. We had one telephone placed at Harrietsville in one of the stores and the Canadian Pacific Railway placed an instrument in the station at Harrietsville. That was a series instruments, an ordinary Bell instrument.

By the Chairman:

Q. Yes, that was conducted, I suppose, as a toll line?—A. No, it was free to every person.

Q. Free to every person?—A. It was 13 years ago or about that.

Q. Yes? And what followed that?—A. It continued on in that way for two or three years when I moved to the village of Harrietsville and purchased an instrument and placed it on the line. That would make about three on that line at that time. The other storekeeper in Harrietsville extended the line to his store and placed an instrument in the store. That would make four series instruments on the line about two miles long, a ground return line. It remained in that condition for three or four years, when the people at a place called Mossley, about half a mile from Harrietsville station, wanted telephone connection there, and we extended our line to Mossley and placed another instrument at the post office or store in Mossley. That made the line about three miles in length with five telephones on it. That would be about eight years ago. The line remained in that condition until the winter of 1901-2, when the farming community and neighbouring villages wanted telephone connection with us. During that winter we financed the line through and built a line of about 18 or 19 miles.

By Mr. Maclean:

Q. Did you form a company?—A. Not at that time.

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APPENDIX No. 1

By Mr. Bergeron:

Q. When you say 'we' to whom do you refer?—A. The farmers, storekeepers, and people living in the vicinity. We asked them how much they would give towards building the line. We built the line cheaply using only poles that were about 14 to 16 feet in length and possibly three inches at the top and we raised money enough to build our line.

By the Chairman:

Q. By the co-operative system?—A. Yes, it was co-operative to a certain extent.

Q. Yes?—A. We found out after we had got that far that we had outgrown our series instrument that we were using and when we came to put some 19 instruments on the line they would not work so we disposed of the series instruments. At that time we wrote to the Canadian Pacific Railway, that was in the spring or during the winter of 1901-2, that our line had outgrown the conditions and that the instrument they had in their station would not answer the purpose on the new line that we were building. We asked them to have it replaced with one that would. They wrote back through their agent at Harrietsville instructing him to have me place one of our instruments in the station, and to send them a bill and they would pay for it. I did so and received the money. That was in the winter of 1901-2.

By Mr. Maclean:

Q. How long was this new line?—A. It was about 19 or 20 miles in length.

Q. How many 'phones were there on it?—A. There were 19. It was a ground return.

Q. There was no cost whatever except the maintenance?—A. There was no cost excepting the maintenance.

By the Chairman:

Q. Have you separate wires to different houses?—A. We have not.

Q. Well, is it just one line?—A. It was at that time and there were 19 instruments on the line.

Q. How is it now?—A. It had been running that way until last summer, when the farming community realized the benefits of the telephone and they began to make application to us to get on the line. Well, our line was loaded, for we had on it 19 instruments.

Q. Were you able to operate it?—A. We were.

Q. On the one line?—A. On the one line.

By Mr. Maclean:

Q. By a code of signals?—A. By a code of signals.

By Mr. Bergeron:

Q. Was there anybody employed on the switch-board?—A. We had no switch-board at that time.

Q. There was nobody employed at all?—A. There was no person employed.

By the Chairman:

Q. Could the users speak to each other?—A. They could.

Q. By a code of signals?—A. By a code of signals.

By Mr. Maclean:

Q. Well, then, you were proceeding to say that the farmers——?—A. The farmers began to ask to get on the line. Well, our line was 19 miles, 18 or 19 miles in length, and had 19 telephones on it. We were loaded and there was no provision made for extending our line or anything of that kind, so we called a meeting.

Dr. WARREN DOAN.

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Q. Just before you go to that, will you tell us if you can, what the system with 19 telephones and a code of signals cost you up to that time? I mean roughly, each subscriber?—A. Well, in building the first 19 miles I was talking about, we raised it just by subscriptions around among the farmers.

Q. I know, but can you roughly tell us what it cost? The 19 miles for 19 subscribers?—A. I could not, because we built it in sections.

Q. All right, go on with your story.—A. We built it in sections, so I could not tell you.

Q. It was a comparatively small amount?—A. It was a comparatively small amount.

By the Chairman:

Q. I suppose some persons constructed the poles, some gave labour, and some gave money?—A. It was done generally by money. We bought our poles and had the line constructed.

Q. You do not keep a financial account?—A. No. I will come to the estimated cost or worth of it when we came to convert it from that line over to our present system.

Q. Proceed now, with the farmers' movement.—A. Well, the farmers asked permission or wanted to get on the line. We called a meeting of those that were mostly interested in the old line and formed a co-operative association under chapter 202 of the Revised Statutes of Ontario, 1897.

By Mr. Maclean:

Q. And called it what?—A. Called it the Harrietsville Telephone Association, Limited.

By Mr. Bergeron:

Q. Called it the what?—A. The Harrietsville Telephone Association, Limited.

By Mr. Zimmerman:

Q. And the capital?—A. There was no stated capital.

Q. Is there not a charter?—A. Yes.

By the Chairman:

Q. They got what makes them a company?—A. Yes, what makes us a company. We found if we were going to extend our line further we did not want to have any personal liability, and by becoming incorporated we missed the personal liability claims that might come up from time to time. We were only liable to the amount of stock we had in the company. Well, we called a meeting of telephone holders and they were in favour of forming this co-operative association. We drew up our constitution and by-laws and had it registered.

By Mr. Bergeron:

Q. Have you got a copy of that?—A. I have not. There is a copy of it registered in Middlesex and another copy registered in Elgin.

By the Chairman:

Q. Yes?—A. And we placed our stock in shares of $10 a share, and we sold 135 shares of stock, which made $1,350. We proceeded then to adjust the claims of the old line, and bought out all the plant in the old line, that is independent of the telephones, the line construction and all that for $161.

Q. They had 18 or 19 miles?—A. They had 18 or 19 miles.

Q. Of pole line?—A. It was a ground return line at that time.

Q. And what did you proceed to do?—A. We proceeded then to find out that our

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ground return line would be of no use to us in our new construction, where we were going to run more than one line on the same set of poles, so that we had to make it a complete metallic circuit, and our line now is a metallic circuit some 26 or 27 miles in length.

By Mr. Maclean:

Q. At what expenditure?—A. At an expenditure of $1,321.16.

Q. You just exhausted your share capital?—A. No, we have $39.25.

By the Chairman:

Q. What is the nature of your extension, Dr. Doan? Is it an extension of a single line?—A. No, it is converted from a single line or ground return to a metallic circuit.

Q. I am quite aware of that, but have you put in separate services in different houses?—A. No, we have divided the lines up into party lines, having 8, or 10 or 12 on a line.

By Mr. Maclean:

Q. What is the total number of 'phones you have on this system?—A. On December 31, 1904, we had 48 telephones.

Q. Forty-eight 'phones on the 26 miles?—A. And we now have 58.

Q. Fifty-eight 'phones on the 26 miles?—A. On the 26 miles.

By the Chairman:

Q. That is a little over 2 to a mile?—A. On an average. We try to have about 2 to the mile.

Q. Do these people pay for the use of the telephone?—A. Yes.

Q. Do they pay an annual sum?—A. They pay an annual sum.

Q. Are there any other charges against them?—A. No.

Q. Can they use the whole system for that annual sum?—A. They can.

Q. What is the annual sum?—A. The annual sum is $9, or $4.50 half yearly payable in advance.

Q. How long has that system been in force?—A. That system has been in force since last summer.

Q. Have you any idea how it will pay?—A. It paid last year. We collected rentals for the last four months of 1904. After meeting all operating expenses we paid a dividend of 4 per cent, set $10 away in the rest fund, and had a balance of some $30 odd on hand out of the revenue account.

Q. What condition have you maintained the line in?—A. In good condition.

Q. In good condition?—A. It is in good condition.

By Mr. Maclean:

Q. How many party lines have you?—A. We have got five.

Q. Five party lines?—A. Five party lines.

By Mr. Zimmerman:

Q. That was at the rate of 12 per cent per annum?—A. It may be, yes.

Q. Four per cent for the first six months?—A. Well it all depends. The farther you build your line away from the switch-board the more the cost is going to be.

By Mr. Maclean:

Q. How many switch-boards have you?—A. We have one.

Q. What is the object of having one switch-board? Is it the centre——A. It is the centre in which the five lines converge to the one point.

By Mr. Bergeron:

Q. Do you employ anybody there?—A. We do.

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Q. A man or a woman?—A. A woman.

Q. You pay her how much?—A. We hire her by the week.

By the Chairman :

Q. The switch-board is in some places of business, is it?—A. It is in my residence.

By Mr. Bergeron :

Q. Dr. Doan, I ask you how much you paid the woman?—A. Well, this is the way that we are paying the expense at the present time. I have to have some person to stay in the house with my wife if I am out at nights or anything of that kind. I hire a lady that is competent to handle a switch-board and be company for my wife during my absence.

Q. I understand the switch-board is in your house?—A. It is in my house, yes, and I charge the association so much per year for doing the switching.

By Mr. Maclean :

Q. That is a comparatively small sum. Any way it is provided for in this arrangement; it is paid for?—A. That is the $9 that each man pays for his 'phone.

Q. Covers that?—A. Covers all the switching. The company also undertakes to keep his instrument in repair, the line in repair. Nine dollars a year is the whole charge. Not only that, if there is a farmer living next to a man who has a 'phone and he wants to use the line, our toll rate is five cents per message for a conversation not exceeding five minutes.

Q. That is, any farmer in the neighbourhood can get a conversation for five cents per minute?—A. Five cents for five minutes.

Q. At your system?—A. Any place on the system.

Q. Does your system couple up with the Bell Telephone system or any other company?—A. It does not couple with the Bell Telephone Company.

Q. Have you tried to connect with it?—A. They called on us two or three different times.

Q. Yes?—A. And opened up negotiations.

Q. To what end?—A. To nothing so far.

Q. But what did they propose? Do you know?—A. Yes.

Q. Well tell us.—A. After we built our line of 19 miles in 1902, before it was put into an association, we carried our line, then extended from Avon to Putnam, through Crampton, from Crampton to the Dorchester Centre road, connecting with the line running from Harrietsville to Mossley.

By Mr. Zimmerman :

Q. An independent line?—A. No, no, it is all one. It is giving merely an outlet to the 19 miles. I was going on to answer Mr. Maclean's question. Our line also extended from Harrietsville to Dorchester station.

By Mr. Bergeron :

Q. Is that all comprised in the 26 or 27 miles?—A. That is comprised in the original 19 miles on which we had the 19 instruments. I was going on to speak of the first time when the Bell Company came to see us.

Q. I understood you to say you had 27 miles.—A. We have now.

Q. Now?—A. Now, yes, but this is——

By Mr. Maclean :

Q. I asked him, Mr. Bergeron, what his relations were with the Bell Telephone Company, and he is proceeding to tell. It was on the 19 miles of line, and he says they came to see him. What happened then?—A. Well, we had our line finished to

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Dorchester station. The Dorchester people interviewed the Bell people and they built a toll station, or put in a toll station, at Dorchester, from London.

Q. Who did, the Bell people ?—A. The Bell people. They were not in Dorchester at the time we were built to Dorchester.

Q. You were in and they came in——.—A. Afterwards, and installed their toll station at Dorchester.

Q. Yes?—A. Then their agent, Mr. Richmond, of London, and Mr. Martin, of Woodstock, came and went over our line. They asked us or made a proposition to us to do the switching at Dorchester and one of those conditions that they wanted to impose on us was that we would not extend our line any farther.

Q. That if you had switching privileges from the Bell you would not extend your line any farther ?—A. Yes.

Q. This was when ?—A. 1902, the latter part of 1902.

Q. But they had no objection to making connection with your company ?—A. They would make connection with us on that condition; that in the business places where our telephones were installed we would take them out and place Bell instruments in.

Q. For toll purposes?—A. For toll purposes.

Q. And then what was the relation between the two companies as to terms, for instance financial arrangements?—A. They were to put in a switch at their own expense at Dorchester. Whatever amount of money they collected over their line, that is their toll rate, they were to have, and what ever our toll was we were to get.

Q. They were willing to amalgamate with you ?—A. They were willing to put in the switch but we refused.

Q. And work their system in connection with your system?—A. In connection with ours.

Q. They had no objection to the quality of your system or its installation? I mean they did not say they could not work this system with yours or anything of that kind?—A. The first visit they made they said they could not join a ground return wire with their metallic system.

Q. Yes?—A. But finally they made that proposition. We refused to take our instruments out and put Bell instruments in.

Q. Your negotiations came to nothing?—A. The negotiations came to an end at that time.

Mr. MACLEAN.—Tell us the next thing they did.

By Mr. Zimmerman:

Q. Why did you refuse to make the change ? Was it on account of the quality of the instruments?—A. We thought we had as good instruments as could be bought. Ours were new instruments. Their proposition was that they would take them out of our places of business they did not state at what price, and put theirs in.

By Mr. Maclean:

Q. But you objected because you were not to extend your line?—A. Because we were not to extend.

Q. Well, go on with the next deal please.—A. The next deal happened this spring.

Q. Tell us that.—A. I mean a month and a half ago. A Mr. Baird or Beard, I am not sure what his name is, and who is working under Mr. Scott of the Bell Company called on two or three directors of the Harrietsville Association when I was present and wanted us to make switching arrangements with them from Putnam.

Q. Where they had a line?—A. No, they had a line coming from Putnam west, or at least from Ingersoll to the Ingersoll waterworks but they proposed building a line two miles or two and a half miles in length into the village of Putnam. We had in the meantime made arrangements to extend our line into Putnam and they proposed placing a line in the same office.

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By Mr. Bergeron:

Q. Joining you there?—A. At Putnam, putting in a switch-board.

Q. Joining you?—A. No, putting in a switch-board.

By Mr. Maclean:

Q. In the same building that your terminal was?—A. Exactly.

By Mr. Zimmerman:

Q. That is the Bell Company?—A. The Bell Company of which Mr. Baird was agent.

By Mr. Maclean:

Q. What did you say to that?—A. He proposed then that the toll charge from Putnam to Ingersoll was to be ten cents.

Q. That is if any of your subscribers wished to speak to Ingersoll over the Bell connection at Putnam they should pay ten cents?—A. They should pay ten cents. We were to get back five cents out of that and the Bell was to take the other five.

By Mr. Roche:

Q. That was doubling your previous charges?—A. That was over the Bell line.

By Mr. Maclean:

Q. Well what happened?—A. We told him that that was a very fair proposition and for him to put his arrangements on paper and to put them down so that anybody who read them would know what they meant and if it was right we would sign it. In getting up to leave he turned round and he said: 'Have you any arrangements with any other local system? If you make arrangements to switch with us you would be supposed not to have anything to do with any other local system.' There is another local system at Belmont in the township of Westminster.

Q. A somewhat similar system?—A. A somewhat similar system. It is a single wire or ground return and we had about completed switching arrangements with them at that time. We told Mr. Baird that if there was anything put in the agreement preventing us from making switching arrangements with any other local company that we could not sign it. Then he mentioned regarding the territories and he said that it was the custom in making arrangements with local lines such as ours that we were to be restricted in the amount of territory that we could cover and in the extension that we were to make of our line. We told him that if there was anything of that kind put into the agreement that he need not send it to us; that if we wanted to go across to the next concession to put a man on our line we were going to do it.

Q. With this proposition he was trying to limit your freedom?—A. Yes.

By Mr. Bergeron:

Q. What was the outcome of all that?—A. The outcome was that he went away. In about a week or ten days I was in London and I called on the Bell manager there, Mr. Richmond, and he made a similar proposal regarding the limitation of territory, and having connection with local systems. But he said that he did not see how they could follow out the financial arrangement that Mr. Baird had proposed.

By Mr. Maclean:

Q. Well, what did he suggest?—A. Well, then he said that he would communicate with Scott, and Scott would call and see me. He wrote to Scott, and Scott wrote to me and asked me to meet him in Ingersoll, two weeks ago to-morrow. I informed him that it would be impossible for me to be in Ingersoll on Tuesday, and at the same time I told him that I understood they had some restrictions in connection with their agreement, that they wished to have attached, and that was regarding connections with other local lines and regarding territory, and if such was the case to please tell me, because our

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directors had decided opinions in regard to a matter of that kind, and there the matter rested.

Q. But the Bell Telephone Company did distinctly offer to make connection with you for ten cents a message over their system to Ingersoll, only they wanted to adopt restrictions that were distasteful to your company. Is that not it?—A. They did.

Q. They were willing to make connections?—A. That is the understanding I had of the interview, and two of our directors with me had the same understanding.

Q. Well then, let us come to the case of railway stations. You say in the first instance the Canadian Pacific Railway Company put a telephone in their station?—A. They did.

Q. At Dorchester?—A. At Harrietsville.

Q. At Harrietsville, and the Canadian Pacific Railway was a party to it, and put in their own instrument?—A. They put in a Bell series instrument.

Q. And later on they changed the style of instrument?—A. Later on they took their instrument out and purchased an instrument from me.

Q. Yes?—A. And had me place it in the station.

Q. And are you in the Canadian Pacific Railway station at Harrietsville now?—A. We are.

Q. Are you in any other of their stations?—A. We are.

Q. What others?—A. At Putnam.

Q. You have never been ordered out?—A. We have not.

Q. Have they ever told you about an agreement with the Canadian Pacific Railway that would exclude you ?—A. I never heard of it from them.

Q. When did you get into the Canadian Pacific Railway station at Harrietsville?—A. At Harrietsville? That was about 13 years ago, on or about, I could not be positive.

Q. And as a matter of fact the people of your locality have had connection with Harrietsville station for 13 years?—A. Ever since the 'phone was first put in.

Q. And having connection between your subscribers and the railway is it not a great convenience?—A. It appears to be, because since the people have been reading of the proceedings of this telephone committee they are much agitated to think that they may possibly lose the instrument from the station.

Q. The people would look upon that as a substantial grievance?—A. Certainly, they all do business with the Canadian Pacific Railway.

Q. And it facilitates business between the public and the railway?—A. Between the public and the railway, that is right.

Dr. SPROULE.—It might be convenient to find out when that agreement was made with the Bell Telephone Company?

The CHAIRMAN.—We have got that.

WITNESS.—I cannot give you the exact date.

The CHAIRMAN.—We have got a copy of that agreement here.

The WITNESS.—I cannot give you that from the data I have here. We have no agreement with the Canadian Pacific Railway people, but negotiations were carried on between the Canadian Pacific Railway agent at Harrietsville and the Canadian Pacific Railway Company.

Dr. SPROULE.—What I mean is this : Was that agreement made with the railway company before they made their agreement with your company ?—

Mr. MACLEAN.—This witness does not know.

The CHAIRMAN.—He speaks of your agreement with the Canadian Pacific Railway 13 years ago. The agreement between the Bell Company and the Canadian Pacific Railway is of modern date, and we have it filed here. The witness does not know when it was entered into, but we have it on file.

Dr. SPROULE.—I thought it was made shortly after they entered into this agreement with the Canadian Pacific Railway.

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The CHAIRMAN.—The agreement with the Bell Company is of recent date, whereas the arrangement of the Harrietsville people with the Canadian Pacific Railway was 13 years ago.

By Mr. Maclean :

Q. You have no agreement in writing with the Canadian Pacific Railway ?—A. We have none. The Canadian Pacific Railway just put in the instruments that are there.

Q. Let us go back for a moment to a previous statement by you. You say a farmer adjacent to any of your instruments can go in and use one of your instruments by paying five cents ?—A. That is right.

Q. What is the revenue of your line ? Can you tell us the amount of the tolls ?—A. For the last four months of 1904 we collected $14.23. That is the company, the association got that. That is but half of the tolls collected. Each subscriber keeps 50 per cent of whatever tolls is collected.

By the Chairman :

Q. And how much is a call ?—A. Five cents.

Q. So that $28 were paid ?—A. Yes.

Q. One hundred and forty calls for what period of time ?—A. Four months.

The CHAIRMAN.—That would represent about 500 calls per year.

By Mr. Maclean :

Q. That would be a repair fund ?—A. I think that it about met our running expenses, that is as far as repairing the line was concerned.

Q. That is a nice little way of getting repairs done.—A. I might say that during the past week, the last week, I kept a record of the messages that went through the central, that is not all the messages that went over all of the line, but just from one line to another.

Q. Interchange ?—A. Interchange from one line to the other, and there was an average of over 80 messages a day, switching from one line to the other. I may say that we were carrying on negotiations with the Bell people from time to time since June, 1902.

Q. Then they made this exclusive agreement with the Bell Company. What date is it doctor ?

Dr. SPROULE.—May, 1902. Do you know when yours was made ?—... I think that our instrument was put in at the Harrietsville station, it was changed from the series to the bridging instrument previous to May, 1902. After the 1st of May.

Q. And the one at Putnam ?—A. And the one at Putnam was put in after the 1st of May; I think it was along about there. It was whenever the provincial elections occurred in 1902; it was on that day I think they were installed.

By Mr. Bergeron :

Q. Dr. Doan, I understood you to say a moment ago that the Bell Telephone Company talked about an arrangement under which they wanted you to change your instruments. Where did you buy your instruments——

Dr. ROCHE.—Do you mean where they purchased them ?

WITNESS.—Where did we purchase them ?

By Mr. Bergeron :

Q. Yes.—A. The first 19 we purchased from the Elliott Telephone Company, of Indianapolis.

Q. How much did they cost you ?—A. They cost us laid down in the neighbourhood of $16 each.

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APPENDIX No. 1

By the Chairman :

Q. Each ?—A. Each.

By Mr. Bergeron :

Q. How much did you pay for them at the factory ? Do you pay duty ?—A. We pay 25 per cent duty.

Q. And how much did the instruments cost ?—A. It all depends upon the number of instruments you buy at a time.

Q. Well, generally speaking, about how much ?—A. About $10 or $12.

Q. I am asking that because we have had some other instruments referred to, and I wanted to find out the cost.—A. Well the instruments we bought after the first 19 were disposed of——

By the Chairman:

The series one?—A. No the bridging. These other instruments we bought from the Stromberg Carlson Company of Rochester, N.Y., and they cost us $12.50 apiece.

By Mr. Bergeron:

Q. Were they dearer or cheaper than the other ones ?—A. They were a trifle cheaper.

By the Chairman:

Q. They cost you that in the States?—A. Yes, at Rochester.

By Mr. Bergeron:

Q. And you paid 25 per cent duty?—A. Twenty-five per cent duty and the freight. It cost $16, the instruments laid down at Harrietsville.

Q. Did you suppose them to be as good as the Bell telephone when you bought them?—A. Yes, they are better.

Q. How then do you account for the Bell Company having any objection to using your instruments?—A. They have not now, Mr. Baird who was to see us and looked at our instruments said they were as good as any instruments made, the Stormberg Carlson instruments.

By Mr. Maclean:

Q. From your experience would you have any hesitation in saying that a modern co-operative system similar to yours and equipped as yours is, that there would be any difficulty in an interchange between the two systems?—A. No.

Q. Your system is good enough to couple up with the Bell ?—A. We have had dozens and dozens of commercial travellers who are going through the country all the time, talk over our line, and they pronounce our line just as good as the Bell.

Q. Would there be any trouble if the Bell coupled up with you in your guaranteeing to the Bell their fees ?—A. Nothing of the kind.

Q. You would have to put up a deposit or secure them in some way.

Mr. BERGERON.—What is that question.

Mr. MACLEAN.—If there was a connection, the Bell Company would have no trouble about getting its money from your company, or your subscribers?—A. We have no connection.

Q. You do not couple up now?—A. No,—we have at Dorchester station. Our telephone is extended across the river at Dorchester and we have a telephone in the same building as the Bell, at the Dorchester post office, with a half inch board between them. I can send a message at any time to London from Harrietsville by having their operator repeat it for us, but we cannot connect.

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By the Chairman:

Q. They won't allow you?—A. No. If a man at London wants to send a message to Harrietsville they will not send it there. They will take our money and send our message but if a man in London wants to send a message they won't send it there.

By Mr. Maclean:

Q. Although it would be more convenient to put a plug there than to repeat the message and it would not cost anything more?—A. No.

Q. It would be much less, and they do to-day insist upon that arbitrary or roundabout way of doing business between your line and theirs at the connecting point?—A. They insist no message shall be sent from London over the Harrietsville telephone line.

By Mr. Bergeron:

Q. Is there any manufacturer in Canada selling these telephone instruments?—A. Not that I know of, that will ring as many instruments on a line as satisfactorily as ours.

Q. Don't the Bell manufacture them?—A. They manufacture instruments and have installed a line for Dr. McWilliams of Thamesford which has in the neighbourhood of 20 or 22 instruments on a line 18 or 20 miles in length and I have it on the best of authority that a subscriber at one end of the line cannot ring all the instruments through upon that line and get the man at the farther end. He would have to call up a man at the middle and tell him he wanted Smith at the other end and he would ring up Smith and then they could talk.

By Mr. Maclean:

Q. From your experience would you have any hesitation in saying that a line similar to yours, a rural system, could be built and paid for and maintained at an annual fee of $10 a year to the farmer or anybody that wants it?—A. Yes, a system run as our system is run, I would not be afraid to be a party to forming a company to agree to supply them in a township.

Q. In an ordinary Ontario township?—A. Yes.

Q. Provided you could get customers at the rate of—?—A. Two a mile.

By the Chairman:

Q. Do you find a growing demand by the people of the rural districts for a telephone service?—A. Yes.

Q. Why haven't you extended your line?—A. It has grown over 100 per cent last year. We have not the finances to carry it out.

Q. Have you any applications for separate services?—A. But one or two.

Q. Did you put them in?—A. No, the men that applied for a separate service lived at the extreme end.

Q. Too far away?—A. Too far from the centre.

Q. Can you give an estimate what it has cost you per mile—I do not mean the price at which you bought it, we will leave out the old line of which we have no definite account?—A. The old line is practically destroyed.

Q. Take the new line or a line corresponding in character and quality with your new good line, what would it cost per mile in your district?—A. It is difficult to give a stated estimate. If it is a line with two wires that would be different, but if you built your line with two wires for two or three miles and have it loaded with eight or ten instruments, and then go back and double up ith two more wires to give another 10 instruments three or four miles further along the line, then it would cost more nearest to the switch-board than it would at three or four miles from the switch-board. It takes in the neighbourhood of 30 to 32 poles on the average per mile, 25-foot poles.

Q. Have you had any experience with the automatic switch-board?—A. We have not. We have made inquiries and from what we can learn from correspondence with other companies, we think it would not work satisfactorily for us in a rural section.

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Q. On what do you base that opinion?—A. If we have eight or ten instruments on the line——

Q. On one line?—A. To one line.

Q. But for separate lines?—A. For separate lines it would, if you had power to run your generator to give the necessary force for running it. You would have to supply a gas or gasoline engine to get the power, and it would be expensive.

By Mr. Maclean:

Q. It would do the work that is done in your house but it would be more expensive?—A. It would cost more. If we gave separate lines to each subscriber, if we had a separate metallic circuit to each of these subscribers it would cost far more and we could not give them the service for the $9 or $10 a year.

By Mr. Monk:

Q. The automatic service is based on the independent lines to each subscriber?—A. Yes, it has been run as high as a four-party line.

By Mr. Bergeron:

Q. I just want to finish one thing. When I was asking if the Bell Company did not manufacture their instruments in Canada, the answer was that they did, but I did not quite catch the remark made that in a certain place some of these instruments were put in and a man could not ring the 20 telephones.—A. That is right.

Q. To get the last one he would have to call up the middle subscriber?—A. Yes.

Q. Do I understand that these instruments are not as good as those you put in?—A. No, they are not as good in the ringing qualities. They may talk all right. I have not tested them. But I have it on the best of authority that they will not ring right through from one end to the other. They may get a little jingle of the bell but it is not loud enough to wake one up at night.

By Mr. Maclean:

Q. Do you give night calls?—A. We give day and night service; that is, we give a day service from the 1st of April to November 30th, from 7 in the morning to 9 at night, and during the winter time from 1st December to March 31st, from 8 in the morning to 9 at night, and only emergency calls are answered during Sunday.

Q. Do you answer emergency calls all night?—A. Yes, in cases of sickness.

Q. That is practically all the 24 hours.—A. Yes.

By Mr. Sproule:

Q. I understand you to say that the instruments you purchased in Rochester you could ring through the full length of your line. Is that not partially due to the strength of your current, which was either the use of the dry cell or the wet battery?—A. The dry cell or battery has nothing whatever to do with the ringing. It is the magnets that are in the generator boxes.

By Mr. Roche:

Q. When the Bell Company insisted upon their instruments being placed instead of yours was it because of the supposed inferiority of your instruments?—A. From what I could gather from what they said, although they did not say it plainly, they said that it would not look well to have their line joined to ours and have different instruments in public places, but we could leave our own instruments in private houses.

By Mr. Sproule:

Q. Did you try Montreal for purchasing your instruments?—A. I wrote in the first place in the winter of 1901-02—I wrote to Toronto, and they referred my letter to

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Mr. Baker, of Hamilton. Mr. Baker wrote me—he is a man connected with the Bell Company in Hamilton—he wrote me regarding it, and I sent him a diagram of the country we purposed to traverse, and asked him to supply me with the necessary information as to the kind of telephones that they made and the kind that would answer or suit our purposes. He wrote back and said that he had forwarded my letter to Montreal, and I would hear from them in a few days. I received from their secretary a note quoting the price of their different instruments, and nothing further.

Q. What price did they quote?—A. $18 and $20. I have not got it here.

Q. Five years ago we bought them in Montreal for $12.50?—A. That would be what they call a commercial telephone.

Q. And they have been in use ever since.—A. Is that the Blake transmitter?

Q. I do not know.—A. Is it a long-distance transmitter?

Q. No.—A. That is the difference.

Q. It is operated for 9 miles.—A. Ours will talk 200, 300 or 400 miles.

Q. The line is extended 10 miles and they will work all right.—A. When you make the line long you will have difficulty.

Witness discharged.

ARCHIBALD DE LERY MACDONALD called and sworn:

By Mr. Monk:

Q. You reside in Rigaud?—A. Yes, sir.

Q. Is it a town, a municipality?—A. It is a village.

Q. Will you tell the committee briefly, if you have a telephone system in Rigaud, what led you to establish it, and how it is organized?—A. Previous to 1901, I think for a year or two we endeavoured to induce the Bell Telephone Company to give us a service at Rigaud. We were imperative, but nothing matured.

Q. Well, while you are on that, how far were you from the line—is there a line in the vicinity of Rigaud?—A. I think the line then passed at its nearest point through Vaudreuil, about 20 miles from Rigaud, if I recollect the answers I got to some letters I sent, was that the long-distance line passed through there.

Q. Have you those letters?—A. I have not.

Q. Have you them at home?—A. I have not. I looked up—as a matter of fact it is some years past, and I do not recall whether I had personal interviews or whether there were letters. I don't want to speak with too much certainty.

Q. Then what did you do?—A. A certain number, about fifteen of our citizens, decided to form a small local company, and on June 17, 1901, we organized ourselves into a company and obtained from the local council the privilege of establishing posts and so on in the village. I think there were about fifteen subscribers when we started; to-day there are twenty-four.

Q. How did you obtain incorporation?—A. We are not incorporated. It was simply a private agreement for our own convenience.

Q. Do you cover the whole village?—A. The whole village, yes.

Q. Have you any report which would indicate how many miles you have and what the cost was?—A. We have not, but I questioned the secretary yesterday and he told me that we had put in 38 posts. I think we cover about a mile of ground. It has cost us $652.

Q. The whole thing?—A. The whole business.

Q. How many subscribers have you?—A. We have twenty-four subscribers.

Q. And what is the amount?—A. It came to $28 apiece. We pay our central each $2.50 a year, and we have an arrangement with a man who comes from Montreal when required—I think once a month as a matter of fact—to make any repairs that may become necessary, and we pay him $3 a year each, bringing our subscription to $5.50. Now, the cost of the telephone installation, $28, at 5 per cent, makes $1.40 each.

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In other words it costs $6.90 a year for our local service. Of course we don't pay any dividends.

Q. Have you communication outside of Rigaud?—A. No, we have not. Originally we had a connection with the station, the Canadian Pacific Railway, but when the Bell installed their instrument there they got us cut off.

Q. You had to go out?—A. The agents simply had the box removed.

By Mr. Maclean:

Q. Out of which railway?—A. The Canadian Pacific Railway.

By Mr. Monk:

Q. You are on the Canadian Pacific Railway?—A. The line runs through our village.

Q. The Bell telephone now passes through the village?—A. It goes through the village.

Q. Have you endeavoured to obtain connection with the outside world through the Bell telephone, have you had any negotiations with respect to that?—A. The Bell Company came to Rigaud in 1903, a couple of years after we had established our system. We have been agitating since then to have connection with the immediate neighbouring parishes such as St. Timothée and Ste. Marthe, which are about five to seven miles distant from Rigaud. We have not succeeded so far.

Q. Are these localities served by the Bell Company?—A. No, we have been endeavouring to induce the Bell Comupany to give them service.

Q. What negotiations have you had with the Bell telephone with respect to having connection with the Canadian Pacific Railway station there?—A. We have not had any.

Q. None?—A. The moment they cut off the telephone the matter was dropped, because then the Bell, having their 'phones in the Canadian Pacific Railway—I think there are 4 or 5 Bell 'phones in the village, and when we require the Canadian Pacific Railway we have simply to go to some Bell telephone and connect with them. Personally, I am carrying on business there and consequently I have to take the two telephones.

Q. You take both telephones?—A. Both telephones.

Q. And you stated a moment ago that the local telephone cost you how much a year?—A. About $7.

Q. What does the Bell cost?—A. $20. For all practical purposes the Bell in the village of Rigaud is useless for local purposes—I mean, I take it because it saves me the trouble of walking to central if I wish to communicate with long-distance, but I am obliged to keep our local telephone for local requirements. There are 24 subscribers and that covers the village pretty well.

By Mr. Roche:

Q. What is the population of your village?—A. About 1,000. We have a large college there, the Bourget college, convent, flour mill, saw-mill, foundry. Rigaud village is the commercial centre of the county of Vaudreuil, the upper end particularly. We have navigation up to the village. At present the government is dredging the river to facilitate the access and the communication with Rigaud from the different parts of the county is extremely important. At present the parish of St. Marthe found the telephone so necessary to them that they have, I understand, passed a resolution in the council offering a bonus of $300 if the Bell Company will come and give them its service.

By Mr. Maclean:

Q. Why don't you extend your line?—A. It is not exactly in our line of business to run a telephone, and we would be satisfied if the Bell would give the service to

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stand by them, but as a matter of fact if the thing does not mature pretty soon we will certainly form a local company to cover the whole county.

By Mr. Monk :

Q. Why do they offer a bonus to the Bell Company ? Why don't they offer a bonus to your own association?—A. As far as we are concerned, we would prefer that the Bell should attend to the telephone business. There is no doubt they are in a position to give a better service.

Q. How did they come to build the line in 1903 to Rigaud and offer accommodation there when they had refused you previously ? Is it because they saw you had organized ?—A. I think that had something to do with it. We started our line with a view to really forcing the Bell to give us a service. That was the primary reason.

By Mr. Maclean :

Q. Had you only one wire on your local system previously? Describe your independent wires. You spoke of a central.—A. We have a central. I think there is a wire for each subscriber, because we never ring twice. It is one straight ring, so I would imagine it is a single wire for each person. I did not go into the details.

By Mr. Bergeron :

Q. Is it automatic ?—A. It is the old-fashioned ring with the machine.

Q. The Bell line runs through there—after passing Rigaud, how far does it go ?—A. I think it is the main line that goes to Vankleek Hill.

Q. It comes up here ?—A. It comes here, I think.

Q. You are on the main line ?—A. Yes.

Q. You might tell the committee, since you are here, the importance of Rigaud to the people outside of it, so far as the telephone is concerned. You have a very large college there.—A. Yes, we have. I mentioned that just now. We have a very large college at Rigaud. I think there are some 250 to 300 boarders.

Q. I suppose the Bell Telephone and your own telephone are both in the College ?—A. Yes, the college has both telephones.

Q. They are bound to have them ?—A. Yes, for local purposes the Bell is practically useless.

By Mr. Roche :

Q. Have they ever made ovetures since they came into Rigaud to take over your system ?—A. No, I do not think so. Not to my knowledge.

By Mr. Maclean :

Q. Have you any local toll business on your line ? Can outsiders come and use it ?—A. Anybody is perfectly free to use it.

Q. What is the toll rate from Rigaud to Montreal and Ottawa over the Bell ?—A. To Montreal it is 25 cents.

Q. You would be quite willing to pay that if they would connect up with your system ?—A. Well, no——

Q. Why not ?—A. What we would want would be——

Q. So far they have refused to connect with your system ?—A. We have not asked them, as a matter of fact. What we would like the Bell to do would be to put in the 'phones themselves and charge a rate which would induce the present 24 subscribers that we have to take the Bell.

Q. And give you the benefit of their connection ?—A. Give us the benefit of their connection. We also think that we ought to be able to communicate with villages five or six or seven miles away without being obliged to pay toll every time.

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By Mr. Monk :

Q. Do you have to pay anything to the municipality for the use of the streets ?—A. No.

By Mr. Bergeron :

Q. You were mayor at the time ?—A. I was at the time.

Q. And that I suppose made it easier to settle with the council ?—A. It was practically the council that was the company—the same parties.

Q. If anybody wanted to subscribe to your local telephone how much would you charge him a year ?—A. Just enough to run the line, the expenses, about $7.

Q. The same thing as you pay yourselves ?—A. The same that we pay ourselves. The more subscribers the more valuable the telephone becomes to us.

By Mr. Maclean :

Q. You felt it a hardship when they forced you out of the C.P.R. station ?—A. Of course entrance to the station is a great convenience. Any man who wants to communicate with the station now has to go outside.

Q. It is injurious both to you and to the railway company.—A. Certainly. I understand that some neighbouring places, such as St. Scholastique and St. André pay the Bell Company only $15. I don't see why we are called upon to pay $20.

Q. Apparently they have different rates for different places ?—A. I think so. I cannot vouch for it. It is the current belief in Rigaud.

By the Chairman:

Q. You do not extend to the rural districts ?—A. No.

Q. Is there any demand for it ?—A. There is considerable demand.

Q. From the rural districts ?—A. Yes.

By Mr. Maclean:

Q. Why don't the people of the outlying districts get up as you do and start lines ?—A. There is a want of spirit of progress and any movement would have to come from Rigaud. We are waiting to see what the Bell will do, and if we do not get connection with the neighbouring parishes before the year is out we will extend.

By the Chairman:

Q. And take care of yourselves ?—A. We will simply take care of ourselves.

Witness discharged.

Mr. W. J. OUGHTRED, of Marbleton, P.Q., called and sworn.

By Mr. Bergeron:

Q. Which part of the country do you come from, Mr. Oughtred ?—A. From the village of Marbleton, in the county of Wolfe.

Q. What county ?—A. The county of Wolfe.

Q. Are you connected with any telephone company there ?—A. Yes, sir.

Q. Will you tell the committee, in as few words as possible, what is your company, whether it is incorporated, and what it is doing ?—A. Our company is called the Canadian Telephone Company, Limited.

Q. Why was it started ?—A. The reason this company was started—you want me to commence at the beginning, I suppose ?

Q. Yes ?—A. Some time during the year 1890, I should say it was, we, that is the citizens of that section, made arrangements with two men called the French Brothers, by subscribing poles and taking instruments, to build a line through a part of that

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territory. We had a contract, a three-year contract, for instruments at $10 each short distances. Shortly after the line was built the French Brothers sold out to the Bell Company, and the Bell Company continued the contract for the three years, and then they raised the rates. Our poles were gone, and we felt that we had not been justly used, and so this company was started in August of 1896.

By Mr. Maclean:

Q. What do you call your company?—A. The Canadian Telephone Company, sir.

Q. Chartered under what law?—A. Under the Quebec law.

By Mr. Bergeron:

Q. Your are incorporated under letters patent, or how?—A. We have a charter, our stock is limited to $10,000.

Q. When you say 'we' who do you mean?—A. The Canadian Telephone Company, Limited.

Q. The stockholders?—A. The stockholders, yes.

Q. How many are there?—A. There are 100—97 have paid up stock.

Q. $100 shares?—A. Yes.

Q. How many subscribers have you got now?—A. About 550.

Q. Covering how many municipalities—what distance do you cover, how many municipalities?—A. Well, we cover all through the county of Compton, a pretty large part of the county of Wolfe, and we have a few instruments in Beauce, very few.

Q. And is it growing?—A. Yes.

Q. Are you getting new subscribers all the time?—A. Yes.

Q. How much do you charge a year now for subscribers?—A. For residents, we charge $12, and for business or long-distance 'phones we charge $15.

Q. What do you call long-distance?—A. Long-armed transmitter—a stronger instrument.

Q. But all on your system?—A. On the same system.

Q. You do not mean to say connecting with Montreal, Quebec, or anywhere, but on your own system?—A. On our own system, but we connect with other systems.

Q. But for $15, can you speak say 50 or 60 miles without paying toll to this company with whom you connect?—A. No, we charge tolls at both those prices, $12 and $15.

Q. And you have a central office at Marbleton?—A. A switch-board office, you mean?

Q. Yes.—A. We have 11 different switch-board offices.

Q. Eleven switch-board offices?—A. Yes.

Q. And you employ how many people for that as agents?—A. We have one operator at each switch-board.

Q. Is it carried on by fees or fixed salaries?—A. It is commission partly and partly by salaries.

Q. Who are they generally—in post offices or merchants' places?—A. No, we get them into private houses where we can.

Q. I see—on account of the jealousy of the stores and so on?—A. Not so much that but they give a better service.

Q. What has become of the Bell Telephone Company which bought out your first company?—A. They are still operating there.

Q. Have their subscribers increased, or how does it stand now?—A. They have decreased.

Q. Decreased—the people seem to take more to your system than the other one?—A. They must have it for the local service.

Q. Is the price of the telephone there still the same as when they took hold of your old company after the three years' contract expired?—A. No, it has raised since they furnished that three year contract.

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Q. We know they raised it at the time, but since you established your new company it continues the same?—A. It continues the same.

By Mr. Maclean:

Q. How much is that?—A. $15, I think. Mostly for all rural 'phones, I think that is their rates.

By Mr. Bergeron:

Q. That is the same price as you charge for your long-distance?—A. For our business 'phones.

Q. Do you remember how much it has cost you, I think that is the subject of our investigation, how much it has cost you for installation of your system, what you paid for the posts and for the wire and how much your instruments have cost you?—A. Would you ask the different questions, or would I make a statement.

Q. Make a statement as short as you can of how much you paid for the poles, how much for the wires, the cost of the instruments so that we can have an idea of the cost of your system.—A. Yes. In regard to the Bell rates, I would like to state that their toll rates have been increased, but that their box rates are the same.

Q. How many miles do you cover?—A. We have about 575 miles.

Q. Is that single or double?—A. Part of it is metallic and part of the way it is single.

Q. Have you an idea from your memorandum how much have your posts cost you—your poles?—A. Well, I estimate that our wires, poles and all our line cost us about $45 per mile.

Q. For construction?—A. The construction of it.

Q. That is for the construction of all—does it cover instruments?—A. It will cover, I think, the total cost, but of course you understand, we have single lines and then we have more or less that have five, six or eight instruments, and we save enough in the cost of the wires and poles in that case to purchase the instruments where there are five or six on one wire. It takes about thirty poles to the mile, about 140 pounds of wire, and of course insulators and side blocks as well.

Q. Did you tell us what was the amout of stock of your company—your capital?—A. $10,000 is the authorized stock, and we have a bonded debt of $6,500.

Q. And how does that come out of the last financial statement of your company—how did you stand—A. I have the financial reports of the company for the year ending June, 1904, presented at the last annual meeting.

Q. Yes.—A. If you would like to see it, or would I explain it.

Q. Oh, just tell us how you stand, we want to know whether on your charges you are doing well or if they should be increased, or, perhaps lowered.—A. Well up to 1903, that is at the year 1903, we were in difficulty. For the last two years we have done well but our line had got into bad order, our service was rather poor, but in the past two years our service—we have got it now, I think, at least they claim it is in first class shape now, most all sections of the territory, but there is some work to do of course yet. There is work to do all the time, but in our local service we can give just as good a service now as the Bell.

Q. Have you declared a dividend ?—A. We have not this year, we have not declared a dividend for three years. Before that we paid 5 per cent, and this year we are able to claim a small dividend.

Q. Have you many farmers on your line ?—A. Yes, we have from 150 to 200 farmers, I should think.

Q. Are these on your main line, or have you to carry wires everywhere to reach your farmer subscribers ? Do you have to put wires across eight or ten acres from the road to reach the farmer's house ? Do you serve any farmers in that way?—A. Well, the majority of the farmers are attached to one wire, that is five or six on a wire, if they are at four, five or six, or even ten miles, from the central switch-board, which

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we call the central, but if they are close at hand they have one wire. Of course there are some that insist on one wire, anyway, but usually in the case of farmers, five or six or more occupy the one wire.

Q. And they pay $12 a year for that service ?—A. Yes.

Q. Are they increasing in numbers ? Are they taking the telephones ? Do you find that that line of your business is increasing, or is it not ?—A. Well, it is holding its own. I do not know that it is increasing in the past year, because I may say we raised the farmers' telephone rates from $10 to $12., and of course that stopped the increase for a short time, but I do not think it is going to injure us materially.

Q. I suppose you found that you had to do that when you were in these difficulties that you spoke of a moment ago ?—A. Yes.

A. Do I understand that you intend to reduce your rates to $10 again ?—A. No, we do not intend to reduce them to $10. We are in hopes of extending our line, there is a continual call for instruments beyond our line.

Q. Where do you get your instruments ?—A. We buy some of them in Chicago. And now we get the best instruments from the Mechanics' Supply Company of Quebec. They have the agency of the Sumter Telephone Manufacturing Company.

Q. What do they cost you for each instrument ?—A. No answer.

By Mr. Maclean :

Q. They are the Canadian agents for the United States firm ?—A. Yes, they are manufactured in the United States.

By Mr. Bergeron :

Q. What do they cost you when you buy them in the States ?—A. We do not buy them in the States, but at Quebec, and they cost us $11.50 for each wall instrument, and for a desk instrument, $13.50 at Quebec.

Q. All that you have to pay over that is freight ?—A. Freight or express.

Q. That is small ?—A. Very small.

Q. Are they good instruments ?—A. First-class, no better.

By Mr. Zimmerman :

Q. They are manufactured in the States ?—A. Yes.

By Mr. Roche :

Q. You buy from the Canadian agency of the American manufacturer ?—A. Yes.

By Mr. Bergeron :

Q. Do you connect with any other telephone company ?—A. Yes.

Q. Where ?—A. With the People's Telephone Company, at Ascot, nine miles out of Sherbrooke.

Q. Is that another private telephone company—the Sherbrooke company ?—A. A stockholders' company.

Q. Do you call it the People's Telephone Company of Sherbrooke ?—A. Yes.

Q. And you connect with that one ?—A. Yes.

Q. Which other one do you connect with ?—A. We connect with one that is called the Citizens, it is the French Brothers own it; I think they call it the Citizens.

By Mr. Maclean :

Q. How many 'phones have they ?—A. I am not positive.

Q. Is it a hundred ?—A. It is not a very big line. I should think they have 100 or 150.

By Mr. Bergeron :

Q. The People's—have you any idea how many they have ?—A. I have not.

Q. Any other one, Mr. Oughtred, besides these two ?—A. No, sir.

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Q. Do you connect with the Bell Telephone Company?—A. No, sir.

Q. Why?—A. Well, when we built our line we could not do anything with the Bell, and we signed a ten-year contract with the People's Telephone Company, of Sherbrooke. At the present day we could connect with the Bell.

Q. You can?—A. We could.

By Mr. Maclean:

Q. And maintian your contract with the People's?—A. No, I believe not.

By Mr. Bergeron:

Q. Do they exact from you that in order to connect with them you have to abandon your own connections?—A. They have made us an offer to connect, but we have not got down to the terms very much yet, but they will connect providing we give up the People's.

By Mr. Roche:

Q. Is that the only stipulation?—A. No.

By Mr. Bergeron:

Q. As a matter of fact you have no long-distance line?—A. Our long-distance wire is about 200 miles all told, a little over.

Q. In the counties you have mentioned?—A. Yes.

Q. In Compton, Wolfe, and a part of Beauce?—A. Yes.

Q. And you have no line to Montreal?—A. No, sir.

Q. Or to Vaudreuil or St. Hyacinthe or any of these towns around?—A. No, sir.

Q. And if any one of your subscribers wanted to use the long-distance they would have to go to the Bell, I imagine?—A. They would have to go to the Bell.

Q. Have you your instruments in any of the railway companies' stations or in public offices?—A. Yes, sir.

Q. Which?—A. We have instruments in the Canadian Pacific Railway stations, a part of them, and we have instruments in the Maine Central, and we have them in the Quebec Central.

Q. You have no difficulty at all in keeping your instruments in these different offices?—A. No, sir, we have not had, but we have understood that the report has gone through in the last two weeks that the Canadian Pacific Railway management are asking their agents on that line by what authority we were allowed to put the instruments in.

Q. You have been told that?—A. We have been told that by the agents.

Q. But you do not know it of your own knowledge?—A. No.

By Mr. Roche:

Q. How long have they been in the Canadian Pacific Railway offices?—A. I should think some of them have been in there four or five years, and some of them more perhaps.

By Mr. Zimmerman:

Q. That was before the agreement between the Bell Company and the Canadian Pacific Railway was made?—A. I do not know.

By Mr. Bergeron:

Q. That $15 that you charge for what you call your long-distance connection——

Mr. MACLEAN.—It is for long-distance instrument, not long-distance connection?—A. It is for long-distance instruments, yes.

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By Mr. Bergeron:

Q. Anyone using that long-distance instrument for which you charge $15—would they have to pay any toll money for connecting with the long-distance line?—A. Yes, sir, we charge a toll. It is the same thing no matter whether the subscriber has a long-distance or a short-distance instrument, we charge a toll of 10 cents to 25 cents, depending on the distance, for the long-distance connection.

By Mr. Miller:

Q. For the $15 you simply supply a long-distance instrument, which enables you to hear better over the long-distance?—A. Yes.

By Mr. Bergeron:

Q. The long-distance instrument is better than the other one?—A. For long distance work, but we give connection with two, three or four towns without any extra toll.

Q. Any one using your long-distance, whether he pays $15 or $12 a year, he has to pay toll?—A. Non-subscribers do you mean?

Q. Subscribers?—A. Beyond our limit—I have here a schedule of the rates.

The CHAIRMAN.—The schedule of their rates has been handed in.

By Mr. Maclean :

Q. The way you do business is this : you have a number of local systems composing your whole system, and a man gets the use of a certain number of local lines or systems for this $12 annual fee, is not that right ?—A. He gets a certain distance each way from the central that he connects with without paying any extra toll whatever.

Q. And if he wishes to go beyond that district he pays a toll ?—A. He pays a toll.

Q. What is the lowest toll charged ?—A. Ten cents.

Q. And the highest ?—A. Twenty-five cents, I think—there may be some cases where we connect with other systems where we charge 35 cents.

By Mr. Bergeron :

Q. There are some here on this schedule at 35 cents.—A. That is where we connect with other systems.

By Mr. Maclean :

Q. You have 550 on the whole line, and 11 switches ? How many are there in the largest central that you have ?—A. At Cookshire we have about 110 instruments.

Q. And anybody of those 110 instruments can use that at one rate ?—A. Yes, and for 20 or 25 miles out, each way.

By Mr. Bergeron :

Q. What do you call your long distance, where does it start, what you call your long distance ?

The CHAIRMAN.—Beyond a zone, each subscriber is entitled to speak within his zone ?—A. Just let me call your attention to a part of that schedule at the bottom, if you please ? You see one clause here is where each subscriber at the rate of $10—we give them three centrals each way. That is, we give them their own central and two more centrals outside for $10.

By Mr. Bergeron :

Q. And these centrals would be how far, about ?—A. Some of them might be ten, and some of them thirty miles. We have some territory here where they get perhaps six or seven centrals, and some of them are ten and some twenty-five miles.

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APPENDIX No. 1

Q. What is the object of that ?—A. We give them too much territory perhaps for the price. The reason we dropped the Bell was they only gave us about our own town.

Q. I see there is a discrimination between your subscribers, and those who are not subscribers, when they speak on the long distance telephone ?—A. Yes.

Q. A difference of 50 per cent or how much is the difference ?—A. There is very little difference in the long-distance service, but in the local service where our subscribers pay no toll, we charge a toll of about 10 cents per message to non-subscibers.

By Mr. Sproule :

Q. For how long, 3 minutes or 5 ?—A. Five minutes' conversation.

By Mr. Bergeron :

Q. Ten cents for one, and how much for the other one ?—A. I do not understand.

Q. You say you charge 10 cents ?—A. To non-subscribers.

Q. Let me see that schedule please, I might have read that badly ?

By the Chairman :

Q. The subscriber is entitled for his annual fee to the full use of the telephone for a certain distance, but the non-subscriber will have to pay 10 cents to use the telephone within that radius ?—A. Yes.

Q. When the subscriber communicates beyond that limit he has also to pay for it, those rates that you were asking about, Mr. Bergeron, but the non-subscriber would have to pay to the subscriber for that extra service.—A. For instance, from our territory into the People's territory, from the country into Sherbrooke, say, the subscriber has to pay 10 cents per message for 5 minutes' conversation and the non-subscriber has to pay 15 cents.

By Mr. Bergeron :

Q. That is 50 per cent more, that is what I was asking you.—A. Yes, it is just about that for the tolls service, but understand me, the subscriber can reach quite a long distance into that territory, or very near into Sherbrooke without paying any toll, whereas the non-subscriber would have to pay toll if he uses the 'phone at all.

Q. Why is there so much discrimination in rates, even with non-subscribers ? Is it on account of the distance, where does it start from ? Do you calculate that from Marbleton or just some central place on your system ?—A. We have 11 centrals.

Q. Which is the first central of all, there must be one, I imagine. It would be Marbleton. Is that the first one ?—A. Oh, no, our main office, the secretary's office, &c., is at Sawyerville, but it is not the largest central.

Q. Well then, when you charge to speak to Colebrooke to a subscriber 15 cents, and to a non-subscriber 35 cents, why is there such a difference there?—No answer.

Q. Why is there such a difference in the price at Colebrooke, 15 cents for a subscriber and 35 cents for a non-subscriber, is it on account of the distance?—A. It is the same distance for a non-subscriber as it is for a subscriber, but our company have a contract with the telephone company at Colebrooke, which is on another company's line.

Q. Which company?—A. I think it is called the Citizens, we call it the French Brothers' 'phone.

Q. It is one of the companies with which you have connecting arrangements?—A. Yes, sir. We have arrangements with that company, and we give our subscribers a better rate than we do to non-subscribers, because we are allowed to do so, but we cannot conflict with the rates of other companies, we cannot make our rate so as to interfere with the rates of other companies that we connect with.

Q. The non-subscribers' rates are fixed by the combine?—A. They are made by both companies. The 35 cents charge is for non-subscribers, of course we fix our own rates to suit ourselves.

Q. 15 cents is the highest you charge to your subscribers, and the 35 cents for non-

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subscribers is arranged by the three companies, I suppose yours and the other two?—A. We try not to conflict with the other companies as far as we can.

Q. Is not that a very high price, 35 cents, to speak over such a small line as that?—A. It is a matter of probably 90 miles.

Q. 90 miles?—A. You will probably get a distance of 90 miles for the 35 cents, you cannot get that over the Bell.

Q. Is that the longest distance on your telephone, on your long-distance line, would that be about the longest, 95 miles?—A. Yes, I think it would.

Q. I suppose that is the reason why you mentioned that distance, because it is the longest?—A. Yes.

By Mr. Maclean:

Q. Your company is an incorporated company, for the purpose of meeting the local convenience, and to make money. You have made it as an investment in other words?—A. Yes, because of the accommodation, we wanted the 'phone.

Q. What is the total investment to date, you have roughly $10,000 paid up stock and a bonded indebtedness?—A. $9,700 of paid up stock, and $6,500 of bonded indebtedness.

Q. Your capital expenditure is a little over $16,000, and you have about 570 miles of wire, 550 subscribers divided into 11 systems, but in the central offices you connect each of these systems one with the other, is not that it? You have no central office where they all connect, but every system can connect one with the other?—A. We have rural districts each one of which has a central, and each central connects with one another, and we connect with other companies.

Q. You have working arrangements with at least two other independent companies?—A. Yes.

Q. But not with the Bell?—A. No.

Q. And you have arranged a toll between these two companies?—A. Yes, sir, we fix our rate of toll. Here is a contract which we have with the People's Telephone Company at Sherbrooke.

Q. I do not want that just now. You are in a certain number of railway stations, you are in the Canadian Pacific Railway stations, do they pay for that?—A. No, sir.

Q. You put it in there?—A. If there is any district where it will afford accommodation, sometimes the subscribers pay to have it put in.

Q. You have not been able to get into the Grand Trunk stations?—A. They do not touch our territory at all.

Q. Do you give a night service?—A. No, just an emergency service.

Q. You do give an emergency service?—A. Where the central is in a private residence we can do it, but where we hire an office and hire a girl we cannot do it.

Q. Is there a fairly good outlook for your company now?—A. I think so.

Q. Do you see light ahead?—A. Yes.

Q. And you will be able to continue the service at the present figures?—A. Yes, I may say we have paid $1,000 of the bonded debt in the last year.

Q. About connection with the Bell Company, you have not made an arrangement with them?—A. No.

Q. But it would be a great advantage if the Bell Company interchanged service with you?—A. If our company could get a long-distance service by connecting with the Bell or any other company it would be a good thing.

Q. That is, the key of the whole situation would be a law compelling all telephone companies to interchange business?—A. Yes.

Q. That is the great desideratum in the telephone situation to-day in Canada, a general law compelling the interchange of business on reasonable tolls.—A. That is the greatest that I know of.

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APPENDIX No. 1

By Mr. Roche:

Q. How many subscribers have the Bell Telephone Company in your town?—A. You mean in the whole territory do you?

Q. No, just in Marbleton.—A. I think they have three or four.

Q. You say they charge $15?—A. Yes.

Q. They are residence 'phones are they?—A. They have very few residence 'phones, it is most all business 'phones they have now.

Q. They have the same charge for business as residence?—A. I can't at the present moment think of a residence 'phone they have there.

Q. But you say they have diminished in the number of their subscribers there, since they raised their rates, and your new company came into existence.—A. In our territory, as near as I can judge, they had all told 250 subscribers when our company started business.

Q. That was in the district?—A. Yes.

Q. Do you know how many they have now in the district?—A. Our lineman told me on Saturday that he thought they had somewhere between 40 and 50, I am not positive of course.

By Mr. Bergeron:

Q. I see by your tariff of rates here that you have subscribers who pay less than $12 or $15 a year?—A. By that $10 rate do you mean.

Q. No. Have you no subscribers that pay less than $12 or $15 a year?—A. We did have them up till a short time, some six or eight months since but we have rescinded that $10 price, and it is $12 now with the exception of ministers, priests, &c., and we give them a $10 rate all over.

Q. The rates given above apply only to subscribers who pay a yearly rental of $12 or $15 and other subscribers who pay less than above. That is the one you have just mentioned, I imagine?—A. Since that was printed we have recinded that $10 rate altogether. That schedule was got up when we had a $10 rate but we have practically now no $10 with the exception I have mentioned.

Q. The rates given above apply only to subscribers who pay a yearly rental of from $12 to $15?—A. That is all we have now.

Q. Yes, but this is not since you had the $10 rate, because it is marked here $12 to $15 ?—A. Yes, but it is like this we have yearly contracts, or half yearly contracts with subscribers and we could not bring that into force until all those contracts had expired. As fast as the $10 rate expires we place them on the $12 or $15 rate if they want a long-distance box. I think all the $10 contracts have now expired.

Q. So this last part of this last paragraph here might be struck out which says that the operators will collect ten cents in addition?—A. Yes, that could be struck out.

Q. By this second paragraph here, I understand you have arrangements with these two other companies here, the Citizens and the Peoples' of Sherbrooke which as a matter of fact, is a combine between the three companies?—A. Is a combine?

Q. Is a combine between these three companies for the purposes of arranging charges upon the long-distance lines. You have agreed to certain rates which you cannot break?—A. No, sir, we have no regular agreement with regard to certain rates. What I mean is this, the Citizens' Company down in New Hampshire, have a stated rate back on our territory and we try as far as we can to have the same rate back on to their territory, because if a man holding an instrument in New Hampshire, a traveller who is going backwards and forwards, he generally likes to know that we charge the same rate if he wants to telephone back to his home, as he has to pay if when he is at home he wants to telephone to our territory. We have no specified agreement as to tolls.

Q. I was asking you a moment ago why there was such a discrimination in th long-distance rates, I was talking here of Colbrooke where to your subscribers you charge 15 cents and to the non-subscribers 35 cents and your answer was that there was

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an arrangement between the Citizens' Company and yourself and that you could not charge less than 35 cents for non-subscribers, but that you could charge whatever you liked for your own. That implies that there is an understanding between you or an agreement?—A. If I implied that it is not correct, because we have no regular arrangement, we worked with both these companies but we fix our own rates, each company. The People's Telephone Company gives us access all over their territory free. We give the People's Company access to our subscribers and all over our territory free and it is the same with the Citizens'. But the People's Telephone Company regulates what rates their subscribers shall pay when they go beyond their territory and we the Canadian Telephone Company do the same, and the Citizens' Telephone Company do the same but we try to make them uniform. For instance, we charge our subscribers, if they are not too far away from Sherbrooke, and that is the principal telephone centre. We charge them a rate of ten cents.

Q. That is to your own subscribers?—A. To our own subscribers. If the People's Telephone Company come into our territory and telephone back, we charge the People's subscribers a toll rate of 15 cents, because in the same way our subscribers have to pay 15 cents. Any of our subscribers, of the Canadian Telephone Company, if they go into Sherbrooke, the People's Company charge them a rate of 15 cents to speak back home.

Q. As a matter of fact there is an arrangement, there is harmony—I am only asking you as a matter of opinion, there is an arrangement between the three companies for the charges to non-subscribers who want a telephone on a long distance line? —A. If there is an arrangement it is a verbal arrangement—just to be agreeable.

Q. As a matter of fact, it is the same price for all three companies.—A. We try to get it as near as we can.

Q. When I was asking whether you could not charge less than 35 cents for Colbrooke, you said it was because the other companies charged the same?—A. We prefer to have the same charges if we can, we get as near as we can, but we are not bound to anything.

Q. You tell us you have instruments in the railway station?—A. Yes.

Q. Are there any instruments of any other company in the same station with your instruments, are there some stations where your instruments, and the Citizens' and the People's or the Bell's might be in the same station?—A. I think that there is only one railway that there are both instruments in. But I would not be positive, although I think it is only in one, and that is the Maine Central.

Q. In the others you are alone?—A. I think so, as far as I know. There may be one or two, but I do not think so in our territory.

By Mr. Maclean :

Q. How many C. P. R. stations are there in your territory?—A. Four, I think, and some in the freight shed.

Q. And they have not ordered you out yet?—A. Not yet.

By Mr. Miller :

Q. You say that until the last two or three years your company was in good shape and paying a five per cent dividend, but during the last two years the line has got into bad condition and pays no dividends, but you expect to pay a small dividend this year? Can you tell us how it was that your line got into bad condition, and the company got into a bad fiscal condition? To what was that condition principally due?—A. Well, I might say that it was trying to do a $25,000 business on $10,000 capital, and it was perhaps due in some respect to poor management, giving a little too much territory free and to opposition, of course.

By Mr. Maclean :

Q. And buying experience?—A. And buying experience.

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By Mr. Miller :

Q. You say that the Bell Telephone Company have recently offered to make a connection with your system on condition that you cut out your connection with the People's Telephone Company. I would like to know what other conditions they stipulated for in making that offer and particularly what arrangements they offered to you as to rates for connection ?—A. I have not the letter here, to give it exactly, but I will give it as near as I can from memory.

By the Chairman :

Q. Was it in writing ?—A. We got it in writing a year or two ago, but the local manager of the Bell Company called at my office some time during the winter when I was away, and I called upon him, but we did not get at anything very definite lately. But their offer at that time was a fair one with one or two exceptions. They have what they call toll long distance lines, pretty nearly all over our territory, and they wanted to retain these long distance lines for their own use. We, I understand, were to have the use of them for a certain stated amount, I cannot tell you exactly what that was, but they wanted to retain the tolls from these long distance lines. However, their offer was not too bad, and I think we could have got to terms only some of our directors at that time, it was just before our difficulties, signed a contract with the People's Telephone Company for ten years for a good and efficient service, which we have not had as yet, and if we had connected with the Bell we would have had to break it.

Q. You were not in a position to break the agreement with the Peoples'?—A. We did not like to.

By Mr. Maclean:

Q. The Bell Company wanted to make an exclusive agreement?—A. Certainly. They would do so in their own interests.

By Mr. Miller:

Q. Do you remember what offer they made to you in the case of one of your subscribers, talking over your line to Montreal say, or Ottawa; what rate they should collect or the rate they should charge you?—A. I could not remember the rates exactly.

By Mr. Maclean:

Q. They did not offer to connect with you, did they ?—A. Yes, they offered to connect.

By Mr. Miller:

Q. Did you consider their rates were exorbitant?—A. Provided they would give us the right percentage of the toll lines, it would be all right, but if we were connected with them, right where their toll line went through we would get nothing you might say, except our yearly rentals, and we would have to keep everything in repair, and we would get none of the tolls.

Q. When you connected with their toll lines they wanted the tolls?—A. They wanted the tolls.

Q. The whole of it?—A. The whole of it. Our tolls in the past year would amount to just about $1,200, which practically pays the cost of our exchange offices.

Q. And if you connected with the Bell people you would be out that revenue?—A. Yes, the biggest part of it, of course.

By the Chairman:

Q. How many rural instruments can conveniently be worked on the same lines?—A. I think when you get beyond eight or ten it is a perfect nuisance.

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Q. You think eight or ten can be satisfactorily worked on the same line?—A. Yes.

Q. What do you estimate is the cost per mile of a line that will enable eight or ten instruments to be worked properly?—A. Do you mean just for the wire, or the instruments?

Q. I mean the total cost. You may separate if you like the cost of the instrument from the poles and wires and the insulators. Give it to me which ever way you like. What I desire to ascertain is the capital expenditure required to equip say one mile of line, and we will suppose that there are eight customers or subscribers upon that one line. That will mean eight instruments one mile of wire, and the poles and everything to place it in complete working order for the operation of those eight instruments. What would the total cost be?—A. It would cost about $45 for the mile equipped, with the exception of the instrument. Then, of course, one instrument would cost $11.50, added to that, and adding $11.50 for each and every instrument that was attached on the same mile of line.

Q. That will be $92.50 for eight instruments at $11.50 each?—A. And $45.

Q. That means $137. Do you mean to say that you can erect a mile of wire, a telephone line with poles and all for $45, thirty poles you say is the minimum number?—A. We have done it. The poles that we use in the rural districts, are not over 20 to 22 feet high and four inches across the top, and they usually go through territory where it is very handy to get the poles out. They generally go through territory where there are cedar swamps near; we got them very reasonable.

Q. That is to say that a line can be constructed so cheaply as that?—A. Yes.

Q. Then why do you not extend your line in the rural districts and get more farmers in?—A. We have extended our line in the last six years, from 329 instruments to over 500.

Q. To 514 I see by the report?—A. Well, that was last year, it is 550 now.

Q. Are you extending it now?—A. Yes.

Q. This year, since that report?—A. Yes.

Q. Have your subscribers increased since that report?—A. Yes.

Q. What is your total number now?—A. I should think about 550.

By Mr. Maclean:

Q. Might I make a suggestion about that illustration line? You said about ten to the mile? If you remember you said you could put about three on the mile, and it will make a mileage of 3 miles for ten ordinary farmers' instruments.

The CHAIRMAN.—Yes, but even that $45 a mile is a rather low amount. At two to the mile it would mean four miles of line for eight 'phones.

Mr. MACLEAN.—It would be $300 for a good farmers' service for four miles.—A. We built our lines very cheaply, because the farmers were so anxious to get the line through their settlements that they gave the poles in some instances in order to get the line through there.

By the Chairman :

Q. At all events these figures you have named, I think, they may be under the mark a little bit, $45 a mile for the line, and the instrument besides about the cost of which there is no doubt, but these figures fairly approximate to the cost of a cheap rural practical working telephone line ?—A. Yes.

Q. They do ?—A. Yes, of course in the villages they cost more.

Q. Then what is the cost of maintaining such a line per annum. Have you had long enough experience to be able to give us the average cost over a term of years ? How many years have you been in the business ?—A. About eight years.

Q. That is your total experience ?—A. Yes, sir. I might say that we pay our operators about 25 to 30 per cent at the villages.

Q. But you would not have operators for this rural line we are speaking about ?—A. They all reach to their nearest central office.

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Q. Supposing there are only eight persons on a line four miles long. What would it require to operate that? Supposing you erected four miles of wire with eight subscribers upon it? What would be the expense of enabling them to speak to each other all the year around?—A. Barring accidents, it would not cost over 50 cents a year to each instrument. Of course, if lightning was to strike the line it might be different.

Q. In that case you would have to send a repairer along.—A. Yes.

Q. I do not understand you can speak over your wires to Montreal? Is that correct? You have no connection beyond Sherbrooke?—A. We have Coaticooke and some other towns.

Q. Do you find that there is any inconvenience to your subscribers by reason of your not being able to speak to Montreal?—A. Yes, there is a very great inconvenience.

Q. Many of them would like to speak to places beyond the systems with which you work?—A. Practically all the Bell instruments that are in existence in our territory to-day are used by business men who must have the long distance service, the Bell is no use for local service.

Q. You mean a service that reaches beyond your system?—A. Beyond ours and the People's. I mean connection with Montreal, where they do their business.

Q. Why do you not connect with the Bell system and interchange traffic?—A. Well, the directors of our company could not just agree.

Q. You have not been able to make an agreement with the Bell Telephone Company?—A. No we have not been able to come to terms as yet.

By Mr. Bergeron:

Q. What is the switch-board capacity of your 11 central stations?—A. From 10 to 100.

Q. Are they all the same or do they vary at the different stations?—A. They vary.

Q. Some less and some more?—A. Yes, sir.

Q. Not more than 100 and not less than 50, I suppose?—A. Oh, yes, we have them down as small as ten.

Q. But none over 100?—A. No.

Witness discharged.

WILLIAM WADE, called and sworn.

By the Chairman:

Q. Where do you live, Mr. Wade?—A. In the township of Brighton, three miles north of the village.

Q. Have you any connection with any telephone company?—A. Not any.

Q. Have you any experience of any telephone company in your district?—A. None, except my own.

Q. What is your company?—A. It is not a company, it is a personal affair. I own it.

Q. Describe it, please.—A. Shall I start at the commencement?

Q. Yes, tell us your story.—A. In 1892 or 1893 I had a son a doctor who started business in Brighton. Of course, I wanted telephone connection with him. I applied to the Bell agent there in the village to get connection, as their line ran past my house, and the best I could do with them was $40 a year. Well, of course, that did not suit me. I went at it and built a line, put it up, and it did not cost me much more than that, to connect my house with my son and with my son-in-law.

Q. What length of mileage?—A. Three miles.

Q. What did it cost you?—A. About $25 a mile.

Q. Go on with your story.—A. Then, when I got it there the people in the section of Hilton, near by, one and a half miles north, almost insisted that I should run it out

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there, it was so convenient to call a doctor. I had it then in Dr. Dean's, so I ran on to Hilton, about one and a half miles. Then they were very anxious that I should go on to Newcombe's mills, now Holland. Then the people of Wooler were very anxious. The Bell was not in there, so I ran my line down to Wooler. Then they were very anxious to get it at Stockdale, in the township of Murray. That was 7 miles further, so I contracted for poles at 30 cents a pole, delivered on the road, as quick as I could get the poles on the road. The Bell started up and came in for nothing to Wooler. I suppose they thought they would stop me from going on, but my line went on. Then there is a section in the township of Murray four miles away, where there is no connection with the post office or in any other way. They were very anxious I should put a line up there. I said, 'you get up the poles and I will run my line up there.' They have a post office there called Maple View, I think. I rent it out, and since that I put in a 'phone in a cheese factory, and at Powell's Corners, so that line has three 'phones. Then I built a line to Codrington and Warkworth, then I ran a branch from my place to Edville, where Mr. Cochrane lives, or 20 rods from his house, and put it in the post office. Then I put on a button switch in my own house, and I have an extension bell, and whenever I want to connect with the main line, all that they have to do is to call me up at my place and I switch them on just by turning a little switch, when they call the main line to call the doctor or anyone they want. I have another line running from Brighton to Smithfield, 4 miles east of Brighton, and I have another line west of Brighton to a saw-mill, but since that the saw-mill has been moved away and my line is taken down. That is about a mile out of the village. The extent of my line is about 50 miles.

By Mr. Maclean:

Q. How many 'phones have you?—A. About 30 odd 'phones.

By the Chairman:

Q. What do you charge?—A. $10 a year.

Q. How long have you been in the business?—A. Since 1893.

Q. How is it paying you?—A. It has not paid me very much. There is just one drawback, I cannot get into the railway stations.

Q. Have you tried?—A. No, they have refused——

By Mr. Maclean:

Q. Have you got the letters?—A. No, I have not tried for some years.

By the Chairman:

Q. What about long-distance connections?—A. I cannot get any.

By Mr. Maclean:

Q. That is, with the Bell?—A. I would not have any with the Bell. There is no satisfaction, they would want me to give everything up and let them run the business.

Q. You would like to get connection?—A. Yes, my idea is this: Every municipality should control their own local system and connect with the trunk line, and we would be all right.

By the Chairman:

Q. You are familiar with the rural districts of Ontario. Can you tell me what would be a fair estimate of the average cost to the farmers of Ontario to have a telephone?—A. Ten dollars will pay it all right, I think. Of course, mine is built cheaper perhaps than some of the rest. For instance, when I found I was going a little farther with my telephone I bought a cedar swamp from a man.

Q. How many instruments have you got?—A. Thirty-three.

Q. An average of $10 per year?—A. Yes.

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Q. And tolls besides ?—A. Yes, I am connected in Brighton with the telegraph office, and my line is used to telephone messages from that office.

Q. Is the Bell Company competing with you in this district ?—A. Oh, yes, they have been lately.

Q. To what extent ?—A. They have put one in at Codrington.

Q. Have they as many instruments as you ?—A. No.

Q. What do they charge ?—A. $15.

By Mr. Maclean :

Q. What is the total of your investment ?—A. About $1,500.

By Mr. Bergeron :

Q. When you spoke of $10 a year for farmers' telephones, what distance would that cover?—A. You see, we connect with the farmers, quite a number of them, with a switch, say at Wooler. I have one farmer who has a hotel, which connects with the central office, and it goes through there and down to his house, where he has a 'phone. He has two 'phones. I have him connected there, and I have one farmer out there, two miles out, Mr. Astley Terrell, who was down here in connection with the post office. The Postmaster General will remember him. He wanted it private, and my line was going to his place, and I ran an extra line from his house to Wooler and connected him on the switch. The Bell had a 'phone in there, and when he got a message over the Bell Company—and it is only about 10 rods—they would not take it to the other office, where they could take it to his house.

By Mr. Maclean:

Q. What countryman are you, Mr. Wade?—A. Born in England and brought up in Canada.

By the Chairman:

Q. To summarize it, you have erected about 50 miles of line, and it has cost you about $1,500?—A. Yes.

Q. That would average $30 a mile? Does that include instruments?—A. Yes.

Q. Does that include the total capital outlay?—A. Yes.

Q. And that serves 30 subscribers a year?—A. Yes, there are over 30.

Q. It averages over 30 for each subscriber?—A. Yes.

By Mr. Maclean:

Q. It would be a fine profit-making concern for the Bell people, if they took your business over?—A. We think it would.

Q. Yet they are a company incorporated for the general advantage of Canada, for the benefit of the people, and they refused to give you connection, except under their own conditions?—A. That is it. The Bell Company would not have one instrument in Brighton, if we could get into the station. There are the two hotels, which have to connect with the station. There are two liveries, and they have connection with the station, and as the Bell Company is the only one that can get into the station, they have to have the Bell 'phone.

By Mr. Roche:

Q. What instrument do you use?—A. The last ones were the Ness, McLennan & Bate, of Montreal, and we have had instruments from John Starr & Son, of Halifax. Of course, we get a good deal cheaper instrument.

Q. How much have you had to pay?—A. I have had to pay $17, and we get them now for $12 from the other side.

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By the Chairman:

Q. How many independent 'phones are there in Brighton?—A. The independent 'phones in Brighton are 29 or 30, and 15 Bell. These are private 'phones. Some men have three, some have five or six. The independent 'phones cost them, I believe, $15. They are a fine 'phone, and everything works well.

Q. Are your subscribers entitled to speak over the whole system?—A. The whole system?

Q. For $10 ?—A. Yes.

Q. What do non-subscribers pay?—A. Fifteen cents a message.

Q. All through your system?—A. Unless it is a short distance; from Brighton to Smithfield.

Q. Your subscribers pay nothing except the annual fees?—A. That is all.

The witness was then discharged.

TUESDAY, May 2, 1905.

The Committee met at 11 o'clock, Sir William Mulock in the Chair.

The CHAIRMAN.—Dr. Doan, who was examined yesterday, was requested to remain over to answer some questions that we omitted to put to him yesterday.

Dr. DOAN, recalled and sworn.

By the Chairman:

Q. Dr. Doan, can you give us an estimate of the cost of constructing rural telephone lines?—A. I can in our locality.

Q. That is in Middlesex?—A. In Middlesex, yes. Of course, it would vary according to the soil you had to dig through. We have to import our poles, and have them shipped in. This is placing a high estimate, I think, on the cost of the line. Poles 25 feet long and 5½ inches at the top and over, free on board the cars, would cost $1.25 each.

By Mr. Burrows:

Q. Whereabouts is that? Where do you get them at that price?—A. You could get them at Owen Sound, and you could get them at Shelburne, and at other points.

Q. Cedar poles?—A. Cedar poles, peeled to within 4½ feet of the bottom. Freight will average about 25 cents apiece. Teaming from the train to the road 15 cents each; digging the hole and planting the pole 50 cents; two insulators, side blocks, and nails for the same 10 cents. That would make the pole ready for the wire $2.25. At 30 poles per mile that is $67.50. The wire would be 320 lbs., at 3 cents a lb., $9.60.

By Mr. Maclean:

Q. Does that give you a return wire?—A. That is a return wire, two wires, about 160 lbs. to the mile of single wire, and stringing the same and placing the necessary guys along the road, $10.

By Mr. Burrows:

Q. Per mile?—A. Per mile.

By the Chairman:

Q. This is all per mile?—A. This is all per mile. That will give a total per mile $87.10.

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Q. To which you have to add instruments?—A. To which we would have to add the instruments.

Q. Can you give us an estimate of the cost of running a rural telephone line with and without a switch-board?—A. Well, without the switch-board our line was 18 miles in length and we had 19 instruments. We ran that for a year and a half, making an assessment of $1.50 per instrument, and that paid the cost.

Q. Of maintenance? -A. Of maintenance for the year and a half.

Q. And since you have had that switch-board in your house?—A. It cost $2 an instrument per year.

Q. Extra?—A. For the maintenance.

Q. I meant working expenses when I spoke of maintenance. Do you include in your answer working expenses?—A. There was virtually no working expenses.

Q. Just maintaining the structure?—A. Yes.

Q. With a switch-board added, the subscribers pay $2 each for its convenience?—A. The cost of maintenance for the last four months of the year 1904 was $23.83.

Q. For the whole 18 miles?—A.Yes. There were about 22 miles when we had to put our switch-board in.

Q. For 22 miles?—A. Yes, for 22 miles.

Q. That is something like $1 a mile?—A. Something like $1 a mile.

Q. Does that include taxation, or are you subject to taxation?—A. No, it does not include taxation. We are subject according to an Act that was passed at the last session of the Ontario legislature to a taxation of $135 a mile as soon as our line exceeds 25 miles in length.

Q. And under that are you not subject to taxation?—A. Well, yes, we are now. We were not last year.

Q. But under the law are you not liable to taxation if your line is less than 25 miles?—A. I don't understand it that way.

Q. You made a reference to $135 per mile.—A. If we exceed 25 miles we are liable to a tax of $135 per mile.

Q. Well, what is it if you do not exceed 25 miles?—A. There is no taxation.

Q. That is what I was asking you. This taxation has to be considered.—A. In the running expenses.

Q. Well, $135 per mile is what you are taxed?—A. For one set of wires.

Q. And you say that is an excessive rate?—A. An excessive rate where our line would not exceed in cost say $87 or $90 at the outside.

Q. Well, it is a flat rate, I suppose, for the whole province ?—A. No, there are variations. In towns and cities they are assessed on their income.

Q. Well, we will have to turn up the Act and see. Dr. Doan, has the Bell Telephone Company co-operated with you in the construction of lines or has it in any way impeded you in construction ?—A. It has impeded us to a certain extent, especially from Springfield towards Harrietsville. The people of Springfield were talking of joining us in forming our association and running a line to Springfield. The Bell people stepped in and offered to build ten miles of line if they would guarantee ten subscribers at $15 a subscriber, and they succeeded in getting six or seven subscribers right in the village of Springfield and three in the rural section. That stopped our development that way so far.

Q. Are they seeking to develop their system through there ?—A. Not since then. Since that line was installed there has been nothing further done.

Q. They are not pushing their business ?—A. They are not pushing their business.

Q. They just pushed it enough to not make it worth your while to extend ?—A. To make it not worth our while. They stopped our efforts for the time being. It also happened at Dorchester station. The Bell Company put in a toll station there, but before they could do that, the people at Dorchester station had to raise a subscription of $150 of a bonus to give to the Bell people, and then they had to sign a contract guaranteeing a $100 business for three years—$100 per year. They only had one in-

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strument in Dorchester, while a majority of those that contributed towards the bonus of $150 have our instruments in, but they have no switching connection with the Bell people.

Q. Well, as the result of your experience you say that a reasonable and satisfactory telephone system can be established at a cost per mile of single wire, including instruments, for how much ? You have just given us the detailed cost ? Add on to that say two instruments per mile.—A. Well, this is a metallic circuit. This is a two-wire line.

Q. Well, just give us the total sum please, and add on whatever you think necessary.—A. Two instruments per mile ?

Q. Yes, we will suppose there are two instruments per mile.—A. It could be built per mile at an average of two instruments per mile for $122.10.

Q. Including two instruments ?—A. Including two instruments.

Q. How much are you allowing as the cost of the two instruments ?—A. I am allowing $16.

Q. Per instrument ?—A. Per instrument, which makes $32 for the two, and $3 for installing the same.

Q. Are these inferior instruments ?—A. No, sir; they are the best that can be got, or as good as can be got.

Q. Good for long distance ?—A. Yes.

Q. And short distance ?—A. Yes.

Q. For all distances ?—A. For all distances.

Q. And the cost of maintenance per mile without a switchboard would be about $1 ?—A. About $1.50 per mile, barring accidents from lightning.

Q. How long would those poles last ?—A. Those poles would last from 20 to 25 years.

Q. It depends on the soil ?—A. It depends upon the soil, and in our ordinary soil they should last from 20 to 25 years, and the wires should last that long. We have no smoke or anything of that kind to rust them, and the manufacturers claim their instruments will last that long if not longer.

The witness was then discharged.

Mr. J. H. Winfield, Halifax, was called and sworn.

By the Chairman :

Q. Mr. Winfield, you are the manager of the Nova Scotia Telephone Company, I believe ?—A. Yes, sir.

Q. Will you give us an account of the origin and development of that company ?—A. Well, about 18 years ago the telephone business was first started in the Maritime provinces. I think it was started by the Bell Company—I have not any personal knowledge on the matter except what I have heard—and shortly after the Bell Company started operations a local company was formed in opposition to them. After a short fight the Bell Company sold out to the local company, which was the Nova Scotia Telephone Company. Some time after that, a local company was formed in New Brunswick in opposition to the Nova Scotia Company and the latter sold out their holdings in New Brunswick to the New Brunswick Telephone Company, simply reserving the Province of Nova Scotia for themselves. Since that time the company has gone on developing and covering the country with a network of telephone lines, till I think to-day we have perhaps the best telephone province in the Dominion, or pretty nearly so. I noticed in Mr. Dagger's evidence before the committee the other day, that he stated there was only one telephone to every 122 of the population in Nova Scotia, whereas it is one to 74. I think that compares very favourably with any other district.

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Q. Has there been any increase in the number of your subscribers within the last two years?—A. They are increasing at the rate of about 300 a year.

Q. Mr. Dagger gave an estimate for a period of some two years ago, whereas you are speaking of to-day?—A. I am speaking of to-day, but two years ago it would have been about one telephone to 85 of the population.

Q. One to 85, yes?—A. That is a great difference. There is a great difference between one telephone to 85 people and one telephone to 122 people.

Q. Mr. Dagger says his figures were taken from the Dominion statistician's report?—A. Well, there are about 25 or 30 companies in Nova Scotia and only one that I know of makes any report.

Q. Is your company a joint stock company?—A. Yes, sir.

Q. Is it working under the control of the Bell Telephone Company?—A. No.

Q. Is it independent of that company?—A. Entirely.

Q. What is your capital? Have you got the financial statement with you?—A. Yes.

By Mr. Bergeron:

Q. I understood you to say there are about 30 companies in Nova Scotia?—A. I am speaking roughly, I have a list here.

Q. Will you produce it, please?—A. Yes, sir.

Exhibit No. 68.

LIST OF TELEPHONE COMPANIES IN NOVA SCOTIA, WITH APPROXIMATE NUMBER OF TELEPHONES OPERATED BY EACH.

The Nova Scotia Telephone Company, Ltd.	3,511
Eastern Telephone Company, Ltd.	923
Valley Telephone Company, Ltd.	700
Queen's County Telephone Company, Ltd.	180
Central Telephone Company, Ltd.	25
Yarmouth Amalgamated Telephone Company, Ltd.	235
Westport and Digby Telephone Company, Ltd.	15
Barrington Telephone Company	20
Yarmouth Telephone Company	12
Maitland Telephone Company	15
Cheverie Telephone Company, Ltd.	15
Maitland and Noel Telephone Company	10
New Ross Telephone Company, Ltd.	3
Bass River Telephone Company	5
Elmsdale, Gore and Rawdon Telephone Company	10
Economy and Five Islands Telephone Company	8
Parrsboro' Shore Telephone Company	120
Conn's Mills Telephone Company	12
Wallace Bay Telephone Company	13
Fox Harbour Telephone Company	15
Wentworth Telephone Company	10
Hammonds Plains Telephone Company	8
Antigonish and Sherbrooke Telephone Company, Ltd.	60
Cumberland Telephone Company	250
Blandford Telephone Company	6
	6,181

One to every 74 inhabitants.

Q. So the result of the operations of that year was to pay 6 per cent interest, to lay up $10,000, to increase your profit and loss account by about $2,500?—A. Yes, sir.

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Q. That is about right ?—A. Of course, that $10,000 depreciation means the actual depreciation on the plant.

Q. Does it? I see. Well, can you tell us how many instruments there are in centres like cities, towns, and villages, and how many in what we call the rural districts ?—A. Well, that is a very difficult question to answer. I have a list of the different companies in the province, with the approximate number of telephones in each, and most of these companies are rural companies. Our own company is not a rural company.

Q. You do not cater to the rural business ?—A. Well, we have not any of it, we cannot get it. We have tried to get the farmers in our own section of the country to take the telephone but they do not want to pay for them. I will give you an instance. We built a line from Pictou to Durham, which is practically the most prosperous farming section in Pictou county, and we endeavoured to get the farmers to come in and take telephones at $20 a year. The most we could get was three on this ten miles of line. We offered to do it for $15 and we could not get any more. After the thing had been running two or three years we made an inquiry and we found there would be half a dozen farmers in one place clubbing together at $1 apiece, and they were all getting the benefit of the service. That is the way they do down our way. We were giving a telephone service to some 60 or 70 farmers for $60 a year.

By Mr. Burrows :

Q. Well then, they do want the telephone all right ?—A. They wanted it but they were not prepared to pay for it. Of course, the greater part of our country is not a farming country, that is the section of the country we cover.

By the Chairman :

Q. Still you have people living in rural districts who are engaged in farming ?—A. Well, we will go along our line 15 miles without seeing a house in some places.

By Mr. Burrows :

Q. It is a bush country ?—A. Yes, lumbering and mining principally.

By the Chairman :

Q. What is the reason your company is not catering to rural telephone people ?—A. We are not catering because we have not got the business. These other companies that we have encouraged to start up and build in districts that are not covered by our lines are most of them rural companies.

Q. You appear to have invested some of your capital in stock of other companies ?—A. Yes.

Q. What companies are those ?—A. Well most of them are rural companies that we have assisted to start by taking stock. In some sections of a country that are not covered by our lines, the people would come to us and say : 'We want to get telephone connection. Will you build or will you give us connection if we build ?' We agree to do so. If they build themselves they can do it cheaper and we give them a start and assist them.

Q. You encourage rural lines ?—A. We go so far as to sell them supplies and all the instruments they will need for the construction of the lines, at cost, in order to encourage them.

By Mr. Maclean :

Q. You take stock ?—A. And we sometimes take stock in them as part payment. In some cases we do not get a dividend, but having the rural lines is an advantage in connection with our system. It brings long-distance business at practically no cost to us.

By the Chairman :

Q. They gather business for you; they are agents for you ?—A. If we have to

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build the line for 20 or 30 farmers in the country, it may be 15 miles out, and we have got to send out a man with a wagon to fix a little break which will cost about $6 or more. If a farmer owns a line and there is a break perhaps right outside his door, he will climb up the pole and fix it himself, and it does not cost him anything. That is where the farmers can run a line a great deal cheaper than we can. In the matter of poles, they are much better off. They don't figure their time as anything, and they can get them out and erect them on the co-operatve plan, whereas we have to import poles from Quebec, and it costs a great deal of money to take them down.

By Mr. Burrows :

Q. What are your rates in the city of Halifax ?—A. Forty-five dollars for business telephones and $30 for residents.

By the Chairman :

Q. Here, Mr. Winfield, is a list that is furnished of the different telephone companies operating in——A. In Nova Scotia ?

(Documents filed and marked Exhibit No. 68.)

By Mr. Zimmerman :

Q. Have you connection with all these companies ?—A. All of them directly or indirectly. Some of them we have to go through one to get to another.

By the Chairman :

Q. Exhibit 68 is a list of the telephone companies operating in Nova Scotia ?—A. Yes.

Q. Is this the complete list?—A. As far as I know. There may be some others that I do not know of out in the backwoods somewhere.

By Mr. Maclean :

Q. How many of these roughly have you shares in ?—A. I think we have shares in about 7 or 8 of them.

By the Chairman :

Q. This list contains the names of 25 companies and these companies have 6,181 subscribers ? This is correct, is it ?—A. It is correct, as far as I know. It is approximately correct; some of them may be out two or three.

Q. But as far as you know, this is a complete list ?—A. Yes.

Q. Of the companies operating in Nova Scotia ?—A. In Nova Scotia.

Q. Some operate, I suppose, in rural districts ?—A. Well, I think there has been one omitted which I have just thought of, the Westport & Digby. Oh yes, I have it here. Q. Are these operating in cities, towns and villages ?—A. Some of them, yes.

Q. They are to some extent in rural districts ?—A. Yes.

Q. To what extent in rural districts ?—A. I can show you a map. (Produces a map.) That will give you a better idea. This is Halifax, (pointing to map).

Q. Yes.—A. And this represents our line to Truro, New Glasgow, Pictou and to the Strait of Canso. We come down here to Bridgewater and from there to Windsor, up this way to Amherst. Now, there is a rural company goes right along this shore right around through to Amherst with cross-connection lines all through. There is another one scattered round in this section in Cumberland county. There are three private lines centering at Pugwash, two or three at Wallace and quite a large company started up last year in Guysboro' county which connects with us at Antigonish.

Q. Just go over to the map and explain to the committee the ramifications of the telephone system of Nova Scotia ?—A. This is Halifax. These lines practically represent our own, we have some of the other company's in but not all. Our lines go from Halifax through to Truro and thence to New Glasgow and the Strait of Canso, where

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we connect with the Eastern Telephone Company of Cape Breton, another branch going through to Amherst where we connect with the New Brunswick Telephone Company. We have another line along the shore from Amherst to Pictou, another line from Halifax to Windsor, another from Halifax to Bridgewater. At Bridgewater or a few miles out of Bridgewater we connect with the Queen's County Telephone Company, which operates all through Queen's county and serves several towns, Liverpool, Shelburne and some other places. They also connect with two or three other companies. Finally we get to Yarmouth. Then there is the Central Telephone Company from Bridgewater to Middleton. This is a rural line to Middleton. Then there is another telephone line which operates from Windsor to Digby and the Cheverie Telephone Company goes from Windsor half way to Truro. There is another company whose name I forget which goes from Truro to meet this Cheverie line. There is another one from Elmsdale to West Gore, another from Stewiacke down to Ship's Harbour, and another one from Brookfield to upper Stewiacke. All these people connect with us. Then there is still another one from Parrsboro' covering a great section of Cumberland county coming into here and going into Amherst. The Cumberland Telephone Company has a great many lines all through the county of Cumberland. There are also four or five lines, about 15 to 20 miles long, connecting at Pugwash and Wallace. There is another company formed a year ago at Antigonish and I suppose they have somewhere around 150 miles of line now. We were instrumental in getting them started.

Q. Do you know what is the cost to the farmers to get rural telephones?—A. Well, in most cases, these lines have been built by the co-operation of the farmers themselves. They go to work to build the line. They come to us and ask us if they build a line whether we will give them connection right away and we agree to do so on the usual conditions and to supply them with all the material they want at the lowest possible price. We buy very large quantities and can therefore afford to sell to them cheaper than they could buy anywhere else. We also give them the benefit of our expert advice as to the proper way of building a line and sometimes lend them our men at simply the cost of their time. We get them to put up as good a line as possible and they usually do it on shares.

Q. Do you find a growing demand in the rural district for telephones?—A. That is growing all the time. These companies are starting all the time.

Q. There is an active development in the telephone system throughout Nova Scotia?—A. Yes. Of course, we could not touch this business in a great many cases at the rates the farmers are able to do it for themselves. In fact, as I said, they will erect and maintain them very much cheaper than we can.

By Mr. Zimmerman:

Q. Do you get any long-distance business from these companies?—A. Well, we do not get very much. We get a little of course. It is an advantage to have connection with these rural lines. Supposing it is a place like Antigonish, where we have 50 or 60 subscribers. Well, the doctors at Antigonish, if they can 'phone to their patients in the country it is a convenience to them. It gives a certain value to our exchange, and we get a certain long-distance business from them.

By Mr. Lewis:

Q. You said you were willing to connect with the rural companies on the usual conditions?—A. Yes.

Q. What are those conditions?—A. We make a formal agreement that they shall accept business from us and we will take business from them; that they will not overlap the territory occupied by us, and we will do the same by them; they will not extend their lines without our permission. This is necessary because many companies are starting, and we agree to protect them from competition in their own territory. We have to get them to define their territory, otherwise some other company will start

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up and go to us for connection and we will find they are infringing on the other man's ground. I have a case in mind just now. The Antigonish and Sherbrooke Company built a line and we made our usual arrangements for connections with them. That was all right. But another company said they wanted to build another line from Blue Mountain, New Glasgow, and came to us for connection. We said: 'Of course we will give connection.' But when they started the other company complained that the line was going to be built through their territory, where they had a line already. Then we had to get after the Blue Mountain Company. You see we act as a sort of clearing house for the whole of these companies. We undertake to connect with these companies and to protect them, and in the same way they protect us in any territory that is ours. We also specify that they shall use a standard make of instruments in order that the service will be satisfactory.

Q. Just one other question. What are the rates you have in connection with these other companies?—A. Well, it varies according to circumstances. In some cases where connection is made with the exchange we charge them five cents every time they go into the exchange. That is not a paying price at all, it is more of a losing matter, but we do not want to be hard on the farmers, but rather to help them along. In the case of the long-distance business they simply pay our usual rates the same as anybody else. In some cases we have commuted the five-cent business to a rental of so much a year for the telephone. Five or six dollars a year for the telephone will give them the free use of the exchange; everything depends upon the particular local conditions. We always endeavour to meet them and to get some arrangements that would be mutually satisfactory. We have never had any difficulty with them at all.

Q. Are you the largest company in Nova Scotia?—A. We are the largest.

Q. And the Bell Company is not there?—A. No, sir.

By Mr. Maclean:

Q. You have 3,260 'phones?—A. Yes.

Q. How many of these are in Halifax, roughly?—A. There will be 1,950 in Halifax to-day.

Q. That is more than half in Halifax. What other towns have you local exchanges in?—A. Amherst, Antigonish, Bridgewater, Lunenburg, Mahone Bay, New Glasgow, Oxford, Pictou, Pugwash, Shubenacadie, Truro, Windsor, Wallace, and Springhill, and other towns. There are a few smaller places where there are only half a dozen telephones which we would hardly call a local exchange.

Q. Besides these you have a number of pay stations, have you?—A. Toll offices on the long-distance line.

Q. Quite a number?—A. I suppose we would have 200, but I am guessing at that.

Q. Yes, roughly? That is what I want to get at. You have nearly 2,000 'phones in Halifax, 20 or so towns where you have a general telephone business like the Bell Company has in towns, and you have nearly 200 pay stations?—A. I think possibly it is nearly 200.

Q. And the general policy of your company then is to do this town and city business and to have a long distance service connecting with any local line that desires to connect with you?—A. Yes, our policy——

Q. Your policy is to encourage a local line business?—A. Our policy has been to get most of the long distance lines built in as perfect a condition as possible and let the farmers build their own lines because they build them cheaper than we can. In a district where there is not sufficient money to build a first-class line such as we would build ourselves, we encourage other people to do it.

Q. Your rate in Halifax is $45 for business, what is it for residences?—A. Thirty dollars.

Q. And what is it say in a town of 5,000 inhabitants?—A. Well it depends upon the service given. In Halifax, of course, we have a central energy system and metallic

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cicuits. In the town of Amherst we have 212 telephones and we charge $25 for business 'phones and $20 for residence 'phones.

Q. Taking a lower grade still then—have you any lower than that ?—A. Oh, yes, we have at Bridgewater. We have 101, where we charge $20 for business and $15 for residence.

Q. Go on down the list.—A. We have Mahone Bay, where we have 18 telephones and charge $15 all around. All places under 30 subscribers we have a flat rate of $15. It is the lowest rate, and the people claim that the service being small is not worth more than that. In every one of these small towns we lose money.

Q. Roughly speaking, what proportion of your business is toll and long distance business ?—A. The revenue ?

Q. The revenue, yes ?—A. It is as 90 is to 35.

Q. It is better than one-third ?—A. Yes, the long distance is 35.

Q. And you say you connect with the New Brunswick Telephone Company and the Eastern Telephone Company ?—A. Yes.

Q. And it brings business to you ?—A. Undoubtedly.

Q. There is business in it ?—A. There is no business in the connection with the Eastern Telephone Company, but we hope there will be.

Q. Your policy is to connect with all companies so as to increase you business ?—A. Precisely, unless that company is in opposition to us—if they respect our territory.

Q. Tell us about the railway stations. Have you your lines in the railway stations ?—A. Most of them.

Q. Have you ever sought to get the exclusive contract with the railways ?—A. No.

Q. So as to keep out any other line ?—A. No, we have great difficulty in getting into the railways sometimes.

Q. On what ground ?—A. The agents don't want to be bothered with it.

Q. Government employees don't want to serve the people ?—A. We have in several cases known agents to make objection. In some places we put the telephones in free of charge and in other places the railways pay for them for their own business.

Q. Your policy is then to do business with all companies ?—A. Yes.

Q. You are anxious to get into the railway stations and are not preventing any others ?—A. Exactly.

Q. And are ready to do an interchange of business ?—A. With companies that are not in opposition with us, not operating in our own territory. That must be understood.

Q. You are willing for an interchange of business ?—A. From any one outside. Of course we would not interchange with a company that started up in our own territory.

By Mr. Burrows :

Q. There is no other company in opposition to you ?—A. There is one in opposition. We do not connect with them.

By Mr. Maclean :

Q. When you bought out the Bell, how much did you give to that company, is that a fair question ?—A. I cannot say. It is previous to my knowledge.

Q. Did you give them stock ?—A. Yes.

Q. How much ?—A. I do not know what they got at that time. I could tell you what they have now.

Q. What have they now ?—A. They have 6,645 shares.

Q. How much is that worth ?—A. $66,450. That is about 14 per cent of the total capital.

Q. Do you increase your capital occasionally ?—A. From time to time, yes.

Q. As you increase it, what proportion of it goes to the Bell ?—A. If we make an issue of stock at par to the stockholders, they usually take their *pro rata* share.

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Q. By paying for it ?—A. Yes.

Q. Not by surrendering anything ?—A. I guess not.

Q. How much of these 6,000 shares have they acquired since your company took over their business ?—A. I do not know how much stock they got originally. I am not familiar with the history of the company as far back as that. I think they possibly got 2,000 or 3,000 shares, originally. I am only guessing at it.

Q. Since then they have paid the par value the same value as other shareholders ? —A. Yes, exactly.

Q. Still, you are in alliance with the Bell in a way ? What is that Bell Company called which owns part of your stock ?—A. The Bell Telephone Company of Canada.

Q. I am glad you pointed that out because I thought it was the original company in the United States.—A. No.

Q. It is the Bell Telephone Company of Canada that has these 6,000 shares in your company ?—A. Exactly.

Q. Well now, you are satisfied, on the whole, there is a good outlook for your company ?—A. I think so.

Q. In the way it is doing business, with its policy of interchange of business and of encouraging local companies to do local business and to connect up with you.—A. That has been my policy since I have had charge of the management and the company is in a progressive state. We are not making very much money, but we hope to be able to live.

By Mr. Zimmerman :

Q. Have you long-distance connections outside of the two that you have mentioned ?—A. All these companies in Nova Scotia, we have connection through their lines.

Q. Have you connection with this part of Canada ?—A. No.

Q. Wouldn't it be a great benefit to you ?—A. I do not think so. I do not think there would be any business. The rate would be too high to get business. We have connection with Boston, for instance, but we do not have one message in three months. There is no demand for it. The rate is $3 or $4 and the people down there are not educated up to paying long-distance rates.

Q. So you don't think it would be any benefit to your company to have connection with this part of Canada ?—A. I do not think so. I think New Brunswick is about as far as our local interests go.

By Mr. Maclean :

Q. Has the Bell Company a director on your board ?—A. Yes.

Q. How many ?—A. Two.

Q. How many directors have you ?—A. Seven or nine. The Bell Company's directors hardly ever appear. They are simply nominal.

By Mr. Burrows :

Q. You say you make arrangements with these companies that connect with you by which you protect them against any company coming into the same territory ?—A. Exactly.

Q. Do you confine them to the price, do you say that they cannot charge more than a certain figure ?—A. We let them charge any rate they choose.

Q. You protect them in a monopoly ?—A. It is to their interest not to charge an unreasonable rate.

Q. Nobody else can come in ?—A. Anybody could get in. As a matter of fact it is really a mutual concern in a great many cases. The people who build the lines are a majority of the residents of the district and they charge outsiders for the use of the line such as commercial travellers—they charge them perhaps 20 cents.

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Q. What do you figure on the cost of building a mile of line, an ordinary line in the country?—A. It depends on the character of the place and the kind of line.

Q. An ordinary line, a farmer's line?—A. Poles of spruce or cedar.

Q. Cedar?—A. That would again depend on the location. Our country is very rocky in some parts. In some parts we have to pay $2 or $3 in railway freights if it is anywhere out of the radius of the Intercolonial. We can get the Intercolonial to bring a carload of poles for $40 or $45, while over the Dominion Atlantic Railway, or the South Shore Railway it might cost $90. We are subject to very severe storms, such as sleet storms, and we have, therefore, to build exceptionally strong lines in that country. I would say that a mile of farmer's line would cost approximately $150 to $200, depending entirely on the location where it is built. The poles would cost $1.25 each, and the freight would be from 80 cents to $1.50 per pole.

Q. What standard pole do you have?—A. 25 foot pole.

Q. What size at the top?—A. 7 inches.

Q. That is a splendid pole?—A. Of course, if it is a line only to carry two wires, we would not need so large a pole, but our experience is that it pays to build right to start with.

By Mr. Maclean:

Q. Some of these lines built by the farmers themselves cost less than $50 a mile?—A. Yes, they do not figure on the cost of the poles. They cut them from their own farms.

By Mr. Boyce:

Q. You make connection with independent rural lines?—A. What do you mean by independent?

Q. Independent of your company?—A. Yes.

Q. What condition do you require before connecting with these companies, and do you stipulate as to the manner in which it is maintained before you give a connection with that line?—A. In some cases it is incorporated in the agreement. In other cases there is a distinct understanding that the line has to be built properly and maintained efficiently.

Q. If the company or association of farmers have built a line in the rural districts and apply to you for connection, what provision have you to make with regard to connection in order to satisfy yourselves that it is such a system as you can give connection to?—A. We usually go over it, and see what it is like.

Q. On what do you have to be satisfied?—A. We want to see that they have an efficient instrument. You see, if a farmer's line of poor character is connected with our system, and a man on our system find it impossible to talk over that, he blames us.

Q. These are the points. What are the essential points which you consider before you make connection with a system?—A. It is necessary that the instruments shall be of the same standard as we use ourselves.

Q. Standard?—A. Standard with regard to the instrument, method of operating and everything else.

Q. Any provisions with reference to the wires?—A. We have never had occasion to deal with a company that has already been in existence. We have always been able to supply them with their supplies ourselves. We give them to them at cost in order to see that they put in the right kind of stock.

Q. You have had no experience with an independent line applying for connection?—A. Except one or two. They had already bought their materials from us.

Q. Would the wiring of a rural system be a matter of importance?—A. Oh, no, as long as it is properly done.

Q. I mean any wires?—A. If they used a poor quality of iron wire they would not get as good service as if they used as good quality.

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Q. And the question would be of the efficiency of the instruments themselves?—A. The efficiency of the instruments and the way in which the line is kept up. Some will let wires go down, and leave them there two or three days unless you force them to do something.

Q. What is your arrangements with regard to maintaining switches?—A. We usually do the switching. It depends upon the locality.

Q. It is a matter of agreement?—A. It is a matter of mutual agreement.

By Mr. Miller:

Q. Just one statement that did not seem to agree, that is where you state that in small towns where you had a service of less than 30 subscribers you find business to be unprofitable at $15 a year. You find that to be a fact?—A. Yes, I will give you an instance. Take the case of Shubenacadie, where we have 16 telephones. We charge $15 a year. Our average rental is $12.37. That comes out by the fact that some of these telephones are only in for part of the year. Our average expense was $18.93, so that there is a distinct loss of over $6 per telephone.

Q. In a town of that size, how do you pay your agents? By commission or salary? —A. By salary. They would not take it on commission, because there would not be anything in it. We could operate in that town 50 telephones for practically the same money. That is why it does not pay.

Q. If it was possible to pay by commission rather than salary it might be made profitable?—A. It could hardly be made profitable because it is practically 20 miles away from any place where we keep a man, and we would have to send a man there in case there was anything wrong. There would be a great expense in sending a man there two or three times a month to fix things up. In a farmer's line, if the telephone is out of order for two or three days they will fix it up themselves, but if we were running it, they would demand a better service and we would have to do it the right way.

By Mr. Boyce:

Q. How often have you had to renew your system? I understand it was built 18 years ago?—A. It has been renewed about four times in the last 18 years.

Q. That is, renewed thoroughly?—A. Yes, we started first of all with the Law system. That was thrown out. We put in the Gilleland system. That was superceded by the Standard, and to-day we have the Central Energy, but they say that will be superceded by the Automatic.

Q. You have to allow a considerable amount for depreciation?—A. Yes, it is very high.

Q. Have you any figures which will show the cost of these alterations and renewals?—A. We figure about ten per cent per annum.

Q. Depreciation?—A. Yes, we always keep that out to cover it.

Q. After an existence for how many years?—A. I do not understand.

Q. You have been operating how long?—A. Seventeen or eighteen years.

By Mr. Maclean:

Q. Have you any trouble collecting the balance from the local companies?—A. No, we collect from the head office of each company.

Q. You get the money?—A. As a matter of fact there is very little money exchanged, we owe them a balance, and they owe us a balance.

Q. Here is a question which you may not care to answer. How many deadhead telephones has your company?—A. I cannot tell you that.

Q. Have you a thousand?—A. No.

Q. Have you 500?—A. No.

Q. Have you 100?—A. We have not 50. We have a number put in employees' houses and sometimes we give charitable institutions such as the Y.M.C.A. or hospitals free telephones.

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Q. Have you a deadhead list?—A. No.

By Mr. Roche :

Q. What instruments did you say you used ?—A. Mostly those manufactured by the Northern Electric Company.

Q. In Canada?—A. Yes, some of them are American.

Q. What do they cost ?—A. Anything from $7.50 to $25, according to the type. There are a great many different types of telephones.

Q. Have you a uniform instrument that you insist upon the indepndent companies using ?—A. It depends entirely on their line. If they are going to have five telephones they can use cheaper 'phones than the line which has 15 telephones.

Q. But of similar manufacture ?—A. Similar manufacture or similar type. Of course an instrument on a line where it will have to ring 15 or 20 telephones, will cost more than where there are five. It takes a more powerful bell.

Q. The other material ?—A. The wire, and transmitter will be the same.

Q. Are they manufactured in Canada ?—A. Mostly.

Q. Have the Bell Company any stock in the connecting lines that you have mentioned ?—A. No, unless the New Brunswick Telephone Company.

Q. In the Nova Scotia companies ?—A. No, in none of these.

By Mr. Johnston:

Q. Have you any arrangement with the Dominion Atlantic Railway ? Do they use your telephone?—A. The Dominion Atlantic is not in our territory.

Q. At Windsor?—A. They have one of our telephones at Windsor. They have one in their freight shed and ticket office at Halifax.

Q. And one at Windsor Junction ?—A. No.

Q. Have they ever made application to you for installation of one of your telephones in their station at Windsor or Windsor Junction, or any intervening station ?—A. I am not sure about the one at Windsor, whether they pay or whether we give it for nothing. They pay for those they have in Halifax. The one in Windsor may be free, I am not sure.

Q. You are not aware that any applications have been made by any stations between Windsor and Windsor Junction ?—A. There have been applications to me—about a week ago there was an application from a man living at Windsor Junction.

Q. Have you made any efforts to furnish them ?—A. No, of course our lines don't go near Windsor Junction.

Q. Do you run your line along the Intercolonial ?—A. No, along the post roads.

Q. At what points on the Intercolonial do you touch?—A. Do you mean where we go ?

Q. Do you give a telephone service along the Intercolonial ?—A. Practically all the way which is in our territory from Amherst to Halifax and Mulgrave.

Q. Do you furnish the Intercolonial with free telephones ?—A. In some cases, in small towns where the railway has no business of their own for a telephone we give it, but in the larger towns where they require a telephone for their own business they usually pay for it. In some cases they have half a dozen. In Halifax they have a large number.

Q. In a number of cases employees of the Intercolonial object to the installation of the telephone.—A. In some cases.

Q. For what reason ?—A. They claim they have more work than they can do without answering a telephone.

Q. Would you feel like giving the committee any particular instance ?—A. I would not care to do that. One particular case I had in mind, the agent has been removed to some other place and the new agent has not made the same objection towards placing a telephone there, but they do not give it the attention that they might. But I would rather not cite an instance.

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APPENDIX No. 1

Q. Have you brought it to the attention of the Intercolonial that some of their employees objected to the installation of a telephone ?—A. It has been, yes.

Q. To whose attention have you brought it ?—A. To Mr. Jarvis, at Truro.

Q. How long since ?—A. It is possibly a year or a year and a half.

Q. You have not brought it to the attention of the General Manager, Mr. Pottinger ?—A. No, in one case we had great difficulty in getting permission from the railway to put a telephone in at all. That is at Maccan. There is a coal company there, I forget the name of it. David Mitchell is the manager. He got a telephone from us and he said that we should have a telephone in the railway station. His mine is some three miles away, and he found it necessary for business reasons to be connected with the railway. We applied to the railway for permission and it was refused, and it was several months before Mr. Mitchell himself was finally able to work the oracle and we could get one put in.

Q. How long ago ?—A. About a year ago.

Q. Were they assigning any reason far refusing to let you install a telephone ?—A. No, Mr. Scott wrote me, that he could not allow the telephone to be placed.

Q. Who is Mr. Scott, the electrician ?—A. Yes, we have to make application to him. He submitted the matter, I presume, to his superiors.

Q. Were you offering a free telephone ?—A. Yes.

Q. That is extraordinary ? You have not gone to anybody about it ?—A. Of course, that telephone is in now. We went to Mr. Scott and he told me it was not any use pressing the matter and we then dropped it.

Q. You have not at any time consulted with the general manager of the Intercolonial as to his policy on the question of telephones ?—A. No, there have been only two or three places where we had any difficulty and the influence of the local residents had sufficient power.

Q. Is the Halifax and South-Western in your district ?—A. Yes, as far as Bridgewater.

Q. Using your telephone ?—A. Yes.

Q. On the same basis as the Intercolonial ?—A. Yes, paying for them.

Q. How do you regulate your rates ? Has your company a free hand as to the rates you shall charge ?—A. No, the rates are under control of the government.

Q. To what extent does the government control the rates——

By the Chairman :

Q. What government is that ?—A. The local government of Nova Scotia. They passed an Act some two years ago in which every company was compelled to file a copy of its rates for the approval of the Governor in Council, and we are not permitted to make any changes without their consent. These rates have been submitted and approved.

(Schedule produced and filed as Exhibit No. 69.)

Exhibit No. 69.

April 24, 1903.

SIR,—I am directed to inform you that the schedule of tolls, &c., of the Nova Scotia Telephone Company, Ltd., filed in this office on the 14th inst., has been approved by the Governor in Council. I inclose herewith copy of the schedule with certificate of approval thereon.

I am,

Your obedient servant,

FRED. F. MATHERS,
Deputy Secretary.

J. A. WINFIELD, Esq.,
Manager N. S. Tel. Co.,
Halifax, N.S.

Mr. J. H. WINFIELD.

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THE NOVA SCOTIA TELEPHONE COMPANY, LTD.,
HEAD OFFICE, HALIFAX, N.S., April 11, 1903.

To His Honour
The Lieutenant Governor in Council.

In accordance with the provisions of Bill No. 258, entitled: 'An Act relating to Telephone Tolls,' we beg to submit for your approval the following schedule of tolls, rates, and charges for telephone services, as furnished by this company.

Local Service.

Exchange.	Equipment.	Annual Rental.	
		Business Telephone.	Residence Telephone.
Local Service.		$ cts.	$ cts.
City of Halifax and Dartmouth	Long distance instrument, metalic circuit, relay system	45 00	32 00
" "	Existing Blake instruments	40 00	25 00
Towns under 50 subscribers	Blake instrument, grounded circuit, magneto system	20 00	15 00
Towns over 50 and under 250 subscribers	" " "	25 00	20 00
	For instruments installed after Nov. 1, 1902	25 00	20 00
Old Rates.			
Amherst		20 00	15 00
Pictou		20 00	15 00
Truro		25 00	15 00
Towns over 250 and under 500 subscribers		30 00	25 00

All the above rates are for instruments located within one mile of the exchange, subscribers beyond the one mile radius to pay an extra annual rental of $10 per mile for grounded circuits and $18 per mile for metallic circuits.

Long-distance instruments when required in place of Blake instruments, to be $5 per annum additional.

Long-distance Service.

The rates for long-distance messages shall be 40 cents per 100 miles, with a minimum charge of 25 cents for five minutes conversation, and shall be arranged in 5-cent increases as per the following table:—

Up to 50 miles	25 cents.
51 to 66 "	30 "
67 to 83 "	35 "
84 to 100 "	40 "
101 to 112 "	45 "
113 to 125 "	50 "
126 to 138 "	55 "
139 to 150 "	60 "
151 to 162 "	65 "
163 to 175 "	70 "
176 to 188 "	75 "
189 to 200 "	80 "

It is understood that the distance shall be calculated on the length of the telephone line between any two points and not by an air-line.

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APPENDIX No. 1

In cases of special difficulty and expense of construction such as sub-marine cables, &c., then the company shall be entitled to a proportionately extra charge for messages over that part of the line.

All of which is respectfully submitted.

THE NOVA SCOTIA TELEPHONE CO., LTD.
B. W. CHIPMAN,
President.

The foregoing schedule was approved by the Governor in Council on April 14, A.D. 1903.

F. F. MATHERS,
Clerk of the Executive Council.

By Mr. Johnston :

Q. That is two years ago ?—A. Yes.

Q. This is a statement of your rates, submitted to the Governor in Council ?—A. Yes.

Q. Have these been approved ?—A. Yes.

Q. Has any objection been taken by any community in which you operate to the schedule of tolls which the Governor in Council has approved ?—A. No.

Q. It has been regarded as satisfactory ?—A. Satisfactory.

By Mr. Maclean :

Q. Is there an appeal from time to time ?—A. The government has power if at any time any person thinks the rates are unsatisfactory and makes a protest to call a public hearing. If we want to raise the rates they also call a public hearing to discuss the matter.

By Mr. Johnston :

Q. These rates are subject to revision from time to time ?—A. So we understand it.

Q. Any community quarrelling with the rates you charge has the right of appeal to the Governor in Council ?—A. Yes.

Q. That applies to all the companies ?—A. Yes, every company in Nova Scotia. These rates were originally submitted and in one case we applied for an increase of rates and got it, the case of New Glasgow where we installed a common battery and relay system. We asked for an increase of $5 and had a public hearing. The Board of Trade and all the merchants of the town were down, and after the thing had been explained they were satisfied to pay it, and the government granted the increase.

Q. Do you mean to say that the people of New Glasgow agreed to it ?—A. Yes, and after the new system was installed the people expressed themselves as quite satisfied with the rates.

By the Chairman :

Q. You were asked to bring some papers here. Have you brought them ?—A. Yes.

Q. What have you brought ? I do not know what part they play in this inquiry, but if we get them we will have them read and if necessary we will publish them on the records.—A. These are copies of agreements with other telephone companies with which we connect (documents produced). We have some agreements which have practically lapsed, become obsolete and never renewed, but the thing is running on under a verbal arrangement. I have not brought them. Then there is a schedule of the rates and charges.

Q. This we have here.—A. Then the financial statement.

Q. This financial statement which you have given us is the statement for the year ending 1903.—A. For the year ending 31st January, 1904. The last statement has not been audited yet.

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Q. That shows assets and liabilities to the 31st of January, 1904. That must be for the financial year ?—A. For the financial year ending 31st of January, 1904. Here is the statement for the previous year, and for the year 1904. (Documents filed and marked Exhibits No. 70 and 71, as follow):—

Exhibit No. 70.

THE NOVA SCOTIA TELEPHONE COMPANY, LIMITED.

ASSETS AND LIABILITIES, JANUARY 31, 1903.

Assets.		
Exchanges and plant	$360,859 27	
Stores	22,971 31	
Stock in other companies	97,530 00	
Real estate, buildings, &c	16,353 73	
Amounts due company	5,577 35	
Due by agencies, including Halifax	8,521 41	
Cash in hand and bank	25,674 40	
		$537,487 47
Liabilities.		
Capital stock	$417,467 00	
Bills payable	354 15	
Sundry amounts due	24,614 98	
Dividend No. 33 payable February 2, 1903.	6,262 01	
Unearned rental reserve	12,400 00	
Insurance reserve	10,000 00	
Accident reserve	10,000 00	
Contingent and depreciation	49,090 76	
Profit and loss	7,298 57	
		$537,487 47

Audited and found correct.

R. A. MACINTYRE,
C.A.
Auditor.

PROFIT AND LOSS, JANUARY 31, 1903.

1902. Cr.		
February 1.—By balance	$26,763 10	
1903.		
January 31.—By net earnings	31,844 06	
		$58,607 16
1903. Dr.		
January 31.—To dividend No 30, paid June 1, 1902	$ 4,500 00	
To dividend No. 31, paid September 1, 1902	4,500 00	
To dividend No. 32, paid November 1, 1902	5,681 23	
To dividend No. 33, payable February 2, 1903	6,262 01	
To contingent and depreciation	17,695 35	
To unearned rental reserve	12,400 00	
		$51,308 59
1903.		
January 31.—By balance carried forward		$ 7,298 57

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APPENDIX No. 1

Exhibit No. 71.

THE NOVA SCOTIA TELEPHONE COMPANY, LIMITED.

1903-4.

The directors have much pleasure in submitting herewith their Seventeenth Annual Report together with the regular audited financial statement for the year ending January 31 last.

The year has been one of large growth, with a corresponding satisfactory increase in revenue.

Two hundred and ninety-one new subscribers have been added during the year, making the total number of instruments in use 3,260.

Five hundred and one miles of wire and 46 miles of poles have been added to the long-distance system.

The long-distance lines now owned and operated by this company comprise 2,246 miles of wire on 700 miles of poles.

In addition to this, 90 miles of poles have been rebuilt and strengthened to carry additional wires, and 34 miles of spruce pole line have been replaced by cedar poles.

It was deemed advisable to extend the underground system in Halifax by adding 3,421 feet of conduit, comprising 31,643 feet of duct; 9,187 feet of cable were pulled in containing 561 miles of wire.

All of which is respectfuly submitted.

B. W. CHIPMAN,
President.

HALIFAX, N.S.,
June 16, 1904.

THE NOVA SCOTIA TELEPHONE COMPANY, LIMITED.

ASSETS AND LIABILITIES, JANUARY 31, 1904.

Assets.

Exchanges and plant	$ 410,927 31	
Stores	20,142 86	
Stock in other companies	122,530 00	
Real estate, buildings, &c	19,184 40	
Amounts due company	9,106 63	
Due by agencies, including Halifax	11,739 50	
		$ 593,630 70

Liabilities.

Capital stock	$ 447,650 00	
Bills payable	13,370 79	
Sundry amounts due	6,321 14	
Dividend No. 37, payable Feb. 1, 1904	6,714 75	
Unearned rental reserve	16,400 00	
Insurance reserve	10,000 00	
Accident reserve	10,000 00	
Contingent and depreciation	73,448 95	
Profit and loss	9,725 07	
		$ 593,630 70

Correct.

R. A. MACINTYRE, C.A.,
Auditor.

Mr. J. H. WINFIELD.

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PROFIT AND LOSS ACCOUNT.

Cr.

Feb. 1, 1903, by balance brought forward	$ 7,298 57	
Jan. 31, 1904, by net earnings	38,578 28	
		$ 45,876 85

Dr.

May 1, 1903, to dividend No. 34	$ 6,262 01	
Aug. 1, 1903, to dividend No. 35	6,537 80	
Nov. 1, 1903, to dividend No. 36	6,637 22	
Jan. 31, 1904, to dividend No. 37, payable Feb. 1, 1904	6,714 75	
Jan. 31, 1904, to transferred to contingent and depreciation	10,000 00	
		$ 36,151 78
By balance carried forward		$ 9,725 07

Here is a memorandum of the long-distance lines:—

Exhibit No. 72.

MEMO. OF LONG-DISTANCE LINES OF THE N. S. TELEPHONE CO., LTD.

The long-distance lines of this company comprise 704 miles of poles, 2,450 miles of wire (the average cost per mile of wire is $72).

The expense per mile of wire last year was	$12 83
The revenue per mile of wire last year was	12 62

The long-distance rates are on a mileage basis of 40 cents per 100 miles, with special low night rates.

As over 90 per cent of the long-distance lines are 'metalic' these figures will require to be doubled in order to arrive at the cost, &c., per 'circuit mile' as below.

Estimated expense per circuit mile	$25.66
Revenue per circuit mile	25.24
Loss per circuit mile	.42

Then there is a map showing our long-distance lines and connections.

Map filed and marked Exhibit No. 73.

By Mr. Maclean:

Q. Have you a list of the shareholders of the company?—A. Yes, sir.

List filed and marked Exhibit No. 74.

I have also copies of agreements with other telephone companies with which we connect.

The CHAIRMAN.—These agreements might be filed and a summary thereof made and marked as Exhibit No. 75.

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APPENDIX No. 1

Exhibit No. 75.

Summary of agreements entered into by the Nova Scotia Telephone Company, Limited, with a number of telephone companies operating throughout Nova Scotia, embodying the details of a working agreement for the exchange of telephone connections.

No. 1. Between the Hammonds Plains Telephone Company and the Nova Scotia Telephone Company, dated May 23, 1902, for a term of three years.

The companies agree to receive, transmit and deliver the messages of the subscribers of their respective companies. The charge to and from Halifax being ten (10) cents and beyond Halifax the tariff of the Nova Scotia Telephone Company in addition thereto.

Neither parties are to compete with each other within the territory now occupied by them respectively nor shall they make connections with any telephone company or corporation operating in competition with the Nova Scotia Telephone Company or the Hammonds Plains Company. The Nova Scotia Company to have the first option of purchase of the Hammonds Plains Company. The Hammonds Plains Company shall not purchase or use any instruments or apparatus but the standard 'Bell,' these to be purchased from the Nova Scotia Company.

No. 2. Between the Union Furniture and Merchandise Company of Bass River, N.S., and the Nova Scotia Telephone Company, dated June 1, 1902, for a term of three years.

The companies agree to receive, transmit and deliver the messages of the subscribers of their respective lines. The charge to and from the Union Furniture and Merchandise Company's lines shall be ten cents, except to Great Village which shall be fifteen cents and beyond Truro the tariff rates of the Nova Scotia Telephone Company in addition thereto. The Nova Scotia Company to pay the Union Furniture and Merchandise Company Fifteen dollars ($15) per annum for the free use of their lines for the Nova Scotia Company's subscribers at Great Village exchange, non-subscribers at that exchange to pay fifteen cents per conversation to be handed over to the Union Furniture Company. The Union Furniture Company shall pay the Nova Scotia Telephone Company $15 per annum for connection to switch-board and switching at Great Village. The Union Furniture Company shall remove all instruments in the Nova Scotia Company's territory and shall not place any others without the consent of the former.

Neither parties are to compete with each other within the territory now occupied by them respectively nor shall they make connections with any telephone company or corporation operating in competition with the Nova Scotia Telephone Company or the Union Furniture Company, the Nova Scotia Company to have the first option of purchase of the Union Furniture and Merchandise Company.

The Union Furniture and Merchandise Company shall not purchase or use any instruments or apparatus but the standard 'Bell,' these to be purchased from the Nova Scotia Company.

No. 3. Between the Economy and Five Islands Telephone Company of Bass River and the Nova Scotia Telephone Company, dated June 1, 1902, for a term of three years.

The companies agree to receive, transmit and deliver the messages of the subscribers of their respective companies. The charge to and from the Economy and Five Islands Telephone Company's lines shall be 20 cents except to Great Village which shall be 25 cents. The Nova Scotia Company to charge ten cents on all messages to Truro and intermediate points, beyond Truro the tariff rates of the Nova Scotia Telephone Company in addition thereto. The Economy and Five Islands Telephone Company to pay the Nova Scotia Company ten dollars per annum for connection to switch-board and switching at Great Village.

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Neither parties shall compete with each other within the territory now occupied by them respectively nor shall they make connections with any telephone company or corporation operating in competition with the Nova Scotia Telephone Company or the Economy and Five Islands Telephone Company. The Nova Scotia Telephone Company to have the first option of purchase of the Economy and Five Islands Telephone Company. The Economy and Five Islands Telephone Company shall not purchase or use any instruments or apparatus but the standard 'Bell,' these to be purchased from the Nova Scotia Company.

No. 4. Between the District Five Telephone Company and the Nova Scotia Telephone Company, dated March 22, 1905, terminable on one year's notice. The District Company shall purchase the telephone plant now owned by the Nova Scotia Company, carried on District Company's poles, twelve miles, in all, and pay therefore one hundred and forty-five dollars ($145), the Nova Scotia Telephone Company to supply and maintain either Byng or Blake bridging and telephones at a rental of $15 per annum to members of the District Company, the latter company to provide and maintain the lines. Long-distance transmitters charged $5 per annum additional. The Nova Scotia Company shall hand over to the District Company (less the agent's commission of 20 per cent) fifteen cents per conversation from parties in the River Hebert exchange. The Nova Scotia Company's subscribers to have the option to pay the District Company a flat rental of five dollars for residence and seven dollars and fifty cents for business instruments, (less the agents commission of 20 per cent) in lieu of the aforesaid tolls. The District Company to charge ten cents on all long-distance messages over their lines to non-subscribers, to be collected by the Nova Scotia Company's agents for 20 per cent commission. The District Company shall not extend their line beyond Polling District No. 5 or connect with any other line or company without the consent of the Nova Scotia Company.

No. 5. Between the New Ross Telephone Company and the Nova Scotia Telephone Company, dated December 1, 1904, for a term of three years.

The companies agree to receive, transmit and deliver the messages of the subscribers of their respective companies.

The charge between the New Ross Company's lines and Chester Basin shall be 20 cents, to go to the New Ross Company. Between the New Ross Company and the Chester Basin Exchange (excepting Chester town, 25 cents), 20 cents., 5 cents of which goes to the Nova Scotia Company. Between the New Ross Company and any other point, 15 cents, plus the Nova Scotia Company's rates from Chester Basin, of which the New Ross Company takes 15 cents. The New Ross Company to pay the Nova Scotia Company five dollars $(5.00) per annum for each instrument connected with their line.

Neither parties are to compete with each other within the territory now occupied by them respectively nor shall they make connections with any telephone company or corporation operating in competition with the Nova Scotia Telephone Company or the New Ross Company. The Nova Scotia Company to have the first option of purchase of the New Ross Company. The New Ross Company shall not purchase or use any instruments or apparatus but the standard 'Bell,' these to be purchased from the Nova Scotia Company.

No. 6. Between the Valley Telephone Company and the Nova Scotia Telephone Company, dated September 21st, 1902, for a term of three years.

The companies agree to receive, transmit and deliver the messages of the subscribers of their respective companies.

The Nova Scotia Company to charge the same rates as to its Windsor subscribers less 5 cents, making the rate from Hantsport to Windsor 10 cents, Hantsport to Halifax, 20 cents. The Valley Company to charge to and from Berwick and points east thereof, 15 cents; points west thereof, 20 cents.

Mr. J. H. WINFIELD.

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APPENDIX No. 1

Neither parties are to compete with each other within the territory now occupied by them respectively, nor shall they make connections with any telephone company or corporation operating in competition with the Nova Scotia Telephone Company or the Valley Telephone Company.

No. 7. Between S. P. Borden, Secretary, Wallace Bay Line, and the Nova Scotia Telephone Company, dated December 3, 1902, for a period of five years.

The Nova Scotia Company agrees to connect with the Wallace Bay Line, provide switching apparatus and do switching for $5 per annum. All telephones on Wallace Bay Line and within one mile of Pugwash shall be removed and no instruments placed within these limits or any extension made to any point covered by the lines of the Nova Scotia Telephone Company or connections made with any other line (Fox Harbour Line excepted), the telephones in residences of Messrs. Mitchell, Ross, Tuttle and Brown to remain, but same shall not be transferred to other parties nor shall any more instruments be placed between these points. Ten cents shall be charged on all long-distance messages going to or from Wallace Bay Line, which money shall be paid to the owners of the Wallace Bay Line.

No. 8. Between H. F. Elliott, Secretary, Gulf Shore Line, and the Nova Scotia Telephone Company, dated December 3, 1902, for a period of five years.

The Companies agree to receive, transmit and deliver the messages of the subscribers of their respective companies.

The Nova Scotia Company agrees to connect with the Gulf Shore Line, provide switching apparatus and do switching for $5 per annum. All telephones on Gulf Shore Line in and within one mile of Pugwash shall be removed, and no instruments placed within these limits or any extension made to any point covered by the lines of the Nova Scotia Company or connections made with any other lines. Ten cents shall be charged on all long-distance messages going to or from the Gulf Shore Line, which money shall be paid to the Gulf Shore Line.

No. 9. Between the Conn's Mills Telephone Line and the Nova Scotia Telephone Company, dated December 3, 1903, for a period of five years.

The companies agree to receive, transmit and deliver the messages of the subscribers of their respective companies.

The Nova Scotia Company agrees to connect with the Conn's Mills Telephone Line, provide switching apparatus and do switching for $5 per annum. All telephones on Conn's Mills Telephone Line in and within one mile of Pugwash shall be removed and no instruments placed within these limits or any extension made to any point covered by the lines of the Nova Scotia Company or connection made with any other lines. Ten cents shall be charged on all long-distance messages going to or from Conn's Mills Telephone Line, which money shall be paid to the Conn's Mills Telephone Line.

By the Chairman:

Q. I would like to ask whether the companies with which you have working agreements are free to purchase their instruments in the open market?—A. No, the agreements in most cases require them to purchase from us.

Q. Why is that?—A. Simply to protect them against themselves.

Q. Do you manufacture instruments yourselves?—A. No, we purchase them.

Q. From whom?—A. From the Bell Telephone Company, the Kellog Telephone Company——

Q. Are you free to purchase where you like?—A. Yes.

Q. In the open market?—A. Yes, we buy the best instruments anywhere we can get them for the particular purpose for which they are to be used, and we sell to these other companies at cost, simply to induce them to put in the right kind of apparatus.

Witness discharged.

Mr. J. H. WINFIELD.

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Mr. J. HEBER YOUNG, St. Joseph's Island, called and sworn.

By Mr. Boyce:

Q. You are interested in the telephone system in St. Joseph's Island?—A. Yes.

Q. St. Joseph's Island is in Lake Huron?—A. Yes.

Q. What distance is it between the island and the north shore, that is the north shore of Lake Huron?—A. At the point where our island is connected by submarine cable it is 1⅛ miles.

Q. When did you first have telephone connection with mainland?—A. In the summer of 1899.

Q. Just detail to the committee the circumstances under which you first obtained telephone communication with the mainland?—A. Well, we of course felt that we were cut off from the mainland and from telegraphic communication and it was a question that we were talking about several years before that. Eventually Mr. McLennan a man living at McLennan, on the north shore, built a section of line 10 miles in length opposite to where I live, and connecting with the Canadian Pacific Railway telegraph office at Desbarats station. He installed that system and we spoke to him about giving us a connection with that line, and eventually the government, I believe, gave a cable to somebody, I do not know who, but it was there anyway.

Q. Was that the Dominion government?—A. The Dominion government, I think it was. That gave us a connection. He asked our townships to give him a bonus of $200 and to find the poles.

Q. One moment, the giving of that cable gave you connection with what?—A. With the Canadian Pacific Railway telegraph system and with other points on the north shore.

Q. Previous to that you had no connection with the telegraph system?—A. None whatever. Mr. McLennan asked our township. St. Joseph's, and the neighbouring township of Hilton to give a bonus of $200 and to find the poles for about 20 miles of line.

Q. When did you first get this cable laid?—A. In the summer of '99.

Q. That was a private enterprise assisted by the interested people on the island?—A. Yes.

Q. What offices did you have upon it on the island?—A. One at Richard's Landing, one at Hilton, one at Kentvale, and one at Sailor's Encampment.

Q. There was no farmer's telephone on this island?—A. No.

Q. What were the rates?—A. Ten cents to any point where the telephone reached. and nothing at all for telegraphs, we send them free of charge.

Q. If you wanted to send a telegram from the Canadian Pacific Railway on the main shore you would telephone that free of charge?—A. Yes.

Q. Was that system satisfactory?—A. As far as it went.

Q. When was your system of farmers' telephones established?—A. Two years afterwards, in 1901.

Q. You constructed it two years after Mr. McLennan's system was instituted?—A. Yes.

Q. How was that constructed?—A. By the co-operation of the farmers and business men. Each contributed his share of the cost of the line.

Q. What length was the first line built?—A. It was nine miles long.

Q. You were one of the promoters of it?—A. Yes.

Q. Have you any memoranda or data with regard to the cost of that line?—A. Yes.

Q. Just tell us what the cost was per mile.—A. The total cost—will I give you that first?

Q. The total cost of the first section of nine miles.—A. The total cost of the first section of nine miles was $217.80, or $24.20 per mile. I can give you the details if you wish.

Q. Yes?—A. Twenty-eight poles, 25 feet long, 5 inches at the top end, at 40 cents

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laid down, peeled cedar polls, $11.20; 150 pounds of soft galvanized iron wire, at 3¼ cents, $4.87.

Q. That was single wire ?—A. Yes.

Q. What number ?—A. No. 12 gauge. Twenty-eight insulators and oak brackets at 4 cents, $1.12; cost of construction, $7. The cost of construction in this case does not give you a fair idea of the real cost, because it was done by contract and the contractor has never done it for $7 since, he has charged $12 for the other sections that he has built.

Q. Twelve dollars per mile ?—A. Yes, $12 per mile.

Q. What instruments do you use ?—A. The instruments of the Chicago Supply Company, Elkhart, Indiana.

Q. What did those instruments cost ?—A. They cost f.o.b. at Elkhart, $11.50, and the duty and freight which brings it up to between $15 and $16.

Q. What assessment was made on the farmers originally, those who wished to come into this system ?—A. $7.25 for our section.

Q. That is the first section of 9 miles ?—A. Yes.

Q. That paid for everything except the telephone instruments ?—A. Yes.

Q. Each man bought his own telephone ?—A. Yes, and had it installed, and still owns it.

Q. In addition to that, was there any yearly charge ?—A. After the other sections were built there was a charge for the switching connection.

Q. Was that the only assessment made upon the farmers interested ?—A. On our section we have never made an assessment for maintenance, but in some of the other sections that go through a lot of timber, where trees would fall across the wires, they have to make a small assessment to provide for the repairs.

Q. How much per annum is that assessment ?—A. Fifty cents was the last one that was made.

Q. The original cost to each man, including his telephone, was how much?—A. $40.20.

Q. That is to each farmer?—A. To each subscriber owning his telephone, who bought his telephone and contributed his share of the cost of the line, the total cost to him was $40.20.

Q. And in addition to that he had to pay an annual assessment for switching ?—A. Yes, sir.

Q. How much of this line have you now ?—A. Forty-four miles completed and nine miles in course of construction.

Q. You have 44 miles completed and 9 miles in course of construction—how many telephones have you ?—A. Sixty-one.

Q. You have 61 telephones now.—A. There will be 15 more when the new section is completed.

Mr. ZIMMERMAN.—An average of one and a half per mile.

By Mr. Boyce:

Q. How are your repairs effected ?—A. Well, our wire on our section was only broken twice, and the man living nearest to it went out and fixed it up, that is all there was about it, there was no change made.

Q. What do you do in the case of any repairs necessary to instruments ?—A. Anything we are not able to fix ourselves we have a man there who has been so far able to fix them.

Q. What connection did you have at the time the first section of the farmers' telephone was established with the north shore, with McLennan's system ?—A. At Kentvale, we run our line there and Mr. Kent, who keeps the post office and store there had the McLennan system installed and was one of our subscribers and we put in a plug-

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board and extension bell which cost us about $4.50 and Mr. McLennan allowed us to connect with his line.

Q. So that each subscriber had connection with the Canadian Pacific Railway on the mainland?—A. Yes.

Q. And the Bell long-distance line was not then constructed?—A. No.

Q. When did the Bell Company take over that line?—A. In December last the Bell Company took it over.

Q. In December last how many miles of wire had you?—A. Forty-four.

Q. And how many telephones were on your line?—A. Sixty-one.

Q. All of which had through the Kentvale office connection with McLennan's line, and through that connection with the north shore and Canadian Pacific Railway telegraph system?—A. Yes.

Q. What happened then?—A. Now the Bell Telephone Company have it, they will not let us connect our line with theirs. They will do so if, in the first place we became incorporated.

Q. The Bell Telephone Company took over what lines?—A. Mr. McLennan's line.

Q. That is the line extending over to the island?—A. Yes.

Q. And including those offices in which McLennan had established pay stations?—A. Yes, including the whole of McLennan's system.

Q. And they cut off your connection?—A. Yes.

Q. What terms did they seek to impose on you for renewing that arrangement?—A. They said before they would talk business with us at all we must become incorporated; and next we must agree to pay an expert, whom they would provide, to keep our line in thorough repair, so that no fault would be found with their line when people were speaking from outside to points on our line.

Q. Were there any other terms?—A. We had to pay the usual rate, they raised the rates from 10 to 15 cents for connection with the north shore.

Q. So that they imposed conditions upon you and also raised the rates?—A. Yes.

Q. Have you connection now with the telegraph office by telephone?—A. No, no direct connection at all. If we want to get a telegram now we have to ask Mr. Kemp to transfer it verbally from one line to the other.

Q. You have no connection not even with the telegraph office?—A. No, sir

Q. Did you have any protracted negotiations with the Bell Telephone Company on the matter?—A. Oh, no, the local manager just told us, we had no written documentary evidence about it at all, my brother saw Mr. Burrows.

Q. The Bell Telephone Company now has offices at the same places at the McLennan Company had offices?—A. Yes.

Q. They have also trunk lines on the north shore of Lake Superior extending from this line to Sault Ste. Marie and Thessalon?—A. Yes.

Q. In consequence of the Bell Telephone Company taking over the McLennan line you have now no connection with the McLennan line on the north shore?—A. No, sir.

Q. Nor with the Canadian Pacific Railway?—A. No.

Q. Did you consider that the terms imposed by the Bell Telephone Company for connection with their system were unreasonable in any way?—A. We did not like the idea of paying the expert, we did not know just what that would mean, it was uncertain, and it might be more than we could afford.

By Mr. Maclean:

Q. When you said you were given a cable and that cable was carried across from the mainland to the island it ended in the Canadian Pacific Railway station.—A. The cable did not.

Q. Well the connection with it did?—A. Oh, yes the connection did.

Q. And at the end of that connection there was a telephone?—A. Yes.

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Q. So that you had a telephone connection—practically your island telephone was connected with the telephone in the Canadian Pacific Railway station?—A. Yes.

Q. Was that telephone in the Canadian Pacific Railway station ordered out?—A. I do not know, I am not sure.

Q. Can you talk to the Canadian Pacific Railway station now?—A. Oh, no, we cannot because we cannot get a connection with the Bell system at all.

Q. But can you talk with the Canadian Pacific Railway station?—A. I am not sure of that, but I think we can if we can get connection with the Bell system.

Q. No, but you said you had a cable connection with the mainland?—A. Yes.

Q. And that connection terminated in the Canadian Pacific Railway station where there was a telephone?—A. Yes.

Q. You could call up with the telephone?—A. Yes.

Q. Is that telephone there yet?—A. I think it is.

Mr. BOYCE.—But the Bell people have taken it over, and the line leading to it.—A. The Bell forms the connecting link between our station and the Canadian Pacific Railway, and they will not allow us to use their 'phone at all.

By Mr. Lewis:

Q. Who used your line on the island?—A. The sixteen subscribers.

Q. Any one outside of them?—A. Well, yes, other people did sometimes.

Q. Was it used by vessels on the river there in case of trouble or anything of that kind?—A. Yes, if a vessel ran aground or if they wanted a tug or anything of that kind, they used it.

Q. And now they cannot use it?—A. They can use ours, but the message will have to be transferred verbally to the other line in order to be transmitted to Sault Ste. Marie over the Bell line.

By Mr. Maclean:

Q. But the Bell Telephone Company will not terminate their system on a switch where you can put a plug in and connect your line?—A. Unless we comply with those conditions I have mentioned.

Q. Naturally there will be a transfer of business between your line and theirs?—A. I do not quite catch that.

Q. What I mean is you could run your line into the Bell office?—A. We have it there already.

Q. But they will not put in a plug and connect up your line with theirs?—A. No.

Q. The message has to be transmitted verbally?—A. We bought a plug board and have it there, but we are not allowed to use it.

Q. In other words they refused to accept your business?—A. Only on certain terms.

Q. But they will take it with conditions?—A. Yes.

By Mr. Roche:

Q. When McLennan had that system they did not insist upon those conditions?—A. No, they did not.

Q. Is your telephone the only telephone on the island?—A. Yes, and the Bell.

Q. Is there any telegraph system there?—A. No, sir.

Q. It is the only communication you have with the north shore?—A. Yes.

Q. How many stations have the Bell on the island?—A. Four.

Q. The previous rates of 10 cents, do you know whether they raised them, because they were not paying?—A. I do not know what they raised them for, I am not sure. There was considerable business done, I think, I know our line acted as a feeder to the McLennan line and considerable business came to that line in that way.

Q. Did the Bell system desire to impose any conditions with reference to the instruments you should use?—A. No, they did not, they had not said anything about that, the instruments are as good in every respect as any other.

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By Mr. Boyce:

Q. The Bell Telephone Company, when they took over the McLennan system took over the cable that was supplied by the Government, did they?—A. Yes, they did. But I do not know whether it was given to us, to McLennan or who, but at the time it was got it was said to have been given by the Government.

Q. That cable was supplied for the purpose of facilitating communication between the island and the mainland?—A. Yes.

Q. And you cannot get communication by that means now?—A. No.

Q. Could you do so at the time the cable was completed?—A. Yes.

Q. But when the Bell Telephone Company took over the McLennan system you could not get that connection?—A. Except on the conditions which they imposed.

Q. Do you know any reason why—was any reason given to you why you should incorporate?—A. No, I do not think so. They said they would not do business with us at all until we were incorporated.

By the Chairman:

Q. How long has your system been in existence?—A. Four years.

Q. At the present time you have 44 miles under construction and in operation?—A. We have 44 miles finished and 9 miles that are being built.

Q. And there are sixty-one telephones?—A. Yes.

Q. And what is the number of householders on St. Joseph island?—A. What is the number of householders?

Q. Yes, you have 61 telephones there now, in private houses, are they?—A. All nearly, but some are in stores and one or two in hotels.

Q. Where they can be used by the public?—A. Yes, sir.

Q. What are called pay stations and private houses?—A. Well, there are no pay stations, there is no revenue from it.

Q. There are more than the 61 householders who use the 61 telephones?—A. Oh, any one can use it, there is a nominal charge but it is not enforced.

Q. What is the population of the island?—A. About 3,000.

Q. And the average cost has been $40 per 'phone?—A. Yes.

Q. That is the average cost, that does not represent the real cost, does it? It would cost something more if you had to employ a contractor. Has not there been some contribution by men who wanted the 'phone in the way of labour? Did the farmers, for example, put in any work for nothing or supply the poles?—A. We put the poles at 40 cents, and the people can take them out for that, or pay it all in cash. It is optional.

Q. Could a contractor build a line for the figure you have mentioned or could you replace what you have at the present time at $40 per 'phone?—A. I think we could, provided the contractor would take the same price as before, and we could get the telephone material at the same price.

Q. And the cost of the switching to-day is what?—A. We made an assessment of $1 to pay the switching.

Q. What about the maintenance?—A. We had no maintenance at all last year.

Q. That would have to be charged extra to the $1 that goes to the person who does the switching?—A. Yes.

Q. That is very satisfactory, and it is growing?—A. All the time. Nine miles are now being built and several others are on the point of starting on other roads; I think eventually we will take in the whole Island.

Q. Are you manager of it?—A. No, there are five trustees to look after each section.

Q. You are the pioneer promoter?—A. Not more so I think than some of the others.

Q. Is it your opinion that a number of farmers, if they banded together in Ontario, could, by an expenditure of $40 and a yearly expenditure of something less than

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APPENDIX No. 1

By Mr. Maclean :

$5, maintain a satisfactory telephone system ?—A. If they could get the poles and the material at the same cost as we did and the labour at the same rate they could do it. The poles are very easily got with us.

Q. And you think it would be good public policy that all telephone companies should be compelled to exchange business and to remove the disabilities under which you now labour ?—A. I certainly think it would.

By Mr. Boyce :

Q. Did you think that it was an unreasonable suggestion that you should become incorporated ?—A. Well, I do not know, we thought it rather unnecessary; we were getting along all right.

Q. Well, then with regard to the inspectorship, with regard to the appointment of an inspector, what did you consider was the object of that ?—A. Mr. Burrows said it was in order to keep our line in thorough repair so that in case a person from Sault Ste. Marie wanted to talk over it, it would be satisfactory. If it was not right he might think it was owing to the Bell system being out of order and might blame them, when it might really be that our line was out of condition.

Q. Did you think that it was an unreasonable proposition ?—A. No, I did not think that it was, if it did not cost too much.

Q. It was a question of cost ?—A. That the expert inspector might cost us a good deal more than we wanted to pay.

Q. You did not inquire into the cost closely ?—A. No, we did not.

Q. Of course you knew you would have to take some care of your line ?—A. Yes, we knew that all right.

Q. And you did not inquire as to what that cost would be ?—A. No. We thought we could do that ourselves.

Q. If these two conditions had been complied with, then the difficulty would have been got over ?—A. Yes.

Q. But you did not get over it ?—A. No.

Q. Was any alteration made in the McLennan line after the Bell Company took it over ?—A. They altered some boxes on the line and put on new generators and new transmitters. They put on adjustable transmitters and one thing and the other.

Q. There was no improvement in the service ?—A. No, I do not think there was, it was good before.

Q. Was the line to the mainland used more than it was during the McLennan regime?—A. I do not know that, I think the business is increasing all the time.

Q. But that is on account of the increase in business generally ?—A. I think so.

Witness discharged.

WEDNESDAY, May 3rd, 1905.

The Committee met at 11 o'clock, Sir William Mulock in the Chair.

Dr. Ross, of Florenceville, N.B., called and sworn :

By the Chairman :

Q. Dr. Ross, where do you live ?—A. Florenceville, N.B.

Q. In what county ?—A. Carleton county.

Q. Have you any connection with any telephone organizations ?—A. Yes, the Union Telephone Company.

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Q. The Union Telephone Company, when was that established ?—A. In 1902.

Q. Is it a joint stock company ?—A. Yes.

Q. Have you got a financial statement of the company with you ?—A. Yes; our last one (document produced).

Q. What is the extent of your operations, Dr. Ross ?—A. Well, we have a telephone system which is chiefly a rural system, in York, Carleton and Victoria counties.

Q. Describe your rural system, please ?—A. It consists of party lines connected at convenient points by switches, and the greater part of it—well, perhaps more than half of it—are metallic lines, and then there are some single wire or ground lines. We have also an automatic exchange at Woodstock.

Q. How many miles of poles have you with wire on them ?—A. Well, about 350, sir.

Q. What proportion is rural ?—A. Well that would be all rural.

Q. It is all rural ?—A. Yes, I am not giving you the poles in Woodstock, you see.

Q. You are speaking entirely now of the rural system ?—A. Yes.

Q. How many subscribers have you on the rural system ?—A. On the rural system it would be something over 200. We will say 200.

Q. Are they all on party lines or have you any lines for local subscribers ?—A. They would be all on party lines.

Q. On party lines ?—A. Yes.

Q. How many subscribers to one line ?—A. It varies according to the length of the line and according to the prosperity of the locality the line is in, and the desire of the people for a telephone.

Q. Yes ?—A. Some have only 10 or 12 and some 25.

Q. On one wire ?—A. On one wire.

Q. Twenty-five ?—A. Yes.

Q. Can 25 make a convenient use of one wire ?—A. With the proper kind of telephone they can.

Q. They can ?—A. Up to 30.

Q. What kind of telephone does that require ?—A. They are called 'Bridging' telephones, with very powerful generators.

Q. And what is the most you have, the largest number of subscribers on one party line ?—A. Twenty-six.

Q. What is the length of that line ?—A. Well it is 65 miles long, with some spurs. I think, probably, there would be 70 miles of wire.

Q. Seventy miles of wire ?—A. Yes.

Q. Of pole line, do you mean ?—A. Yes, pole line.

Q. Seventy miles of pole line ?—A. Yes.

Q. And 26 subscribers upon that ?—A. Yes.

Q. And all using the line without the assistance of any manual switching ?—A. Yes.

Q. By the use of the automatic system or by signals ?—A. By signals.

Q. It is all done by signals ?—A. Yes.

Q. What was the cost per mile of this 61 miles ?—A. Well, our line has been built by pieces, you know.

Q. Well, instead of asking you that I will ask what would it cost to-day to build that mileage ?—A. I prepared an estimate of that to give you an idea of what we can build lines for in country places in New Brunswick, and I will read that to you or file it.

Q. Well just read it and then file it. This is an estimate of such a line as you have spoken of ?—A. Yes, sir.

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Exhibit 76.

ESTIMATE OF THE COST OF CONSTRUCTING ONE MILE OF TELEPHONE SYSTEM IN COUNTRY PLACES IN NEW BRUNSWICK.

40 poles, cedar, 7 in. at top and 25 feet long, at $1	$40 00
Hauling poles for distribution	6 00
Digging holes, at 40 cents	16 00
Setting poles	30 00
Cross arms, 4-pin arms, at 25 cents each	10 00
Insulators	2 00
Bolts and washers	2 00
Pins	2 00
Two wires, double galvanized iron wire, No. 12	10 00
Putting up wires	10 00
Guys, 2 anchors to each mile	2 00
'Phones installed, at $20, average one 'phone for two miles	10 00
	$140 00

Q. That makes a total of $140 per mile, including the cost of the instruments ?—A. Everything.

Q. Then you say that throughout New Brunswick on the average to-day you could build rural lines at $140 per mile and equip them with telephones ?—A. That is the average.

Q. And they could be worked to the extent of 26 by the signal system ?—A. By signals, yes.

Q. And what would it cost to maintain such a line in a thorough state of repair ?—A. Well, now, there is something—as a new company we knew nothing whatever about the telephone business, and the maintenance is a thing that we are looking into; and I might say that the results of the investigation by this committee is giving us a good deal of information as to what to allow each year for maintenance. We do not know———

Q. You do not know ?—A. No.

Q. You do not offer an opinion that would be of any value ?—A. It is only speculative.

Q. You have not had the experience yet ?—A. Two years would not give very much. I know that some companies say that it is 8 or 10 per cent. Some claim that is too high.

Q. What does it cost these rural subscribers ?—A. These rural subscribers pay $25 a year for business men, and for farmers $15 per year.

Q. Each ?—A. Yes.

By Mr. Maclean:

Q. For what privileges?—A. They have a distance of 65 miles that they talk all they want to.

Q. On their own———A. On their own wire, yes.

Q. Where is your terminal, is it at Woodstock?—A. Oh, well, this line terminates at Andover. I see the meaning of your question. When they commence to pay what do they pay.

Q. They go into the central?—A. Yes.

Q. What have they to pay to get into the central?—A. Right at the central, if it is in a village as it is there, in Andover, we charge them around the village enough to cover the cost of switching ,which is 10 cents. That is what we charge to speak to anyone in the village at Andover. And then a longer line up to say 25 miles we charge them 15 cents where we would charge another person more.

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By Mr. Burrows:

Q. What is the first item on that statement?—A. Forty poles.

Q. You have forty poles to the mile?—A. Yes.

By the Chairman:

Q. I will just ask you a few more questions and then I will finish. Your subscribers on this rural line pay $25 a year. What conveniences do they get for that fee? They have the right to speak over the whole system, have they?—A. No, over this line.

Q. Just over the 60 miles?—A. The 60 odd miles, yes.

Q. And after that they have to pay tolls?—A. After that they have to pay tolls.

Q. And now we will turn to the other branch of your system.—A. Well, this line I might say is hardly a rural system in this way: Tobique is a lumbering country and most of the men on this line are business men.

Q. Yes?—A. And it ends at Depot Camp, above the settlement, above all the settlements. The subscribers on the rural lines which we run are mostly farmers.

Q. That is what we want to get at.—A. A metallic circuit we rent to the farmers for $15, and a single wire circuit for $12.

Q. What mileage of that class have you?—A. Well, it usually takes a line of about 20 miles, along with spurs, bringing it up to anywhere from 30 to 50 miles of wire altogether.

Q. You have 30 miles of wire?—A. 50.

Q. Then you have a sort of trunk line with branch lines into different houses. is that it?—A. No, it would be—we will take two places 'A' and 'B' 20 miles apart. We will say the wire would run say from 'B' to 'A' with one 2 miles off to the right and another one 5 miles to the left. Perhaps off this way it might be 3 miles, and off here might be 8 miles, and that is how we get 50 miles of wire with spurs.

Q. Exactly, with the trunk lines and the spur lines.—A. Well, it is all one practically.

Q. They are all party lines, are they?—A. That would be all one line.

Q. They are all party lines?—A.Yes, all party lines.

Q. And on these 50 miles how many subscribers have you?—A. About the same number. They usually get the lines up pretty equally, twenty to twenty-three.

Q. Twenty to twenty-three subscribers on these 50 odd miles?—A. Yes.

Q. Of rural lines?—A. Yes.

Q. Those are farmer subscribers?—A. Those are farmers' lines.

Q. They pay $15?—A. They pay $15 for a metallic circuit.

Q. And what conveniences do they get?—A. They have just the same as the others, all the people that would be on those lines. They can ring up themselves.

Q. And if they desire to speak to persons who were not subscribers can they do so?—A. They can do so.

Q. Without any extra charge?—A. No, we have a charge at these switching points.

Q. But if a subscriber is calling up a non-subscriber there is a fee?—A. Yes. The rental covers the use they can make of it themselves without bringing anyone else to work for them.

Q. Do you find a demand for it?—A. There are more calls for it than we can attend to.

Q. You find a great demand for it?—A. Oh, a great demand.

Q. Do the farmers desire to speak much beyond the local lines?—A. I do not think the farmers do as much as the business men do.

Q. They require the long-distance lines more.—A. The business men, yes. It is very seldom the farmers would want it. They do not make use of it outside of where they are, but the business men do. The idea of these rural lines is to give the farmers the benefit of their own line.

Q. Then the other branch of your service that is the Woodstock, and in populous

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centres, what is the extent of that ?—A. In Woodstock we have a 'Strowger' automatic exchange.

Q. With how many subscribers ?—A. 113.

Q. 113 ?—A. Yes.

Q. When did you put in this automatic exchange ?—A. The latter part of 1903.

Q. It has been in operation a little over a year ?—A. A little over a year, yes.

Q. And have you had 113 subscribers continuously during that time?—A. No, we started with 60.

Q. Started with 60 ?—A. Yes.

Q. And with the automatic exchange at that time ?—A. We started with 60 subcribers with an automatic exchange.

Q. You have had at least 60 subscribers since you put the automatic exchange in ?—A. We started our exchange with 60 subscribers and 53 have come on since.

Q. Fifty-three since ?—A. Yes.

Q. What has been your experience of the working of the automatic exchange ? Is it a success ?—A. We think it is.

Q. What does it cost to work it? What does it cost to work per day, per month or per year ?—A. I could not tell you that. We have a man there that we pay $500 a year to attend to the automatic department.

Q. To attend to it ?—A. To attend to it.

Q. Every twenty-four hours?—A. Twenty-four hours, yes. He does not have to stay there all the twenty-four hours.

Q. Do you close up the service ?—A. It runs itself, you know.

Q. I see.—A. It is arranged so that it gives an alarm, lights a light, if anything is wrong and he has to go in.

Q. What would it cost to have manual service instead of automatic ?—A. Well, if we had manual service we would have to have this man just the same because he attends to the outside wires, and it would take three operators, to give a twenty-four hours' service.

Q. That would cost how much ?—A. That would be extra. Three operators ? Well, we never hired any and I do not know what they would be paid, but I suppose it would be either $4 or $5 a week.

Q. This is in Woodstock, is it ?—A. Yes.

Q. Does the Bell Telephone Company operate in Woodstock ?—A. The New Brunswick Telephone Company.

Q. Well, that is the same ?—A. It has 190, well, I think, probably 200.

Q. And you have 113 ?—A. Yes.

Q. What do you charge ?—A. $15 a year for business and $10 for residence.

Q. What does the Bell charge ?—A. They charge $10 for business and $5 for residence phones.

Q. Less than you ?—A. They are now.

Q. How do you hold subscribers when you are charging more than they do ?—A. Well, when we went there the New Brunswick Company were charging $15 for these short-distance transmitters—some of you may know—that if a man wanted a long-distance transmitter he had to pay $5 extra which brought the charge up to $20. The people of Woodstock were very anxious for a better system and talked the matter over with us and the question came up about the charges. Supposing the other company would reduce their charges what would we do. We told them we could not do it for less than that, we could not reduce it and would not reduce it. We had considerable talk with the people and we concluded that they would stand by us pretty well, which they did, and we installed the system that they have although the other company brought their charge down to $10 for business 'phones and $5 for residence 'phones and put the long-distance transmitters on practically additional, or for nothing, whatever you have a mind to call it.

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By the Chairman :

Q. Yes ?—A. And they also improved their wire service by putting in, I think, the common return. They made improvements on it any way. I see. The competition stimulated them ?—A. It must have.

Q. Yes ? Have your subscribers long-distance connections, say to Montreal ?—A. I don't think there is any company down there can give it.

Q. No compnay ?—A. No. None that I know of.

Q. What about the New Brunswick company ?—A. They cannot.

Q. They cannot ?—A. No.

Q. Do you interchange with the New Brunswick Company ?—A. No.

Q. You are strangers to each other ?—A. Strangers and aliens.

Q. Aliens ?—Yes.

Q. Not on a peace footing ?—A. Well, we are not quarrelling to-day, but they have never given us fair treatment.

Q. You do not interchange connections ?—A. No.

Q. Would it be better to have one system or two for the public ?—A. For the public ? Well, that depends upon how you could get one system.

Q. If it would work right ?—A. If it would work right, one would be better. If there are five systems the people have to support them.

Q. But there is some disadvantage in the subscriber having only one system ?—A. There is. If one system cannot give them all the places they want.

Q. Yes. Besides Woodstock, in what other centres have you systems ?—A. Well, Woodstock is a small town. There are no other towns in our territory.

Q. No other towns ?—A. Yes.

Q. What is the population of Woodstock ?—A. I think it would be over 5,000.

Q. About how many householders would there be ? About a thousand ?—A. I should think so.

Q. And between the two companies there are about 300 telephones in use now ?—A. Yes, the population would not be so great. I am inclined to think that Woodstock's population may have diminished. Carleton county has not gained in population the last census, perhaps the last two. Our people are going west.

Q. What do you charge ? You gave me your rates for Woodstock. You have brought us the statement here, Dr. Ross, I suppose the statement is correct ?—A. It is our last statement.

Q. It reads as follows:

Exhibit No. 77.

Receipts.

Rentals		$ 3,386 90
Toll lines		2,594 09
Messengers		190 79
Rentals, messages, due collecting		700 00
		$ 6,871 78

Expenses.

Operating expenses	$ 1,460 87	
Messengers	281 64	
Taxes	57 50	
Insurance	30 00	$ 1,830 01
Net revenue for 1904	.....	$ 5,041 77
Less dividend No. 4	$ 1,230 40	
Less dividend No. 5	1,667 64	$ 2,898 04
Surplus spent on improvements to system.	.....	$ 2,143 73

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Q. That is the result of your financial operations for the year ?—A. That we had expended on our system.

Q. Well, yes, that is money spent.—A. Yes, we have not got it.

Q. That you call the capital expenditure ?—A. Yes, I would suppose so.

Q. It is not money spent in mere maintenance ?—A. No.

Q. It is in further development ?—A. Yes.

Q. Have you anything charged here in this statement for maintenance ? You have operating expenses, does that mean maintenance ?—A. I do not know whether that covers maintenance or not. I think that the maintenance would be what we should allow out of this $2,143.

Q. You do not know how much should go to maintenance ?—A. No.

Q. Experience only will show you that ?—A. Yes.

Q. This is the way you turned it out for this purpose ?—A. Yes.

Q. Do you put your instruments in the railway stations ?—A. We have been trying to get them in the Woodstock station.

Q. In the Intercolonial ?—A. No, the Canadian Pacific Railway.

Q. Were you successful ?—A. No, we were not.

Q. Why ?—A. Well, in the first place before we would put our system in we went to the superintendent at the station and talked to him about it, and while he would not rent a telephone he agreed to allow us to put two in without charge. We have his letter allowing us to do so.

Mr. MACLEAN.—Read that, please, Sir William.

By the Chairman:

Q. This is dated April 11, 1903, and is as follows:—

Exhibit No. 78.

"Dr. BROWN,
'Florenceville.

'DEAR SIR,—Referring to our conversation some days since in regard to telephones.

'We now have seven telephones in Woodstock and therefore do not care to subscribe for your instruments, but if you desire for the purpose of extending your business to install instruments in the freight and despatching office free of expense, with the understanding that you will maintain the instruments and not hold us responsible for them in any way and will remove them at any time on ten days' written notice, you may put them in.

'Yours truly,
'D. W. NEWCOMBE,
'Superintendent.'

Q. What followed ?—A. We wrote him saying we would do so, and the reply he sent was this: (Producing letter.)

Q. This is the answer ?—A. We went on to put up our wires and when our men came to wire the station in July we got this letter.

Q. This is the answer to your letter of July ?—A. No.

Q. Then you got this letter from him ? It says:

Exhibit No. 79.

'WOODSTOCK, N.B., July 14, 1903.

D. W. Ross, M.D.,
'Secretary Union Telephone Co., Ltd.,
'Florenceville.

'DEAR SIR,—Your letter of July 3rd just reached me to-day. The offer which I made to Dr. Brown in April will have to remain in abeyance until I again refer this

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matter to our company, as things have changed somewhat during the past three months.

'Yours truly,

D. W. NEWCOMBE,
'Superintendent.'

A. I have not the letter which we sent to him, but it was this way, our men went to wire the station and he told them to stop, and I wrote him referring to this letter which I filed first.

Q. Was that letter to Dr. Brown or to yourself ?—A. I forget—Dr. Brown is our president.

Mr. A. JOHNSTON.—To make the correspondence complete we ought to have the other letters; as a matter of fact they must be filed.

The CHAIRMAN.—Yes.

Mr. MACLEAN.—We are glad to get what we can.

By the Chairman:

Q. You have not got copies of your letter to him?—A. No, we have not got our business down very fine yet.

Q. At all events, this is a letter dated July 20th, 1903, (letter produced and marked), as followe :—

Exhibit No. 80.

'WOODSTOCK, N.B., July 20, 1903.

'D. W. Ross, Esq.,
'Secretary Union Telephone Co.,
'Florenceville.

'DEAR SIR,—With further reference to your letter July 3, *re* installing telephones in despatching office and freight office at Woodstock.

'Am advised by the company that as we already have telephones in these offices they do not care to instal more at present.

'Yours truly,

'D. W. NEWCOMBE,
'Superintendent.'

The CHAIRMAN.—Mr. Chrysler, do you remember the date of the contract made between the Bell Company and the Canadian Pacific Railway ?

Mr. CHRYSLER.—First May, 1902.

WITNESS.—We left Mr. Newcombe and went to the next higher man, Mr. Downie.

By the Chairman:

Q. These letters are from Mr. Downie?—A. Yes.

Q. Here is a letter from Mr. Downie, marked as follows:—

Exhibit No. 81.

'ST. JOHN, N.B., Oct. 3, 1903.

'Dr. D. W. Ross,
'Florenceville, N.B.

'DEAR SIR,—Referring to your letter of the 2nd inst. The matter of placing one of your telephones in the railway station at Woodstock is under the consideration of the management, and on hearing from them, I will advise you promptly.

'I did not reply to your former letter, because up to the present time I did not have anything definite to give you. I am under the impression that I advised you

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throuph Supt. Newcombe that the matter was under the consideration of the management, and therefore did not consider it necessary to send you the same information in writing.

'Yours truly,

'WM. DOWNIE.'

A. Now, the board of trade took the matter up and had a petition signed by all the business men and sent it on to Mr. Downie, and he sent this letter through Mr. Newcombe in reply:—

Exhibit No. 82.

'WOODSTOCK, Nov. 7, 1903.

'W. B. BELYEA, Esq.,
'Mayor, Town of Woodstock, N.B.

'DEAR SIR,—In regard to petition by merchants and others of Woodstock, which was handed by you, requesting the installation of the Union Telephone Company's telephone at Woodstock station, am sorry to advise you that our company cannot see its way clear to grant the request. The following is a copy of a letter received under date Nov. 6th, from our general superintendent:

'"I regret to have to advise you that I cannot grant permission to the Union Telephone Company to place a telephone instrument in our station building at Woodstock. We have an agreement with the New Brunswick Telephone Company giving them sole right of installing instruments in our stations, where they now have an exchange, or may hereafter have one."'

'Yours truly,

'D. W. NEWCOMBE.
Superintendent.

The CHAIRMAN.—We ought to follow up the agreement with the New Brunswick Telephone Company.

Mr. MACLEAN.—That is a new feature.

The CHAIRMAN.—It is an alias. Here is a letter dated January 28th, 1904, from Mr. Newcombe to Dr. Ross, marked as follows :

Exhibit No. 83.

'WOODSTOCK, N.B., Jan. 28, 1904.

D. W. Ross, Esq.,
Secy.-Treas. the Union Telephone Co., Ltd.,
Florenceville, N.B.

'DEAR SIR,—I beg to acknowledge receipt of your favour Jan. 27, in regard to installing telephones in our Woodstock offices. Will forward same to our company and advise you as soon as hear from them in the matter.

'Yours truly,

'D. W. NEWCOMBE.
'Superintendent.'

A. These two go together, one from Mr. Downie to Mr. Newcombe, and one from Mr. Newcombe to us. (Letters produced.)

Q. Here is a letter from Wm. Downie, Supt., at St. John, to the local superintendent, Mr. Newcombe. These are his instructions, I suppose ?—A. Yes.

Q. The letter is as follows:

Mr. D. W. ROSS.

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Exhibit No. 84.

'D. W. NEWCOMBE, Esq., ST. JOHN, N.B., Feb. 5, 1904.
'Superintendent,
'Woodstock.

'DEAR SIR,—I have received your letter enclosing one from the Union Telephone Company, regarding the installation of instruments in our station at Woodstock. I have taken the matter up with our people in Montreal, and on hearing from them will advise you.

'Yours truly,

'WM. DOWNIE.'

Q. This is the letter we got (producing letter.)

Q. The letter from Mr. Newcombe was as follows :

Exhibit No. 85.

'WOODSTOCK, N.B., Jan. 28, 1904.

'D. W. Ross, Esq.,
'Secy.-Treas. the Union Telephone Co., Ltd.,
'Florenceville, N.B.

'DEAR SIR,—I beg to acknowledge receipt of your favour January 27, in regard to installing telephones in our Woodstock offices. Will forward same to our company and advise you as soon as hear from them in the matter.

'Yours truly,

'D. W. NEWCOMBE.
'Superintendent.'

Q. This is the last letter you received (producing letter)?—A. Yes.

Q. This is the letter from Mr. Newcombe, of February 22, 1904?—A. The two of these go together.

Q. It is as follows:—

Exhibit No. 86. 'WOODSTOCK, N.B., February 22, 1904.

'D. W. ROSS, Esq.,
Ses., Union Tel. Co., Ltd., Florenceville.

DEAR SIR,—In answer to your favour of January 27 asking permission to instal telephones in the railway offices at Woodstock, our company advise that a similar case is up before the Board of Railway Commissioners in connection with another town and they would prefer to leave this matter in abeyance until some order is issued with regard thereto, however, your company might think best to now lay your case before the Railway Commission.

'Yours truly,

'D. W. NEWCOMBE,
'Superintendent.'

Q. That closed the correspondence, did it?—A. Here is another letter (letter produced).

Q. This is a letter from Mr. Newcombe, of February 17, 1904, to Mr. Ross. It reads as follows:—

Exhibit No. 87.

D. W. ROSS, Esq., WOODSTOCK, N.B., February 17, 1904.
Sec., Union Telephone Co.,
Florenceville, N.B.

DEAR SIR,—Your favour February 15. Under date of January 28, I acknowledge receipt of your favour January 27, copy of which I inclose. I also inclose a copy of

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reply from General Superintendent Downie, as to what action he has taken in the matter. No doubt there will be a reply in a short time.

Yours truly,

D. W. NEWCOMBE,
Superintendent.

Q. Well, all these letters were received by you or Mr. Brown?—A. Yes.

Q. Mr. Downie and Mr. Newcombe were officers of the Canadian Pacific Railway?—A. Yes, besides that, the President, Dr. Brown, went to see Mr. Downie.

By Mr. Maclean:

Q. Will you allow me. Here is a most significant statement not yet brought out, in this letter to Mr. Newcombe, at least this is the first appearance of it where he, speaking on behalf of the Canadian Pacific Railway, says: 'Our company advise that a similar case is up before the Board of Railway Commissioners in connection with another town, and they would prefer to leave this matter in abeyance until some order is issued with regard thereto.' That is, if the Board of Railway Commissioners should settle this question it would be an immediate relief to the whole situation?—A. Yes.

Q. And that the railway company is disposed, as they must be ,to settle the question?—A. Yes.

Mr. MACLEAN.—It shows the urgency of the matter being settled by the Railway Commission.

The CHAIRMAN.—The Port Arthur representative told us they had never followed up the application.

Mr. BOYCE.—The Port Arthur people have been applied to by the Railway Commission, and they don't want to proceed.

The CHAIRMAN.—Yes, that did come out.

Mr. BOYCE.—The Railway Commission are quite ready to proceed, but the Port Arthur people show some disinclination.

WITNESS.—The Port Arthur people think the damage would be so excessive they don't want to proceed.

By the Chairman:

Q. They have not tested it, they do not know yet what the decision of the Commission would be?—A. They contemplate heavy damages.

You have not got into the Canadian Pacific Railway station at Woodstock?—A. No.

By Mr. Maclean:

Q. You were going to tell us about an interview?—A. Well, our President saw Mr. Downie, and he told him the reason he had this exclusive agreement, then our board took the matter up and followed it to the head office at Montreal. It would not make any difference, however. They said they had the agreement, and we could not do anything more than we had done.

By the Chairman:

Q. That is the position of the matter to-day?—A. Yes, so far as the history of the station at Woodstock is concerned.

Q. Are you attached to any other railway company?—A. No.

Q. Are you excluded from any other public office of any kind, steamboats, cartage, railways?—A. There is not any other. Of course we have always found no trouble to get any body to take a telephone if they could use it, all right enough.

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By Mr. Maclean:

Q. There is one question I would like to ask. You say you have not any interchange of business with the Bell Company?—A. With the New Brunswick Telephone Company.

Q. Wouldn't it be a good thing for your company and for themselves to interchange business?—A. I think it would.

Q. And especially if you paid them a reasonable rate, and it would be a public advantage if there was an interchange of telephone business?—A. It would be a public advantage if there was an interchange at fair rates. I think it should be based on something the way the railways base rates, by through rates and local rates.

Q. Always provided——.A. Yes.

Q. Your subscribers would not object to paying the toll rates of the New Brunswick Telephone Company if they had the use of the New Brunswick wires?—A. No.

Q. And the New Brunswick Company would have no difficulty in collecting the tolls from your company?—A. I cannot see why they would. We are a responsible company.

Q. Yes, all right?—A. These interchanges of business are always done in this way: We will say, I am in a company, for instance, and meet a man of the New Brunswick Company, and I say to him, 'I will be responsible for all messages, going off our line.' And he says he will be responsible for the messages going the other way, and then there will be a balance which can be easily adjusted.

Q. A clearance every month?—A. Yes. And it is easy. We have a connection with a company across the line.

Q. Tell us about this policy of freeze-out that is taking place, the attempt that is being made by the New Brunswick Company to freeze you out by cutting rates.—A. That would apply to Woodstock.

Q. I mean Woodstock.—A. Yes.

Q. Are there towns similar to Woodstock where there is no competition and where the New Brunswick Company charges higher rates?—A. Yes, Fredericton.

Q. How much do they charge there?—A. I have heard $25.

Q. So that where they have a rival they discriminate in the rates in order to injure the rival. Is Fredericton a larger place than Woodstock?—A. It might have a thousand inhabitants more.

Q. They are almost places of equal size?—A. Yes.

Q. But the New Brunswick Company to your knowledge, discriminates as to its rates in a town where it has a rival?—A. It does, I know that.

Q. And it has a much lower rate than in Fredericton?—A. It is much lower than it was before we went there.

Q. And lower than they charge in Fredericton?—A. Yes.

By Mr. Zimmerman:

Q. How many 'phones can you operate on the 'Strowger' system?—A. I think the capacity is up to 100,000.

Q. Up to 100,000?—A. I think so.

Q. The system you have?—A. No, I was speaking of the system generally. It is built up in sections. We can build up any size.

Q. What is the number in each unit?—A. Well, I know when we want to enlarge ours we can put one telephone on at a time.

Q. You started in with one?—A. We started in with sixty.

Q. What is the capacity of the first 'Strowger' equipment that you put in?—A. Well, I think that would be just an instrument by itself.

Q. For sixty?—A. No.

By Mr. Maclean:

Q. Wasn't it good for one hundred?—A. You see, you always start these with

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some number. If you went to a small village and wanted to put in an exchange with a capacity of fifty, you would want to have fifty instruments, and you can connect the whole fifty, and if you want any more you can add one at a time.

By Mr. Zimmerman:

Q. One at a time?—A. Yes, including central switch and a telephone—we call them stations.

Q. Well, will you have to buy another section then for fifty 'phones?—A. We have 113 now.

Q. Yes.—A. If we want to put another one on we would have to buy another 'phone and another switch, &c., and we can go on, as far as I know, indefinitely.

Q. I see.—A. Yes, of course, with our system we have a small room, and we have not any great number, but we have the apparatus.

Q. Though you have the apparatus there at the same time you have room for more? —A. Yes.

Q. How many will that apparatus operate, how many can you put on it?—A. We can put 500 on that apparatus.

Q. That is what we want to get at.—A. But that is only the iron frame, we could have a frame for a thousand if we wanted to, the iron frame and shelves are quite simple in construction, and we can go on adding one by one.

Q. What does that system cost?—A. About $40 a station.

By Mr. Maclean:

Q. That means each 'phone?—A. It means the 'phone and the switch corresponding to it, the batteries that run the ringing power, the distributing board, the whole business excepting the wires.

Q. It includes the telephone in the man's house, and the connection at the central? —A. Yes, but it does not include the outside wires.

Q. Do you know who is the president of the New Brunswick Telephone Company? —A. I do not know, I have heard, but I do not know.

By Mr. Johnston:

Q. The New Brunswick Company and your company are operating in Woodstock? —A. Yes.

Q. And the New Brunswick Company's rates are lower than yours?—A. Yes.

Q. Is there any dissatisfaction on the part of the people of Woodstock with the New Brunswick Company by reason of their rates being lower than yours?—A. Well, I might say I do not know, I never asked them the question.

Q. As a matter of fact you are not aware that there is any dissatisfaction in Woodstock by reason of the lower rates the New Brunswick Company charge?—A. No, I am not aware of it, but I am not in Woodstock very much, I have not been there since last September anyway.

Q. Do you regard the rate question as an important question in connection with this matter of telephones?—A. Well, I think that every business concern, whether it is a company or not, should do business on business principles, and not at a loss. I do not think any company should do business in one place at a loss and then charge more in another place than is necessary in order to make up for that loss.

Q. What I want to ascertain is if reasonable rates are secured for the people of any locality, that is the important question to them, so far as the telephone question is concerned?—A. Well, I do not think that the question of rates is the whole thing, I think the people want accommodation, and they want a good service too.

Q. I mean, of course, that the accommodation shall be good, good accommodation and at reasonable rates?—A. I have seen reasonable rates when you could not get telephones in before now in some places. I have seen places where they could not find any fault with the rates, but they could not get telephones, and if you could not get the telephone what is the good of having rates?

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Q. For instance if you could get the telephones, supposing the New Brunswick Telephone Company extend their system throughout the entire province, and shut out every other company in the province, if the rates are reasonable the people generally are not the sufferers as a result of that extension; your company may suffer, and other companies may suffer, but the public generally are not sufferers as a result of the operation of the New Brunswick Telephone Company?—A. You might find that out by going where they have been operating alone for many years, and seeing how the people are satisfied there.

Q. But I couple with my statement the further statement that the rates must be reasonable. If we can bring about a condition of affairs by which reasonable rates can be secured by people in districts where the New Brunswick Company operate, that, to the people, is the important question, is it not?—A. Well, I suppose the rates are an important question, but I cannot speak for the people anyway.

Q. You regulate your own rates in the province of New Brunswick?—A. Yes.

Q. And the Government of New Brunswick have no authority over your rates? They have no power, they exercise no power whatever as to what rates you shall charge, do they?—A. I am not sure, but I do not think they do. There may be a clause in the charter, there was in that of some other companies.

Q. There was in the charter of some of the companies?—A. Yes, but whether that clause is limited to a certain number of years or not, I do not know.

Q. Your charter does not contain any clause by which you are compelled to submit to any regulations of your rates?—A. Speaking from memory, I do not think there is.

Q. Are you aware whether there is any such clause in the charter of the New Brunswick Company?—A. I think there is some clause, but whether it referred to the time they were given an exclusive monopoly, or not, I could not say. It might be only for that time that they were given an exclusive monopoly, for a certain number of years, I do not remember the wording of it, it might refer to that and it might refer only to a portion of the province.

By Mr. Lewis:

Q. You stated that you charged $15 for a metallic service and $12 for a single line, why do you discriminate, what is the difference?—A. A single line is one that has one wire only on it.

Q. Yes?—A. And a metallic circuit has two wires; it is the difference in cost of the wire, but that is not the main reason, which is this, that there is hardly any interference with a single wire, in the working of it, in a single year, possibly a tree may fall on it, once in a while and that would be about all, whereas the metallic circuit has two wires and those wires come together all the time, and every time they do so we have to send out a man to separate them, it may be a distance of twenty miles. A farmer may be hauling hay and cause them to go together or the wind will bring them together.

Q. You might get no better service from the one than the other?—A. It is a far better service on the metallic circuit, but it is the extra cost of maintenance more than anything else that causes the increase in price.

Q. Does the $15 pay for a metallic service?—A. Yes—it pays us.

By Mr. Boyce:

Q. Is your company incorporated?—A. Yes.

Q. Under what government?—A. Under the New Brunswick government.

Q. Is there any provision in your charter regulating rates?—A. I do not think so, speaking from memory.

Q. Have you any provision by which if there is any dispute with regard to the amount of rates charged application can be made to the government, or to some department of the government?—A. I do not think there is.

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Q. So that you are not subject at all to government control in the matter of rates ? A. I do not think so.

Q. And yours is a mercantile company, you are getting the best rates you can ?—A. Well, yes, we are mercantile in a way. While we did not want to go into this because we wanted to make money, we went into it to get accommodation for ourselves and for our neighbours.

Q. And from that, following that initiatory desire, you went into it from a mercantile point of view, did you not ?—A. Not so much that, you see we would have our money in it and perhaps, I am not positive as to the number of miles we had up then, some other localities wanted us to extend, and we said, 'Here you extend yours, put in your money, and we will do so,' and they said, 'Well, what do we get ?' And we said, 'We will pay for what we get, and you pay for what you get, we will give you stock for what you put in, the rates we make will give us a reasonable return and give you reasonable rates.'

Q. Have you got the charges down to the lowest basis on which you can get a reasonable return ?—A. I do not know that. We have not allowed any sum for depreciation.

Q. What was your last dividend ?—A. Eight per cent.

Q. Was that for the last year ?—A. That was for the year.

Q. That was for the period during the competition you have had ?—A. During the competition.

Q. How long have you had competition ?—A. A year.

Q. What effect has it had upon your rates ?—A. Well, we started with $15 a year, and we did not reduce it.

Q. You did not reduce it ?—A. No.

Q. And has the competition affected your rates now ?—A. We are not reducing rates.

Q. Do you contemplate reducing them ?—A. I do not think so, no.

Q. You are not contemplating it ?—A. No. We could not attend to the automatic exchange for that number of phones at any less rate, but if we had 200 we might.

Q. What is the total amount invested, you might have stated it.

The CHAIRMAN.—It is in the statement.

Q. Can you state off-hand ?—A. $40,000 odd.

Q. And you pay 8 per cent on that ?—A. Yes.

Q. Do you give connections to outside or independent toll companies ?—A. Yes.

Q. That is independent of your own company ?—A. Yes.

Q. On what terms do you make those connections ?—A. We agree to certain rates and each month there is a settlement, we pay the other company for any messages we have sent and for any messages they send over our lines they pay us.

Q. You can give a switching connection ?—A. Yes.

Q. Before any company obtains switching connection with your line what process do you go through with regard to ascertaining the suitability of that line or system, for connecting with your line ?—A. We never went over any other system yet.

Q. That does not make any difference. Do you say you can connect with any line without previous inspection ?—A. I do not say that, but we did not go over any of the lines that we are connected with because we knew something about them. The last line we connected with we knew the instruments were bought last summer, and we know that no one nowadays will buy poor instruments.

Q. Are the instruments the main thing to be considered ?—A. There are two things to be considered, the instruments and the line.

Q. The instruments and the line ?—A. Yes.

Q. And what with regard to the line ?—A. I think all lines on which service is made between two companies should be metallic.

Q. Do you impose in providing for switching connections with such a system, do you impose any conditions with regard to the maintenance of the local systems in an

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efficient state ?—A. No, we never have, we think there is no company but what will see it to be to its own interest to keep its line in good condition.

Q. You are satisfied to take their system as it stands ?—A. Certainly, we know the necessity of keeping our own line up, and we know that every other company realizes it is necessary to keep theirs up too.

By Mr. Maclean :

Q. What was the cost of incorporating your company in New Brunswick, is there a speedy form of incorporation ?—A. There is, but we did not use that.

Q. You are incorporated by Act of parliament of the legislature ?—A. Yes.

Q. It is a very important suggestion in this letter, Sir William, that there should be a speedy and cheap method of incorporation provided for these telephone companies. —A. I think the fee we paid was $50, I think that was the amount.

By the Chairman :

Q. Dr. Ross, will you just verify these two statements that were put in at an earlier stage of your examination ? This statement of yours gives the cost per mile at $140, that is a correct statement, is it ?—A. Yes.

(Document filed as Exhibit 76. See page 371.)

Q. You also handed to the committee this financial statement for the last fiscal year, which I read ?—A. Yes.

Q. This statement correctly shows the receipts and expenditures of your company for the last fiscal year ?—A. Yes. (Document filed as Exhibit No. 77. See page 374.)

Witness discharged.

The CHAIRMAN.—I desire to lay before the committee two statutory declarations, one by Frederick Sydney Jones, Superintendent of Municipal Telephone Plant, of Fort William, Ont., also that of Geo. Robinson, of Fort William, Ont., together with a marked list of subscribers to the Bell Telephone Company of Canada, Ltd., in the town of Fort William, Ont., showing the number of subscribers to be 150 of which 42 obtain free service, 31 connections are those of offices of the Canadian Pacific Railway Company, 2 offices of the Bell Telephone Company, leaving but 75 subscribers from whom the Bell Telephone Company is receiving revenue.

Exhibit No. 88.

DOMINION OF CANADA,
DISTRICT OF THUNDER BAY.
To Wit:
} In the matter of Bell Telephone Company.

I, Frederick Sydney Jones, of the town of Fort William, in the district of Thunder Bay, do solemnly declare:

1st, That I am the Superintendent of Municipal Telephone Plant in the town of Fort William.

2nd, That the names of the Subscribers in the directory of the Bell Telephone Company at Fort William, which are checked and marked with red ink, were so marked by me, and that I personally saw and conversed with the above mentioned parties, and that they each and every one of them informed me that the Bell 'phone now used by them was absolutely free, and they have not nor do they expect to pay for such service.

And I make this solemn declaration conscientiously believing it to be true, and knowing that it is of the same force and effect as if made under oath and by virtue of the Canada Evidence Act, 1893.

FRED. S. JONES.

Declared before me at the town of Fort William, in the District of Thunder Bay, this 8th day of April, in the year of our Lord 1905.

JNO. J. WELLS,
Notary Public.

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APPENDIX No. 1

Exhibit No. 89.

DOMINION OF CANADA,
DISTRICT OF THUNDER BAY,
To Wit: } In the matter of Bell Telephone Company.

I, George Robinson, of the town of Fort William, in the District of Thunder Bay, do solemnly declare: That about one year ago I allowed a Bell 'phone in my house on Cameron Street, Fort William ,on condition that same would be absolutely free of charge.

And I make this solemn declaration conscientiously believing it to be true, and knowing that it is of the same force and effect as if made under oath and by virtue of the Canada Evidence Act, 1893.

GEO. ROBINSON,

Declared before me at the town of Fort William, in the District of Thunder Bay, this 6th day of April, in the year of our Lord, 1905.

JNO. J. WELLS,
Notary Public.

TUESDAY, May 9, 1905.

The Committee met at eleven o'clock, Sir William Mulock in the chair.

The CHAIRMAN.—Gentlemen, this morning we are to proceed with the examination of Mr. McNicoll and Mr. Sise. I see these two gentlemen are present. In what order is it the wish of the committee that they shall be examined?

Mr. ZIMMERMAN.—I would suggest that Mr. McNicoll be examined first, as the examination of Mr. Sise will take up a much longer time.

The CHAIRMAN.—Is it the pleasure of the committee that Mr. McNicoll be examined first?—Carried.

The CHAIRMAN.—Mr. Aylesworth, for whom do you appear?

Mr. AYLESWORTH.—For the Bell Telephone Company, Mr. Chairman, and I ask for the liberty of cross-examining witnesses.

The CHAIRMAN.—Do you also want to cross-examine Mr. McNicoll?

Mr. AYLESWORTH.—It may be. I might say, Mr. Chairman, if I may be permitted at this stage, we were of course not aware of the purpose for which Mr. McNicoll is summoned, but we assumed that it was probably with reference to contracts existing between his company, the Canadian Pacific Railway Company, and the Bell Telephone Company, and if the inquiry, so far as Mr. McNicoll is concerned, is being prosecuted with any idea that contracts exist between the railway company and the telephone company giving to the latter exclusive rights in the stations of the former, or otherwise, it seemed to us that we should point out to the committee at the earliest possible opportunity that since the Railway Act of 1903 there can be no such exclusive contract, and that accordingly no such exclusive contracts any longer exist between the telephone company and the railway company. Under the 193rd section of the Railway Act every company or corporation operating a telephone line has a right, notwithstanding exclusive contracts, to find its entrance into stations of a railway company subject to the control of the Board of Railway Commissioners, and we take it that any contracts we have with the Canadian Pacific Railway Company are, under that legislation, subject entirely to the control of that board without reference to whether or not they contained any exceptions which until that statute was passed granted exclusive rights to the telephone company.

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Mr. MACLEAN.—Well, do you contend that the case is before the Railway Commission?

Mr. AYLESWORTH.—I think so.

Mr. D. McNICOLL, of Montreal, called and sworn:

By Mr. Chrysler, K.C.:

Q. You are an officer of the Canadian Pacific Railway Company, Mr. McNicoll?—A. Yes, sir.

Q. What is your position?—A. Vice-president.

Q. And have you any agreements with the Bell Telephone Company in relation to privileges to be exercised by the company over your railway, or privileges given to you by the Bell Telephone Company?—A. We have an agreement.

Q. We have here an agreement which has been produced dated May 1, 1902. (See Exhibit 4*a*, page 47 of the evidence). Is that the only agreement?—A. It is the only one in existence to-day, but we have prior agreements.

Q. Yes. The agreement of May 1, 1902, is the last agreement and the only one in existence?—A. Yes, sir.

Q. You have no other agreement to produce than the existing one we have already before us?—A. With the Bell Telephone Company?

Q. With the Bell Telephone Company.—A. That is all in writing.

Q. Your answer would suggest that perhaps you have agreements with other telephone companies?—A. We have.

Q. Can you, from memory, tell us what agreements you have with other companies?—A. I have got copies of them with me. I can give official titles of all of them, the New Brunswick Telephone Company agreement——

Q. What is the date of that?—A. January, 1904. The New Westminster and Burrard Inlet Telephone Company and its allies the Canada Western Telegraph and Telephone Company.

Q. Give me the date for the New Westminster and Burrard Inlet Telephone Company and its allies. What is the date of that?—A. The first day of January, 1902.

Q. Yes, the next one ?—A. That is all. That last one embraces the lines of a lot of companies and this is the list : The Canada Western Telegraph and Telephone Company, the Vernon and Nelson Telephone Company, the Kootenay Lake Telephone Company, the Victoria and Esquimalt Telephone Company, and the Nanaimo Telephone Company.

Q. That includes all the telephone companies of British Columbia, does it ?—A. It takes in the Kootenay country and the mainland in the neighbourhood of Fraser Valley and it also takes in Vancouver island.

Q. Have you copies of these agreements with you ?—A. I have.

Q. Can you file them for the information of the committee ?—A. Yes. These are rough copies, but I believe they are perfectly accurate. They have been gone over in the ordinary way. I had only a few minutes to make copies.

Q. They are copies made in your office of originals which are there ?—A. Yes. I did not bring them up with the intention of filling them, but more as a reference for myself. Still, I believe they are accurate. There are only clerical errors, if there are any at all. They are as follows:—

Exhibit No. 90.

This agreement made in duplicate this first day of January, A.D. 1904, between the New Brunswick Telephone Company, an incorporated company, incorporated by Act of Assembly of the province of New Brunswick, having its principal office in the City of Fredericton, in the province of New Brunswick, hereinafter called 'the telephone company,' of the first part; and the Canadian Pacific Railway Company, hereinafter called 'the railway company,' of the second part ;

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APPENDIX No. 1

Whereas the telephone company are desirous of having the exclusive right of placing their telephone instruments in the several stations and offices of the Canadian Pacific Railway Company situated in towns and cities and along the telephone company's long line system, now constructed or to be constructed in the province of New Brunswick, and where the telephone company has established or may establish telephone exchanges ;

And whereas the railway company are now indebted to the telephone company for rentals on telephones ;

And whereas the railway company have agreed with the telephone company to allow said exclusive privileges during a period of six years from the date of this agreement, so far as they have power to grant the same, for the considerations and on the terms and conditions hereinafter set forth, and also on the releasing of said indebtedness;

Now this agreement witnesseth :—

1. That the railway company, for and in consideration of the premises, and of the covenants and agreements hereinafter contained which, on the part of the said telephone company, are to be performed and kept, doth hereby grant to the said telephone company the privileges of placing its telephone instruments, apparatus and wires in the several offices and stations of the railway company situated as aforesaid. This privilege to be an exclusive privilege, subject, however, to any statute from time to time in force and to the rights of the Bell Telephone Company of Canada, Limited, granted to said company by an agreement bearing date on or about the first day of May, A.D. 1902, and made between the said The Bell Telephone Company of Canada, Limited, of the one part, and the Canadian Pacific Railway Company, of the other part, and to any other exclusive privileges heretofore granted by the railway company or its predecessors inconsistent herewith, together with the privilege of entering upon the lands and premises of the said railway company, to erect, maintain or repair, and to keep maintained, erected or repaired the said telephone instruments, apparatus and wires.

To have and to hold, use and enjoy the said privilege to the said telephone company, and its successors for a term of six years from the date of this agreement ;

And it is further agreed that the said exclusive privileges and the covenants and obligations of this agreement shall remain in full force and effect after the termination of the said six years, for and until such time as one or both of the contracting parties to this agreement shall give thirty days' notice in writing to the other of its termination. The notice in writing given by the General Superintendent of the Atlantic Division of the railway company shall be held sufficient notice on the part of the railway company ;

And it is hereby agreed by and between the parties hereto that the privileges hereby granted to the said telephone company can be cancelled at any time by the said railway company, if requested so to do by the said The Bell Telephone Company of Canada, pursuant to the terms of said agreement of the first day of May, A.D. 1902.

And it is further agreed by and between the parties hereto that the telephone instruments shall be placed and changed in such positions in such offices and stations as may be designated by the officer in charge thereof, such request to be countersigned by the General Superintendent of the Atlantic Division of the Canadian Pacific Railway Company.

And it is further agreed by and between the parties hereto that if said telephone company shall fail to place a telephone instrument in any station house of the said railway company in said province of New Brunswick, then and in so far as the said station house is concerned the privilege hereby granted shall cease, and the said railway company shall have the right to allow any other telephone company to place a telephone instrument in said station house ;

And it is further agreed by and between the parties hereto that the telephone company will place and maintain, free of charge, in such offices, stations and residences of officials of the railway company employed in the maintenance and operation

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of the said railway company as may be designated by the General Superintendent of the Atlantic Division of the railway company, up to but not exceeding the number of fifty telephones in the whole, including those already installed on the railway system, but in addition to one telephone each at the railway stations in St. Stephen, Woodstock, St. Andrews and Fredericton, which the Telephone Company are to continue, free of charge during the continuance of these presents,, should the telephone company desire that there should be a telephone at these stations, it being understood that the telephone company shall not be required to construct or provide new pole lines for the railway company under this agreement, and will, on request of said general superintendent, change and remove said telephones, and further that the said railway company shall also have the free local use of such further instruments as the telephone company may install in the stations or other buildings of the railway company.

And the said telephone company doth hereby covenant and agree to and with the said railway company that it will maintain, during the period of this agreement, an efficient telephone service at the place or places where the said telephone instruments are placed, the telephone company to have the privilege, the consent of the General Superintendent of the Atlantic Division of the railway company first being obtained, of placing one or more instruments for the use of the railway company only on any of the lines constructed for the railway company running into their general offices, or upon lines of greater length than one mile from the exchange when an efficient service can be maintained by so doing.

And it is further agreed by and between the parties hereto that the railway company will furnish five annual passes to officials of the operating staff of the said telephone company, said passes to cover the lines of the said railway company in the province of New Brunswick, and shall, from time to time, supply the telephone company with such further passes as may be required in the service of the telephone company, to pass the linemen, workmen and employees of the telephone company in their trains and over their road, and shall permit such linemen, workmen and employees to carry with them, free of charge, such tools, impliments and materials as they usually carry in their hands for the purposes of their work, not more than four such passes to be granted at any one time.

And it is further agreed by and between the parties hereto that where the telephone company has no exchanges or telephone lines the railway company shall be at liberty to continue any present contract or at any time hereafter to enter into a contract with any other telephone company having telephone lines at such place or places, granting by such contract to said telephone company the privilege of placing their telephone instruments, apparatus and wires in any of the station-houses, offices or premises of the said railway company in said place when actually required for railway purposes. Provided, however, that the said contract shall not grant any such privilege for a period exceeding two years, without the proviso that the same shall be terminated at an earlier date on the request of the said telephone company, if made in writing, the telephone company having, in the meantime, established their system at said place and being in a position to furnish a like service.

And it is further agreed by and between the parties hereto that should the said telephone company fail, neglect or refuse to perform and fulfil the covenants or agreements herein contained, and such neglect or refusal to so fulfil and perform any such covenants or agreements so to be kept by the said telephone company shall be communicated to the said telephone company by a notice in writing signed by the General Superintendent of the Atlantic Division of the said railway company, and such failure, neglect or refusal shall continue for thirty days after said notice then the privilege herein granted to the said telephone company shall cease and determine.

And it is further agreed that the officers, agents and employees of the said railway company shall well and carefully use and care for the instruments to be furnished as above mentioned, and shall take all reasonable and proper care of the same.

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It is understood that the said fifty free telephones are to be supplied for the purposes of the said railway company and shall not be open to the use of the general public either for remuneration or otherwise. That the said telephone instruments are and shall continue to be the property of the telephone company and that at the expiration of this agreement, or on breach or non-fulfilment by the railway company of any of the covenants or agreements on its part hereinbefore contained, the telephone company shall have the right by its officers, servants and workmen to enter upon and into the premises of the railway company and remove the said instruments, but such removal shall not deprive the telephone company of any other right or remedy to which it may be entitled by reason of any such breach or non-fulfilment of this agreement, but upon the removal of the said instruments the exclusive privilege granted to the said telephone company shall at once cease and determine.

And the said telephone company, for and in consideration of the premises, and of the sum of one dollar of lawful money of the Dominion of Canada to it in hand well and truly paid at or immediately before the ensealing and delivery of these presents (the receipt whereof is hereby acknowledged) doth hereby release the said railway company of and from all claims, demands or debts which may be now due or payable by the said railway company to the said telephone company.

In witness whereof the said The New Brunswick Telephone Company has executed these presents by affixing hereto its corporate seal and causing these presents to be signed by Fred. P. Thompson, its managing director, and W. Emile Smith, its secretary and the said The Canadian Pacific Railway Company has executed these presents by affixing hereto its corporate seal and causing these presents to be signed by its vice-president and secretary.

THE NEW BRUNSWICK TELEPHONE COMPANY,

FRED. P. THOMPSON, *Managing Director.*

[Seal.] W. EMILE SMITH, *Secretary.*

THE CANADIAN PACIFIC RAILWAY COMPANY.

D. MCNICOLL, *Vice-President.*

[Seal.] C. DRINKWATER, *Secretary.*

Exhibit No. 91.

This agreement made this first day of January one thousand nine hundred and two.

BETWEEN:

The New Westminster and Burrard Inlet Telephone Company, and its allies, viz:—(Canada Western Telephone and Telegraph Company, Vernon and Nelson Telephone Company, Kootenay Lake Telephone Company, Victoria and Esquimalt Telephone Company, Nanaimo Telephone Company), having its principal offices in Vancouver, British Columbia, hereinafter called 'The Telephone Company'.

and

The Canadian Pacific Railway Company, a body corporated, having its principal office in the city of Montreal, hereinafter called 'The Railway Company'.

Witnesseth that the said parties have covenanted and agreed as follows:—

(1) The telephone company will at each place in British Columbia at which the telephone company now operates or may hereafter during the life of this agreement operate a telephone exchange, furnish the railway company the following number of telephones free of charge for use in connection with its railway and telegraph business:— (15) fifteen at Vancouver, (10) ten at Nelson, and (5) five at each and every other exchange where they operate.

(2) The telephone company will also issue to the officials of the railway company in British Columbia connected with its railway and telegraph business (25) twenty-

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five books of franks, and annual passes to the superintendents good over the long-distance lines of the telephone company.

(3) The railway company will furnish to the officials of the telephone company in British Columbia, (3) three annual passes over its railway (including lines, leased or controlled by it) in British Columbia, and also annual passes to the telephone company's repairers between certain points, to be decided upon by the presidents or general managers of the two contracting companies.

(4) The railway company will also issue trip passes to telephone employees between points on the Pacific Division when travelling on business of the telephone company.

(5) The railway company will also transmit within British Columbia free of charge, for the telephone company, telegraph messages on the telephone company's business, when addressed to, or signed by the telephone company's officials.

(6) The number of annual passes, or franks, free telephone connections, and extent of free transportation, shall be determined from time to time by the general manager of the railway company and the general manager of the telephone company, as the business of both companies may from time to time require, and such passes, franks, and telephone connections shall only be issued on written application of an officer of either party designated by the general manager of the railway company or the general manager of the telephone company.

(7) The telephone company shall have the exclusive right of placing telephone instruments, apparatus and wires, in the several stations, offices and premises of the railway company throughout the province of British Columbia (for telephone purposes only), where the telephone company has established or may, during the life of this contract, establish telephone exchanges.

(8) Each company, so far as it may properly do so, without prejudice to its own business, shall grant to the other facilities for carrying its wires and lines through or over its poles, bridges and other premises, on equitable terms, to be agreed upon, and neither company will grant similar facilities to any other company.

(9) This agreement shall remain in force for the period of five years from the date hereof.

(10) It is understood and agreed between the parties hereto that if the Bell Telephone Company of Canada, Limited, with whom the railway company has made an agreement similar to this agreement, applying to the whole Dominion of Canada, shall at any time during the life of this agreement, operate telephone lines in the province of British Columbia, so as to afford to the railway company a telephone service satisfactory to it along the whole or a substantial portion of the territory served by the lines of the New Westminster and Burrard Inlet Telephone Company, then the railway company may serve on the telephone company a written notice naming a day not less than one month from the service of the notice for the termination of this agreement, and on the day so named in said notice this agreement, and all rights of the parties hereunder shall cease and be at an end.

In witness whereof each of the said parties has caused to be set hereto its corporate seal, and the signature of its officials below named.

THE WESTMINSTER AND B. I. TELEPHONE CO., LTD.,
W. FARRELL,
Director.
W. H. SALSBURY,
Secretary and Treasurer.

THE CANADIAN PACIFIC RAILWAY COMPANY,
D. McNICOLL,
Second Vice-President.
C. DRINKWATER,
Secretary.

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APPENDIX No. 1

Mr. CHRYSLER.—Q. Well, we will have to examine those agreements presently. We will take the older one with the Bell Telephone Company. (Exhibit 92, printed on page 47 of the evidence as Exhibit 4a.) That provides for an interchange of several privileges. I have classified them here in this way. The Bell Telephone Company agrees to furnish to the railway company telephonic connection between the offices and stations of the railway company and the exchanges of the telephone company. That is the first one. They also issue to the officials of the railway company annual passes or franks good for the long-distance lines of the telephone company. The third is free telephonic exchange connections and the fourth is the maintenance of the local exchange in the head offices of the company, Windsor station, Montreal. The railway company on its part agrees to furnish annual passes to the officials of the telephone company over its own railway and telegraph lines, leased or controlled by the railway company and will also furnish free transportation to the employees of the telephone company over their railway lines in Canada. The third paragraph of the agreement provides that the telephone company shall have the exclusive right of placing telephone instruments, apparatus and wires in the several stations, offices and premises of the railway company throughout the Dominion of Canada where the telephone company has, or may during the life of this contract, establish telephone exchanges, it being understood in connection with new exchanges being established, that the railway company will be given a fair service sufficient for its business. That is the principal part of the agreement. There is another which follows which will require separate consideration. Now that agreement has been carried into effect, has it? You have acted upon that?—A. Yes, sir.

Q. Since it was made? Are there many of your stations in which the Bell Telephone Company have established telephone stations, I think they call it, or connections?—A. I think that they have practically established telephones wherever we have asked them in all places where they have their telephone lines.

Q. In all places where they have exchanges is what the contract calls for. And we have evidence here—perhaps it is only necessary to ask you the general question—evidence has been given that at a number of points your company has endeavoured to enforce this agreement as to exclusive privileges, that is you have refused to give connection to other telephone companies and individuals?—A. Yes, sir.

Q. You know of your own knowledge or have you any correspondence with reference to any of the particular cases in which this has occurred?—A. I know fairly well of my own knowledge.

Q. One of the cases which was spoken of is the case of the Fort William and Port Arthur Telephone Company—I think that is the name of it. They were desirous of having a telephone placed in your stations and I understand in the elevator, and probably in the freight shed at Fort William, and was that refused by your company?—A. Yes.

Q. It was refused? Another case which has been frequently mentioned is with reference to a small company which desired to obtain connection, telephone connection, with your station at Locust Hill near Toronto?—A. I have some recollection of it. I do not think that the correspondence in connection with that came directly under me. I recollect the Port Arthur and Fort William one well, because I met the aldermen or those interested in the company at Fort William.

Q. Well, is there any other case, besides that that is within your own knowledge that you can speak of now?—A. One.

Q. Where is that?—A. At Woodstock, N.B.

Q. At Woodstock, N.B. What occurred at Woodstock, N.B.?—A. We were unable owing to our contract with the New Brunswick company to let them into our station and I think, our general superintendent waited on them and explained the matter to them.

Q. Yes, and you declined to give them the connection upon the ground of your existing agreement with the New Brunswick company?—A. Yes, sir.

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Q. The New Brunswick Company's agreement, then I take it, includes a clause similar to the one that I have called attention to in the Bell Telephone Company's agreement?—A. An exclusive clause?

Q. Yes.—Yes. It is not altogether the same wording but it is somewhat of the same nature. It has got a clause in, so far as we can legally do so or to that effect.

Mr. MACLEAN.—What is that, so far as you can legally do so?

Mr. CHRYSLER.—Mr. McNicoll thinks it is qualified in that way.

(To Witness).—Perhaps you can find it, I cannot see it.

WITNESS.—This is a later contract.

I will read the whole paragraph. This is paragraph 1 of the agreement with the New Brunswick Company (Exhibit No. 90).

That the railway company, for and in consideration of the premises, and of the covenants and agreements hereinafter contained, which, on the part of the said telephone company are to be performed and kept, doth hereby grant to the said telephone company the privileges of placing its telephone instruments, apparatus and wires in the several offices and stations of the railway company situated as aforesaid. This privilege to be an exclusive privilege, subject, however, to any statute, from time to time in force, and to the rights of the Bell Telephone Company of Canada, Limited, granted to said company by an agreement bearing date on or about the first day of May, A.D. 1902, and made between the said The Bell Telephone Company of Canada, Limited, of the one part, and the Canadian Pacific Railway Company, of the other part, and to any other exclusive privileges heretofore granted by the railway company or its predecessors inconsistent herewith, together with the privilege of entering upon the lands and premises of the said railway company, to erect, maintain, or repair, and to keep, maintained erected or repaired, the said telephone instruments, apparatus and wires.

Q. Well, is there any other exclusive privilege except the one granted to the Bell Telephone Company that you are aware of?—A. The New Westminster Company.

Q. Nothing that would interfere though with this one in New Brunswick?—A. No.

Q. Then the agreement with the New Westminster and Burrard Inlet Telephone Company (exhibit 91), does that contain a similar clause?—A. I do not think so. I think it simply refers to the clause, so far as the Bell Telephone Company is concerned. They are all subject to the Bell Telephone Company's contract, which ante-dates them all.

Q. This is one that appears to refer to it?—A. It is modified. That clause is all right, but it is modified by ten.

Q. I see. Then clause 7 and clause 10 together will give us the effect of it. Clause 7 provides that 'The telephone company shall have the exclusive right of placing telephone instruments, apparatus and wires in the several stations, offices and premises of the railway company throughout the province of British Columbia (for telephone purposes only), where the telephone company have established or may, during the life of this contract establish, telephone exchanges.' Clause 10 you say qualifies it. Clause 10 provides that: 'It is understood and agreed between the different parties hereto that if the Bell Telephone Company of Canada, Limited, with whom the railway company has made an agreement similar to this agreement, applying to the whole Dominion of Canada, shall at any time during the life of this agreement operate telephone lines in the province of British Columbia so as to afford to the railway company a telephone service satisfactory to it along the whole, or a substantial portion, of the territory served by the lines of the New Westminster and Burrard Inlet Telephone Company, then the railway company may serve on the telephone company a written notice naming a day not less than one month from the service of notice for the termination of this agreement, and on the day so named in said notice this agreement and all rights of the parties hereunder shall be at an end.' This is dated January 1, 1902, before the statute was passed?—A. Yes.

Q. And has any case arisen for enforcing that agreement in British Columbia? Has any objection arisen?—A. I have heard of no objections.

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Q. There has been no case in which any company or person there has desired to obtain telephonic connection?—A. I have not heard of any.

Q. Well then a further privilege given by the agreement with the Bell Telephone Company is contained in paragraph 8 which provides for another exclusive privilege that 'each company, so far as it may properly do so, without prejudice to its own business shall grant to the other company facilities for carrying its wires and lines through or over the poles, subways, bridges, and other premises on equitable terms to be agreed upon. And the railway company will not grant similar facilities to any other telephone company.' Has that been acted upon between the companies to any extent?—A Yes, sir.

Q. Are there many places in which the wires of the telephone company are carried over the poles of the Canadian Pacific Railway Company?—A. Yes, I believe so.

Q. Is there any case in which any other telephone company has applied to your company for the privilege of carrying wires and has been refused?—A. On our poles?

Q. Yes.—A. I cannot recall any just now.

By Mr. Maclean:

Q. On your ground?—A. On our ground, of course we could not prohibit them going there. There are a lot of telephone companies that go over our line, but not over our poles, not that I know of. I do not know that we have ever been asked.

Q. The Locust Hill people say you refused to allow them to put a guy pole on your property, in fact they had to take it away.—A. A guy pole?

Q. Yes.—A. I did not hear of it.

By Mr. Chrysler:

Q. Has it occurred at any place in connection with any of your bridges?—A. Oh, yes, the Bell Telephone run over some of our bridges.

Q. But any case in which another company has requested the privilege of carrying a wire over one of your bridges?—A. I cannot recall any.

By Mr. Aylesworth:

Q. Have you any of the earlier contracts between your company and the Bell Telephone Company?—A. I have not them with me, because I did not think they would be really wanted, but I know of the prior contracts.

Q. How far back do they extend?—A. I believe the first contract was made in 1901, no. 1891.

Q. In 1891?—A. In 1891. I know it was in 1891.

Q. Was that the first contract of this character you had with any telephone company?—A. I believe that was the first with any of the telephone companies.

Q. And since that time, since 1891, has there ever been a time when you were not under a contract of this character with the Bell Telephone Company?—A. We were not under contract. We were working practically on the same lines. I think there was a little interval between the closing of one and the opening of the other but it was simply pending some changes that we wanted made in it.

Q. Then speaking in a general way you can tell me perhaps if each of these prior contracts contained similar provisions to those in the present agreement with regard to exclusive privileges on the part of the Bell Telephone Company?—A. They all contained exclusive privileges.

Q. That feature was common to all?—A. That has been common to all with the Bell Telephone Company since 1891.

Q. And about how many such contracts have there been?—A. With the Bell Telephone Company?

Q. Yes.—A. My recollection is that there were three of them.

Q. That is the present one is the third do you mean?—A. I think this one is the third.

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Q. Then do you know at what time or about what time the Municipal Telephone System of Port Arthur and Fort William first came into existence?—A. I do not really know the time, but my recollection is it is about two years ago since I met the council or a number of the council of Fort William and Port Arthur.

Q. You had then, for ten, eleven or twelve years prior to that time, a contract with the Bell Telephone Company substantially the same in its provisions as the one at present in existence?—A. Yes, sir.

Q. Then had the renewal of your contract with the Bell Telephone Company in May, 1902, anything at all to do with that Fort William affair?—A. None whatever.

Q. No connection in the world between the two?—A. No, sir.

Q. You have, I suppose, some special privileges under this contract?—A. We have some very advantageous privileges.

Q. Of value to the railway company?—A. Of considerable value to us.

Q. What would your judgment be, as a business man, as to the relative value of the privileges you enjoy under the contract as compared with those that the Bell Telephone Company enjoy?—A. I would rather not give you a free answer in front of Mr. Sise. But I think we have got rather the better end of the bargain, in fact, we have got considerably the better end of the bargain. I found when the first contract expired, I found that we had very much the better of it and our use of telephones has been increasing vastly since then. I expect it to still further increase, in fact, I am under negotiations now with a view to making changes and still further increasing our telephone facilities, because I believe the day is coming when the railways will largely have to use their own telephones for train and other operations. I have been looking into the whole question in the United States and I find that the service is growing.

Q. You have free services for the company's officials and agents at your pleasure under the contract?—A. Well, I would not say for all. We pay for some services where we have special work to be done, but on the whole we get a free telephone service wherever they have it.

Q. Wherever the lines extend?—A. If we asked for a special operator for a phone, or special wires, or special local connections we would pay for these.

Q. Yes, certainly. And in your practical experience is the telephone to some extent superceding the telegraph?—A. Yes, for short distances, and for certain services.

Q. Even for train services?—A. Not as yet. I am experimenting with that.

By Mr. Chrysler:

Q. I did not call your attention, Mr. McNicoll, to the 6th clause of the agreement which provides that the terms and conditions of this contract shall also apply to the Canadian Pacific Railway Telegraph, and that where telephonic connection with local exchanges is required for an office of either the above, the agent for which carries on any other business, and acts as agent for any other company, he shall pay one half the regular exchange rates, and the company or companies represented herein by the Canadian Pacific Railway Company shall pay nothing for the service. That is also enforced is it?—A. Yes sir.

Q. And is carried out between the two companies?—A. Yes sir.

Mr. MACLEAN.—Do you agree with the statements made by Mr. Aylesworth, that you do not wish to take advantage of any statute that may limit you in regard to any advantages or privileges you may give to the Bell Telephone Company?

Mr. AYLESWORTH.—I did not make any such statement.

Mr. MACLEAN.—Well I understood that was a statement, that as far as the statute was concerned, you would obey it, and you said in the case of Fort William that you wished to give them whatever the statute gave them.

Mr. AYLESWORTH.—I do not think I expressed any desire.

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By Mr. Maclean:

Q. And you have not given any exclusive privileges since the statute was passed? —A. I think that New Brunswick agreement on which we had been working for some time speaks of an exclusive contract as far as the law will let us.

Q. And you wish to obey the law as far as it goes? That is the attitude of the company?—A. Certainly.

Q. Well, section 193 of the Railway Act says:—

'Whenever any municipality, corporation or incorporated company has authority to construct, operate and maintain a telephonic system in any district, and is desirous of obtaining telephonic connection or communication with or within any station or premises of the company, in such district, and cannot agree with the company with respect thereto, such municipality, corporation or ncorporated company may apply to the Board for leave therefor, and the Board may order the company to provide for such connection or communication upon such terms as to compensation as the Board deems just and expedient, and may order and direct how, when, where, by whom, and upon what terms and conditions such telephonic connection or communication shall be constructed, operated, and maintained.'

Q. As far as your company is concerned, you are willing to carry out that statute? —A. Certainly. If the board made an order we would be obliged to.

Q. Then I wish to direct your attention to clause 253 of the Railway Act which reads as follows:—

'All companies shall, according to the respective powers, afford to all persons and companies all reasonable, and proper facilities for the receiving, forwarding and delivering of traffic upon and from their several railways, for the interchange of traffic between their respective railways, and for the return of rolling stock; and no company shall make or give any undue or unreasonable preference or advantage to or in favour of any particular person, or company or any particular description of traffic in any respect whatsoever—nor shall any company, by any unreasonable delay or otherwise howsoever, make any difference in treatment in the receiving, loading, forwarding, unloading, or delivery of the goods of a similar character, in favour of or against any particular person, or company,'—and it goes on—

Mr. BURROWS.—That has nothing to do with it.

By Mr. Maclean:

Q. I am coming to the point in view, and that is unfair treatment to any person in the loading, receiving or delivery of trade. The Act binds you to treat all persons fairly and equally without any discrimination. Well, do you not think your company has been discriminating against your clients in the matter of receiving or forwarding or unloading freight when you give a preference to one company over another company which may be serving clients of yours ?—A. Why do we give it ?

Q. Do you think you are obeying the Railway Act?—A. If we do not act up to the Railway Act, we do not act up to the Railway Act.

Q. But are you obeying the Railway Act? It says you shall treat the public fairly and equitably.

Mr. DEMERS.—Mr. Chairman, that is a question of law.

Mr. MACLEAN.—This is not a court. This is a question of ascertainment of facts.

Mr. DEMERS.—You are putting a question of law.

WITNESS.—I think we are obeying the law if that is what you are trying to get from me.

Q. You say you are not discriminating, yet you refuse a private company who are clients of yours entrance to your station? Supposing they organize a telephone company and wish to get into your station and have the same advantages for shippers that the Bell Telephone Company have, and you refuse that convenience to them.

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Do you say you are obeying the Railway Act ?—A. I think we are obeying the Railway Act.

Q. And you think then that you do not come under the penalty imposed where a company or any director or officer thereof, who shall wilfully do or cause to be done something contrary to the provisions of the Railway Act. In such cases they are deemed to be guilty of an infraction of the Act and liable to a penalty. Now the Railway Act imposes upon you the duty of treating the public fairly, of not discriminating against them in any way and there is a penalty provided in case of violation. The question I ask you now is do you consider that you are carrying out the spirit of the Railway Act and treating the public fairly and not discriminating when you give those exclusive privileges to the Bell Telephone Company?—A. Yes, sir.

Q. Do you think you are obeying the Railway Act?—A. Yes, if I had any doubt about it, I would ask our lawyers about it.

Q. And have you taken the opinion of your lawyers about it?—A. I do not know that I have, to be candid, on that one particular point. Clause 253 you say that is ?

Q. Clause 253 says you shall treat the public fairly and shall discriminate against no one and that everybody shall have equal terms. Now let me come to the Locust Hill case. There is a local company at Locust Hill composed altogether of people who do business with your company, and they are anxious to ask your company whether their freight has arrived or whether you can take a shipment of freight whether you have cars there for their convenience and for your advantage, and do you think you are treating them fairly as a railway company in giving the clients of the Bell Company access to your station by 'phone and refusing it to these other members of the community who are also clients of yours?—A. Oh, I think that the Bell Telephone Company have got an open station that anyone can go to. I think, that point you are trying to make is a little far fetched.

Q. I do not think so.—A. Honestly I do not think we are going contrary to that law, and in saying so, I think I have answered your question. This telephone question is before the Railway Commission in the meantime. We are quite willing to abide by their decision and I think that in putting ourselves in that position we are doing all that can be expected of us.

Q. Well then I will ask you another question. The Canadian Pacific Railway enjoys a great franchise in this country?—A. I have heard you say so several times.

Q. But do you know that the Canadian Pacific Railway has a great franchise in this country ?—A. It is a great railway if that is what you mean ?

Q. No it has a franchise to run in this country?—A. Yes, I believe we have.

Q. But as a matter of fact, you know that the Canadian Pacific Railway have this great franchise and you know that they have received great subsidies from the people of Canada in the shape of lands and money? Is it so or not so?—A. Well you are saying so.

Q. No, but I am asking you as vice-president of the Canadian Pacific Railway do you know that?—A. I think that we have done so.

Mr. JOHNSTON.—We all know that.

By Mr. Maclean:

Q. I am asking you, have you received from the people of Canada large subsidies in the way of money and land?—A. Well when you use the word 'large' that is by comparison; I cannot tell. It may be large now, and it may have been small at the time.

Q. Well, you received subsidies ?—A. Well, you know just exactly what we know.

Q. Well, I don't know, I was asking you ?—A. Certainly we have.

Q. Well, why not answer the question instead of quibbling ? You are giving the people in return a service, and a very good service ?—A. I hope so, we try to do so.

Q. And you are paying a dividend to your shareholders ?—A. I hope so.

Q. Well, the Criminal Code says :—

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'Everyone is guilty of an indictable offence and liable to a penalty not exceeding four thousand dollars and not less than two hundred dollars, or to two years imprisonment, and if a corporation is liable to a penalty not exceeding ten thousand dollars and not less than one thousand dollars, who conspires, combines, agrees or arranges with any other person, or with any railway, steamship, steamboat or transportation company,—

(*a.*) to unduly limit the facilities for transporting, producing, manufacturing, supplying, storing or dealing in any article or commodity which may be a subject of trade or commerce.'

Now, do you not consider that your company have violated that statute by making this exclusive agreement ?—A. No, sir.

Q. This exclusive contract with the Bell Telephone Company ?—A. No, sir.

Q. And that you are not conspiring against the public of this country.—A. No, sir.

Q. That is your answer ? Well, then, we will take this other statement of yours, that you are getting more returns from the Bell Telephone Company. You told us that in return for this exclusive contract that you have rather the best of it ?—A. Yes.

Q. Well, if you have rather the best of it, somebody must pay for it. Do you not think that the people of Canada who happen to use telephones are paying for this advantage that you have ?—A. No, sir.

Q. Well, who is paying for it ?—A. We bought that cheap.

Q. You bought that cheap and you get this overwhelming advantage ?—A. I don't say overwhelming. Mr. Sise is here.

Q. Well, you get what you think are advantageous privileges. You told us you got the better end of it.

Mr. DEMERS—It is in every contract.

Mr. MACLEAN.—It may be in every contract. The point I want to get out, Mr. Chairman, and I think it is a fair question in a parliamentary committee is that the C.P.R. which was a public franchise, which has received public grants, and which under the law, has to serve the public fairly and to treat everybody without discrimination, that it has conspired with the Bell Telephone Company, another institution enjoying a large public franchise, to treat a portion of the public unfairly, and to discriminate in connection with the transportation of goods, and I ask Mr. McNicoll if he does not think the Canadian Pacific Railway is doing that to-day ?—A. I do not think we are. We would not for a moment if we thought we were. We are just as careful as you or any other person is about obeying the laws of the country and working for the public good.

A. The lawyers will really be better for that.

Q. Now, you say you gave the Bell Telephone Company certain services in return for the services they gave you. You transport their poles and give their employees transportation ?—A. There is some clause about that. You are putting something in that I am not sure about. I would like to read the agreement itself. Does it say anything about carrying poles ?

Q. Freight, yes. Will you please read that Mr. Chrysler, in the Bell Company's agreement.

Q. Mr. McNicoll, will you tell us, if you know, what amount of passenger transportation you had to give to the Bell Telephone Company ?—A. I do not know.

Q. Do you know how many passes the Bell Company has ?—A. I cannot answer that, but it is a matter of record.

Q. Well, then, is it not this that the agreement was for service, that was probably the intention of both companies when it was made; would you not if you carried their officers over your line be in receipt of a certain amount of money if they travelled over your line and did not possess those privileges which were given them under the agreement.—A. You mean that if we wouldn't give them passes ?

Q. Yes ?—A. They would either have to pay us, or else the conductors.

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Q. And if you had to get a telephone service from them, you would also have to pay for that ?—A. I presume so.

Q. And if it was an equitable agreement would still get money for carrying their officers, and they would get money for the telephone service which the railway company gets, would they not ?—A. Yes.

Q. And if this agreement was fair ?—A. I think I told you that we got more than we had given them, the facts being that the use of the telephone has increased more rapidly than the use of the transportation, since the making of our first agreement. I believe when the agreement was first made, this original agreement back in 1891, we both started out equal. That was about the case, but the continued increase in the use of the telephone has given us a little advantage.

Q. But you will be very glad to renew it ?—A. I would renew it to-morrow if it was out, and I could.

Q. You say they are entitled to give you a certain service, and that you were considering the question of using the telephone in preference to the telegraph, do you consider that your present contract would allow you to manage the train service under that contract, and that the Bell Telephone Company would have to give you a telephone service for that purpose ?—A. I have not really considered that, but I have always found when I went to the Bell Telephone Company with any reasonable proposition they took it up in a very reasonable way, and I would not have any fear of being able to negotiate a business agreement with them.

Q. But I am asking you if your contract would allow you to manage a train service by telephone?—A. I would really have to ask a lawyer about that if I had any doubt on the subject.

Q. I am asking you now, whether you think the contract would cover that ?—A. What I am considering now is, that it is the practice now on many of the railways in the United States, which are using that method now, here and there, and I have had people go and visit these places, and I have had the reports and maps furnished me on the subject, some of them I have read and others I have not read yet.

Q. You have a contract with the New Brunswick Telephone Company ?—A. Yes.

Q. With whom did you make that?—A. I think it was made with the company through our General Superintendent.

Q. Do you know whether that company is an ally of the Bell Telephone Company or not ?—A. I really do not know.

Q. And you have an agreement with the Telephone Company in British Columbia? With whom was that made ? And is that an ally of the Bell Telephone Company ?—A. I do not know, but I could not make a contract with them unless the Bell Telephone Company were agreeable.

Q. I want to ask another question. Do you know that in some of your stations and freight sheds, in some places, to-day, you have given access to the independent telephone companies ?—A. No, I do not know of any particularly.

Q. Well, we have had the testimony here before the committee that you are doing that ?—A. It might be.

Q. For instance, at Harrietsville and at a number of points in New Brunswick and at one or two in Quebec.—A. We have always some agents who do things without being asked to, or even without asking permission.

Q. But if your attention were called to it, you would prevent it ?—A. I would stop it if I considered it contrary to our agreement, because when we make an agreement we endeavour to keep it.

Q. And under your charter you have an agreement with the people to give them proper service ? And under the Railway Act as well ?—A. We endeavour to keep it as well.

By Mr. Johnston:

Q. In reference to this question as to the advantages that you have as a result of the contract with the Bell Telephone Company, do you enjoy those advantages

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exclusively, or are the patrons of your road participants in the advantages that you have as a result of this contract. You would not say that the patrons of your road do not share in those advantages?—A. The patrons of the road share in many advantages, that they would not probably if we had to pay for some of them. I think in that case we would not have so many telephones, or rather, the lavishing of those privileges that we get so nicely from Mr. Sise, enables us to get a better service, and some of them would not pay us commercially to give.

Q. As a matter of fact the Canadian Pacific Railway are not the exclusive holders of this advantage?—A. No, if you were to ask me the question I would say that I believe the public are advantaged by our contract with the Bell Telephone Company, but when you are talking of some of the privileges which we enjoy, I do not want you to understand that they are all telephone privileges, for instance in the city of Montreal the Bell Telephone Company have underground conduits and they allow us to use a certain portion of them, which is of very great advantage to us; it costs a little more, but it is an advantage to the city and to the people not to have so many poles on the street, and it is an advantage also to the public to have telephones at our stations which gives them a much more prompt service.

Q. What I want to get at, in your opinion the public are general sharers with you in this advantage that you possess by virtue of your contract with the Bell Telephone Company?—A. I think there is as great an advantage to the public as there is to ourselves.

By Mr. Maclean :

Q. It facilitates the railway business by having telephone connection with the railway stations?—A. Yes.

Q. And the more telephone connections you have the more business would be advanced?—A. We give them more telephone advantages on account of our contract. Do not misunderstand me, I have no objections to any telephone company getting into our stations, I would allow all telephone companies in, but I have a contract and I have certain privileges in exchange for that contract, and I consider that until I am ordered I have to keep that contract. We have no dislike against any telephone company, and in a general way we try to further the interests of every town on our line, and I have explained this to any man I have had anything to do with. I know of Port Arthur and of New Brunswick cases but I personally know nothing about the Locust Hill matter. You know more about that than I do.

Q. All you want is to have the law brought out and you will obey it?—A. Yes.

By Mr. Zimmerman:

Q. Does your agreement with the Bell Telephone Company prohibit you from allowing independent companies to put in telephones at places where the Bell Telephone Company is not in operation?—A. I think there is a clause there that if the Bell Telephone Company was not in operation, if it is covered by the agreement I would take the telephone. I think there is a clause there which says that they have to give us 'adequate service' at other points and failing to do that, I am talking from memory, we could let other phones in. I have never found them object to letting me make an agreement. For instance the New Brunswick Telephone Company —I went to them and asked 'have you any objection to my making this agreement with the New Brunswick Telephone Company?' And they said, 'None at all.' And it was the same with other cases, and in the agreement with the Pacific Telephone Company I have made it subject to their contract and I have never found them playing the dog in the manger. They considered that it was an advantage to them, and they wanted to keep the advantage of course.

Q. Mr. Bourassa made a statement in the House some weeks ago that it was impossible to get a connection in the town in which he lived with the railway station

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on account of this agreement with the Bell Telephone Company?—A. Was there any Bell telephone there at all?

Q. No?—A. What was the name of the station please?

Q. Papineauville?—A. I shall look into it.

By Mr. Chrysler:

Q. I think Montebello would be Mr. Bourassa's station?

The CHAIRMAN.—That is the station he mentioned in his remarks.

By Mr Maclean:

Q. Under the Railway Act your company, and all railway companies, are bound to give an interchange of business one with another?—A. Yes.

Q. It is only a matter of opinion, but I would ask your opinion as to whether it would not be a good thing and to the general advantage, if all the telephone companies in this country, that they should also give an interchange of business on somewhat similar basis?—A. It is a matter to which I have not given any attention; I am rather broad and liberal in these matters myself, but it is not my business as I have not given it much thought. We carry out the law wherever we believe it applies to us.

By Mr. Aylesworth:

Q. Arising out of what Mr. Johnston asked you with reference to the benefits to the public by reason of this arrangement, let me know what the course of business would be. Supposing a man in your own city went to your office at the corner of Sparks and Elgin streets say, and asked for accommodation in the sleeping car going out of Montreal to New York, that night, say, or he wanted to arrange for ocean transportation, in the ordinary course of his business would the telephone be used by the agent for such purposes, do you know?—A. I am afraid it is used. It will rather embarrass me here with Mr. Sise present if you ask me such questions.

Q. Has the agent under the contract the right to use the telephone for the benefit of his patrons in connection with such arrangement?—A. I am afraid that is a matter to which we do not give as much attention as we ought. I believe that the agent in practice would be asked to do that kind of thing and that he does it.

Q. And it costs your patrons nothing?—A. Under the contract that is the way it works out, and it is a very hard matter to say to an agent, 'here, when a man comes and asks for so, and so, for a berth, you must tell him to go around to the telephone or telegraph office and get it and pay for it himself.

By Mr. Maclean:

Q. And it will be an advantage to a still larger number of people if the same service could be obtained from every telephone system in this country?—A. Yes, I suppose it would be if every telephone company could give you a long-distance transportation the same as the Bell Telephone Company do.

By the Chairman:

Q. Did I understand you to say that at points in New Brunswick the instruments of other companies than the Bell were admitted to some of your stations?—A. No, I did not say that, I do not know of a company that does. I think it was Mr. Maclean that said that at Harrietsville and some places in New Brunswick there were cases of that kind.

By Mr. Maclean:

Q. No, that is in Ontario, but we had an instance here where it was in New Brunswick?—A. I do not know of any personally.

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Q. Woodstock, I think, you mentioned ?—A. Woodstock ? We refused it there.

By the Chairman:

Q. Is there any point in Canada where the Bell Company have instruments, and the instruments of any other company are installed in the same station or premises? —A. I do not know of any.

Q. I will tell you why I ask you that question, so that you will not misunderstand it. I have intimation that in Woodstock, in New Brunswick, the instrument of an independent company, or a company not being the Bell Company, or a representative company of the Bell Company, is in the same place where there is installed an instrument of the Bell Telephone Company ?—A. It is unknown to me.

Q. And that your agent declines to answer calls over the independent telephone line?—A. It is unknown to me, I never heard of it.

Q. If there is any point where the instruments of the Bell Telephone Company and of some other company are installed, is it the duty of the agent so long as those instruments are installed there to answer the calls from them both?—A. I should, if there were two instruments allowed in any station, give instruction for them both to receive equal attention.

Witness discharged.

Mr C. F. SISE, President of the Bell Telephone Company of Canada, called and sworn.

By Mr. Chrysler :

Q. You are president now, Mr. Sise, are you, of the Bell Telephone Company? —A. I am.

Q. You have, I see, in your hand, a letter from the Clerk of the Committee, with reference to the documents which you are required to produce ?—A. Yes.

Q. We will call for those as we go along, I think. We wanted to ask you some questions with regard to the history of your company at first, and in the first place with regard to its legislation. I have looked it up and I suppose you have it in your mind also. I find that the Bell Telephone Company was incorporated by Act of Parliament in 1880, the Statutes of 1880, chapter 67. You were not one of the incorporators, were you ?—A. No.

Q. Were you connected with the company at the time it was incorporated ?—A. Not until after the charter was obtained.

Q. The second section of that Act gave the company power 'to manufacture telephones and other apparatus connected therewith, and their appurtenances and other instruments used in connection with the business of a telegraph or telephone company, and to purchase, sell or lease the same and rights relating thereto, and to build, establish, construct, purchase, acquire or lease and maintain and operate, or sell or let any line or lines for the transmission of messages by telephone, in Canada or elsewhere, and to make connection, for the purpose of telephone purposes, with the line or lines of any telegraph or telephone company in Canada or elsewhere, and to aid or advance money to build or work any such line to be used for telephone purposes.'—A. Yes.

Q. The third section is the section which gave you powers to,—

'Construct, erect and maintain its line or lines of telephone along the sides of and across or under any public highways, streets, bridges, water courses, or other such places, or across or under any navigable waters, either wholly in Canada or dividing Canada from any other country, provided the said company shall not interfere with the public rights of travelling on or using such highways, streets, bridges, water courses, or navigable waters.'—A. Yes.

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Q. The next provides further :—

'That where lines of telegraph are already constructed, no poles shall be erected by the company, in any city, town or incorporated village, along the same side of the street where such poles are already erected, unless with the consent of the council having jurisdiction over the streets of such city, town or incorporated village; provided also that in so doing, the said company shall not cut down or mutilate any tree; and provided that in cities, towns and incorporated villages, the opening up of the street for the erection of poles, or for carrying the wires underground, shall be done under the direction and supervision of the engineer or such other officer as the council may appoint and in such manner as the council may direct, and that the surface of the street shall, in all cases, be restored to its former condition by and at the expense of the company.'

Now, we have that, which is the franchise given by the original Act, and that has been maintained to this day, and which gives you the power you have exercised to construct your line throughout Canada. The capital stock by that Act was fixed at $500,000?—A. Yes.

Q. The next Act that I find is in 1884——

Mr. AYLESWORTH.—I think there is one in 1882.

Mr. CHRYSLER.—Oh, yes, that is right. In 1882 an Act was passed,—Statutes of 1882, chapter 95,—I think there is no change in that, that is material now. In 1884, the Statutes of 1884, chapter 88, the capital stock of the company was authorized to be increased to $1,500,000 ?—A. Yes.

Q. And in 1892, the Statutes of 1892, chapter 67, the capital stock was authorized to be increased to an amount not exceeding $5,000,000 'including the present authorized stock,' and in that Act appeared for the first time a clause as to rates. Section 3 provided :—

'The existing rates shall not be increased without the consent of the Governor in Council.'

Before that, I think there had been no limitation by any of the Dominion Acts.—A. None.

Q. Then there is a short Act in 1894, chapter 108, which provided for a bond issue, 'to the amount of 75 per cent of its (the company's) actual paid-up capital stock.'—A. Yes.

Q. Then there is only one other, I think the last Act was passed in 1902, the Statutes of 1902, chapter 41, which authorizes the capital stock to be increased to $10,000,000.—A. Yes.

By Mr. Bergeron :

Q. When was that ?—A. 1902.

By Mr. Chrysler :

Q. And that Act contains some provisions to which I desire to call attention. Section 2 of that act requires:—

'Upon the application of any person, firm or corporation, within the city, town or village, or other territory within which a general service is given and where a telephone is required for any lawful purpose, the company shall, with all reasonable dispatch, furnish telephones, of the latest improved design then in use by the company in the locality, and telephone service for premises fronting upon any highway, street, lane, or other place along, over, under or upon which the company has constructed, or may hereafter construct, a main or branch telephone service or system, upon tender or payment of the lawful rates semi-annually in advance, provided that the instrument be not situate further than 200 feet from any such highway, street, lane or other place.'

Is that the first time that the principle of compulsory service had been recognized?—A. Yes, that is the first time.

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Q. In legislation respecting your company?—A. Yes.

By Mr. Maclean:

Q. What clause is that?—A. Section 2 of the act of 1902.

By Mr. Chrysler:

Q. Up to that time, as far as legislation was concerned, it was purely voluntary on your part whether you would supply a telephone service or not?—A. It was.

Q. Then the third section of that Act contains a provision with regard to the rates for telephone service.

'The rates for telephone service in any municipality may be increased or diminished by order of the Governor in Council upon application of the company or of any interested municipality, and thereafter the rates so ordered shall be the rates under this Act until again similarly adjusted by the Governor in Council.'

And there are some other provisions as to the method of making an application, and there is this further principle embodied in the second sub-section.

'In increasing or diminishing said rates due regard shall be had to the principle embodied in section 3 of chapter 67 of the Statutes of 1892, and to new conditions which have obtained since.'

That refers back I presume to the section which provided that the existing rates should not be increased?—A. Yes.

Q. That was in the legislation of 1892?—A. Yes.

Q. Then there appears in the 3rd sub-section of that Act the following provision:—

'In the case of any such application the Governor in Council may commission or empower any judge of the Supreme Court or Exchequer Court of Canada or of any Superior Court in any province of Canada, to inquire in summary way into and report to the Governor in Council whether such increase or diminution should be made, and as to the expenses incurred in and about the application and inquiry?—A. Yes.

Q. There the right to make an application is confined to the company or to any interested municipality, and the power is given to enforce the order. Then there is a definition of the word 'rates' in the 4th section:

'The word "rates" in this Act shall apply to all rates charged for the rental or use of telephones and telephone service, and also to charges for messages from any person in one municipality to any person in another municipality, commonly known as long distances messages.'

So that the power, whatever it is, to control the rates is made to apply to the local service and also the long distance service. That is what I understand it to be. It is a little premature perhaps, but has there been any application with regard to revising rates since that statute was made?—A. Not to my knowledge—you mean objections?

Q. There has been no formal application?—A. I do not know of any.

Q. The act has not been acted upon in any case that you know of?—A. That is so.

Q. That I think is the whole of the legislation relating specially to your company. There was a statute passed in the province of Ontario, about 1882, but I do not know that it is necessary to refer to that?—A. What we term 'the enabling Act.'

Q. Was there a similar one in the province of Quebec?—A. In Quebec, in Nova Scotia, in New Brunswick and in all the provinces.

By Mr. Maclean:

Q. What are those dates?

Mr. LAFLEUR.—In 1882 Ontario, and 1881 Quebec.

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By Mr. Chrysler:

Q. The question as to your status under the charter of 1880, has been recently before the courts, has it not?—A. The right to erect poles?

Q. In streets without the consent of the municipality?—A. Yes.

Mr. BERGERON.—You are talking about Ontario in these questions you are putting?

Mr. CHRYSLER.—No.

The CHAIRMAN.—No, that question arose in regard to the Dominion.

Mr. CHRYSLER.—This decision of course disposes of that, and I am going to put this decision in. The litigation with the city of Toronto was carried to the Privy Council. A. By the city of Toronto.

Q. The decision of the Court of Appeal of Ontario was in favour of the company was it?—A. In our favour.

Q. And I find it reported, I just put it in so that the committee may have the reference to it; it is reported in the volume of appeal cases for this year, 1905, at page 52, where the judgment of the Privy Council will be found. This is the decision Mr. Sise according to the report. 'Held that under its Dominion incorporating Act (43 Victoria, chapter 67), the Respondent Telephone Company was entitled, without the consent of the municipal corporation, to enter upon the streets and highways of the city of Toronto and to construct conduits or lay cables thereunder, or to erect poles with wires affixed thereto upon or along such streets or highways. The scope of the respondent's business contemplated by the said Act and involving its extension beyond the limits of any one province was within the express exception made by section 92 subsection 10*a* of the British North America Act, 1867, from the class of local works and undertakings assigned thereby to provincial legislatures. Accordingly, Act 43, Victoria chapter 67 was within the exclusive competence of the Dominion Parliament under section 91.'

That Act is the one to which I referred as the Act incorporating your company of 1880?—A. Yes.

Q. 'Ontario Act 45 Victoria chapter 71, passed to authorize the above powers within the province, subject to the consent of the corporation, was held to be *ultra vires*, and could not by reason of having been passed on the application of the respondent company be validated as a legislative bargain.'

That judgment was given only on November 11 last?—A. Yes.

Q. And the result of that has been to put an end to the question as to the conflict of jurisdiction between the Dominion and the provinces with regard to legislation affecting your company?—A. That is what we assume.

Q. And it is not necessary for us, therefore, for the present purpose to look at the local Acts to which you refer, which you call the Enabling Acts. You have supplied at the request of the committee, a statement of the annual reports and balance sheets of the company from the commencement of the history of the company?—A. Yes, I file them:

Exhibit No. 93.

ANNUAL REPORTS OF THE BELL TELEPHONE COMPANY OF CANADA, DECEMBER 31, 1880.

In submitting their first annual report, the directors deem it but proper to state that owing to the very recent date on which the company commenced business, any report must necessarily be very meagre.

The company was incorporated by special Act of Parliament, April 29, 1880, for the purpose of working the entire telephone system of Canada, and since its incorporation it has acquired possession of the telephone licenses, plants and good-will of the Dominion Telegraph Company, the London Telephone Company, the Hamilton Telephone Company, and Windsor Telephone Exchange, and in November it acquired the

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telephone plant and good-will of the Montreal Telegraph Company, Canadian District Telegraph Company, and Quebec Telephone Exchange, and received a license from the Canadian Telephone Company (Limited) for the use of all the patented inventions in Canada in telephony, formerly owned by the American Bell Telephone Company, Gold and Stock Telegraph Company, Western Union Telegraph Company, and American Speaking Telephone Company, including the inventions of Bell, Blake, Edison, Gray, Watson, Anders, Jaques and others.

Since taking possession of the various telephone plants above mentioned, the company has devoted its attention to improving them, and thus increasing their earning power. Whenever practicable it has erected good pole lines through the different cities where it has exchanges, by which means new wire lines can be much more easily run and kept in good order than in any other way. It has also in all cases, where old leases have expired and been renewed, changed the unsatisfactory Electro Bell system of several subscribers on one line, to the Magneto Bell system, furnishing a separate line to each subscriber, by which means the service is very much improved, and the cost of battery for call-bells done away with.

The directors, profiting by the experience of other companies, found it necessary to increase the rentals of telephones for exchange and other connections, but are happy to be able to report that this has had no perceptible effect upon the number of subscribers, which is steadily increasing, promising a satisfactory revenue for the coming year.

The company now has in operation exchanges at Montreal, Ottawa, Quebec, Hamilton, London, Windsor, Woodstock, Guelph, Brantford, St. Thomas, Cornwall, St. John, N.B., and Halifax, N.S., and agencies in nearly every town where there is any promise of obtaining subscribers.

A statement of receipts and expenditure, also the financial statement for 1880, are appended hereto.

All of which is respectfully submitted.

C. F. SISE,
Vice-President and Managing Director.

ANDREW ROBERTSON,
President.

MONTREAL, February 26, 1881.

REVENUE AND EXPENDITURE TO DECEMBER 31, 1880.

Receipts.

Revenue from exchange line rentals		$23,756 73
" " private line rentals		5,023 01
" " miscellaneous sources		890 84
		$29,670 58

Expenditure.

Light and fuel	$ 223 00	
Rent and taxes	1,145 39	
Salaries, wages and commissions	11,499 55	
Stationery	83 70	
Advertising	29 48	
Postage and telegrams	240 09	
Petty expenses	502 85	
Travelling expenses	270 17	
Legal expenses	236 85	
Insurance	20 67	
Employees' guarantee premiums	16 73	
Royalties on instruments	4,349 21	
		$18,617 69
		$11,052 89

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FINANCIAL STATEMENT, DECEMBER 31, 1880.

Stock account			$377,600 00
Net revenue			11,052 89
Sundry creditors			14,671 48
			$403,324 37
Preliminary expenses		$ 5,628 04	
Paid for license		167,000 00	
Purchase—			
Dominion Telegraph Co's telephone plant	$75,000 00		
Montreal Telegraph Co's telephone plant	75,000 00		
Hamilton Telephone Co's plant	22,500 00		
London Telephone Co's plant	5,500 00		
Windsor Telephone Co's plant	2,500 00		
	$180,500 00		
Less sale of instruments to Canadian Telephone Co., Ltd	13,964 50		
		$166,535 50	
Cost of combining exchanges, fitting up offices, constructing new lines, &c		20,469 78	
Stores on hand		13,588 24	
Sundry debtors		18,240 09	
Due from agencies		1,463 99	
Cash in bank and on hand		10,398 73	
			$403,324 37

1881.

In submitting their second annual report, the directors have much pleasure in informing the shareholders that their anticipations of a satisfactory revenue in 1881, have been fully justified by the results, as exhibited in the statement appended hereto.

During the year, the company has purchased all other existing telephone interests in Canada; has laid a cable from Windsor to Detroit; has built a line from Windsor to Amherstburg, 18 miles; a line from Toronto to Hamilton, 45 miles; and a line from Montreal to Lachine for the use of the Lachine canal, all of which are in satisfactory working order.

The company has also built a large number of shorter lines to provide for the very large increase of business, which in 1881 amounted to about 50 per cent.

The number of subscribers, December 31, 1881, was 3,100 as against 2,100 December 31, 1880.

The company now has exchanges in 40 cities and towns, and agencies in 40 others.

The demand for telephone service is increasing so rapidly, that the directors propose to avail themselves of the provision in our charter allowing the issue of bonds as occasion may require, the proceeds of which will be applied to construction account, and a motion to that effect will be offered at the meeting.

All of which is respectfully submitted.

C. F. SISE, *Vice-President and Managing Director.*

ANDREW ROBERTSON, *President.*

MONTREAL, February 25, 1882.

Mr. C. F. SISE.

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RECEIPTS AND EXPENDITURE.

Receipts.

Revenue from exchange line rentals	$83,830 03	
Revenue from private line rentals	10,627 69	
Revenue from miscellaneous sources	6,591 97	
		$101,049 69

Expenditure.

Operating expenses	$49,284 80	
Royalties	17,629 59	
Legal expenses	573 80	
Insurance premiums	619 33	
Guarantee premiums	43 50	
Interest	9 50	
		$68,160 52
Net revenue for year 1881		32,889 17
Net revenue for 1880, brought forward	$11,052 89	
Less preliminary expenses written off	5,628 04	
		$ 5,424 85
		$38,314 02

FINANCIAL STATEMENT, DECEMBER 31, 1881.

Stock account	$500,000 00	
Net revenue	38,314 02	
Sundry creditors	16,646 38	
		$554,960 40
Capital expenses to December 31, 1880	$354,005 28	
Purchase of Toronto exchange	27,500 00	
Purchase of Yorkville exchange	1,000 00	
Purchase of Winnipeg exchange	600 00	
Purchase of Western Union Telegraph exchanges in Canada	10,000 00	
Expenses on construction account in 1881	93,433 69	
Total capital expenses to date	486,538 97	
Stores on hand, valued at	10,500 00	
Sundry debtors	50,922 87	
Cash in bank and on hand	6,998 56	
		$554,960 40

STATEMENT OF ASSETS AND LIABILITIES.

Assets.

Plant and license	$486,538 97	
Stores on hand	10,500 00	
Debtors and cash	57,921 43	
		$554,960 40

Liabilities.

Capital stock	$500,000 00	
Sundry creditors	16,646 38	
		$516,646 38
Surplus		$38,314 02

Mr. C. F. SISE.

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Dividend (6 per cent interest)	$28,769 91	
Carried to contingent fund	5,000 00	
Balance carried forward	4,544 11	
		$38,314 02

Audited and certified,

PHILIP S. ROSS, *Auditor.*

MONTREAL, February 13, 1882.

1882.

The directors beg to submit to the shareholders their third annual report.

At a special meeting of the shareholders, held July 5, 1882, it was resolved to increase the capital of the company to $1,000,000. This has been done, and the additional stock has been disposed of at par.

The number of subscribers has increased from 3,100, December 31, 1881, to 4,400, December 31, 1882, or about 42 per cent.

The gross revenue has increased from $101,049 to $161,786, or about 60 per cent.

The net revenue has increased from $32,889 in 1881, to $69,590 in 1882, 112 per cent.

A cable has been laid from Quebec to Lévis, and an exchange has been opened at the latter place.

New exchanges are being opened as rapidly as the business warrants, and the whole business is in a prosperous and healthy condition.

All of which is respectfully submitted.

ANDREW ROBERTSON,
President.

C. F. SISE,
Vice-President and Managing Director.

MONTREAL, February 24, 1883.

REVENUE ACCOUNT, DECEMBER 31, 1882.

Receipts.

Exchange line rentals		$135,689 39
Private line rentals		13,280 31
Tolls		4,700 97
Miscellaneous		8,115 70
		$161,786 37

Expenditure.

Operating expenses	$76,953 79	
Royalties	11,156 89	
Insurance	1,327 26	
Legal expenses	2,614 13	
Guarantee premiums	144 15	
		$92,196 22
Net revenue 1882		$69,590 15
Net revenue brought from 1881		4,544 11
		$74,134 26
Less dividend, 3 per cent, paid July 15, 1882		15,000 00
Balance of revenue account		$59,134 26

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FINANCIAL STATEMENT.

Stock account	$1,000,000 00	
Contingent fund	5,000 00	
Balance of revenue account	59,134 26	
Sundry creditors	8,177 57	
		$1,072,311 83
Capital expenditure, December 31, 1881	$486,538 97	
Purchase of patents	354,188 89	
Purchase of instruments	43,943 65	
Construction account, 1882	80,434 70	
Total capital expenditure	$965,106 21	
Stores on hand	14,667 10	
Sundry debtors	306 46	
Due from agencies	7,781 00	
Cash in bank and on hand	84,451 06	
		$1,072,311 83

STATEMENT OF ASSETS AND LIABILITIES.

Assets.

Plant, patents and instruments	$965,106 21	
Stores on hand	14,667 10	
Debtors and cash	92,538 52	
		$1,072,311 83

Liabilities.

Capital stock	$1,000,000 00	
Sundry creditors	8,177 57	
		$1,008,177 57
Surplus		$64,134 26
Dividend, 3 per cent, paid January 15, 1883	$30,000 00	
Contingent fund, 1881 $ 5,000 00		
Contingent fund, 1882 20,000 00		
	$25,000 00	
Balance carried forward	9,134 26	
		$64,134 26

Audited and certified.

MONTREAL, February 7, 1883.

PHILLIP S. ROSS,
Auditor.

1883.

The directors beg to submit their fourth annual report.

The number of subscribers has increased from 4,400, December 31, 1882, to 6,000, December 31, 1883, about 34½ per cent.

The gross revenue has increased from $161,786 in 1882, to $217,624 in 1883, about 34½ per cent.

The net revenue has increased from $69,590 in 1882, to $112,233 in 1883, about 62 per cent.

The expenses have been reduced from 57 per cent in 1882, to 48·4 per cent in 1883.

Twelve new exchanges and agencies have been added during the year.

Mr. C. F. SISE.

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About 600 miles of trunk-lines have been added at a cost of $45,000; of this work 220 miles are new pole lines—the remainder comprises additional wire miles.

About 250 miles have been built by sub-licensees of this company, from which we derive instrument rentals and a percentage of all tolls.

Dividends amounting to $70,000 (7 per cent) have been paid from the earnings of the year. $40,000 have been added to the contingent fund, which is now $65,000.

The business is in a most satisfactory condition.

All of which is respectfully submitted.

C. F. SISE, *Vice-President and Managing Director.*

ANDREW ROBERTSON, *President.*

MONTREAL, February 23, 1884.

RECEIPTS AND EXPENDITURE, DECEMBER 31, 1883.

Receipts.

Revenue from exchanges	$189,847 05	
" private lines	15,061 98	
" trunk lines	6,501 13	
" miscellaneous sources	6,214 57	
		$217,624 73

Expenditure.

Operating expenses	$101,146 04	
Legal expenses	554 60	
Insurance premiums	3,032 01	
Guarantee premiums	154 08	
Interest	504 50	
		$105,391 23
Net revenue for 1883		$112,233 50
Net revenue brought forward from 1882		9,134 26
		$121,367 76
Less dividend 3½ per cent, paid July 16, 1883		35,000 00
Balance of revenue account		$ 86,367 76

FINANCIAL STATEMENT, DECEMBER 31, 1883

Stock account		$1,000,000 00
Contingent fund		25,000 00
Balance of revenue account		86,367 76
Sundry creditors		85,221 12
		$1,196,588 88
Capital expenditure December 31, 1882	$965,106 21	
Purchase of patents 1883	1,647 12	
Purchase of instruments 1883	8,236 43	
Constructions, 1883	126,275 41	
Total capital expenditure	$1,101,265 17	
Stores on hand	28,711 00	
Sundry debtors	4,438 84	
Due from agencies	10,958 49	
Cash	51,215 88	
		$1,196,588 88

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APPENDIX No. 1

ASSETS AND LIABILITIES.

Assets.

Plant, patents and instruments	$1,101,265 17
Stores on hand	28,711 00
Debtors and cash	66,612 71
	$1,196,588 88

Liabilities.

Capital stock	$1,000 000 00	
Sundry creditors	85,221 12	
		$1,085,221 12
Surplus		$111,367 76
Dividend, 3½ per cent., January 15, 1884	$35,000 00	
Contingent fund, December, 1882	$25,000 00	
Add contingent fund, December, 1883	40,000 00	
	65,000 00	
Balance carried forward	11,367 76	
		$111,367 76

Audited and certified,
MONTREAL, February 15, 1884.

PHILIP S. ROSS,
Auditor.

1884.

The directors beg to submit their fifth annual report.

The number of subscribers has increased from 6,000, December 31, 1883, to 7,418, December 31, 1884, about 23 per cent.

The gross revenue has increased from $217,624 in 1883, to $283,044 in 1884, about 30 per cent.

The net revenue has increased from $112,233 in 1883, to $118,951 in 1884. $40,000 carried to contingent fund in expense account brings the net revenue to $78,951.

Twenty-seven new exchanges and agencies have been added during the year.

About 636 miles have been added to our trunk-lines, which now cover 1,498 miles of wire on 855 miles of poles; of this 1,390 miles are in the Ontario department, and 108 in the Eastern department.

About 256 miles have been built by sub-licensees of this company on 200 miles of poles.

The entire mileage now owned by sub-licensees from which this company derives an income is 506, on 450 miles of poles.

A dividend of 3½ per cent was paid in July.

The slight apparent increase in net revenue—$118,951 against $112,233,—was caused partly by the burning of the Toronto Exchange which caused a great outlay for improved apparatus, and also by the demand for larger offices, and generally increased facilities owing to the increased business. These expenses while improving the service and providing for future business, could not properly be charged to construction account.

Legal expenses were also exceptionally large.

In view of the recent decision of the Commissioner of Agriculture, and pending litigation, your Board deemed it but prudent to defer the payment of a dividend in January 1885, from the earnings of the last six months of 1884, and decided to strengthen the company's position by carrying $40,000 to the contingent fund, which is now $105,000, and using that amount for construction purposes at such points as it

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seemed prudent for the company to occupy, and to protect the company's interests now attacked.

The balance of revenue account carried forward, $43,951.78, added to the balance carried forward last year, $11,367.76 makes $55,319.54 now at credit of revenue account.

The directors deem it but just to themselves to state to the shareholders regarding the recent decision of the Commissioner of Agriculture, that the so-called infractions of the Patent Act had occurred prior to the time when this company acquired the patents, and that no step has been taken since that time except in accordance with the advice of the best legal counsel obtainable in the Dominion.

The directors having decided to increase the capital of the company to the amount authorized by Act of Parliament, viz:—$2,000,000, the additional stock to be sold from time to time as the Board may deem for the company's interest, the shareholders will be asked to confirm the resolution, and a motion to that effect will be made at the meeting.

ANDREW ROBERTSON,
President.

C. F. SISE,
Vice-President and Managing Director.

MONTREAL, February 28, 1885.

REVENUE ACCOUNT, DECEMBER 31, 1884.

Receipts.

Revenue from exchanges	$245,077 63	
" private lines	14,917 35	
" toll lines	17,791 61	
" miscellaneous sources	5,258 33	
		$ 283,044 92

Expenses.

Operating	$144,819 40	
Insurance	3,597 48	
Legal	7,691 19	
Guarantee premiums	201 23	
Bond and loan interest	2,449 34	
Bond discount	5,334 50	
Contingent fund	40,000 00	
		204,093 11
Net revenue for 1884		$ 78,951 78
" brought forward from 1883		11,367 76
		$ 90,319 54
Less dividend 3½ per cent, July 15th, 1884		35,000 00
Balance of revenue account		$ 55,319 54

FINANCIAL STATEMENT, DECEMBER 31, 1884.

Stock account	$1,000,000 00
Bond account	77,200 00
Contingent fund	105,000 00
Revenue account	55,319 54
Sundry creditors	53,201 15
	$1,290,720 69

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APPENDIX No. 1

Capital expenditure, December 31, 1883	$1,101,265 17	
Purchase of patents 1884	1,390 26	
Purchase of instruments 1884	9,583 18	
Construction 1884	130,369 74	
Total capital expenditure	$1,242,608 35	
Stores on hand	23,000 00	
Sundry debtors	4,725 82	
Due by agencies	13,428 45	
Cash	6,958 07	
		$1,290,720 69

ASSETS AND LIABILITIES.

Assets.

Plant, patents and instruments	$1,242,608 35
Stores	23,000 00
Debtors and cash	25,112 34
	$1,290,720 69

Liabilities.

Stock and bonds	$1,077,200 00	
Sundry creditors	53,201 15	
		$1,130,401 15
Surplus		$ 160,319 54
Contingent fund, 1884	$ 105,000 00	
Balance revenue account carried forward	55,319 54	
		$ 160,319 54

Audited and certified.

PHILLIP S. ROSS,
Chartered Acccountant, Auditor.

1885.

The directors beg to submit their sixth annual report.

The number of subscribers has increased from 7,418, December 31, 1884, to 9,614, December 31, 1885.

Forty-one exchanges and agencies have been added during the year.

The company now has in operation 126 exchanges and 49 agencies, 1,115 pole miles, carrying 1,524 wire miles have been built during the year; of these 595 pole, and 907 wire miles are in the Ontario department, 520 pole, and 617 wire miles in the Eastern department.

The trunk-lines now owned by the company, comprise about 3,000 miles of wire, on about 2,000 miles of poles.

The gross revenue has increased from $283,044 in 1884, to $362,828 in 1885, about 28 per cent.

The expenses increased from $164,093 in 1884, to $204,828 in 1885, 24 per cent.

The percentage of expenses to revenue has been reduced from 58 per cent in 1884, to 56 per cent in 1885.

The net revenue has increased from $119,000 in 1884, to $158,000 in 1885, 32¾ per cent.

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New stock amounting to $200,000 has been subscribed and paid for, under vote of shareholders, February, 1885, authorizing the directors at their discretion to issue $1,000,000.

All of which is respectfully submitted.

C. F. SISE,
Vice-President and Managing Director.

ANDREW ROBERTSON,
President.

MONTREAL, February 27, 1886.

REVENUE ACCOUNT, DECEMBER 31, 1885.

Receipts.

From exchanges	$287,103 21	
Private lines	12,699 60	
Toll lines	36,629 45	
Miscellaneous sources	26,396 58	
Gross revenue		$362,828 84

Expenses.

Operating	$185,681 98	
Insurance	3,730 30	
Legal	5,832 01	
Guarantee premiums	204 04	
Bond and loan interest	8,332 50	
Bond discount	1,048 00	
		204,828 83
Net revenue for 1885		$ 158,000 01
" brought from 1884		55,319 54
Balance of revenue account		$ 213,319 55

FINANCIAL STATEMENT, DECEMBER 31, 1885.

Stock account		$1,200,000 00
Bond account		93,400 00
Contingent fund		105,000 00
Revenue account		213,319 55
Sundry creditors		23,391 75
		$1,635,111 30
Capital expenditure, December 31, 1884	$1,242,608 35	
Purchase of Curry lines	22,055 00	
Purchase of patents	9,040 00	
Purchase of instruments	10,407 21	
Construction in 1885	217,738 87	
Total capital expenditure to date	$1,501,849 43	
Stores on hand	24,454 45	
Investment account	1,200 00	
Sundry debtors	12,068 19	
Due by agencies	13,800 12	
Cash	81,739 11	
		$1,635,111 30

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APPENDIX No. 1

ASSETS AND LIABILITIES.

Assets.

Plant, patents, &c.	$1,501,849 43
Stores on hand	24,454 45
Stock in other companies	1,200 00
Debtors and cash	107,607 42
	$1,635,111 30

Liabilities.

Stock and bonds	$1,293,400 00	
Creditors	23,391 75	
		$1,316,791 75
Surplus		$ 318,319 55
Dividend, 2 per cent, paid January 15, 1886	$ 24,000 00	
Contingent fund, December 31, 1884 $105,000		
" added " 1885 145,000		
	$ 250,000 00	
Balance revenue account, carried forward	44,319 55	
		318,319 55

Audited and certified,

PHILLIP S. ROSS,
Chartered Accountant, Auditor.

1886.

The directors beg to submit their seventh annual report.

About 2,000 subscribers have been added during the year; the number on December 31, 1886, being about 11,600.

Sixty-one exchanges and agencies have been added during the year.

The company now has in operation 157 exchanges and 79 agencies, 633 miles of poles, and 923 miles of wire have been added to the trunk-line system during the year; of these 292 pole miles and 553 wire miles are in the Ontario department, and 341 pole miles and 370 wire miles in the Eastern department.

The trunk-lines now owned by the company comprise about 4,000 miles of wire on about 2,600 miles of poles.

The gross revenue has increased from $362,828 in 1885, to $443,822 in 1886—$80,994.

The expenses have increased from $204,828 to $253,256—$48,428.

The percentage of expenses to revenue has been 57 per cent in 1886, against 56 in 1885.

The net revenue has increased from $158,000 in 1885, to $190,565 in 1886—$32,565.

The paid up capital, January 1, 1886, was $1,200,000, $50,000 additional fully paid stock was issued in January, and another issue of $250,000 new stock was made in November, on which 20 per cent has been paid, leaving 80 per cent or $200,000 subscribed stock available for future construction as required.

All of which is respectfully submitted.

ANDREW ROBERTSON,
President.

C. F. SISE,
Vice-President and Managing Director.

MONTREAL, February 26, 1887.

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REVENUE ACCOUNT, DECEMBER 31, 1886.

Receipts.

Exchanges	$337,798 37	
Private Lines	12,640 14	
Trunk Lines	59,032 33	
Miscellaneous	34,351 60	
		$ 443,822 44

Expenses.

Operating	$236,305 05	
Guarantee Premiums	173 21	
Bond Interest	5,604 00	
Legal Expenses	2,709 76	
Insurance Premiums	8,464 59	
		$253,256 61
Net Revenue for 1886		$190,565 83
Balance of Revenue Account, brought from 1885		44,319 55
		$234,885 38
Less dividends paid		75,000 00
		$159,885 38

FINANCIAL STATEMENT, DECEMBER 31, 1886.

Stock account	$1,300,000 00	
Bond account	93,400 00	
Contingent fund	250,000 00	
Revenue account	159,885 38	
Sundry creditors	16,562 35	
Insurance reserve	2,248 79	
		$1,822,096 52
Capital expenditure December 31, 1885	$1,501,849 43	
Purchase of patents	748 00	
" instruments	13,877 55	
Construction, 1886	176,939 43	
Total capital expenditure to date	$1,693,414 41	
Stores on hand	48,505 33	
Investment account	2,870 00	
Sundry debtors	9,630 60	
Due by agencies	17,063 97	
Cash on hand	50,612 21	
		$1,822,096 52

ASSETS AND LIABILITIES.

Assets.

Plant, patents, &c	$1,741,919 74	
Stock in other companies	2,870 00	
Debtors and cash	77,306 78	
		$1,822,096 52

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APPENDIX No. 1

LIABILITIES.

Stock and bonds	$1,393,400 00	
Creditors	16,562 35	
		$1,409,962 35
Surplus		$ 412,134 17

APPROPRIATION OF SURPLUS.

Dividend payable January 15, 1887		$ 25,500 00
Contingent fund, 1885	$250,000 00	
Added contingent fund, 1886	100,000 00	
		350,000 00
Insurance reserve	2,248 79	
Balance revenue account	34,385 38	
		$ 412,134 17

Audited and certified,

PHILIP S. ROSS,
Chartered Accountant,
Auditor.

1887.

The directors beg to submit their eighth annual report.

2,350 subscribers have been added during the year; the number on the 31st December, 1887, being 13,950.

Fifty-four exchanges and agencies have been added during the year.

The company now has in operation 184 exchanges and 106 agencies.

486 miles of poles, and 1,100 miles of wire have been added to the trunk-line system during the year; of these 254 poles and 759 wire miles are in the Ontario department, and 232 pole miles and 355 wire miles in the Eastern departmnt.

The trunk-lines now owned by the company comprise about 5,100 miles of wire on about 3,060 miles of poles.

The gross revenue has increased from $443,822 in 1886, to $529,002.53 in 1887—$85,180.

The expenses have increased from $253,256 to $295,098—$41,842.

The percentage of expenses to revenue has been 55·76 in 1887, as against 57 per cent in 1886.

The net revenue has increased from $190,565 in 1886, to $233,903 in 1887—$43,338.

The paid-up capital is now $1,375,000, three calls of ten per cent each having been made during the year on the $250,000 of stock issued in 1886; leaving fifty per cent or $125,000 unpaid subscribed stock available for future construction.

All of which is respectfully submitted.

ANDREW ROBERTSON,
President.

C. F. SISE,
Vice- President and Managing Director.

MONTREAL, February 25, 1888.

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REVENUE ACCOUNT, DECEMBER 31, 1887.

Receipts.

Exchanges	$411,487 98	
Trunk line tolls	76,809 61	
Private line rentals	11,764 97	
Miscellaneous	28,939 97	
		$529,002 53

Expenses.

Operating	$275,283 03	
Guarantee premiums	239 33	
Insurance premiums	8,606 68	
Legal expenses	5,365 93	
Bond interest	5,604 00	
		$295,098 97
Net revenue for 1887		$233,903 56
Balance of revenue account, brought forward from 1886		34,385 38
		$268,288 94
Less dividends paid (including No. 15 paid January, 1888)		98,935 55
Balance revenue account		$169,353 39

FINANCIAL STATEMENT, DECEMBER 31, 1887.

Stock account	$1,375,000 00	
Bond account	93,400 00	
Contingent fund	350,000 00	
Revenue account	169,353 39	
Insurance reserve	4,253 21	
Sundry creditors	28,975 08	
		$2,020,981 68
Capital expenditure, December 31, 1886	$1,693,414 41	
Less plant sold	365 00	
	$1,693,049 41	
Purchase of patents	279 69	
Purchase of instruments	16,909 42	
Construction, 1887	184,955 21	
Total capital expenditure to date	$1,895,193 73	
Stores on hand	54,151 78	
Real estate	6,023 66	
Stock in other companies	9,460 00	
Sundry debtors	10,942 34	
Due from agencies	27,128 76	
Cash	18,081 41	
		$2,020,981 68

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APPENDIX No. 1

ASSETS AND LIABILITIES.

Assets.

Plants and patents	$1,895,193 73	
Stores	54,151 78	
Real estate	6,023 66	
Stock in other companies	9,460 00	
Debtors and cash	56,152 51	
		$2,020,981 68

Liabilities.

Stock and bonds	$1,468,400 00	
Creditors	28,975 08	
		$1,497,375 08
Surplus		$523,606 60

APPROPRIATION OF SURPLUS.

Contingent fund, 1886	$350,000 00	
Added " " 1887	150,000 00	
	500,000 00	
Insurance reserve	4,253 21	
Balance revenue account carried forward	19,353 39	
		$523,606 60

Audited and certified,

PHILIP S. ROSS,
Chartered Accountant,
Auditor.

1888.

The directors beg to submit their ninth annual report.

One thousand eight hundred and fourteen subscribers have been added during the year; but as 1,200 subscribers were formerly included in the exchanges now operated by the Nova Scotia Telephone Company and the New Brunswick Telephone Company, the net increase has been 614 subscribers, the total number now being 14,550.

Nineteen exchanges and agencies have been added during the year.

The company now has in operation 184 exchanges and 115 agencies.

Five hundred and five miles of poles and 1,200 miles of wire have been added to the trunk line system during the year; of these 309 pole miles and 891 wire miles are in the Ontario department and 196 pole miles and 327 wire miles in the Eastern department.

The trunk lines now owned by the company comprise about 6,300 miles of wire on about 3,565 miles of poles.

The gross revenue has increased from $529,002 in 1887 to $585,365 in 1888—$56,363.

The expenses have increased from $295,098 to $325,798—$30,700.

The percentage of expenses to revenue has been 55·65 in 1888, as against 55·76 per cent in 1887.

The net revenue has increased from $233,903 in 1887 to $259,567 in 1888—$25,664.

The paid-up capital is now $1,375,000. No calls having been made during the year on the $250,000 of stock issued in 1886, there is still 50 per cent, or $125,000 unpaid subscribed stock available for future construction.

All of which is respectfully submitted.

C. F. SISE,
Vice-president and Managing Director.

ANDREW ROBERTSON,
President.

MONTREAL, February 23, 1889.

Mr. C. F. SISE.

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REVENUE ACCOUNT, DECEMBER 31, 1888.

Receipts.

Exchanges	$ 440,715 64	
Trunk line tolls	89,352 69	
Private line rentals	10,018 64	
Miscellaneous	45,278 91	
		$ 585,365 88

Expenses.

Operating	$ 306,341 89	
Guarantee premiums	212 77	
Insurance premiums	8,627 11	
Legal expenses	5,012 73	
Bond interest	5,604 00	
		$ 325,798 50
Net revenue for 1888		$ 259,567 38
Balance of revenue account, brought forward from 1887		19,353 39
		$ 278,920 77
Less dividends paid (including No. 19, paid January 15, 1889)		103,125 00
Balance revenue account		$ 175,795 77

FINANCIAL STATEMENT, DECEMBER 31, 1888.

Stock account	$1,375,000 00	
Bond account	93,400 00	
Contingent account	500,000 00	
Revenue account	175,795 77	
Insurance reserve	6,375 59	
Sundry creditors	73,719 12	
		$2,224,290 48
Capital expenditure, December 31, 1887	$1,895,193 73	
Less plant sold	90,381 60	
	$1,804,812 13	
Purchase of patents	692 46	
Purchase of instruments	16,656 85	
Construction, 1888	184,403 58	
Total plant and patent accounts to date	$2,006,565 02	
Stores on hand	57,941 13	
Real estate	22,438 20	
Stock in other companies	76,700 00	
Sundry debtors	22,850 51	
Due from agencies	35,144 81	
Cash	2,650 81	
		$2,224,290 48

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APPENDIX No. 1

ASSETS AND LIABILITIES.

Assets.

Plant and patents	$2,006,565 02	
Stores	57,941 13	
Real estate	22,438 20	
Stock in other companies	76,700 00	
Debtors and cash	60,646 13	
		$2,224,290 48

Liabilities.

Stock and bonds	$1,468,400 00	
Creditors	73,719 12	
		1,542,119 12
Surplus		$ 682,171 36

APPROPRIATION OF SURPLUS.

Contingent fund, 1887	$500,000	
Added contingent fund, 1888	150,000	
	$ 650,000	
Insurance reserve	6,375 59	
Balance revenue account carried forward	25,795 77	
		$ 682,171 36

Audited and certified,
PHILIP S. ROSS & SONS,
Chartered Accountants, Auditors.

CHAS. P. SCLATER,
Secretary-Treasurer.

1889.

The directors beg to submit their tenth annual report.

Two thousand three hundred subscribers have been added during the year, but as 310 set of instruments have been transferred to the Victoria and Esquimalt Telephone Company, the net increase has been about 2,000.

The total number of sets of instruments earning rental is now 16,550.

Twenty-six exchanges and agencies have been constructed and added to the system during the year.

The company now owns and operates 201 exchanges and 124 agencies.

One hundred and twenty-six miles of poles and 242 miles of wire have been added to the trunk line system during the year; of these 35 pole miles and 85 wire miles were in the Ontario department; and 91 pole miles and 157 wire miles were in the Eastern department.

The trunk lines now owned and operated by the company comprise about 6,550 miles of wire on about 3,670 miles of poles.

The gross revenue for the year was	$ 605,964 76
The expenses were	364,254 08
The net revenue was	241,710 68
The paid up capital is now	$1,400,000 00
Bonds to the amount of $87,600 have been sold during the year, the total issue now being	$ 181,000 00

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The demands of the business, and the necessity for the company owning the premises occupied by the larger exchanges, caused your directors to erect a building at the corner of St. Catherine and Mountain Streets, Montreal, for a west end exchange. This is now ready for occupancy and will accommodate 3,000 subscribers.

Your directors have also purchased the 'Wolfe building' at the corner of Palais and St. John Streets, Quebec, which is now occupied by the company and by good tenants.

Land on Temperance street, near Bay, in Toronto, has been purchased, and a building will be erected thereon at an early date; the present premises in Toronto being too small for our business.

Land has been purchased on Hughson and Jackson Streets in Hamilton, where we have outgrown our present location, and a building will be erected thereon during the current year.

Twelve miles of underground ducts have been laid in Toronto, eastward from the location of the proposed new building. These are carried in a conduit one-half mile long. We have thus commenced the work of placing the wires underground in Toronto and shall continue it during the year.

C. F. SISE,
Vice-President.

ANDREW ROBERTSON,
President.

REVENUE ACCOUNT, DECEMBER 31, 1889.

Receipts.

Exchanges	$ 450,945 66	
Trunk lines	102,527 98	
Private lines	10,563 36	
Miscellaneous	41,927 76	
		$ 605,964 76

Expenses.

Operating	$ 340,212 23	
Guarantee premiums	229 31	
Insurance premiums	8,793 87	
Legal	7,267 95	
Miscellaneous	1,597 28	
Bond interest	6,153 44	
		$ 364,254 08
		$ 241,710 68
Balance of revenue account brought forward from 1888		25,795 77
		$ 267,506 45
Less dividends (including No. 23 paid January 15, 1890)		84,000 00
Balance of revenue account		$ 183,506 45

FINANCIAL STATEMENT, DECEMBER 31, 1889.

Stock account	$1,400,000 00	
Bond account	181,000 00	
Contingent fund	650,000 00	
Revenue account	183,506 45	
Insurance reserve	9,510 39	
Sundry creditors	66,827 48	
		$2,490,844 33

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APPENDIX No. 1

Plant and patent accounts, December 31, 1888	$2,006,565 02	
Purchase and plant	21,614 38	
Purchase of patents	1,600 00	
Purchase of instruments	15,886 64	
Construction, 1889	168,700 96	
Plant and patent accounts to date	$2,214,367 00	
Stores on hand	82,976 75	
Real estate	56,722 76	
Stock in other companies	71,160 00	
Sundry debtors	22,217 89	
Due from agencies	33,733 18	
Cash	9,666 74	
		$2,490,844 32

ASSETS AND LIABILITIES.

Assets.

Plant and patents	$2,214,367 00	
Stores	82,976 75	
Real estate	56,722 76	
Stock in other companies	71,160 00	
Debtors and cash	65,617 81	
		$2,490,844 32

Liabilities.

Stock and bonds	$1,581,000 00	
Creditors	66,827 48	
		$1,647,827 48
Surplus		$ 843,016 84

APPROPRIATION OF SURPLUS.

Contingent fund, 1888	$650,000 00	
Added contingent fund, 1889	150,000 00	
	$ 800,000 00	
Insurance reserve	9,510 39	
Balance revenue account carried forward	33,506 45	
		$ 843,016 84

CHAS. P. SCLATER,
Secretary-Treasurer.

Audited and certified,
PHILIP S. ROSS & SONS,
Auditors.

February 13, 1890.

1890.

The directors beg to submit their eleventh annual report.

Two thousand eight hundred subscribers have been added during the year, the total number of sets of instruments earning rental now being 19,350.

Thirty-eight exchanges and agencies have been constructed and added to the system during the year.

The company now owns and operates 212 exchanges and 151 agencies.

Four hundred and four miles of poles, and 1695 miles of wire have been added to the Trunk line system during the year; of these 166 pole miles and 249 wire miles are in the Ontario department, and 238 pole miles and 1446 wire miles are in the

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Eastern department. The latter includes copper metallic circuit lines from Montreal to Quebec, Montreal to Ottawa, Montreal to Sherbrooke, and Montreal to St. John's.

The trunk lines now owned and operated by the company comprise 8228 miles of wire on 4071 miles of poles.

The gross revenue for the year was	$700,746 73	
Less reserved for unearned rentals	88,715 20	
		$ 612,031 53
The expenses were		451,182 45
The net revenue was		160,849 08
The paid up capital is now		1,494,000 00
Bonds to the amount of $240,000 have been sold during the year, the total issue now being		421,600 00

The growth of our manufacturing business, and the necessity for increased accommodation caused your directors to purchase last July, land on Aqueduct street for the erection of suitable factory buildings. Work was commenced immediately, and the buildings will be ready for occupancy in May.

The building in course of erection in Hamilton for the Hamilton Exchange and offices of the Ontario department, will also be ready for occupancy in May.

During the summer the foundation of our building in Toronto was laid, and the construction will be carried on during the coming season.

Recognizing the necessity for making preparations for underground work, your directors have continued the construction of conduits in Toronto, and have also commenced work in Montreal and Hamilton. Thirty-five miles of duct in about 1¼ miles of conduit have been laid during the year. Of this work 75,191 feet of duct in 2,422 feet of conduit were laid in Montreal; 15,370 feet of duct in 345 feet of conduit in Hamilton, and 96,674 feet of duct in 3,911 feet of conduit in Toronto. This work will be continued during the coming season.

All of which is respectfully submitted.

GEO. W. MOSS,
Vice-President.

C. F. SISE,
President.

MONTREAL, February 26, 1891.

REVENUE ACCOUNT, DECEMBER 31, 1890.

Receipts.

Exchanges	$540,544 28	
Less reserved for unearned rentals	88,715 20	
		$451,829 08
Trunk lines		109,236 68
Private lines		10,770 64
Miscellaneous		40,195 13
		$612,031 53

Expenses.

Operating	$415,475 43	
Guarantee premiums	244 43	
Insurance premiums	9,215 26	
Legal	4,973 71	
Miscellaneous	2,267 64	
Bond interest	19,005 98	
		$451,182 45
		$160,849 45

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APPENDIX No. 1

Balance of revenue account brought forward from 1889	33,566 45
	$194,355 53
Less dividends (including No. 27 paid January 15, 1891)	92,803 37
Balance of revenue account	$101,552 16

BALANCE SHEET, DECEMBER 31, 1890.

Stock account	$1,494,000 00	
Bond account	421,600 00	
Contingent fund	800,000 00	
Revenue account	101,552 16	
Unearned rental reserve	88,715 20	
Insurance reserve	12,858 19	
Bond interest reserve	6,324 00	
Sundry creditors	44,590 29	
		$2,969,639 84
Plant and patent accounts, December 31, 1890	$2,214,367 00	
Purchase of instruments	14,686 93	
Purchase of patents	1,788 00	
Construction 1890	309,889 70	
Total plant and patent accounts to date	$2,540,731 63	
Stores on hand	86,250 74	
Real estate	122,139 09	
Stock in other companies	73,460 00	
Sundry debtors	23,994 16	
Due from agencies	40,403 87	
Cash	82,660 35	
		$2,969,639 84

ASSETS AND LIABILITIES.

Assets.

Plant and patents	$2,540,731 62	
Stores	86,250 74	
Real estate	122,139 09	
Stock in other companies	73,460 00	
Debtors and cash	147,058 39	
		$2,969,639 84

Liabilities.

Stocks and bonds	$1,915,600 00	
Creditors	44,590 29	
		$1,960,190 29
Surplus		$1,009,449 55

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APPROPRIATION OF SURPLUS.

Contingent fund, 1889	$800,000 00	
Added " " 1890	75,000 00	
		$875,000 00
Unearned rental reserve		88,715 20
Insurance reserve		12,858 19
Bond interest		6,324 00
Balance revene account carried forward		26,552 16
		$1,009,449 55

Audited and certified,
P. S. ROSS & SONS,
Chartered Accountants.

CHAS. P. SCLATER,
Secretary-Treasurer.

February 14, 1891.

1891.

The directors beg to submit their twelfth annual report.

Two thousand eight hundred and seventy-four subscribers have been added during the year, the total number of sets of instruments earning rental now being 22,224.

Fifty-one exchanges and agencies having been constructed and added to the system, the company now owns and operates 229 exchanges and 185 agencies.

Three hundred and sixty-three miles of poles, and 988 miles of wire have been added to the Trunk line system in 1891; of these 258 pole miles and 679 wire miles are in the Ontario department, and 105 pole miles and 309 wire miles are in the Eastern department.

The trunk lines now owned and operated by the company comprise 9,213 miles of wire on 4,432 miles of poles.

We have continued the construction of subways in Toronto and Montreal. Fifty-one miles of duct in about 3 miles of conduit have been laid during the year. Of this work 99,552 feet of duct in 5,264 feet of conduit were laid in Montreal; and 171,820 feet of duct in 10,530 feet of conduit in Toronto. This work will be continued during the coming season.

We have also placed 26,407 feet of cable in conduits in Toronto, and 8,085 feet in Hamilton, which are in operation.

The gross revenue for the year was	$ 767,455 76
The expenses were	544,610 01
The net revenue was	222,845 75
The paid up capital is now	1,926,900 00
Bonds to the amount of $78,400 have been sold, the total issue now being	500,000 00

Since our last annual report the factory buildings on Aqueduct street, Montreal, have been completed and are now in successful operation, employing about 200 men. The Hamilton building has been completed, and is now occupied by the Hamilton Exchange, and the offices, storerooms and repair shop of the Ontario department. The building on Temperance street, Toronto, is now nearly completed, and will be ready to receive the new switch-boards during the summer. Owing to the increase of Toronto suburban business, it was deemed advisable to purchase a piece of land in the east end of Toronto on which we intend to erect a small exchange, to avoid the long leads of wires and cables to the Temperance street building. The Ottawa business having outgrown our present premises, your directors have purchased land on Queen street, on which a building will be erected during the current year.

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APPENDIX No. 1

The introduction of electricity for street railways, motors, &c., as well as electric lighting, has made it necessary to provide for a great deal of reconstruction, of which in the larger cities, a large percentage must be underground. This work is being carried on as rapidly as its nature will permit.

Notice has been given of our intention to apply to parliament for power to increase the capital of the company, and a resolution will be offered to-day authorizing such increase.

All of which is respectfully submitted.

GEO. W. MOSS, *Vice-president.*

C. F. SISE, *President.*

MONTREAL, February 25, 1892.

REVENUE ACCOUNT, DECEMBER 31, 1891.

Receipts.

Exchanges	$592,444 07	
Less unearned rental reserve	8,476 50	
		583,967 57
Trunk lines		121,180 92
Private lines		10,748 59
Miscellaneous		51,558 68
		$767,455 76

Expenses.

Operating	$486,556 01	
Legal	8,473 11	
Insurance	13,784 43	
Bond interest	28,937 48	
Miscellaneous	6,858 98	
		$544,610 01
Net revenue for 1891		$222,845 75
Less dividends (including No. 31 paid January 15, 1892)		134,075 70
		$ 88,770 05
Balance revenue from 1890		26,552 16
		$115,322 21
Carried to contingent fund	$100,000 00	
Carried forward to 1892	15,322 21	
		$115,322 21

BALANCE SHEET, DECEMBER 31, 1891.

Stock account		$1,926,900 00
Bond account		500,000 00
Contingent fund, 1890	$ 875,000 00	
Deduct depreciation, "stock of other companies"	$175,000 00	
	$700,000 00	
Add transfer from revenue account 1891	100,000 00	
		$800,000 00
Carried forward		$3,226,900 00

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Brought forward		$3,226,900 00
Revenue account		15,322 21
Unearned rental reserve		97,191 70
Insurance reserve		20,016 16
Bond interest reserve		7.500 00
Accident insurance reserve		2,500 00
Sundry creditors		108,958 82
		$3,478,388 89
Plant and patents, December 31, 1890	$2,540,731 63	
Purchase of patents, 1891	1,447 00	
Construction, 1891	331,560 71	
	$2,873,739 34	
Stores on hand	148,542 56	
Real estate	205,727 17	
Stock in other companies	151,070 82	
Sundry debtors	19,897 64	
Due from agencies	62,474 56	
Cash	16,936 80	
		$3,478,388 89

ASSETS AND LIABILITIES, DECEMBER 31, 1891.

Assets.

Plant and patents	$2,873,739 34
Stores on hand	148,542 56
Real estate	205,727 17
Stock in other companies	151,070 82
Debtors and cash	99,309 00
	$3,478,388 89

Liabilities.

Stock and bonds	$2,426 900 00	
Sundry creditors	108,858 82	
Unearned rentals	97,191 70	
Bond interest	7,500 00	
		$2,640,550 52
Surplus		$837,838 37

APPROPRIATION OF SURPLUS.

Contingent fund, 1890	$875,000 00	
Deducted, 1891	75,000 00	
	$800,000 00	
Insurance reserve	20,016 16	
Accident insurance reserve	2,500 00	
Balance revenue account carried forward	15,322 21	
		$837,838 37

Audited and certified.

P. S. ROSS & SONS,
Chartered Accountants.

CHAS. P. SCLATER,
Secretary-Treasurer.

February 15, 1892.

Mr. C. F. SISE.

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APPENDIX No. 1

1892.

The directors beg to submit their thirteenth annual report.

One thousand six hundred and twenty-six subscribers have been added during the year, the total number of sets of instruments now earning rental being 24,167, (317 having been transferred from the free list at Peterborough).

Twenty-two exchanges and fifty-six agencies having been constructed and added to the system, the company now owns and operates 251 exchanges and 241 agencies.

Four hundred and one miles of poles, and 1,238 miles of wire have been added to the trunk line or long-distance system in 1892; of these 116 pole miles and 663 wire miles are in the Ontario department, and 285 pole miles and 575 wire miles are in the Eastern department.

The long-distance lines now owned and operated by the company comprise 10,455 miles of wire on 4,836 miles of poles.

The underground construction has been continued during the year; about 3½ miles of subway and 28¾ miles of duct having been laid. Of this 107.022 feet of duct in 14,277 feet of conduit was in Toronto; 31,055 feet of duct in 2,309 feet of conduit was in Hamilton; and 14,395 feet of duct in 1,337 feet of conduit was in London. The total subway construction to date comprises 126¾ miles of duct in 9¼ miles of conduit.

The gross revenue for the year was	$ 875,526 44
The expenses were	655,139 81
The net revenue was	220,386 63
The paid up capital is	2,200,000 00

The apparent decrease in net revenue was caused by a severe sleet storm in Ottawa in March, and a storm which occured in Manitoba in April. These two storms cost the company about $25,000.

Your directors were obliged to provide for certain charges during the year, which could not be debited to capital account. Among these were the decreased valuation in stocks in other companies, viz.: The Federal Telephone Company, the Ontario Telephone Company, and the Parkhill Telephone Company, amounting to $66,591.60; and also a large item of reconstruction rendered necessary by the introduction of electric light and electric railways, whereby we were compelled to metallic circuit our lines and prepare for the change to underground systems. The construction account for the year has amounted to $368,123.49, but as a large portion of this was for plant to take the place of other plant already charged to construction account, your directors have deemed it advisable to write off $100,000 on account of exchange construction, and $11,351.50 on account of long-distance line construction, which amounts have been charged to contingent account.

For funds with which to meet these demands, and to provide for the new construction of 1892, your directors, acting under authority of the shareholders, decided to sell 2,000 shares of stock. This stock was sold at a premium of $123,729.73, which amount having been carried to contingent account, that account was then debited with the extraordinary charges referred to above, and the directors trust that this course may meet with your approval.

The buildings in Toronto and Ottawa have been completed, and will be occupied as soon as the switch-boards are ready.

All of which is respectfully submitted.

GEO. W. MOSS,
Vice-President.

C. F. SISE,
President.

MONTREAL, February 23, 1893.

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REVENUE ACCOUNT, DECEMBER 31, 1892.

Receipts.

Exchanges	$ 689,927 45	
Less unearned rental reserve	15,899 53	
		$ 674,027 92
Trunk lines		132,349 03
Private lines		11,436 90
Miscellaneous		57,712 59
		$ 875,526 44

Expenses.

Operating	$ 599,757 65	
Legal	7,613 92	
Insurance	13,171 86	
Bond interest	30,000 00	
Miscellaneous	4,596 38	
		$ 655,139 81
Net revenue for 1892		$ 220,386 63
Less dividends (including No. 35 of Jan. 16, 1893).		165,388 43
		$ 54,998 20
Balance revenue from 1891		15,322 21
		$ 70,320 41
Carried to contingent fund	$ 54,213 37	
Carried forward to 1893	16,107 04	
		$ 70,320 41

BALANCE SHEET, DECEMBER 31, 1892.

Stock account			$2,200,000 00
Bond account			500,000 00
Contingent fund, 1891	$ 800,000 00		
Add premium on stock sold	123,729 73		
Transfer from revenue account	54,213 37		
		$ 977,943 10	
Deduct 'depreciation stock in other companies'	$ 66,591 60		
Transfer from construction account	111,351 50		
		$ 177,943 10	
			$ 800,000 00
Revenue account			16,107 04
Unearned rental reserve			113,091 28
Insurance reserve			26,459 19
Bond interest reserve			7,500 00
Sundry creditors			156,874 57
			$3,820,032 03

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APPENDIX No. 1

Plant and patents, December 31, 1891		$2,873,739 34
Purchase of patents, 1892		1,552 50
Construction, 1892	$ 368,123 49	
Less charged to contingent fund	111,351 50	
		256,771 99
Plant and patents, December 31, 1892		$3,132,063 83
Stores on hand		190,448 79
Real estate		249,219 84
Stock in other companies		106,982 83
Sundry debtors		54,764 65
Due from agencies		57,987 81
Cash		28,564 28
		$3,820,032 03

ASSETS AND LIABILITIES, DECEMBER 31, 1892.

Assets.

Plant and patents	$3,132,063 83
Stores on hand	190,448 79
Real estate	249,219 84
Stock in other companies	106,982 83
Debtors and cash	141,316 74
	$3,820,032 03

Liabilities.

Stock and bonds	$2,700,000 00	
Sundry creditors	156,874 57	
Unearned rentals	113,091 23	
Bond interest	7,506 00	
		$2,977,465 80
Surplus		$ 842,566 23

APPROPRIATION OF SURPLUS.

Contingent fund	$ 800,000 00	
Insurance reserve	26,459 19	
Balance revenue carried forward	16,107 04	
		$ 842,566 23

CHAS. P. SCLATER,
Secretary-Treasurer.

Audited and certified,

P. S. ROSS & SONS,
Chartered Accountants.

February 16, 1893.

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1893.

The directors beg to submit their fourteenth annual report.

Two thousand six hundred and thirty-nine subscribers have been added during the year; the total number of sets of instruments now earning rental being 26,806.

Twenty-four exchanges and 15 agencies have been constructed and added to the system; the company now owns and operates 275 exchanges and 256 agencies.

Two hundred and thirty-two miles of poles, and 1,616 miles of wire have been added to the long-distance system in 1893; of these 60 pole miles and 1,288 wire miles are in the Ontario department, and 172 pole miles and 328 wire miles are in the Eastern department.

The long-distance lines now owned and operated by the company comprise 12,071 miles of wire on 5,068 miles of poles.

Underground construction has been continued at Ottawa and Toronto during the year, and it will be necessary to carry on this work from time to time as circumstances may warrant.

Continuing the policy adopted last year, your directors have charged to contingent fund $30,000 on account of exchange construction, and $19,275.10 on account of long-distance line construction, these amounts having been expended on plant to take the place of plant already charged to construction.

The gross revenue for the year was	$ 961,174 79
The expenses were	724,791 42
The net revenue was	236,383 37
The paid up capital is	2,421,600 00

The balance of called up capital amounts to $218,400, of which $187,325 has been prepaid, and the balance becomes due on April 1

In view of the increased business in the city of Quebec, your directors have deemed it advisable to erect a small building for a branch office at St. Roch, and have purchased a property at the corner of Caron and St. Antoine streets, upon which a building will be erected during the summer.

The company having made exclusive contracts with all the larger cities and towns in Ontario, and a question having arisen as to the legality of such contracts, these corporations applied to the legislature of Ontario, and an Act was passed ratifying all contracts already made, and authorizing similar contracts in future.

All of which is respectfully submitted.

GEO. W. MOSS,
Vice-President.

CHARLES F. SISE,
President.

MONTREAL, February 22, 1894.

REVENUE ACCOUNT, DECEMBER 31, 1893.

Receipts.

Exchanges	$759,049 62	
Less unearned rental reserve	11,442 67	
		$747,606 95
Long-distance lines		140,888 50
Private lines		10,750 14
Miscellaneous		61,929 20
		$961,174 79

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APPENDIX No. 1

Expenses.

Operating	$661,278 91	
Legal	11,987 10	
Insurance	14,314 03	
Bond interest	30,000 00	
Miscellaneous	7,211 38	
		$724,791 42
Net revenue for 1893		$236,383 37
Less dividends (including No. 39 of January 15, 1894)		186,059 73
		$50,323 64
Balance revenue from 1892		16,107 04
		$66,430 68
Carried to contingent fund	$ 49,275 10	
Carried forward to 1894	17,155 58	
		$66,430 68

BALANCE SHEET, DECEMBER 31, 1893.

Stock account			$2,421,600 00
Bond account			500,000 00
Contingent fund, 1892	$800,000 00		
Add transfer from revenue account	49,275 10		
		$ 849,275 10	
Deduct transfer from construction account		49,275 10	
			$ 800,000 00
Revenue account			17,155 58
Unearned rental reserve			124,533 90
Insurance reserve			32,666 59
Accident reserve			2,150 00
Bond interest reserve			7,500 00
Prepaid calls			187,325 00
Sundry creditors			134,188 79
			$4,227,119 86
Plant and patents, December 31, 1892		$3,132,063 83	
Purchase of patents, 1893		1,100 50	
Construction, 1893	$376,263 36		
Less charged contingent fund	49,275 10		
		326,988 26	
Plant and patents, December 31, 1893		$3,460,152 59	
Stores on hand		270,642 75	
Real estate		259,594 42	
Stock in other companies		111,772 73	
Sundry debtors		23,528 79	
Due from agencies		67,599 95	
Cash		33,828 63	
			$4,227,119 86

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ASSETS AND LIABILITIES, DECEMBER 31, 1893.

Assets.

Plant and patents		$3,460,152 59
Stores on hand		270,642 75
Real estate		259,594 42
Stock in other companies		111,772 73
Debtors and cash		124,957 37
		$4,227,119 86

Liabilities.

Stock and bonds	$2,921,600 00	
Prepaid calls	187,325 00	
Sundry creditors	134,188 79	
Unearned rentals	124,533 90	
Bond interest	7,500 00	
		3,375,147 69
Surplus		$ 851,972 17

APPROPRIATON OF SURPLUS.

Contingent fund	$ 800,000 00	
Insurance reserve	32,666 59	
Accident reserve	2,150 00	
Balance revenue carried forward	17,155 58	
		$ 851,972 17

Audited and certified,
P. S. ROSS & SONS,
Chartered accountants.

CHAS. P. SCLATER,
Secretary-Treasurer.

February 19, 1894.

1894.

The directors beg to submit their fifteenth annual report.

Nine hundred and seventy five subscribers have been added during the year; the total number of sets of instruments now earning rental being 27,781.

Twenty-five exchanges and 6 agencies have been constructed and added to the system; the company now owns and operates 300 exchanges and 262 agencies.

Two hundred and ninety-three miles of poles and 1,020 miles of wire have been added to the long-distance system in 1894; of these 133 pole miles and 768 wire miles are in the Ontario department, and 160 pole miles and 252 wire miles are in the Eastern department.

The long-distance lines now owned and operated by the company comprise 13,091 miles of wire on 5,361 miles of poles.

In Toronto, the underground work undertaken in compliance with the contract with that city, has been completed, and by May 1 the new building will be occupied.

The building at St. Roch, Quebec, is completed and occupied.

The central exchange in Montreal having outgrown its capacity, it has become necessary to arrange for other premises, and the board recognizing the fact that the very expensive central office apparatus in the large cities should be in fire-proof buildings belonging to the company, has purchased the property on Notre Dame, St.

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APPENDIX No. 1

John and Hospital streets belonging to the estate of the late E. E. Shelton, where they propose to erect a first-class fire-proof building for the use of the Central Exchange, the offices of the Montreal manager, the Sales department, and the general offices of the company. Work will probably be commenced about May 1.

The gross revenue for the year was	$1,012,839 81
The expenses were	729,611 89
The net revenue was	283,227 92
The paid up capital is	3,168,000 00

Out of the net revenue, $222,529.72 has been paid in dividends, $50,000 has been added to the contingent account, and the balance of $10,698.20 has been added to the amount carried forward to the credit of the revenue account.

All of which is respectfully submitted.

GEO. W. MOSS,
Vice-President.

CHAS. F. SISE,
President.

MONTREAL, February 28, 1895.

REVENUE ACCOUNT, DECEMBER 31, 1894.

Receipts.

Exchanges	$ 789,015 43	
Less unearned rental reserve	5,061 11	
		$783,954 32
Long-distance lines		152,778 21
Private lines		11,621 04
Miscellaneous		64,486 24
		$1,012,839 81

Expenses.

Operating	$673,699 14	
Legal	10,869 99	
Insurance	14,530 29	
Bond interest	26,495 65	
Miscellaneous	4,115 82	
		$729,611 89
Net revenue for 1894		$283,227 92
Less dividends (including January 15, 1895)		222,529 72
		$ 60,698 20
Balance revenue from 1893		17,155 58
		$ 77,853 78
Carried to contingent fund	$50,000 00	
Carried forward to 1895	27,853 78	
		$77,853 78

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BALANCE SHEET, DECEMBER 31, 1894.

Stock account		$3,163,000 00
Bond account		421,650 00
Contingent fund		850,000 00
Revenue account		27,853 78
Unearned rental reserve		129,595 01
Insurance reserve		39,172 83
Accident reserve		4,403 04
Bond interest reserve		6,324 75
Sundry creditors		69,808 97
		$4,716,808 38
Plant and patents, December 31, 1893	$3,460,152 59	
Purchase of patents, 1894	2,515 50	
Construction, 1894	261,629 84	
Plant and patents, December 31, 1894	$3,724,297 93	
Stores on hand	212,424 64	
Real estate	329,430 23	
Stock in other companies	116,555 00	
Sundry debtors	25,084 49	
Due from agencies	59,667 65	
Cash	249,348 44	
		$4,716,808 38

ASSETS AND LIABILITIES, DECEMBER 31, 1894.

Assets.

Plant and patents		$3,724,297 93
Stores on hand		212,424 64
Real estate		329,430 23
Stock in other companies		116,555 00
Debtors and cash		334,100 58
		$4,716,808 38

Liabilities.

Stock and bonds	$3,589,650 00	
Sundry creditors	69,808 97	
Unearned rentals	129,595 01	
Bond interest	6,324 75	
		3,795,378 73
Surplus		$ 921,429 65

APPROPRIATION OF SURPLUS.

Contingent fund	$850,000 00	
Insurance reserve	39,172 83	
Accident reserve	4,403 04	
Balance revenue account carried forward	27,853 78	
		$921,429 65

Audited and certified,
P. S. ROSS & SONS,
Chartered Accountants.

CHAS. P. SCLATER,
Secretary-Treasurer.

Mr. C. F. SISE.

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APPENDIX No. 1

1895.

The directors beg to submit their sixteenth annual report.

One thousand and twenty-eight subscribers have been added during the year, the total number of sets of instruments now earning rental being 28,809.

Forty-five exchanges and six agencies have been constructed and added to the system; the company now owns and operates 345 exchanges and 268 agencies.

Five hundred and twenty-two miles of poles, and 1,760 miles of wire have been added to the long-distance system in 1895; of these 190 pole miles and 847 wire miles are in the Ontario department, and 332 pole miles and 913 wire miles are in the Eastern department.

The long-distance lines now owned and operated by the company comprise 14,851 miles of wire on 5,884 miles of poles, which include a copper metallic circuit line from Montreal to Toronto, constructed during the past year.

Work on the new building in Montreal progressed favourably until it was deemed prudent to discontinue construction during the winter; it will be resumed as early as possible, and we trust that the building will be ready for occupancy before the next annual meeting.

The growth of our Winnipeg exchange having rendered the present offices inadequate for the business, it became necessary to secure other quarters, and a lot was purchased on Thistle street in a favourable location, where a building will be erected during the summer, which will be used solely for the purposes of the company.

The gross revenue for the year was	$1,087,124 28
The expenses were	787,249 36
The net revenue was	299,874 92
The paid-up capital is	3,165,000 00

In addition to the net revenue of $299,874.92 the premium on bonds sold during the year amounted to $10,750, making a total of $310,624.92; out of which $253,431.33 have been paid in dividends, and the balance of $57,193.59, together with $2,806.41 taken from revenue account, has been carried to the contingent account, which now amounts to $910,000.

All of which is respectfully submitted.

ROBERT MACKAY,
Vice-president.

CHAS. F. SISE,
President.

MONTREAL, February 27, 1896.

REVENUE ACCOUNT, DECEMBER 31, 1895.

Receipts.

Exchanges	$ 827,552 61	
Less unearned rental reserve	6,247 86	
		$ 821,304 75
Long-distance lines		178,313 24
Private lines		13,213 75
Miscellaneous		74,292 54
		$1,087,124 28

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Expenses.

Operating	$ 733,729 60	
Legal	10,111 83	
Insurance	15,258 03	
Bond interest	26,785 84	
Miscellaneous	1,364 06	
		$ 787,249 36
Net revenue for 1895		$ 299,874 92
Less dividends (including January 15, 1896)		253,431 33
		$ 46,443 59
Balance revenue from 1894		27,853 78
		$74,297 37
Carried to contingent fund	$ 49,250 00	
Carried forward to 1896	25,047 37	
		74,297 37

BALANCE SHEET, DECEMBER 31, 1895.

Stock account		$3,168,000 00
Bond account		600,000 00
Contingent fund	$ 850,000 00	
Add transferred from revenue account	49,250 00	
Add bond premium account	10,750 00	
		910,000 00
Revenue account		25,047 37
Unearned rental reserve		135,842 87
Insurance reserve		44,877 57
Accident reserve		6,898 04
Bond interest reserve		7,500 00
Sundry creditors		63,451 50
		$4,961,617 35
Plant and patents, December 31, 1894	$3,724,297 93	
Purchase of patents, 1895	1,637 35	
Construction, 1895	303,335 71	
Plant and patents, December 31, 1895	$4,029,270 99	
Stores on hand	214,505 38	
Real estate	398,697 61	
Stock in other companies	123,170 80	
Sundry debtors	26,679 82	
Due from agencies	59,632 28	
Cash	109,660 47	
		$4,961,617 35

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APPENDIX No. 1

ASSETS AND LIABILITIES, DECEMBER 31, 1895.

Assets.

Plant and patents		$4,029,270 99
Stores on hand		214,505 38
Real estate		398,697 61
Stock in other companies		123,170 80
Debtors and cash		195,972 57
		$4,961,617 35

Liabilities.

Stock and bonds	$3,768,000 00	
Sundry creditors	63,451 50	
Unearned rentals	135,842 87	
Bond interest accrued	7,500 00	
		3,974,794 37
Surplus		$ 986,822 98

APPROPRIATION OF SURPLUS.

Contingent fund	$ 910,000 00	
Insurance reserve	44,877 57	
Accident reserve	6,898 04	
Balance revenue account carried forward	25,047 37	
		$ 986,822 98

Audited and Certified,

P. S. ROSS & SONS, *Chartered Accountants.*

CHAS. P. SCLATER, *Secretary-Treasurer.*

1896.

The directors beg to submit their seventeenth annual report.

Six hundred and fifty-three subscribers have been added during the year, the total number of sets of instruments now earning rental being 29,462.

The company now owns and operates 341 exchanges and 275 agencies.

One hundred and seventy-six miles of poles and 1,013 miles of wire have been added to the long-distance system in 1896; of these 11 pole miles and 236 wire miles are in the Ontario department, and 165 pole miles and 777 wire miles are in the Eastern department.

The long-distance lines, now owned and operated by the company, comprise 15,864 miles of wire on 6,060 miles of poles.

The new building in Montreal is nearly completed, and will be ready for occupancy in May.

The new building in Winnipeg was completed and occupied about November 1, and fully answers our expectations.

Under authority of the shareholders, $273,500 bonds have been sold during the year, and the premium thereon, averaging 7⅛ per cent, viz., $19,491.25, has been carried to the contingent fund.

All of which is respectfully submitted.

ROBERT MACKAY, *Vice-president.*

CHAS. F. SISE, *President.*

MONTREAL, February 25, 1897.

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REVENUE ACCOUNT, DECEMBER 31, 1896.

Receipts.

Exchanges	$860,525 79	
Less unearned rental reserve	4,957 12	
		$855,568 67
Long-distance lines		195,721 93
Private lines		12,603 57
Miscellaneous		69,840 98
		$1,133,735 15

Expenses.

Operating	$773,420 07	
Legal	8,657 63	
Insurance	12,945 16	
Bond interest	32,714 32	
Miscellaneous	1,043 99	
		$828,781 17
Net revenue for 1896		$304,953 98
Less dividends (including January 15, 1897)		253.440 00
		$ 51,513 98
Balance revenue from 1895		25,047 37
		$ 76,561 35
Carried to contingent fund	$ 20,508 75	
Carried forward to 1897	56,052 60	
		$ 76.561 35

BALANCE SHEET, DECEMBER 31, 1896.

Stock account		$3,168,000 00
Bond account		873,500 00
Contingent fund	$910,000 00	
Add transferred from revenue account	20,508 75	
Add bond premium account	19,491 25	
		$950,000 00
Revenue account		56,052 60
Unearned rental reserve		140,799 99
Insurance reserve		51,729 28
Accident reserve		8,188 51
Bond interest reserve		10,731 25
Sundry creditors		80,729 64
		$5,339,731 27

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APPENDIX No. 1

Plant and patents, December 31, 1895		$4,029,270 99
Purchase of patents, 1896		4,291 75
Construction, 1896		169,005 05
Plant and patents, December 31, 1896		$4,202,567 79
Stores on hand		165,407 76
Real estate		538,259 02
Stock in other companies		162,455 00
Sundry debtors		52,921 40
Due from agencies		74,082 22
Cash		144,038 08
		$5,339,731 27

Audited and certified.

P. S. ROSS & SONS,
Chartered Accountants.

CHAS. P. SCLATER,
Secretary-Treasurer.

1897.

The directors beg to submit their eighteenth annual report.

Nine hundred and eighty-three subscribers have been added during the year, the total number of sets of instruments now earning rental being 30,445.

The company now owns and operates 349 exchanges and 261 agencies.

Thirty-five miles of poles and 703 miles of wire have been added to the long-distance system in 1897; of these 5 pole miles and 209 wire miles are in the Ontario department, and 30 pole miles and 494 wire miles are in the Eastern department.

The long-distance lines now owned and operated by the company comprise 16,567 miles of wire on 6,095 miles of poles.

Under authority of the shareholders, $66,500 bonds have been sold during the year, the premium thereon being 10 per cent.

Continuing the policy adopted in past years, your directors have charged to contingent fund $150,000, that amount having been expended during the year on construction rendered necessary by the introduction of trolley and other strong current wires, but which has not increased the earning power of the plant.

All of which is respectfully submitted.

ROBERT MACKAY,
Vice-President.

CHAS. F. SISE,
President.

MONTREAL, February 24, 1898.

REVENUE ACCOUNT, DECEMBER 31, 1897.

Receipts.

Exchanges	$ 862,319 29
Long-distance lines	229,917 98
Private lines	12,619 01
Miscellaneous	80,828 93
	$1,185,685 21

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Expenses.

Operating	$ 825,038 94	
Legal	7,725 51	
Insurance	23,733 68	
Bond interest	45,683 30	
Miscellaneous	3,752 21	
		$ 905,933 64
Net revenue for 1897		$ 279,751 57
Less dividends (including January 15, 1898)		253,440 00
		$ 26,311 57
Balance revenue from 1896		56,052 60
Carried forward to 1898		$ 82,364 17

BALANCE SHEET, DECEMBER 31, 1897.

Stock account			$3,168,000 00
Bond account			940,000 00
Contingent fund	$ 950,000 00		
Less transferred to construction account	150,000 00		
			800,000 00
Revenue account			82,364 17
Unearned rental reserve			163,541 66
Insurance reserve			68,037 12
Accident reserve			15,574 06
Bond interest reserve			11,750 00
Sundry creditors			287,789 09
Bond premium			6,650 00
			$5,543,706 10
Plant and patents, December 31, 1896	$4,202,567 79		
Purchase of patents, 1897	1,767 00		
Construction, 1897	$341,214 09		
Less contingent fund	150,000 00		
	191,214 09		
Plant and patents, December 31, 1897	4,395,548 88		
Stores on hand	169,079 44		
Real estate	649,295 73		
Stock in other companies	164,731 50		
Sundry debtors	40,897 87		
Due from agencies	74,858 91		
Cash	49,293 77		
			$5,543,706 10

Audited and verified,

P. S. ROSS & SONS,
Chartered Accountants.

CHARLES P. SCLATER,
Secretary-Treasurer.

Mr. C. F. SISE.

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APPENDIX No. 1

1898.

The directors beg to submit their nineteenth annual report.

One thousand six hundred and thirty-seven subscribers have been added during the year, the total number of sets of instruments now earning rental being 32,082.

The company now owns and operates 343 exchanges and 340 agencies.

Six hundred and sixty-six miles of wire have been added to the long-distance system in 1898; of these 326 miles are in the Ontario department, and 340 miles are in the Eastern department.

The long-distance lines now owned and operated by the company comprise 17,233 miles of wire on 6,096 miles of poles.

In July, your directors, acting under the power conferred upon them, offered to the shareholders, at par 7,920 shares of new stock, in the proportion of one share of new for each four of old, all of which, with the exception of 160 shares, were promptly subscribed for. The 160 shares referred to, consisted principally of fractions of shares and of certain shares for which the parties had unintentionally omitted to subscribe. It being the wish of your directors that all the shareholders should equally share in the advantage to be derived from the new issue it was decided to sell those 160 shares and divide the premium *pro rata* among those for whose benefit they were sold. This was done and with satisfactory results.

The new building in Queebc is practically completed, and the new apparatus is now being installed. The new building at London is progressing favourably, and will be occupied early in the coming summer.

All of which is respectfully submitted.

ROBERT MACKAY,
Vice-President.

CHAS. F. SISE,
President.

MONTREAL, February 23, 1899.

REVENUE ACCOUNT, DECEMBER 31, 1898.

Receipts.

Exchanges		$ 935,703 52
Long-distance lines		264,455 49
Private lines		12,743 32
Miscellaneous		90,041 71
		$1,302,944 04

Expenses.

Operating	$ 897,138 73	
Legal	9,582 22	
Insurance	13,740 20	
Bond interest	47,042 16	
Miscellaneous	4,288 99	
		$ 971,792 30
Net revenue for 1898		$ 331,151 74
Less dividends (inc. January 14, 1899)		263,779 93
		$ 67,371 81
Balance revenue from 1897		82,364 17
Carried forward to 1899		$ 149,735 98

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BALANCE SHEET, DECEMBER 31, 1898.

Stock account		$3,556,000 00
Bond account		941,000 00
Contingent fund		800,000 00
Revenue account		149,735 98
Unearned rental reserve		173,136 16
Insurance reserve		71,414 71
Accident reserve		17,603 76
Bond interest reserve		11,762 50
Sundry creditors		132,131 60
Bond premium		6,750 00
		$5,859,534 71
Plant and patents, December 31 1897	$4,395,548 88	
" " added in 1898	180,727 47	
Plant and patents, December 31, 1898	$4,576,276 35	
Stores on hand	240,469 24	
Real estate	692,084 87	
Stock in other companies	257,731 50	
Sundry debtors	29,855 55	
Due from agencies	61,239 51	
Cash	1,877 69	
		$5,859,534 71

Audited and verified,

P. S. ROSS & SONS,
Chartered accountants.

CHARLES P. SCLATER,
Secretary-Treasurer.

1899.

The directors beg to submit their twentieth annual report.

Two thousand eight hundred and forty-one subscribers have been added during the year, the total number of sets of instruments now earning rental being 34,923.

The company now owns and operates 343 exchanges and 450 agencies.

One thousand six hundred and eigthy-six miles of wire have been added to the long-distance system in 1899; of these 318 miles are in the Ontario department, and 1,368 are in the Eastern department.

The long-distance lines now owned and operated by the company comprise 18,920 miles of wire on 6,229 miles of poles.

In December, your directors, acting under the power conferred upon them, offered to the shareholders, at par, 9,900 shares of new stock, in the proportion of one share of new for each four of old, practically all of which have been subscribed for.

Since our last report, the building in London has been completed, a building has been erected in Parkdale, and a building for the stores department has been erected on Mountain Street, Montreal, all of which have been paid for. There is no encumbrance whatever on any of the company's real estate.

All of which is respectfully submitted.

ROBERT MACKAY,
Vice-President.

CHAS. F. SISE,
President.

Montreal, February 22, 1900.

Mr. C. F. SISE.

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APPENDIX No. 1

REVENUE ACCOUNT, DECEMBER 31, 1899.

Receipts.

Exchanges		$1,025,858 88
Long-distance lines		303,374 04
Private lines		12,111 08
Miscellaneous		115,339 06
		$1,456,683 06

Expenses.

Operating	$1,025,215 31	
Legal	10,924 55	
Insurance	14,605 62	
Bond interest	47,642 65	
Miscellaneous	4,987 53	
		$1,103,375 66
Net revenue for 1899		$ 353,307 40
Less dividends (inc. Jan. 15, 1900)		312,920 00
		$ 40,387 40
Balance revenue from 1898		149,735 98
Carried forward to 1900		$ 190,123 38

BALANCE SHEET, DECEMBER 31, 1899.

Stock account		$3,960,000 00
Bond account		1,010,000 00
Contingent fund		800,000 00
Revenue account		190,123 38
Unearned rental reserve		185,614 83
Insurance reserve		77,897 27
Accident reserve		19,745 76
Bond interest reserve		12,625 00
Sundry creditors		579,518 01
		$6,835,524 25
Plant and patents, December 31, 1898	$4,576,276 35	
" " added in 1899	668,159 98	
Plant and patents, December 31, 1899	$5,244,436 33	
Stores on hand	238,851 39	
Real estate	756,743 06	
Stock in other companies	405,981 50	
Sundry debtors	120,429 40	
Due from agencies	55,632 58	
Cash	13,449 99	
		$6,835,524 25

Audited and verified,

P. S. ROSS & SONS,
Chartered Accountants.

CHARLES P. SCLATER,
Secretary-Treasurer.

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1900.

The directors beg to submit their twenty-first annual report.

3,437 subscribers have been added during the year, the total number of sets of instruments now earning rental being 38,360.

The company now owns and operates 343 exchanges and 494 agencies.

2,430 miles of wire have been added to the long-distance system in 1900; of these 1,497 miles are in the Ontario department, 755 are in the Eastern department, and 178 in the North-west.

The long-distance lines now owned and operated by the company comprise 21,350 miles of wire on 6,525 miles of poles.

$190,000 of 5 per cent bonds were sold during the year, the net premium on which was $18,775; and 500 shares of stock were also sold at a net premium of $35,105.80. These premiums, aggregating $53,880, have been carried to contingent account. $46,-119.20 has also been carried from revenue account to contingent account, making it $900,000; $32,898.64 to insurance reserve account, making it $100,000 and $50,000 written off the plant and patent account.

The entire capital stock having now been issued, and funds for construction being required, the shareholders, at a special meeting held December 5, 1900, authorized application to parliament for power to increase the capital from $5,000,000 to $10,000,000, and our petition will be presented in due course. At the same meeting the directors were authorized to issue $2,550,000 of bonds.

All of which is respectfully submitted.

ROBERT MACKAY,
Vice-President.

CHAS. F. SISE,
President.

MONTREAL, February 28, 1901.

REVENUE ACCOUNT, DECEMBER 31, 1900.

Receipts.

Exchanges		$1,125,911 88
Long-distance lines		359,800 99
Private lines		11,749 01
Miscellaneous		116,801 00
		$1,614,262 88

Expenses.

Operating	$1,146,852 84	
Legal	8,999 18	
Insurance	15,743 26	
Bond interest	52,395 55	
Miscellaneous	5,986 73	
		$1,229,977 56
Net revenue for 1900		384,285 32
Less dividends (inc. January 15, 1901)		371,304 99
		12,980 33
Balance revenue from 1899		190,123 38
		$ 203,103 71
Carried to insurance reserve account	$ 32,898 64	
Carried to contingent account	46,119 20	
Written off plant and patent account	50,000 00	
		$ 129,017 84
Carried forward to 1901		$ 74,085 87

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APPENDIX No. 1

BALANCE SHEET, DECEMBER, 31, 1900.

Stock account		$5,000,000 00
Bond account		1,200,000 00
Contingent account, 1899	$ 800,000 00	
Add premium on stock sold	35,105 80	
Add premium on bonds sold	18,775 00	
Add brought from revenue account	46,119 20	
		900,000 00
Revenue account		74,085 87
Unearned rental reserve		203,417 50
Insurance reserve	$ 67,101 36	
Add brought from revenue account	32,898 64	
		100,000 00
Accident reserve		21,623 43
Bond interest reserve		15,000 00
Sundry creditors		202,736 09
		7,716,862 89
Plant and patent account, December 31, 1899	$5,244,436 33	
" " added in 1900	$ 858,578 94	
Less brought from revenue account	50,000 00	
	808,578 94	
Plant and patent account, December 31, 1900	$6,053,015 27	
Stores on hand	246,163 29	
Real estate	785,252 84	
Stock in other companies	414,331 50	
Sundry debtors	102,834 94	
Due from agencies	59,343 99	
Cash	55,921 06	
		$7,716,862 89

Audited and verified,

P. S. ROSS & SONS,
Chartered Accountants.

CHARLES P. SCLATER,
Secretary-Treasurer.

1901.

The directors beg to submit their twenty-second annual report.

Four thousand four hundred and ninety-eight subscribers have been added during the year, the total number of sets of instruments now earning rental being 42,858.

The company now owns and operates 343 exchanges and 514 agencies.

Two thousand eight hundred and forty-three miles of wire have been added to the long-distance system in 1901; of these 1,303 miles are in the Ontario department, and 1,540 in the Eastern department.

The long-distance lines now owned and operated by the company comprise 24,193 miles of wire on 6,634 miles of poles.

Five hundred and fifty thousand dollars of 5 per cent bonds were sold during the year, the net premium on which, $53,361, has been carried to contingent account; the total bond issue now being $1,750,000. From the balance of revenue account, $91,821.65, $50,000 has been written off plant and patent account; $10,000 has been carried to insurance reserve account and $10,000 to accident reserve account; leaving balance of revenue to be carried to 1902, $21,821.65.

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Applications for the construction of long-distance lines are constantly being received, such lines—particularly in sparsely settled districts—being of great value to the public; but our expansion in that direction has been checked because of lack of capital for construction purposes. The shareholders at a special meeting held December 5, 1900, authorized application to Parliament for power to increase the capital from $5,000,000 to $10,000,000, and this matter is receiving attention.

All of which is respectfully submitted.

ROBERT MACKAY, *Vice-President.*

C. F. SISE, *President.*

MONTREAL, February 27, 1902.

REVENUE ACCOUNT, DECEMBER 31, 1901.

Receipts.

Exchanges		$1,281,660 00
Long-distance lines		435,183 74
Private lines		11,147 53
Miscellaneous		123,543 84
		$1,851,535 22

Expenses.

Operating	$1,324,424 53	
Legal	11,481 42	
Insurance	17,727 42	
Bond interest	73,923 62	
Miscellaneous	6,242 45	
		1,433,799 44
Net revenue for 1901		$ 417,735 78
Less dividends (inc. Jan. 15, 1902)		400,000 00
		17,735 78
Balance revenue from 1900		74,085 87
		$ 91,821 65
Written off plant and patent account	$ 50,000 00	
Carried to insurance reserve account	10,000 00	
Carried to accident reserve account	10,000 00	
		70,000 00
Carried forward to 1902		$ 21,821 65

BALANCE SHEET, DECEMBER 31, 1901.

Stock account		$5,000,000 00
Bond account		1,750,000 00
Contingent account, 1900	$ 900,000 00	
Add premium on bonds sold	53,361 00	
		953,361 00
Revenue account		21,821 65
Unearned rental reserve		219,404 21
Insurance reserve		113,038 09
Accident reserve		34,058 43
Bond interest reserve		21,875 00
Sundry creditors		186,593 81
		$8,300,152 19

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Plant and patent account, December 31, 1900		$6,053,015 27
" " added in 1901	$457,677 73	
Less brought from revenue account	50,000 00	
		407,677 73
Plant and patent account, December 31, 1901		$6,460,693 00
Stores on hand		245,556 86
Real estate		808,777 92
Stock in other companies		670,106 50
Due from agencies		79,474 71
Debtors and cash		35,543 20
		$8,300,152 19

Audited and verified,

P. S. ROSS & SONS, *Chartered Accountants.*

CHARLES P. SCLATER, *Secretary-Treasurer.*

1902.

The directors beg to submit their twenty-third annual report.

5,623 subscribers have been added during the year, the total number of sets of instruments now earning rental being 48,481.

The company now owns and operates 377 exchanges and 553 agencies.

2,655 miles of wire have been added to the long-distance system in 1902; of these 1,042 are in the Ontario department, 1,240 in the Eastern department, and 373 in the North-western department. The long-distance lines now owned and operated by the company comprise 26,848 miles of wire on 6,991 miles of poles.

$250,000 of 5 per cent bonds were sold during the year, the premium on which amounted to $22,809.24.

10,000 shares of new stock were offered to the shareholders at 25 per cent premium, and 9,884 shares were applied for, on which two instalments of $25 each have been paid during the year, amounting to $395,360, on account of stock and $98,840, on account of the premium; this premium together with the premium on the bonds, $22,809.24 ($121,649.24), in accordance with our custom in the past, have been carried to the contingent account.

From the balance of revenue account, $114,244.12, $32,674.10 has been carried to insurance reserve account; $18,133.75 to accident insurance reserve fund, and $40,000 to contingent account; leaving balance of revenue to be carried to 1903, $23,436.27.

All of which is respectfully submitted.

ROBERT MACKAY, *Vice-President.*

C. F. SISE, *President.*

MONTREAL, February 26, 1903.

REVENUE ACCOUNT, DECEMBER 31, 1902.

Receipts.

Exchanges (less unearned rentals)	$1,413,219 10
Long-distance lines	534,581 70
Private lines	11,837 58
Miscellaneous	125,495 88
	$2,085,134 26

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Expenses.

Operating	$1,436,888 20	
Legal	20,411 80	
Insurance	17,940 14	
Bond interest	97.098 74	
Miscellaneous	8,512 51	
		1,580,851 39
Net revenue for 1902		504,282 87
Less dividends (inc. January 15, 1903)		411,860 40
		$ 92,422 47
Balance revenue from 1901		21,821 65
		$ 114,244 12
Carried to insurance reserve account	$ 32,674 10	
Carried to accident reserve account	18,133 75	
Carried to contingent fund	40,000 00	
		90,807 85
Carried forward to 1903		$ 23,436 27

BALANCE SHEET, DECEMBER 31, 1902.

Stock account		$5,395,360 00
Bond account		2,000,000 00
Contingent account, 1901	$ 953,361 00	
Add premium on stock sold	98,840 00	
Add premium on bonds sold	22,809 24	
Add from revenue account	40,000 00	
		1,115,010 24
Revenue account		23,436 27
Unearned rental reserve		292,885 78
Insurance reserve		150,000 00
Accident reserve		50,000 00
Bond interest reserve		25,000 00
Sundry creditors		189,029 50
		$9,240,721 79
Plant and patent account, December 31, 1901	$6,460.693 00	
" " added in 1902	492,007 02	
Plant and patent account, December 31, 1902	$6,952,700 02	
Stores on hand	275,466 37	
Real estate	832,240 44	
Stock in other companies	817,256 50	
Due from agencies	97,444 98	
Debtors and cash	265,613 48	
		9,240,721 79

Audited and verified,

P. S. ROSS & SONS.
Chartered Accountants.

CHARLES P. SCLATER,
Secretary-Treasurer.

Mr. C. F. SISE.

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APPENDIX No. 1

1903.

The directors beg to submit their twenty-fourth annual report.

8,691 subscribers have been added during the year, the total number of sets of instruments now earning rental being 57,172.

The company now owns and operates 421 exchanges and 672 agencies.

4,121 miles of wire have been added to the long-distance system in 1903; of these 1,738 are in the Ontario department, 1,260 in the Eastern department, and 1,123 in the North-western department. The long-distance lines now owned and operated by the company comprise 30,969 miles of wire on 7,685 miles of poles.

The 10,000 shares of new stock offered to the shareholders in 1902 at 25 per cent premium have now been paid up, making the capital $3,000,000. The premium on this stock received during the year amounted to $151,160, and has been carried to the contingent account.

From the balance of revenue account, $138,077.71, $24,562.68 has been carried to insurance reserve account; $22,978.90 to accident insurance reserve account, and $50,000 to contingent account; leaving balance of revenue to be carried to 1904, $40,536.13.

All of which is respectfully submitted.

ROBERT MACKAY,
Vice-President.

C. F. SISE,
President.

MONTREAL, February 25, 1904.

REVENUE ACCOUNT, DECEMBER 31, 1903.

Receipts.

Exchanges (less unearned rentals)		$1,701,015 62
Long-distance lines		644,670 63
Private lines		12,557 22
Miscellaneous		164,031 64
		$2,522,275 11

Expenses.

Operating	$1,787,429 01	
Legal	21,441 50	
Insurance	20,487 79	
Bond interest	100,000 00	
Miscellaneous	10,765 02	
		$1,940,123 32
Net revenue for 1903		$582,151 79
Less dividends (inc. January 15, 1904)		467,510 35
		$114,641 44
Balance revenue from 1902		23,436 27
		$138,077 71
Carried to insurance reserve account	$24,562 68	
Carried to accident reserve account	22,978 90	
Carried to contingent fund	50,000 00	
		97,541 58
Carried forward to 1904		$40,536 13

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BALANCE SHEET, DECEMBER 31, 1903.

Stock account		$6,000,000 00
Bond account		2,000,000 00
Contingent account, 1902	$1,115,010 24	
Add premium on stock sold	151,160 00	
Add from revenue account	50,000 00	
		1,316,170 24
Revenue account		40,536 13
Unearned rental reserve		341,751 26
Insurance reserve		175,000 00
Accident reserve		75,000 00
Bond interest reserve		25,000 00
Sundry creditors		890,725 18
		$10,864,182 81
Plant and patent account, December 31, 1902	$6,952,700 02	
Plant and patent account added in 1903	1,145,614 21	
Plant and patent account, December 31, 1903	$8,098,314 23	
Stores on hand	398,345 95	
Real estate	1,045,179 16	
Stock in other companies	858,006 50	
Due from agencies	93,940 48	
Debtors and cash	370,396 49	
		$10,864,182 81

Audited and verified,

P. S. ROSS & SONS,
Chartered Accountants.

CHARLES P. SCLATER,
Secretary-Treasurer.

1904.

The directors beg to submit their twenty-fifth annual report.

8,988 subscribers have been added during the year, the total number of sets of instruments now earning rental being 66,160.

The company now owns and operates 475 exchanges and 789 agencies.

1,242 miles of wire have been added to the long-distance system in 1904. The long-distance lines now owned and operated by the company comprise 32,211 miles of wire on 7,866 miles of poles.

20,000 shares of new stock were offered to the shareholders at 25 per cent premium, with the option of paying for them in full or in quarterly instalments. 16,845 shares were paid up in full. The amount of $1,916,960 has been receeived during the year on account of stock, and $479,240 for premium thereon. The latter amount in accordance with our usual custom has been carried to the contingent account.

From the balance of revenue account, $154,323.96, $35,565.26 have been carried to insurance reserve account; $23,958.25 to accident insurance reserve account, and $50,000 to contingent account; leaving balance of revenue to be carried to 1905, $44,800.45.

All of which is respectfully submitted.

ROBERT MACKAY,
Vice-President.

C. F. SISE,
President.

MONTREAL, February 23, 1905.

Mr. C. F. SISE.

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APPENDIX No. 1

REVENUE ACCOUNT, DECEMBER 31, 1904.

Receipts.

Exchanges (less unearned rentals)		$1,980,185 51
Long-distance lines		761,991 15
Private lines		14,735 48
Miscellaneous		176,741 57
		$2,933,653 71

Expenses.

Operating	$2,073,492 35	
Legal	19,963 52	
Insurance	25,409 14	
Bond interest	100,000 00	
Miscellaneous	12,883 27	
		$2,231,748 28
Net revenue for 1904		701,905 43
Less dividends (inc. January 15, 1905)		588,117 60
		$ 113,787 83
Balance revenue from 1903		40,536 13
		$ 154,323 96
Carried to insurance reserve	$ 35,565 26	
Carried to accident reserve	23,958 25	
Carried to contingent account	50,000 00	
		109,523 51
Carried forward to 1905		$ 44,800 45

BALANCE SHEET, DECEMBER 31, 1904.

Stock account		$7,916,960 00
Bond account		2,000,000 00
Contingent fund, 1903	$1,316,170 24	
Add premium on stock	479,240 00	
Add from revenue account	50,000 00	
		$1,845,410 24
Revenue account		44,800 45
Unearned rental reserve		397,087 86
Insurance reserve		200,000 00
Accident reserve		100,000 00
Bond interest reserve		25,000 00
Sundry creditors		320,253 80
		$12,849,512 35

Mr. C. F. SISE.

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Plant and patent account, December 31, 1903	$8,098,314 23
Plant and patent account added in 1904	1,175,441 67
Plant and patent account, December 31, 1904	$9,273,755 90
Stores on hand	389,789 71
Real estate	1,284,930 89
Stock in other companies	927,056 50
Due from agencies	149,265 37
Debtors	249,011 46
Cash	575,702 52
	$12,849,512 35

Audited and verified,

P. S. ROSS & SONS,
Chartered Accountants.

CHARLES P. SCLATER,
Secretary-Treasurer.

A. The first five papers asked for are embodied in each annual statement. That is why this replies to the first five documents.

Q. Mr. Sise wants to state to the committee that these annual reports furnish an answer to the first five requests of the committee, that is, they contain a statement of the assets and liabilities, receipts and payments for each year since the organization of the company, the annual report prepared and submitted to the shareholders in each year, a statement of the capital when organized and of the amount paid at the close of every year, a statement of the dividends and the bonded indebtedness at the end of each year.—A. Each annual statement covers each one of these points.

The CHAIRMAN.—The first five items are covered by Exhibit 93.

By Mr. Chrsyler :

Q. These were sent to me by Mr. Lafleur.—A. This is our statement, which we submit, and they cover all five preliminary questions.

By the Chairman :

Q. Mr. Sise says that exhibit No. 93 is an answer to items 1, 2, 3, 4 and 5, in the communication of the committee sent to him on April 25. In the production of this exhibit he has replied to these five requests.—A. The form in which the annual statement is made shows, of course, the capital at the time, the dividend at the time; all these are embodied.

The CHAIRMAN.—If there is anything omitted it can be supplied.

By Mr. Chrysler :

Q. You have just handed me this (producing document).—A. I do not think this was asked for. The dividends are included in the annual statements. This is a sheet showing the dividends which were paid each quarter, and they vary from 6 per cent to 8 per cent throughout the period during which any dividends were paid.

Q. This will be exhibit 94. I am going to ask you some questions now about that unless you wish to make a statement before I begin.—A. No.

Mr. BERGERON.—These are filed by Mr. Sise.

Mr. CHRYSLER.—Yes.

Q. Before asking for any later papers, Mr. Sise, if it is convenient for you, I want to go over the history of the company, as it is set out in these annual reports. There are reports for every year from 1880 ?—A. Every year.

Q. Up to 1904, inclusive, and are made up in every case to December 31 in each year ?—A. Yes.

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APPENDIX No. 1

Q. So that we will not need to refer to the period covered by any report except by the year. Now, the launching of the company appears to be shown by the first paragraph of this report, which states that the company was incorporated by special Act of parliament, April 29, 1880, for the purpose of working the entire telephone system in Canada, and since its incorporation it has acquired possession of the telephone license, plants and good-will of the Dominion Telegraph Company, the London Telephone Company, the Hamilton Telephone Company and the Windsor Telephone Exchange, and later it acquired the telephone plant and good will of the Montreal Telegraph Company, the Canadian District Telephone Company, and the Quebec Telephone Exchange, and received licenses from the Canadian Telephone Company, Limited, for the use of all patented inventions in Canada formerly owned by the American Bell Telephone Company, the Western Union Telegraph Company, and the American Speaking Telephone Company, including the inventions of Bell, Blake, Edison, Gray, Watson and others.

Mr. MACLEAN.—What is the name of that holding company in Canada.

Mr. CHRYSLER.—The Canadian Telephone Company, Limited.

By Mr. Maclean :

Q. It handed over all these things ?—A. They had no exchanges.

By Mr. Chrysler :

Q. Since taking possession of the various telephone plants above-mentioned, the company has devoted its attention to improving them, thus increasing their earning power. Whenever practicable, it has erected good pole lines through the different cities where it has exchanges, by which means new wire lines can be much more easily run and kept in good order than in any other way. So that you commenced by taking hold of a number of existing companies ?—A. We did.

Mr. MONK.—Without wishing to interrupt this communication, and just as a guidance to the committee, are we going into all the history stage by stage, of the telephone company or are we going to confine it to the patents the company acquired, what was their value when they acquired them and what is the present extension and ramifications of the company. I say this with a view of limiting the examination and not curtailing it unduly but limiting it if possible, what is the present condition of the company, how it has reached that, because, of course year after year changes have occurred, and it will take a long time describing these.

Mr. CHRYSLER.—We don't intend going into all these.

Mr. MACLEAN.—He is only describing the start.

Mr. CHRYSLER.—You have to get the start.

Mr. MONK.—It is not to block you, to narrow you in proceeding with this witness.

Mr. CHRYSLER.—It is for the committee to say.

Mr. MACLEAN.—I think that information ought to come out that we are getting just now.

Mr. CHRYSLER.—In order to condense this as much as possible I have made some statements taken from the annual statements. There is a statement of the capital stock for each year from 1880 to 1904. That can be put in without asking the witness for each year in detail. I have a number of similar statements which will condense the thing very much.

Mr. BERGERON.—Yes, if nobody has any objection to it—as long as the company or the committee has no objection.

The CHAIRMAN.—Mr. Chrysler can file the statements and it will be on record and the Bell Company might like to examine him on these various statements, and if they find any errors——

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Mr. LAFLEUR.—These are abstracts prepared by Mr. Chrysler.

Mr. BERGERON.—They might be shown to the counsel of the other side.

The CHAIRMAN.—Mr. Chrysler hands them in as statements that he has prepared from an examination of the company's statements, but he does not verify them at all. They are merely put in.

Mr. CHRYSLER.—Mr. Sise can verify them.

Mr. BERGERON.—They can be put in the hands of counsel.

Mr. LAFLEUR.—We could verify them first.

The CHAIRMAN.—Perhaps that would be the better plan.

Mr. LAFLEUR.—We could verify them and then there would be no controversy.

By Mr. Chrysler:

Q. This is a statement of the stock up to December 31, in each year down to the last report. In the meantime, Mr. Sise, we can jump to that for the present purpose and give the first year and the last. You started with a capital stock of $500,000 and your paid up stock on December 31, 1904 appears to have been $7,916,960?—A. That is correct.

Q. Then you will put in a statement showing the stages by which that has grown. Now, there are some features of these annual statements which require some explanation. You have the statement in each year of the receipts—it may be classed as revenue and expenditure?—A. I have.

Q. And the details for each year are given here. Then there is a statement of assets and liabilities as it was in each year in which the whole previous operations of the company are summed up?—A. Yes.

Q. And the different items of expenditure in that summary, assets and liabilities, are classified usually under two heads, 'plant, patents and instruments,' and 'construction account.' Do you remember?—A. The plant, patents and instruments are in the list of assets.

Q. Yes.—A. And the construction account is not an expenditure.

Q. That is what I say. Construction account is intended to cover construction on capital account?—A. On capital account.

Q. And is found in the assets, as you say?—A. Yes.

Q. And we may follow that construction, from year to year so long as it appears as an item by itself and ascertain the amount that has been expended by the company on that account?—A. That is shown every year.

Q. Well, down to 1897 it is shown separately from the plant and patent account. But I think after that they are bulked together. You might perhaps just look at that.—A. The plant and patents and construction—the three are separated.

Q. But afterwards, I think, the construction account disappears as a separate item.—A. That was done because plant assumes construction, construction becomes plant and it was not necessary to separate them.

Q. You have separated it though up to that time?—A. Yes, there was no special object in separating it.

Q. But the construction account from 1898 onward is included in the item of plant and patents?—A. Yes.

Q. Well, if the construction account had been kept separate throughout the period, I could have made up the whole cost of construction, but perhaps it is sufficiently shown by the balance sheet, that is, your plant and patent account in the year 1904, which includes now the whole construction account, stands at $9,273,755?—A. Yes.

Q. Can you tell us—perhaps Mr. McFarlane might ascertain how much of that is for construction and how much for patents?—A. About $70,000 of that as shown in the last annual statement represents patents on our books. The balance is for plant construction.

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Q. About $70,000. Well——

Mr. MONK.—Out of what ?

Mr. CHRYSLER.—Out of the $9,273,755.

The WITNESS.—That includes real estate and for properties crossing other companies.

Q. The $9,000,000?—A. Not all the $9,000,000. The gross assets of all the plant and patent accounts, $70,000 would properly represent practically the patents—I have the exact figures here. On December 31, 1904, the plant was $9,203,467 and the patents $70,288.

Q. Well, you have in the past, Mr. Sise, paid considerable sums, which appear in these accounts for the purpose of patents. What is your explanation now of the statements that you have just made that it only amounted to $70,000 ?—A. Because, from time to time as patents expired they were charged off, and other patents,—the value of them was reduced as they were maturing. There has been stated, I see in the report of the committee, by some one who could not have known much about it that the company gave $1,928,000 for these patents, making a burden of $3.60 per subscriber. To show how absolutely incorrect this is, at the time these patents were purchased the company's capital was $1,000,000, of which $600,000 was in live assets, and I can hardly see how anyone could expect us to give away $2,000,000 out of $1,000,000 capital.

Q. I do not want to interrupt your statement, but I have not made any statement of that kind.—A. But it was filed here with these papers, a communication from some man, I don't know who it was.

Q. I am only dealing just now with what appears in this statement. In the statement for 1880 here appears an item of $167,000 paid for licenses. What is that, Mr. Sise ?—A. That was paid to the Canadian Telephone Company for the exclusive license for Canada for all the patents that they own, and also for the use of the instruments. It was a license for business from the company owning the patents.

Q. Was there any agreement ?—A. Yes.

Q. Have you produced the agreement ?—A. I do not know. I suppose we have it here. It expired two years afterwards. It is not an existing agreement at all.

Q. I see. Then under that agreement were you to pay a royalty ?—A. We paid royalty.

Q. You paid royalty as well. What are these, Mr. Sise ?—A. These are agreements with the Canadian Telephone Company.

Exhibit No 95.

Agreement made this thirteenth day of November, A.D. 1880, by and between the Canadian Telephone Company of Canada, Ltd., a corporation established under the laws of the Dominion of Canada, of the first part, and the Bell Telephone Company of Canada, a corporation established under said laws, of the second part.

Witnesseth:—Whereas said party of the first part owns the letters patent of the Dominion of Canada granted to Alexander Graham Bell, August twenty-second, eighteen hundred and seventy-seven and numbered 7789 and owns or has the right to use and may hereafter own or have the right to use sundry other inventions which are or may be embodied in electric speaking telephones and whereas said party of the second part desires to obtain the use of telephones under lease and license from the party of the first part.

Now, it is agreed as follows :—

1. Said party of the first part in consideration of the agreements of the second party hereinafter contained agrees that it will execute and grant with and to said second party an agreement and license in the form hereto annexed marked 'A' and said second party agrees that it will execute and accept the same and will faithfully keep and perform all the terms thereof. And said second party in consideration thereof and further considerations and reasons it thereto moving agrees that it will without charge upon the

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execution of said license assign, surrender and give up to said first party any and all patent rights, licenses, or rights whatsoever which it may have or have bargained to acquire to use telephones to the end that all the right of said second party to use telephones shall be only that granted by said license agreement, and as therein defined, and will do, execute and deliver any and all acts and instruments that may be necessary therefor, and that it will without charge assign, surrender and give up any such rights other than those which are granted by said agreement, as it may hereafter acquire.

2. And whereas it has been and is hereby agreed that in consideration of the grant of the right to use and rent telephones and telephonic apparatus as in said license set forth and in addition to the rentals and royalties in said license provided for, that said Canadian Telephone Company of Canada, Ltd., shall be entitled to one-third interest in said Bell Telephone Company of Canada and to receive one-third part of the profits of the business of said Bell Telephone Company of Canada, now therefore for the more convenient accomplishment of said purpose it is agreed that said Bell Telephone Company of Canada in consideration of such grant, shall forthwith upon receiving such license issue to said first party sixteen hundred and seventy shares of its capital stock (being one-third part thereof) full paid and not subject to any assessment or contribution, and that it will from time to time hereafter in case any increase in its capital stock shall be made issue to said first party one-third of such increased stock full paid and not subject to any assessment or contribution.

3. Said second party agrees that it will upon the execution of said license agreement, sell and transfer to said first party all telephones owned by it, said second party, and will thereafter hold the same as the property of said first party and under said license agreement, said first party agrees that it will buy the same and pay therefor to said second party the cost to it, said second party, of said telephones.

4. Said first party agrees that it will not during the continuance of the rights of said second party under said license agreement unless compellable by law so to do, sell or rent telephones or telephonic apparatus for use in the Island of Newfoundland. In witness whereof the parties hereto have caused these presents to be executed under their respective corporate seals, and by the hands of their proper officers, the day and year first above written.

CANADIAN TELEPHONE COMPANY, LTD.,
C. F. SISE,
Vice-Pres. and Managing Director.

In the presence of:
GEO. W. SLACK.

[Seal.]
CHAS. P. SCLATER,
Secretary-Treasurer.

THE BELL TELEPHONE COMPANY OF CANADA,

[Seal.]
C. F. SISE,
Vice-Pres. and Managing Director.
J. R. THIBAUDEAU,
Director.

C. P. SCLATER,
Secretary-Treasurer.

Exhibit No. 95*a*.

This agreement made this twenty-ninth day of November, A.D. 1880, by and between the Canadian Telephone Company, Limited, a corporation created under the laws of the Dominion of Canada and having its chief place of business at Montreal lessor and licensor party of the first part and the Bell Telephone Company of Canada, a corporation created under said laws and having its chief place of business at said Montreal lessee and licensee party of the second part.

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WITNESSETH:

1. Whereas the lessor owns letters patent of Canada granted to Alexander Graham Bell, August 22, 1877, numbered 7789 and owns and has the right to use and may hereafter own or have the right to use sundry other inventions which are or may be embodied in electric speaking telephones and desires to extend the use of telephones licensed by it in every manner in which the public may wish to use the same and for that purpose to provide for the construction and use of the apparatus and lines necessary to be used in connection therewith and whereas the lessee desires to obtain the use of telephones under lease and license from the party of the first part to be used with the lines owned by it in the territory hereinafter described under the provisions hereinafter set forth; now it is agreed as follows.—

2. The licensor hereby grants and licenses to the party of the second part subject to the provisions hereof so long as the rental therefor shall be duly paid to the licensor and as the provisions hereof are not violated but not longer or otherwise, the full and exclusive right, within and for all the territory hereinafter defined to use and to the extent and as permitted by article six hereof to license others to use for all purposes for which the licensor has or shall have the right to use them, telephones furnished by the party of the first party embodying any invention in or relating to telephones or their use, which the party of the first part now has or shall have the right to use either under any letters patent which it now owns or may hereafter acquire, or under any license or other grant or right which it has acquired or may hereafter acquire.

The right hereby granted to the second party shall be perpetual unless terminated as hereinafter in article 9 hereof provided, and shall extend to all exchanges and lines established and owned by the licensee within the limits of the Dominion of Canada.

3. The licensor will deliver at its general office or factory to the party of the second part as it shall require them, electric speaking telephones made under patents owned or acquired by the licensor or under its rights to use by license or otherwise inventions of others, which telephones shall be of the best character standard and pattern in use at the time of such delivery, and the party of the second part may choose the telephones to be used by it from among its standard telephones, such telephones shall bear such marks as the licensor may from time to time determine, and shall be used under said licensees patent rights and other rights aforesaid during the existence of the right hereby granted and as herein set forth and permitted. All telephones delivered to the party of the second part during the continuance of this agreement shall be deemed to be furnished hereunder, unless otherwise specially designated by the licensor.

Each of said telephones shall remain the property of the licensor, and is hereby leased and the use of it licensed for the term of one year from the day when rent and royalty begins to accrue on it, as provided in article 7, but the due payment thereof to the licensor and the due performance of the stipulations hereof during said year, by the party of the second part and those using the telephone under it, shall *ipso facto* operate to renew the lease and license for another year, and so on until the determination of the rights of the said party of the second part hereunder.

The party of the second part shall by general or special exchanges and lines supply (so far as it is authorized to do so by this contract) all reasonable demands of the public, and shall be diligent to increase the number of telephones used on its exchanges and other lines.

4. The lessor will license to be used with such telephones the inventions and call bells, switches, switchboards and other apparatus needed for such telephone lines, which it can so license upon such royalties as it may from time to time, establish, not greater than those fixed for others under similar circumstances.

The party of the second part may enjoy any rights of way and similar franchises to maintain said lines which the lessor can permit it to use, when, and so long as, in the judgment of the lessor, it shall not interfere with lessor's enjoyment thereof, and shall pay whatever may be due to their persons, if anything, growing out of it or in connection with such use by it.

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5. The party of the second part admits the validity of all patents now or hereafter held by the licensor, or under which it has or may have licenses or other rights of use, exclusive in their character, and also the validity of its title thereto; and it will not dispute such validity of either patents or title, or make use or be interested in any telephones or telephonic lines or business not licensed by the licensor or its assigns during the operation of this instrument.

6. The party of the second part may grant the right to use telephones under it to its customers by contracts as provided in this article; and it may, the consent thereto of the first party in writing being first had, grant sub-licenses to exchanges; but all sub-licenses to exchanges (if any such shall be granted) shall be in accordance with and shall in turn in such form as the lessor may from time to time approve, recognize in the party of the first part the right to have and to exercise against such sub-licenses all the rights and remedies provided for in this contract; but the default of any one sub-license shall not impair the rights of other sub-licenses nor of the party of the second part, provided the latter has and shall use reasonable diligence to prevent and redress such default and the continuance thereof.

The contracts between the party of the second part and those who are to use telephones under it shall express in such form as the lessor shall from time to time approve, that the telephone is the property of the lessor; that it is leased and licensed by it only as herein expressed; and all use of it otherwise is an injury to, and an invasion of the rights of the licensor, as owner thereof, and of the patent rights used therein and thereby entitling it to all the remedies herein provided and to an injunction, and other legal redress, in a suit by it in its name and behalf. The party of the second part will require every person using said telephones for communications or messages sent or to be sent over other telephone or telegraph lines, to provide for payment of tolls thereon, and to make every such message subject to such stipulations, regulations and conditions respecting the liability of such lines for errors and mistakes, as the licensor may from time to time require, and for that purpose will incorporate into its subscription contracts and message blanks such provisions and contracts to be agreed to by the subscriber and customer, as the licensor may from time to time approve, and will hold the licensor harmless from all loss and expense consequent upon its failure so to do.

7. The party of the second part shall charge its subscribers a rental and royalty not exorbitant nor unreasonable for the telephones and also in addition a sum not exorbitant nor unusual for the use of call bells, batteries, wires and other appliances and for service furnished or performed, and may collect both of said sums for a period not exceeding one year in advance. It will make such reports, giving such information regarding its operations and the prices charged as the licensor may from time to time request, it shall pay to the licensor a rental and royalty at the rate per instrument hereinafter named to commence on each telephone on the first day of the second calendar month after it is furnished by the licensor, to continue until the last day of the calendar in which the instrument shall be put into the possession of the licensor, or proved to be destroyed, and to be paid in equal monthly payments in advance at the licensor's office on the 10th day of each month up to the last day of the same month, said rates shall be as follows:—

Blake transmitter, present style each instrument per year..	$4 00
Hard rubber hand magneto telephone, present style " " ..	4 00
Box magneto telephone, present style, " " " ..	4 00

The lessor reserves the right to fix hereafter from time to time the rate for other telephones and for telephones of a different style.

Upon each instrument unlawfully detained from the lessor the party of the second part shall pay $10 per month until satisfactory proof of its destruction be furnished; shall pay $5 (five dollars) for each lost or destroyed otherwise than by fire or inevitable accident, and shall pay the expense of ordinary repairs; but such payments shall not confer any right to the instrument, nor to its use nor satisfy any

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other breach of covenant nor impair the right of the licensor to obtain possession of any instrument or lines.

In case the licensor, its successors or grantees shall desire to connect points within said territory with points outside said territory they shall have the right to connect with or avail themselves of, the lines and facilities of the party of the second part or its licensees, owners of exchanges or public lines, making a reasonable and suitable division of the tolls and profits of such extra territorial and through business; and if or so far as said licensee or if sub-licensee shall not have or shall not furnish suitable lines and facilities then said party of the first part may within said territory construct such lines and use such telephones as may be necessary for said purpose. And if the parties shall not agree to such terms and facilities, they shall refer such questions to three disinterested arbitrators, one to be chosen by each party and those two to choose a third, and the written decisions and award of said three arbitrators or of a majority of them made after due hearing or after reasonable notice and opportunity for both parties to be heard shall be binding and final in the premises.

9. If the party of the second part shall wilfully fail to pay any sums due hereunder for thirty days after the same shall become payable, or shall wilfully violate any other terms or conditions of this contract, and shall persist in any such default, violation or neglect, or fail to remedy or repair the same for ninety days after a written notice from the licensor, stating the default alleged, or shall be declared bankrupt or insolvent, the licensor may, if it shall so elect, by a written notice to the party of the second part, or those in charge of its principal office, terminate all rights granted by the licensor hereunder, and thereupon may by its agent, sever the circuit on which any telephone is placed and take possession of and remove the telephone, and for that purpose may enter the premises of the party of the second part and all persons claiming under it; and may collect from any sub-licensee or subscriber all sums then or thereafter due to said party of the second part for the use of any instruments, circuits and appliances or under any subscription contracts; and it may so long as it shall see fit, leave in the enjoyment and use of the telephones any subscriber or other person in actual possession, and collect from him such sums as may then and thereafter be or become due for the use of the telephone and exchange lines and appliances, or under any subscription contract, and for that purpose shall be entitled to and take possession of all the lines, fixtures, appliances and premises of the licensee used for carrying on its said business and occupy and operate the same in connection with said telephones and those of additional customers (to connect with whom it may, from time to time, change, extend and add to said lines and systems) or it may connect such lines with an office of its own for that purpose.

The first party may enforce these provisions by an entry without being deemed guilty of any trespass, or by legal process, including an injunction to prevent any interference with the licensor (and others permitted by it) in the use of said telephones, lines, switches, switch-boards and appliances, the property so taken and which does not belong to the lessor nor revert to it hereunder, may be returned within three months from the taking, in which case it shall pay to the second party a reasonable compensation for its use, or the lessor may retain the same as its own property and shall pay therefor a reasonable price (not exceeding the actual cost) within four months after the taking, and shall account to the second party for all sums collected which accrued before the licensor became so entitled to possession, deducting all expenses incident thereto and all that may be due to it. The lessor also reserves all its rights and remedies in law and in equity, under the patent laws or otherwise, including the remedy by injunction against the party of the second part and those claiming under it for the use of any of its patented inventions or instruments not justified by a subsisting license hereunder or for the violation of any other of its rights.

All sub-licenses to exchanges (if any such shall be granted) shall be in accordance with and shall in terms recognize in the party of the first part the right to have and to exercise against such sub-licenses all the rights and remedies provided for in this

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contract; but the default of any one sub-licensee shall not impair the rights of other sub-licensees nor of the party of the second part provided the latter has used and shall use reasonable diligence to prevent and redress such default and the continuance thereof.

10. The party of the second part promises that it will keep and observe all the stipulations herein contained on its part to be kept and performed. Whenever the licensor grants to others the right for extra territorial lines or any other rights remaining to it, the stipulations hereof relating thereto shall be binding upon and inure to the benefit of such grantees in respect of the rights so granted, and the licensor shall not be responsible for their acts or defaults in respect to the same.

11. This contract is personal to the second party herein named, and any assignment or attempt to assign it or the rights granted or lines established hereunder, or to encumber the same by act of the party or operation of law, without the written consent of the licensor will be a violation hereof and good ground for the cancellation hereof by the licensor.

12. It is understood and agreed that nothing contained in this instrument shall be construed as imposing upon either party any obligation to do anything contrary to law, and if anything herein agreed to be done by either shall be or become contrary to law, the consequent inability and failure to perform the same shall not operate as a breach or dissolution of this contract nor give to either party a right of action against the other.

13. The stipulations of this contract shall bind and inure to the benefit of the parties hereto and their respective successors assigns.

Executed in duplicate the day and year first above written.

THE CANADIAN TELEPHONE COMPANY, LIMITED,
C. F. SISE,
Vice-President and Mgr. Dir.

CHAS. P. SCLATER,
Secretary-Treasurer.

THE BELL TELEPHONE COMPANY OF CANADA,
C. F. SISE,
Vice-President and Mgr. Dir.

A. THIBAUDEAU,
Director.

CHAS. P. SCLATER,
Secretary-Treasurer.

Exhibit No. 95*b*.

This agreement, made by and between 'The Bell Telephone Company of Canada,' of the first part, and 'The Canadian Telephone Company (Limited),' of the second part.

WITNESSETH :

That in pursuance of the covenant to that effect contained in a certain deed of agreement executed between the said parties on the thirteenth day of November last (eighteen hundred and eighty), the said party of the first part doth hereby assign, surrender and give up, to the said party of the second part thereof, any and all rights, licenses or rights, whatsoever, which it now hath or hath bargained to acquire, to use telephones, under the following agreements, to wit :—

(1.) An agreement made and executed on the sixteenth day of November last (eighteen hundred and eighty) by and between 'The Montreal Telegraph Company' and the said party of the first part.

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APPENDIX No. 1

(2.) An agreement made and executed on the first day of September last (eighteen hundred and eighty) by and between 'The Yorke Telephone Despatch Company (Limited),' and the said party of the first part.

(3.) An agreement made and executed on the twenty-first day of April last (eighteen hundred and eighty-one) by and between 'The Toronto Telephone Despatch Company (Limited),' and the said party of the first part.

(4.) An agreement made and executed on the fourteenth day of December last (eighteen hundred and eighty), by and between 'The Hamilton Telephone Company' and the said party of the first part.

(5.) An agreement made and executed on the thirteenth day of November last (eighteen hundred and eighty) by and between 'The American Bell Telephone Company' and the said party of the first part.

(6.) An agreement made and executed on the twenty-fourth day of January last by and between 'The Western Union Telegraph Company' and the said party of the first part.

To have and to hold the same unto the said party of the second part; its successors and assigns, as its and their own absolute property for ever.

In testimony of all which the said parties have executed these presents, at the City of Montreal, in the province of Quebec, this ninth day of May in the year of Our Lord eighteen hundred and eighty one, by affixing their corporate seals hereto and by signing the same by and through their proper officers.

THE BELL TELEPHONE COMPANY OF CANADA,

C. F. SISE,
Vice-President and Managing Director.

CHAS. P. SCLATER,
Secretary-Treasurer.

CANADIAN TELEPHONE COMPANY, LIMITED,

C. F. SISE,
Vice-President and Managing Director.

CHAS. P. SCLATER,
Secretary-Treasurer.

Exhibit 95c.

This agreement made and executed (in duplicate) at the City of Montreal, in the Dominion of Canada, this twenty-eighth day of October in the year of Our Lord one thousand eight hundred and eighty-two, by and between 'The Canadian Telephone Company, Limited,' duly incorporated as such and having its principal office or place of business in the City of Montreal, and being hereunto duly authorized by resolution of the directors of said company passed at a meeting of the said directors duly held on the twenty-third day of June last, and by resolution of the shareholders of said company, passed at a special meeting of such shareholders duly held on the fifth day of July last, party hereto of the first part, and 'The Bell Telephone Company of Canada,' duly incorporated as such and having its principal office or place of business in the said City of Montreal, and being hereunto duly authorized by resolution of the directors of said company passed at a meeting of said directors duly held on the twenty-third day of June last, and by resolution of the shareholders of said company, passed at a special meeting of such shareholders, duly held on the fifth day of July last, party hereto of the second part.

Witnesseth:—That the said party of the first part hath sold, assigned, transferred and made over, and doth hereby sell, assign, transfer and make over to the said party of the second part, thereof, accepting, all and singular the patent rights and instruments

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of the said party of the first part, excepting the patent, number eight thousand three hundred and seventy-one (8371) of the first of February, eighteen hundred and seventy-eight for Duquet's improved telephone and the instruments manufactured thereunder, and all rights of said party of the first part under contracts, and all the assets of every nature whatsoever of the said party of the first part, excepting the said Duquet patent and instruments manufactured thereunder. And that the said party of the first part hath released and discharged and doth hereby release and discharge the said party of the second part from any and all debts whatsoever due by the latter to the former.

That in consideration of the foregoing premises the said party of the second part hereby agrees to pay all the liabilities, of every kind and description whatsoever of the said party of the first part, including all its liabilities under its contracts, and to pay to each shareholder of the said company party of the first part two shares of the paid up stock of the said company party of the second part, for each share held by him or her of the stock of the said company party of the first part.

In testimony of all which the said two parties have respectively signed these presents by and through their proper officers, and have caused their respective corporate seals to be hereunto affixed.

CANADIAN TELEPHONE COMPANY, LIMITED.

[Seal.]

C. F. SISE,
Vice-President,

CHAS. P. SCLATER,
Secretary-Treasurer.

THE BELL TELEPHONE COMPANY OF CANADA,

[Seal.]

ANDREW ROBERTSON,
President.

CHAS. P. SCLATER,
Secretary-Treasurer.

Exhibit No. 95*d*.

LIST OF INSTRUMENTS TRANSFERRED BY THE CANADIAN TELEPHONE COMPANY, LIMITED, TO THE BELL TELEPHONE COMPANY OF CANADA.

Hand telephones (Bell patent)	4,085
Box telephones (Bell patent)	236
Other telephones (various patents)	1,322
Total number of telephones	5,643
Transmitters (Blake patent)	3,517
Transmitters (various patents)	1,273
Total number of transmitters	4,790

Deed executed October 28, 1882.

Exhibit No. 95*e*.

This agreement made and executed at the city of Montreal, in the Dominion of Canada, this second day of November in the year of Our Lord one thousanad eight hundred and eighty-two by and between The Canadian Telephone Company, Ltd., duly incorporated as such and having its principal office or place of business in the said city of Montreal, party hereto of the first part, and the Bell Telephone Company of

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APPENDIX No. 1

Canada, duly incorporated as such and having its principal office or place of business in the said city of Montreal party hereto of the second part, witnesseth:—

Whereas by agreement, made and executed, in duplicate, at the said city of Montreal, on the twenty-eight day of October now last past, by and between the said parties thereunto duly authorized by their respective directors and shareholders (as stated in said agreement), the said party of the first part, for the consideration in said agreement mentioned, did sell, assign, transfer and make over to the said party of the second part, thereof accepting, all and singular the patent rights and instruments of the said party of the first part, excepting the patent number eight thousand three hundred and seventy-one of the first of February, eighteen hundred and seventy-eight for Duquet's improved telephone and the instruments manufactured thereunder, and all rights of said party of the first part under contracts, and all the assets of every nature whatsoever of the said party of the first part, excepting the said Duquet patent and instruments manufactured thereunder.

And whereas in pursuance of said agreement and for the purpose of carrying the same more fully into effect it hath been agreed between the said parties, to assign, by separate agreement, the instruments hereinafter mentioned and which formed and form part of the instruments and assets in said agreement referred to:—

Now therefore the said party of the first part, in pursuance of said agreement of the twenty-eighth day of October last and for the consideration therein mentioned, did and doth hereby specially sell, assign, transfer and make over, unto the said party of the second part, thereof accepting, four thousand and eighty-five hand telephones of the Bell patent, numbered as follows to wit:—

Also two hundred and thirty-six box telephones of the Bell patent and thirteen hundred and twenty-two other telephones of various patents. Also three thousand five hundred and seventeen transmitters of the Blake patent, numbered as follows:—

And twelve hundred and seventy-three transmitters of various other patents.

In testimony of all which the said parties have signed this agreement by and through their proper officers, and have caused their respective corporate seals to be hereto affixed.

THE CANADIAN TELEPHONE COMPANY, LIMITED,

[Seal]

C. F. SISE,
Vice-President.

THE BELL TELEPHONE COMPANY OF CANADA,

[Seal.]

ANDREW ROBERTSON,
President.

WITNESS.—The first is a contract with the Canadian Telephone Company for the business and the license. The second is another contract under which we paid royalty. These are the two contracts with the Canadian Telephone Company, that is all.

Q. What is the third?—A. It is another contract whereby they sold everything—we bought them out, that is what the contract says.

Q. I will get over that quickly. Under the first contract you were to pay a royalty, and you did pay a royalty apparently for three years.—A. Two years.

Q. Two years, is it? It appears on the statement for three years. I do not know, perhaps it might have been a broken year, only after that there is no payment for royalties, and the explanation is that you say there was a later agreement with the Canadian Telephone Company by which you purchased their rights absolutely. Now, in the statement of 1882 there appears an item, purchase of patents, $354,188.89. —A. That was the time when we bought out the Canadian Company.

Q. That was the acquisition, the absolute right to the patent, without further demand of royalty?—A. Yes.

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Mr. MACLEAN.—Might I ask a question here, when this Canadian Telephone Company were the assignees of a big company and controlled the Bell patents.

Mr. CHRYSLER.—I will ask Mr. Sise.

Q. What is it you have there? (Referring to documents).—A. It is the contract between the Canadian Telephone Company and the American Bell Telephone Company, the American Speaking Telephone Company, the Golden Telegraph Company and the Western Union Telegraph Company whereby the Canadian Telephone Company acquired all their patents of instruments in Canada.

Q. Then, if we understand what you are saying. under this agreement, the Canadian Telephone Company and another company acquired from these American companies the right?—A. The patents and instruments.

Q. The patents and instruments which they sold to you?—A. They sold to us two years afterwards.

Q. And which they gave you since you have the license to use in the first agreement, 1880?—A. Yes, that is correct.

By Mr. Maclean:

Q. That included the Bell patents?—A. The Bell Telephone, yes.

By Mr. Chrysler:

Q. The American Bell is one of these companies?—A. Yes, the American Bell Company.

Q. That is the company which at that time controlled the United States patents, I believe?—A. Yes.

Q. Then in these agreements we have the history of that?—A. The whole history.

Q. In these items of account you have first paid for the license in 1880, $167,000 and afterwards in 1882 for the absolute purchase the other sum of $354,188.89. What do you say about instruments?—A. The Canadian Telephone Company owned all the instruments and they leased them to the Bell Company under that royalty.

Q. Oh, yes.—A. And when the Bell acquired the Canadian Company they acquired the instruments as well.

Q. Which were then in use?—A. All the instruments in use in Canada.

Q. Was the Canadian Company then carrying on business as a telephone company?—A. It went out of existence.

Q. It had been until you acquired their rights?—A. Yes.

Q. So that this price included instruments as well as the rights of patents?—A. Yes.

Q. If I understand Mr. McFarlane, the agreements are both two separate documents?—A. Two separate documents.

Q. One respecting the license?—A. And the other the purchase of the instruments.

Q. We will look at this account. Then, in the first statement for 1880 also appears the sum which you paid for the purchase of the other companies which are mentioned here?—A. Yes.

Q. The Dominion Telegraph Company, the Montreal Telegraph Company, the Hamilton Telegraph Company, the London Telephone Company and the Windsor Telephone Exchange, I should say the Dominion and the Montreal Telegraph Company, purchase only applied to the telephone plant?—A. Yes.

Q. And for these you paid $180,500. Was that paid in cash or paid up stock?—A. The parties furnished the cash and took stock for it dollar for dollar without one farthing bonus or premium on stock. They took exactly what they paid for it.

By Mr. Maclean:

Q. And the same with the Canadian Telephone Company?—A. Yes. The Canadian Company had nothing to do with this.

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Q. They got $500,000. How did they get that?—A. The Canadian Company?

Q. Yes.—A. We gave stock for the assets of the Canadian Company.

Q. That was for half a million in the two transactions, as I make it?—A. In a sense, it was not half a million. We acquired their assets and moneys. Their assets were $167,000, we had given them for a license—that was restored to us, so that we did not give them half a million.

By Mr. Chrysler:

Q. Then the next considerable purchase was in 1882, when you purchased the Toronto and Yorkville exchanges, the Winnipeg and Western Union exchanges in Canada, and the Windsor. These purchases amounted to $39,100?—A. About $40,000.

Q. Now, in the subsequent years, down to 1897 the amounts applied in the purchase of patents and assets and shown separately, I think is inconsiderable?—A. Yes.

Q. The large amount paid during these years of 1882 to 1892 appear to have been paid on construction account.—A. Yes.

Q. Except to the extent that the two accounts are mixed up between 1897 and 1904, and as to that I have to rely upon your word. Were there any considerable purchases of patents between these years appearing in these statements?—A. I do not think that they would have amounted to $50,000. I am not sure.

Q. Well, in the statement of increases of stock from the first years—the statement which we will put in when it is verified—will you please tell us how the stock has been issued. Has it been issued in every case for cash?—A. For cash, and the last two issues at a premium.

Q. With the exception of what you have already mentioned as being issued for exchanges and——A. Yes.

Q. What do you mean by the last two issues?—A. The last two increases of stock were issued at 125, I think. I know the last one was.

Q. The reports will tell us.—A. Yes.

Q. It is stated here. And what was done with the premium which you received from the sale of the stock?—A. It was credited in the account the same as any other source of revenue.

Q. I think in most cases, if not in all, it is credited to the contingent fund.—A. Yes, carried to the contingent fund.

Q. Carried to the credit of the contingent fund. And you have also sold bonds, according to the last statement, up to $2,000,000.—A. Two million.

Q. Have they been sold at par or more or less?—A. As a rule, at a premium.

Q. And what has been done with the premiums?—A. Charged to the contingent account, I think, in the same manner.

Q. As a general rule, at all events, carried to contingent account. From looking at the last balance sheet or contingent fund I see it amounted to a very respectable fund. It is $1,845,410.24. Have you ever written off any amounts from that?—A. Oh, very large amounts.

Q. Can you tell me what years they were written off?—A. In every year, nearly, I think, there has been something written off and something added.

The CHAIRMAN.—What has been the total amount written off the contingent fund?

Mr. CHRYSLER.—I have a statement here, if the committee will let me run over it, so that I can give the whole thing.

The CHAIRMAN.—Perhaps you had better make use of the interval between to-day and to-morrow.

Mr. LAFLEUR.—If he will submit that to us we will have it verified as well as the other statements. It will save time.

The CHAIRMAN.—It will save the time of the committee.

Mr. LEWIS.—The matter might be left in the hands of the counsel.

Mr. BERGERON.—Before he goes into that argument, which I think is a long one, we might adjourn and in the meantime the lawyers might confer.

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The CHAIRMAN.—Mr. Chrysler, you say you have a number of statements that you have prepared as a result of the examination of their reports.

Mr. CHRYSLER.—Yes, I will submit these to Mr. Lafleur before to-morrow.

The CHAIRMAN.—That will be convenient.

By Mr. Chrysler:

Q. Mr. Sise, will you tell me, please, if you have the other papers that were asked for?—A. They are all here.

Q. They are all here?—A. I think everything is here.

By the Chairman:

Q. We will defer further examination of Mr. Sise until to-morrow and in the interval counsel will be good enough to have these statements verified so that they can give them in to-morrow.—A. I will be glad to give any assistance I can.

The CHAIRMAN.—We will relieve you from further attendance to-day.

The committee then adjourned.

WEDNESDAY, May 10, 1905.

The Committee met at 11 o'clock, Sir William Mulock in the chair.

The examination of Mr. C. F. SISE was resumed.

By Mr. Chrysler:

Q. There is a document, Mr. Sise, which was produced yesterday, but was not put in. I would like to put it in this morning, to begin with. You referred to it in your evidence.—A. (After examining document) Yes, that is correct.

Q. It is an agreement between the Canadian Telephone Company and four or five American companies, by which the Canadian Telephone Company acquired their rights. It is dated November 1, 1880.—A. That is one of the documents that was asked for.

The CHAIRMAN.—Would it be advisable to read it? Has it any bearing on this inquiry? We want to know so that the committee may have an intelligent idea of what it means.

Mr. CHRYSLER.—I think perhaps we had better have a summary of the documents printed before Mr. Sise's examination goes on. But just as you wish.

The CHAIRMAN.—I do not know what bearing these documents may have on the inquiry, and therefore I am not able to offer an opinion.

Mr. MACLEAN.—Mr. Chrysler considers they ought to be printed, and be before the committee.

Mr. CHRYSLER.—There are some of them that ought to be printed in full. There are one or two that can be abstracted.

The CHAIRMAN.—Is this a document that you think should be printed in full?

Mr. CHRYSLER.—I think so.

Mr. GEOFFRION.—What is the document?

The CHAIRMAN.—It is an agreement made on November 1, 1880, between the Canadian Telephone Company and the American Bell Telephone Company and the Bell Telephone Company of Canada. What is the tenor of this document?

Mr. CHRYSLER.—Mr. Sise gave it yesterday, it is in his evidence. The Canadian Bell Telephone Company was a company organized to acquire the patents of all the

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American companies which had valuable patents, and it did so. The Bell Telephone Company was a company organized to carry on the telephone business. This company was organized to hold patents and to rent instruments.

Mr. MACLEAN.—Which company?

Mr. CHRYSLER.—The Canadian Telephone Company.

Mr. MACLEAN.—Who signs for this company?

Mr. CHRYSLER.—Mr. Sise signs as vice-president and managing director of the Canadian Telephone Company, and also as vice-president and managing director of the Bell Telephone Company of Canada.

Exhibit No. 96.

THIS AGREEMENT made this first day of November, 1880, by and between THE CANADIAN TELEPHONE COMPANY, LIMITED, a corporation organized and existing under the laws of the Dominion of Canada,

of the First Part.

THE AMERICAN BELL TELEPHONE COMPANY, a corporation organized and existing under the laws of the State of Massachusetts,

of the Second Part.

THE BELL TELEPHONE COMPANY OF CANADA, a corporation organized and existing under the laws of the Dominion of Canada,

of the Third Part.

And:

THE AMERICAN SPEAKING TELEPHONE COMPANY, a corporation organized and existing under the laws of the State of New York, for itself and for:

THE GOLD AND STOCK TELEGRAPH COMPANY, and:

THE WESTERN UNION TELEGRAPH COMPANY, also corporations organized and existing under the laws of the state of New York,

of the Fourth Part.

WITNESSETH:

First. The party of the first part hereby agrees that it will; from and out of its capital stock of three hundred thousand ($300,000) dollars, divided into three thousand (3,000) shares of the par value of one hundred ($100) dollars each, cause to be forthwith issued and delivered to the party of the second part fifteen hundred (1,500) shares thereof of the par value of one hundred and fifty thousand ($150,000) dollars in full consideration of, and payment for the certain letters patent and patent rights in the Dominion of Canada herein stipulated to be assigned and converted to the party of the first part by the party of the second part.

Second.—The party of the second part in consideration of the issuance and delivery to it of the said stock as herein provided, hereby agrees that it will on receipt of the same execute and deliver or cause to be executed and delivered to the party of the first part due and sufficient instruments of assignment and conveyance vesting in said party of the first part the whole right, title and interest, of every kind and nature in, under or connected with the certain letters patent of the Dominion of Canada heretofore issued to Alexander Graham Bell, to wit:—

No. 7789 August 22, 1877; and in and to any and all other letters patent or patent rights, or licenses to use patented inventions of or in said Dominion of Canada, which if the said party of the second part, has or may hereafter acquire for telephones or telephonic apparatus, or for instruments or devices applicable in any manner for use in connection with telephones or telephonic apparatus.

Third.—The party of the first part hereby further agrees to issue from and out of its capital stock as aforesaid, and to forthwith deliver to the party of the fourth part five hundred (500) shares thereof, of the value of fifty thousand ($50,000) dollars in full consideration of, and payment for *the interests* in letters patent and patent

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rights in said Dominion of Canada, herein stipulated to be assigned and conveyed by the said party of the fourth part, and the said Gold and Stock Telegraph Company to the party of the first part.

Fourth.—The party of the fourth part in consideration of the issuance and delivery to it of the said five hundred shares of the capital stock of the party of the first part, hereby agrees that it will on receipt of the same, together with the said Gold and Stock Telegraph Company duly assign, transfer and convey to the said party of the first part by due and sufficient instruments and writings, all such *interests* as it and the said Gold and Stock Telegraph Company or either of them, now own or may hereafter acquire in any patent rights or letters patent of said Dominion of Canada for inventions or improvements in telephones or telephonic apparatus or for instruments or devices applicable in any manner for use in connection with telephones or telephonic apparatus, and particularly in the certain letters patent heretofore issued in said Dominion of Canada to Elisha Gray, Thomas A. Edison and George M. Phelps as follows, to wit:—

Elisha Gray, No. 4948, July 7, 1875; No. 4949, July 7, 1875; No. 9480, December 12, 1878; No. 5495, December 14, 1875; No. 9481, December 12, 1878; No. 6101, May 23, 1876; No. 9482, December 12, 1878; No. 9483, December 12, 1878; No. 6201, June 16, 1876; No. 8366, January 26, 1878; No. 8872, June 4, 1878;

and

Thomas A. Edison, No. 8026, October 17, 1877; No. 9923, May 1, 1879; No. 9922, May 1, 1879;

and

G. M. Phelps, No. 10416, September 2, 1879.

And the said party of the first part hereby undertakes and agrees to pay to the party of the fourth part the sum of two thousand ($2,000) dollars per year for seven years, beginning January 1, 1881, and ending January 1, 1887, in consideration for the assignment of the telephone patents of Thomas A. Edison in the Dominion of Canada by the party of the fourth part to the party of the first part.

Fifth.—It is further agreed by and between the parties hereto, that the capital stock of the party of the first part amounting to one thousand (1,000) shares of the par value of one hundred thousand ($100,000) dollars remaining after the issues and deliveries hereinbefore provided for shall be issued and sold by the party of the first part as required in order to secure funds for the purchase and manufacture by it of telephones and telephonic apparatus, and that of said one thousand shares of stock of the party of the first part, seven hundred and fifty shares thereof may be subscribed for and taken by the party of the second part in paying the par value of seventy-five thousand ($75,000) dollars therefor, and the remaining two hundred and fifty shares thereof may be subscribed for, and taken by the party of the fourth part in paying the par value of twenty-five thousand ($25,000) dollars therefor, or in the like proportion if less than the whole one thousand shares shall be issued at any one time; the parties of the second and fourth parts hereby agreeing that if they or either of them shall fail to take and pay for their respective portions of the said stock herein provided for within the period of sixty days after an opportunity shall have been afforded them by the party of the first part to so take and pay for the same, the said party of the first part may thereupon proceed to sell and deliver to others than the parties of the second and fourth parts, the portion of stock which the party or parties hereto who shall have so failed to take and pay for the same would otherwise have been entitled to subscribe for and receive. The parties of the second and fourth parts hereby agree between themselves that they will neither of them without first offering the same for sale to the other, sell or dispose of any of the stock of the party of the first part which they may respectively acquire under this article except such portion of said stock (thirty-seven thousand five hundred ($37,500) dollars) as the party of the second part is under contract with Alexander M. Bell and Charles Williams, junior, bound to transfer to said Bell and Williams in part consideration for the

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patents purchased from them, and not exceeding ten shares each to the directors of said company.

Sixth.—The parties of the second and fourth parts hereby severally agree with the party of the first part that each of them respectively will forthwith sell, transfer and deliver to the party of the first part all the certain telephones and telephonic apparatus and plant belonging to each of them respectively within the said Dominion of Canada, and the said party of the first part hereby agrees that it will take the same and pay the parties of the second and fourth parts respectively therefor an amount in cash equal to the actual cost of the said telephones and telephonic apparatus to the respectively.

Seventh.—The party of the third part from and out of its capital stock of five hundred thousand ($500,000) dollars, divided into five thousand (5,000) shares of the par value of one hundred ($100) dollars each (whereof stock to the amount of one hundred and sixty-seven thousand ($167,000) dollars is to be issued to the party hereto of the first part in part consideration of an exclusive right to carry on the telephone business in said Dominion of Canada under the patents and patent rights of said party of the first part, and the remainder thereof is hereafter to be issued as may be required for the purchase and maintenance of telephone lines and exchanges, and the material necessary therefor) hereby agrees to forthwith issue and deliver to the party of the fourth part for the said Western Union Telegraph Company : One hundred shares of said capital stock of the party of the third part in payment for the certain telephone exchanges of the said Western Union Telegraph Company situated in the cities of St. John, New Brunswick, and Halifax, Nova Scotia, and to issue to the party of the second part stock in payment for telephone exchanges as follows: for the exchanges purchased by said party of the second part of the Dominion Telegraph Company, seven hundred and fifty shares; for the exchange at London, fifty shares; for the exchange at Windsor, twenty-five shares; which said telephone exchanges the said party of the third part agrees to take, and the parties of the second and fourth parts respectively agree to cause to be sold, transferred and delivered to the party of the third part.

Eighth.—The parties hereto further agree that the provisions and stipulations herein contained and described as incumbent upon or for the benefit of the parties hereto, shall be held as incumbent upon or for the benefit of their respective successors or assigns.

This contract, is executed with the understanding and subject to the condition that the telephone exchange property of the Montreal Telegraph Company is to be acquired by the party of the third part.

IN WITNESS WHEREOF the parties hereto have caused these presents to be executed under their respective corporate seals, and by the hands of their proper officers the day and year first above written.

THE AMERICAN BELL TELEPHONE COMPANY,

WM. R. DRIVER,
Treasurer.

W. H. FORBES,
President.

CANADIAN TELEPHONE COMPANY, LIMITED,

CHAS. P. SCLATER,
Secretary-Treasurer.

C. F. SISE,
Vice-President and Managing Director.

J. S. TKIBAUDEAU,
Director.

THE AMERICAN SPEAKING TELEPHONE COMPANY(

Attest,

L. E. SEFFERTO,
Secretary.

GEORGE B. PRESCOTT,
President.

MR. C. F. SISE.

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The Gold and Stock Telegraph Company and the Western Union Telegraph Company hereby acknowledge the authority of the American Speaking Telephone Company to act for them in the matters embraced and provided for in the foregoing agreement in manner and form as herein set forth.

IN WITNESS WHEREOF the said companies have caused these presents to be executed under their respective corporate seals, and by the hands of their proper officers on the day of date of said agreement.

THE GOLD AND STOCK TELEGRAPH COMPANY,

Attest,

L. E. SEFFERTO, *Secretary.*

GEORGE B. PRESCOTT, *Vice-President.*

THE WESTERN UNION TELEGRAPH COMPANY,

A. R. BREWER, *Secretary.*

NORVIN GREEN, *President.*

Mr. CHRYSLER.—Mr. Sise, the 6th question in the requisition made upon you calls for a list of the shareholders on the 1st of April, 1905. This has been filed but we also want a list of the shareholders at each increase of capitalization. Have you prepared that?—A. That is here. I think that has been submitted.

Mr. CHRYSLER.—No. Mr. Macfarlane explains to me what would be apparent from an examination of the list of shareholders that we have for the year 1904, that the document showing all the shareholders in each year from the beginning would be something of enormous size and probably would not be required by the committee. They have produced in two sheets a statement showing the holding of the two companies, the two American companies, in this company from the beginning. You produce this, Mr. Sise?—A. Yes, that is correct.

Exhibit 97.

AMERICAN BELL TELEPHONE COMPANY, STOCK ACCOUNT.

Year ending	Acquired.	Transferred.	Balance.	Dividends.
	$	$	$	$ cts.
December 31, 1880	93,900		93,900	
" 31, 1881			93,900	6,916 32
" 31, 1882	439,700	70,000	463,600	16,863 00
" 31, 1883	4,400		468,000	32,606 00
" 31, 1884			468,000	16,380 00
" 31, 1885	117,500		585,500	11,710 00
" 31, 1886	23,500		609,000	47,075 00
" 31, 1887	40,950	6,700	643,250	46,335 62
" 31, 1888			643,250	48,243 75
" 31, 1889	12,750	1,000	655,000	39,285 00
" 31, 1890	47,000		702,000	43,515 00
" 31, 1891	42,300		744,300	57,217 50
" 31, 1892	98,700		843,000	66,158 51
" 31, 1893	84,600		927,600	71,445 40
" 31, 1894	236,850		1,164,450	85,501 16
" 31, 1895	50,750		1,215,200	97,216 00
" 31, 1896			1,215,200	97,216 00
" 31, 1897	1,000	1,000	1,215,200	97,216 00
" 31, 1898	152,300		1,367,500	101,277 33
" 31, 1899	152,300	1,519,800		9,665 00

All the stock acquired as above is represented by cash payments at par, except July 24, 1882, $386,600 which was issued in exchange for stock of the Canadian Telephone Company, Limited. December 10, 1887, 94 shares, 50 per cent paid, $4,700 was

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transferred to the A. T. & T. Co., November 8, 1899, account closed by transfer to the A. T. & T. Co.

Exhibit No. 98.

AMERICAN TELEGRAPH AND TELEPHONE COMPANY, STOCK ACCOUNT.

Year ending	Acquired.	Transferred.	Balance.	Premium.	Dividends.
	$	$	$	$	$ cts.
December 31, 1887	4,700		4,700		63 45
" 31, 1888			4,700		352 50
" 31, 1889	940		5,640		338 40
" 31, 1890	3,760		9,400		441 80
" 31, 1891	1,900		11,300		809 00
" 31, 1892			11,300		904 00
" 31, 1893	1,150		12,450		938 50
" 31, 1894	3,175		15,625		1,139 50
" 31, 1895	675		16,300		1,304 00
" 31, 1896			16,300		1,304 00
" 31, 1897			16,300		1,304 00
" 31, 1898	2,000		18,300		1,357 33
" 31, 1899	1,521,800		1,540,100		32,000 00
" 31, 1900	386,800		1,926,900		144,125 50
" 31, 1901		1,000	1,925,900		154,072 00
" 31, 1902	154,320		2,080,220	38,580	158,701 60
" 31, 1903	231,480		2,311,700	57,870	180,306 40
" 31, 1904	771,600		3,083,300	192,900	231,232 00
				289,350	

All the stock acquired as above is represented by cash payments at par except the first amount $4,700 which was transferred by the American Bell Telephone Company and on the amounts of 1902, 1903 and 1904, a premium of 25 per cent was paid.

Mr. CHRYSLER.—The first statement is a statement showing the shareholdings and dividends paid to the American Bell Telephone Company from the year 1880 down to the year 1899 and in 1899 they ceased to hold shares. This document shows the holdings and dividends paid to the American Telegraph and Telephone Company from the year 1887 when it commenced to hold shares in this company down to the year 1904. It is still a shareholder, Mr. Sise, in the latter company?—A. Assuming that is correct. I did not make it up.

Q. Of course, that was prepared by some of your officers?—A. It was prepared by our accountant.

Q. Does that cover also what was asked for by the committee in the 7th requisition?—A. I think it does. It was intended to.

Q. As to the 8th requisition—the amount paid in cash for such stock each year—does that statement show what has been paid in cash or is there another statement?—A. I think that is embodied in the other statement too.

Mr. CHRYSLER.—The witness says that the amounts paid in cash for the stock are shown by the statement already handed in. The 9th requisition was for 'copies of any agreements between the Bell Telephone Company of Canada or any company or person from which the Bell Telephone Company derives its interest, and the American Bell Telephone Company, the American Company, and the Western Electric Company, or any of them, in respect of the acquisition or assignment of the right to use any patents, patent rights, or patented devices or to make application for patents in Canada pertaining to telephones, or used in any way in connection with the telephone systems?—A. There are no such contracts.

Q. There are no such contracts?—A. Not to my knowledge.

Q. Other than those of 1895 or 1896?—A. Other than those filed.

Q. The 10th requisition was for 'a statement of the royalties in each year paid

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by the company to the American Bell Telephone Company, the National Bell Telephone Company, the American Telephone and Telegraph Company, the Western Electric Company, or to any person or persons, and showing the consideration for payment of such royalties'?—A. This refers to the royalties paid to the American Bell Telephone Company. We never paid the American Bell Telephone Company a farthing of royalty.

Q. Who did you pay?—A. This is in connection with the Canadian Telephone Company already filed. That is quite another matter. We never paid the National Bell Telephone Company, the American Telephone and Telegraph Company or the Western Electric Company or any person or persons one farthing of royalty except this royalty in connection with the Canadian Telephone Company. This is already filed.

Q. This is a statement of the royalties paid during the years 1880, 1881, and 1882 to the Canadian Telephone Company?—A. That is correct.

Exhibit No. 99.

STATEMENT OF ROYALTIES PAID CANADIAN TELEPHONE COMPANY, LTD., BY BELL TELEPHONE COMPANY OF CANADA.

1880	$ 4,349 21
1881	17,629 59
1882	11,156 89
Total	$ 33,135 69

Q. And those are the only royalties you paid to any person or company?—A. Yes.

Q. Those correspond with the entries in your balance sheets which were produced?—A. Yes.

Q. Have you any agreements covered by the 11th requisition, Mr. Sise?—A. We have not and never had any agreement with any company or companies, or person or persons with reference to the manufacture of supplies.

The CHAIRMAN.—What is covered by the word "supplies"?

By Mr. Chrysler:

Q. What do you understand by the word "supplies," Mr. Sise?—A. Any article of supplies furnished, the ordinary English word. Any article furnished the company. We had no contract with anybody for anything of that kind.

Q. What was probably pointed at by this question is an agreement with any company or firm or person by which you were bound to buy exclusively from such company or person?—A. I do not think I can answer that any more plainly than I have done. We never had, and have not, any such contract.

Q. I am putting the question so that you can answer it. You have produced a list of all the firms from whom you have been purchasing supplies?—A. That is filed.

Q. The 12th requisition is "agreements with other telegraph and telephone companies, or person or persons, relating to exchange of business or services between such companies, or person or persons and the Bell Telephone Company; also relating to the terms upon which supplies are furnished to such telegraph or telephone companies, or person or persons, or relating to the division of territory or working arrangements with such companies or person or persons or any of them."—A. I am not aware of any such contract or agreement. We submit to some of the companies at the beginning of the year a price list which they accept or reject. They are not bound to buy from us.

Q. You are speaking of the last half of the question. With regard to the exchange of business or services, the first half of the question, who do you say to that?—A. I am not aware of any such agreement. We have arrangements, but not any special agreement. Each one keeps what he gets.

Q. Well you showed me yesterday, or Mr. Macfarlane showed me yesterday, a type of agreement that you make with individual owners?—A. That is quite another matter.

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Q. You do not think that is referred to in this question?—A. I am not intending this as a reply to that question.

Q. Well, have you such agreement?—A. With individuals?

Q. With individuals in the first place?—A. We have several.

Q. A large number—A. Thirty or forty of them.

Mr. MACLEAN.—Does that cover the New Brunswick Telephone Company?

By Mr. Chrysler :

Q. That is a separate matter, I am coming to that later. These are small things with individual owners. Here is one, Mr. Sise, is not that the sort of thing that you refer to ? You have a list of them here ?—A. Yes. This is a formal agreement that we make with private parties or corporations.

Q. Is there any objection to our making use of that list —A. Yes.

Q. You do not want us to use that ?—A. No, that is not necessary. There are some thirty or forty here.

Q. There are some thirty or forty here ?—A. Of that type, that general tenor.

Q. And these are the usual terms and conditions you make ?—A. They vary according to the conditions but that is the form that we go upon.

Q. This is an agreement beetween the Bell Telephone Company and Mr. William Gillies, of the village of Spry, in the county of Bruce. I will put that in.

Exhibit No. 100.

THIS INDENTURE made the fifth day of March, A.D. nineteen hundred and three between THE BELL TELEPHONE COMPANY OF CANADA, LIMITED, hereinafter called the 'Bell Company," party of the first part, and WILLIAM GILLIES, of the Village of Spry, in the county of Bruce and province of Ontario, hereinafter called 'the proprietor," party of the second part.

WHEREAS William Gillies, the party of the second part, is the owner of and is operating a telephone line between the Town of Wiarton, in the County of Bruce and the Village of Colpoys Bay, Mar, Pike Bay, in the township of Albermarle, Spry, Stokes Bay, Lions Head and Barrow Bay, in the township of Eastnor, in the county of Bruce and the province of Ontario, and has requested the Bell Company to make connection with his telephone system in the manner and subject to such terms as hereinafter set forth.

NOW THIS AGREEMENT WITNESSETH :—That in consideration of the stipulations and agreements made and entered into by the proprietor as hereinafter set forth,—

The BELL COMPANY AGREES AS FOLLOWS, that is to say :—

(1.) The Bell Company will permit and provide the necessary equipment at its office in the Town of Wiarton for an interchange of telephone conversations and messages between the telephone system of the proprietor as above set forth and the telephone system of the Bell Company under the general rules and regulations of the Bell Company and at the charges hereinafter provided for.

(2.) The Bell Company will construct and maintain a telephone line of two wires from their office in the Town of Wiarton to the limits of Wiarton, there to connect through a transformer with the telephone line of the proprietor.

THE PROPRIETOR AGREES with the Bell Company as follows, that is to say:—

(3.) That he will maintain his telephone line or lines and the telephone instruments and apparatus connected therewith in good working order and make all repairs thereto with all reasonable despatch at his own expense.

(4.) That he will not extend his lines beyond the limits hereinbefore mentioned during the term of this agreement, (except as provided for in clause 14) without the consent in writing of the Bell Company.

(5.) That he will not during the term of this agreement connect his telephone lines with the telephone lines of any company, person or persons other than the Bell Telephone Company. That he will not accept messages or conversations from or transfer messages or conversations to, the telephone line of any other company, person or persons.

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AND IT IS MUTUALLY AGREED by and between the parties as follows, that is to say :—

(6.) That the charges for messages and conversations which may be transmitted over the line of both the parties hereto shall be the regular established rates of the Bell Company plus fifteen cents to Colpoys Bay and twenty-five cents to Mar, Pike Bay, in the township of Albermarle, and Spry, Stokes Bay, Lions Head and Barrow Bay, in the township of Eastnor, in the county of Bruce and the province of Ontario, for each message or conversation as a charge for the service over the telephone system of the proprietor, each party receiving the amount of its own tolls. That the charge for business to or from the Town of Wiarton to points on the proprietor's telephone system shall be fifteen cents to Colpoys Bay, and twenty-five cents to all other points for three minutes, and a proportional charge for each additional minute, and that this charge shall be equally divided between the Bell Company and the proprietor.

(7.) That each party to this agreement shall be entitled to charge reasonable messenger service for the delivery of messages to non-subscribers or for calling non-subscribers to the telephone and no commission shall be payable on such messenger service.

(8.) Neither party shall have the right to transmit business free over the lines of the other party. It is agreed, however, that stations now connected on the proprietor's telephone system shall be allowed to speak to each other over their own system without charge by the Bell Company.

(9.) That the Bell Company's office at Wiarton, Ont., shall time and decide the rates on all conversations and messages to and from offices on the telephone system of the proprietor with offices on the Bell Company's system, and that all tolls charged to Colpoys Bay, Mar, Pike Bay, Spry, Stokes Bay, Lions Head and Barrow Bay (offices on the telephone system of the proprietor) shall be remitted promptly on the first day of each month to the agent of the Bell Company at Wiarton.

(10.) That regular monthly statements of account shall be furnished by the Bell Company to the proprietor, Spry, the fifteenth day of each month together with a remittance of the amount shown to be due to him.

(11.) Neither party shall be liable to the other for any error in sending messages or for the failure of any conversation whether it be the fault of any operator, agent, or other person or from any other cause whatsoever, and that each party hereto shall alone be liable for any accidents, damages, losses or costs occurring or incurred at or on its lines.

(12.) The Bell Company reserves the right to refuse to allow or accept any calls or business to or from any office or subscriber on the proprietor's telephone system whose telephone equipment in the estimation of the Bell Company is not in proper order to give satisfactory service or if the proprietor's system is in such estimation not maintained in an efficient condition to give good talking results. The Bell Company also reserves the right to refuse to accept business from any station on the proprietor's telephone system that fails to make prompt remittance of the tolls due as provided for in clause nine of this agreement.

(13.) The proprietor agrees to equip his lines with the Bell Company's solid back long-distance instruments, which the Bell Company agrees to sell outright, including plush lightning arrestors. The Bell Company is to install these instruments without charge, but the proprietor shall thereafter during the term of this agreement maintain the instruments and all the equipment at his own expense. The Bell Company will supply an inspector or lineman to make repairs to instruments or lines when required on receipt of reasonable notice at a rate of two dollars ($2) per day and expenses, any material necessary for such repairs to be supplied by and at the expense of the proprietor.

(14.) It is contemplated that the Proprietor may extend his line to the villages of Cape Chin, Dyers Bay and Miller Lake in the township of Lindsay, McVicar and Tobermory in the township of St. Edmunds, in the county of Bruce, in which case

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all the provisions of this agreement shall apply to these connections, the same as to the other connections named herein.

(15.) This agreement shall not be transferrable by either party without the consent in writing of the other party hereto.

(16.) This agreement shall continue for a term of three years from the first day of April, nineteen hundred and three.

IN WITNESS WHEREOF the parties hereto have hereunto affixed their hands and seals.

[seal]

THE BELL TELEPHONE COMPANY OF CANADA, LIMITED,

C. F. SISE, *President.*

Signed, sealed and delivered in the presence of

WILLIAM GILLIE..

CHAS. P. SCLATER, *Secretary-Treasurer.*

Signed, sealed and delivered in the presence of

W. J. FERGUSON,

As to execution by

WILLIAM GILLIES.

Q. Then you have agreements with companies that want you to exchange business ?—A. Similar to that.

Q. Are there many such companies ?—A. I should suppose there are forty of them, thirty to forty.

Q. Where do you exchange business with other companies ?—A. That list will give it better than I can.

Q. This list ?—A. This list. (See exhibit No. 102.)

Q. Do you exchange business with companies operating in the United States ?—A. We do.

Q. At a number of points ?—A. At a number of points.

Q. Here is an agreement with the Central New York Telephone and Telegraph Company. Is that a usual form of agreement for these companies ?—A. With the companies on the other side of the line ?

Q. With the companies on the other side of the line. That is the agreement in force, is it ?—A. Yes.

Exhibit No. 101.

AGREEMENT, made and entered into this first day of September, 1899,

Between the CENTRAL NEW YORK TELEPHONE AND TELEGRAPH COMPANY, a corporation, party of the first part,

And THE BELL TELEPHONE COMPANY OF CANADA, LIMITED, also a corporation, party of the second part.

WHEREAS, said second party has heretofore laid in the St. Lawrence river, between Ogdensburg, N.Y., and Prescott, Canada, a single wire submarine cable, and has such cable now in use, and

WHEREAS, the parties hereto mutually desire a metallic circuit (double wire) service between the above-mentioned places, and more distant points in the United States and Canada; and

WHEREAS, such service will require the laying of a new cable between the above-mentioned cities.

THEREFORE, in consideration of $1 each to the other in hand paid, the receipt of which is hereby acknowledged, and of the conditions and agreements hereinafter contained, this agreement witnesseth as follows :—

First. The parties hereto mutually agree that the cost of installing this new cable, and its future maintenance, shall be borne equally by them, except that the party of

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the first part shall, at their own expense, secure a continuing shore right for the American side of the river, and the party of the second part shall, at their own expense, secure a continuing shore right for the Canadian side of the river, and that copies of such contracts for shore rights shall be filed with and attached to this agreement; and it is mutually understood that the party of the second part shall maintain the cable from cable pole to cable pole, each party bearing an equal share of the expense, provided that the said first party may at any time, by giving thirty days' written notice to said second party of its intention so to do, terminate the second party's right of maintenance from cable pole to cable pole.

Second. It is understood that the cable to be laid shall be what is known as the 'Western Electric Company's six-conductor Submarine Cable, informal Specification No. 392.'

Third. The party of the second part agrees to undertake and complete the laying of said cable for the sum of $175, according to an estimate dated July 14, 1899 (to which estimate particular reference is now made), and it is understood that should the cost be less than has been estimated, or should it through some unforseen cause be greater, the expense shall be equally divided between the two parties.

Fourth. It is mutually agreed that for every conversation passing over this cable, a cable charge shall be made of ten cents, for each five minutes' use or fraction thereof after proper connection has been established, and that the income derived from such use shall be equally divided between the first and second parties to this agreement, and that 'the other line charges' by either party against the other shall be the same as that charged by such parties to other customers, except as such 'other line charges' may be modified by Schedule 'A' attached hereto, but all subsequent modifications shall remain in force for one year from their date, and thereafter until superseded.

Fifth. It is mutually understood and agreed that the old single wire cable now lying in the river, shall remain in service and that any income derived from its use shall be equally divided between the first and second parties, and that its future maintenance shall also be equally divided between them.

Sixth. All the conditions and provisions of this agreement shall apply to and be binding upon the successors and assigns of the respective parties, and are to continue for a period of ten years from date, and thereafter until terminated by thirty days notice in writing from either party to the other.

IN WITNESS WHEREOF, we have hereunto set our hands and seals the day and year first above written.

CENTRAL NEW YORK TELEPHONE AND TELEGRAPH CO.,
L. H. LAWRENCE, *President.*

Attest,
J. G. WOOD, *Secy.*

THE BELL TELEPHONE CO. OF CANADA, LTD.,
ROBERT MACKAY, *V.-President.*
CHAS. P. SCLATER, *Sec.-Treas.*

Schedule 'A.'

The following exceptions to the 'other line' basis of rating are hereby noted, namely:—

Between—

Ogdensburg and Prescott	15 cents.
Morristown and Brockville	20 cents.

Q. Now you spoke of that as being a type of agreement in force with other companies in the United States. Have you a different form of agreement with companies in Canada or have you an agreement with companies in Canada ?—A. We have none, practically.

Mr. C. F. SISE.

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Q. One has been mentioned here, an agreement with the North America Telegraph Company, I think.—A. Yes.

Q. That I think has already been produced by some other witness. Are there any others?—A. I do not recall any others, there may be. The North American was made about 1885 or 1886 and has been in existence ever since.

Q. Have you any agreement for the exchange of business with the New Brunswick Telephone Company?—A. Well, as we don't go within 500 miles of them it is rather difficult to exchange.

Q. And the same thing, of course, applies to the Nova Scotia Company?—A. The same.

Q. Are there any companies to the west of you in Canada?—A. With whom we exchange?

Q. Yes, with whom you exchange.—A. Only those that are on this list here.

Mr. CHRYSLER.—I had better put this list in. This is a list of the companies that the Bell Company has arrangements with. These are Canadian companies and some individuals.

Exhibit No. 102.

LIST OF CONTRACTS WITH CANADIAN LINES CONNECTING—(ALPHABETICALLY ARRANGED.)

Alex, J. M.
Adelaide-Kerwood Private Line.
Berthier-St. François Telephone Company.
Bascom & Forrest, Doctors.
Cobourg-Coldsprings Line.
Eastwood, Dr. W. F.
Fisher, Donald. (Vittoria to Fisher's Glen).
Gillies, William.
Hanover-Carlsruhe Line.
Hillhouse, Welch, Shepard & Hunter.
Joliette Telephone Company.
Kamouraska Telephone Company.
King Township Telephone Company.
Lavery, Williams & Blanchard, Drs.
Lucan, Clandeboye & McGillvray Line.
Montgomery, Beatty & Turner, Doctors.
Moore & Moore, Doctors.
Mount Carmel & Centralia Telephone Company.
Mount Elgin-Zenda Line.
Nissouri Telephone Association, Limited.
Racine & West Ely Line.
Rooney, R. W. Doctor (Shelburne, Primrose & Whitfield Line).
Rivière du Lièvre Telephone Company.
Sprague, James Grant.
St. Appoline & St. Paul Telephone Company.
St. Catherine & St. Bazile Telephone Comp'y.
St. Philémon Telephone Company.
Vandorf Telephone Company.
Wallingford Bros. & Company.
Winchelsea, Exeter & Krikton Telephone Company.
Williams, Dr. J. W. (Lisle).

The CHAIRMAN.—There is a form of agreement. Is it applicable to all of these companies?

Mr. CHRYSLER.—Yes, we put in one.

The CHAIRMAN.—Applicable to the list?

Mr. CHRYSLER.—Yes. (To witness) What do you say to the agreement of William Gillies?—A. That is one of those filed here. I think they are all filed.

Q. Have you an agreement with any one of these telephone companies?—A. Some of these are companies. Copies of these agreements are all filed.

Mr. MCFARLANE.—If I might be allowed to explain these agreements are exactly in the same form whether it is with an individual or a small line. These are farmers' companies with which we act. The agreements are all here and are all in the same form.

By the Chairman:

Q. Then, Mr. Sise, the agreement marked exhibit 100 with Gillies shows the form of agreement with the other forty on this list?—A. That is right.

By Mr. Chrysler:

Q. Now I have been asking you principally as to the first part of requisition 12. I want to ask you now with regard to the second part as to the furnishing of supplies to these companies that you exchange business with?—A. We have no agreement. We furnish these companies, several of them, with a price list at the beginning of the

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year and they either accept it or reject it as they see fit. They are not bound to buy from us.

Q. And you say that there is no agreement providing that they must?—A. There is no agreement.

Q. No agreement providing that they shall buy from you?—A. No, none whatever, not that I am aware of.

Q. You looked at Mr. Gillies' agreement. Do you say there is no such thing in it?—A. Possibly Gillies' agreement might say that he should use our instruments. It is possible that some of these contracts may have as a condition that they shall purchase and use our instruments for the sake of standardizing the line. I am not aware that it does but it is quite possible.

Q. Well we will examine more fully as to that. We will have Gillies' agreement and see what it says. At present I am going over the list of these documents. Now the form of contract in use between the Bell Telephone Company and the subscribers which you gave me. This you say is the form?

Exhibit No. 103.

CURRENT LEASE FORM.

The Bell Telephone Company of Canada, Limited.—Exchange line contract.

The subscriber requests the company to place telephone instruments and equipment as noted on back hereof in his (*insert 'business' or 'residence'*) premises (*insert street, name and number*) Street, and to furnish him local service therefrom at exchange, for which service he agrees to pay to the said company the sum of dollars per annum, payable half-yearly in advance, for the period of year from date of connection, and thereafter until this agreement is cancelled by the subscriber or the company giving written notice ten days in advance of the termination of any such period of his or its intention to do so.

Extras :

The terms and conditions stated on the back hereof, and the company's reasonable rules and regulations are made a part of this contract.

This request becomes a contract when the instruments are connected. Its terms cannot be varied or waived by representations or promises of any employee unless the same be in writing and signed by the manager of the department.

The subscriber acknowledges that he has received a duplicate hereof.

Subscriber.

Signed at 190

Date of connection 190

Form 1.

The Bell Telephone Company of Canada. Limited.

No.

EXCHANGE LINE OF CONTRACT.

Name

Exchange.

Date of connection

EQUIPMENT.

Telephone

Transmitter

Magneto Bell

Extention Bell

Switch

Line

Total miles of wire

Miles of wire beyond exchange limit.

N.B.—Insert number and type of instruments furnished and description of line, whether grounded, individual or party line; or metallic, individual or party line.

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Terms and Conditions.

1. The service furnished hereunder is for the exclusive use of the subscriber, his employees, and members of the family.

He shall not extend the use of his telephone to other individuals except his servants, upon his business : nor shall it be used for any tolls or consideration to be paid by any person other than the subscriber.

If the telephone in a residence is used in whole or in part for the purposes of a business or profession, or otherwise than for the usual requirements of a residence, the company may charge the same rate therefor as that charged for telephones in places of business at the locality in question.

2. For non-payment of any charge due, the service may be discontinued after written notice is given by the company.

3. No electrical or mechanical attachments are to be made to the telephones or lines, which are the property of the company, without its consent.

4. The subscriber assumes all risk for errors and delays in the transmission and delivery of messages over his telephones and lines.

5. The subscriber hereby guarantees prompt payment for messenger service, tolls or long-distance service furnished to himself or others upon calls from the instruments herein referred to. If the subscriber does not promptly pay for such service, the company reserves the right to refuse to furnish similar service thereafter.

6. Telephones will be placed where first directed by the subscriber. A change from this to any other location will be charged for.

7. The company does not guarantee the uninterrupted working of the telephones and lines, but undertakes to make repairs with all reasonable despatch.

8. The company reserves the right to cancel this contract at any time should the subscriber make default in payment of any of the charges provided for herein, or makes or permits to be made any use of the telephone or lines contrary to the terms of this contract.

A. This is the form in use to-day and this is the form which was previously in use and where any person wishes to change one form for another we are always ready to do it. You understand that in the case of subscribers who have been getting service for twenty years practically under no form or under the old form they have never changed; but that is the form in use to-day.

Q. Now, that blue one is marked 103 ?—A. That is right.

Q. That is the one that is in use to-day ?—A. In use to-day.

Q. And 103*a* ?—A. Was a former contract.

Q. 103*a* is a former contract for residence and 103*b* is a form of contract for business apparently.—A. That is correct.

Q. Those are all the forms in use ?—A. Those are all.

Q. No. 14 is a requisition for ' a statement of the person or persons, corporation or corporations from whom the Bell Telephone Company purchased its principal electrical supplies in each year during the past five years.—A. That we file.

Exhibit No. 104.

LIST OF PARTIES FROM WHOM GOODS HAVE BEEN BOUGHT DURING PAST FIVE YEARS.

A

Akron Insulating and Manufacturing Co., Akron, Ohio.

B

Bithell Bros., Montreal.
Blue Ridge Locust Pin Co., Dillsboro, N.C.
Baird Manufacturing Co., Chicago.
Buffalo Steel Co., Tonawanda, N.Y.

B—*Con.*

Bellhouse, Dillon & Co., Montreal
Baker & Co., Newark, N.J.
Belleville Pottery Co., Belleville.
Bishop, B. R.
Bremner, Alex., Montreal.

C

Canada Foundry Co., Toronto.
Cameron Appliance Co., Boston.

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C—*Con.*

Clayton & Lambert Manufacturing Co., Detroit.
Cowan, John.
Condit, S. B., Jr., & Co., Boston.
Camp, H. B. Co., Aultman Ohio.
Canada Paint Co., Montreal.
Chloride of Silver D. C. B. Co., Philadelphia.
Canadian General Electric Co., Montreal.
Consumers Cordage Co., Montreal.
Caverhill, Learmont & Co., Montreal.
Converse, W. B., Montreal.
Canadian Rubber Co., Montreal.
Canada Metal Co., Toronto.
Cable Clip Co., Montreal.
Copping, Jos., Montreal.

D

Dominion Wire Rope Co., Montreal.
Diamond Flint Glass Co., Montreal.
Donogh & Youhill, Winnipeg.
Dawson, J. A., & Co., Montreal.
Dominion Drug Co., Hamilton.
Dominion Paper Co., Montreal.
Dominion Wire Manufacturing Co., Montreal.

E

Emerson Electrical Manufacturing Co., St. Louis, Mo.

F

Felton & Guillaume, Mulheim, Germany.
Fairbanks Co., The, Montreal.
Foreman, John, Montreal.
Fibre Conduit Co., Orangeburg, N.Y.
Faultless Rubber Co., Akron, Ohio.

G

Goodrich, B. F. Co., Boston.
Gutta Percha & Rubber Manufacturing Co., Montreal.
General Electric Co., London, Eng.
Grier, J. & B., Montreal.

H

Hubbard & Co., Pittsburg.
Holtzer Cabot Electric Co., Boston.
Haliburton Lumber Co., Toronto.
Hamilton Steel and Iron Co., Hamilton.
Hamilton Powder Co., Montreal.

I

Imperial Oil Co., Montreal.
Jack Watson & Co., Montreal.
Johnson, A. E., Boston.

K

Klipstein & Co., Montreal.
Kay, John, Son & Co., Hamilton.
Knapman, J. S., Peterboro'.

L

Lachute Shuttle Co., Lachute.
Lindsay, Adam, Renfrew.
Leschen, A. & Sons Rope Co., St. Louis, Mo.
Lyman, Knox & Co., Montreal.

M

Manhattan Electric Supply Co., New York.
Merritt & Co., Philadelphia.
Montreal Electric Co., Montreal.
Montreal Sand and Gravel Co., Montreal.

M—*Con.*

Montreal Rolling Mills Co., Montral.
Minnesota Electric Co., Minneapolis, Minn.
Morgan & Wright, Chicago.
Merrick, S. S., Carleton Place.
Munderloh & Co., Montreal.
Massachusetts Chemical Co., Boston.

Mc.

McEwan, D. A.
McNally, W. & Co., Montreal.
McAndrew, D. H., Renfrew.
McIntyre, The C. Co., Newark, N.J.
McGregor, G. A., Killaloe Ont.

N

National Manufacturing Co., Worcester, Mass.
National Carbon Co., Cleveland, Ohio.
Nichols Chemical Co., Montreal.
Northern Electric and Manufacturing Co.

O

Okonite Co., New York.
Ontario Powder Co., Kingston, Ont.

P

Pringle, R. E. T. Co., Montreal.
Pignolet, Louis M., New York.
Parker, Estate Moses, Montreal.
Photo. Jewellry manufacturing Co., Chicago, Ill.
Peck Rolling Mills Co., Montreal.
Paragon Insulating Co., Cleveland, Ohio.
Packard Electric Co., Montreal.
Paquet & Godbout, Montreal.
Pickett & Morgan, Dundalk, Ont.

R

Robertson, Thos. Co., Ltd., Montreal.
Rathbun Co., The, Deseronto.
Rutherford Sons Co., Montreal.
Robinson Clay Product Co., Rochester, N.Y.
Ramsay, A. & Sons, Montreal.
Richmond Conduit and Manufacturing Co., Toronto.

S

Stuart Howland Co., Boston.
Safety Armonte Conduit Co., Boston.
Sterling Mfg. Co., Montreal.
Standard Sewer Pipe Co., Rochester, N.Y.
Smith, W. E., Lennoxville, Que.
Standard Electric Time Co., Waterbury, Conn.
Sherwin Williams Co., Montreal.

T

Turner Brass Works, Chicago.
Textile Tube Co., Fall River, Mass.

W

Western Electric Co., New York.
Whitehead & Hoag Co., Montreal.
White Man'g. Co., Chicago.
Wilcox, Critlenden & Co., Middletown, Conn.
Warden, King & Son, Montreal.
Warner Electric Co., Munsie, Ind.
Winn & Holland, Montreal.
Wyckoff Pipe & Creosoting Co., Williamport, Pa.
Westinghouse Co., Montreal.
Wire & Cable Co., Montreal.

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APPENDIX No. 1

Q. Requisition 14 also calls for 'a statement showing the actual amounts paid to the Northern Electric Manufacturing Company and the Wire and Cable Company for each class and grade of apparatus and material used in construction?—A. That we filed.

Exhibit No. 105.

STATEMENT of actual amounts paid to the Northern Electric and Manufacturing Company, Limited, during the five years ending December 31, 1904.

Telephone instruments	$ 868,826 69
Switch-boards	1,154,570 55
Line and battery material, &c	698,625 26
Toll booths	25,235 00
Timing machines	19,769 00
	$2,767,026 50

Exhibit No. 105*a*.

THE WIRE AND CABLE COMPANY.

STATEMENT of Sales to the Bell Telephone Company of Canada, Ltd., for five Years ending December 31, 1904.

Year.	Leaded Cables.	Bare Wire.	Miscellaneous.	Total.
	$ cts.	$ cts.	$ cts.	$ cts.
1900			32,719 66	32,719 66
1901			71,729 07	71,729 07
1902	80,876 43	71,701 94	83,615 70	236,194 07
1903	256,638 28	112,754 53	132,506 87	501,899 68
1904	247,224 23	25,350 80	127,950 57	400,525 60
	584,738 94	209,807 27	448,521 87	1,243,068 08

MONTREAL, May 6, 1905.

Q. Requisition 15 calls for 'the names of the companies in which the Bell Telephone Company hold stock and the amount of stock so held in each company.'—A. That we filed.

Q. There is a note at the foot of this explaining that these are shown at par value with the exception of the stock of the Sherbrooke Telephone Association which is put in at $174?—A. Yes, $174.

Q. The par value is $1,450?—A. Yes.

Exhibit No. 106.

THE BELL TELEPHONE COMPANY OF CANADA.

Stock in other Companies.

	No. of shares.	Amount.
Telephone Company of Prince Edward Island	349	$ 8,725 00
St. Martin's Telephone Company	127	1,270 00
New Brunswick Telephone Company	1,599	79,950 00
Nova Scotia Telephone Company	6,975	69,750 00
Federal Telephone Company	1,879	28,185 00
North American Telegraph Company	2,000	200,000 00
Northern Electric and Manufacturing Company	2,790	279,000 00
Wire Cable Company	2,600	260,000 00
Sherbrooke Telephone Association	58	1,450 00

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N.B.—The above statement shows the par value of the stock of the Sherbrooke Telephone Association. The actual cash paid for such stock was $174 at which amount it stands in the books of this company.

MAY 5, 1905.

Q. Requisition 16 calls for 'copies of agreements with all companies or persons operating telephone systems respecting the use of the long-distance service either from subscribers' telephones or from public toll stations of such other companies or persons.' The contracts already put in include that, that is, contracts for the exchange of business with the companies named ?—A. Yes.

Q. Requisition 17 is for 'agreements with hotel companies or persons relating to the installation of a telephone system in any hotel of such companies or persons and the tariff of rates for charges for the use of telephones so installed.' You have a large number of hotels in which telephones are installed ?—A. I think that would require copies of some 3,000 contracts. We connect with nearly all the hotels in Canada. I am rather in the dark regarding the meaning of that.

By Mr. Maclean :

Q. Where the public are charged 10 cents in each room ?—A. There is no uniform tariff of rates, each case being considered independently on the basis of the amount of service required; the capital investment; the size of the hotel; the number of stations to be supplied; the number of operators, and the number of electricians necessary to conduct the service. In the majority of cases the arrangement is the same as with other subscribers.

By Mr. Chrysler :

Q. And what is this form that you have produced ? Is it with any particular hotel or firm, or is it in use in different hotels ?—A. This is with no special hotel. It is a general form. They vary with each hotel.

Exhibit No. 107.

THIS MEMORANDUM OF AGREEMENT, made this day of

Between

THE BELL TELEPHONE COMPANY OF CANADA, LIMITED, a body politic and corporate, having its principal place of business in the City of Montreal, herein acting and represented by Charles Fleetford Sise, of the said City of Montreal, in the Province of Quebec, Esquire, its President, and for all purposes hereof duly authorized, hereinafter called the Telephone Company.

Party of the first part,

and

herein acting and represented by

party of the second part,

WITNESSETH AS FOLLOWS :

The Telephone Company agrees :—

1. To establish and maintain a private branch telephone exchange (under the terms and conditions as far as they may be applicable, of its regular form of exchange contract, copy of which, initialed by both parties, is annexed hereto, and forms part of this agreement)

in the City of by means of a switchboard in a location to be mutually agreed upon, in said Hotel premises,

telephone sets, all of which shall be

of the style

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APPENDIX No. 1

with the necessary wiring to be located in the various rooms or departments of aforesaid Hotel premises, as hereinafter provided, and to keep said switch-board, instruments, and wiring, in good working order and repair at its own expense except as otherwise provided for in this agreement.

2. That after any telephone set shall have been in service for a period of one year in one location, it will upon receipt of thirty days' notice in writing from the subscribers, remove such telephone set, except as may be hereinafter provided for in this agreement.

3. To furnish and maintain such number of trunk lines from said switch-board to its exchange, as its traffic records,—taken from time to time—show are needed to handle properly the exchange and long-distance business from the various telephone sets comprising said Private Branch Telephone Exchange.

4. To maintain and operate in said hotel, a public telephone pay station, and to furnish at its own expense, between the hours of and on week days, Sundays and holidays, sufficient and competent attendants for the satisfactory operation of the service through aforesaid switch-board and public telephone pay station.

5. To connect the various telephone sets provided for in this agreement, with each other, and also with the telephone stations comprising its exchange, through and by means of aforesaid switch-board, at toll rates herein provided for in this agreement.

6. To pay the subscribers a commission on all telephone message tolls collected in said hotel, of per cent for messages to points within the limits of the telephone company's exchange, and per cent not to exceed cents for any single connection—on messages to points beyond the said telephone exchange; no commission to be paid on free messages.

7. To establish connection between the telephone sets comprising said private branch exchange without further charge than the annual rental hereinafter provided for.

8. To furnish free of charge, a sufficient number of the current issue of its exchange subscribers' list to provide one copy for each telephone set comprising said private branch telephone exchange.

9. To present promptly the message tickets referred to in clause number eighteen of this agreement.

10. That should the subscriber at any time during the term of this agreement, be prevented from doing business for a period of thirty days or more through fire, epidemic, or strikes, a pro rata rebate on the rental shall be granted for such period of time, but no rebate shall be granted if the premises of the subscribers are partially closed or entirely closed for a shorter period than thirty days.

11. The wiring of the aforesaid premises shall be done in accordance with the rules of the Canadian Fire Underwriters Association, upon the terms provided for hereinafter.

THE SUBSCRIBERS AGREE:

12. That the number of telephone sets furnished under the terms of this agreement shall at no time be less than

13. To lease from the telephone company, the aforesaid private branch telephone equipment, at an annual rental of dollars and each additional telephone set installed in excess of the hereinbefore mentioned, at an annual rental dollars for each such additional set of instruments, all payable in twelve equal monthly payments in advance, the first of such payments to be made on the installation of the equipment referred to in clause one of this agreement.

14. To provide a list of the names and room numbers of the guests of the hotel, which list shall be kept up to date by the hotel staff.

15. To board at their own expense, but not to lodge, the attendants employed by the telephone company to operate the aforesaid private branch telephone exchange and

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public station and also (at their own expense) to properly attend to the operation of said private branch exchange and public station between the hours of p.m. and a.m. on weekdays, Sundays and holidays.

16. To ensure the proper and decorous treatment of the attendants provided by the telephone company.

17. To pay the telephone company cents for each connection had from any telephone hereby leased, with the telephone company's exchange subscribers, (except on connections upon the business of the hotel, from parties authorized by the subscribers to transact such business) and for each connection to points outside the limits of the telephone company's exchange, the telephone company's regular toll charges (except for such messages as the telephone company may agree to collect elsewhere).

18. To make prompt settlement for all local and long-distance tolls upon presentation of the telephone company's message ticket at the hotel office.

19. To efficiently light the booths and switch-boards and room, free of charge.

20. To furnish at their own expense a constant and full supply of electric current for charging the batteries used in the operation of said private branch exchange, but should the cost of electric current for such charging, exceed the sum of dollars per annum, then the amount in excess shall be paid by the telephone company.

21. To grant to the telephone comapny during the term of this agreement, the exclusive right of placing and operating telephone instruments apparatus and wires for telephonic purposes in aforesaid hotel premises.

22. That the ownership of the said private branch exchange apparatus, instruments,—unless as hereinafter provided for shall remain vested in the telephone company, and that the telephone company shall have the right to remove the said apparatus, instruments and attachments at the expiration of this agreement, the telephone company to make good any damage done to the walls, flooring, &c., during the installation and removal of the apparatus.

23. That the telephone company may enter into contracts for direct unlimited local exchange service with guests or tenants of said hotel, but should the telephone service so given be made through said private branch exchange switch-board, the telephone company shall pay to the subscribers per cent of the rental charges collected for such service.

IT IS MUTUALLY AGREED—

24. That the telephone company's attendants shall not be required to perform duties other than those necessary for the proper operation of the said private branch exchange switch-board and public station, and that calls from hotel rooms for hotel service, shall be received by the attendants above referred to, and switched to the proper hotel department.

25. That this agreement shall remain in force for a period of years from date hereof, and thereafter from year to year, until cancelled by either party giving days written notice to the other party hereto.

26. That this agreement may be continued to its termination by the successors or assigns of the subscribers, at any time during the term of this agreement, upon execution by said successors or assigns, of a contract for the unexpired term, covering the conditions of this agreement, provided such parties are acceptable to the telephone company.

In witness whereof the parties hereto have hereunto affixed their hands and seals.

Signed, sealed and delivered in the presence of

Signed, sealed and delivered in the presence of

Q. Well, you can if required produce the agreement with any hotel that the committee desires, I suppose ?—A. That can be done, yes.

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APPENDIX No. 1

Mr. ZIMMERMAN.—I would suggest that the form of agreement with two hotels be put in, say the King Edward, Toronto, and the Windsor, Montreal.

By Mr. Chrysler :

Q. Have you any objection to that Mr. Sise ?—A. What is that ?

Q. A member of the committee wants to know if you will put in agreements with two prominent hotels, say the King Edward and the Windsor ?—A. We will put in whatever the committee desires.

The CHAIRMAN.—Is it the pleasure of the committee that copies of the agreements with the King Edward hotel, Toronto, and the Windsor hotel, Montreal, be put in ?—Carried.

Mr. BOYCE.—And the agreement with the Russell House, Ottawa.

The CHAIRMAN.—And the agreement with the Russell House, Ottawa. Is that the pleasure of the committee ?—Carried.

Q. Item 18 of the requisition asks for 'copies of all agreements with steamship and navigation companies, or their agents, or any of them, cartage companies, or their agents, or any of them, or any other person relating to any exclusive rights to furnish telephone service.' Are there any agreements ?—A. There is one agreement in existence I believe with the Deseronto Navigation Company, that is the only agreement now coming under that heading.

Exhibit No. 108.

THIS AGREEMENT executed in duplicate on the sixteenth day of November, one thousand eight hundred and ninety-nine,

Between

THE BELL TELEPHONE COMPANY OF CANADA, Limited, a body corporate, having its principal office in the city of Montreal, in the province of Quebec, hereinafter called 'The Telephone Company' of the first part ;

and

THE DESERONTO NAVIGATION COMPANY, Limited, hereinafter called 'The Navigation Company' of the second part ;

WITNESSETH that the said parties have covenanted and agreed as follows :—

The Telephone Company will furnish to the Navigation Company, free of charge, four (4) telephone connections with the exchanges of the telephone company, at the following points, namely :—

The Deseronto dock.
The Kingston dock.
The Napanee dock.
The Picton dock.

And the Telephone Company will furnish to the Navigation Company at one-half the Telephone Company's current exchange annual rates, at the said points, any additional telephones required for the officials of the Navigation Company, not exceeding two (2) in the aggregate, and located within one-half mile of the exchange; all additional instruments, and extra mileage to be paid for at regular rates.

The Navigation Company will furnish annual passes to the officials of the Telephone Company over its own lines and lines leased or controlled by it, and will also furnish free transportation to the employees of the Telephone Company over the said lines.

The Telephone Company shall have the exclusive right of placing telephone instruments, apparatus and wires, in the several stations, wharfs, offices and premises of the said Navigation Company (except wires and instrumennts owned by the Navigation Company) and each of the companies to this agreement, so far as it may

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properly do so, without prejudice to its business, grants to the other comapny facilities for carrying its wires and lines through or over the poles, subways, bridges and other premises on equitable terms to be agreed upon, and the Navigation Company will not grant similar facilities to any other Telephone Company, (except as hereinbefore mentioned.

It is understood that the telephone service herein referred to, shall be furnished by means of the Telephone Company's standard instruments, which consist of a Blake transmitter, Bell telephone and Magneto Bell, properly mounted on backboards ready for use.

All existing arrangements between the companies to this agreement, for service or facilities, shall terminate at the end of the term for which payment is due or has already been made.

This agreement to remain in force for three years from the date hereof, and thereafter until terminated by six months previous notice, in writing, from either party, of its intention to terminate the same.

IN WITNESS WHEREOF we have hereunto appended our respective seals and signatures.

THE BELL TELEPHONE COMPANY OF CANADA, LTD.

C. F. SISE, *President.*

[Seal.]

C. A. MILLENER.

THE DESERONTO NAVIGATION COMPANY.

R. C. CARTER, *General Manager.*

]Seal.]

Q. It has been mentioned by a witness that there was an agreement with the Richelieu and Ontario Navigation Company ?—A. There is no agreement with that company, it has expired and has not been renewed.

(*See* Letter No. 142, Appendix 'A.')

Q. And this agreement with the Deseronto Navigation Company you have produced ?—A. Is the only one in existence.

By Mr. Maclean :

Q. That one that has expired with the Richelieu and Ontario Navigation Company contained, I suppose, the usual clause excluding other telephone lines.

Mr. CHRYSLER—This one does, I think.

The CHAIRMAN—We have been given to understand that there is an agreement with the Sheddon company.

By Mr. Chrysler:

Q. Is there an agreement with the Sheddon Cartage Company ?—A. Neither with the Sheddon nor any other cartage company.

Q. The 19th requisition is 'select an exchange or agency of the various capacities herein indicated, giving in each case the name of the exchange selected and giving the cost of installation classified as follows.—(a) central; (b) outside plant (c) subscriber's telephone equipment; the total revenue received, the cost of operation, the cost of maintenance and the number of subscribers for ten different capacities of exchange.' You have prepared that ?—A. We file that.

Q. And you desire to make an explanation ?—A. It is impossible to answer the first portion of question No. 19 in the detail requested as the books of the company have never made any separation of the investment in the central office, outside plant, and subscriber's equipment. The books, however, show the total investment at each exchange of these three items, and that is given. Under each exchange of the type

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chosen a statement is filed showing the total revenue both from exchange service and long distance service; detailed cost for maintenance and operating and the net revenue together with the number of subscribers. These figures show the net return on the plant account as it stands, but give too large a figure for the actual return from the exchange plant investment, inasmuch as the exchange is credited with all of the originating long distance business, a business which demands the use of plant not included in the exchange plant, that is the use of the investment in long distance lines. Not only do these long distance messages require the use of the long distance lines, but they also require the use of a portion of the investment in the exchange at the terminating point, and operating expenses in that point also. For instance, a message originating at Toronto destined for Montreal, not only uses a portion of the exchange equipment at Toronto and the services of the operators at that point, but also requires the use of the long distance line not included in the Toronto plant; the use of the equipment and lines in Montreal, and the services of operators at that point equal to that, at Toronto. The revenue, however, is credited entirely to Toronto exchange account.

By Mr. Maclean :

Q. There are other messages originating in Montreal for Toronto which would be credited in the same way?—A. The same way, each one gets what originates there. I might say that in talking of the cost of the long-distance lines, in some of the statements which have been made, it has wholly been overlooked that there is a very great value in long-distance plant outside the line : the long-distance switch-board used for the purpose, alone, in the Montreal exchange cost $15,000; I am not prepared to say what the one cost here, but it was a very expensive matter. They have also their own operators, and they have their own supervisors and inspectors and the absolute use of the whole exchange for distributing their work, and all that should be added to the cost of the long-distance lines.

By Mr. Chrysler:

Q. Well, I am not desirous of going into that just now, but you are producing a statement here showing, as desired, as far, you say, as is practicable, the following with regard to 10 different exchanges for fifteen years:—the total number of subscribers, the total plant account, rental, long-distance receipts, and the total receipts?—A. Yes.

Q. That is 1891 to 1904, inclusive? I am looking at the largest one, in Toronto, that is for fifteen years; the others may not cover so much. On the other hand, the expenses are shown divided into maintenance and operating and the total, also a column for net revenue and a column showing the percentage of profit to plant account. The exchange of 10,000 telephones and over is Toronto. The exchange for 5,000 and over——

Mr. McFarlane.—We have not got one of 5,000.

Mr. Chrysler.—You have not got one for 5,000 ? The exchange for 2,000 and over is Winnipeg. The exchange for 1,000 and over is London. The exchange for over 500 is Windsor. The exchange for over 400 is Calgary. The exchange for over 300 is St. Johns, P.Q.

The Chairman.—You should get the number 'over' and 'under.'

Mr. Bergeron.—They are coming down all the time.

Mr. Chrysler.—The exchange over 200 is Cornwall. Mr. McFarlane points out that the exact number of subscribers is given in the column after each of these. The exchange for over 100 is Lethbridge, and the exchange for over 50 is Winona. That means over 50 and under 100.

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Mr. C. F. SISE.

EXHIBIT 109. TORONTO.

Year.	No. Subscribers.	Total Plant Account.	Rental.	Long Distance Receipts.	Total Receipts.	Expenses.			Net Revenue.	Per cent of Profit to Plant Account.	—
						Maintenance.	Operating.	Total.			
		$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.		
1891	3,818	389,588 29	149,808 67	9,200 08	159,008 75	30,747 13	68,028 48	98,775 61	60,233 14	15·46	
1892	4,222	457,435 50	154,604 14	8,392 45	162,996 59	122,462 79	78,890 21	201,353 00	*38,356 41	08·03	$85,000 taken from Contingent Acc't and added to Maintenance
1893	4,456	570,344 09	164,421 03	8,343 54	172,764 57	73,806 33	84,377 96	158,184 29	14,580 28	02·55	$30,000 taken from Contingent Acc't and added to Maintenance.
1894	4,588	684,849 38	170,225 22	10,196 85	180,422 07	45,086 91	87,675 73	132,762 64	47,659 43	06·95	
1895	4,889	684,232 28	177,049 14	13,099 13	192,148 27	79,772 30	88,992 98	178,765 28	23,382 99	03·41	
1896	5,065	676,175 09	186,748 41	14,452 64	201,201 05	92,227 79	84,768 98	176,996 77	24,204 28	03·58	
1897	5,329	685,291 24	195,778 64	18,185 43	213,964 07	55,691 58	93,463 67	149,155 25	64,808 82	09·60	
1898	5,753	711,538 37	211,319 33	21,521 24	232,840 57	57,373 39	91,441 92	148,815 31	84,025 26	11·80	
1899	6,483	808,335 38	235,031 06	26,604 79	261,635 85	56,319 62	98,258 41	154,578 03	107,057 82	13·25	
1900	7,162	973,731 62	263,596 25	32,522 31	296,118 56	134,929 05	120,396 72	255,325 77	40,792 79	04·17	
1901	8,018	1,141,815 89	301,054 93	41,985 39	343,040 32	184,891 30	151,726 96	336,618 26	6,422 06	00 56	$25,000 taken from Surplus Revenue and added to Maintenance.
1902	9,174	1,176,639 46	344,345 78	57,435 78	401,781 56	113,658 34	167,683 51	281,341 85	120,439 71	10·23	
1903	11,252	1,356,173 43	409,603 25	71,709 02	481,312 27	280,452 20	202,569 66	483,021 86	*1,709 59	00 12	
1904	12,832	1,577,454 45	472,316 58	81,860 54	554,177 12	127,622 18	247,313 57	374,935 75	179,241 37	11·37	

* In net revenue column indicates a loss. See explanation of above statement at page 488.

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EXHIBIT 109a. WINNIPEG (2,000 AND OVER).

Year	No. Subscribers.	Total Plant Account.	Rentals.	Long Distance Receipts.	Total Receipts.	Expenses.			Net Revenue.
						Maintenance.	Operating.	Total.	
		$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
1900	1,440	236,844 39	54,711 44	1,683 42	56,394 86	13,143 21	28,055 70	41,198 91	15,195 95
1901	1,710	313,094 38	63,400 70	2,918 00	66,318 70	22,411 86	30,490 46	52,902 32	13,416 38
1902	2,209	354,341 20	79,898 55	4,417 65	84,316 20	31,426 23	36,685 05	68,111 28	16,204 92
1903	3,807	454,274 97	109,120 37	9,257 35	118,377 72	35,292 62	46,064 01	81,356 63	37,021 09
1904	4,121	529,281 91	147,508 15	14,263 25	161,771 40	68,838 88	55,706 12	124,545 00	37,226 40
EXHIBIT 109b.					LONDON, ONT. (OVER 1,000).				
1900	1,280	166,311 20	32,956 85	7,924 26	40,881 11	21,448 44	20,391 52	41,839 96	*958 85
1901	1,390	173,544 00	37,839 37	9,493 51	47,332 88	47,046 89	21,888 95	68,935 84	*21,602 96
1902	1,550	175,431 75	42,319 67	11,796 21	54,115 88	11,579 97	24,054 00	35,633 97	18,481 91
1903	1,718	187,487 03	47,992 91	13,577 13	61,570 04	9,794 83	26,523 31	36,318 14	25,251 90
1904	1,930	198,531 42	53,026 39	15,620 19	68,646 58	10,253 17	30,875 52	41,128 69	27,517 89
EXHIBIT 109c.					WINDSOR, ONT. (OVER 500).				
1900	438	40,819 19	10,147 46	3,108 47	13,255 93	2,940 65	7,565 91	10,506 56	2,749 37
1901	513	57,943 13	11,774 30	4,138 96	15,913 26	5,427 13	8,577 23	14,004 36	1,908 90
1902	558	63,481 29	13,640 02	4,904 70	18,544 72	5,163 74	10,132 09	15,295 83	3,248 89
1903	630	69,990 01	15,612 46	5,618 87	21,231 33	5,778 09	11,324 26	17,102 35	4,128 98
1904	698	110,353 02	18,029 70	7,366 37	25,396 07	12,815 15	13,029 36	25,844 51	*448 44

*In net revenue column indicates a loss. See explanation of above statement at page 488.

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Exhibit 109*d*. CALGARY (Over 400).

1900	133	5,884 26	3,645 75	....	3,645 75	683 92	2,205 38	2,889 30	756 45
1901	168	9,566 09	4,363 05	.....	4,363 05	2,919 11	2,412 27	5,331 38	*968 33
1902	200	11,616 81	5,218 43	.....	5,218 43	483 20	2,872 65	3,355 85	1,862 58
1903	289	18,143 95	6,936 78	35 75	6,972 53	3,346 51	3,610 31	6,956 82	15 71
1904	460	27,327 55	11,183 19	2,017 75	13,200 94	6,407 13	5,308 02	11,715 15	1,485 79

Exhibit 109*e*. ST. JOHNS, QUE. (Over 300).

1900	200	16,660 83	2,707 69	2,284 55	5,192 24	1,783 86	2,371 93	4,155 79	1,036 45
1901	215	17,460 11	3,176 44	2,552 81	5,729 25	1,981 81	2,579 02	4,560 83	1,168 42
1902	245	19,746 28	3,579 56	2,944 86	6,524 42	1,546 49	2,944 55	4,491 04	2,033 38
1903	272	25,615 42	4,096 87	3,428 66	7,525 53	2,608 90	3,592 86	5,601 76	1,923 77
1904	300	28,375 59	5,570 98	4,388 85	9,959 83	5,585 88	4,527 78	10,113 66	*153 83

Exhibit 109*f*. CORNWALL, ONT. (Over 200).

1900	205	21,132 08	3,977 33	3,492 06	6,469 39	2,368 23	2,660 91	5,029 14	1,440 25
1901	231	25,897 13	4,420 82	2,706 73	7,127 55	2,669 50	2,760 60	5,430 10	1,697 45
1902	244	29,140 90	4,786 61	3,005 45	7,792 06	1,865 55	3,102 80	4,968 35	2,823 71
1903	258	31,204 85	5,069 93	3,188 17	8,258 10	1,585 85	3,459 53	5,045 38	3,212 72
1904	274	31,981 63	5,632 28	3,287 61	8,919 89	2,223 18	3,411 10	5,634 28	3,285 61

* In net revenue column indicates a loss. See explanation of foregoing statements at page 488.

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EXHIBIT 109*g*. LETHBRIDGE (OVER 100).

Year.	No. Subscribers.	Total Plant Account.	Rental.	Long Distance Receipts.	Total Receipts.	Expenses.			Net Revenue.
						Maintenance.	Operating.	Total.	
		$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
1900	66	2,971 10	1,487 07	.....	1,487 07	348 49	934 23	1,282 72	204 35
1901	80	3,257 58	1,830 00	.....	1,830 00	1,394 11	1,110 83	2,504 94	*674 94
1902	88	3,673 88	2,178 75	.....	2,178 75	142 15	1,345 29	1,487 44	*691 31
1903	91	7,257 44	2,243 03	37 50	2,280 53	1,176 49	1,374 99	2,551 48	*270 95
1904	113	8,564 46	2,914 45	748 40	3,662 85	2,210 26	1,951 28	4,161 54	*498 69

EXHIBIT 109*h*. WINONA, ONT. (OVER 50).

1900	28	1,274 03	432 02	282 03	714 05	162 89	313 27	476 16	237 89
1091	34	1,714 01	550 99	238 00	788 99	199 11	347 92	547 03	241 96
1902	44	2,338 67	730 42	492 60	1,223 02	289 20	548 16	837 36	385 66
1903	71	4,378 77	968 54	461 41	1,429 95	472 15	626 23	1,098 38	331 57
1904	85	5,310 40	1,270 12	594 98	1,865 10	364 89	798 78	1,163 67	701 43

* In net revenue column indicates a loss. See explanation of foregoing statements at page 488.

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By Mr. Chrysler:

Q. What reply have you to make, Mr. Sise, to requisition 20, where we have asked for 'a classified statement, showing all separately the aggregate cost of the local equipment and the aggregate cost of the long-distance equipment, also the revenue from and cost of maintaining each class of service'?—A. I have already explained that the two services are connected and are intermingled with each other, and that should be partly an answer to this question. It is absolutely impossible to make a complete separation between local equipment and long-distance equipment at any point in a telephone system. For every long-distance message transmitted over telephone wires there is used, first, the subscribers' local equipment, the wires and conduits and cables and poles reaching to the central office, the local switch-board and toll-board, the outgoing wires reaching from the toll-board to the limits of the city—all parts of the local equipment. The message then goes on to what is commonly known as the long-distance wires, using those wires and poles until it reaches the city limits of the receiving exchange. From this point the message again makes use of the local exchange equipment, the wires and cables, poles, conduits and switch-boards and the subscribers' instruments, all of which are classified as 'local' equipment. In addition to the use of the investment in this local equipment, the services of local operators, as well as long-distance operators, must be employed. The close interconnection and interdependence of local and long-distance equipment and service prevents a separation which would in any measure give accurate results, and no telephone company has ever undertaken to make this separation. For these reasons, it is also impossible to distinguish between the cost of maintenance and operating of each class of service. For convenience, the revenue of the long-distance service is credited entirely to the exchange at which the message originates.

Q. Then, you have not produced the statement, for the reason that you have none?—A. No, we have not produced it.

Q. Do you, in your books, keep separate the cost of the local equipment and the cost of the long-distance equipment?—A. We do of the long-distance lines.

Q. You do of the long-distance lines?—A. After it leaves the city limits.

Q. So that you can give us, if we require it, the cost of constructing so many thousand miles of long-distance lines?—A. Yes, we can do that.

Q. And the cost of equipping the local exchange for any desired number?—A. That could be furnished.

Q. Yes, for any desired number of subscribers. You have not, in fact, you say, kept separately the accounts, except the account for the long-distance lines?—A. Long-distance proper.

Q. The long-distance lines proper. But you have, in your balance sheets which are filed here, and in your books, kept separate the revenue derived from the long-distance, and it appears in each year in these, except in 1893, separate from the earnings of the exchanges?—A. Quite separate.

Q. You say that, however, is not accurate?—A. It will be impossible for it to be.

Q. For the reason you have mentioned?—A. It is accurate enough for our purpose.

Q. It includes all moneys received for long-distance messages; that goes into the long-distance lines' earnings?—A. That goes there altogether. To give you an instance how impossible it is to separate it, we have, for instance, underground, very extensive underground work in the city of Ottawa, and the long-distance lines go a short distance in that underground system, but it is not separated in our Ottawa account as part of the long-distance, although it uses a part of the Ottawa system.

Q. Well, when we get an analysis of your capital construction account you can tell us pretty nearly, can you not, what part has been expended in providing long-distance equipment and what part for the local?—A. That we can show.

Q. Requisition 21 asked for 'a statement showing the plant and patent account of the company, showing separately the amount at the credit of the plant account and at the credit of the patent account respectively.

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APPENDIX No. 1

Mr. McFARLANE.—You had that yesterday.

A. The plant and patents account as of December 31, 1904, in our books is: plant, $9,203,467; and for patents, $70,288. That is the statement from our books.

By Mr. Bergeron:

Q. That was mentioned yesterday.

Mr. CHRYSLER.—It was mentioned but not put in.

Mr. BERGERON.—That is in evidence already I know.

Mr. CHRYSLER.—Perhaps you had better put it in now, Mr. Sise, because it is easier to find it with the other statements.

Exhibit No. 110.

PLANT AND PATENTS, DECEMBER 31, 1904.

Plant	$9,203,467 73
Patents	70,288 17
	$9,273,755 90

Q. That corresponds with your annual statement for 1904, does it?—A. That corresponds with the annual statement.

Q. You have already produced, I think, a list of patents which has beeen filed and printed of record (Exhibit No. 30), a list of patents owned by the company and this is showing those that have expired?—A. Yes.

Q. In requisition 22 we ask if you have maps showing the long-distance line in such shape that you can file them?—A. We have the maps here (maps produced). This long map——

Q. Are there many?—A. Four or five. This long map shows the lines practically from the extreme eastern end of Quebec to the western part of Ontario. There is shown there all our connections, the lines built north, east, south and west, also our connections with lines over the border.

Q. Is that a blue print that you can spare to put on file?—A. Yes. (Map filed and marked Exhibit No. 111.) There is a map showing our lines in Alberta. (Map filed and marked Exhibit No. 112.)

Q. Exhibit 112 is a map of the long-distance lines in Alberta?—A. Yes. Here is a map of the long-distance lines in Northern Ontario, in the neighbourhood of St. Joseph's island. (Map filed and marked Exhibit No. 113.)

Q. Exhibit No. 113 is a map of the long-distance lines in northern Ontario, in the neighbourhood of St. Joseph's island?—A. Yes. I have here a map of the long-distance lines in Manitoba. (Map filed and marked Exhibit No. 114.)

Q. Exhibit No. 114 is a map of the long-distance lines in Manitoba?—A. Yes.

Q. Now, all these exhibits, from 111 down to 114, are all maps of all the long-distance lines that you produce?—A. Yes.

Q. What is the other map?—A. That is a map of one district, the Niagara Peninsula fruit growing line, showing the manner in which we have built this line, and connected the farmers throughout the peninsula with each other and with our exchanges. Every one of these black dots on the map is a fruit-grower's or a farmer's house; they are all connected with each other and with the St. Catharines and other exchanges; we built our own line and they have free connection with each other, but that is not asked for?

Q. We had better put it on file. (Map filed and marked as Exhibit No. 115.)

A. This map here is on a very small scale (Exhibit No. 111), that shows on a small scale the way in which the whole of Ontario and Quebec has been covered with long-distance lines. It also shows the number of lines between different points, the line to Quebec, the line to Ottawa and the line to Toronto and crossing the border here, and

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here showing rather well, I think, that we have done our best to cover the country with lines, and our ability to cover the country has been checked to a certain extent by our inability to get money to do it with, and the lines cost more to maintain in Canada probably than in any country in the world. We have had sleet storms, costing us in the neighbourhood of $30,000, at Hamilton and another one right here in Ottawa, and there is no country where they have so much trouble in keeping up lines as here.

Q. You pointed out with your finger at some places on the map where you said you were connected with lines from across the border. What points were those you indicated ?—A. Rouse's Point, Burlington, Newport, Vt., St. Albans, Rome, N.Y., Malone, Ogdensburg, to all United States points; Buffalo to western points, and to Detroit,

Q. With regard to Requisition No. 23, have you a statement of the receipts and expenditures of the long-distance equipment in each year for the three years ending December 31, 1904, showing separately the different classes of receipts and expenditures?—A. Well, as I explained in reference to Requisition No. 20, it was practically impossible to separate these receipts and expenditures from the general receipts and expenditures, they have not been kept in our books in that way.

Q. However, in your annual statements there is a separation of your receipts ?—A. Of the receipts.

Q. From the long distance, which we will find in Exhibit 93. With regard to requisition No. 24 for 'copies of any tariffs for the services of the company at any of its local stations for local service or for long distance service; are there a large number of them ?

Mr. McFARLANE.—We cannot begin to produce them all. It would take six months to do that.

Q. Mr. McFarlane says this calls for a very large number, would the committee like to select some ?

The CHAIRMAN.—Read the list.

Mr. CHRYSLER.—'Copies of any tariffs for services of the company at any of its local stations for local service, or for long distance service; statement as shown in published schedule of long-distance rates of charges for long-distance conversations from Montreal and Toronto, in every direction in Canada showing the charges for all points shown in the company's published directory, also showing the distance in each case.'

Mr. MACLEAN.—I would take two or three of them.

Mr. McFARLANE.—We produce long distance rates, Toronto and Montreal to other points and we also produce rates at three typical offices, Montreal and two smaller places.

The CHAIRMAN.—I am told that your directory publishes the rates and that the only information to be added is the various distances; is that correct?—A. In so far as the long distance is concerned, yes.

Q. And if you added the distance in miles it would give the information asked for ?—A. Yes.

Mr. MACLEAN.—That is purely long distance rates, is it ?—A. Purely long distance rates, that is the railway mileage.

By Mr. Chrysler :

Q. Taking this document, Mr. Sise, it shows the schedule of rates for long distance from Montreal to all points with which Montreal is connected—is that right ? —A. That is right.

Q. Showing also the distance to each of these points ?—A. Showing the railway mileage—the mileages shown there are the railway mileages.

(Document filed and marked Exhibit No. 116).

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Q. What is this one? This is from Toronto to other points connected with Toronto?—A. Yes, sir.

(Document filed and marked Exhibit 117).

Q. And these three papers, Exhibits No. 118, 118a and 118b are the rates of typical stations—a copy of your rate books showing the local charges?—A. Showing the local charges.

(Exhibits filed and marked Exhibits No. 188, 118a and 118b.)

Q. Those are the charges for local services?

By the Chairman:

Q. I suppose these figures in the handwriting are the number of miles?—A. Yes.

Q. There is nothing in the statement showing what it means, you had better insert something there to make it intelligible; put in the words 'railway mileages,' or 'railway miles' at the top of each column?—A. The figures in the blue ink on the original sheets submitted show the railway mileage from Montreal and Toronto respectively.

The CHAIRMAN.—But when it is printed it will all be in black ink and you can not then distinguish it by the description 'blue ink.'

By Mr. Bergeron:

Q. You had better say in the first or second column.

By Mr. Chrysler:

Q. If you refer to it as the 'mileage column' it will be sufficient?—A. The actual mileage in most of these cases, the wire mileage is far in excess of the railway mileage. For instance, the line from Toronto to Ottawa, the railway mileage is 247 miles, and the wire mileage is 331. From Montreal to Richmond, Quebec, the rail way mileage is 77, and the wire mileage is 113.

Mr. MACLEAN.—Mr. Chrysler, I would like to have the rates for a farmer's line like this one on the wall, all the charges in connection with a line like that, as Mr. Sise has given us an example of a farmer's line.

By Mr. Chrysler:

Q. Can you give us, Mr. Sise, the rates for such a line as you have shown us in that exhibit—for a farmer's line in the Niagara district?—A. I could not say, myself, I am not sure; but my impression is that they pay $15. We own the line and the instruments, and they have connection with each other all over that territory, in their own section, for $15 a year.

By the Chairman:

Q. They have toll for non-subscribers?—A. Some of them pay $20 per year, within 10 or 12 miles of St. Catharines, and have St. Catharines' exchange free.

Q. But tell us about the non-subscribers?—A. We do not know anything about the non-subscribers; they can go into the farmer's house and use the line; there is no system of toll-collecting there.

By Mr. Chrysler:

Q. Item 25 of the requisition asks for 'Schedule of annual charges for private exchanges and auxiliary apparatus, such as desk telephones, extension bells, switches, plugs, jacks, &c.'—A. They vary very much; but I file those.

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Exhibit No. 118.

91 subs., February, 1905.

THE BELL TELEPHONE COMPANY OF CANADA, LIMITED.

Rental Rates authorized at Walkerton (Ont.) Exchange.

Metallic Lines.

Individual Lines: Business or residence. (One-year contracts.)

Initial L. D. wall transmitter, per annum	$20 00
Initial L. D. desk transmitter, per annum	23 50

Wire mileage allowed: Business, ½; residence, 1 mile.

Extra mileage charge per ¼ mile or fraction thereof for exchange lines and extension private lines—where poles are already erected (minimum charge, ¼ mile.) If poles are needed, apply to district superintendent for mileage rates..... per annum 4 00

Exchange Four Party Lines: Business or residence. (One-year contracts.)

Initial L. D. wall transmitter, per annum	15 00
Initial L. D. desk transmitter, per annum	18 50

Within 1 mile of exchange, or within corporate limits, if such limits extend beyond 1 mile of exchange.

Minimum number on exchange party lines,—2 on each line.

Subscribers on an exchange party line must be located in same section of town.

Contracts can be taken from applicants whose premises are located within corporate limits and who wish to have their telephones directly connected on rural party lines passing their immediate vicinity, but they must pay rural party line rate and conform to rural party line conditions.

Rural Party Lines: Business or residence. (Three-years contracts.)

Byng wall transmitter, per annum	20 00
Byng desk transmitter, per annum	23 50

Maximum capacity of any one line, ten subscribers. Maximum of one mile of line allowed for each subscriber. Any excess over this allowance must be charged for at $4 per ¼ mile or fraction thereof. Orders subject to approval by head office before acceptance.

Second User, business or residence, in same premises only, one-half initial wall rate (minimum, $10).

Extension Sets: Business or residence.

L. D. wall ..... per annum	10 00
L. D. desk ..... per annum	13 00

Same premises. In addition to initial rate. See note to No. 115 keys.

Extension Bell, in same building, maximum wiring, 200 ft.	2 00
No. 115 Keys	2 00

A No. 15 key may, when installing extension desk sets, be placed instead of extension bell without additional charge.

No. 104 Keys:	2 00
Extra Insertion, one line, in directory, each	2 00

Refer to head office applications for service not specifically quoted on herein.

Service will be charged for from actual date communication is established, and such date must be entered on contract as 'date of connection.'

Mr. C. F. SISE.

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APPENDIX No. 1

Exhibit No. 118*a*.

THE BELL TELEPHONE COMPANY OF CANADA, LIMITED.

Rental Rates authorized at Ottawa, Ont., Exchange.

Metallic Lines.

	Business.	Residence.
Individual Lines: (One-year contracts).		
Initial L. D. Wall Transmitter, per annum	$45 00	$25 00
Initial L. D. Desk Transmitter, per annum	48 00	28 00
Wire mileage allowed: Business or Residence, city limits	.....	.....
Extra mileage charge per ¼ mile or fraction thereof for Exchange Lines and Extension Private Lines (where poles are already erected)	4 00	4 00
If poles are needed apply to District Superintendent for Mileage Rates.		
Exchange Party Lines: (One-year contracts).		
Initial L. D. Wall Transmitter, 2 or 3 on a line, per annum	.....	.....
Initial L. D. Desk Transmitter, 2 or 3 on a line, per annum	.....	.....
Initial L. D. Wall Transmitter, 4 on a line, per annum	.....	20 00
Initial L. D. Desk Transmitter, 4 on a line, per annum	.....	23 50
Within one mile of exchange or within corporate limits, if such limits extend beyond one mile of exchange.		
Exchange party line contracts must specify whether service contracted for is 2, 3 or 4 party line.		
A four party line must not be constructed for less than two subscribers.		
Subscribers on an exchange party line must be located in same section of town.		
Contracts can be taken from applicants whose premises are located within corporate limits, and who wish to have their telephones directly connected on rural party lines passing their immediate vicinity, but they must pay rural party line rate and conform to rural party line conditions.		
Rural Party Lines :. (Three-year contract).		
Byng Wall Transmitter, per annum	.....	.....
Byng Desk Transmitter, per annum	.....	.....
Maximum capacity of any one line, ten subscribers. Maximum of one mile of line allowed for each subscriber. Any excess over this allowance must be charged for at four dollars ($4) per ¼ mile or fraction thereof. Orders subject to approval by head office before acceptance.		
Second User, Business or Residence, in same premises only, one-half initial wall rate (minimum $10).		
Extension Sets:		
L. D. Wall, per annum	10 00	10 00
L. D. Desk, per annum	13 00	13 00
Same premises. In addition to initial rate. See note to No. 115 keys.		
Extension Bell, in same building, maximum wiring 200 feet	2 00	2 00
No. 115 Keys	2 00	2 00
A No. 115 key may, when installing extension desk sets, be placed instead of extension Bell without additional charge.		
No. 104 Keys	2 00	2 00

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Extra Insertion, one line in directory, each.. . . . . 2 00 2 00

Refer to head office, applications for service not specifically quoted on herein.

Service will be charged for from actual date communication is established, and such date must be entered on contract as 'date of connection.'

Exhibit No. 118*b*.

Memorandum of Rates authorized at Montreal Exchange.

Business:

	One year.
Initial Blake Wall..	$50 00
Initial Blake Desk..	53 00
Initial L. D. Wall..	55 00
Initial L. D. Desk..	58 50
Residence:	
Initial Blake Wall..	30 00
Initial Blake Desk	33 50
Initial L. D. Wall..	35 00
Initial L. D. Desk..	38 50
Business or Residencee:	
Extension Blake Wall (same premises in addition to initial rate. See note to No. 115 keys)..	10 00
Extension Blake Desk (same premises in addition to initial rate. See note to No. 115 keys)..	13 00
Extension L. D. Wall (same premises in addition to initial rate. See note to No. 115 keys)..	10 00
Extension L. D. Desk (same premises in addition to initial rate. See note to No. 115 keys)..	13 00
Second User, in same premises only..	15 00
Wire mileage allowed, business or residence, city limits.	
Extra mileage charge per ½ mile for exchange lines, and extension private lines..	$10 and $20 per mile.
Excess mileage payment entitles subscriber to L. D. at price of Blake Eq.	
Hand generator..	5 00
Extension Bell in same building, maximum wiring 200 feet..	2 00
No. 115 Keys..	2 00
A. No. 115 Key may, when installing extension desk sets, be placed instead of extension Bell without additional charge.	
No. 104 Keys..	2 00
No. *201* Keys..	2 00
Extra insertions, one line, in directory, each	2 00
Doctors, dentists, veterinary surgeons and nurses, Blake Wall..	35 00
" " " L. D. Wall..	40 00
" " " L. D. Desk..	43 50

Private Line Rates.

L. D. Wall..	15 00
L. D. Desk..	18 00
Extension Bells..	2 00
Keys, 104 or 115	2 00
Wire mileage:	
Aerial metallic per ½ mile minimum..	10 00
Underground metallic per ½ mile minimum	15 00

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APPENDIX No. 1

Exhibit No. 119.

THE BELL TELEPHONE COMPANY OF CANADA, LIMITED.

MONTREAL.

Private Exchange Rates.

Switch-boards, including operator's outfit, rental, $40 per annum and upwards, according to style and capacity.

Telephone wall sets, $10 to $25 per annum.

Initial or extension desk sets, $13 to $25 per annum.

On same premises, according to service requirements and installations.

Exchange trunk lines, each, $12.50 to $100 per annum, according to service furnished and term of years contract agreement covers.

Generator power current, $30 per annum and upwards, according to length of line.

Extra ringing key	$3 00
" generator	2 00
" extension bell	2 00

Q. Exhibit No. 119 is the tariff of the private exchange rates, showing the charges for apparatus and other things mentioned. Item No. 26 asks for a statement of the amount paid for wages for each class of employees.—A. We have filed that.

Q. That gives the maximum and minimum in each case, and you produce that now and file it?—A. Yes.

(Document filed and marked Exhibit No. 120.)

STATEMENT of the wages paid to each of the following classes of employees of the Bell Telephone Company of Canada, Limited, showing the maximum and minimum wages paid to—

1. Operators, $10 to $75 per month.
2. Inspectors, $25 to $100 per month.
3. Troublemen, $1.75 to $3 per day.
4. Wiremen, $1 to $3.50 per day.
5. Labourers, $1.25 to $2 per day.

Foremen, $2 per day to $100 per month.

Q. That statement shows the wages of the operators, the inspectors, the troublemen, the wiremen, labourers and foremen?—A. Yes.

Q. Requisition No. 27 asks for the 'correspondence of the company with the Canadian Pacific Railway or with any other company or person in connection with placing telephones in the station or upon the premises of the said railway by the municipal telephone systems of Fort William and Port Arthur?—A. I am not aware there was any correspondence on that subject at all.

Q. You do not produce any?—A. We do not file any; I do not think we have any.

Q. Item 28 of the requisition asks for 'any draft or copy of proposed agreement between the Beauce County Telephone Company and the Bell Telephone Company, and any correspondence in reference to such agreement with the Beauce County Telephone Company, or with any person or company.'—A. We file that. I do not know what this is.

Exhibit No. 121.

MEMORANDUM OF AGREEMENT proposed for a joint and physical connection between the lines of the Beauce Telephone Company and the Bell Telephone Company of Canada, Limited.

THE BEAUCE COMPANY AGREES as follows :—

1. In the event of such an agreemeent being concluded, to forthwith place its lines and apparatus in good working order and condition, and where neceessary to secure

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good commercial talking through the lines of both companies to provide with due expedition metallic circuits on such lines as may be so used.

2. That it will not connect, directly or indirectly, or allow to be connected, its lines and apparatus with the lines of other companies or persons without the consent of the Bell Company, and will sever and disconnect the lines of any company or person now connecting before this agreement becomes operative.

3. That it will not engage in competition with the Bell Company nor extend its lines to places already connected by the Bell Company.

4. That it will purchase from the Bell Company such telephone sets as it may require at the following prices:—

Solid Back Wall (consisting of 1,000 ohm bridging Bell, bi-polar telephone, solid back wall transmitter, backboard and battery box..... $15 per set at Montreeal.

The Beauce Company to have the benefit of any general reduction made in this price from time to time.

And that it will purchase from the Bell Company such other apparatus and material as it may require, provided the prices and terms are equal to or lower than those offered by others. The Bell Company will from time to time furnish a price list of apparatus and material it has for sale.

5. Should it prefer to lease sets or separate telephones and transmitters, the following rentals will be charged by the Bell Company at Montreal:—

Five dollars ($5) per annum for each L. D. Wall set without battery.

One dollar ($1) per annum for each hand telephone.

Two dollars ($2) per annum for each solid back transmitter payable annually in advance.

Leased sets to be returned when repairs are necessary at the cost and charge of the Beauce Company, the Bell Company to repair free or replace such sets as are defective.

6. That it will withdraw from Ste. Marie Parish, Beauce County, handing over to the Bell Company its subscribers in Ste. Marie Parish numbering about thirty-six (36). In exchange therefor the Bell Company to hand over to the Beauce Company its subscribers at St. Joseph, Beauceville and St. George, about nineeten (19). The Bell Company to operate the exchange at Ste. Marie parish exclusively and the Beauce Company the exhanges and lines in Beauceville, St. Joseph, St. George and elsewhere where they now exist throughout the County of Beauce. In exchange for the outside construction which the Beauce Company will hand over at Ste. Marie to, and which shall thereupon become the property of, the Bell Company, the Bell Company will hand over to the Beauce Company the outside lines of the subscribers and its poles erected, which lines and poles shall thereupon become the property of the Beauce Company (except such poles as carry its long-distance lines) at the other three places named. Contracts with subscribers of the Beauce Company at Ste. Marie to be assigned to the Bell Company, and those of the Bell Company at St. George, Beauceville and St. Joseph to be assigned to the Beauce Company, each company to agree to faithfully carry out and perform all the requirements of these contracts.

Each company will arrange for an exchange of its telephone sets so that the Bell Company will retain the instruments of its subscribers at St. Joseph, Beauceville and St. George, and the Bell Company will transfer to the Beauce Company an equal number of Beauce Company's sets taken from the subscribers at Ste. Marie.

THE BELL COMPANY AGREE—

7. That it will not engage in competition in the territory in Beauce County in which it is agreed that the Beauce Company shall operate, the Bell Company reserves the right, however, to extend its lines into and through the territory of the Beauce Company for the purpose of building and maintaining through lines.

8. Reserves the right to refuse the acceptance of business from or to points on the

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system of the Beauce Company at which the lines or apparatus are not maintained in good working order.

9. To furnish at its Ste. Marie exchange from or to its Ste. Marie subscribers on their business while such subscribers' leases exist, unlimited free county service with the subscribers of the Beauce Company in connection with the Beauce Company's exchanges, during the term of this contract.

10. That its pole line and wires thereon extending from Quebec to St. George will remain its property. The copper line will be looped into the offices of the Beauce Company at St. George, Beauceville and St. Joseph, said line to be used only for paid through business 'incoming' or 'outgoing' north of Ste. Marie, and not to be used for any interchange of business paid or free whatsoever between Ste. Marie, St. Joseph, Beauceville and St. George.

11. That its office at Beauce Junction will be closed, and long-distance service shall be had with that place via St. Joseph, at St. Joseph rates, and that its offices at St. George, Beauceville and St. Joseph will be closed during the term of this contract, unless the Beauce Company shall fail to supply a proper and prompt service at said offices, in which event the Bell Company may re-open and operate any or all of said offices.

12. Whereas it contemplates extending its line from Scottstown to Megantic and opening an exchange at the latter place, in that event it is agreed that a connection with the existing line of the Beauce Telephone Company shall be made there on terms to be arranged.

13. That for the purpose of timing conversations it will provide and maintain, at its own expense, calculagraphs at the offices of the Beauce Company at St. George, Beauceville and St. Joseph.

IT IS MUTUALLY AGREED:—

14. That the Bell Company shall have the first option of purchase of the Beauce Company's telephone plant, property and stock, the intention of the parties being that by this clause the Beauce Company shall not dispose of its plant to the prejudice of the Bell Company, provided that the latter is willing at the time of the proposed sale to pay as much as any other *bona fide* purchaser, but shall give the Bell Company the preference, other things being equal.

15. That the parties hereto shall not have the right to transmit messages free over the lines of each other.

16. That neither party shall be liable to the other for any error or errors in sending messages, whether through the fault of any operator, agent or other person or persons, or from any other cause whatsoever, and that each party hereto shall only be liable for any accidents, damages, losses or costs occurring or incurred at or on its own lines, unless the same shall be proved to have been caused through the act, neglect or fault of the other party.

17. That for the purpose of delivering written messages or for calling customers to the telephone, messenger service will be furnished when required, at reasonable rates by both parties hereto.

18. Toll business between Ste. Marie and points south to be transmitted on the lines of the Beauce Company, the Bell Company to receive 15 per cent of the receipts on such 'in' and 'out' paid business, the Beauce Company to receive 15 per cent on 'in' and 'out' messages over the Bell Company's lines originating at or destined to St. George, Beauceville or St. Joseph. The above percentage of receipts due to the Beauce Company shall apply only on the Bell Company's portion of the tariff of business from or to 'other line' points.

19. That each company will furnish to the other complete lists of its offices and the local tariff to switching points, and that the initial unit of time for conversations over the lines of both companies shall be three minutes; overtime in excess of such unit to be charged per minute.

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20. The agreement shall not be transferable by either party without the consent of the other.

21. Regular monthly settlements and remittances to the head offices to be made for all business interchanged by the connecting companies, each company to keep a correct record of the previous month's business interchanged and forward report of same to the other company for comparison and rectification of errors.

22. Both companies will faithfully observe the terms of the contract and maintain their lines, apparatus and service in good working order and condition, and make repairs with all reasonable despatch.

23. The period of this contract shall be for five years.

Exhibit No. 121*a*.

THE BELL TELEPHONE COMPANY OF CANADA, LTD.,
GENERAL SUPERINTENDENT'S OFFICE,
MONTREAL, November 4, 1904.

The Hon. JOSEPH BOLDUC,
St. Victor de Tring, Que.

DEAR SIR,—Now that the pressure of work consequent upon the elections has passed away, we are prepared to take up the proposition you discussed with us of a connecting arrangement of this company's lines with those of the Beauce Company. We have had a special agent visit our offices in the Beauce district, so as to obtain accurate information in regard to the local conditions and apparatus, and we are now prepared to meet you and the president of the Beauce company, or whoever he may appoint, to discuss this matter, with a view, if possible, to arrive at an amicable and mutually satisfactory arrangement. The meeting can either be held at Montreal or Quebec. If either of these places is not convenient for you, we would be pleased to know where a meeting could be held.

We might say with reference to the physical connection of our lines with that of other companies, we expect them to work in harmony and to the joint interest of both, and we generally include the following provisions in the agreements:—

'That the connecting company will faithfully observe the terms of the contract and maintain its lines, apparatus and service in good working order and condition.

'That it will not engage in competition with this company, nor will this company engage in competition in the territory in which it is agreed the connecting company shall operate. The Bell Company reserves the right, however, to extend its lines into and through the territory of its connecting company, for the purpose of building and maintaining a through line beyond the points in connection, or to places in which the local company is not located.

'The connecting company agrees that it will not connect its lines and apparatus with the lines of other companies or persons without the consent of the Bell Company.

'That it will thereafter purchase from the Bell Company its wire, telephone instruments or other supplies, or make suitable arrangements for the leasing of telephone instruments and apparatus at rates to be fixed.

'Regular monthly settlements will be made for all business interchanged by the connecting companies.

'The agreement shall not be transferable by either party without the consent of the other.'

In order to avoid competing with each other, we have suggestions to make which we think will meet the views of your directors, and would be pleased if you would name a time that would be convenient to discuss the matter.

Yours truly,
L. B. McFARLANE,
General Superintendent.

Mr. C. F. SISE.

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Exhibit No. 121*b*.

ST. VICTOR DE TRING, November 7, 1904.

L. B. MCFARLANE, Esq.,
General Manager Bell Telphone Company.

DEAR SIR,—In reply to yours dated the 4th inst., I beg to say that our president will convene a meeting of our Board of Directors, to appoint one or two persons to meet you either in Montreal or Quebec. You will be advised of the day chosen early enough to give you time to inform us if the date named is convenient for you. Hoping that we will be able to make some agreements advantageous to both companies, I remain

Yours very truly,
JOSEPH BOLDUC.

Exhibit No. 121*c*.

LA COMPAGNIE DE TELEPHONE DE BEAUCE,
ST. FRANÇOIS N.E., BEAUCE, November 10, 1904.

Mr. L. B. MCFARLANE,
General Superintendent Bell Telephone Company,
Montreal, Que.

DEAR SIR,—In answer to your favour of the 4th inst. to Hon. Jos. Bolduc, I am instructed by the directors of this company to tell you that four delegates have been appointed to meet you in Quebec on the 28th inst., in the afternoon or night, if convenient to you. Please let me know as soon as possible by telephone or by letter, and very much oblige.

Yours very truly,
ST. GEO. LEMOINE,
Secretary-Treasurer.

Exhibit No. 121*d*.

THE BELL TELEPHONE COMPANY OF CANADA, LTD.,
GENERAL SUPERINTENDENT'S OFFICE,
MONTREAL, November 4, 1904.

ST. GEORGE LEMOINE, Esq.,
Secretary-Treasurer Beauce Telephone Company,
Beauceville, Que.

DEAR SIR,—I beg to acknowledge receipt of your favour of the 10th inst., and to say that I will be pleased to meet the representatives of your company at our office in Quebec on the afternoon of the 28th instant.

Your truly,
L. B. MCFARLANE,
General Superintendent.

Exhibit No. 121*e*.

LA COMPAGNIE DE TELEPHONE DE BEAUCE,
ST. FRANÇOIS N.E., BEAUCE, November 19, 1904.

Mr. L. B. MCFARLANE,
General Superintendent, Quebec, Que.

DEAR SIR,—I beg to acknowledge receipt of your favour of the 14th inst. Our representative will be pleased to meet you at your office in Quebec on the afternoon of the 28th inst.

Yours truly,
ST. GEO. LEMOINE,
Secretary-Treasurer.

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Exhibit No. 121*f*.

THE BELL TELEPHONE COMPANY OF CANADA, LTD.,
GENERAL SUPERINTENDENT'S OFFICE,
MONTREAL, December 6, 1904.

ST. GEORGE LEMOINE, Esq.,
Secretary, Beauce Telephone Company,
Beauceville, Que.

DEAR SIR,—In accordance with the promise made to Senator Bolduc, Messrs. Pacaud and Clouthier at our recent meeting at Quebec, I beg to hand you a memorandum of our proposition which we discussed for a joint working arrangemnt in Beauce county.

In addition to the points brought up in that discussion there are two or three of minor importance which I have added, as it has been customary to insert these in similar arrangements made with other companies. Should your company decide to accept these conditions, we will have contracts drafted.

Yours truly,

L. B. McFARLANE,
General Superintendent.

Exhibit No. 121*g*.

LA COMPAGNIE DE TELEPHONE DE BEAUCE,
BEAUCEVILLE, P.Q., December 28, 1904.

Mr. L. B. McFARLANE,
General Superintendent, Bell Telephone Company,
Montreal, Que.

DEAR SIR,—Your memorandum of propositions for arrangements with our company in Beauce county has been taken into consideration by our directors, who have come to the conclusion that great many objections were against giving up Ste. Marie Beauce.

For that reason we would ask you if you would be disposed to give us Ste. Marie Beauce as well as St. Joseph, Beauceville, St. George, and let us know what amount of indemnity per year you would ask for it.

All the other parts of the contract seem to be mostly all acceptable.

A prompt answer, if possible, would greatly oblige.

Yours very truly,

ST. GEO. LEMOINE,
Secretary-Treasurer.

Exhibit No. 121*h*.

THE BELL TELEPHONE COMPANY OF CANADA, LTD.,
GENERAL SUPERINTENDENT'S OFFICE,
MONTREAL, January 5, 1905.

ST. GEORGE LEMOINE, Esq.,
Secretary-Treasurer Beauce Telephone Company.
Beauceville, Que.

DEAR SIR,—We regret to learn from your letter of December 28 that your directors object to dividing up the exchange territory, giving your company offices south of Ste. Marie Beauce, and our company the office of Ste. Marie Beauce. We do not see any other way of arriving at an amicable and non-competitive arrangement, but would be pleased to receive any suggestions you may have to offer as an alternative.

We presented to our company your suggestion to give your company Ste. Marie

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Beauce exchange as well as the others, but as we will neither lease nor sell such property, we must decline to entertain this proposition.

Trusting to hear from you shortly with suggestions, I am,

Yours truly,

L. B. McFARLANE,
General Superintendent.

Exhibit No. 121*i*.

LA COMPAGNIE DE TELEPHONE DE BEAUCE,
ST. FRANÇOIS NORD-EST, BEAUCE, 25 janvier 1905.

Mr. L. B. McFARLANE,
General Superintendent,
Montreal.

DEAR SIR,—In answer to your favour of the 5th inst., I must say that our directors are preparing a memo. of suggestions to be submitted to your company in view of making an arrangement between our two companies, if possible.

Yours very truly,

ST. GEO. LEMOINE,
Secretary-Treasurer.

Q. This is, apparently, a draft of an agreement and some correspondence?—A. I think it is. I never saw it.

Q. You have no personal knowledge of it, but you produce it?—A. Yes.

By Mr. Chrysler:

Q. 'Correspondence of the company with any officer or official of the Grand Trunk Railway Company, relating to the connections of the People's Telephone Company of Sherbrooke with or upon any of the stations or premises of the Grand Trunk Railway Company within the territory within which the People's Telephone Company operates, particularly with reference to the connection with the station at Waterville, Quebec.'—A. There is no correspondence.

Q. You have no correspondence covered by requisition 29. No. 30 asks for 'correspondence with the Canadian Pacific Railway Company or with any other company or person with reference to the connection of the Markham and Pickering Telephone Company with or upon the station or premises of the Canadian Pacific Company at Locust Hill, or at any other point or station upon the line of the Canadian Pacific Railway.'—A. I am informed there is no correspondence.

Q. No. 31, 'names and places of residence of the principal officers of the Bell Telephone Company of Canada.'

THE BELL TELEPHONE COMPANY OF CANADA.

List of Principal Officers, May 6, 1905.

C. F. SISE, *President, Montreal.*
Hon. ROBERT MACKAY, *Vice-President, Montreal.*
CHAS. P. SCLATER, *Secretary-Treasurer, Montreal.*
L. B. McFARLANE, *General Superintendent, Montreal.*
C. F. SISE, Jr., *Assistant General Superintendent, Montreal.*
W. H. WINTER, *General Superintendent of Construction, Montreal.*

Q. Requisition 32, asks for the 'names and places of residence of the directors of the Bell Telephone Company of Canada.'—A. That is correct.

Q. The list of directors as given by the Company is as follows:—

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THE BELL TELEPHONE COMPANY OF CANADA.

List of Directors (May 6, 1905).

C. F. SISE, *Montreal.*
Hon. ROBERT MACKAY, *Montreal.*
ROBERT ARCHER, *Montreal.*
HUGH PATON, *Montreal.*
CHARLES CASSILS, *Montreal.*
F. P. FISH, *Boston.*
W. R. DRIVER, *Boston.*
THOMAS SHERWIN, *Boston.*

That is the Board?—A. That is correct.

Mr. MACLEAN.—I would like to ask if the Canadian Telephone Company is in existence.

Mr. CHRYSLER.—No, I am going into that. They went out of existence in 1881, or 1882, I understand.

Q. These are all the requisitions, Mr. Sise. Is there anything that you——

A. There is nothing else.

—that you wish to put in?—A. We will furnish anything that is required.

Mr. MACLEAN.—Would you read those directors of the Bell Telephone over again.

Mr. CHRYSLER.—*F. P. Fish*—

By Mr. Maclean:

Q. Is he a director in any other telephone company?—A. He is president of the American Telegraph and Telephone Company.

Mr. MACLEAN.—Now, the next one.

Mr. CHRYSLER.—W. R. Driver.

By Mr. Maclean:

Q. Who is he?—A. He is the treasurer.

Q. Of what?—A. The American Telegraph and Telephone Company.

Mr. MACLEAN.—The next one?

Mr. CHRYSLER.—Thomas Sherwin.

Mr. MCFARLANE.—He is auditor of the American Telephone and Telegraph Company.

Mr. MACLEAN.—The next one?

Mr. CHRYSLER.—The other gentlemen are all in Montreal.

These are all the documents, and I would prefer not to go on any further to-day. Some selection probably will have to be made as to the matter to be printed. I do not know that the Committee would desire to print all that.

The CHAIRMAN.—Mr. Chrysler, you go over them with the clerk. Have any of them printed that you desire, and I suppose that any representative of the Bell Telephone Company should have any of them printed that they desire.

Examination of Mr. Sise adjourned till Tuesday next.

LOUIS JOSEPH TURGEON, St. Philemon, Bellechasse county, Quebec, sworn, and examined in French, and translated by Mr. Bergeron, as follows:—

I am one of the directors of the St. Philemon Telephone Company, and an ex-president. I am now employed in the Crown Lands Department, in Quebec, and am a general stockholder in the company. The telephone company has 39 instruments and 30 subscribers who pay, 7 instruments being at the central office. There are 47

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miles of line. The subscribers pay $8 a year. The company charges 15 cents for telephoning to the next parish, and 25 cents for any other place on their line. The cost of the whole line of 47 miles was about $3,000. That would amount to about $70 a mile; but the first part of the telephone, when it was constructed, cost us cheaper than that. It cost $1,610 for 28 miles. For the last year or two the company has connected with the Bell Telephone Company at St. Michel. That is a railway station. We have an agreement with the Bell, I think, but I am not quite sure. You can find that out from the Bell Company. We have a verbal contract since we made that arrangement with them. As far as I can remember, there is an agreement in writing, signed by Mr. Dauphin, the manager at Quebec of the Bell Telephone Company. The agreement is that we have the advantage, on paying, 25 cents, of carrying our messages upon the long-distance line of the Bell Company over to Quebec, and, in exchange for that, the Bell Company use our line to connect with our subscribers for messages over their long-distance line. The lines are connected, and you can speak directly from one line on to the other. We have two instruments in railway stations, one at St. Valier and the other at St. Michel, on the Intercolonial Railway. There is no other railway company passing through our territory. The company paid a dividend of 4 per cent two years ago and until that time. Since then the revenue has been employed for the extension of the line. The company was organized in 1897 and incorporated in 1898 at Quebec. The capital was $1,500.

Q. Have you a report for the last year?—A. There was no meeting of shareholders last year. I have a statement of the last state of affaire.

Q. Will you read it?—A. The revenue of 1902 was $1,065.25. The expenditures were $997.81, making a profit of $67.44. I cannot tell whether the state of affairs is the same this year as at that time, because we have had no meeting and no report from the secretary-treasurer. The Bellechasse Telephone Company passes through St. Philemon. We have only one wire. In the old time we had to call from one parish to another parish, but we have changed the system, and now have a switch-board, and can, by ringing a certain number, a signal, call a subscriber. We bought our instruments from the Mechanics' Supply, of Quebec. We paid between $12 and $15 for them.

The CHAIRMAN.—Mr. Talbot, you suggested examining Mr. Turgeon. Perhaps you would like to ask him a few questions.

To Mr. TALBOT.—When we made our arrangement with the Bell Company, we had no disagreement or trouble. So far as I know, it was carried on smoothly. The arrangements have been carried on in a satisfactory manner between the manager of our company and the local manager of the Bell Company, and since it has been in operation, the connection with the Bell Company has worked in a very harmonious way. Both companies have accepted the tariff for long-distance. In these messages, which are carried on both lines from a long distance, the charge is 40 cents, and out of that, 25 cents goes to the Bell Telephone Company, and 15 cents to our company. This arrangement has been found to be most satisfactory, and there never was any difficulty about it.

To Mr. GEOFFRION.—The people generally are well satisfied with the service.

Q. Although you give a good service, I ask you how it is that the business does not increase, that you still keep about the same number of subscribers, 39 or 40?—A. The reason why the business does not increase more is because the centres where the telephones passes through are not very important, are not business centres, there are not very many business people there. We hope to at least increase our business so as to pay dividends.

Mr. MACLEAN.—I would like to ask the witness if he considered $8 is a reasonable charge to pay all expenses and maintain a farmer's line similar to the one they have?

WITNESS.—It is really very cheap. I may say that there is a question of increasing our rates to $10. We would rather increase the price to subscribers and be in a position to pay dividends. We think with the $10 rate we could do that.

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To Mr. BERGERON.—The poles are 25 feet long with a minimum of four inches at the small end. They are cedar. They are not as big as the Bell Telephone Company's poles. The poles are about an acre apart.

To Mr. TALBOT.—The reason why our company does not increase much more is because the Bellechasse Telephone Company covers nearly all the other parishes. Moreover, we don't care much about increasing. We have particularly organized that company for our local needs. We particularly had in mind having communication with St. Valier, where the Intercolonial station is.

To Mr. GEOFFRION.—The poles were in some instances furnished free by the farmers, and sometimes they furnished the poles, and we repaid them in messages—in business. I should say that the price of the poles are paid in messages.

To Mr. BERGERON.—I bought about 200 poles for which I paid about 25 cents apiece, and about 20 or 25 poles for which I paid in messages.

To Mr. CASGRAIN.—(For the Bell Telephone Company).—We have no connection with the Bellechasse Telephone Company, because we are in difficulties with that company and in opposition to them. No, they do not cover the same ground, but the Bellechasse Telephone Company seems to desire to ruin us. We never put anything aside for maintenance nor for depreciation.

The Committee then adjourned.

THURSDAY, May 11, 1905.

The Committee met at 11 o'clock, Sir William Mulock in the chair.

The Hon. Fred. P. THOMPSON, called and sworn:

By Mr. Chrysler:

Q. You are a member of the Senate for New Brunswick?—A. Yes.

Q. Where do you reside?—A. Fredericton.

Q. Have you any connection with the New Brunswick Telephone Company?—A. I am Managing Director and Treasurer of the company.

Q. When was the New Brunswick Telephone Company organized?—A. In 1888.

Q. Under what legislation?—A. Under a charter from the provincial legislature.

Q. Can you refer us to the statute?

The CHAIRMAN.—Yes, here it is.

—A. The chairman has it.

Q. Chapter 78 of the statutes of 1888. And how did you open business? Did you build lines or did you purchase some of the existing companies?—A. We built some lines and purchased the interests of the Bell people, the Bell Telephone Company of Canada.

Q. That is the company of which Mr. Sise is president?—A. He is president.

Q. They had been operating in New Brunswick?—A. In two or three towns.

Q. What was the extent of their operations in New Brunswick when you bought them out?—A. They had an exchange in St. John, Fredericton, Moncton and Woodstock. They have no long lines excepting they built, I think, 20 miles of long lines from Moncton.

Q. And these are three of the principal towns in the province?—A. Yes.

Q. Then what was the capital of the New Brunswick Company when you organized?—A. $100,000 I think was our capital. I have really forgotten, but it is stated in the charter.

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Q. We will find the authorized capital here—$100,000 divided into 2,000 shares of $50 each. What were the terms of purchase from the Bell Telephone Company?

By the Chairman:

Q. The agreement, I suppose, is in writing?—A. No, it is just a transfer of their interests. We paid $50,000.

By Mr. Chrysler:

Q. And what did you get for the $50,000, their exchanges?—A. We got their entire control of New Brunswick so far as their occupation of New Brunswick is concerned.

Q. And all their plant?—A. All their plant.

Q. Instruments?—A. Instruments and everything.

Q. How many subscribers had they at that time? Do you know?—A. Yes, I think I marked that down. They had 374 in St. John, 108 in Fredericton, 81 in Moncton, and 32 in Woodstock.

Q. Did they take paid up stock for their purchase money?—A. They took $25,000 cash, and stock $25,000.

Q. I see. The purchase price was $50,000, and $25,000 was in cash and $25,000 in paid up stock?—A. Yes, that is right. We could not raise all the money or we would have bought them out.

Q. And do they continue to hold stock in the New Brunswick Company?—A. Yes.

Q. What is the extent of their holdings now?—A. In the New Brunswick Company at the close of last year there were 4,081 $50-shares, making $204,050. They had 1,382 shares, making $69,100 of stock in the New Brunswick Company.

Q. The first figure you gave——A. Is the total amount. We have a bond issue of $100,000 which was closed on April 31. At the end of the year 1904 our stock amounted to $204,050, or 4,081 $50-shares. The Bell people had $69,100, or 1,382 shares.

Q. This is all paid up?—A. This is all paid up stock. We have an issue of $100,000 of bonds at present, five per cent bonds.

Q. Bonds at five per cent?—A. Bonds at five per cent.

Q. You have obtained authority for the increase?—A. By supplementary letters patent under the Joint Stock Companies' Act of New Brunswick.

Q. What is your authorized capital now?—A. $600,000.

Q. What is the extent of the business which you now have?—A. I produce a plan showing all the lines of the New Brunswick Telephone Company. (Plan produced and marked Exhibit No. 122).

By the Chairman:

Q. What is the issued capital?—A. $204,050. (Pointing to the plan.) This is Fredericton. These are our lines. That shows the copper metallic. That is the iron metallic. This is a single wire, and those are——

By Mr. Chrysler:

Q. Perhaps for the benefit of the stenographer you had better be more explicit. Take this broad continued line.—A. That is metallic copper No. 12 standard.

Q. The continued narrow line?—A. Is iron metallic.

Q. And the dotted line?—A. Is single iron wire.

Q. This reference plan will show where each of these lines is carried?—A. This is Woodstock. We have a single line of wire up to Bath.

Q. The name is printed on the plan. Woodstock, yes.—A. This is Edmundston, Fredericton, St. John, St. Stephen, Moncton, connecting with Nova Scotia there, and North Chatham on the north shore there.

Q. All these places are indicated on the plan?—A. And the intermediate stations that are on.

Q. Now, have you local exchanges in more than the three places? Where are your local exchanges?—A. We have a local exchange at St. John. We have 1,761 instruments there.

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Q. Yes. Fredericton is the next.—A. Fredericton 385; but it had 81 when we bought the system; Moncton, 350; St. Stephens, 174, Woodstock, 209; Dorchester, 25; Grand Falls, 11.

Q. What are the rectangular marks ? Do they indicate exchanges ?—A. Where ?

Q. These squares or rectangles, do they indicate all the places where the exchanges are ?—A. Yes.

Q. There is one here now. This is a circle with an inner circle ?—A. That is a test station connected with the Chatham Exchange. They are connected with the Chatham Exchange there.

Q. Well, is not that your line that is continued through Chatham up to Dalhousie ? —A. No, that is proposed construction in the direction of Quebec. We increased our capital for the purpose of making these trunk line connections eventually.

Q. Your line does not extend beyond Chatham ?—A. No.

Q. How are your lines constructed, on the highway ?—A. On the highway.

Q. In all cases ?—A. There are one or two places where we go across private property under lease.

Q. Under special arrangement ?—A. That is it.

Q. You do not follow the line of railway anywhere ?—A. No, we have no privileges on the railway.

Q. No privileges of that kind ?—A. No, sir.

Q. Has the difference between the $25,000 of paid up stock issued to the Bell Company and the present holding been paid for in cash by them ?—A. Yes.

Q. Paid for in cash ? Have you any agreement with them in reference to the leasing or purchase of instruments ?—A. No, sir. We absolutely control the New Brunswick Telephone system as completely as though the Bell had not a dollar of stock in the business.

Q. You are free to buy where you see fit ?—A. In the City of St. John we have installed the Kellogg system bought in Chicago and if the Bell could have controlled us we would have had the Western Electric or Bell plant. Within two weeks I have bought and installed in the town of St. Stephens a Kellogg switchboard at that point. We are putting in new apparatus at Moncton and Fredericton. The kind we will purchase will be determined entirely upon the business end of it. If it paid us to buy from the Bell we would do so; if not we do not buy a dollar's worth.

Q. With regard to your connections. You have connection at St. Stephen with some lines in Maine?—A. The New England Telegraph Company. The New England Telegraph and Telephone Company with head offices at Boston. We connect with the Calais exchange there and we have transportation over their long lines for our St. John exchange, and do business to Boston.

Q. What is the system of collections, is it the same as in the case of local fares ? —A. We collect our end of it and they collect theirs.

Q. It is a mere exchange of business?—A. The New England Telegraph and Telephone Company, the Nova Scotia Telephone Company, the Central Telephone Company, the Sackville Telephone Company, the Miramichi Telephone Company, the Buctouche Telephone Company and the Stanley Telephone Company.

Q. What are the names you have just read? Are they all the companies you connect with?—A. They are farmer's lines and construction in those points where they have put up some single wires, generally a single No. 12 iron wire over their system. I want to say right here that in New Brunswick there is not at present an up-to-date telephone system excepting this New Brunswick Telephone Company's proposition.

Q. Yes?—A. None. The long lines that are there are all more or less made of No. 12 iron wire, and loaded with from 15 to 25 instruments. In our construction from Edmundston all the way through to St. John (St. John is the distributing centre for all New Brunswick business), we have run metallic copper with no intermediate instruments between Fredericton and St. John.

Q. They are long-distance lines?—A. Two of them. And on the line from Fred-

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ericton to Edmundston, a distance of 200 miles or more, we have Woodstock. This copper wire has intermediate stations.

Q. The plan indicates that?—A. The plan indicates that. But from the Fredericton to Nova Scotia line, which is Fredericton to St. John, St. John to Moncton and Moncton to Nova Scotia, these two metallic coppers have no intermediate telephones on. It is a trunk line for general business purposes, to enable business communities to reach the centre. Now that is a costly proposition in this way: That metallic copper is transposed every short distance, and we tie that line up for five minutes in a conversation for 35 cents, for a distance of 90 miles. Now compare that with the telegraph line, which with an iron wire would send 25 messages and earn $8 or $10 while we were earning 35 cents with two copper wires that cost us $11,000 to construct. The system we have adopted in New Brunswick has been to build trunk lines, and we have given connection to these rural districts and all other companies wherever they desire to have it, with the exception of the one case at Woodstock, where the Union Telephone Company does business. But we cannot guarantee over their lines, if we give them connections, because their lines are filled with telephones having short-distance, and you cannot have a successful telephone conversation for any distance over lines that are loaded with intermediate telephones, and particularly single wire lines. They are susceptible to all sorts of interruptions.

Q. Is the town of Woodstock, that you spoke of, the town concerning which Dr. Ross gave evidence the other day?—A. It is the one that Dr. Ross gave evidence about the other day.

Q. The Union Company?—A. The Union Company.

Q. Did you object to giving them connection with your line?—A. In short I would like to say this: That the Union Company started at the time they told you. Dr. Brown and Dr. Ross ran in a No. 12 copper wire for the purpose of their profession. They ran that line of wire through the county of Carleton. We were then in Carleton county, the New Brunswick Company occupied Carleton county to the town of Woodstock and along the line up to Bath.

Q. Did they connect with your company?—A. Well, they ran then in through the back section by this single wire, and made application for connection with us at the telephone exchange in Woodstock.

Dr. STOCKTON, M.P.—Did you not make a mistake in calling it copper wire?—A. Yes, it was No. 12 iron wire. They have got some copper wire now, some single copper wire, and they have got some short lines metallic. We had a conference with the Union Company, and we agreed to take charge of all their business at Woodstock, only asking them ten cents on each message for giving them a hundred and some odd subscribers, keeping up the exchange, and handling and keeping their business. We allow our agents at intermediate stations on our lines 20 per cent. Well, of course, that is just simply giving the party an opportunity to talk from the station to some point. But we were giving the Union Company the use of our entire exchange in Woodstock for a ten-cent rate, taking charge of their messages, keeping their accounts and doing their business.

Q. Ten cents for each message?—A. Ten cents for each message. They concluded that was high, but they did not take up the subject any further, and they made up their minds that they would drop into Woodstock with an automatic system. Our rates in Woodstock at that time were $15 and $10, $25 for the two. We were not giving an all-night service.

Q. $15 for business and $10 for residence 'phones?—A. Yes.

By the Chairman :

Q. Was there not an additional $5 a year for a long-distance transmitter for long-distance connections ?—A. No. If a man had any particular business, requiring the use of long-distance lines, they were supplied with them free.

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By Mr. Chrysler :

Q. Well, what class of people did you charge the $5 ?—A. Well, we did not have any in particular. I do not believe we had a $5 long-distance transmitter in Woodstock, I do not believe we had. We did in Fredericton, and we did in St. John, which are larger centres. The Woodstock exchange was only running a day service at that time. They did not agree to pay for night and day service. We had at that time what you call a single-grounded wire, just a single wire.

Q. How long ago does that go back ?—A. Up to the time the Union people came into Woodstock with their central, automatic exchange.

Q. I understood that was two or three years ago.—A. Well, I think it is about two years ago. Since that time we have reduced the rates on circuit lines. We put a half dozen or ten of them on for $5, but we do not give single lines. We maintain the same rate that was maintained before for the single wire lines.

Q. That is $10 and $15 ?—A. Twenty-five dollars for the two. Now in the town of Woodstock we were not making any money.

Q. Well there was opposition, I suppose ?—A. And I do not think they are making any money. I do not think either of us is. But we were there and we are not trying to crowd them out. They are simply there to distribute the New Brunswick Telephone Company at a point where the telephone service was lower than given in any part of the world, I was going to say, $15 and $10 for an exchange service, and at the present time taking from the——

Q. Can you tell us what has been the effect upon your business ? What number of subscribers had you when they came in there ? Or can you tell us ?—A. The number of subscribers we have now and the number they have from the published list of subscribers is this : The Union Telephone Company, under the automatic have 49 business and 52 residence, that would be 101. I think that differs with Mr. Ross' statement, but this was taken the night before I left home, from the published list of subscribers. Now, as to the New Brunswick Company, we have 86 business and 110 residence, making 200 practically. Now the business people in Woodstock who have both the Union and the New Brunswick number 46, and they only have 49 altogether. There are 46 business houses in Woodstock that have 46 New Brunswick telephones and 46 Union. They have three business men in the town of Woodstock——

Q. Who have got their telephones ?—A. That have got their telephones. There are 24 residences that have both telephones.

Q. What was the proposition you made to them that you say was not accepted ?—A. Ten cents a message to handle and give them the benefit of the entire Woodstock exchange and connections with all the business.

Q. What do you mean by handling messages ?—A. Delivering it to any customer in the city of Woodstock.

Q. That was to call up from any part ?—A. Anywhere over their own system.

Q. The Union line could have messages ?—A. He could talk with 86 business people and 110 residences.

Q. Ten cents for each message ?—A. Yes.

Q. Well, what privilege would they have, if any, with regard to long-distance lines, would their message or conversation have to be repeated ?—A. It would over their line. It would not if their lines were sufficiently good to be able to talk over them. They could not reach St. John over their own service but they would get the same connection through, that any other subscriber would. All their subscribers would get connection with our entire long line system on exactly the same terms as our own patrons.

Q. If they had a line ?—A. That they could use for that purpose.

Q. You have spoken now of the cost of the Union Company at Woodstock. Are there any other places where you are giving to any company of the same character the privilege of connection with your line, and if so, upon what terms are you doing it ?—A. Oh, yes. There is the Central Company, in which Mr. MacRae, who gave evidence here, is one of the shareholders.

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APPENDIX No. 1

Q. Alexander W. MacRae?—A. Yes, sir. We have a contract with them. I wired for it, and when it reaches here I will be very glad to place it in the hands of the committee.

Q. Where are their lines situated ?—A. They are situated all through here. This will be King's county (pointing to map). Their head office is in Sussex.

Q. Sussex is there ?—A. We have sold them that exchange. We have sold them that exchange and taken stock in their company, some amount of stock, and we take care of all their business. They have lines that reach Fredericton and they have lines that reach St. John all through here. They are rural lines on single wire copper.

Q. And you have an agreement with them which you will produce later ?—A. Which we will produce later.

Q. Well you have said that their lines are single wire copper ?—A. Yes.

Q. Is that a requirement that you make that their lines should be copper before you make connection with them ?—A. No, we have consented to this connection because practically they go to our central office and their lines do business either with St. John or Fredericton. If they fail to give a good service it is not at all chargeable to our system, it is entirely due to their line, and then if they go across and talk elsewhere on our long line——

Q. They do business through one of your exchanges ?—A. One of our exchanges. Why the public knew that the service on our metallic line is as good as it is possible to get under any telephone system but if they fail in these other lines why——

Q. You are not alarmed at the danger of having the good name of your company injured by it ?—A. No, sir.

Q. You feel that you can take care of it ?—A. We feel that we can take care of it.

Q. And you give good connection regardless of that ?—A. We make it a point to have good connection.

Q. What would you ask if a company were to come to you to-morrow and ask to have connection with your line, what would you ask ? In the first place are there any requirements as to standard lines and instruments to be used, and secondly, as to the tolls ?—A. Well, we have never made any restrictions. We have tried to give them a service no matter what line they built or what they would do; they could come into our stations and get connection by paying the same as any other patron would from those points. I might say that on our long lines there is no one, not even a director of the company has the right to use our wire, without paying a regular tariff rate.

Q. Do you mean that an additional toll is charged to every subscriber ?—A. It is always a toll service. So that no man can come in and prevent any other man from getting our long lines and we have never yet in any case permitted the use of our long lines upon a rental tariff.

Q. Well, has the subscriber then any privilege in regard to the long lines, that is toll lines ?—A. No, sir.

Q. They are given no greater privileges than any one else ?—A. No, sir, the directors have no free pass over the New Brunswick Telephone Company's lines. No franchise of that kind has been given. I pay for my messages. Strictly telephone business messages are excepted but my other messages I pay for the same as any one else.

Q. With regard to long-distance lines you have answered my question. But supposing people wanted to come in the same as at Woodstock and exchange business with those who are subscribers over your local exchange ?—A. In that case for ten cents they get the free use of our exchange.

Q. You would be willing to do that ?—A. We offered to do that.

Q. In such a case would you make any requirements, would you impose a standard as to the instruments or lines of the connecting company ?—A. No, sir, we have not done so but I think it would be proper in the common interest of the people if we had done so.

Q. Apart from your practice what would you think would be reasonable for the

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giving of connections ?—A. It ought to be a metallic copper wire to give a good service for the telephone.

Q. It would be reasonable, you think, for a company situated as your's is, dealing with a smaller company, to ask that they should have such a wire ?—A. Well, as I stated before, our long lines are admitted all through New Brunswick to be an up to date first class system, and if we consented to give them connection and they did not keep up their line we would perhaps be unable to collect the rate for them and would lose the whole thing.

Q. But you have as a matter of practice connected with cheaper lines, with iron wire lines ?—A. Yes, sir.

By the Chairman :

Q. Are all their lines copper ?—A. Iron wire most of them are.

By Mr. Chrysler:

Q. Are your own wires copper?—A. Our wires are all copper over our system, with one metallic or iron, with one single short line iron wire. We have two metallic coppers from the city of St. John to Fredericton, and there are no instruments between these points. From St. John to Moncton two metallic copper, from Fredericton to Edmundston one metallic copper, and from Fredericton to Chatham one metallic copper and metallic iron wire No. 9.

By the Chairman:

Q. I mean rural lines.—A. We have not any rural lines.

Q. You have no rural lines?—A. We are practically the trunk line system of New Brunswick. We have not gone out after it, we have not touched that side of the problem at all, but we have picked up rural lines wherever they have come near us except in this one case.

By Mr. Chrysler:

Q. Of the Union Company, Woodstock?—A. The Union Company, Woodstock.

Q. And judging from the map which you have here the iron wire is used for—— A. The intermediate.

Q. Intermediate points?—A. We originally started with single iron wires, but it did not take very long to determine that business could not be done over such wires, so we doubled them up, and put in copper also.

Q. That is metallic?—A. Those are all metallic.

Q. The iron is metallic circuits?—A. Yes, we use these two wires, put them together.

By the Chairman:

Q. Are the wires for private subscribers copper?—A. No, sir.

By Mr. Chrysler:

Q. The wires in the local exchanges from your central office to the subscribers in any one of these towns are iron, I suppose?—A. They are in all the towns excepting the city of St. John. When we purchased the plant they were iron, but in St. John the moisture, and the salt and the smoke would soon cause the iron wire to rust, and it will not last any time. We have to change in the city of St. John to a metallic circuit, installing a Kellogg central energy system, with a copper wire to each subscriber throughout the whole city. The city of St. John, if I may be allowed to say so, is peculiarly situated. Any one who has been there will know that the harbour backs up through the city, and to reach their shipping port we have to cross with four and a half miles of cable to get round to a point that is three-quarters of a mile distant from the central exchange.

Q. To get to what point?—A. We have to cross the harbour here.

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APPENDIX No. 1

Q. You mean over to Carleton?—A. To Carleton. I am speaking of St. John, and I would like to name the rates we have there. In that city we have a rate with our metallic circuit central energy system of $40, and $23.50, not $25, as stated. The latter rate is for residence and the $40 for business 'phones, with a discount of 5 per cent for prompt cash payment on both of these, or two at $60 with a discount of 5 per cent.

Q. Two telephones to one subscriber?—A. Yes, sir.

Q. Making a net rate of $57?—A. Yes. In St. John we have a conduit there of 2,000 feet. There has been an estimate placed before the committee as regards building and constructing exchanges.

Q. I was about to ask you that, I did not know whether you had that information?—A. In the city of St. John, I have not the details, but where they put down $2.50 for setting down poles, it has cost us $9 or $10 to blast rock and to set in rock, the construction there is so expensive.

Q. No one spoke of the cost of setting poles in St. John?—A. Well, there was an estimate given here as to the probable cost of a telephone plant in St. John, under the application made by the council.

Q. Well, what are your figures as to the cost? Can you tell us what the exchange at St. John has cost? The whole outfit there?—A. I cannot give you that definitely. We scrapped the old exchange there.

Q. How long ago?—A. Well, about three years ago.

Q. What do you mean when you say you 'scrapped the whole exchange'? What did you have to take out?—A. Everything practically. We built a new building at a cost of $31,000, and we put in a central energy Kellogg system there.

Q. Of course, the outside construction is all right?—A. Well, there was only a single wire, what they call the McClure system, a return ground wire. We had not the metallic system in St. John at that time. There was a single wire to subscribers and a return wire. We connected a lot of subscribers, and it was a kind of half metallic arrangement.

Q. That was taken away?—A. That had to be taken away.

Q. Your poles——A. Our poles were all right, but we built 2,000 feet of conduit under ground.

Q. Have you your annual report?—A. I have the annual report for the last year, but I would like that this be copied and given back to me, because it is the official report, signed by the president of the company.

Q. Well, this is the report, but the accompanying statement?—A. The financial statement for the year is in that report to the shareholders.

Q. Are you making dividends for your shareholders?—A. We have been paying 8 per cent.

Q. For how long?—A. After the first two or three years we paid 8 per cent.

Q. All but the first two or three years?—A. Yes.

Q. You have allowed 5 per cent for depreciation of plant, can you give us any information as to what is the proper amount to allow?—A. No, sir, that is a difficult problem. This present year our experience has been that 15 per cent would be required on our long-distance system. We had two or three storms last fall and eight miles of three metallic circuit line, poles and wire, were razed to the ground, the whole of it, and we suffered severe loss on that, so that for depreciation the present year will be large, and I am not at all certain that we will have any dividend or anything left at all.

Q. That is, the loss from storm is large?—A. The loss from storms, sir. We had at one time a severe storm in St. John, which caused $6,000 loss on line.

Q. That was in 1904?—A. That was last winter, so far as the long lines trouble referred to.

Q. The last winter?—A. Yes, last winter.

Q. In 1904, you did pay 8 per cent?—A. Yes.

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Exhibit No. 123.

DIRECTORS' REPORT.

FREDERICTON, N.B., April 30, 1904,

To the Shareholders of the New Brunswick Telephone Company, Limited :

Your directors beg leave to submit for your information, their sixteenth annual report of the business of the company for the year ending the thirtieth day of April, A.D., nineteen hundred and four.

The total number of instruments in use on the 30th day of April, 1903, was 2,608, distributed as follows : St. John, 1,534; Moncton, 276; Fredericton, 354; Woodstock, 116; St. Stephen, 151; Shediac, 24; Dorchester, 24; Sussex, 38; private lines, 19; trunk lines, 72.

The total number of instruments in use on the 30th day of April, 1904, was 2,787, distributed as follows : St. John, 1,607; Moncton, 307; Fredericton, 380; Woodstock, 139; St. Stephen, 153; Shediac, 23; Dorchester, 28; Sussex, 44; St. Andrews, 24; private lines, 10; trunk lines, 72; making an increase of 179 for the year.

The financial condition of the company is as follows : The total earnings from all sources amounted to $88,372.99. The total disbursements for the same period for operating, repairs, reconstruction, insurance, management, directors, taxes, interest, legal expenses, &c., amounted to $58,747.48, leaving the result of the year's operations the sum of $29,625.51, out of which the December and June dividends, amounting to $16,324, and 5 per cent for depreciation of plant, $10,000 was paid, showing a net surplus of $3,301.51.

The amount expended on and charged to capital account was $29,263.49, of which amount the sum of $14,362.19 was expended on long lines, viz.: Extending the line from Bath to Grand Falls, and running copper and metallic from Grand Falls to Woodstock, at an outlay of $10,941.39. Running copper circuit from St. John to Sussex, $2,306.25. Running an iron wire from Moncton to Sackville, $464.44. Running metallic copper wire from Woodstock to Houlton, $920.11.

The sum of $10,865.22 was expended in St. John, and the sum of $1,164.69 was expended in opening up a new exchange in St. Andrews, the balance being expended in the several exchanges to meet the natural growth of the business.

Your directors have under consideration during the coming season of constructing a line from Canterbury Station to Meductic, connecting at that point with our system to Woodstock, Fredericton, &c.; of extending our trunk line from Grand Falls to Edmundston, and of installing exchanges in the two last named places, and of constructing a copper metallic circuit between Fredericton and St. John and Fredericton and Chatham; and the construction of new exchanges and buildings at Moncton, St. Stephen and Fredericton.

It may be that this work will not all be completed inside of the next two years, but it will be proceeded with as expeditiously as the company's business will warrant them in doing.

It was resolved by your directors that the present financial conditions of the company's business would warrant them in declaring a cash dividend of 4 per cent upon the paid-up capital stock of the company for the six months ending the 30th day of April, A.D. 1904.

Dividend to be paid on and after the 15th day of June next.

Respectfully submitted.

AND. G. BLAIR,
President.

W. E. SMITH,
Secretary.

Hon. F. P. THOMPSON.

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Q. Can you give us any figures as to the cost of construction of long-distance lines ?—A. Our copper wire, we are building metallic copper, that cost $150 per mile for most places.

Q. That is for one double copper wire ?—A. Double copper wire; it depends somewhat on the locality, there are places in New Brunswick where the cost will be higher than this. We get our poles very cheaply up in this direction (Edmundston) (pointing to map), but as we got down here (again pointing to map) we had transportation to pay, and our poles cost us very much more.

Q. 'Down here' means on the line from St. John to Moncton ?—A. Yes, or Fredericton to St. John.

Q. In the southerly part of the province ?—A. Yes, it makes quite a difference, some $25 or $30 a mile.

Q. In the northern parts of the province poles are cheaper, and that reduces the cost. It makes a great difference, according to the different parts of the province in which the line is erected ?—A. Yes, practically we have to get them all from the northern part and bring them down to the southern part of the province. We have been able to put up a mile of metallic copper for $150.

Q. That is for poles and wire ?—A. Yes, sir.

Q. That has nothing to do with your office equipment ?—A. No, sir.

Q. You have told us that on the southeast you have connection with the Nova Scotia Company ?—A. Yes.

Q. And your arrangement with Nova Scotia, is it similar to that for your connection with the United States ?—A. Yes, sir.

Q. The same local rates ?—A. Yes, we have a connection to Halifax, and all over Nova Scotia, and over these copper wires we can talk with them.

Q. An exchange of business ?—A. Yes, and we make monthly reports of the business.

By Mr. Lewis:

Q. Had you any business at the time you bought out the Bell Telephone Company ?—A. Had we any ?

Q. Yes, were you in business ?—A. We had some poles purchased and a subscribers' list, but were not in business.

Q. How long had you been in business ?—A. Oh, not six months before we bought the Bell.

Q. Who made the first advance ? The Bell or you ?—A. I think we did, I think we told them they ought to get out of New Brunswick.

Q. Did you put any free 'phones in Woodstock ?—A. To the city, the city has four or five 'phones.

Q. But no one else ?—A. No, sir, they are practically free, pretty nearly free at $5.

Q. Would you be willing to exchange with the Union Telephone Company on the same terms as with any other company ?—A. We tried to do it, we offered to do it, as with other companies, but they had the bee in their bonnet that there was money in the business.

Q. But did you offer to exchange ?—A. Yes, we offered to, there is not a company in New Brunswick that cannot do business with our company on the same terms as we do with that one. We would do it with all of them.

Q. A former witness spoke of an iron metallic and a copper metallic circuit, what is the difference between that and a copper metallic ?—A. It is just the same, the metallic is just simply a complete circuit between two points, you can use both iron or copper to make a metallic circuit, we have metallic iron and metallic copper.

Q. The use of the word metallic, would that mean copper ?—A. Not necessarily, it may be two copper wires or it may be two iron wires.

By Mr. Roche:

Q. When you bought out the Bell system did you have an arrangement with them

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that they were not to invade your territory?—A. No, sir. If they do not think we are using them properly they have the right to go there.

Q. They have the right?—A. Yes.

Q. Who compose your directors now?—A. There is Mr. Blair, who is president, and Mr. Stockton is a director, Mr. Fawcett a director, Mr. J. L. Black is a director, Mr. Whitehead, of Fredericton, is a director, and Mr. Sise is a director.

Q. And yourself?—A. And myself, I happen to be a director and treasurer.

Q. Have you a list of the shareholders here?—A. No, sir, I have not.

Q. In Woodstock, did you say your rates at present are $15 and $10?—A. For an individual wire we maintain that rate, but we made a circuit rate, that is put a half a dozen subscribers on a wire, and we gave that at $5.

By Mr. Chrysler:

Q. That is a party wire?—A. Yes, but we have not any party wires at St. John, at Fredericton, or anywhere else but Woodstock.

By Mr. Roche:

Q. You reduced rates at Woodstock?—A. On party lines, that is a rural system practically.

Q. What are your rates at Fredericton?—A. $20 and $15, $35 for two.

Q. Is there any local condition that would make the rates necessarily higher there than in Woodstock?—A. Well, they ought to be higher in Woodstock. I do not want any more Woodstock, we tried, but could not get it, for when you have established a plant and poles and wires you have to stay. You cannot pick it up and take it away, and it means eventually, as with all these business propositions, that there will be an absorption or a coming together to live, you cannot live on it. I may, however, say that they cannot make any money, nor we are not able to make any, but the people of Woodstock are, and they are keeping us there, and I think they will continue to keep us there.

Q. You attribute that to competition?—A. Yes, we were there first, and established our line, our long-distance line up there, and we started to do business, and I do not think it is any breach of confidence to say that arrangements are practically under consideration with Senator Baird by which a business arrangement will be made with them. He is in touch with us, and he is one of the members of that Union Company. There is not any doubt that we are willing to do business with them if there is any chance to do it.

Q. Has there been any demand on your company for an extension of the rural telephone system?—A. No, we have not touched that, it is a big proposition. It is a problem that I think perhaps we might consider later. Our object has been to get these through trunk lines there simply for the business of St. John, which is the great distributing centre, and to give connection with all the other business centres and to make it as easy for the business men at all these points to talk with other points as they could across this table.

Q. Have you had any experience at all with the automatic?—A. We have had none, except that I am getting it in Woodstock through the other company, they have one there.

By the Chairman:

Q. You are getting it indirectly?—A. Yes, but it is from practical experience from the other company.

By Mr. Roche:

Q. You do not know whether it is a success or not?—A. I think it very successful and satisfactory. There is one feature about it, and that is if you call up on the automatic and the subscriber happens to be away and does not answer you have no means

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of telling whether you fail to get an answer because he is away, or whether it is because the line is out of condition. It is not so ready a system as the central energy, but it is less expensive of course. I think I have the number of operators that we have now at our exchanges. In the city of St. John we have thirty operators. That is for the 176 subscribers, and we give a service night and day all the time. In Fredericton we have seven, in Moncton seven, in Woodstock three and in St. Stephen three; that is the number of operators we have. Then when you have a system like ours, a trunk line system, we have to keep a staff of men, a large staff, always ready to go out over these lines. There are always difficulties with these lines; a tree falls on the wire and we attend to our system as quickly as a railway does to a break. We keep a first-class system. With regard to this rural telephone business I am satisfied that it ought to belong to another corporation, that is a business by itself; you might work a single wire or a half dozen or twenty instruments on it, and you could not make an efficient service and particularly so because any one man has the right to cut in when he likes, cannot even when other parties are speaking and no one can control it. Under our system a man cut in in that way.

Q. The rates at Woodstock you say, do not pay, you are not making any money ?—A. No.

Q. Are they lower than the Union Company's rates ?—A. They are the same rates, but they are lower on the circuit wire, the Union Company cannot work that same system on their automatic exchanges.

By Mr. Chrysler :

Q. You are referring to the party lines ?—A. Yes, they cannot work the party line on the automatic, but they do on the long line, but we can work it in the town of Woodstock and they are doing it out in the country. Our trunk line rates are 25 cents for the first 50 miles and the conversation is for five minutes, but that is long and I think probably that will be changed.

Q. And what proportion for longer distances ?—A. Five cents for each 25 miles, that is 35 cents per 100. Here is our schedule of trunk line rates.

Q. You can put that in.—A. From Fredericton to Amherst, 227 miles, it is 70 cents, and to Andover, 124 miles, it costs 60 cents.

By the Chairman :

Q. For five minutes conversation ?—A. For five minutes.

Exhibit No 124.

THE NEW BRUNSWICK TELEPHONE COMPANY, LIMITED.

TRUNK LINE RATES.

From Fredericton to the following offices :

Albert	65	Doaktown, 64 m	30
Amherst, 227 m	70	Dorchester, 205 m	55
Andover, 124 m	60	Edmunston, 186 m	75
Avondale	40	Elgin,	55
Bath, 104 m	40	Evandale	25
Benton, 73 m	35	Florenceville (East), 98 m	40
Blackville, 88 m	35	Florenceville (West)	40
Bloomfield	40	Forest Glen	55
Bolestown, 48 m	25	Gagetown	25
Boundary Line	35	Gagetown (Upper)	25
Bristol, 101 m	40	Grand Falls, 148 m	60
Brown's Flats	25	Green River, 177 m	75
Burton	25	Greenwich	25
Buctouche	60	Hampstead	25
Burtt's Corner	25	Hampton Village	35
Canterbury Station, 85 m	35	Hampton Station, 112 m	35
Centreville	40	Hartland Station, 87 m	35
Chatham, 120 m	35	Harvey Bank	65

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Hawkshaw	25	Perth, 123 m	60
Hillsboro	60	Petitcodiac, 156 m	45
Hopewell Cape	65	Pokiok	25
Hopewell Hill	65	Riverside	55
Houlton, 87 m	40	Rothesay	35
Lakeville	40	St. Andrews	50
Lepreaux	35	St. Anthony	60
Meductic	30	St. Basil, 182 m	75
Memramcock, 198 m	55	St. George	45
Millerton	35	St. John, 90 m	35
Millville	25	St. Leonard's, 161 m	70
Moncton, 180 m	55	St. Stephen, 190 m	50
Musquash	35	Sackville, 217 m	60
McDougall's	60	Salisbury, 166 m	50
Nelson, 114 m	35	Shediac	55
Newburg Junction, 80 m	35	Sigas, 165 m	75
Newcastle	35	Simonds	35
Norton, 122 m	40	Stanley	25
Notre Dame	60	Sussex, 133 m	40
Oak Bay	50	Temperance Vale	25
Oak Point	25	Victoria Corner	35
Oromocto	25	Westfield	30
Penobsquis, 141 m	45	Woodstock, 75 m	35

By Mr. Chrysler :

Q. You have already referred to the difference between the expense of operating by telegraph and by telephone can you give us any information as to the difference between the earnings of the wires operating on the different principles?—A. Yes.

Q. What is the difference ?—A. I should think that the question as between the telegraph and telephone it must be 80 per cent in favour of the telegraphs.

Q. What are the reasons that make it more expensive ?—A. In the first place you will require an exchange with operators and we will take for instance between Fredericton and St. John, a distance of 90 miles with a telephone you have to put up two copper wires and it will tie up those two wires for five minutes for 35 cents when the telegraph companies would by their duplex or other systems be able to send 8, or 10, or even 20 messages in that five minutes over iron wire, that does not cost nearly as much money.

Q. Then you cannot compete with the telegraph except for short messages ?—A. Except that you can converse, and as far as the financial end of it is concerned the telephone cannot compete.

Q. I wanted to ask you a question that I had overlooked about the railway company to Woodstock ? Have you had any trouble with the Union Company in regard to exclusive rights there?—A. No.

Q. Have you an agreement with the railway company ?—A. Yes, we have a contract with the railway company, I have not a copy with me, I suppose it was put in.

Q. It was put in yesterday by Mr. Sise?—A. We have an instrument there, and we have had that for years. We put that into business shape in 1904, just at the time the Union people came in there with their exchange. We did that practically as a business proposition. But while we have an exclusive right the Union people run from Woodstock up the river in company with our line and away up there, and our line runs there also. We have consented to their having instruments at Grand Falls, Andover, Perth, Bath, Bristol and Grand Falls. There is the only one point that we resisted their having the privilege.

Q. That is at Woodstock?—A. That is at Woodstock, and there are only three business men on their exchange that have not the N.B. telephone. There are only three business men using their line that cannot reach the railway station by 'phone.

Q. They can do so by using your line ?—A. By using our line.

Q. Well, that is the situation, but I suppose it is an advantage or you would not desire to preserve it?—A. Well, they think it is, but we have, as I stated before—arrangements are under consideration with Senator Baird by which they are likely to put their telephone in there.

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APPENDIX No. 1

By the Chairman:

Q. Do you think that a rural telephone system would be a public convenience?—A. Oh, yes, there is no question about that, but I do not think that it belongs to our work.

Q. You are not catering to that business?—A. We never have, I think it is an entirely separate work, and a big enough work for another organization.

Q. Do you think it would be a great convenience to people in the rural districts?—A. I have no doubt of it.

Q. That it is a public want?—A. That the public really need it, but they could put up with a service that we could not give on our system.

Q. But as an observer, you think, it would be greatly to the public interest of those in the rural districts if they could have it?—A. A telephone service.

Q. Yes?—A. Undoubtedly. It is one of the greatest public utilities you could have. It is of course growing very rapidly over in the State of Maine, and to some extent in New Brunswick.

Q. It is in many parts of the States?—A. I know their prices, and what they charge; they get higher rates there than we could get in our country, but then, of course, in these rural systems they do not ask for the same close attention to their wires as we do on our trunk lines.

Q. How would some regulating body be for the purpose of making arrangements for interchange of traffic, or would one company be able to arrange for an interchange of business with another?—A. Well, so far as our exchange, and our company goes we are always willing to accept it. Of course if two rural or opposition telephones sprung up in a district the one that is first on the ground or that gets connection first might ask that we would not connect with any other line in that district, that is for their protection. We drop into that trouble very often. For instance, if one company has a connection with our line and another one comes into the district they will generally ask us not to give connection to anybody else, because they are always afraid of opposition.

Q. You recognize it as a public convenience if one line would interchange business with a connecting line?—A. I do, certainly.

Q. But supposing one of those companies is unwilling to, how would you get over such a difficulty?—A. Well we would——

Q. Supposing you wanted to interchange with a connecting line, and that line is unwilling?—A. Well, we would build another line, but it would be a waste of capital.

Q. That is the way you would suggest out of the difficulty?—A. That is the only way I know of.

Q. But could not that be obviated?—A. There could be created, I suppose, a power that could exercise jurisdiction.

Q. You spoke a little while ago about companies using each other's lines?—A. Yes, if we had some power that would say, this utility is valuable to the people to prevent anything of that kind, it would be in the common interest of the people.

Q. Provided there is some regulating power?—A. Yes.

Q. I observe there is a controlling power in New Brunswick?—A. It is an open question, we had a monopoly of the long lines there for ten years; we did not build them all at the time.

Q. Well, in New Brunswick and Nova Scotia I understand there is a general law whereby the government can control the local rates?—A. Well, that is in our Act, there is something like that, but by comparison with Canada, the United States, or any other part of the whole world our rates are low.

Q. But where we find companies that will not mutually interchange, there is either a deadlock or there must be some solution of it?—A. Yes.

Q. What would be your suggestion as to the solution, instead of having to build a competing line as you say and wasting capital; have some government control?—A. Government control, I do not know of anything else.

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Q. That is the only way out of it. Just one word about the price of instruments. I suppose you equip your lines with the best modern instruments?—A. Yes, we do.

Q. What does it cost, what do you have to pay for instruments?—A. We have been buying a great many Kellogg, American instruments.

Q. What do they cost laid down in New Brunswick?—A. $13.

Q. Duty and all?—A. Yes, sir.

Q. Does that cover the following supplies: Telephone, bell, telephone cord, battery and lightning arrester?—A. Without the lightning arrester, yes sir. There is no battery with the central energy system, there is no battery with the telephone, the power is provided in the central energy.

Q. And so you get all these except the lightning arrester?—A. Yes.

Q. What will the bridging magnet sets cost?—A. From $12 to $15 according to the power, for 500, or 1,000 or 2,000.

By Mr. Lafleur (for Bell Telephone Company):

Q. Senator Thompson, you said you had been obliged to 'scrap' your plant in St. John, did you get anything for that 'scrap'?—A. Oh, well, we are using some of the instruments and we have sold quite a lot to those rural companies at $7 a piece, we have done that.

Q. But apart from the instruments, were you able to utilize the 'scrap' at all?—A. Very little, the boards were of no use, we had to store them, and are dead stock.

Q. Woodstock is your only competing point?—A. It is the only place where there is opposition, Woodstock.

Q. You do not as a matter of fact connect with any competing line?—A. We have not any competing lines, no.

Q. So that you have not considered how far your company would be justified in giving connection to a competing line?—A. No, it has never been a problem to be dealt with, and we have never dealt with it. We have dealt with everybody in sight.

Q. I suppose you recognize it would be a serious problem to consider, as far as the policy of the company is concerned?—A. Yes, where we have made business connections with these companies, it has always been part of the contract that we will not interfere with their business, and that they will not interfere with ours or connect with other lines at that point.

Q. You would not think it proper that you should be asked to exclude your subscribers in order to enable a competitor to speak over your line?—A. No, we have never had a case of that kind.

Q. But you can easily see that such an occasion may arise when the system extends farther over the country?—A. Yes.

Q. Does the Bell Telephone Company in any way control the New Brunswick Company or interfere with it?—A. Not in any sense.

Q. Could it be properly stated that the Bell Telephone Company are doing business under your name in New Brunswick?—A. They certainly are not.

Q. Is there any connection at all beyond the fact that Mr. Sise happens to be a director in both companies, and that the Bell Telephone Company holds stock in your company?—A. That is all, Mr. Sise has not attended a meeting of the directors of the New Brunswick Telephone Company in the last four years.

Q. Have they ever attempted to control the tolls of your company?—A. They never have.

Q. Could they do it if they desired?—A. They have not the power. How could they any more than any individual stockholder?

Q. You have friendly relations with them, I suppose?—A. We buy from them and make quite a lot of purchases from the Bell Telephone Company.

Q. You buy from them the same as from anybody else?—A. We have bought copper, although we knew that the Bell company had copper, we have bought copper

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from Eugene Phillips, manufacturing company of the United States and Montreal. We know that the Bell Company have copper, but we buy from any company.

Q. You buy from the cheapest and best market?—A. Always.

By Mr. Johnston:

Q. Are there any complaints from the town of Woodstock?—A. We never had any, only from the other company.

Q. You have had no complaints from other people as to the nature of the service?—A. Not with respect to the service, sometimes they would like to have lower rates. The great trouble I find in the telephone business is the leakage. If we were paid for every time the telephone is put in service by individuals we could reduce the rates. Our contracts say is to put a telephone in a man's office for his own use, but the trouble is that its use is not confined to his business, that everyone uses it, we all do it. In that way we lose very heavily, the leakage is estimated at as much as 40 per cent in that way, and it is because the people do not think it is any harm to go into an office and use the telephone, although they may not be subscribers.

Q. The rates in Woodstock were lower than in any other place ?—A. They always were, before we had any opposition; that has always been the case.

Q. But you will admit that it is lower than at other places ?—A. You know we gave them that rate, but we only gave them a day service, it was shut off at 8 o'clock and there was no service on Sunday, and they were satisfied with that before the other company came there. Now we give them a night and day service, and it is entirely owing to the fact that there is opposition.

Q. Do you think that the town of Woodstock is benefitted by reason of the operation of the two telephones ?—A. I doubt it, from the fact that the business men are all carrying two telephones now instead of one. With the exception of three business men they all have both telephones.

Q. And as a result of having two telephones there, they are probably paying more for their telephone service than if they had a first class telephone service. If there was a single telephone service in Woodstock they would probably pay less for telephones than they are paying to-day ?—A. In a good many places they are now.

By Mr. Lafleur :

Q. Did I understand you to say that in order to secure a good long-distance service the connection lines should be metallic ?—A. I did, certainly.

Q. Did you also say, I think you began to say, when you were interrupted, that they should also have standard instruments ?—A. Oh, certainly, it is very important that they should have standard instruments, good instruments.

Q. Otherwise a good service could not be guaranteed on the trunk lines?—A. No.

Witness retired.

Dr. A. A. STOCKTON, M.P., St. John, N.B., called and sworn.

By the Chairman :

Q. You might tell us what you know about this system in St. John.—A. I am one of the directors and legal adviser of the New Brunswick Company. I have been a director from the beginning. We installed a new system in St. John about three or four years ago. It is a very difficult place to install a system, to put in the poles, in consequence of what Senator Thompson said. It is rock foundation and it is very expensive, however, the system was installed and so far as I know the people of St. John are perfectly satisfied with the service that we give except that they would like to get the charges a little lower. That is all I have to say, Mr. Chairman.

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By Mr. Roche:

Mr. JOHNSTON.—The question arose yesterday before the committee as to whether the Bell ?—A. When ?

Q. When you started the company ?—A. We started the company because we thought there should be an independent telephone company in New Brunswick.

Q. Competition would be of benefit to the people ?—A. And the service at that time in St. John was not what we considered an up-to-date service or a good service for the community.

Mr. JOHNSTON.—The question arose yesterday before the committee as to whether or not certain officers of the New Brunswick Telephone Company should be brought here to give evidence. As far as I am concerned, I think the evidence of Senator Thompson and Dr. Stockton is sufficient to enable us to discharge certain officers who are expected to come here.

Ordered that the secretary be relieved of attendance.

Witness discharged.

Mr. EDWARD COCHRANE, M.P., called and sworn.

By Mr. Lewis :

Q. Mr. Cochrane, there is a letter here from Mr. Nesbitt of Brighton. You are acquainted with him ?—A. Yes, very well.

Q. He is making some complaints with reference to the charges by the Bell for long-distance. Are you acquainted with anything in connection with this letter?—A. I cannot give you any information in reference to his business transaction or to the charges he makes. All that I can say is that that information is undoubtedly correct. He is a man of integrity and has one of the largest canning factories there is in Canada.

Q. Would you tell us in your own words any difficulties you are aware of in connection with this system in your constituency or in your town?—A. I have not lived long enough in Brighton to hear very many complaints. The complaint that we have in connection with the telephone system in that section of the country is the fact that we cannot get messages conveyed from the local telephone. If you will remember the evidence of Mr. Wade, who came from that section of country, he has got a line that runs several miles, a distance somewhere in the neighbourhood of 20 miles or more to Warkworth, and he has connections all along through the country. Well, I will give you a case of my own. This line goes to Brighton, and if I wanted to telephone, as many of us do, to Colborne for a doctor, we could not get a message from Brighton to Colborne without having some person there to take the message from one office to another.

Q. And this is because the Bell Company refuse an interchange of traffic ?—A. That is what I understand. I do not know that personally, but I know there is a post office called Edville, close to my place, and although the Bell telephones run alongside within four rods of the post office they would not give us communication with that office. I never could see why, for if I was willing to pay for a message from Brighton to Colborne, I could not get connection with Colborne although there was a line there. I have heard it said that they refused to transmit messages for the local rate. We were not disposed to ask them to do that at all. What we felt a grievance was that we could not send a message to Brighton and have connection over the Bell telephone to send it to Colborne or Trenton by paying their rates from Brighton to Colborne or Cobourg say.

Q. It is not a question of not being willing to pay an adequate rate?—A. Not at all. Anybody can see—you will realize it forcibly—the people sick in that section often want communication with doctors or with business men, and that sort of thing. It is a great deal easier to pay whatever the charges were from Brighton to Colborne, where we have a local line rather than drive out to Colborne, and we would not only save the time, but the benefit would be felt by the medical men who would be able to get the com-

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munication there. Why we cannot get communication with that line, when it passes through a thickly populated section, with the post office where Mr. Wade's office is, I never could see. Of course, there may be objections that I do not know anything about.

Q. You don't know if Mr. Wade's company ever made application to the Bell Company for connection or interchange?—A. No, but I know that I did.

Q. You tried to get a message through?—A. No, I tried to get a 'phone in that office at Edville where Wade's 'phone was, and I know that we could not get a message delivered from Brighton to Colborne without having somebody to go and repeat the message at the Bell Telephone office.

Q. There is a complaint in this letter of Mr. Nesbitt of the nature of the 'phones in small places, that you cannot hear distinctly through them, and so on.—A. I never heard of anybody being hurt by that.

Q. You don't know if there are any general complaints?—A. I know this, that I got messages from Brighton, and they were plain enough to me, and then we have a 'phone connection with Wooler—that would be about 12 miles—and I have communicated over that local line for 12 miles without any trouble.

Q. What is the distance from Brighton to Colborne?—A. Eight miles, and 6 from Edville to Brighton.

Q. That is the only particular point where you think you have a grievance ?—A. Oh, well, the trouble is all along, as far as that local line extends, you can see, because we will talk from Codrington, half-way to Warkworth; they cannot get a message to Colborne or to Trenton, which they would be more in touch with than they would be to Colborne or perhaps to Brighton.

Q. This is the only or the principal feature to which exception is taken?—A. It is the only feature, I think, that there is a grievance.

By the Chairman:

Q. Have you any opinion as to whether or not an extension of rural telephones would be a public advantage?—A. Oh, I have heard that discussed, but I never paid much attention to it. I have heard a great deal of complaining through the constituency in regard to getting telephone communication with the front.

Q. Do you think that the telephone is of service to the farming community?—A. That I do, distinctly, I should fancy, though I do not know what Wade charges are by the year——

Q. I think he said $10. He said he had 50 miles of line and 30 subscribers.—A. Yes. Of course, I paid by the message.

Q. You have not got a telephone?—A. I had not when I was there.

Q. That is all.—A. I think that a local line would be a great deal more benefit if it was cheaper than the main line, through the fact that an ordinary farmer, unless he had more business transactions than the most of them have, could not afford to pay what the main line charges.

Q. He would need to have it at a cheaper price?—A. But I cannot see, and I never could get any intelligent information on the subject, why I could not get a message delivered to Brighton and sent to Colborne, just as well, by having a 'phone in that office and paying the rate, as to have somebody there to take the message from one office to another.

By Mr. Lafleur :

Q. You have a central exchange, have you, with this system of Mr. Wade's?—A. I do not know what that means, sir.

Q. Where does your message go?—A. Where I send it.

Q. Does it go through a central exchange?—A. I do not know that. I do not know whether Brighton has a central exchange or not. It is an important village, nearly large enough for a town. I have been studying something else besides telephone communication.

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Q. Is your idea that your message should be transmitted from your house to long distance ?—A. I have no telephone instrument in my house. My complaint was based upon this. I think that when I was willing to pay for my message sent over the local line from Brighton to Trenton or any other place that the Bell company should receive my telephone communication and transmit it.

Q. Where did you go asking that your message be sent ?—A. I went to my own office at Edville.

Q. It is true that you had a telephone ?—A. Yes.

Q. You wanted to send a message from your office to a point on the telephone system ?—A. Yes, at Brighton.

Q. You are not a subscriber to the Bell ?—A. No.

Q. You have no Bell in your own office ?—A. No. There would not be that objection. I think you can see that if I had a Bell telephone instrument there would be no trouble to get a message through, but when I have not got a Bell instrument, but I am on the local line, is there any common sense in saying that when I am willing to pay for a message from Brighton to Colborne that I cannot get it without having the message transferred from one office to the other.

Q. You never inquired from the Bell Company ?—A. I inquired about getting an instrument put in that office and they would not do it, although it is not four rods from the main line.

Q. In what office ?—A. In the office at Edville.

Q. Not in your own office ?—A. Well, I do not know what you mean.

Q. Whose office ?—A. The Wade office at Edville.

Q. The central office ?—A. No, it is not the central office. It is an office on the Wade line, the local line. I never could see what sense there was. It appeared to me, if you will allow me to use an expression used by the boys in the country, to be 'pure cussedness,' if we are willing to have a message transmitted to Belleville or Colborne, and we are willing to pay for it, that we could not have an instrument of the local line in the Bell office to have it done.

By the Chairman:

Q. What you mean to say is that you telephone over the Wade line and your message in reaching its destination has to pass to the Bell line ?—A. Yes, to get to Colborne.

Q. And when it comes to the jump from the Wade line to the Bell it had to be repeated ?—A. I would have to get somebody in that office to take it to the Bell Company office and have it repeated. Was there any common sense in that ? They might just as well have had the local line in the Bell office at Brighton and have the message transmitted to Colborne without having some officer to run from one office to the other.

Witness discharged.

Mr. F. O. DUGAS, M.P. called and sworn.

By Mr. Demers:

Q. You are interested in a rural telephone ?—A. Yes.

Q. Your line goes through two counties, I think ?—A. Yes. I reside in Joliette. It is the chief town of the district of Joliette. We formed a local company in Joliette to have all the parishes of these two counties connected together.

Q. What kind of a company have you ? Is it incorporated by letters patent ?—A. Yes, under the provincial statute.

Q. What was the stock of the company ?—A. $5,000.

Q. What length did you build ?—A. We have 127 miles of telephone.

Q. Do you cover all the parishes in Joliette and Montcalm counties ?—A. Our intention when we formed that company was to build telephones where there were no telephones. We did not want to compete with any other telephone. We wanted to be able to supply a telephone service where they had no telephone. In some of the par-

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ishes of those two counties the Bell Company have telephones, so in those places we never intended to go, but we wanted to go to those parishes in those two counties where they have no telephones to Joliette.

Q. Are they all provided now with telephones ?—A. Except one in the county of Montcalm.

Q. You have 127 miles ?—A. Yes.

Q. What did it cost the company to build that telephone system ?—A. It cost very cheap. I think that we spent about $4,000 for the construction of those 127 miles.

Q. Would you explain the circumstances of the construction, why it was so cheap. —A. Yes.

Q. I suppose the Bell could not build for that?—A. Joliette is the centre for the commerce and trade of these two counties. It is also the chief town for judicial business. We formed a company composed of many business men and local men so as to give easy communication with all these parishes. We did not build that telephone for speculation purposes. We had, I think, very soon 50 shareholders in that company, and not wanting to run much risk we subscribed the amount of $5,000, divided amongst 50 persons, so that if we were to lose the whole amount of our share it would not injure any of us considerably. So when our company had been formed we sent agents through the several parishes of the two counties, and we told the people—their municipal council, leading men in each parish—that we were ready to build them a telephone if they could give it some help in the way of furnishing the poles, for instance, which is the most costly part of the construction of a telephone. So we had help from so many parishes, and we built that telephone.

Q. They offered the poles for nothing?—A. Yes. In some places we had to buy some poles, because when we started from the town of Joliette we had to go through a parish which used to come and do its business in Joliette, so these people were not interested to furnish any poles. I may say that nearly one-half the poles have been furnished by the people free.

Q. What kind of wire did you put on your line?—A. We put, I think, No. 9 wire. We had no experience, none of us had any experience in the telephone business, but we tried to build a good line. We were all decided to spend a little more money to be sure to have a quite good line, because when we built that line we intended the moment our lines would be all built to Joliette, to apply to the Bell to have an exchange with them, as the Bell Company has an office in Joliette, and we thought if we had a good telephone it would be a reason for the Bell to make an arrangement with us for an exchange of messages.

Q. Did you apply to them?—A. Yes, we brought our lines into Joliette, and for some time our agents used to take massages from any point on our lines and carry them to the Bell's principal exchange there and send them through by the Bell. Then we went to the Bell Company, met Mr. Sise, the president of the company, and Mr. Sise, jr.—I think he is general superintendent—and we made an agreement with them. They first objected that generally local lines were poorly constructed, that it was against the interests of the Bell to give connections with lines improperly constructed, but they sent an expert to visit our lines and report on them. After he had reported we made an agreement with the Bell for five years.

Q. What are the terms—have you got the agreement?—A. I did not bring it with me. The terms of the agreement are these : You see, the Bell Telephone have about 200 subscribers in Joliette, and our local office in Joliette at the time we made this agreement was about ten acres distant from the central office of the Bell. By this agreement the Bell undertook to take up our wires from our own office to their office at their expense, and we give to the Bell the right to use our lines for all subscribers in the town of Joliette. Supposing a man from any point on our line wants to speak to me. I am a subscriber of the Bell. Connection with the Bell gives me connection with any of the points on our line. The only provision is we pay to the Bell 50 per cent out of the messages sent directly from Joliette. Supposing a man from Joliette wants to speak to any point on our line. The Bell gets one-half of the tolls, and at the end of each month

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they give us the other half. And then if a man at any point on the Bell Telephone wants to speak to a party at any point on our line, well, the Bell collects the tolls for the two companies, and at the end of the month they give us our share without keeping any percentage, and we do the same for them.

Q. What are the tolls on your line?—A. Oh, well, I cannot give an average of these tolls, but the highest toll is 30 cents for the longest distance.

Q. Have you a schedule?—A. Yes.

Q. Perhaps you could file it. (Schedule filed as exhibit 125.)—A. Yes, you see, we do not always base our tariff on the distance. We take into consideration the benefit which the people using our telephone may have.

(Exhibit 125.)

TARIF DE LA CIE DE TÉLÉPHONE JOLIETTE—6 MAI, 1905.

	Joliette	Carmell Mills	St. Ambroise	Radstock	St. Alphonse	St. Come	Ste. Beatrix	St. Jean de Matha	St. Felix	St. Felix Station	Ste. Emelie	Ste. Melaine	Domaine	Moulin Basinet	Beaulieu	Montcalm	McLaurin's Mills	Ste. Julienne	Ste. Julienne Sta.	Cadot	St. Esprit	Rawdon & Sam Way	Rowan	Chertsey	St. Emile
Joliette	0	10	15	20	25	25	25	25	15	15	25	20	20	25	25	15	15	15	20	20	25	25	25	25	30
Carmell Mills	..	0	10	15	20	25	25	25	25	25	25	20	20	25	25	15	15	15	20	20	25	25	25	25	30
St. Ambroise	..	..	0	10	15	25	25	25	25	25	25	15	15	25	25	10	15	15	20	20	25	25	25	25	30
Radstock	..	..	..	0	10	20	20	25	25	25	25	15	15	25	25	20	20	20	20	20	25	25	25	25	30
St. Alphonse	..	..	..	..	0	10	10	15	25	25	25	20	20	25	25	25	25	25	25	25	25	25	25	25	30
St. Come	..	..	..	..	..	0	15	20	25	25	20	25	25	20	20	25	25	25	25	25	25	25	25	25	30
Ste. Beatrix	..	..	..	..	..	..	0	10	25	25	25	15	15	20	25	25	25	25	25	25	25	25	25	25	30
St. Jean de Matha	..	..	..	..	..	..	..	0	15	15	15	15	15	15	15	25	25	25	25	23	25	25	25	25	30
St. Felix	..	..	..	..	..	..	..	..	0	10	25	15	15	20	25	25	25	25	25	25	25	25	25	25	30
St. Felix Station	..	..	..	..	..	..	..	..	..	0	25	15	15	20	25	25	25	25	25	25	25	25	25	25	30
Ste. Emelie	..	..	..	..	..	..	..	..	..	..	0	25	25	15	15	25	25	25	25	25	25	25	25	25	06
Ste Melaine	..	..	..	..	..	..	..	..	..	..	..	0	10	20	25	20	20	25	25	25	25	25	25	25	25
Domaine	..	..	..	..	..	..	..	..	..	..	..	..	0	25	25	20	20	25	25	25	26	25	25	25	25
Moulin Basinet	..	..	..	..	..	..	..	..	..	..	..	..	..	0	15	25	25	25	25	25	25	25	25	25	30
Beaulieu	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0	25	25	25	25	25	25	25	25	25	30
Montcalm	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0	10	10	15	20	20	10	15	25	30
McLaurin's Mills	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0	10	15	20	20	10	15	25	30
Ste. Julienne	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0	10	15	15	15	15	20	25
Ste. Julienne Sta	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0	10	15	15	15	20	25
Cadot	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0	10	20	20	25	25
St. Esprit	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0	20	20	25	25
Rawdon & Sam Way	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0	15	15	20
Rowan	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0	15	20
Chertsey	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0	15
St. Emile	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	..	0

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Q. How do you arrive at that?—A. Well, we have lumbermen, for instance, in our county. They are making their logs far away in the northern part of the County of Joliette, and these people use the telephone much more than any other, so we charge a little more for these people than for some others.

Q. You should charge less.—A. We try to cover our expenses. You see our tariff. We are only operating since a year and a half, and our tariff may be corrected in the future.

Q. Do you install telephones in private houses in the country, or only stations?—A. We have stations, and when we built the telephone, many people wanted to have 'phones.

Q. You have a demand for them in private houses?—A. They represented to us it would pay us to have a 'phone here and there, so at the last meeting of the shareholders, in January last, we decided to take out some of our instruments, unless these people would pay $5 a year outside of the revenue of these offices.

Q. The question I put is, have you installed them in private houses?—A. We have not done it up to now, but we intend to do it now.

Q. You have a demand for it?—A. Yes.

Q. From the people of the country?—A. Yes.

Q. They want to subscribe?—A. In every parish, but we were short of money. We did not do it, but it would pay us to do it.

Q. What has been the financial result of the enterprise up to this date?—A. During the first year, we had 4,042 messages sent, and in 1904 we had 5,300 messages.

Q. To put it short, what is the dividend of your company?—A. There was no dividend, because, out of the $5,000 subscribed, only $3,000 were paid, and the balance was furnished by some of the shareholders.

Q. Yes, but there was a profit?—A. There was a profit, yes. I will give you the profit.

Q. Give us the profit.—A. During the first year, 1903, the net profits were $468.85. In 1904 they were $860.75. These are our net profits. I may say this, if you will allow me, that in our contract with the Bell we are prevented from competing with them. It has never been our intention to compete with the Bell, but in one case, in St. Felix de Valois, we asked the Bell to give us permission to place our instrument in the Canadian Pacific Railway station—I think the Bell has a telephone there—and we got that permission.

By Mr. Casgrain:

Q. You got the permission?—A. We got the permission from the Bell easily.

The witness was then discharged.

The Committee adjourned.

TUESDAY, May 16, 1905.

The Committee met at 11 o'clock, Sir William Mulock in the chair.

Examination of Mr. C. F. SISE resumed.

By Mr. Chrysler:

Q. Now, Mr. Sise, I want first to direct your attention to the agreements that were put in at your former examination. They have been printed, and it will be possible

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for us to have a little fuller explanation than we were able to get the other day. The agreement on page 469 of the evidence is, I think, the first agreement in order of time, and is the one upon which the others seem to be founded. That is the agreement dated 1st November, 1880, exhibit No. 96, between the Canadian Telephone Company and the Bell Telephone Company of Canada and several American companies. Would you like to state its terms yourself briefly, or would you prefer that I should do it and you follow it?—A. I think perhaps you had better ask any questions and I shall be prepared to answer them, though you must remember this was twenty-five years ago.

Q. Well, I have marked what appear to be the important parts of this agreement. The Canadian Telephone Company agrees to issue out of its capital stock of $300,000 shares of the par value of $100 each to the amount of $150,000, to be issued to the American Bell Telephone Company, that is the party of the second part, in full consideration of, and payment for, the certain letters patent and patent rights in the Dominion of Canada by the agreement agreed to be assigned and conveyed to the Canadian Bell Telephone Company. That is the first clause?—A. That is the first clause.

Q. Yes; and in the second clause is described what was agreed to be given by the American Bell Telephone Company. That is, they agreed to give due and sufficient instruments of assignment and conveyance of the whole right, title and interest of every kind and nature in, under or connected with the certain letters patent in the Dominion of Canada heretofore isssued to Alexander Graham Bell; and then follows a clause which includes patent No. 7789, and all other letters patent or patent rights which the American Bell Telephone Company then had or should thereafter acquire?—A. Yes.

Q. Then, in the third paragraph the Canadian Telephone Company agreed to deliver to the party of the fourth part, that is the three named companies there, the American Speaking Telephone Company, the Gold and Stock Telegraph Company, and the Western Union Telegraph Company, 500 shares of the value of $50,000 for the interest in letters patent stipulated to be assigned and conveyed by the said three companies and the Gold and Stock Telegraph Company to the Canadian Telephone Company?—A. Yes.

Q. And in the fourth paragraph the other side of that operation is contained, that is the parties of the fourth part—those three American companies—agree to assign, transfer and convey all the interests that they had in the named patents, which may be described generally as the patents of Elisha Gray, Thomas A. Edison and George M. Phelps, the numbers of which all appear in the agreement?—A. Yes.

Q. Then, in the next clause, or in continuation of the fourth numbered paragraph, the Canadian Telephone Committee also agreed to pay to those companies named therein, the sum of $2,000 per annum for seven years?—A. Yes.

Q. In consideration of the assignment of the telephone patents of Thos. A. Edison in the Dominion of Canada. Then, in the fifth paragraph, it was agreed that 1,000 shares of the par value of $100,000 remaining after the issues just mentioned, that is, after $200,000 had been issued to the parties of the second and fourth parts, should be issued and sold by the Canadian Telephone Company, as required, in order to secure funds for the purchase and manufacture by it of telephones and telephonic apparatus, and that of said 1,000 shares of stock of the Canadian Telephone Company, 750 shares may be subscribed for and taken by the party of the second part—that is, by the American Bell Telephone Company—in paying the par value of $75,000 therefor, and the remaining 250 shares thereof may be subscribed for and paid by the party of the fourth part—that is, the other three named telephone companies—in paying the par value of $25,000 therefor, or in the like proportion if less than the whole 1,000 shares shall be issued at any one time, and out of that, in the lower part of the clause, it is provided that these parties of the second and fourth parts agreed that they would not dispose of, without first offering the same for sale to the other, sell or dispose of any of the stock of the Canadian Bell Telephone Company, except the portion of the stock, $37,500, which the American Bell Telephone Company was under contract with Alexander M.

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Bell and Charles Williams, jr., to transfer to Bell and Williams. In the sixth paragraph the parties of the second and fourth parts, that is, the American companies together, agree that they would forthwith sell, transfer and deliver to the party of the first part, to the Canadian Telephone Company, all the certain telephones and telephonic apparatus and plant belonging to each of them respectively within the Dominion of Canada and the Canadian Telephone Company agreed that it would take the same and pay the parties of the second and fourth parts a sum in cash equal to the actual cost of the said telephones and telephonic apparatus. Now, down to there we have the arrangement by which the Canadian Telephone Company acquired the patent rights of the several American companies that are named in this agreement. The seventh paragraph provides for the arrangement by which the Canadian Telephone Company was to transfer these assets to the Bell Telephone Company of Canada, or rather not to transfer the assets—that is wrong—but to license the Bell Telephone Company of Canada to use these patents. That clause is, in substance, as follows : the party of the third part, that is the Bell Telephone Company of Canada, agrees out of its capital stock of $500,000, whereof stock to the amount of $167,000 is to be issued to the party hereto of the first part, that is to the Canadian Telephone Company, in part consideration of an exclusive right to carry on the telephone business in the said Dominion of Canada under the patent and patent rights of said party of the first part, and the remainder thereof is hereafter to be issued as may be required for the purchase and maintenance of telephone lines and exchanges, and the material necessary therefor. The Bell Telephone Company further agrees in the same paragraph to issue and deliver to the Western Union Telegraph Company 100 shares of capital stock in purchase of telephone exchanges of the Western Union Telegraph Company in the cities of St. John, N.B., and Halifax, N.S., and to issue to the American Bell Telephone Company for the exchanges purchased from the Dominion Telegraph Company, 750 shares; for the exchange at London 50 shares; for the exchange at Windsor 25 shares, which the Bell Telephone Company of Canada agreed to take; Now, that seems to be the foundation of the agreements which follow. Can you tell me, Mr. Sise, was the Canadian Telephone Company in existence for any longer period before the date of this agreement?—A. The company was organized in the summer of 1880. It was by letters patent and not by Act of parliament.

Q. By letters patent, from what authority ?—A. From the Dominion.

Q. From the Dominion of Canada ?—A. It was organized in the summer and this contract was made, I think, in November, was it not ?

Q. First November ?—A. Yes, first November.

Q. First November, 1880. And then the Bell Telephone Company of Canada was also organized in the same year, was it ?—A. The same year, but earlier.

Q. But earlier. Were both companies organized by you ?—A. Well, I can hardly say they were organized. I had a very insignificant part in getting the thing started. I could hardly say that I organized it, although I do not know that anybody else did.

Q. Well, perhaps that is as near as we can get?—A. I suppose I did, I may say.

Q. Where had you been previously engaged in business, Mr. Sise ?—A. In Boston.

Q. In Boston. Were you in the service of the American Bell Telephone Company? —A. No.

Q. Never? What was the object of organizing these companies?—A. Because the American Bell Telephone Company had acquired all the Bell's patents, including those in Canada, or other parties representing the American Bell in their interests, and they thought that they ought to control any manufacturing of a patented article in order that there might be no infringement of the patents in the United States, but they had no idea of carrying it on themselves. Therefore, tney organized the company up here and got Canadians interested in the stock.

Q. Well, which company did they organize or did they organize both of these companies ?—A. Practically, in connection with the Western Union and Gold Stock; they were all working together.

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Q. These companies are named here and whose transactions appear on the face of this agreement?—A. Yes.

Q. With other American companies they organized the Canadian Telephone Company and enected this sale to them which is recorded in that agreement?—A. In that agreement.

Q. Then the Bell Telephone Company of Canada was the company organized to work the business?—A. To operate.

Q. To operate the business?—A. The Canadian company was the company that owned the patents.

Q. Then we find at page 457 the agreements which followed that first transaction between the Canadian Telephone Company and the American Company. We find at that page an agreement dated 13th November, 1880, exhibit No. 95, between the Canadian Telephone Company of Canada, Ltd., and the Bell Telephone Company. That, I think you said, may be referred to as a licensing agreement?—A. Yes.

Q. A licensing agreement. And in substance that provided that the Canadian Telephone Company licensed the Bell Telephone Company to operate and use all its telephone instruments for the sum of $167,000, to be paid by the issue of 1,670 shares of paid-up stock of the Bell Telephone Company, issued and delivered to the Canadian Telephone Company. And it further provided in paragraph 2 of that agreement, that in consideration of the grant of the right to use and rent telephones and telephonic apparatus as in said license set forth, and in addition to the rentals and royalties in said license provided for, the Canadian Telephone Company of Canada should be entitled to one-third interest in the said Bell Telephone Company of Canada, and to receive one-third of the profits of the business of the Bell Telephone Company of Canada, and for the convenient accomplishment of that purpose it was then agreed to issue forthwith 1,670 shares of paid-up stock. The agreement further provided that it would, that is the Bell Telephone Company, from time to time hereafter in case any increase in its capital stock shall be made, issue to said party of the first part, that is the Canadian Telephone Company, one-third of such increased stock fully paid and not subject to any assessment or contribution.—A. I would like to say that that clause was never enforced. There never was a third of stock, bonds, or any other thing of value given in consideration of that clause. It was waived and never carried out.

Q. I think that will appear from the subsequent agreements. When that agreement was signed there was an agreement to issue to the Canadian Telephone Company one-third of any increased stock that might be issued?—A. That is correct.

Q. You say that never was carried out? Then the next agreement, at page 458, exhibit 95*a*, is an agreement for the lease of telephones, and that provides, amongst other things, in paragraph 7, that the Bell Telephone Company should charge its subscribers a rental and royalty not exorbitant nor unreasonable for the telephones, and also in addition a sum not exorbitant nor unusual for the use of call bells, batteries, wires and other appliances, and for service furnished or performed, and may collect both of said sums for a period not exceeeding one year in advance, and that it should pay to the licensor—that is, to the Canadian Telephone Company—the rental and royalty at the rate per instrument hereinafter named, to commence on each telephone at the rate hereafter named. The rate is given just below, $4 for each instrument, the Canadian Telephone Company reserving the right to fix from time to time the rate for other telephones and for telephones of a different style. So that was the arrangement as first made?—A. That was the first arrangement.

Q. The Bell Telephone Company simply rented the instruments from the Canadian Telephone Company and paid them a rental?—A. Yes, the Canadian company owned the instruments.

Q. The Canadian company retaining the ownership of the instrument. Now, when was that arrangement terminated?—A. I think, in the summer of 1882. I think it was in operation about two years.

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Q. And the royalties which were mentioned in the evidence given were paid under that arrangement for about two years?—A. They were paid or owing.

Q. What do you mean by 'owing' as to royalties paid?—A. When the Bell Telephone Company bought out the Canadian company amongst its assets was a debt of the Bell Telephone Company for $10,000 on royalties which has never been paid. We owed it.

Q. And the Bell Telephone Company got that back?—A. We got that back.

Q. Is that a statement of the royalties paid at page 474?—A. That is correct.

Q. These royalties were royalties paid under the agreement?—A. About $33,000.

Mr. BOYCE.—Did the witness say when that agreement was terminated?

By Mr. Chrysler:

Q. About two years after. It is all in writing here, and we will get it in a moment. Now, what is the purpose of the agreement at page 462, exhibit No. 95b? Will you look at it, Mr. Sise, please. That appears to be a release of rights by the Bell Telephone Company of Canada to the Canadian Telephone Company. I think it is a sequel to the first agreement under which the Bell Telephone Company agreed that it would give up all its rights under any other agreement that any other company held in the Canadian Telephone Company?—A. That is correct. That refers to the minor, to the small companies' rights, that were purchased from the Bell Telephone Company of Canada, and those companies had licenses from Bell himself, which we bought out.

Q. Which you bought out and released?—A. And the Canadian company then acquired them.

Q. The effect of that was to put all these rights into the hands of the Canadian Telephone Company?—A. That was the result of it.

Q. Then, at page 463, we come to one of the agreements under which the first agreement was terminated. This is exhibit No. 95c, dated October 28, 1882, and also made between the Canadian Telephone Company and the Bell Telephone Company, and the material part of that is in these words: 'That the said party of the first part hath sold, assigned, transferred and made over and doth hereby sell, assign, transfer and make over to the said party of the second part, thereof accepting, all and singular the patent rights and instruments of the said party of the first part, excepting patent No. 8371 of the 1st of February, 1878, for Duquet's Improved Telephone and the instruments manufactured thereunder, and all rights of said party of the first part under contracts, and all the assets of every nature whatsoever of the said party of the first part, excepting the said Duquet patent and instruments manufactured thereunder. And that the said party of the first part hath released and discharged and doth hereby release and discharge the said party of the second part from any and all debts whatsoever due by the latter to the former. That in consideration of the foregoing premises the said party of the second part hereby agrees to pay all the liabilities, of every kind and description whatsoever of the said party of the first part, including all its liabilities under its contracts, and to pay to each shareholder of the said company party of the first part, two shares of the paid up stock of the said company party of the second part, for each share held by him or her of the stock of the said company party of the first part.' Can you put into figures what that amounted to? What was it that the Bell Telephone Company agreed by this agreement to give to the Canadian Telephone Company? They agreed to pay whatever liabilities there were and to issue two shares for one which would be——?—A. I have filed here the amount of the capital stock of the Canadian Telephone Company.

Q. You cannot give us the figures?—A. I beg pardon, I have it here. We issued in the aggregate $577,600. For that we acquired all the Canadian patents, we acquired some $30,000 of instruments, we released ourselves from $10,000 in royalties that we owed them, and we received back into the treasury $167,000 of stock we had given them for the license. So practically we gave about $350,000.

Q. Yes?—A. Of course you could not assume that the $167,000 that we gave them and received back into the treasury was an additional cost of the patents. We paid that for the license.

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The CHAIRMAN—What was the actual capital stock of the Bell Telephone Company at that time?

By Mr. Chrysler:

Q. Is that all you desire to say as to the figures?—A. That is all.

Q. Well, then, will you look, Mr. Sise, at the accounts which you have filed. At page 406 is the annual statement of the year 1880. Do you see there 'Paid for license, $167,000?' Is that the sum paid under the first agreement?—A. That is it

Q. By the issue of stock? And the sums mentioned below it are also mentioned in one of the agreements amounting in all to $180,500? Then your capital stock at that time was in all how much?—A. $500,000.

Q. $500,000 authorized?—A. In 1880.

Q. Where in the accounts appears this expenditure that you mention? I think that it is at page 409 in the annual statement for the year 1882? You see the item there, 'Purchase of patents?'—A. $354,188.89.

Q. That is the balance of the payment?—A. That is the balance.

Q. And after the deductions you have mentioned, that is the net balance paid?—A. That is the net.

Q. And the amount which we find in the accounts in 1882 is the amount paid pursuant to the agreement which we have been reading, 95 cents?—A. Yes.

Q. And that was paid in part, was it, or wholly, by the issue of paid-up stock?—A. Paid-up stock. There may have been some small balances in adjustment.

Q. Then the question which the chairman asked a moment ago. With that issue you brought your total capital stock up to $1,000,000 in the year 1882?—A. Yes.

Q. Up to $1,000,000?—A. In 1882.

Q. Now to make this complete we should refer to the document on page 464, exhibits 95*d* and 95*e*. They are transposed; the agreement is exhibit 95*e* and the schedule to it is exhibit 95*d*. That, as I understand it, is the bill of sale of instruments, which are summarized in exhibit 95*d*, and at that date the Canadian Telephone Company sold to the Bell Telephone Company all the instruments which it had previously only leased. Is that right?—A. That is correct.

Q. And was the consideration for that purchase included in this sum that you have been speaking of?—A. That is included in the gross sum.

Q. Included in the gross sum? And for that payment you acquired the release of the rights of the Canadian Telephone Company in all the patents and patent rights which it had acquired from the American Bell Telephone Company and the other named American companies, and also in all its property and assets?—A. All its assets, all its property.

Q. You said the other day that the Canadian Telephone Company had ceased to exist; at least, I think that was what you said. What happened to it?—A. It was wound up and went out of existence.

Q. Where was it wound up?—A. In Montreal.

Q. Under the Dominion Winding-up Act?—A. I assume so; I do not know.

Q. And when did that occur? When was it wound up, about 1882?—A. Shortly after the purchase.

Q. And the shares which it acquired through this transaction—what became of them?—A. The what?

Q. The shares of the stock of the Bell Telephone Company of Canada?—A. They reverted to the Bell. We bought all their assets.

Q. No, excuse me. The shares in the stock of the Canadian Telephone Company; where did they go to? You issued shares?—A. They came back to the Bell Telephone Company. We gave them two shares of the Bell for one of the Canadian, therefore we acquired all these shares, and the Bell Telephone Company of Canada became the sole owner of the Canadian Telephone Company.

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Q. You became the owner of their assets, but not of their shares?—A. Of their shares as well. We exchanged two shares of our stock for one share of theirs.

Q. Who were the holders of these shares, Mr. Sise?—A. After the transfer contract?

Q. The rest of the shares in your company?—A. The Canadian Telephone Company until we wound it up.

Q. And after you wound it up?—A. After we wound it up they went back to the treasury of the Bell Telephone Company. They became treasury stock; they became assets of the Bell Telephone Company itself.

Q. Of Canada?—A. Of Canada, precisely the same as though——

Q. I think you are mistaken, Mr. Sise. They went to the shareholders of the Canadian Telephone Company, whoever they were?—A. I am speaking of the shares of the Canadian Telephone Company and you are speaking of the shares of the Bell Company; we are at cross purposes.

Q. Who were the shareholders at that time in the Canadian Telephone Company?—A. After the sale?

Q. Yes, after the sale?—A. The Bell Telephone Company only.

The CHAIRMAN.—They probably had a division in specie of the assets.

By Mr. Chrysler:

Q. How did the American Bell Telephone Company acquire the $439,700 worth of shares which are shown as belonging to them on 31st December, 1882?—A. They acquired them partly by paying for them in cash and partly in payment for the money furnished me to buy up plants all over the country; at all events, the money to buy plants at Hamilton, Windsor and other points. The stock was taken at par. There was no premium, no bonus or anything of the kind. It was dollar for dollar that they furnished to buy these plants.

Q. Well then, the money furnished to pay the $167,000 that was paid in 1880 and the $350,000 odd was issued in 1882?—A. No, the American Bell Telephone Company had nothing to do with that $167,000.

Q. They had nothing to do with that?—A. No, it was paid to the Canadian Telephone Company and reverted to the Bell Telephone Company of Canada. The Bell Telephone Company of Canada bought them out wholly irrespective of the American Bell. I will read this memorandum if you please, which is explanatory of it:—

'The American Bell Telephone Company agreed—not by contract—to reinvest its first dividend of $10,300 in the stock of the Canadian Telephone Company. The Bell Telephone Company, when it was organized, issued to the American Bell Telephone Company $75,000 in stock, which amount the American Bell Telephone Company had advanced in cash to purchase exchanges already in operation in Canada. This amount of stock represents the actual amount of cash paid.'

Q. That is part of that $93,900 which stood at their credit in 1880? Well then, they increased their holdings in 1882 to $439,700?—A. They paid for that in cash.

Q. They paid for that in cash. They have never received a share that they have not paid for at par or better.

Q. Then your transaction with the Canadian Telephone Company appears to have been a remarkably good one, because you got all their assets for nothing?—A. Oh, I beg your pardon.

Q. If your statement is correct?—A. We gave them two shares of stock in the Bell Telephone Company for one share in the Canadian Telephone Company. We did not get their assets for nothing.

Q. These shares in the Bell Telephone Company, to whom did they go?—A. They went to the holders of the Canadian Telephone Company's stock.

Q. Who were they?—A. There was the Western Union Telegraph———

Q. All these different companies?—A. Yes, and the American Bell.

Q. That is what I thought. We have been misunderstanding one another, that is

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all. Then referring to the statement on page 472 of the holdings of the American Bell Telephone Company did the American Bell Telephone Company acquire in 1882 the shares in the Bell Telephone Company of Canada by virtue of its ownership of shares in the Canadian Telephone Company ?—A. A part of it.

Q. A part of it. And the later additions to their holdings, how did they acquire them ?—A. By paying for them in cash.

Q. In the years shown in this statement ?—A. As shown there.

Q. Shown in the statement ?—Was any part of that issued to them as paid up stock in exchange for services ?—A. Nothing whatever. They never charged us a farthing for any services rendered.

Q. And in 1899 there is in the second column 'Transferred, $1,519,800.' Who was that transferred to ?—A. That stock was at the time in the name of the American Bell Company, which was reorganized practically although still in existence, and they transferred to the operating successors the American Telegraph and Telephone Company, their holdings in the Bell Telephone Company of Canada. That stock was transferred to their successors.

Q. And that appears in the statement at page 473 in an addition to the previous holdings of the American and Telegraph Company ?—A. They held a small amount before. The balance———

Q. They held a small amount. The balance is shown in the third column, $18,300. In the year 1899 there was added to that stock amounting to $1,521,800, and you say that was———A. That is what is referred to in the previous statement.

Q. That was transferred from the account of the American Bell Telephone Company. It would be the same amount, but there is a difference of $2,000 ?—A. The discrepancy is because of the parties who held the stock selling or buying in small quantities for qualification. That is practically the same holdings.

Q. Some director shares or something of that kind ?—A. Yes.

Q. And since 1899 the American Bell Telephone Company has not held any stock in your company and the American Telegraph and Telephone Company is still a shareholder ?—A. Still a shareholder.

Q. Its holding in 1904 being $3,083,300. Now, at the foot of page 472 there is a statement—I do not know whether you are responsible for it—but I will read it, and ask if it is correct.

'All the stock acquired as above is represented by cash payments at par, except July 24, 1882, $386,600, which was issued in exchange for stock of the Canadian Telephone Company, Limited.'

A. That is correct.

Q. 'December 10, 1887, 94 shares, 50 per cent paid, $4,700 was transferred to the American Telegraph and Telephone Company, November 8th, 1899, account closed by transfer to the American Telegraph and Telephone Company.' Is there anything about those 94 shares?—A. The 94 shares originally went to the American Bell Company, and all the calls had not been paid—50 per cent had been paid—and when a large transfer was made these 94 shares, 50 per cent paid-up, were included.

Q. The 50 per cent paid-up shares transferred to the American Telegraph and Telephone Company. Now, that statement is correct as to these shares having been paid for in cash except as indicated in that statement. You have already said so. That is your answer?—A. Yes.

Q. Now, with regard to payment of premiums. The American Bell Company, in the years down to 1899, did it acquire shares at par or at more or less than par?—A. They took them at par when the public got them at par. They paid a premium whenever the public paid a premium.

Q. They do not appear to have paid a premium, but in the account on page 473 the American Telegraph and Telephone Company, there are three years in which premiums have been paid?—A. Yes.

Q. And the total amount of the premiums paid was $289,350?—A. That is correct.

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APPENDIX No. 1

Q. And these premimus paid upon the shares issued to the American Telegraph and Telephone Company were at the same rate as the shares issued to the rest of the public?—A. The same as the others.

Q. Now, what are your relations then with these companies or either of them except as stated? Have you any relation with the American Telegraph and Telephone Company except that they are shareholders in your company?—A. No other relation.

Q. No agreement with them?—A. No.

Q. No agreement as to purchase of supplies?—A. No.

Q. Or as to the use of their instruments or patents?—A. None whatever. Under the original contract of 1883 I think there was an agreement whereby we were to have the advantage of any Canadian patent acquired by the American Bell Telephone Company. That is the original tripartite agreement.

Q. Do you consider that still in force?—A. For what we paid them we had the right to any Canadian patents we might acquire.

Q. You referred to the second clause, I think probably on page 469, in addition to providing for the assignment of the Bell patents went on to say: 'And in and to any and all other letters patent or patent rights, or licenses to use patented inventions of or in said Dominion of Canada, which if the said party of the second part, has or may hereafter acquire for telephones or telephonic apparatus, or for instruments or devices applicable in any manner for use in connection with telephones or telephonic apparatus.'—A. That is correct, except that 'if.'

Q. That 'if' seems to be a misprint. That clause you consider is still in force?—A. It is still in force, and has been a great deal of value to us, because they have acquired patents that we could not have acquired otherwise, and transferred them to us without charge.

Q. Has that continued?—A. That continues to the present. Whatever Canadian patents they acquire are absolutely our property.

Q. Then, when we find some paid for patents, such as in the year 1882, just to refer you to one place, so that we will have it before us—say, in 1883, page 410, about seven or eight lines from the bottom, you will see an item, 'Purchase of patents, 1883, $1,647.12.' Now, what does that mean, not the individual, but what is the nature of the purchase there?—A. I do not recall just what it is in detail, but what was our practise then and is to-day, if anybody has a patent which is of value, that we thought would be of value, we bought it. That may be one person or perhaps a dozen different persons. Look at page 413, the next year, for purchase of patents, 1884, $1,390.26. The same thing.

Q. 1885, purchase of patents, $9,040.—A. That is a larger purchase, probably divided.

Q. So from year to year.—A. So from year to year.

Q. These are miscellaneous purchases from different people or companies?—A. Yes. Nothing was paid to the American Bell Company except where we may have had to pay a certain amount for——

Q. Just explain that. How would that happen? I thought that you got from them without further charge any patents which they acquired?—A. The expense of taking out the Canadian patents, but we pay nothing to the patentees.

Q. You paid the expense of taking out the Canadian patents?—A. Yes.

Q. That might appear in these items?—A. Yes.

Q. I had a summary made of these payments for patents as shown in these statements from the beginning and it includes the sums paid under these agreements?—A. The large purchase of 1882 was the patents of the Canadian Telephone Company. Then for years, down to 1903, the items are insignificant, and in many of these cases the patents were never put into operation. The last large item there was $15,664.

Q. In the year 1903?—A. That is the largest payment, and that is for the Pupin patents—that is, a greater part of it is. This is the summary I referred to:—

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Exhibit No. 126.

PATENT ACCOUNT.

1880	$167,000 00
1881	
1882	354,188 89
1883	1,647 12
1884	1,390 26
1885	9,040 00
1886	748 00
1887	279 69
1888	692 46
1889	1,600 00
1890	1,788 00
1891	1,447 00
1892	1,552 00
1893	1,100 50
1894	2,515 50
1895	1,637 35
1896	4,291 75
1897	1,767 00
1898	1,899 00
1899	1,304 75
1900	2,140 45
1901	1,221 25
1902	3,203 70
1903	15,664 00
1904	846 50
	$578,955 17

Q. Had any amounts been written off the patent account?—A. All but about $70,000 from time to time.

Q. We have a statement prepared which can be put in showing that. But that is put in as the aggregate without any deductions?—A. Yes.

Q. We have before the Committee a list of patents, page 175, exhibit No. 30; we have a list furnished by your counsel, which gives, Mr. Sise, all the patents of the company, showing those which have expired. These include the patents acquired from these American companies, do they?—A. They include all those patents.

Q. As well as the patents which you acquired otherwise?—A. Yes.

Q. And the expenditure for which is shown in that memorandum that we have just put in (exhibit 126). Have you now, the memorandum showing the amount written off the patent account?—A. You have that; it is filed.

Q. Memorandum of the amounts written off the plant account and the amounts written off the patent account; they are both shown on the same sheet, showing a balance of $70,288.17?—A. That statement shows the amount written off in eight years.

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EXHIBIT No. 127.

Date.	——	Plant Account.						
		——	1898.	1899.	1900.	1901.	1902.	1903.
Dec. 31.		$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
1897		3,842,862 86						
1898	Added	271,828 47						
			4,114,691 33					
1899	"		730,282 73					
				4,844,974 06				
1900	"			902,774 49				
					5,747,748 55			
1901	"				712,370 48			
					6,460,119 03			
	Less written off				50,000 00			
						6,410,119 03		
1902	Added					530,653 32		
						6,940,772 35		
	Less written of					41,850 00		
							6,898,922 35	
1903	Added						1,129,950 21	
								8,028,872 56
1904	"							1,174,595 17
1904	Present plant							9,203,467 73

Mr. C. F. SISE.

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EXHIBIT No. 127—*Concluded.*

Date.	——	Patent Account.							
		——	1898.	1899.	1900.	1901.	1902.	1903.	1904.
Dec. 31.		$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.	$
1897.....	....	552,686 02							
1898.....	Added.....	1,899 00							
		554,585 02							
....	Less written off.....	93,000 00							
			461,585 02						
1899.....	Added.....	....	1,304 75						
			462,889 77						
.....	Less written off.....	.....	63,427 50						
				399,462 27					
1900.....	Added.	... .	.....	2,140 45					
				401,602 72					
.....	Less written off.....	.....	....	96,500 00					
					305,102 72				
1901.....	Added.....	. ...	. .. .	....	1,221 25				
					306,323 97				
.....	Less written off.	.....	.....	.....	255,750 00				
						50,573 97			
1902.....	Added.	....	....	..... .	.. ..	3,203 70			
							53,777 67		
1903.....	"	....	....	... .	....	....	15,664 00		
								69,441 67	
1904	"	....	.....	.. ..	....	.. ..	.....	846 50	
									70,288

May 10, 1905.

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Q. It shows the amount written off in each year?—A. And the amounts added.

Q. It shows the amount written off and added since 1887. Before that time are they shown in the annual statements?—A. They are shown in the annual statements.

Q. Here is a summary of the capital stock in each year from the year 1880 down to 1904 as shown in these statements?—A. That was taken from our books, and it is corrrect.

Q. Mr. McFarlane says it is correct.

Exhibit No. 128.

BELL TELEPHONE COMPANY.

STATEMENT of the capital stock as shown by the annual report on the 31st December, in each year.

December 31, 1880	$ 377,600
" 1881	500,000
" 1882	1,000,000
" 1883	1,000,000
" 1884	1,000,000
" 1885	1,200,000
" 1886	1,300,000
" 1887	1,375,000
" 1888	1,375,000
" 1889	1,400,000
" 1890	1,494,000
" 1891	1,926,900
" 1892	2,200,000
" 1893	2,421,600
" 1894	3,168,000
" 1895	3,168,000
" 1896	3,168,000
" 1897	3,168,000
" 1898	3,556,000
" 1899	3,960,000
" 1900	5,000,000
" 1901	5,000,000
" 1902	5,395,360
" 1903	6,000,000
" 1904	7,916,960

Q. What is this statement, Mr. Sise (producing document)?—A. It is our plant account, showing from year to year our purchases and expenditures on plant, on instruments, and also in several years the amount written off for depreciation.

Exhibit No. 129.

THE BELL TELEPHONE COMPANY OF CANADA.

Plant Account.

1880—Purchases of plants	$166,535 50	
Expended	20,469 78	
		$ 187,005 28
1881—Purchase of plants	$ 39,100 00	
Expended	93,433 69	
		132,533 69

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1882—Expended	$ 80,434 70	
" on instruments	43,943 65	
		124,378 35
1883—Expended	$126,275 41	
" on instruments	8,236 43	
		134,511 84
1884—Expended	$130,369 74	
" on instruments	9,583 18	
		139,952 92
1885—Expended	$217,738 87	
" on instruments	10,407 21	
" on Curry lines	22,055 00	
		250,201 08
1886—Expended	$176,939 43	
" on instruments	13,877 55	
		190,816 98
1887—Expended	$184,955 21	
" on instruments	16,909 42	
	$201,864 63	
Less plant sold	365 00	
		201,499 63
1888—Expended	184,403 58	
" on instruments	16,656 85	
	$201,060 43	
Less plant sold	90,381 60	
		110,678 83
1889—Expended	$168,700 96	
" on instruments	15,886 64	
Purchase of plant	21,614 38	
		206,201 98
1890—Expended	$309,889 70	
" on instruments	14,686 93	
		324,576 63
1891—Expended		331,560 71
1892—Expended	$368,123 49	
Less written off	111,351 50	
		256,771 99
1893—Expended	$376,263 36	
Less written off	49,275 10	
		326,988 26
1894—Expended		261,629 84
1895—Expended		303,335 71
1896—Expended		169,005 05
1897—Expended	$341,214 09	
Less written off	150,000 00	
		191,214 09
1898—Expended		271,828 47
1899—Expended		730,282 73
1900—Expended		902,938 49
1901—Expended	$712.206 48	
Less written off	50,000 0	
		662.206 48

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1902—Expended	$530,653 32	
Less written off	41,850 00	
		488,803 32
1903		1,129,950 21
1904		1,174,595 17
Total, December 31, 1904		$9,203,467 73

For division of plant account and patent account from 1898 to 1904 see attached statement.

MONTREAL, May 12, 1905.

Q. It shows the total corresponding with the last annual statement, and there is added an appendix showing the plant and patent accounts separately from 1898 to 1904. They appear together I understand in the annual statement ?—A. Yes, this was the separation that the Committee asked for.

Q. Mr. Sise, what do you call this ?:—

Exhibit No. 129a.

THE BELL TELEPHONE COMPANY OF CANADA.

Year.	Plant Account.		Patent Account.		Net amount shown in statement expended in each year.
	Added.	Deducted.	Added.	Deducted.	
	$ cts.	$ cts.	$ cts.	$ cts.	$ cts.
1898	271,828 47		1,899 00	93,000 00	180,727 47
1899	730,282 73		1,304 75	63,427 50	668,159 98
1900	902,938 49		2,140 45	96,500 00	808,578 94
1901	712,206 48	50,009 00	1,221 25	255,750 00	407,677 73
1902	530,653 32	41,850 00	3,203 70		492,007 02
1903	1,129,950 21		15,664 00		1,145,614 21
1904	1,174,595 17		846 50		1,175,441 67

May 12, 1905.

Q. What is meant by the column in 129 A. How do you arrive at the net amount added in each year ?—A. The amount added to plant in 1898 is $271,828.47.

Q. Yes ?—A. The amount added to patent account in that year was $1,899 and the amount deducted from patent account was $93,000, and that brings the result as shown in plant and patent account for that year to $180,727.47.

Q. I mean as shown on the face of the statement ?—A. Yes.

Q. Taking the total first of the three columns and declaring the fourth ?—A. It is not as clear as it might be.

Q. This statement shows the growth of the plant account in each year ?—A. From 1880 to date ?

Q. Taken from the annual statements down to 1897 inclusive. And then the figures here given are not in the annual report ?—A. What is put in is now combined.

Q. Not classified, it is put in in the aggregate in the annual report.

Q. What do you call construction, then, Mr. Sise, for the purpose of these statements ? How do you distinguish from the amount which you expend in each year out of the revenue and charge as the ordinary operating expenses, and the amount which you charge to capital and add to that construction account ?—A. If we spend $50,000

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and $25,000 of that is maintenance or reconstruction or operating,, that is charged to revenue account. But if of that $50,000, $25,000 is new plant, capable of producing a new revenue, that is charged to capital account. Nothing is charged to capital account which is not for the purpose of producing a new revenue. If we take down a line of poles worth $10,000 and put up another for $20,000, giving double earning capacity, one half is charged to revenue and the other half to capital, because of the increase of new revenue.

Q. How is that done, when is it done ?—A. At the end of the year when the accounts come in.

Q. It is not done at the time of the expenditure ?—A. No, the account is kept at the time.

Q. I understand that, the outlay is kept ?—A. There is a separation between capital and revenue——

Q. The separation between capital and revenue is not done at the time. Probably it would not be practicable to do it ?—A. No.

Q. Then in the account, if we look for instance in any year—take a late year, perhaps it will be more satisfactory—the year 1904, page 453. By far the largest item of expenses in that account is under the head of operating, $2,073,492.35, and on the next page, 454, the second item, you added to plant and patent account in the year $1,175,-441.67. And by reference to the statement which we have just put in it appears that a very large part of that second item is amount added for construction ?—A. That is added for construction—added to capital account.

Q. What does this item refer to, the item of operating, charged to revenue, what does that include ?—A. Operating proper, maintenance, reconstruction—items of that class which do not add to the revenue.

Q. It includes as well as the cost of operating the plant a certain amount of maintenance and a certain amount of what may be called construction ?—A. Reconstruction.

Q. Reconstruction, you confine it to ?—A. No construction is found in the revenue account.

Q. In the earlier years you started, I think,—did you ever separate cost of maintenance from the cost of operating ?—A. No. I think we did in our books but not in our annual statement.

Q. Cost of operating includes maintenance and operation ?—A. As stated here.

Q. Have you made a statement showing how much of this is maintenance and how much operation each year ?—A. I think we filed that statement.

Q. I do not think it is filed.

Mr. McFarlane.—(Producing statement)—There are the operating expenses.

By Mr. Chrysler:

Q. I think we had better have this copied separately. There are some other things on the paper. Bond interest is on the paper as well as operating ?—A. It should be separated.

Q. I would like a statement showing in two columns the operating and the maintenance.

Mr. McFarlane.—Here is one.

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APPENDIX No. 1

Exhibit No. 130.

THE BELL TELEPHONE COMPANY OF CANADA.

DETAILS of Operating and Maintenance.

—	Maintenance.	Operating.	Total.
	$ cts.	$ cts.	$ cts.
1895	331,811 57	441,918 03	773,729 60
1896	360,798 35	412,621 72	773,420 07
1897	*563,040 26	411,998 68	975,038 94
1898	451,416 80	445,721 93	897,138 73
1899	542,743 95	482,471 36	1,025,215 31
1900	613,376 09	533,476 75	1,146,852 84
1901	†772,812 73	601,611 80	1,374,424 53
1902	775,933 97	660,954 23	1,436,888 20
1903	965,542 20	821,886 81	1,787,429 01
1904	1,069,774 70	1,003,717 65	2,073,492 35

*$150,000 taken from contingent account. †$50,000 taken from contingent account. The amounts deducted from construction in 1897 and 1901 for reasons given in annual statements were of course added to maintenance.

May 10, 1905.

WITNESS.—Under the head of operating I suppose you mean operators' salaries and similar charges?

Q. It does not matter what I mean. You have kept them separate?—A. Yes.

Q. You have been in the habit of keeping under one class the wages of your employees required in the keeping up of the service?—A. Yes.

Q. And in each year what is called maintenance, the expenditure upon the plant including reconstruction?—A. Yes.

Q. And we will have a statement showing in each year the amount expended for maintenance and the amount expended for operating?—A. I think we can furnish that.

Q. In these accounts they are all credited together, in charges against the revenue under the heading 'Operating'?—A. Yes.

Q. Then, to go back to the question in this account in the statement of 1904, at page 453, the reconstruction as you have explained, will be found under the heading 'Operating expenses,' and charged to revenue?—A. That is where it will be found.

Q. And anything in the nature of new construction that adds to the value of the new plant is included in the second item on page 454?—A. Yes.

Q. And forms part——A. Of the plant and patent account.

Q. And forms part of the construction, added to capital, and that is the way in which these accounts are kept.

Mr. LAFLEUR.—Mr. Sise did not say 'added to value of plant.'

By Mr. Chrysler:

Q. You made a distinction. I have used the words, 'That adds to the value of the plant,' and you said 'that brought increased revenue to the company.' Is there a difference in your mind? I want to know?—A. There is a great difference, because we might take down a line of poles or we might put the same kind of wires underground, and in doing so we might very greatly increase the cost and not add a farthing in value to the earning power.

Q. How would you charge that if you did that?—A. To reconstruction.

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Q. On account of revenue?—A. If there is a surplus of wires that have a greater earning power after the change is made that surplus is charged to construction or capital account.

Q. If the conduits or poles give you a greater capacity for additional wires?—A. Yes.

Q. That you will charge to construction account?—A. To capital account.

Q. And the test is whether it will earn more revenue?—A. If it adds to the revenue earning power then it is charged to capital account.

Q. Now, in this statement of 1904 you have among the items of expenses, 'bond interest, $100,000.' That is on page 453?—A. Yes.

Q. And looking below you appear to have a bond account of $2,000,000. That is bonds have been issued by the Company for that amount?—A. Those are bonds that have been issued.

Q. And the interest is 5 per cent?—A. Yes.

Q. Apparently; have these bonds realized par?—A. Par or better.

Q. Par or better. Have you received in some cases more than par; have you received a premium on the sale of the bonds?—A. Oh, yes.

Q. And where does the premium appear?—A. It will be on page 449, for instance, in the statement for 1902, it is referred to; the premium on stock and also the premium on bonds, 'this premium together with the premium on the bonds, $22,809.24 ($121,649.24), in accordance with our custom in the past have been carried to the contingent account.' That is on page 449.

Q. Yes, and on page 450 you have premium on bonds sold and added to contingent account, and there are other instances of that kind. Mr. McFarlane has given me a statement as to the issue of bonds. Will you look at that, Mr. Sise, that appears to be a statement of the sales of bonds and the amounts realized, and where they have been placed to the credit of the account?—A. That is right.

Exhibit No. 131.

BOND ACCOUNT.

Ten year issue, maturing April 1, 1904, renewed for one year.

Year.	Issued.	At Discount.	At Premium.	Cash Received.
	$ cts.	$ cts.	$ cts.	$ cts.
1884	77,200 00	5,334 50		71,865 50
1885	16,200 00	1,048 00		15,152 00
1889	87,600 00		115 00	87,715 00
1890	240,600 00		56 50	240,656 50
1891	78,400 00			78,400 00
	500,000 00	6,382 50	171 50	493,789 00

In 1894 $78,350 were redeemed, and in 1895 $35,650, or a total of $114,000, leaving $386,000 which were renewed at par with 30-year bonds, dated April 1, 1895.

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Thirty year issue was made as follows:

Year.	Old Issue renewed at Par.	At Premium of	Cash.
	$ cts.	$ cts.	$ cts.
1895	386,000 00	.. ..	386,000 00
1895	214,000 00	10,750 00	224,750 00
1896	273,500 00	19,491 25	292,991 25
1897	66,500 00	6,650 00	73,150 00
1898	1,000 00	100 00	1,100 00
1899	69,000 00	10,177 50	79,177 50
1900	190,000 00	18,775 00	208,775 00
1901	550,000 00	53,361 00	603,361 00
1902	250,000 00	22,809 24	272,809 24
	2,000,000 00	142,113 99	2,142,113 99

Premiums of 1895, 1896, 1900, 1901, 1902 were credited contingent fund.
Premiums of 1897, 1898, 1899 were credited plant account.

Q. A list of dividends paid was asked for the other day and I am not sure but what you produced it. Yes, I find that is in. (Exhibit No. 94.) I want to summarize this in one question. You appear to have paid two per cent quarterly regularly since 31st December, 1885?—A. I think there was a period there when no dividend was paid, in 1894.

Q. No, there are four payments in 1894. Up to 1885 the dividends are smaller and irregular?—A. From that time we paid two per cent.

Q. From the 31st December, 1885, and that is the statement of the dividends paid?—A. From June, 1884, to December 31, 1885, no dividend was paid.

Q. From June, 1884, to December 31st, 1885, no dividend was paid; that appears clear. Now you have in the statement for 1904 among other assets, an item of $927,056.50 'stock in other companies,' and I think the statement of that was put in by you the other day?—A. I think we filed that.

Q. On page 483 of the evidence (Exhibit No. 106), some of these are quite small, but the largest ones are the New Brunswick Telephone Company, $79,950. Have you got it, page 483?—A. I have it.

Q. And the Nova Scotia Telephone Company is $69,750? These are the companies of which we have heard. Mr Senator Thompson was examined since you were here before, with reference to the affairs of the New Brunswick Telephone Company, and Mr. Winfield has given evidence about the Nova Scotia Telephone Company. The next is the Federal Telephone Company, $28,185; where is that company?—A. Their work to-day is confined to Montreal, they do not do an exchange business, they have private lines and they do little or no business.

Q. They do little or no business, and what they do is in Montreal?—A. Yes; they have no exchange.

Q. They have no exchange. Then we have the North American Telegraph Company, $200,000; what is that company, Mr. Sise?—A. That is a telegraph company which was organized about 1885, I think, with telephone rights. They do a telegraph business and work in connection with other telegraph companies, and they also do a telephone business.

Q. Where is the head office?—A. At Kingston.

By Mr. Maclean:

Q. Is that company still in existence?—A. Oh, it is operating.

Q. Is that the company that Mr. Bampfield represents?—A. That is Mr. Bampfield's company, organized by the Rathbuns, of Deseronto.

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Q. And their field of operation is in the central part of the province of Ontario? —A. The central part.

Q. Their lines radiate from Kingston?—A. North from Kingston and Port Hope.

Q. And as far west as Port Hope.

Mr. MACLEAN.—Do they extend as far west as Manitoba and the North-west Territories?

By Mr. Chrysler:

Q. Mr. Maclean wants to know if the North American Telegraph Company have any lines in the North-west?—A. I do not think they have at present, but they are contemplating going there.

Q. Have they increased their capital?—A. Yes.

Q. To what amount has the capital been increased?—A. Of our company?

Q. No, the North American Telegraph Company, recently?—A. I think it has been increased to $10,000,000. I think so.

Q. That has been done?—A. I think so. I am not quite sure about that.

Q. By the statutes of last session, Mr. Sise?—A. Yes.

Q. And what is the total issue of stock? What proportion of it do you hold? Do you know?—A. We hold $200,000. That is all that has been issued.

Q. You hold the whole of it?—A. The whole of it.

By Mr. Maclean:

Q. And have you not transferred the head office of this company to Winnipeg?—A. No.

Q. You intend to?—A. We are going to, yes.

By Mr. Chrysler:

Q. This $200,000 which we have here is the whole capital stock of the North American Telegraph Company?—A. Yes.

Q. When did you acquire that stock in the North American Telegraph Company? Recently?—A. Some years ago. The Rathbuns induced us to buy them out.

Q. Yes; the North American Telegraph Company has not commenced operations in the North-west yet?—A. They are negotiating for the purchase of lines in the North-west. but nothing has yet been concluded.

Q. Can you give us a list of the officers of the North American Telegraph Company now? What are the names of the officers for the North American Telegraph Company?—A. I am the president, Mr. Bampfield is the secretary, but I cannot say off-hand who the directors are.

Q. A list can be given?—A. They are probably directors in the Bell Telephone Company.

By Mr. Maclean:

Q. Have the shares been issued yet; are they subscribed for, all this $10,000,000? —A. No; $200,000 have been subscribed and paid for.

Q. Have the shares been issued yet, or subscribed for for this new company?—A. Oh, no; they were going out to the North-west, and we were going to leave the North-west when the legislation out there interfered. We had disposed of all our stock, or contracted to do so, and the North American Telegraph Company increased its capital for the purpose of purchasing from us. We could not get the funds for carrying on the business in the east, and these parties found they could do nothing in the North-west, that it was not an opportune time to do anything, and the stock was transferred back.

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APPENDIX No. 1

By Mr. Burrows:

Q. The Bell Telephone Company was going to sell to the North American Telegraph Company their line?—A. Their long-distance lines.

Q. In Manitoba?—A. Wherever they could; wherever the North American Telegraph Company could get the money to buy them.

Q. And there was some difficulty about the local legislation?—A. Yes. It was not an opportune time to do anything; but if it had been the North American Telegraph Company would have taken over everything, and we would have retired from the North-west, because we could not get an increase of capital stock.

Q. Did you show us where the lines that you have in the Northwest are?—A. A map was filed here.

Q. What are the principal exchanges?—A. Winnipeg, Brandon, Portage la Prairie, Regina, Calgary, Lethbridge, all the larger towns there, we have a great many changes in the Northwest, but it requires an enormous amount of money. It costs a very great deal to build there, and consequently our work was restricted.

By Mr. Chrysler:

Q. Why does it cost more to build there than in the eastern provinces?—A. The freight on the plant makes a difference of 25 per cent on the cost of plant, and out there we cannot get poles.

Q. And the North American Telegraph Company is another company in which you hold all the stock and control. But you have a large amount of unissued capital?—A. Yes. We have only issued $200,000 capital, the original capital was $1,000,000 authorized.

Q. But it is an active operating company?—A. It is operating.

Q. Its present field of business is along the north shore of Lake Ontario and the Bay of Quinté?—A. It is confined to that at present.

Q. Then the next company we have here is the Northern Electric and Manufacturing Company, $279,000, what is the business of that company?—A. They manufacture apparatus of every kind for everybody, everywhere.

Q. All electric?—A. Not necessarily all electrical.

Q. Its business is not wholly confined to electrical instruments?—A. That is in connection with electrical apparatus.

Q. Do they manufacture telephones?—A. Telephones, everything of that kind.

Q. Are the telephones which they manufacture, wholly manufactured in Canada or are parts imported?—A. I do not think we have one imported telephone, and have not for years. They are all manufactured in Canada.

Mr. BURROWS.—You asked if all parts are manufactured in Canada.

By Mr. Chrysler:

Q. You say you do not think you have one now in use, is that what you mean?—A. I do not think there is one in existence that we have not manufactured.

Q. Speaking for the Bell Telephone Company, do you buy all your telephones from the Northern Electric Manufacturing Company?—A. I am speaking of telephones strictly.

Q. And they manufacture them?—A. Yes, they manufacture them.

Q. The question I asked was, are the parts imported?—A. None at all, they are wholly manufactured in Canada. There are times when they are rushed for work, and we want a small quantity, and we buy them where we can. We are not under contract to buy from anybody.

Q. Are any parts of instruments so used imported by the Northern Electric Company, any parts of the telephone instruments?—A. I think the Northern Electrical Company imports a rubber shell; they are not made in Canada.

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Q. For the receiver ?—A. Yes, I think that is all they import, and there are none made in Canada.

Q. These parts are not made in Canada ?—A. No.

Q. And the other parts of the instrument, they——A. Manufacture wholly.

Q. Now, I have not asked you I think whether this is all the stock of the Northern Electric and Manufacturing Company ?—A. That is all that has been issued.

Q. That is all that has been issued ?—A. Except what is the directors' holding for qualification.

Q. The total is $279,000. (That is on page 483). That is the total issue of stock of the Northern Electric ?—A. No, that is the stock held by the Bell Telephone Company.

Q. What is the total amount issued ?—A. $300,000 of capital. The balance, the remaining balance I assume to be the directors' qualification shares.

Q. The balance is the qualification directors' shares ?—A. I presume so.

Q. So that the Bell Telephone Company, except the directors' shares, hold all the issued shares of the Northern Electric and Manufacturing Company ?—A. They do.

Q. Where is the manufactory of the Northern Electric Company situated ?—A. In Montreal.

Q. Does the Northern Electric Company sell to other firms and companies ?—A. Sells to everybody who wants to buy.

Q. They have no exclusive contract to sell to you ?—A. No; nor we with them.

Q. Nor have you any exclusive contracts to buy from them ?—A. None at all; we buy wherever we can do the best.

Q. Who are the directors of the Northern Electric and Manufacturing Company ?—A. They are practically the directors of the Bell Telephone Company.

Q. Practically the directors of the Bell Telephone Company ?—A. I may explain: The Bell Telephone Company manufactured, and it was not a distinct corporation, but under the charter of the Bell Telephone Company they could only manufacture telephonic apparatus, and we had $100,000 worth of valuable machinery there, that could only be worked perhaps a month in the year, and in order to get the value out of that we took that charter giving them the general manufacturing powers.

Q. That is the history of the Northern Electric and Manufacturing Company. When was it organized ?—A. I think about ten years ago; I am not sure.

Q. Is there a reference to it in any annual report ?—A. Yes, I think so.

Q. We can find out. There is a reference in one report about the new factory being near completion; is it about that date ?—A. Yes.

Q. I just opened by chance at page 426 in the report for 1891. There is a statement there: 'Since our last annual report the factory buildings on Acqueduct street, Montreal, have been completed, and are now in successful operation, employing about 200 men.'—A. That is the Northern Electric and Manufacturing Company.

Q. That is the factory at which the Northern Electric and Manufacturing Company manufacture, and the company was organized about that time, was it ?—A. About that time.

Q. Well, by getting this charter were you enabled to enter into the manufacture of other things besides the telephone ?—A. General purposes; for general electrical purposes.

Q. Now, looking at the next company in this list, the Wire Cable Company, of which you hold $260,000 at par value of the stock. What is the Wire Cable Company ?—A. This is a company for the manufacture of copper wire, all sorts of cable, insulated wire and apparatus of that kind.

Q. Does it manufacture the copper wire that you use for your lines ?—A. They manufacture the whole of it practically.

Q. Practically the whole of the copper wire used for your lines. Do you hold all the stock except the directors' qualification stock that there is in that company ?—A. No; we only hold about 50 per cent of the stock.

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APPENDIX No. 1

Q. Fifty per cent?—A. Fifty-eight or 60 per cent.

Q. You hold more than a majority?—A. Yes.

Q. And the rest is held by?—A. Outsiders. I may say we hold—I am a shareholder myself, that is not the Bell Telephone Company.

Q. The Bell Telephone itself holds?—A. $260,000.

Q. It has $500,000 issued stock?—A. $500,000.

Q. Then we know what proportion it holds, and the balance is held by different people. Who are the officers of the Wire and Cable Company?—A. I am the president, I think Senator Robert Mackay is vice-president, and the directors are practically the same as in the Northern Electric and Manufacturing Company, except that other parties who are interested in New York are on the board.

Q. There are some others on the board outside the Bell directors, and where is their factory?—A. In Montreal.

Q. When was this company organized?—A. About six or seven years ago.

Q. Have you any exclusive arrangement with the Wire and Cable Company?—A. None at all. On the contrary we have bought a very large amount a short time ago from a concern that was in competition with them and gave us a better price, and we purchased from them. We have no contract with the Wire and Cable Company to purchase from them.

Q. You said a few moments ago that they furnished practically all the copper wire?—A. Yes; what we purchased in that one order was within 15 per cent of the year's consumption.

Q. You are not under any obligation to buy from the Wire and Cable Company?—A. None whatever.

By Mr. Maclean:

Q. How much of their output does your Bell Telephone take?—A. Without being able to speak with any certainty, I should say we take about one-half of their output, and a little less of the Northern Electric and Manufacturing Company. They sell to whoever they please.

Q. A little less than one-half of the Northern Electric Company's output?—A. I think so.

Q. We have some statements on page 483 of the actual amount paid to the Northern Electric and Manufacturing Company during the five years ending December 31, 1904?—A. Oh, yes.

Q. Also the amounts of the purchases from the Wire Cable Company?—A. For five years.

Q. During five years. I see that in your purchases from the Northern Electric and Manufacturing Company, Limited, the largest item is for switchboards?—A. Yes.

Q. They manufacture switchboards, and the next item in amount is for telephone instruments?—A. Yes.

Q. And another large item is for line and battery material, &c. What does that mean?—A. They manufacture a great deal of line material, for instance all our cross arms, which is a very large amount.

Q. Wooden cross arms?—A. And material; they make all our battery cells; I do not know if they manufacture it all now, but they manufacture batteries.

Q. Then the purchases from the Wire Cable Company are classified under three heads, and the prinicpal items are 'leaded cables' and 'bare wire.' Now, that is the end of the list except two small companies which I will not refer to. There is the Sherbrooke Telephone Association, $1,450, and a couple of small ones at the top, the Telephone Company of Prince Edward Island and the St. Martins Telephone Company. We have not heard anything about the telephone in Prince Edward Island, is there one there?—A. Yes, there is.

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Q. What is the name of the company, this is the name of it, is it ?—A. Yes. Prince Edward Island Telephone Company.

Q. That is independent of the Bell Telephone Company ?—A. Wholly so.

Q. What proportion of stock do you hold in it ?—A. About 15 per cent; I am not sure what their capital is now.

Q. Had you at one time exchanges in Prince Edward Island ?—A. We had.

Q. And have you withdrawn; did you sell out to them ?—A. We sold out and withdrew wholly.

Q. Made a similar arrangement to the one with the New Brunswick Company ?—A. Yes, except that we are not represented on the board.

Q. You have no representation on the board, and no arrangement for purchasing supplies from you ?—A. None whatever.

Q. Now, we have the connection between these manufacturing companies and our company; I would like to extend the question which has already been asked, have the Northern Electric and Manufacturing Company, or the Wire Cable Company, any exclusive arrangements with any other telegraphic or telephone companies ?—A. None at all.

Q. With the New Brunswick Telephone Company or the Nova Scotia Telephone Company ?—A. None at all, no contracts with anybody.

Mr. MACLEAN.—You might, ask particularly under what forms do they buy supplies; is it by tender or in what way ?

By Mr. Chrysler:

Q. Mr. Maclean wants to know about your business arrangements with the Northern Electric and Manufacturing Company; for instance, we will take them one at a time. How are prices fixed between that company and yours ?—A. Well, we have one or two cases in point now that will explain it. Some switchboards that we were requiring, for, if I am not mistaken, Kingston, I am not sure. But the price that we obtained from the United States for that switchboard was two or three thousand dollars lower than the price of the Northern Electric and Manufacturing Company.

Q. From what company in the States ?—A. I do not know whether that is the Kellogg Company or not. I am not sure. I do not know, as I do not attend to all the details myself. But we ask all these companies to tender and the Northern Electric and Manufacturing Company being unable to tender on favourable terms, the order was given to the United States firm.

Q. Did you ask for tenders ?—A. We did not; we submitted our needs to each one.

By Mr. Maclean:

Q. You have a purchasing agent ?—A. He buys wherever he can buy to the best advantage.

Q. You have mentioned two companies, the Kellogg and the Western; they are competing with the Northern Electric. I mean they are competitors of the Northern Electric Company ?—A. Well, to a certain extent.

Q. They are in the same business ?—A. In the same business.

Q. And is not this also true that they are controlled by the big American Telegraph and Telephone Company ?—A. Well, I think you will find, I do not know anything about it, but my impression is that the Kellogg Company is one of the strongest opponents—I do not know anything about it, that the American Company has now. The American Company has no knowledge of what we are asking for, we do not go to them or discuss it with them when we are buying switchboards or anything else, we go wherever we can do the best.

Q. And you say this purchase was made through your purchasing agent and at

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the lowest possible price he could get, having regard to the quality and the service?—A. Yes, no matter who it is.

Q. The questions which have just been asked were directed, I believe, to the Northern Electric and Manufacturing Company, what about the Wire Cable Company?—A. The same conditions with regard to the Wire Cable Company. A short time ago we wanted a large quantity of copper wire, and their price was higher than the Dominion Wire Company and we gave the Dominion Wire Company the order. There is a case in point.

Q. Where is the Dominion Wire Company?—A. In Montreal.

Mr. CHRYSLER.—I think, if the Committee will allow me, I will stop to-day at this point; I have got about as far as I am able to, with the examination of the books and papers I have been able to make.

By Mr. Maclean :

Q. Taking up this question of the North American Telegraph Company, that is practically to be the Western connection of the Bell Telephone Company?—A. Oh, not at all.

Q. What is it to be? Those who are the directorate and the main part of it are the Bell Telephone people of Canada?—A. It is the North American Telegraph Company.

Q. Which is now being moved to the west with a capitalization of $10,000,000?—A. It was intended to be moved to the west.

Q. And it is intended to be the Western end of the Bell Telephone Company?—A. I beg pardon, not at all; it is to be wholly independent.

Q. But the same Board of Directors?—A. I beg pardon, an entirely different Board of Directors.

Q. You said you were president of it?—A. No, they could not carry through the scheme.

Q. And now it is the Bell Telephone Company?—A. I beg pardon again, it is the North American Telegraph Company.

Q. You are the president?—A. I am.

Q. Who are the directors?—A. I think they are all Bell directors.

Q. If it is not the Bell Telephone Company it has the same directors?—A. Yes.

Q. And it is going through the west?—A. I do not know. It undertook to go through but did not succeed. Parties in the west may take over the whole thing, and if the parties do this we will sell out the whole thing to them.

Q. You were going to sell out to the parties in the west?—A. Yes; they applied to get the plant, and then because of the legislation in the North-west, and because the present Bill was before parliament, and they could get no rights from the Territories, they deferred action, and we took it back off their hands.

By Mr. Burrows:

Q. What Bill do you refer to?—A. The North-west Territories Bill, the Autonomy Bill.

By Mr. Maclean:

Q. Who are the parties in the North-west that you were negotiating with?—A. I could not give you the names at present because I do not recall them, but you will find them all in the application for the increase of capital

Q. When was this application made?—A. Made?

Q. Yes?—A. Last session.

Q. But where the legislation was—that was in Manitoba?—A. Oh, no, it was not legislation on account of this company, but general telephone legislation.

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Q. Was there something done in Manitoba with regard to telephone legislation? —A. But not in reference to that company strictly. It was the general tone of the legislation, the trend of the legislation at that time was such that you could not sell stock in the North-west; that was one thing, too.

Q. Mr. Campbell announced himself in favour of public ownership or control?—A. Something of that kind.

Examination adjourned till to-morrow.

WEDNESDAY, May 17, 1905.

The Committee met at 11 o'clock, Sir William Mulock in the Chair

The examination of Mr. C. F. Sise was resumed.

By Mr. Chrysler:

Q. I understand, Mr. Sise, that you wish to correct a statement made by you yesterday?—A. In the examination yesterday I was asked from whom we obtained tenders for switchboards and I stated we obtained them—I find by the report we obtained them—from the Kellogg Company. I learn that we never asked the Kellogg Company directly for any tenders, but we obtained that information from the Hon. Fred Thompson, who has just bought one of the boards for St. John, N.B. I did not wish to have it understood that we applied to the Kellogg Company at all. We got the information otherwise. I mention this for the sake of correcting the statement.

Q. You have, I believe, Mr. Sise, a number of additional statements, summaries principally, of some of the items in these annual reports?—A. I think they are all here.

Q. What is this statement (producing statement) have you looked over this yourself?—A. I have.

Q. You know what that is? It appears to be a statement of your stock accounts showing the amounts paid in cash and the——.A. And the premiums.

Q. Yes, and the amounts paid otherwise than in cash.—A. Yes.

Q. Separated. And also statements of the premiums received from the sale of stock. The amounts paid otherwise than in cash are the amounts which have already been mentioned in the evidence, $167,000 paid for license, and amounts issued to the American companies for the patents and patent rights assigned by the Canadian Telephone Company?—A. That is correct.

EXHIBIT No. 132.

STOCK ACCOUNT, 31ST DEC., 1904.

Cash	$7,208,455 31
Canadian Telephone Co., for license	167,000 00
" " patents and patents rights	353,804 69
ederal Telephone Co., plant	182,700 00
Account expenses in connection with organization	5,000 00
Total	$7,916,960 00

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APPENDIX No. 1

STOCK PREMIUMS.

1886	$ 1,430 00	To revenue.
1891	26,219 50	To suspense.
1892	123,729 73	To contingent.
1893	1,272 00	To revenue.
1894	1,990 00	"
1900	35,105 80	To contingent.
1902	98,840 00	"
1903	151,160 00	"
1904	479,240 00	"
Total	$918,987 03	

Q. Also an amount issued to the Federal Telephone Company for its plant and a small amount issued originally for the expenses of organization. Now, the next statement I want to have a little explanation about before I put it in. If you look at page 453 of the evidence, Mr. Sise, you will see that the first item in your receipts is 'exchanges less unearned rentals, $1,980,185.51.' What is meant by 'less unearned rentals ?'—A. It means that a subscriber paying six months in advance is entitled to six months' service, and if, through any cause, action or otherwise, we cannot give him that service we are under liability to him for that amount and must return it. It also means in case of the company's business generally that if they sold out their business to any other companies they would have to pay that company to carry that liability to its termination precisely the same as in the case of unearned insurance premiums in an insurance company. It is an absolute liability to the company.

Q. Yes, and being a liability perhaps as a matter of book-keeping it should be on the other side of the account. However, this is the way it has been done and to get the actual earnings from your exchanges in these years where the item is put in in that way, we should really add unearned rental and then deduct it as a liability ?—A. Yes, that is done in the balance sheet.

Q. That is done in the balance sheet. And in this particular year the statement which I have here, which I have asked for from your officers, shows that in the year 1904, the amount deducted on account of unearned rentals was $55,336.60, and similarly during the years from 1890 down to 1904 various amounts have been deducted in each year, which are shown by this statement. The total of the sums deducted in those fifteen years is shown below, in the item in your balance sheet of unearned rental reserve, which amounts to $397,087.86 ?—A. Yes.

Q. That statement shows what these balance sheets do not show ?—A. That is correct.

Q. The way in which that unearned rental has been carried forward in each year ? This is a statement of the amounts deducted for unearned rentals in each year, and by adding that to the exchange receipts in each year we get the gross receipts from exchanges ?—A. That is correct.

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Exhibit No. 133.

Gross Revenue from all Sources.

Year.	——	Deducted Account—Unearned Rentals.	Balance.
	$ cts.	$ cts.	$ cts.
1880	29,670 58		29,670 58
1881	101,049 69		101,049 69
1882	161,786 37		161,786 37
1883	217,624 73		217,624 73
1884	283,044 92		283,044 92
1885	362,828 84		362,828 84
1886	443,822 44		443,822 44
1887	529,002 53		529,002 53
1888	585,365 88		585,365 88
1889	605,964 76		605,964 76
1890	700,746 73	88,715 20	612,031 53
1891	775,932 26	8,476 50	767,455 76
1892	891,425 97	15,899 53	875,526 44
1893	972,617 46	11,442 67	961,174 79
1894	1,017,900 92	5,061 11	1,012,839 81
1895	1,093,372 14	6,247 86	1,087,124 28
1896	1,138,692 27	4,957 12	1,133,735 15
1897	1,208,426 88	22,741 67	1,185,685 21
1898	1,312,538 54	9,594 50	1,302,944 04
1899	1,469,161 73	12,478 67	1,456,683 06
1900	1,632,065 55	17,802 67	1,614,262 88
1901	1,867,521 93	15,986 71	1,851,535 22
1902	2,158,615 83	73,481 57	2,085,134 26
1803	2,571,140 59	48,865 48	2,522,275 11
1904	2,988,990 31	55,336 60	2,933,653 71
Total	25,1 9,309 85	397,087 86	24,722,221 99

Q. How is the amount that you have deducted in these years from the gross amount arrived at?—A. It is practically a little more than one-fifth of the gross revenue. As six months rental is collected in advance like every other income account, one-half of that would probably be earned. Therefore 50 per cent is deducted from the six months.

Q. That is if all the accounts were paid strictly on the very day of the beginning of the half year you would be really six months ahead of the time?—A. Yes, but they are not collectable the same date. That is the reason why that is done.

Q. And this unearned rental reserve is really an asset?—A. It is a liability.

Q. It is as you call it a reserve in addition to your other capital?—A. It is, yes.

Q. I do not know that it is important, but just to see if we understand it properly. The amount in that statement stated to be carried to the credit of unearned rental reserve is $55,000?—A. For that year.

Q. $55,336.60. There is nothing to which we can compare it because it is not shown here?—A. No.

Q. It has originally been deducted from the amount received for exchanges. Then have you some other reserve fund?—A. We have our fire insurance reserve.

Q. And that appears to have been added to annually for a number of years past? In the year 1904, it is the first of the items charged to the net revenue carried to insurance reserve $35,565.26. Have you prepared a statement showing the amounts which have been in each year carried to the insurance reserve and the amount at which it now stands, which is $200,000. That appears below, four lines from the bottom of page 453. That balance is arrived at by charging to the sums which you set aside in each year the losses by fire?—A. Deducting the losses.

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APPENDIX No. 1

Exhibit No. 134.

INSURANCE RESERVE.

Year.	Added.	Losses.	Balance.
	$ cts.	$ cts.	$ cts.
1886	3,000 00	751 21	2,248 79
1887	3,000 00	995 58	4,253 11
1888	3,000 00	877 62	6,375 59
1889	4,000 00	865 20	9,510 39
1890	4,000 00	652 20	12,858 19
1891	8,000 00	842 03	20,016 16
1892	8,000 00	1,556 97	26,459 19
1893	8,000 00	1,792 60	32,666 59
1894	8,000 00	1,493 76	39,172 83
1895	8,000 00	2,295 26	44,877 57
1896	8,000 00	1,148 29	51,729 28
1897	18,000 00	1,692 16	68,037 12
1898	8,000 00	4,622 41	71,414 71
1899	8,000 00	1,619 88	77,794 83
1900	41,001 08	18,795 91	100,000 00
1901	18,000 00	4,961 91	113,038 09
1902	40,674 10	3,712 19	150,000 00
1903	32,562 68	7,562 68	175,000 00
1904	43,565 26	18,565 26	200,000 00

Q. And this statement No. 134 is a correct statement of the insurance fund, showing the amounts which have been added to it from your earnings and the losses by insurance, and you have a reserve fund of $200,000 after that operation has been carried out?—A. That is correct.

Q. As to the insurance. Does that show all your losses by fire?—A. Oh, no. We carry about half of our insurance in the regular companies. Our insurance reserve only applies to about one half of our plant.

Q. And in addition to that?—A. But it is included in the charge here for insurance, $25,000 precisely the same as though it has been paid to a company.

Q. In the item above $25,409.14 you would say that that is not the whole of the premiums paid to outside companies?—A. About one-half.

Q. And the balance is the amount shown in the statement as paid out for losses?—A. Yes, that is correct.

Q. What is the amount paid out in 1904? I see it is $18,565.26. So that in that particular year there would only appear to be about $7,000 paid in premiums? Is that right? I am not sure that I am correct?—A. $18,565.26 is the loss that year.

Q. Yes?—A. And the premiums added amount to $43,565.26.

Q. The amount added to the reserve?—A. Yes. I may explain that that amount added is less than was absolutely necessary, or larger than the actual amount of premiums, but the object was to create an insurance fund that would enable the company to carry its own insurance because of the very high rates charged by the insurance companies.

Q. Are you charged high rates by insurance companies?—A. Not higher than they ought to be.

Q. But higher than for——.A. It is considered a hazardous risk.

By Mr. Burrows:

Q. What is the rate, Mr. Sise?—A. I beg your pardon.

Q. What is your insurance rate?—A. The rate.

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Q. Yes.—A. In our Montreal exchange, which is absolutely fireproof, if there is one, I think we have got that down to one per cent, but we pay as high as three and four per cent in wooden towns, and our plan is that the company carries its own insurance fund for a risk up to $7,500. On larger exchanges we carry very much larger amounts, but it is considered rather a hazardous risk on account of lightning and the crossing of electric wires with our wires.

By Mr. Chrysler:

Q. Trolley wires, I suppose ?—A. Trolley wires.

Q. Well, you have also an accident reserve fund which in the last statement amounts in all to $100,000. How has that been created ?—A. Practically on the same principle as the fire insurance, except that we carry the entire amount ourselves.

Q. And to what do you apply, or I should rather say what do you charge ?—A. Any accident for which the company might be liable.

Q. Yes, including accidents to your employees ?—A. To our own employees.

Q. As well as the public ?—A. As well as the public.

Q. And this fund apparently has been in course of creation since 1891 ?—A. We started with a fund of $2,500, and the next year we had one loss, $5,300, showing the necessity of a larger fund.

Q. The losses are shown here in the statement ?—A. They are all there.

Q. By losses you mean payments to persons who have had claims ?—A. Yes. There are no legal claims added to that at all; we never had any.

Q. You mean those are not payments made through the courts, but by arrangement ?—A. Yes.

Q. And the total amount of that fund is $100,000, as shown in the statement on page 453 ?—A. That is correct.

EXHIBIT No. 135. ACCIDENT RESERVE.

Year.	Added.	Losses.	Balance.
	$ cts.	$ cts.	$ cts.
1891	2,500 00		Cr. 2,500 00
1892	2,500 00	5,350 00	Dr. 350 00
1893	2,500 00		Cr. 2,150 00
1894	2,500 00	246 96	Cr. 4,403 04
1895	2,500 00	5 00	Cr. 6,898 04
1896	2,500 00	1,209 53	Cr. 8,188 51
1897	7,500 00	114 45	Cr. 15,574 06
1898	2,500 00	470 30	Cr. 17,603 76
1899	2,500 00	358 00	Cr. 19,745 76
1900	2,500 00	622 33	Cr. 21,623 43
1901	12,500 00	65 00	Cr. 34,058 43
1962	20,633 75	4,692 18	Cr. 50,000 00
1903	25,478 90	478 90	Cr. 75,000 00
1904	26,458 25	1,458 25	Cr. 100,000 00

Q. You have still another here, a small item 'for bond interest reserve, $25,000.' What does that mean ?—A. That is money that is due on bonds about the time the annual statement is made up. It is set aside, it is liability on interest that has been earned but not paid.

Q. Interest earned on bonds not paid. And that is not in the nature of those other items we have been looking at ?—A. No.

Q. Now, turning over to page 454 I see you have a large amount invested in real estate, $1,284,930.89. What is the nature of the real estate that you own ?—A. Build-

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ings occupied by the company, not for any other purposes. We find it absolutely necessary to own our own building.

Q. Why?—A. Because to move it is ruin. To move means like moving the centre of a gas works.

Q. Moving is a possibility whenever you are a tenant, is that what you mean?—A. Quite so.

Q. Then do you utilize any part of your building in any other way than for your business? Do you rent parts of your buildings?—A. I think that there is but one building where any of the offices are rented; no, two.

Q. Where are those offices?—A. Two in Montreal.

Q. The building in Ottawa is wholly occupied by your company, is it?—A. Oh, no, that makes three. I had forgotten the Ottawa one.

Q. A portion of the Ottawa building is rented? What about the Toronto building?—A. The Toronto building has no tenants.

Q. Then the rentals from this real estate where there are any tenants, where do they appear?—A. They are credited to real estate, miscellaneous revenue.

Q. They are credited, I suppose, to miscellaneous revenue? There is no separate item of rentals in these annual statements?—A. No.

Q. The largest reserve, if one might call it so, you call it a contingent fund, which appears in the last statement, is $1,845,410.24. Is it proper to call that a reserve or——A. I do not know any better name for it than contingent fund. It could be applied to any purpose.

Q. It could be applied to any purpose?—A. To any contingency or other purpose.

Q. You have perhaps a statement showing the growth of that contingent fund and the amounts that have been written off in all the years from 1881 to 1904? Is this a correct statement?—A. This is a correct statement, but it is not sufficiently clear to have it printed as it is, and while I submit this statement for general purposes, I think it should be explained more fully than it is here.

Q. Well, what would you prefer? To substitute a fuller statement?—A. I would prefer to substitute a fuller statement. (*See* Exhibit No. 149, on page 656 of the evidence.) That shows additions and reductions, and it is clear enough to one who knows all about it.

Q. With the permission of the committee, I will put this in, so that I will not have to refer to it again and the clerk can give it a number. (Exhibit No. 136.) Mr. Sise says he will explain more clearly so that when it comes to be printed it can be read more intelligently. It will show——A. It shows the whole thing, but it requires a great deal of explanation.

Q. All the amounts that have been deducted from the contingent fund?—A. Yes.

Q. What is that statement, Mr. Sise (producing statement)?—A. We were asked to give a statement of the number of instruments, exchanges and agencies each year. That we submit.

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EXHIBIT No. 137. INSTRUMENTS, EXCHANGES AND AGENCIES DEC. 31, 1904.

Year.	—	No. of Sets earning rentals.	—	Exchanges	—	Agencies.
1880..	....	2,100	....	13	....	38
1881.....	Added during year	1,000	Added during year	27	Added during year	2
1882.....	" " .	1,300	" " .	4	" " .	
1883.	" " .	1,600	" " .	....	. ...	38
1884..	" " .	1,418	" " .	29	Deducted " .	17
1885.....	" " .	2,196	" " .	53	" " .	12
1886.....	" " .	1,986	" " .	31	Added " .	30
1887.....	" " .	2,350	" " .	27	" " .	27
1888.... ..	" " .	600	" " .	.....	" " .	9
1889.....	" " .	2,000	" " .	17	" " .	9
1890.....	" " .	2,800	" " .	11	" " .	27
1891.....	" " .	2,874	" " .	17	" " .	34
1892.... ...	" " .	1,943	" " .	22	" " .	56
1893..	" " .	2,639	" " .	24	" " .	15
1894.....	" " .	975	" " .	25	" " .	6
1895.....	" " .	1,028	" " .	45	" " .	6
1896... ..	" " .	653	Deducted " .	4	" " .	7
1897..... .	" " .	983	Added " .	8	Deducted " .	14
1898.. . . .	" " .	1,637	Deducted " .	6	Ad ded " .	79
1899..	" " .	2,841	.....	.....	" " .	110
1900.. . ..	" " .	3,437	.....	.....	" " .	44
1901..	" " .	4,498	.....	.....	" " .	20
1902..	" " .	5,623	Added during year	34	" " .	39
1903.....	" " .	8,691	" " .	44	" " .	119
1904.....	" " .	8,988	" " .	54	" " .	117
	Total Dec. 31, 1904	66,160	Total Dec. 31, 1904	475	Total Dec. 31, 1904	789

Q. The statement shows in different columns the number of sets, the number of exchanges, and the number of agencies. The total as shown on December 31, 1904, is : Number of instruments, 66,160; number of exchanges, 475, and number of agencies, 789 ?—A. The instruments earning rental.

Q. Instruments earning rental. Then what is to be added to get the number of instruments in use ?—A. There are a large number of instruments in use by our own employees, there are a very large number for charitable purposes in charitable institutions, there are railway instruments and others under contract not earning any direct revenue.

Q. And the statement shows only——A. Those which are earning rental.

Q. Well, can you tell us how many are not earning rental ?—A. Oh, I should suppose two or three thousand, I am speaking off-hand.

Q. I know, I understand that. But in your mind that would be about right ?—A. I should say the great bulk of them were charitable instruments.

By Mr. Burrows :

Q. How many ?—A. 500 or 1,000 charitable. The employees require a great many. There are a great many in the switchboards and in the offices earning no direct revenue.

By Mr. Chrysler :

Q. What is the difference between an exchange and an agency ?—A. An agency in many cases would be a point on the toll line where long-distance revenues are received, where there is no operator, where there is merely a toll line agent; any point where they act for us to receive and transmit busines, but where there is practically no switchboard.

Q. Yes, and is there a switchboard at each of these ? At each place you have a number among the exchanges ?—A. At each exchange.

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APPENDIX No. 1

Q. Then what is this statement, Mr. Sise?—A. It is the long-distance mileage amounting to 32,218 wire miles.

Exhibit No. 138.

LONG-DISTANCE MILEAGE.

1883		600
1884	Added	636
1885	"	1,764
1886	"	1,000
1887	"	1,100
1888	"	1,200
1889	"	242
1890	"	1,695
1891	"	988
1892	"	1,238
1893	"	1,616
1894	"	1,020
1895	"	1,760
1896	"	1,013
1897	"	703
1898	"	666
1899	"	1,686
1900	"	2,430
1901	"	2,843
1902	"	2,655
1903	"	4,121
1904	"	1,242
Total wire mileage		32,218

Q. The first item in this statement is 600 miles in 1883, is that the first that was——?—A. The first that was constructed.

Q. The first that was constructed in 1883?—A. And the additions each year.

Q. Mileage added in each year. Did you examine that statement or have you in your mind anything as to the relative amount of the figures for maintenance and operation about which you were speaking?—A. I could not recall the figures at all. I saw the statement but I did not bring it up; I could not recall what the figures were.

Q. You do not know what proportion they bear to one another?—A. I could not explain it without having the statement before me.

Q. Now, with regard to the statements from the exchanges which you gave us the other day and which are printed at page 490 and the following pages. In looking over them yesterday I discovered there were some mistakes in them. Your attention has been drawn to them, will you kindly explain?—That is mistakes as printed?—A. The revenue from Toronto in 1891, the net revenue is carried in as $73,267. The statement that we submitted gave $60,233.14.

Q. This is an error in printing is it?—A. Yes.

Q. That has been corrected?—A. Then in 1902, we showed that Toronto was operated at a loss of $38,356.41, but in this printed statement it shows Toronto operated at a profit of that amount.

Q. There should be a minus sign or something to indicate that was a loss?—A. In 1903, Toronto apparently showed a profit of $1,709.59; there was a loss in the operations of the year of $1,709.59. In London, Ontario, we showed that in 1900 we operated that exchange at a loss of $958.85. In 1901 the report printed showed a profit of $21,602.96; our statement showed a loss of $21,602.96. In Windsor, Ontario, in 1904, the printed figures showed a profit of $448.44, it was a loss of $448.44. In Calgary in

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1901, we submitted a loss of $968.33. It is carried in here as a profit of $968.33. St. Johns, Que., these figures show a profit of $153.83 for 1904. The business resulted in a loss of $153.83.

Q. They are printer's errors. Well, I don't know that it is quite that; they are printed as you put them in, as the clerk can find out, but you wrote them in different coloured ink. They were put in red in your statement and the printer printed them in black. That is where the mistake occurred?—A. Yes.

Q. But anybody examining the figures will see it is a mistake?—A. Yes.

Q. You selected these exchanges that are here? That was the way in which the requisition was made?—A. I do not know that. I understood that you asked for certain——

Q. We asked you to furnish the figures for any station selected by yourself of more than 10,000 subscribers?—A. Yes, well we furnished a statement under that requisition.

Q. Did you make the selection of these stations?—A. I think the accountants did. I did not see them until they came here.

Q. We have asked you to add to these the earnings for a number of other stations, about the same number, seven or eight, I think, at other points. Have you been able to get that statement?—A. The last statement would require the office staff for some two months to make them up. There were two requisitions, one for certain specific stations and the other is for all our offices.

Q. Would the first one take very long?—A. I do not know just what it was. The accountant spoke to me about it and stated how long it would take to get them up.

Q. The second one you said would not be——A. The second one is the longest it requires all the offices.

Q. Would that take a great deal of time?—A. It would take a very great deal of time because the books required for that purpose are in daily use in the office. It would practically stop our business to get up that statement.

Q. Can you tell us how long it would take to get the first statement?—A. The chief accountant told me it would take at least two months.

Q. Not the first one surely?—A. Not the first.

Q. The first one is only a statement of seven or eight exchanges?—A. Yes, I am looking into that.

Q. Look at the account from Toronto? Have you got your copy of the evidence there?—A. What page.

Q. At page 490. I want you to tell me in what way the total plant account is made up? Does that include long-distance equipment at Toronto?—A. Without being sure, I assume that that includes a long-distance switchboard in that exchange only.

Q. Well, if you are not sure, perhaps somebody else will have to tell us, Mr. Sise.—A. I assume that that would include everything in the exchange, but not long-distance lines.

Q. But not long-distance lines? And what is meant by rental, there is the receipts from the local exchange?—A. Local exchange.

Q. That is the next column, the rental?—A. Yes.

Q. Then the long-distance receipts are the actual payments at the Toronto office for the use of the long-distance lines to all other points?—A. Just the actual amount of long-distance tolls earned there, not necessarily that was paid there.

Q. Earned there?—A. Yes.

Q. That is the point of origin?—A. That is the origin of the message, the starting point.

Q. Starting point of the message? Then in the column of total receipts it does not mean receipts from any miscellaneous source, it means receipts from long-distance and local?—A. The receipts from long-distance rentals, not miscellaneous revenue.

Q. No miscellaneous revenue is included in the total column?—A. None received.

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Q. There is no miscellaneous revenue received in Toronto ?—A. Practically none.

Q. And the expenses in the next column are divided into maintenance and operating ?

Mr. BURROWS.—What page?

By Mr. Chrysler:

Q. Page 490. This is the Toronto statement. The maintenance is the maintenance of Toronto exchange and long-distance equipment in the exchange ?—A. In the exchange, yes, not outside.

Q. And the operating is what ?—A. The operators' salaries and similar charges connected with the operating of the line.

Q. Operating also at the Toronto station ?—A. Not repairs.

Q. And in that manner we have in the last column but one, the net revenue. Now is that a correct statement of the net revenue, is this a correct way of arriving at it, I mean ?—A. It is correct, but it is not the correct way of arriving at it, to explain it intelligibly, inasmuch as in the plant account there is no recognition of the cost of our long-distance lines, while the long-distance revenue is added; nor in the expense account is there any charge for the repairs of long-distance lines although long-distance revenue is added. It gives the long-distance receipts, irrespective of long-distance rentals, irrespective of long-distance maintenance.

Q. What you would say then is that the figures are correct made up upon a principle which does not recognize all the facts ?—A. Yes.

Q. Did you see in the column of maintenance we have just passed over, repairs to the exchange plant ?—A. Repairs would be included there.

Q. Repairs for the local equipment are included there?—A. Yes.

Q. But no repairs to the long-distance ?—A. None to the long-distance line.

Q. For maintenance ? Nor operating ?—A. Nor operating, not in the maintenance.

Q. Then the other statements are made in the same way ? except they are not so many years and the plants are smaller ?

Q. I think as we made requisition, we only asked you for one year, Mr. Sise. Why did you make the statement up for a number of years ?—A. I cannot say, because I did not know whether it was asked for one year or what, but I assumed that we might show—take the case of London—a profit of $18,000 in 1902, without an opportunity to show that in the year before we lost $21,602.96. In order to present our case fairly, it is necessary to show for a series of years and not one year, that we take into consideration.

By Mr. Burrows:

Q. Why should there be such a great difference as between the two years ?—A. In many cases because of the necessity for taking down an existing plant, putting it underground. That is a very serious point. Then a sleet storm might wipe it out. It has done so in Ottawa twice, in Hamilton, once or twice. One Hamilton storm wiped out $30,000.

By Mr. Zimmerman :

Q. I remember that very well. Would that not naturally be added to capital account ?—A. In what way ? It doesn't increase capital.

Q. I mean putting underground ?—A. No, we only carry to capital account such expenditures as will result in a new revenue, and if 100 lines are blown down and we replace them it does not bring in any new revenue.

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By Mr. Chrysler :

Q. He is asking about whether you put wires underground; it looks like a permanent improvement.—A. If we took down the poles of 100 wires and put 200 capacity for stringing underground, we charge one-half to the revenue account, which returns no new revenue, and the other 100, which is capable of producing new revenue, is charged to capital.

By the Chairman :

Q. Would not the work put underground be more valuable than the previous equipment ?—A. On that basis you could not charge to capital account.

Q. I am not asking you that question. What I mean to say is this: that no capital account ought to be charged—I think that some additional advantage accruing out of the cost in regard to changing the system of stringing wires to putting wires underground it would be more durable, more permanent, less liable to injury from these storms, and a portion of that, I think, should be charged to capital.

By Mr. Chrysler:

Q. What do you think of that ?—A. At times a portion of that has been charged to capital account, but I do not approve of it.

Q. Explain that.—A. Our practice has been not to charge anything to capital which does not produce new revenue.

By the Chairman :

Q. Supposing when, without installing poles at all, you proceed for the first time to put your lines underground, would you not charge the whole of that amount to capital account ?

By Mr. Chrysler :

Q. What do you say ?—A. The original outlay ?

Q. Yes, if you had no wires or poles at all ?—A. We would charge that to capital.

Q. Charge the whole cost of putting it up ?—A. Whether underground or overhead.

By the Chairman :

Q. If you temporarily have wires overhead and subsequently put them underground, why not charge to capital the cost of putting them underground, less the cost of the change ?—A. I do not think it is a good business principle. We might more than double our expenditure by putting the wires underground without getting in any more revenue for the extra outlay.

By Mr. Chrysler :

Q. Let us know, as a matter of fact, how it is done. Do you, in fact, where you put wires previously carried on poles into conduits, do you charge any part of that cost of changing the system to capital ?—A. A very small amount has been charged at times—a portion of it.

Q. Why don't you charge, if I understand the chairman's question, why don't you charge the proportion which is improvement to your property ?—A. Because it produces no additional revenue.

By the Chairman :

Q. That would not be the test ?—A. I am not assuming that I am right. I am merely telling you how we did.

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APPENDIX No. 1

By Mr. Miller :

Q. I think, if Mr. Sise adheres to a good business principle sometimes, he should adhere to it always. Why is not the one principle adhered to throughout ?—A. Some—

By Mr. Chrysler :

Q. Mr. Sise will have to answer the question. To what extent have you infringed upon that principle, or is it a matter that you have always adhered to ?—A. It depends on local conditions very much. For example, if we abandon the poles in any case where there would be no necessity for putting down an increased number of conduits in order to provide for an increased revenue, we certainly would charge the whole of that to revenue account, but in case we were not benefitting ourselves very much, and as the chairman states, when we have reduced our expenditure for maintenance and it is a safer way of doing it, then, after some discussion with the board of engineers, we decide how much of that ought to be charged to capital account, ecause it is more valuable property.

Q. I understand you charge a portion of it to capital when you get increased capacity ?—A. Always.

Q. When you don't get increased capacity, although it is more durable ?—A. As a rule we don't charge to capital, which I think is a conservative way of handling the business.

By the Chairman:

Q. It is a way of charging against revenue that which ought apparently be charged against capital expenditure?—A. It is a matter of opinion.

The CHAIRMAN.—Have you got any figures showing the total amount of such expenditures, Mr. Chrysler.

Mr. CHRYSLER.—No, not the cost.

The CHAIRMAN.—Has there been much change, transferring from poles to underground.

Mr. CHRYSLER.—The reports show it, I think, without perhaps getting any further statement.

Mr. ZIMMERMAN.—Take the last fiscal year, of the company, have we anything to show the amount of money expended in putting wires underground which have previously been on poles above ground.

Mr. CHRYSLER.—In capital expended.

The CHAIRMAN.—I do not say capital.

WITNESS.—That has not been asked for.

The CHAIRMAN.—I think we should have that information. Has there been much of that work done during the last year ?

Mr. CHRYSLER.—It has been done during a series of years for the last twelve or fifteen years.

WITNESS.—Every year.

Q. Is that right, Mr. Sise ?—A. Yes.

The CHAIRMAN.—I think we want particulars. Take the last fiscal year, Mr Chrysler, what amount of money has been expended by the company in putting their wires that were on poles underground.

By Mr. Chrysler:

Q. Can you answer that, Mr. Sise ?—A. We could furnish that.

The CHAIRMAN.—Then, we had better have the statement for each year showing——

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By Mr Chrysler:

Q. For instance, in the year 1890, the report says.—

'Recognizing the necessity for making preparations for underground work, your directors have continued the construction of conduits in Toronto, and have also commenced work in Montreal and Hamilton. Thirty-five miles of duct in about 114 miles of conduit have been laid during the year.' References of that kind appear in the annual reports, Mr. Sise.—A. Yes.

Q. Then you could furnish the committee with a statement of the amounts in constructing these conduits in each year ?—A. We can furnish that.

Q. Since you commenced——when did you commence doing this work of laying these wires and conduits ?—A. Some fifteen years ago or more.

Q. Can you when you furnish that statement also indicate how much of that has been charged to capital ?—A. It would be possible but we would have to get this information from some 1,200 offices, and it would take a month to get it. I want the committee to understand it could not be got at once.

Q. I do not think the information that I have in mind would require to get returns from 1,200 places.—A. More or less of this work goes on in the smaller places.

Q. I think only fifteen or twenty of the larger cities would be necessary.—A. You take a small town and very often we have to lay a conduit across the street to get to our own office. We would have to get the returns from all of the offices.

By the Chairman:

Q. This statement put in only shows 789 agencies.—A. I beg your pardon, you have not looked at the exchanges.

Mr. CHRYSLER.—He is adding exchanges to agencies.

By the Chairman:

Q. Does the witness say that this work is being done in 1,200 towns ?—A. I did not say so. I said we would have to get information from 1,200 towns to know what they had done.

Q. Is that so ?—A. I think so.

Q. It is a surprise to know that wires have been put underground in 1,200 towns in Canada.—A. Do not misunderstand me. I said that there are a great many small places where it is necessary to cross the road to reach our place, and where the work might cost $200 or $300.

By Mr. Chrysler:

Q. It is an agency?—A. Yes, not an exchange.

Q. That is not what the committee have in mind, it is not what I have in mind. In speaking of conduits I was thinking of the systems such as we have here in Ottawa where the wires are carried for a considerable distance under the street.

Mr. MONK.—What is it you want in connection with that? Is it the amount expended ?

Mr. CHRYSLER.—The amount expended in doing this underground work. Mr. Sise says there are many places where a small quantity has been done, the returns of which would be necessary to make the statement exact.—A. I am assuming that that is enough.

The CHAIRMAN.—I would suggest that we take some leading points of expenditure. The outlay at these small places is very trifling. We should take some of the leading points like the city—I do not know anything about other places—but I think in Toronto it has been the policy of late to put them underground.

Mr. CHRYSLER.—Yes, Mr. Sise says there are many places where small quantities of that work have been done that would have to be included to make the statement exact.

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APPENDIX No. 1

The CHAIRMAN.—We want the figures.

Mr. GEOFFRION.—In that statement of the towns would it not be proper to put also a statement of the losses, that is, the destruction of your capital overhead, by taking down wires and putting them underground.—A. Yes.

Q. An estimate of the capital which you destroyed?—A. Abandoned.

Q. To put it underground is capital which you destroy?—A. I think so. We could give you, Mr. Chairman, for one year for any town or towns, the actual amount of our underground expenditure, but I wish in that connection to state that would probably have no reference at all to these figures of profit and loss.

The CHAIRMAN.—It would have a bearing on the general statement of the company for the year. I presume if you have charged against revenue each year all this expenditure for substituting underground for pole line you are adding, if my view is right, you are charging more against the earnings for the year than is legitimate. I think the committee should have the information. We will draw our own deductions. It is quite right as Mr. Geoffrion says, that the losses of capital should be charged against the earnings.

Mr. GEOFFRION.—We should have an estimate of those losses of capital if your contention is that you add to the capital in putting wires underground. We should have also an estimate of the capital which you destroy.

The CHAIRMAN.—Quite right, both should be taken into consideration.

WITNESS.—Our principle has been precisely the same as that of a railway. When a locomotive is condemned and another put into its place it is not charged to capital account.

By Mr. Chrysler:

Q. What would you suggest as to the manner in which you can give us the information which is required without giving us too much detail as to a large number of smaller plants?—A. We could give you and would be very glad to give you a statement of our underground construction in different places. It would be a very long statement, it would be a very great undertaking to take them year after year, and as the Chairman suggests we could show what has been charged to revenue and also the amount charged to capital.

The CHAIRMAN.—I will take the opinion of the committee. They may differ from me.

Mr. BURROWS.—With regard to what?

The CHAIRMAN.—It appears that he is charging against revenue the total cost expended in putting the wires underground, and it occurs to me that a part of that cost should be charged against capital and not against the revenue, and that we should have a statement that will make quite clear the cost expended in changing from overhead to underground wires, and as Mr. Geoffrion suggests, the losses by the change, the destruction of property, the abandonment of property. I don't think we should go into the whole 1200 exchanges. We could meet the substantial requirements of the committee by covering the leading points where this work has been going on of late years, like Montreal, Toronto and other centres.

WITNESS.—We will furnish it.

Mr. MILLER.—Better take the cities.

Mr. ZIMMERMAN.—Take five cities, Montreal, Toronto, Ottawa, Hamilton and London.

Mr. BURROWS.—Take all the cities

Mr. GEOFFRION.—You might take half a dozen cities.

Mr. CHRYSLER.—Will the committee make the selection.

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By the Chairman:

Q. Perhaps Mr. Sise will tell us at what cities this work has been going on?—A. I do not think we have any exchanges where the work has not been done.

The CHAIRMAN.—Mr. Miller suggests the cities of Canada.

WITNESS.—All right.

By Mr. Geoffrion:

Q. There are a good many cities in Canada. How many cities are you operating in, do you know?—A. We are operating in every one. I do not know how many there are. There are 458 exchanges.

Mr. MONK.—Take three or four cities.

Mr. GEOFFRION.—Or half a dozen at the most.

Mr. ZIMMERMAN.—I would suggest four or five of the larger cities, Montreal, Ottawa, Toronto, Hamilton and London.

WITNESS.—I would like to add Winnipeg.

Q. You would add Winnipeg?—A. Would the chairman like to have them from year to year, or a number of years, or the average?

By the Chairman:

Q. I think a yearly statement, a statement for each year?—A. That would be for the last 15 years.

Q. When did you begin doing it to any extent? You were not doing it much at first.—A. We will give you the figures.

Q. Do you go into Victoria?—A. No.

Q. Into Halifax?—A. No, we don't operate there. Calgary is the extreme western point.

Q. Do you operate in Quebec?—A. Yes.

Q. Then give Quebec and Montreal. That list, I think, will meet the case. What is the committee's opinion as to how many years it should cover?

Mr. ZIMMERMAN.—From the time they began to put in the conduit system.

Mr. GEOFFRION.—That will be quite a work, covering 15 or 20 years.

The CHAIRMAN.—He says he can give it from their books from the beginning. Mr. Sise, you might step aside for a moment to allow us to examine Mr. Hays.

Mr. AYLESWORTH.—Would you let me put a matter a little more clearly? I understood him to say that whenever an expenditure was inaugurated for burying wires in a conduit which was productive of new revenue, it was not charged to revenue at all but to capital. If there are existing services there for which the buried wire was a mere substitute, then it was charged to revenue; but otherwise it went to capital.

The CHAIRMAN.—His statements can distinguish. We want to know how much has been charged to capital and he can show by his statement and we can judge whether it should have been charged to capital according to our view or not.

Examination adjourned temporarily.

Mr. Charles M. Hays sworn.

By Mr. Chrysler:

Q. You are an officer of the Grand Trunk Railway Company of Canada?—A. Yes.

Q. What is your official position?—A. Second vice-president and general manager.

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Q. We have had produced an agreement between the Bell Telephone Company of Canada and the Grand Trunk Railway Company, dated July 25, 1900. Do you know anything about that agreement? It appears to have been executed by you, as far as shown by the copy disclosed.—A. I am familiar with the terms of it; yes, sir.

Mr. BURROWS.—What page is that?

Mr. CHRYSLER.—It is printed on page 192 of the evidence. (Exhibit No. 38.)

Q. Among other clauses of that agreement, it is provided that the telephone company shall have the exclusive right of placing telephone instruments, apparatus and wires in the several stations, offices or premises of the railway company throughout the Dominion of Canada. Has that agreement been enforced since it was made?—A. Practically, yes.

Q. And your company have carried that out by giving to the Bell Telephone Company, wherever they have exchanges, exclusive rights of admission to the stations of the Grand Trunk Railway system?—A. Yes.

Q. Are there any cases within your knowledge in which other companies operating telephone lines have asked for the privilege of placing telephones in your station or stations, and in which you have refused?—A. I have no knowledge of our having refused any. I know of one company where we did grant the privilege, down at St. Agapit, Quebec. I think it was the Bellechasse Telephone Company.

Q. Yes, and was that continued or withdrawn?—A. I think it is in existence to-day.

Q. You think it is in existence to-day. There was some evidence here by a gentleman who was the general manager of the People's Telephone Company, of Sherbrooke, who complained that your agents would not allow him to place telephones in any of the stations. Did that come before you?—A. I do not recall having seen that instance.

Q. And you do not recall any other than the one you have mentioned?—A. No.

Q. Are there any other companies, in the allied companies of the Grand Trunk that have similar agreements?—A. Yes, sir, the International Bridge Company, and the Sarnia Tunnel Company.

Q. The International Bridge is the bridge over the Niagara at——A. Black Rock, between Black Rock and Fort Erie.

Q. And there is an agreement with respect to the——

By Mr. Burrows:

Q. The Victoria Bridge?—A. That is included in the Grand Trunk contract.

By Mr. Chrysler:

Q. We have not had any agreement with the International Bridge Company produced by the Bell Telephone Company. Can you produce it?—A. I think I can produce our telephone contracts. That is a list of the companies' contracts. (Producing documents).

Q. Some of these agreements are expired?—A. Yes, sir.

Q. Well, shall we put in the book just as it is?—A. It is perfectly agreeable to me, sir.

Q. We can print, if desired, the one that is in force. I do not know whether any of these are in force now?—A. One or two of them have expired by limitation, and are running along subject to the right of either party——

Q. At the end of the agreement with the International Bridge Company, dated 1896, on page 573 of the evidence, there is a note stating that said agreement has expired.

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Exhibit No. 139.

MEMORANDUM OF AGREEMENT, made this second day of January, in the year 1896, by and between the International Bridge Company of Canada, hereinafter called 'the Bridge Company,' of the first part, and the Bell Telephone Company of Canada (Limited), hereinafter called 'the Telephone Company,' of the second part.

WHEREAS, the parties hereto entered into an agreement bearing date the second day of January, in the year 1891, whereby, for certain considerations, the Telephone Company was permitted and allowed to put on arms and run its wires up to each side of each of the draws on the bridge of the Bridge Company over and across the Niagara River, between Fort Erie on the Canadian side to Black Rock on the American or United States side of the said river, and to lay a cable, of not more than twelve wires, across each of the draws on the north side of the said bridge, and on the terms and conditions as expressed and set forth in the said agreement of January 2, 1891, which was to continue in force for the period of five years.

The said agreement expired on the first day of January, in the year 1896.

The sites of the said cables were changed, as agreed upon between the parties hereto, from the north side of said bridge to the southerly side thereof.

The Telephone Company has asked the Bridge Company, subject to the terms and conditions herein set forth, to continue the said permission for another term of five years, from the second day of January, 1896, and the Bridge Company has agreed to do so.

THEREFORE, IT IS HEREBY WITNESSED, that the parties hereto have covenanted and agreed, and do hereby covenant and agree with each other in manner following, that is to say :—

1. That in this agreement the words 'the Bridge Company' shall mean the party hereto of the first part; and the words 'the Telephone Company' shall mean the party hereto of the second part; and the covenants of the Bridge Company and of the Telephone Company shall be read and taken as made as well by and for the Bridge Company and the Telephone Company respectively, as also for the successors and assigns of the Bridge Company and the Telephone Company respectively.

2. That the Telephone Company shall be permitted and allowed to maintain the said arms and run the said wires and maintain the said cables in the positions they at present occupy upon the said bridge and across the said draws and between the points aforesaid.

3. That the said wires shall be maintained on the side of the bridge opposite to that on which the Great North-western Telegraph Company's wires are strung, and that the said cable shall be maintained on the south side of the said bridge.

4. That the said cable and the said wires shall be maintained in such positions and by such means and in such manner as shall be approved of by the engineer of the Bridge Company.

5. That the foreman of the Bridge Company will attend to the moving, laying and taking up of the submarine portion of the said cable in the spring and fall of each year while this agreement continues, but the Bridge Company does not assume any responsibility for the sufficiency of the said cable, or for the safety thereof, at any time, and will not be liable for any injury, loss or damage to the said cable or wires, or any part or portion thereof, however caused, by the negligence of the servants of the Bridge Company or otherwise; the Telephone Company assumes all risk of such injury, loss or damage, and it will take care of the said work, except to the extent aforesaid, to be done by the said foreman of the Bridge Company.

6. The Telephone Company shall furnish and provide, free of further charge, telephone service to the Bridge Company and from the longer or main river draw to both ends of the bridge of the Bridge Company, and to the Victoria station of the Grand Trunk Railway Company of Canada, and from the Ferry street draw on the American or United States side of the river to the bridge tender's house on the main river draw

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aforesaid, for the exclusive use of the Bridge Company, and shall furnish, during the currency of this agreement, its passes for such of the Bridge Company's officers and employees as may be designated by the president of the Bridge Company.

7. That the Telephone Company will keep the instruments and wires of all the appliances always in good working order, all free of charge to the Bridge Company, and free from all assessments, taxes, rates, impositions or charges of any kind or nature so ever upon the said cable or wires or instruments, appliances or materials, or on the telephone service.

8. That in the event of the telephone instruments getting out of order, the Telephone Company, at its own cost, will promptly repair and put the same in order, and that from time to time during the currency of this agreement, the Telephone Company will provide and attach and maintain, free of charge to the Bridge Company, all improvements in said instruments which the Telephone Company may have in use.

9. That the telephone on the main draw shall be placed in the engineer's house in said draw; the location of the instrument in each case to be such as shall be approved by the superintendent of the Bridge Company, or his assistant, and shall be for the sole use of the Bridge Company and its employees, and not to be for the public or other use by or on account of the Telephone Company.

10. This agreement shall continue in force for the period of five years, from and including the date hereof; provided, however, that either of the parties hereto may terminate the same, at any time, on giving to the other party three month's prior notice, in writing, signed by the president or superintendent of the company giving such notice; such notice to be addressed to and served upon the president or superintendent of the company to be notified, and this agreement shall be terminated accordingly at the expiration of the said three months.

11. Each of the said parties hereto hereby agrees and covenants with the other to carry out and fulfil, observe and abide by this agreement, and all the covenants, clauses and conditions therein, according to the spirit, true intent and meaning thereof.

In witness whereof, the said parties hereto have hereunto affixed their respective corporate seals, on the day and year first above set forth.

Signed, sealed and delivered in
the presence of:

THE INTERNATIONAL BRIDGE COMPANY,

Per CHAS. M. HAYS, *Vice-president.*
Per CHAS. PERCY, *Secretary.*

THE BELL TELEPHONE COMPANY OF CANADA,

Per C. F. SISE, *President.*
Per CHAS. P. SCLATER, *Secretary.*

Note.—Term expired December 31st, 1901, and contract now running on from year to year subject to three months' notice of termination.

WITNESS.—That is the last agreement. It was made in 1896 for five years, and thereafter subject to three months' notice of termination of either party, and it is running subject to that notice, so that apparently there is not in existence a written agreement with the International Bridge Company.—A. Well, subject to the terms of that agreement——

Q. Except as you have indicated, just a verbal continuation of a written contract? —A. This is a copy of the agreement with the Bellechasse Company.

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(Exhibit No. 140.)

This agreement made this thirtieth day of September, in the year 1904,
By and Between

THE BELLECHASSE TELEPHONE COMPANY, party of the first part, and
THE GRAND TRUNK RAILWAY COMPANY OF CANADA, party of the second part,,

WITNESSETH:—

Whereas the party of the first part has requested of the party of the second part permission to place a telephone instrument in the railway station of the party of the second part, at St. Agapit, in the province of Quebec, said telephone instrument to be for general use, and

Whereas the party of the second part is willing that said telephone instrument may be placed in the said station at St. Agapit upon the terms and conditions herein contained.

Now, therefore, in consideration of the premises it is hereby agreed by and between the parties hereto as follows:—

1. Upon the terms and conditions herein stated, the Grand Trunk Railway Company of Canada, party of the second part, will permit the party of the first part to install a telephone instrument in the railway station of the party of the second part, at St. Agapit, in the province of Quebec.

2. The party of the first part agrees that the said telephone instrument shall be placed and maintained in said railway station entirely at the risk and expense of the party of the first part, and free of the usual rental charge, and also agrees that it will not seek to hold the said railway company responsible for any damage to said instrument, no matter how such damage may occur.

3. The party of the first part agrees that at any time, upon the demand of the Grand Trunk Railway Company of Canada, it will remove from the premises of said railway company, the said telephone instrument, and all wire and other equipment in connection therewith, and if in putting in said instrument it is necessary to do any carpenter work, or other work, at the said station, the party of the first part will, upon the removal of said instrument, wires and equipment, do any repair work made necessary by the installation and removal of said instrument as aforesaid.

In Witness Whereof the parties hereto have hereunto set their hands and affixed their corporate seals, this Thirtieth day of September, in the year 1904.

Signed, sealed and delivered, in presence of

THE BELLECHASSE TELEPHONE COMPANY OF CANADA,
Per

President.

Secretary.

THE GRAND TRUNK RAILWAY COMPANY OF CANADA,
Per

Second Vice-president and General Manager.

Q. Now, in addition to the right given by the clause that I have read to place telephones in the stations, the next clause provides that, 'each company shall so far as it may do so properly, without prejudice to its own business grant to the other company, facilities for carrying its wires and lines through or over the poles, subways, bridges and other premises on equitable terms to be agreed upon, and the railway company will not grant similar facilities to any other telephone companies.' Has that also been acted upon?—A. Yes.

Q. Are there any points at which the telephone lines of the Bell Telephone Company are carried over any of your poles, subways or bridges?—A. I think not.

Q. The Victoria bridge has been spoken of here as being a place on which some

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company from the other side of the St. Lawrence asked for permission to carry a wire across to Montreal. Do you know anything about that ?

The CHAIRMAN.—The Merchants Telephone Company.

By Mr. Chrysler :

Q. They wanted permission to carry a wire over the bridge?—A. I do not recall the circumstances of that now, sir.

Q. Are there any wires carried for the Bell Telephone Company over the Victoria bridge?—A. Yes, that is also set forth in this copy of the contracts between us.

Q. There is a special contract with regard to the Victoria bridge?—A. Yes, this is it :

Exhibit No. 141.

MEMORANDUM OF AGREEMENT, made this eleventh day of June, in the year 1897, By and between

The BELL TELEPHONE COMPANY OF CANADA (Limited), hereinafter called 'the Applicant' of the first part, and

The GRAND TRUNK RAILWAY COMPANY OF CANADA, hereinafter called 'the Company of the second part,

Whereas, the Applicant has asked the Company, subject to and on the terms hereinafter set forth, to allow it the privilege of carrying its cables across the Victoria bridge of the Company from the City of Montreal to St. Lambert, and the Company has agreed to do so;

THEREFORE, THESE PRESENTS WITNESS that in consideration of such permission, the Applicant hereby, for itself, its successors and assigns, covenants and agrees to and with the Company as follows, that is to say:—

The Applicant may at any time, on giving one week's notice to the Chief Engineer of the Company, proceed, at its own cost, to place its cables upon the Victoria Bridge and across the same, but at all times under the supervision and according to the direction of the said Chief Engineer, and the Applicant shall at its own cost maintain the same;

All persons entering upon the lands of the Company and the said bridge for the purpose herein set forth shall do so at their own risk or loss, injury or damage, to person or property, whether caused by the negligence of the Company, or otherwise, and the Applicant shall at all times indemnify and save the Company harmless against all claims, costs or proceedings, by reason or in consequence of any such loss, injury or damage, or incidental to the exercise of the permission hereby given;

After the said cables have been placed they shall be subject at all times to change of site and position, if such change be required by the said chief engineer, and all such changes or alterations shall be done forthwith at the cost of the Applicant.

This permission may be revoked at any time on three months' prior notice, in writing, signed by the general manager of the Company and given to the Applicant, and the applicant shall upon the revocation of this permission take down and remove all the cables which may have been placed under this permit.

The Applicant assumes, and the Company shall not be responsible for, any loss injury or damago to the said cables, or to any attachments or fittings thereof, or to any property of the Applicant, and whether the same be occasioned b the negligence of the servantys of the Company, or othrwise.

The Applicant shall not transfer the right or privilege hereby conferred without the consent, in writing, of the said general manager, first obtained.

The Applicant shall during the continuance of this permission pay to the Company the sum of $1 on the last day of December in each year, and shall also, at its own cost, whenever required so to do by the said general manager, at any time or times, erect and put up in good working order and condition, at such points upon and along the

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Victoria bridge, and the approaches or station yards at each end thereof, as may be specified by the general manager, and to the approval and satisfaction of the said chief engineer, all wires, attachments, insulators, fixtures, fittings and apparatus necessaary and required by the company for, and to provide telephones, not exceeding six in number, for the use of the Company, and its officers, agents and employees; and shall keep the same in good working order and condition, and to the satisfaction of the said chief engineer.

The agreement purporting to be between the parties hereto bearing date the tenth day of June, in the year 1897, executed by the Applicant only, with respect to the matters set forth herein, is hereby declared cancelled and at the end, on, from and after the date of this agreement.

In witness whereof, the parties hereto have hereunto set their respective corporate seals on the day and year first above written.

THE BELL TELEPHONE CO. OF CANADA (LIMITED),
Per C. F. SISE, *President.*
Per CHAS. P. SCLATER, *Secretary-treasurer.*

THE GRAND TRUNK RAILWAY CO. OF CANADA,
(L.S.)
Per CHAS. M. HAYS, *General Manager.*

Signed, sealed and delivered in presence of:
(By the applicant) W. H. BLACK,
(By the company) R. S. LOGAN,

By Mr. Chrysler :

Q. Have you an agreement in regard to the Sarnia Tunnel?—A. Yes, this is it:

Exhibit No. 142.

MEMORANDUM OF AGREEMENT made this first day of December, in the year 1903, By and between

THE BELL TELEPHONE COMPANY OF CANADA (Limited), hereinafter called 'the Applicant,' of the first part, and

THE GRAND TRUNK RAILWAY COMPANY OF CANADA, hereinafter called 'the Company,' of the second part.

WHEREAS, the Applicant has asked the Company, subject to and on the terms hereinafter set forth, to allow it to continue the privilege of carrying its cable through the St. Clair Tunnel (which is controlled by the Grand Trunk Railway Company), from Sarnia to Port Huron, and the Company has agreed to do so.

THEREFORE, THESE PRESENTS WITNESS, that in consideration of such permission the Applicant hereby, for itself, its successors and assigns, covenants and agrees to and with the Company as follows, that is to say:—

The said cable shall be maintained by the Applicant, at its own cost, and shall be subject at all times to change of location and position, if such change be required by the Chief Engineer of the Company, and all such changes or alterations shall be done forthwith at the cost of the Applicant.

This permission may be revoked at any time, on six months' prior notice, in writing, signed by the Second Vice-President and General Manager of the Company, and given to the Applicant, and the Applicant shall, upon the revocation of this permission, remove the said cable from the Tunnel and premises of the Company.

All persons entering upon the lands of the Company and the said Tunnel, for the purpose herein set forth, shall do so at their own risk of loss, injury or damage to person or property, whether caused by the negligence of the Company, or otherwise, and

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the Applicant shall, at all times indemnify and save the Company harmless against all claims, costs or proceedings by reason or in consequence of any such loss, injury or damage, or incidental to the exercise of the permission hereby given;

The Applicant assumes and the Company shall not be responsible for any loss, injury or damage to the said cable, or to any attachments or fittings thereof, or to any property of the Applicant, and whether the same be occasioned by the negligence of the servants of the Company or otherwise.

The Applicant shall not transfer the right or privilege hereby conferred, or grant the use of this privilege to other telephone companies or parties, without the consent. in writing, of the Second Vice-President and General Manager, first obtained.

In consideration of the permission hereby granted the Applicant shall, at its own cost, erect and thereafter maintain in good working order and condition. on the poles of the Applicant, a copper metallic wire between Sarnia and Point Edward, the Company to have the use of said wire, free of cost, as a private telephone line between said points, it being further understood that the Applicant will install a switch at the Sarnia Tunnel Station of the Company, to connect said telephone line with the Port Huron and Sarnia private telephone service of the Company, and also provide sufficient long-distance telephone sets on the Canadian side of the Tunnel line and seven sets of long-distance instruments on the 'Sarnia-Point Edward' line, the Company to look after the telephone instruments on the United States side of the Tunnel and to care for the instruments on the Canadian side on the Tunnel private line.

IN WITNESS WHEREOF, the parties hereto have hereunto set their respective corporate seals on the day and year first above written.

Signed, sealed and delivered in presence of

(By the Applicant)

THE BELL TELEPHONE COMPANY OF CANADA (Limited),

C. F. SCLATER, *Secretary-Treasurer.* Per C. F. SISE, *President.*

(By the Company)

THE GRAND TRUNK RAILWAY COMPANY OF CANADA,

R. S. LOGAN. CHAS. M. HAYS, *Second Vice-President and General Manager.*

By Mr. Chrysler:

Q. You are also the president of the Grand Trunk Pacific Railway Company, Mr. Hays?—A. I am.

Q. Have you made any agreements on behalf of that company with the Bell Telephone Company?—A. No, sir.

Q. Have you had any negotiations with the municipal system of Fort William in regard to using a telephone?—A. My recollection is the municipality applied to us for permission to locate their telephones on our premises, and we replied that we were not yet in a position to deal with the matter.

Q. That is the present situation at Fort William?—A. Yes, sir.

By the Chairman:

Q. I would like to ask why you have made any exclusive contract with the Bell Telephone Company of the nature in question?—A. The telephone, Mr. Chairman, is something that a man only wants one of in his house, and sometimes wishes he did not have that one.

Q. The Grand Trunk can hardly be considered a private residence. I am speaking of the Grand Trunk Railway Company. I am not asking you about private houses?—A. It has the same effect. in dealing with the public. In dealing through your sta-

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tion it is quite as difficult to deal with two or three telephones as it would be to deal with two or three people at the same time.

Q. Then, did this movement to exclude all but the Bell instruments from your premises come from the Grand Trunk or from the Bell Company?—A. I think from both.

Q. The idea occcurred to both?—A. Yes, sir, that it was a mutual advantage to have but one.

Q. To exclude part of the public?—A. Not exactly to exclude, but to confine the facilities to one telephone.

Q. So that the public could only obtain access by using one telephone company?—A. Yes.

Q. Making it a monopoly by agreement?—A. By the very nature of the service, the telephone is a monopoly, naturally so.

Q. Do you think it was in the public interest to compel the whole public to use but one company in their dealings with the Grand Trunk?—A. I have never found any more than one company can do the business with the railway. I may say, speaking rather broadly, that it is an old question with the railway company. We have threshed it out on our lines in the States. In Michigan there were half a dozen small telephone companies organized, all conducting a telephone business. These telephone companies made application from time to time to the railways for rights to put their telephone in the station. The railways declined a great many of them on the ground, not that they had any exclusive arrangement, because we have only made that recently, and it is shown as regards this Grand Trunk contract; it is only comparatively recently that the Grand Trunk has had any contract with the Bell at all; the service has been there for a number of years, but it was reduced to a contract form, if I am right, only within the last five or six, possibly ten, years. In Michigan these separate telephone companies endeavoured to occupy the same premises, and each to compete for the telephone service of the community. As you gentlemen will readily appreciate, no man cares to have but one telephone in his house if that telephone reaches all the business places and the railway stations. The railway stations have always been an important factor in any town for purposes of a telephone exchange from any other point. Nothing is as necessary for the community as the railway station. But these telephone companies therefore sought, in order to put themselves in a position to be bought out, to enforce on the railway company or the telephone company the granting of these facilities jointly, and it had the desired effect. So that, I think to-day in Michigan there are very few points where there is more than one telephone service in existence. It resulted in a new company making for a short time a war of rates, and then having accomplished what they started out to do in the first place some of them sold out to the stronger company. In other instances they were unsuccessful in getting subscribers, their service was not as good as the stronger company and the company was abandoned. So that it has not been any question on the part of the railway company or any desire to discriminate or to afford any other than the best of facilities to the public. We think, and we think we know from our experience, that the public will get the best service from one good telephone company—a better service than they could possibly get with two or three telephone companies each in the station of the railway company. The railway's prime objection to more than one company is that, as it is to-day, it requires almost a continuous service of one man to answer the telephone We are glad to offer our patrons that accommodation. We are glad to save our customer the necessity of going to the station to find out information that he gets when he calls us up on the telephone. We think we do as much as can be reasonably expected of the company if we devote, as I have explained, in a great many cases we devote almost the exclusive time of one man to answering the telephone, running back and forth between the various heads of departments and the telephone answering inquiries. Assuming we had three telephones in a station it would require three men almost to

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do that, whereas one telephone would afford the same service, only they would have their turn and would have to wait their turn, whereas with three telephones they might all be calling at the same time. That is the actuating cause with the railways for having the exclusive service.

Q. Mr. Hays, you appear to think it is in the public interest to have but one telephone company?—A. I think it worked out that way.

Q. That is the opinion you expressed?—A. Yes.

Q. And you are therefore furthering that policy in making it impossible for other telephone companies to communicate with you?—A. I do not think we are, Sir William. If I am right in understanding it, under the Act of 1903, we have no option in the matter at all.

Q. Never mind that. Just take your policy. You have expressed yourself in favour of one telephone company, and your policy prevents the subscribers of other companies than the Bell communicating with you on public business, communicating with the Grand Trunk. So, you are furthering that policy in preventing other companies doing business?—A. I would hardly express it in that way, Sir William. Our policy—

Q. Let me have another question. You spoke of the Grand Trunk Company, of the officials being inconvenienced in answering other telephones. That would not apply to the Victoria bridge.—A. No.

Q. Then how is the public interest served by preventing an independent telephone wire being strung across the Victoria bridge?—A. I do not know that it is.

Q. You are aware that a great deal of country south of Montreal is served by other than the Bell Telephone Company. Take Sorel. There is a company there, La Compagnie St. Laurent, that complained that it cannot get its wires across the bridge to Montreal because of the Grand Trunk. How is the public interest served by that exclusion?—A. I do not think there has ever been a very strenuous effort made in that direction.

Q. We have a communication from Mr. Bruneau, the member for Three Rivers, who lives at Sorel, informing this committee that application was made to the Grand Trunk by that St. Lawrence Telephone Company for permission to take its wires across that bridge in order to connect with Montreal, and it was refused by your company. Now, that refusal was not because it would cause inconvenience to your officers to attend to a telephone, was it?—A. I think it probably was because we had a contract.

Q. Then the reason that you have assigned for its being an inconvenience to the officers does not apply in that case?—A. Not particularly.

Q. Not at all, does it?—A. No, I do not think it does.

Q. What possible inconvenience would it be to the Grand Trunk to allow the St. Lawrence Telephone Company to string a wire across the Victoria bridge?—A. Sir William, I do not understand that our refusal to do that prevents any telephone company from crossing the river.

Q. Answer that question, please, now?—A. Repeat the question.

Q. The St. Lawrence Telephone Company applied to the Grand Trunk for permission to string a wire across the Victoria bridge, which, in a sense, is a public highway, and the Grand Trunk refused. On what ground did you refuse?—A. I presume on account of our contract. I do not recall the details of that application.

Q. You have, in regard to the telephone in your public office, given as the reason for the agreement, that according to your conception of the public interest, for the reasons that you have given, I ask if those reasons apply to your shutting lines from the use of the Victoria bridge?—A. That is part of the whole question, I should think.

Q. Is the public interest involved in that part of the contract?—A. No, neither do I think we are shutting the public out if they cannot use our bridge.

Q. It is a public highway, is it not, for vehicles as well as the railway?—A. I do not know whether it is a public highway.

Q. Carriages have the right to cross it?—A. Yes.

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Q. The general public can cross by a vehicle. They are not a railway, but pass by a highway?—A. I do not think it comes under the category of a highway.

Q. But it received public aid?—A. To a certain extent, yes.

Q. Was it not provided by the agreement and Act of parliament under which it got aid that it should be a carriage way, a highway?—A. I am not certain about that.

Q. I am quite certain about it.—(No answer).

By Mr Bergeron :

Q. Does not the Intercolonial Railway cross that bridge?—A. Yes.

Q. So that the Government as far as the bridge in concerned is a co-proprietor?—A. It is a lessee, it has running rights.

By the Chairman :

Q. But under the Act to aid the Victoria bridge some few years ago, if I remember the Act properly and correctly and I think I do, in consideration of the public aid that was granted, there was to be a carriage way. That carriage way has been constructed has it not?—A. Yes.

Q. And it is used by the general public?—A. Yes.

Q. You have no right to exclude a carriage?—A. I do not think so.

Q. Then by what right on this public highway do you exclude a telephone wire?—A. I assume, if we refuse, that we were acting under the contract and under advice, I do not recollect the facts of that case.

Q. I see. Not that it was according to the public interest, that was not any consideration?—A. We were considering our obligation under our contract.

By Mr. Geoffrion :

Q. Do you recollect any demand from that company to cross the bridge?—A. No, I do not, Mr. Geoffrion.

Q. Do you know whether a demand has been made?—A. No, I do not.

Q. In fact, have we anything before us to prove that any demand by the St. Lawrence Company has been made?

The CHAIRMAN.—Well, if it is challenged, I will have Mr. Bruneau come before us to give evidence upon that point.

Mr. GEOFFRION.—I do not challenge it.

By the Chairman :

Q. Mr. Bruneau writes that he 'wrote to the Grand Trunk people and their reply was to the effect that they were unable to do so, that they could not accede to the request of the Merchants Company and could not permit them to carry their cables and wires over the Victoria bridge, because they were already under contract to this effect with the Bell Telephone Company, who forbade them to do so. Recently the Merchants Telephone Company sold their interest to the Compagnie St. Laurent.' Whether my question applies to the application of the St. Lawrence Company to come in or to the application of the Merchants Company to go out, it is the same question, of an application by a telephone company, not being the Bell, to construct its wires across the Victoria bridge.

By Mr. Burrows :

Q. That question may be in argument, but we can easily find out whether Mr. Hays is willing to allow the independent telephone lines to come across there now?

Mr. GEOFFRION.—But my question is if there is no demand made, no demand made by the company that might have something to do with the question why would he refuse?

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By Mr. Burrows :

Q. Are you prepared to say now, Mr. Hays, that your company is willing to allow an independent telephone line to string wires across the bridge?—A. That is a matter on which I should have to consult our counsel.

By Mr. Geoffrion :

Q. Do I not understand that the Railway Act of 1903 has settled all these questions and that there can be no exclusive contract now?—A. That would be my assumption, Mr. Geoffrion. The reason I answered that way was I want to know what our obligations are and what that Act applies to, because I do not know just exactly what our legal position is. We are quite prepared to do what the law requires us to do, I have no desire to do otherwise.

By the Chairman :

Q. I spoke of the St. Lawrence Company seeking to cross the bridge. I infer from Mr. Bruneau's letter that there are two companies, the Merchant Company inside the city and the St. Lawrence Company outside, and the application may be from the Merchants Company. I wish you to consider my question to apply whether the application has come from the Merchants Company or from the St. Lawrence Company, which ever it came from. Mr. Bruneau charges that the companies are not allowed to connect with the Victoria bridge. I was asking you on that point whether you have refused that permission?—A. How recently, Sir William ?

Q. That he does not state.

By Mr. Bergeron :

Q. The Merchants Telephone Company complained of the same thing when their representative was speaking here.

The CHAIRMAN.—Well, this letter of Mr. Bruneau's is the only data I have.

By Mr. Zimmerman :

Q. It was sworn to here.

By the Chairman :

Q. The complaint of Mr. Bruneau is dated on the 26th of April, 1905, and it represents the state of affairs on the date of that letter.

Mr. BERGERON.—Can you find, Mr. Dagger, the evidence of the Merchants' Telephone Company's man, and if he stated the date that the demand was made upon the Grand Trunk Telephone Company.

The CHAIRMAN.—I think if we get the correspondence between the two companies it will be the best way.

Mr. BERGERON.—Anyway, we have the answer from Mr. Hays that they will stand by their contract whatever it is.

THE CHAIRMAN.—We will bring the matter to Mr. Bruneau's attention, and no doubt he will be able to give the Committee some information on this point, and the Grand Trunk Railway Company can take notice of that. If they choose to controvert what Mr. Bruneau puts in it will be all right.

By Mr. Miller:

Q. As to the trouble given to your employees in the station replying to the telephone calls, supposing for instance in a town there are 90 business men who wish to use the telephone to communicate with the Grand Trunk Railway station as well as at other places, will it be more trouble to answer these 90 men if 30 of them use one system, the second uses another system and the third 30 uses still another system, than

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it will be if the whole of them use one system?—A. It would be much less trouble if they use one 'phone.

Q. Why?—A. Because no man can do more than one thing at the same time. These inquiries are all of a different kind. One man might want to get a rate, another would want to know what time a train arrives, and another what time the train leaves. A fourth man might want to know whether he can have a car or not.

Q. But if you have the same number of applications in a day what difference would it make?—A. But they may all want to be communicating at the same time.

Q. Well, in the same way, will there not be three or four men wanting to use the one 'phone at the same time?—A. Yes, but all except the first will have to wait for their turn.

Q. But will it not take the same time to answer them?—A. There will have to be one man at each telephone to answer the complaints, and make any investigations necessary, in order to be able to answer the inquiries.

Q. But with the same volume of business during the day there will only be the same number of requests?—A. But with three different telephones to attend to, and with three different inquiries going on at the same time in three different directions of inquiry——

Q. One other question. You will readily understand the very great benefit and advantage that accrues to the Bell Telephone Company by reason of their contract with your company. What does the Grand Trunk Railway Company receive, directly or indirectly, in compensation for the advantage which they give?—A. Railway companies do not make an arrangement of that sort unless they get a quid pro quo.

Q. What is it?—A. A mutuality of interests. This contract is as all other contracts with railway and other corporations so far as they are concerned, a matter of negotiation, and they are based on each one trying to get an equivalent from the other company in the services they receive.

Q. I can understand the benefit to the Bell, but I do not understand the benefit you receive?—A. They are to furnish instruments at all points and stations where the telephone has exchanges, and we get practically the unlimited use of their long-distance wires and telephone, and we receive from the company other facilities in connection therewith, all of which are set forth in the contract I have filed with the Committee.

By the Chairman:

Q. I understand there are two telephone companies in Montreal, the Bell and the Merchants; is that correct, as far as you know?—A. I do not know.

Q. Mr. Sise, is that correct?

Mr. SISE.—I believe that is correct.

Q. There are two telephone companies. We have it in evidence that the Merchants' Telephone Company has 1,500 subscribers. Do you think, Mr. Hays, it is in the public interest that you should refuse to allow these 1,500 subscribers upon the Merchants' Telephone Company lines communication with your offices?—A. I do not think we have ever had a proposition from them, Sir William.

Q. Yes, the manager swore that he applied to you, and that you refused admission for their instruments to your office?—A. Well, I have endeavoured to explain why railway companies—it is not for the love, I may say, of any particular telephone company, the Bell or otherwise, that the railway companies make this arrangement; it is because it is more for the benefit of the public service; they get better service and a quicker service.

Q. That might apply to different companies. Let us stick to the one point?—A. Our point will be that we do not care whether it is the Bell or the Merchants, if it be the largest telephone with the largest list of subscribers. If the Merchants had been in a position to give the best service we would have made the agreement with them as readily as with the Bell.

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Q. General policy may be one thing, but regard must be had to conditions. Take the city of Montreal. I want to confine your remarks to the city of Montreal. There are two companies there, one with 1,516 subscribers, and you say that you think they have not applied for permission to connect with your station. I read the evidence of Mr. Joseph Moisan given on the 14th of April, 1905. He is the secretary-treasurer of the Merchants' Telephone Company. He is sworn and states as follows:—

'Q. Did you install your telephone in the Grand Trunk or the Canadian Pacific Railway offices?—A. No, sir.

'Q. Why not?—A. We could not get any access.

'Q. You applied?—A. We applied, yes, sir.

'Q. Was any reason given for the refusal?—A. They had a contract with the Bell for exclusive instruments.'

Now, he has made application to you. They have 1,516 subscribers. Is this a case that would involve, as you spoke of just now, a staff to answer several telephones, on different lines as you have spoken of, say three? Surely 1,516 persons should be a sufficient business factor to justify you in putting your officers to a little inconvenience if necessary?—A. There is no reason, if you will permit me to say so, why the railway company should put its servants at the disposal of the telephone company.

Q. At the disposal of the public, 1,500 subscribers?—A. This telephone company is not there for purely benevolent or charitable purposes, or for the benefit of the community. They are there for the money.

Q. The Grand Trunk is here for the public benefit?—A. Just the same as we are. The greatest asset that that telephone company gets is the communication with the railway company's stations. They are not working for the benefit of the public particularly, except in so far as it puts them in a position to obtain additional subscribers. Speaking from a railway standpoint, we have not the slightest objection to anything that means additional accommodation and additional service for the public that is done at the expense of the company that proposes to duplicate the service we are already giving, without giving us any quid pro quo. That is the point from the railway standpoint.

Q. But for many years you had no contract with the Bell Telephone Company. It was a purely voluntary arrangement between you and the Bell Telephone Company for many years, and you have chosen recently to enter into an exclusive arrangement shutting out 1,500 subscribers in the city of Montreal from your stations. How do you justify that in the public interest, Mr. Hays?—A. For many years——

Q. Now, let us take this particular case. How do you justify refusing to allow 1,500 citizens of the city of Montreal to communicate with you by telephone, and allowing the rest of the citizens who choose to patronize the other company to have communication?—A. Because we have a contract.

Q. How do you in the public interest justify making any such contract in the case of the city of Montreal?—A. There was no Merchants' Telephone Company in existence, I take it, at the time this contract was made.

Q. You say that the contract was made before the Merchants came into existence?—A. I do not know.

Q. If the Merchants had come to you to make an agreement before the Bell you would have made it?—A. Undoubtedly had the Merchants come to us to make a contract we would have made it.

Q. The Merchants has been in operation in the city of Montreal since 1895. Was the agreement made since or before that?—A. I think the agreement was made in 1896.

Q. What is the date of the Merchants' application to you?—A. I do not remember that date.

Q. They appear to have commenced in Montreal in opposition to the Bell in 1895, and a year afterwards you made this exclusive contract shutting them out?—A. But no one knew of their existence at that time.

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Q. I expect the Grand Trunk knew all about it?—A. What reason have you for saying that you suspect they knew all about it?

Q. It is a highly intelligent company, and well managed?—A. We do not know as much as you do about these things.

Q. Do you say they did not know of the existence of the Merchants' Company at that time?—A. No.

Q. You say they did not?—A. No.

Q. When they made that exclusive bargain?—A. No, as far as I am personally concerned I can say that.

Q. Well, the state of affairs exists that to-day 1,500 people who are subscribers to the Merchants' Telephone Company want to communicate with your offices. Will you allow them to do that?—A. That is a question for our counsel to advise us on.

Q. I am not asking that; I am asking if you will allow them to telephone to your offices?—A. We have not the slightest objection.

Q. They are at liberty to do so?—A. If we have the legal right to make that arrangement.

Q. Well, we will have to try and give you that right.

By Mr. Bergeron :

Q. Have you any contract with any other company, where the Bell Telephone Company is not in existence? As you said, if it happened that the Merchants Company was the largest company in Montreal, you might have had a contract with them. In some parts through which your railway line is passing, the Bell are not in operation, and have you a contract with any other company but the Bell?—A. I have filed one here with a company.

Q. Where is that?—A. At St. Agapit.

Q. On the same lines that you have with the Bell Company? They are the biggest company in the town there I imagine?—A. It is not the same line, but we do not begin to get the consideration from that company that we do from the Bell. There is no other company can give the consideration which the railway company receives from the Bell Company.

Q. The only thing you allow them to do is to allow them to put their instrument in your station, that is the contract?—A. Yes.

Q. Do I understand that you, under your contract with the Bell Telephone Company, would not allow any other company to put an instrument in your station where they had a connecting line? Then what about the toll station, a pay station? Would you object to that?—A. With regard to that, I must answer the gentleman again, that is a question of our legal obligation and the application of the Railway Act of 1903. I do not profess to be acquainted with what our position would be under that Act.

Q. You understand what I mean, I do not mean instruments in the office, but generally in the large room, in the leading stations, I think they have one in the Canadian Pacific Railway, I do not know whether they have in the Grand Trunk, a telephone pay station, a box there, the telephone company keeps a man there and a man can go in there and call up any one that he wishes to speak with and send messages, and receive them. Would the Grand Trunk Company allow a toll station of that kind to be put in their station?—A. If we received some consideration for the services rendered, and we can legally do so, in view of our existing obligation, I do not see any reason why we should not. That, however, is a matter I should want to take legal counsel on.

By Mr. Burrows :

Q. You said that when you made an exclusive arrangement with the Bell Telephone Company, you did not know there was any other company in the country?—A. No, sir

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Q. Had you known there was would you still have made that exclusive arrangement?—A. That would depend on what the other company had to offer.

Q. As a matter of policy, as far as the railway companies are concerned, if you felt you were making anything out of it, you would still have made that agreement?—A. As I have explained before, these negotiations between corporations are all a matter of negotiation, each looking to do the best he can for his respective corporation.

By the Chairman :

Q. I find in exhibit 38 your agreement with the Bell Telephone Company, that is the one that is in existence now, and bears the date of the 25th of July, 1900; that is five years after the Merchants Telephone Company was established in Montreal?—A. I had forgotten when you said they were established.

Q. I am only giving you what the manager swore to, that they were established and in operation in 1895, and I find that you have made an agreement, I suppose this is the agreement that is now in existence?—A. That is the agreement now in existence.

Q. That bears date the 25th of July, 1900, five years after the Merchants was established. Is it possible that the Merchants Company was in operation for five years in the city of Montreal, and you heard nothing about it?—A. The only way I would know was if they made application; I do not know that they did make application.

Q. The manager swears that they made application?—A. At that time?

Q. He does not say it was at that time?—A. That is what I am in the dark about. Of course if the application has been made in the last year or two——

Q. Is it possible, application or no application, is it possible that the Merchants Telephone Company could have been in operation for five years with a growing business, and be unknown to the business people of Montreal, including the business management of a great corporation?—A. You would naturally think we would have some connection with them, but I do not recollect ever having had anybody ask me to call them up on the Merchants Telephone, or having been called up by it.

Q. Do you know of a telephone company in Quebec called The People's ?—A. No, I do not.

Q. There is a company operating in Sherbrooke called The People's Company; your line extends to Sherbrooke, does it not ?—A. Yes.

Q. There is a telephone company operating there in Sherbrooke and in the country round about, the manager of which is Mr. Skinner, who was here giving evidence. He swears that his instruments are admitted into the stations of the Grand Trunk Railway Company at the city of Sherbrooke and Windsor and refused at other points. Why is there a different policy between one station of the company and another by the Grand Trunk if there is an exclusive contract governing all ?—A. Do I understand you to say they are in the stations ?

Q. I will read you his evidence. At page 159 Mr. Charles Skinner, manager of The People's Telephone Company, operating in Sherbrooke and in the vicinity, appeared before the committee, at page 166, was asked:

> 'Q. Do you connect with the railway stations?—A. No, sir. I beg your pardon, I ought to change that. We do connect with the Grand Trunk at Sherbrooke.'

Is that correct?—A. I suppose so if he says it was, but I do not recollect that.

Q. 'And also at Windsor.' Does not the exclusive contract with the Bell Telephone Company cover points like Sherbrooke?—A. I should think so.

Q. And at Windsor?—A. I should think so.

Q. Why do you waive this contract at these points and not at other points?—A. I do not know, sir.

By Mr. Geoffrion :

Q. Will you just allow me to call your attention to this fact; I do not see what all

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this evidence is for, as according to section 193 of the Railway Act of 1903 whenever any company or municipality applies to the Railway Commission to establish their system there the railway company is obliged to admit it.

Mr. CHRYSLER—With compensation.

By Mr. Geoffrion :

Q. If that is so, why should we examine witnesses to say that they have never done that in the past, while according to law they are bound to do it in the future.

The CHAIRMAN.—You are quite aware that the question of the terms upon which the Independent Telephone Company may obtain access may be affected by this agreement; it is one thing for a company to be at liberty to get into the Grand Trunk Railway station, and it is another thing as to the terms upon which they may obtain access. The railway company and the Bell Telephone Company, I believe, have raised the point in connection with this inquiry that they will be entitled to be paid a large sum by way of damages for breach of contract if an independent telephone company obtains access to the station. We are now considering the question of public policy, and if a great corporation, I do not care what it is, which has a charter from this parliament, if it disregards the public interest, it will be for this parliament to consider what remedy shall be applied to that company?—A. As to the exclusive contract, there can be no question about that now, under that section of the Railway Act there can be no question of an exclusive contract, if we have the right to put them aside.

By the Chairman :

Q. Are you aware, Mr. Hays, that recently an order was issued from Mr. McGuigan to have The People's telephone removed from their station at Waterville, Que.?—A. No, sir, it has not been brought to my attention.

Q. An exhibit has been put in in the course of the examination of Mr. Skinner. I think it is his own communication, in which he says:

'Recently an order was issued by Mr. McGuigan, manager of the Grand Trunk Railway, to have The People's Telephone Company's telephone removed from their station at Waterville, Que. This 'phone has been furnished free of charge for the convenience of the 17 telephone subscribers they have in Waterville.'

—A. The 17 did you say ?

Q. Yes, 17. The letter continues :

'This order has been given evidently in the interests of the Bell Telephone Company, who have three subscribers in their Waterville division, one a farmer, two miles out, one a doctor, the other Messrs. Gale & Son, who have both 'phones. So that this order discommodes 16 subscribers, all for the express purpose of obliging them to use a Bell telephone if they wish to communicate with the Grand Trunk station.'

Do you think that the people of Waterville, the 17 that are stated here to be on the People's telephone, should be caused such inconvenience when there are only two subscribers on the Bell system who have not connection with The People's telephone?—A. I think in that case, as in a number of others you could quote, it is largely a question of consideration given to the railway company; the people might want us to do something for nothing.

Q. Supposing we have no general speech, but supposing we deal with Waterville in place of general speeches. That is the point; we want to know about Waterville?—A. That is general, but it is not stated in his letter, nor have you alluded to the consideration that we have obtained from the Bell Telephone Company for the right to put the telephone in our stations. That right constitutes the chief capital in trade of the Telephone Company; it is his capital to have the right to put his telephone in our stations; that is what enables him to get subscribers.

Q. That is not answering the question. These speeches are interesting——A. I am not giving a speech.

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Q. I am asking you to give reasons for excluding the independent telephones from your station when it costs such great inconvenience to those having business with your station. Here we have the complaint of the manager of the People's Telephone Company of Waterville. There are two systems there, one with 17 and the other with 3 subscribers. Would it cost any inconvenience to your staff at Waterville station to have to serve these two telephones?—A. I do not know.

Q. As an intelligent railway manager, what is your opinion on that point?—A. It might.

Q. Do you swear that it is an inconvenience?—A. It might be.

Q. Then, in this case you shut out the company that has 17 subscribers and give the preference to a company that has only three?—A. I suppose the company that has only three is giving us some compensation; that is the difference.

By Mr. Bergeron:

Q. Would it depend in your mind on the contract that you have with the Bell Telephone Company? You would have to be faithful to the contract you have with them?—A. It would depend upon the consideration that you will receive for that privilege.

By the Chairman:

Q. Evidently the people of Waterville were not considered?—A. Was it not more in the interest of the Telephone Company than the people that the permission was asked. We never had anything from the people of Waterville about it.

Q. You made an agreement that affected the people of Waterville without consulting them?—A. We never had an expression of opinion from the people of Waterville that I know of.

Q. Did you not have before them a contract affecting them? And you might have given them an opportunity of expressing an opinion?—A. How would you do that, sir?

Q. Do you think you have no obligations to the public?—A. How could we get an expression of opinion from the public as to whether we would have one telephone or the other in that case?

Q. How do you justify your conduct as a public carrier in making a contract affecting a community without consulting them?—A. In the same way that we make any other railway rule or contract.

Q. Disregard the public?—A. That is hardly a fair way to look at it.

Q. That is what it seems to me in this case. My attention is called to this statement by Mr. Skinner: 'In Waterville, for instance, we hire the station agent there, pay him $10 a year to put it in his private living part to answer our purpose to give information from the railway to our subscribers.' There they are willing to pay?—A. Pay the agent $10?

Q. Yes, $10 to the agent to do the work?—A. The consideration we get there, that the company gets, is that we have thousands of dollars benefit from our contract.

Q. For incommoding the people of Waterville?—A. We never had any expression from the people of Waterville that they were incommoded.

Q. Did you give them any opportunity to say that they were incommoded?—A. They always had that opportunity.

Q. After the contract was made?—A. They never objected to it, Sir William.

Q. They had not objected to it?—A. No.

By Mr. Lewis:

Q. You admit that a telephone is necessary for business purposes now; for a merchant to be up-to-date in business he must have it, and use it for his business?—A. A great many of them do not seem to think so.

Q. Is it or is it not now a business necessity?—A. That is a matter every man must determine for himself.

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Q. Do you think it is useful for business?—A. I think it is.

Q. Then do you think it is right to exclude a large part of the city of Montreal from connection with your stations?—A. I think, sir, it is a question in this present instance of our obligations, and the interpretation and application of the law to it.

Q. What is your opinion as a business man, is it useful for a merchant to have a telephone connecting him with 1,700 people in the city of Montreal, is it in the interests of the public? What is your opinion about that?—A. That is hardly fair to say that we are prohibiting 1,700 people from using the telephone when they want it, simply because they want to use one 'phone instead of another. That is not any prohibition on our part.

Q. Of course, it is natural for a man to take the cheapest, is not that what you are doing.

By Mr. Geoffrion :

Q. You know, Mr. Hays, I think you said so, that the Merchants Telephone Company in Montreal is not a known company, it is not a very well-known company. Is it not a fact that they are not a well-known company?—A. I do not know that any one has ever called me up on it, or asked me to call them on the Merchants Telephone Company that I can recall.

By the Chairman :

Q. You will not allow it in your office for them to call you up by it?—A. If other people felt it necessary to do so they might call me up.

Q. Your place of business is generally within the office of the Grand Trunk, and you will not allow the Merchants telephone within the precincts of the Grand Trunk; how can people call you up then over it?—A. I often answer telephone calls when not in our office.

By Mr. Roche :

Q. You base one of the principal objections to having more than one telephone in the station to the inconvenience that it would be to your company and because it would require additional attendance or attendants?—A. Yes.

Q. What would apply to your company, would apply to other companies, I presume, and I notice here that Mr. McNicoll when giving his evidence the other day on that point, was asked in regard to putting in another 'phone. The question was: 'It facilitates the railway business by having telephone connection with the railway station' ? and the answer was 'yes.' Then he was asked 'And the more telephone connection you have the more business would be advanced' ? to which he replied 'we give them more telephone advantages on account of our contract. Do not misunderstand me, I have no objections to any telephone company getting in to our stations. I would allow all telephone companies in, but I have a contract and I have certain privileges in exchange for that contract, and I consider that until I am ordered I have to keep that contract.' Mr. McNicoll apparently sees no difficulty or disadvantage in having more than one telephone in the station, for he expressly states that he will admit all. Of course your opinion does not agree with his?—A. No.

By Mr. Bergeron :

Q. You have expressed the opinion that on principle a telephone must be a monopoly if the public want to be served properly?—A. I mean that a man has seldom any occasion for more than one telephone, you do not want two telephones, there is no use for two, I only want one telephone each in the different places of business, two would be of no value to me.

Q. That is the opinion that I wanted to get, that on principle such a convenience as the telephone must be by its very nature a monopoly, which shows that if there is

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one telephone it can serve the public better than if there are five or six different telephones, so that you will have to get five or six telephones in your office?—A. Yes.

By Mr. Aylesworth.

Q. Under this contract you stated that the company enjoy certain advantages which you considered of value. Is the right to communicate without charge over the long-distance lines one of these advantages?—A. Yes, sir, it is of very considerable advantage.

Q. In the ordinary course of business would that right enjoyed by your company be an advantage that your patrons, the general public would have upon occasion the benefit of?—A. Certainly.

Q. If one of your local subscribers called up your station wanting to know whether a train had passed over the Victoria bridge, for instance, would that be a piece of information that the telephone service would be utilized for by your company, or would you know that otherwise?—A. The telephone service might be utilized in addition to the telegraph service, and very often is. I may say not a day passes we do not have long-distance communication from merchants, shippers and others in London, Hamilton, Toronto, and all over Canada in that way.

Q. So that in that way your patrons generally would share in the advantages of that contract?—A. Yes.

Q. That is to say the public generally, to the extent in which the public patronize our company derive a benefit?—A. Yes.

Q. And what is the extent of that, so far as it is a public benefit, is it proportionate to the number of subscribers who use the telephone system you are using?—A. Yes, it would be.

Q. So that if you are inconveniencing some 15 or 17 people in Waterville, at one point, by reason of their not getting connection, that is a very small number compared with the number that you may be conveniencing in other places, some 17,000, more or less?—A. Yes.

By Mr. Miller:

Q. Such information as has just been spoken of could in the most important instances be afforded by means of your telegraph system?—A. Not as readily; there is so much time intervenes between the sending of the message by telegraph and getting an answer, whereas a man in Toronto, Hamilton, Buffalo or elsewhere can call you up by telephone, and in five minutes do as much business as could be done by the exchange of half a dozen letters or messages. You can get your answer right on the spot.

Witness discharged.

Committee took recess.

WEDNESDAY, May 17, 1905.
4 O'CLOCK P.M.

Examination of Mr. C. F. Sise resumed:

By Mr. Chrysler:

Q. I think when we adjourned, Mr. Sise, we were talking about the amount that has been expended for the construction of conduits and the placing of wires underground. I will postpone any further examination with regard to that until those statements are furnished. But at an earlier meeting, when Mr. Casgrain was pre-

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sent, a series of questions were handed to him which are printed at page 214. I wanted to ask you if you had got the information which is there asked for by order of the committee?—A. At page 214?

Q. Yes. I want to dispose of those questions. Passing over the first seven at present—I am coming back directly to ask you about the charges made by the company for telephone service. I want to postpone that until we get the other information about your assets. Questions 2, 3, 4, 5, 6 and 7 have been pretty well covered by what we have gone over. Now look at question 8, 'what is the present estimated value of the following assets of the company: (a) Its real estate.' Now, we have in your balance sheet here a statement of the real estate of the company, which is $1,284,930.89.—A. That is right.

Q. What do you say as to the value of that, Mr. Sise?—A. That is what it has cost us. It has never been appreciated in our books at its value.

Q. By appreciated you mean no price has been added?—A. Nothing has been added.

Q. Nothing has been taken off?—A. Nothing has been deducted.

Q. That is the actual cost?—A. That is the actual cost.

Q. Do you know whether the value of the real estate to-day is more or less than in your books?—A. I think it would sell for quite what has been carried into the books.

Q. Without making a valuation of the property, this may be taken as the value of the real estate?—A. I think so. We have never had occasion to value it. It was bought for our own use.

Q. Question (b) is 'Its lines now actually constructed and in operation.' Did you make any preparation to answer this?—A. I think we have answered this.

Q. What is asked for there is the value of the lines. Now, if that is applied to all lines I suppose it is answered by the statement of construction.—A. But we assumed that was long-distance lines.

Q. Did you make a statement showing the value of the long-distance lines actually constructed?—A. I believe it is filed.

Q. I do not remember it.—A. I am not sure.

Mr. CHRYSLER.—I do not remember seeing one. Is there one?

Mr. MCFARLANE.—I could not say.

By Mr. Chrysler:

Q. Well, will you have that looked into and see?—A. We can furnish these figures.

Q. I wish the value of the lines actually constructed and in operation? Now (c) is 'Switchboards now in actual use?'—A. I assume that would be in the same statement which I think has been submitted; if not we will submit it.

Mr. CHRYSLER.—I have not seen any statement containing this information, Mr. Sise.

Mr. MCFARLANE.—All these questions we understood were replaced by that subsequent list, but we have not got the information in detail.

By Mr. Chrysler:

Q. We will just see presently what we do want. Then (d) is 'Telephones now in actual use.' Mr. McFarlane says you have not prepared in that form answers to these questions.—A. I thought it had been done.

Q. No, sir. In regard to (g) we have of course had the statements you gave us of the value in your books of the patents and patent rights, that is a sum of $70,000?—A. Yes.

Q. Well, then, with regard to the information that you have given us in these annual statements, referring to page 454 again because we will have to go back to that

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point.—A. Would you allow me to state that what you asked for in No. 8, while we will furnish it, practically means an inventory of the entire plant all over Canada. We will furnish it, but it will take some time to do so; there is a great deal of labour involved. There is no reason for not doing it, but it means quite a labour.

Q. That is the eighth question with sub-heads at page 214? The committee have requested it, Mr. Sise, and I suppose their wish must be carried out? A. We will furnish the committee with the information, but I want them to understand that it will take months to get that up. You ask for the value of all the telephones in actual use, that is that every telephone in use has got to be examined and valued unless you will allow us to put in an aggregate amount, and so with the switchboards and other plant. It is practically asking for an inventory and a valuation of our entire plant, which we will furnish to you, only you must give us time for it. There is no objection to giving the information.

Mr. BERGERON.—It looks as if somebody wants to buy the Bell Telephone Company.

The WITNESS.—We have no objection to furnishing it.

By Mr. Chrysler:

Q. Well, turning to page 454 I thought perhaps we could get some figures that would answer for present consideration?—A. Yes.

Q. The plant and patent account, with the amounts that have been written off, which have been shown by a statement put in, amounts to $9,273,755.90?—A. That is correct.

Q. The real estate, as you told us this morning, is practically all invested in the business, employed in the business of the company? That is $1,284,930.89?—A. That is correct.

Q. The other items in the list of assets appear to me subject to what you say, as being property on hand rather than employed in the business of the company—what do you say as to 'stores on hand?' The stock in other companies is an investment?—A. The 'stores on hand' are employed for the business of the company

Q. Yes, perhaps so—that is, it is a supply ahead?—A. Yes, a daily supply.

Q. Then these three items would be the amount of property shown by these statements necessarily invested in the business of the company. The remaining items at the foot are really realized assests, property on hand? You have 'stock in other companies,' you have money 'due from agencies,' and 'from debtors' and 'cash.' I made it up a little differently. If you will look at the item on page 454 'stores on hand, $389,789.71,' you will see that on the other side at the last line of page 453 you owe to 'sundry creditors $320,253.80.' So that your stores if sold would pay your creditors and leave a balance. For the purpose of arriving at the amount you have actually invested in the business I discarded that on both sides.—A. That is correct.

Q. It may not be exactly accurate, but it is close enough.—A. That is practically correct.

Q. Then I have the two items 'plant and patent account $9,273,755.90' and 'real estate $1,284,930.89,' and adding them we get $10,558,686.79 as the amount shown to be invested in——A. The active business of the company.

Q. Well, there is another way of looking at it, and it leads to the same result and I used that just to show that those figures can probably be relied upon. Take the other side of the account on the previous page (453) and you will see these figures which are apparently all invested in the business of the company—'Stock account $7,916,960,' 'Bond account $2,000,000,' 'Contingent fund $1,845,410.14.'

Mr. BERGERON.—No, that is not what we have here.

Mr. CHRYSLER.—Take the three items together.

Mr. BERGERON.—I see, you have added them together.

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By Mr. Chrysler:

Q. 'Insurance reserve, $200,000,' and 'Accident reserve, $100,000.' You will have to trust me for the addition, which if you take my word is $13,062,370. Now, you have against that certain assets which ought to be deducted. You have cash on hand, $575,702.52, and you have the investments in the stock of other companies amounting to $927,056.50. That is an investment ?—A. That is correct.

Q. So I take those two amounts, the cash and the amount invested and it makes a sum of $1,502,759.02 to be deducted from the aggregate of your funds ?—A. Yes.

Q. And the balance is $10,559,611, or within about $1,000 of the amount which we reached by adding the plant and patent account and the real estate ?—A. Yes.

Q. So that I think for the present purpose the assets actually invested in the business may be taken at about $10,560,000 ?—A. Yes.

Q. That is throwing off the odd money ? Now, that amount includes the whole of the real estate, the plant, the patents that you own, the local exchanges, and the long-distance lines ?—A. Yes.

Q. Something has been said in the evidence of a good many witnesses as to the cost of equipping a telephone line per subscriber. I do not know whether you have worked that out. Have you ?—A. It varies in every town although we have worked it out.

Q. Have you worked it out for your whole system ?—A. You are referring to the exchange service ?

Q. Either way. —A. Not the long-distance.

Q. This does include long-distance and to that extent it is erroneous ?—A. It is erroneous because the capital per subscriber has nothing to do with long-distance lines.

Q. Except that it is a convenience to every subscriber.—A. Yes.

Q. You told us the other day that the long-distance and the local were all part of one system (document produced) is that the same thing worked out ? You have got it here in this statement and you will see how closely yours approximates. The figures, $10,560,000 do include long-distance equipment and to that extent you say is wrong. It works out, at 66,110 subscribers, to about $159 per subscriber. Now you say that is wrong because we took the long-distance in.—A. I beg your pardon, Mr. Chrysler, it is separated.

Q. Yes, you have made up a statement separating it ?—A. We have made up a statement separating it.

Q. Your statement is slightly different. You have separated the capital. You have worked this out at 70,000 subscribers and you have made your capital $9,916,960, that is by adding to the amount of the stock the amount of the bonds.—A. Yes.

Q. But you have omitted these other things which are also invested in your business, namely, the contingent fund, and the insurance and the accident reserve?—A. They are in the business.

Q. And should be added to this amount, deducting, however, the sums that are invested in the stock of other companies and the cash on hand ?—A. I may explain that by stating that we were asked for the capitalization, that is how much capital per subscriber the company had and here we divide that, taking $9,916,960 of capital and bonds. Then we divide it by the number of subscribers, dividing it into exchange capital, toll line capital, and real estate capital, and that shows that we had represented by capital issues and bonds sold an amount equal to $141 per subscriber.

Q. By my computation I made it $159. We will just see what the difference is. The difference, Mr. Sise, appears to be that you are showing the amount of capital per subscriber, which is $141 ?—A. Capital and bonds.

Q. Yes, capital and bonds. Mine is the cost per subscriber, which is $159.—A. Yes.

Q. Then you have separated here the total exchange capital from the total toll line capital. How did you arrive at the separation of these figures ?—A. Simply by

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deducting our toll line accounts in the ledger, knowing what has been charged for toll lines $2,166,000, and dividing it by the number of subscribers—although it proves nothing and shows nothing—but merely dividing it in order that it might be explained.

Mr. BERGERON.—You might ask Mr. Sise to explain what is contingent account or what goes into contingent account.

By Mr. Chrysler:

Q. I will do it in a few minutes. I would like to carry this to the end. That is an element in it. Then is my computation more correct, Mr. Sise?—A. I should say that it was inasmuch as the contingent fund is invested in these 70,000 subscribers and in this toll line, I should say that it was.

Q. Well, we will put them both in and then they can be considered together.

Mr. AYLESWORTH.—That contingent fund, as I understand it, consists more than half of it of cash and what is due from debtors, etc.

By Mr. Chrysler:

Q. I will give you a copy of this statement and you can look at it and see how it is figured out. The last part is a mere estimate of percentage. (Hands witness statement.) —A. I would like to state that this is merely what it represents to be; capital and bonds divided by the number of subscribers.

Q. With reference to a question that has just been asked, your contingent fund is invested in the business?—A. It is invested in the business.

Q. And your insurance reserve?—A. That is invested in the business.

Q. And the accident reserve?—A. And the accident reserve.

Q. And the $2,000,000 in money borrowed on bonds and the paid-up stock?—A. It is represented in the plant.

Q. It is all represented in the plant and therefore the correct way to get at it is to add these sums all together and deduce from them what is invested outside, which is shares of other companies and the cash on hand. Of course the cash on hand you could take it away to-morrow and your business would be unimpaired?—A. And also, I presume, any liabilities under those same assets.

Q. Quite so. There is a discrepancy there which I disregarded. Your stores account is about $60,000 more than the amount owing to your creditors. But that is a small thing and does not touch this for the purpose of computation as the amount invested in the business is very close. It is at least $10,560,000. I thought that it would be fair to take as a percentage of the capital invested in the long-distance lines and in the local exchanges respectively, to take your earnings from the long-distance and the earnings from the local because you told us that you pursue that principle in adding to your capital. If we take the earnings for a series of years and get the proportion we would come pretty near the proportion of amount invested, would we?—A. We take the percentage of toll line revenue to gross revenue, and we take that of course in operating and any other service necessary for toll line account in order to arrive at the net toll line revenue.

Q. What is the percentage of proportion between the two figures, that is between toll line revenue and gross revenue? Take the earnings in 1904, the percentage is about 72 per cent from the local exchanges and 28 per cent from the long-distance?—A. Roughly, of course in the aggregate.

Q. I think you told us yesterday that it was not possible to give accurately the separate costs of long-distance equipments?—A. It is difficult to do it.

Q. Yes?—A. As I say in Ottawa, Hamilton, Toronto, Montreal and elsewhere the long-distance lines make use of the exchange conduits, exchange poles, and they use a certain portion of the exchange switchboard and a certain portion of the time of the exchange operators, inspectors and others, within the city limits, and it is practically impossible to give an accurate statement.

Q. Your proportion is about two-thirds exchange capital and one-third local capital? My computation shows a larger proportion for the stock.

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Mr. BERGERON.—Before you go any further, would you be kind enough just as a matter of information to let me know what you are aiming at now.

Mr. CHRYSLER.—I am going to ask him presently about his rates.

Mr. BERGERON.—But before we go to that. I am just asking this in order to learn whether your object is that we shall come to this conclusion: To know how much it costs per subscriber for the building of a line. We have asked the representatives of the small companies who have come before us how much it cost to build their line. Of course they would say so much for posts, so much for wire, so much for instruments and so much for operation. Do you want to make a comparison between the cost of building these small lines——

Mr. CHRYSLER.—And the cost of this line.

Mr. BERGERON.—And the cost of the Bell Telephone, that is the point?

Mr. CHRYSLER.—Yes.

Mr. BERGERON.—I suppose you will have to come to a good many other questions because these are only the big figures. You will come down to details I imagine?

Mr. CHRYSLER.—Yes.

Mr. BERGERON.—The cost of poles and wires. We want to be able to understand the details so that when the matter comes up later on we shall be able to discuss it intelligently and see the difference between the cost of building the Bell Telephone lines and the other telephone lines of which we have heard.

Mr. CHRYSLER.—I may say here that this statement which Mr. Sise says is made up on the capital account applied to a number of subscribers shows an average of $141 of capital for each subscriber.—A. For each subscriber?

Q. My statement which he says is made upon a different principle and is also correct, show $159 per subscriber. But from that we have deducted whatever percentage is chargeable to the cost of long-distance. I made it 28%, which would give a cost per subscriber of $114. Mr. Sise's statement shows that the proportion of the exchange capital to the long-distance capital is about two-thirds and one-third, so that if that is appllied to my figures we would have to deduct from $159, one- third of which is $53, leaving $106, I think.—A. A little more.

Q. I made it just $106 as the cost of the local equipment per subscriber.

The CHAIRMAN.—You mean, Mr. Chrysler, that according to Mr. Sise's way of figuring it out is has cost them to establish their lines and to equip them for 66,000 odd subscribers an average of $106 per subscriber?

Mr. CHRYSLER.—That is it, that is the result.

Mr. BERGERON.—Is that in the cities or in the country?

The CHAIRMAN.—All through Canada. There are 66,000 odd instruments in use. The Bell Company has 66,000 odd instruments in use.

Mr. BERGERON.—All over?

The CHAIRMAN.—All over Canada, all kinds.

WITNESS.—66,000 who pay.

Mr. CHRYSLER.—Mr. Sise explains that in addition to having 66,000 paying subscribers there are some 4,000 non-paying, so that you get 70,000 services which would reduce the average cost.. (To witness). Your average is based upon an estimated service of 70,000 subscribers?

Mr. BLACK.—Actual, Mr. Chrysler?

WITNESS.—That is actual.

Mr. ZIMMERMAN.—How are the railways considered in that?

Mr. BLACK.—They are in the 70,000.

Mr. CHRYSLER.—They are in the 70,000, but not in the 66,000.

Mr. ZIMMERMAN.—They are in the 70,000, but not in the 66,000.

Mr. CHRYSLER.—That is the difference. (To witness). Then in the statement of 1904, where you give 66,160, as you have already told us, those are paying subscribers, and the 70,000 are the actual subscribers?—A. That is correct.

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APPENDIX No. 1

Q. So that in order to get the cost per subscriber we have to apply the figures 70,000 instead of 66,160?—A. Yes.

Q. That can be applied either to your figures of the cost of the capital amount invested of $9,916,960, or my figures of the amount actually invested?—A. To either.

Mr. McFARLANE.—If I might be permitted to explain, a number of statements have been put in by certain witnesses showing the capital invested per subscriber in different telephone companies, and this is the basis—all these different telephone companies having just added their capital stock and bonded indebtedness and divided it by the number of subscribers—this is the basis upon which we prepared this statement which shows a cost per subscriber of $141.

Mr. CHRYSLER.—That is quite true.

Mr. McFARLANE.—As a comparison only.

By Mr. Chrysler:

Q. For the purpose of comparison that should be kept in mind then, Mr. Sise?—A. Yes.

Q. But for the purpose of arriving at the actual facts in the case of your company, you do not dispute that my figures are the correct way of arriving at it?—A. No.

Q. That happens to be unfavourable to your company as showing a larger amount invested, because you have a large rest or contingent fund?—A. And the reason for furnishing it is because the other companies' statements that have been filed here are upon this basis of capital and debt irrespective of any other asset.

Q. This is a statement upon the basis of a stock account and bond account?—A. The cost per subscriber based upon capital and bonds issued irrespective of anything else.

Exhibit No. 143. December 31, 1904.

Total capital		$7,916,960 00
Total bonds		2,000,000 00
Total		$9,916,960 00
Total exchange capital	$6,465,854 00	
Total toll line capital	2,166,176 00	
Total real estate capital	1,284,930 00	
		9,916,960 00
Exchange capital, per subscriber		$92 00
Toll line capital, per subscriber		31 00
Real estate capital, per subscriber		18 00
		$141 00

NOTE.—70,000 subscribers.

Q. Well, how does that compare, or have you any information from your experience, or other means of arriving at it than the figures shown in these annual reports?—A. Compared with what?

Q. Or have you any theoretical knowledge as to the proper cost per subscriber of equipping and building a telephone line?—A. Well, we can only base our opinion of the cost upon what it has cost other companies, and I find here 1, 2, 3, 4, 5, 6, companies who put their cost under the heading of common stock, preferred stock and bonds, number of subscribers and capital per subscriber. One company puts its equipment and capital under those headings as $349 per subscriber; another one at Pittsburg, $360 per subscriber. One is a public report, and the other is a circular offering bonds for sale. These figures come from the companies themselves. The Kansas City Home Telephone Company gives the cost as $380 per subscriber, the Home Telephone Company, of Louisville—those are independent companies I am giving you—puts the cost at $301; the Bell Company, $141.

Q. You want to put this statement in?—A. Yes, I will put it in.

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Mr. C. F. SISE.

Exhibit No. 144.

COMPARATIVE STATEMENT of Capital Stock, &c., Bell Telephone Co., with certain Telephone Companies in the United States.

—	Cuyahoga Tel. Co. of Cleveland. — Published Annual Report.	Pittsburg and Allegheny Tel. Co., Pittsburg. — Application to Stock Exchange for listing.	Kansas City Home Tel. Co. — Circular offering Bonds for sale.	Home Tel. Co., Louisville. — As per Committee's minutes No. 13, p. 357.	Bell. Tell. Co. of Canada, Ltd.	Telephone Industry of United States, December, 31, 1902. — From Census Report.
	$	$	$	$	$	$ cts.
Common stock	1,500,000	2,000,000	2,000,000	1,310,000	7,916,960	269,180,076 00
Pf'd stock	1,500,000	2,000,000				4,869,621 00
Bonds	2,233,000	1,400,000	2,183,000	1,430,000	2,000,000	73,981,361 00
Total	5,233,000	5,400,000	4,183,000	2,740,000	9,916,960	348,031,058 00
Sub. claimed	15,000	15,000	11,000	9,100	70,000	2,315,297 00
Cap. per sub.	349	360	380	301	141	150 31

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APPENDIX No 1

By Mr. Chrysler:

Q. Do you know anything about those figures?—A. It shows where we derive the information. The United States census and the reports of the companies themselves show that the Bell Company is capitalized at less per subscriber than any other company in existence apparently.

Q. These are large companies as shown by the capitalization?—A. It gives the number of subscribers.

Q. The number of subscribers is given there, and you wish to put it in, all right.—A. The number varies from 15,000 subscribers.

Q. What is the lowest and what is the highest cost of equipping ?—A. The Bell is the lowest.

Q. What is the figure ?—A. $141. The Kansas City Home Company, which, I think is an independent company, is $380.

Q. That is the highest ?—A. That information is derived from a circular issued by that company offering their bonds for sale. That is our only authority for it.

Q. Of course this computation is based upon the correctness of the figures. There can be no question if your contingent fund is right, that is, if your depreciation has been kept within proper limits in past years.—A. Yes, it is based upon the same form of statistics that I have quoted from, bonds and capital.

Q. What do you say as to that ? I have not asked you that question before. A statement has been put in by you as to the amounts written off your different assets for depreciation. Have the amounts that you have applied for that purpose been reasonable amounts ?—A. We have charged off from time to time and we filed a statement which I think is not correct, because it was not sufficiently clear.

Q. The question is whether you have written off enough.—A. In 1902 we charged off——

Q. Don't give us the figures again. That exhibit contains them. What is your judgment about it ?—A. I think that is none too much.

Q. You think it is ample and none too much, and if that is so, then your contingent fund as it stands to-day represents invested capital ?—A. Yes.

Q. Of course if a large amount ought to be written off which is not written off we are putting your capital at too high a figure. If you have written off already enough from the contingent fund it is not so much more capital invested in the business ?—A. The depreciation varies very much from year to year under the circumstances. For example, in Montreal to-day we have a switchboard which is perfectly able to do the work for the number of subscribers for which it was built and is giving the service. That switchboard represents, I think, $200,000 on our books, but because of the growth it is absolutely obselete to-day, and in the same building you will see a new board being constructed at a cost price of $300,000, and the old board goes to the scrap heap. Therefore you require a very large amount for contingent or depreciation, whatever it may be called, to provide for that.

Q. That brings up the question you were talking about this morning. If you charge what goes to the scrap heap to the annual expenditure you see that is not entrenching on your contingent fund at all.—A. I do not think I made myself clear this morning on that point.

Q. Will you just——A. We were speaking of poles and conduits, and I think we were lead astray by mixing up the question of dollars and the question of wires. If we have in Ottawa a pole line carrying 500 wires or costing $5,000, you may say, and in place of that we put underground a conduit costing $10,000, but with no greater capacity, that $5,000 is wholly charged off, it is lost, but the $10,000 is charged to capital account, or rather $5,000 goes to revenue and $5,000 to capital. I misunderstood the chairman. I think I was speaking of lines and he of dollars. What I want to say is this, that the existing line is all charged off to revenue because it is abandoned and the new line which takes its place is charged to capital.

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Q. The whole cost of the new line, the conduit, is charged to capital?—A. Yes, what we get from the $5,000.

Q. Yes, this difference, the difference is charged to capital?—A. Yes.

Q. If that is regularly done you will add to capital whatever is increased plant.—A. I am speaking of value now. Increased plant we charge wholly to capital. Over the old plant the increased value is charged to capital.

By the Chairman:

Q. Then, you agree with me. I understand you to say that when you take the lines that are on poles and put them underground the loss is charged against revenue?—A. The old line, the one that is abandoned, is charged to revenue.

Mr. MILLER.—The new line is charged to capital.

By Mr. Chrysler:

Q. I do not think you are getting the bookkeeping distinction of it. What you do is to charge the whole thing somewhere.—A. Charge the whole of the original to capital.

Q. And having regard to the fact that you have lost existing value in the old line, you deduct from the amount which you would otherwise charge to capital if it was a new line?—A. That is charged to revenue.

By Mr. Geoffrion:

Q. You credit the new one to capital and the old one to revenue?—A. Yes.

The CHAIRMAN.—Would that be right?

Mr. CHRYSLER.—I think so.

The CHAIRMAN.—Well, he substitutes a new system for an old one.

By Mr. Chrysler:

Q. What goes to capital—the money that goes to capital is the difference?—A. Yes.

Mr. ZIMMERMAN.—That is quite right.

By Mr. Chrysler:

Q. That is the way you have done it, Mr. Sise?—A. That is the way it has been done.

By Mr. Miller:

Q. I am not sure that is the right amount to charge. The amount of a new line is placed to capital account, that is right?—A. Yes.

Q. Where the amount of the abandoned line is not deducted from capital account it is deducted from current expenditures?—A. Yes.

The CHAIRMAN.—Should it not be deducted from capital?

Mr. CHRYSLER.—Perhaps the bookkeeper who does it is compressing two or three principles into one in the work, but in practice what he does is to separate the whole expenditure into two parts, part of which is charged to capital account, and part is charged to revenue. Really, he is going through the same process that we are doing now mentally. He is saying: 'I charged the whole amount but I take out of it now, in the act of charging, what the company has lost by their giving away so much old plant.'

Mr. MILLER.—Put the old plant at $10,000, that is charged to capital account; you abandon it, but in place of deducting it from capital you deduct it from the current expenditure. You abandon that pole line but in place of deducting that $5,000 from the capital account, as I think you should do, you take it from the current expenditure, and when you put in place of that $5,000 pole line the $15,000 conduit line, you charge the $15,000 to capital account, and the other remains in the capital account, and thus it is all charged and remains charged to capital.

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Mr. CHRYSLER.—I don't think he does it that way.

Mr. LAFLEUR.—It is the difference that is charged to capital, the difference between $5,000 and $10,000.

Mr. CHRYSLER.—That is charged to revenue account, it is not taken from capital account.

Mr. MILLER.—If the $5,000 is deducted from the revenue account for the year it is not deducted from the capital.

Mr. LAFLEUR.—It is taken from revenue.

Mr. CHRYSLER.—Of the total expenditure of $15,000 treated in that way, that $15,000 has all got to be charged somewhere.

Mr. LAFLEUR.—In the first place.

By Mr. Chrysler:

Q. The $10,000 is charged to revenue and the $5,000 to capital, and the whole is accounted for. The fact is you have only increased your capital by $5,000?—A. That is it.

By Mr. Bergeron:

Q. That is the reverse of the Government's action on the Intercolonial?—A. I am not saying it is the best way to do it. I am quite sure you will not find a dozen railways or telegraph or telephone companies that will agree entirely on the system. It is what we are doing and what we suppose to be the best way.

By the Chairman:

Q. What does an ordinary manufacturer do, where machinery becomes abandoned or antiquated? How does he take account of that? He must write it off against his earnings?—A. Sure.

Q. Because it is a legitimate loss as the business goes on?—A. Yes.

Mr. CHRYSLER.—What Mr. Sise means from the process is the writing off somewhere of the old plant, and the charging of the whole new plant. They do that. Apparently the result is the same.

Mr. MILLER.—Just the same.

By Mr. Chrysler:

Q. Mr. Sise, we were led into that from my asking you in the case of the Montreal exchange, will the effect in that case—how will that effect your capital account? What you say takes place there, you have to abandon the old switch-board and put in a new one?—A. That is rather a big addition and——

Q. It is only to find out how it will effect your capital account?—A. My impression is that if we put in a board with a capacity of 10,000, taking the place of one with a capacity of 5,000, that we would charge to capital account half of the cost—this board is no better, it is bigger—we would charge capital account with one-half the access to accommodation over the old board, and credit capital account with whatever we sell that old board for.

By Mr. Bergeron:

Q. Just as if you bought it at first and instead of $15,000 you paid $10,000.—A. The $5,000 is the amount charged.

By Mr. Zimmerman:

Q. The other $5,000 will come out of contingent fund?—A. Yes.

Mr. CHRYSLER.—It comes out of revenue in practice.,

By Mr Bergeron:

Q. What have you done with the switchboard here?

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By Mr. Chrysler:

Q. How many times has that happened in the city of Ottawa? Can you tell from memory?—A. I should say that the plant in Ottawa in twenty-five years has been changed entirely five times.

Q. So, if we could separate your capital account——

The CHAIRMAN.—He will put in a statement.

By Mr. Chrysler:

Q. That will show the amount of capital invested in Ottawa?—A. Yes.

Q. And we can ask you then how you have arrived at that? All this I have been asking in order to ascertain whether we are treating this properly in considering this large amount of contingent fund, which is nearly $2,000,000, as really capital invested in your business. It is so if you have already written off fairly and properly what ought to have been written off for depreciation.—A. It is.

Q. So that it is really a reserve fund although you call it a contingent fund? It is applicable to any purpose of the company you require it for; it is so much additional capital?—A. The results are very much the same as if we loaned the money out at 5 per cent or put it in the plant.

Q. Instead of loaning it you have it invested in plant and property which you could not otherwise own with the capital at your disposal?—A. We do not capitalize it because it would not be available then.

Q. Then the figures that I have put together here, I was doing it for the purpose of ascertaining the amount of capital per subscriber, but they are equally valuable for another purpose. $10,560,000 is the total amount of your capital invested?—A. Yes.

Q. Including all reserve funds and excluding the investments in outside ways?—A. Yes. Cash in the bank.

Q. Cash in bank and stock in other companies. Your shareholders have paid in to the contingent fund large sums received as premiums from the sales of stock?—A. Yes.

Q. But apart from the premiums paid in, $7,916,960, or nearly $8,000,000?—A. Yes.

Q. And you have about $10,500,000 invested in the business, so that you have saved or accumulated in the history of the company about $2,500,000? Is that a fair statement?—A. I think it is.

Mr. CASGRAIN.—What about the $2,000,000 of bonds?

Mr. CHRYSLER.—Well, if they borrowed that and owe it, it is on both sides. That does not touch the amount of their capital invested.

Mr. CASGRAIN.—It is a debt, I do not see how——

Mr. CHRYSLER.—They have got the money.

Mr. CASGRAIN.—They have got the money. It is represented by property, it is not represented by money.

Mr. MONK.—You say they have paid $2,500,000.

Mr. CHRYSLER.—They have got $12,000,000 of capital.

Mr. AYLESWORTH.—Of property, you mean.

Mr. ZIMMERMAN.—Bonds will have to be considered as a debt.

Mr. CASGRAIN.—It is a debt. They owe this $2,000,000. It is not an asset, it is a mortgage on their property.

By Mr. Chrysler:

Q. Does the fact that you have an amount borrowed upon bonds affect what I have been saying, Mr. Sise? You have heard what Mr. Casgrain says.—A. No, that $2,000,000 is carried in there. That $2,000,000 is added to the capital in ascertaining the amount per subscriber.

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...on to the amount of your own money, this $10,560,000, you have $2,000,000 more of borrowed money.—A. Yes.

Q. The whole of it invested in the business. But I am not taking the borrowed money into account, because you still owe it. Well, I am going now to ask you about the question of rates, Mr. Sise. You say you have paid in the history of the company a fair dividend to your shareholders.—A. They don't think so.

Q. And you have accumulated $2,500,000 now. What do you say as to your rates? Does not that seem to indicate that you might reasonably reduce the rates that are now in force?—A. I do not think that it does.

Q. How are your rates fixed, Mr. Sise?—A. Practically according to the size of the town, and in some cases according to the difficulty in constructing and operating.

Q. We have here some statements, which, I think, are printed on pages 498 to 501. The rental rates applied at Ottawa are printed on page 499, and let me ask if Ottawa is a place at which you have an agreement with the city?—A. I believe there is—there is, I am sure.

Q. Are these rates fixed by agreement with the city?—A. They are fixed by agreement with the city.

Q. Are there many places in which the rate is fixed by agreement?—A. There are several—not very many.

Q. Among the whole number of seven hundred odd exchanges quite a small number.—A. Quite a small percentage.

Q. Then you have in Ontario—is there a law authorizing the municipalities to make exclusive contracts with your company?—A. The provincial legislature passed an Act authorizing cities, towns and incorporated villages to make exclusive contracts with telephone companies precisely the same as the railway contracts were made by the company.

Q. Do you remember when that statute was passed?—A. Ten years ago, I should think.

Mr. AYLESWORTH.—It is in the Consolidated Municipal Act.

By Mr. Chrysler:

Q. Originally passed about 1893. It has not been taken advantage of in many places.—A. I should say there may be twenty.

Q. Are there any similar laws in Quebec or Manitoba?—A. No. The province of New Brunswick in chartering the New Brunswick Telephone Company gave that company certain exclusive rights following up the precedent of the government in the Intercolonial Railway and the exclusive rights of the Montreal Telegraph Company.

Q. That, I think——.A. That was the first exclusive railway contract, it was made by the government.

Q. Between the New Brunswick Telephone Company and the Intercolonial?—A. Between the Intercolonial and the Montreal Telegraph Company. 2

Q. Oh, yes, the Montreal Telegraph and the Intercolonial.

By Mr. Johnston:

Q. When was that?—A. A great many years ago.

By Mr. Chrysler:

Q. That provided for the carrying of the lines of the telegraph company over the railway.—A. Yes. The same contract was made, and I think still exists, between the Grand Trunk and the Montreal Telegraph Company.

Q. That is apart from the question I am asking you just now. Your agreements with the municipalities are practically all in the province of Ontario?—A. Practically. We had some in Quebec but in Ontario they passed an Act authorizing the municipalities to make these contracts for five years.

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Q. Take this particular tariff that I am looking at, page 499. That is the result of an agreement with the municipal council of the city of Ottawa, the rates they established?—A. Yes, these are the rates agreed upon by the council.

Q. Look at some other places where the rates are fixed by agreement. Montreal—have you an agreement with Montreal?—A. No.

Q. And these rates at page 500, your rates at Montreal, are for the initial Blake wall, $50; initial Blake desk, $53; initial long-distance wall, $55; initial long-distance desk, $58.50. These are business telephones. The residence telephones are shown below. These are: for initial Blake wall, $30; initial Blake desk, $33.50; initial long-distance wall, $35 and initial long-distance desk, $38.50. What do you mean by the 'Blake wall'?—A. The original type of instrument that fastened on the wall instead of on the desk.

Q. The wall instrument and the desk instrument——A. The one is stationary on the wall and the other is portable.

Q. The long-distance instrument is the more modern instrument?—A. The more modern.

Q. And they both operate by central energy?—A. No. When these rates were made there was no central energy system there.

Q. This is the old tariff?—A. Yes, never been changed.

Q. Then are Blake wall telephones in use in Montreal?—A. A great many.

Q. A great many still in use. They are capable of being operated by central energy?—A. As a rule we don't operate the Blake by the central energy.

Q. There is a battery for each instrument?—A. Yes.

Q. Then, your other charges are shown below, extensions and for the second user in the same premises. The wire mileage allowed business or residences is the city limits?—A. No extra charge.

Q. No extra charge for wire mileage in the city limits?—A. Yes.

Q. 'Extra mileage charge per half mile for exchange lines, and extension private line, $10 and $20 per mile.' Then, there is a lower charge apparently for doctors, dentists, veterinary surgeons and nurses, and special rates by private line rates—what is that?—A. A man has a line from his office to his factory without going through our exchange.

Q. Without making use of the exchange at all?—A. Yes.

Q. For that, your charge in Montreal is for a long-distance wall, $15; long-distance desk, $18. Does that include the use of the wires between or does he have to put up the wires?—A. That includes the wires.

Q. The wire mileage is charged for extra at the rates shown below, is it?—A. Yes.

Q. 'Aerial metallic per half mile minimum, $10.' So that a man could have an instrument in his house and another in his office for $40 by using the long-distance wall at each end.—A. No, $35.

Q. I am speaking of two instruments at $15 and with half a mile of wire mileage, $10, that makes $40.—A. Yes, $40.

Q. Then the charge at Walkerton, which is a small exchange, the tariff there is shown at page 498, and the charges appear to be considerably less than at Montreal. Taking the initial long-distance wall transmitter per annum, business or residence, that is $20 as against the business charge at Montreal for the same telephone of $55. What is the reason why at a place like Walkerton the charge is considerably less than Montreal?—A. One reason is that it is worth a great deal less. Another reason is that the switch-board at Walkerton probably cost, I cannot say definitely, $3 per subscriber. The switch-board in Montreal cost $28 to $30 per subscriber. There is the initial cost. At Walkerton, probably, I do not know, they have a grounded line costing very little. At Montreal it is a metallic copper line underground. And at Walkerton a man, if there are 50 subscribers—I do not know how many there are—each subscriber can speak to 49 others, while in Montreal each subscriber can speak to 14,999 others.

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Q. There are 15,000 installed in Montreal?—A. Yes, and the difficulties of operating grows and the expense increases as the number of subscribers increases.

Q. How have these charges been arrived at? Has there been a change since your company first commenced to do business?—A. Not much, very little. In many cases tending to reduction.

Q. After you got rid of the payment of $4 royalty per instrument, in 1882, was there any reduction made at that time?—A. No.

Q. When has there been any reduction made?—A. From time to time, partly because of contracts made with towns for exclusive rights, and as occasion might arise, when we considered that the service could be rendered at a lower price with justice to the subscriber and the company both, the reduction has been made. But as a rule the prices have been stationary.

By Mr. Miller:

Q. They have been increased in some places?—A. I can hardly say—the prices have not been increased for the same service to the same parties.

Q. In the town of Hanover the price has increased from $15 to $20. Possibly some change was made in the wire?—A. No, the instruments——

Q. The same instruments were left.—A. Perhaps it was a metallic circuit. As a rule I think I am safe in saying wherever there has been an increase in the charge it has been for a change of telephones or a change of the wire.

By Mr. Chrysler:

Q. What is the difference between metallic circuit and one which is not metallic?—A. In a grounded system the current goes down through the instrument and back through the ground to the other instrument. The current is carried back and the circuit completed by the ground.

By the Chairman:

Q. The ground acts in the place of metallic——A. Yes. On the other, the metallic circuit, the wire goes from one instrument to the other, and then back to the original instrument. The current does not go through the ground at all, and therefore, avoids all the earth currents.

By Mr. Chrysler:

Q. That is, a ground circuit involves the use of one wire only and the earth is used for the return circuit?—A. Yes.

Q. That was the practice, I suppose?—A. Grounded wire was the practice.

Q. For many years after you started?—A. Nothing but grounded wire.

Q. Up to what time—at what date did you begin to put in metallic circuits?—A. I should say ten or twelve years ago

Q. So recently as that?—A. I do not remember, really.

Q. The metallic circuit involves carrying a wire from the initial instrument to the other and back?—A. Yes.

Q. So that you have to prepare your poles for a double wire for each line of service?—A. Yes.

Q. And the word 'metallic' is applicable, I understand from evidence, to iron or copper, it does not matter which?—A. Iron or copper.

Q. Metallic is used for the circuit or ground?—A. It is used for the circuit.

Q. Using the adjective metallic applies to both wires?—A. Yes.

Q. Do you in practice, would you convert many old single wire lines to metallic lines?—A. There is not a grounded line in Ottawa, Montreal, Toronto or Quebec. Practically as rapidly as physical and financial obstacles will allow us we are changing the whole of it.

Q. Well, are there many single wire lines still in use in the smaller places and in the country?—A. A great many in use, particularly in towns where there are no electric

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railways and electric light, and also where there are no power wires, where the grounded circuit answers very well.

Q. What is the reason that it does not answer where you have power wires, electric light, or electric railways?—A. Because of the enormous electrical discharge into the ground of these power lines, which the return ground wire picks up.

Q. Does that interfere with the efficiency of the transmission?—A. It destroys the efficiency, if a car is passing by for instance.

Mr. MILLER.—I would like to know if it is not the common practice to increase the rates when a metallic circuit is substituted?

By Mr. Chrysler:

Q. Mr. Miller asks whether it is the common practice to increase the tariff in a town where you substitute the metallic system for a single line?—A. Not the common practice, but I think it has been done. We would always give the subscriber the choice of retaining what we gave him and agreed to give him in the first place, or take the other. We never forced them to take it.

Q. You are going to give us some further information with regard to the tariff in use in the local exchanges?—A. I will give you whatever information you require.

Q. There were a number of towns mentioned by Mr. Black to-day. I do not know whether the committee will desire to have the tariff in each exchange. That seems to be a very large task. I would like the committee to say how far they would like Mr. Sise to go in furnishing that information.

The CHAIRMAN.—What is the opinion of the committee on that subject?

Mr. CHRYSLER.—We have only been furnished with two or three places so far. We have asked that they furnish the tariff at every exchange, but I am inclined to think that that is perhaps more than is necessary, and that a reasonable number could be selected.

By the Chairman:

Q. Do they differ widely?—A. Not very. These are fair samples which we have produced.

The CHAIRMAN.—What points are produced?

Mr. CHRYSLER.—Similar to these I suppose the tariff for exchange service——

By the Chairman:

Q. What places are covered by the evidence so far given? Mr. Sise says they fairly represent the average?—A. I have not seen that.

By Mr. Chrysler:

Q. We have only three, Ottawa, Montreal and Walkerton; nothing of any average sized town of 5,000 to 10,000. Ottawa is here, but it is not a fair test because they have an agreement?—A. We will furnish the committee with the rates of any place that they will designate.

The CHAIRMAN.—Then we will just make a list of places that will represent the average rates in the various municipalities large and small.

Mr. ZIMMERMAN.—Should we not have a statement as to the agreements made with the municipalities?

Mr. CHRYSLER.—That is the point that has only arisen this moment—with such municipalities as Ottawa.

Mr. ZIMMERMAN.—Yes, any municipality. The question of free telephones comes in here again. No doubt many of these 4,000 telephones are given as part payment in municipalities.

WITNESS.—Yes, these are excluded from those earning rental.

Q. Yes?—A. That is correct.

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By Mr. Chrysler:

Q. It is part of the service?—A. It is part of the consideration given by the company.

Q. Can you give us the agreement where made, or most of them? I think you said there were only about 20 of them? You can furnish them?—A. It would not take long by itself, but in addition to the other work we have undertaken——

Q. They will differ considerably, will they not? If they are all alike we would only want one.—A. The conditions are very much alike. The changes that might be made in one town—I would say we might furnish a town with ten free telephones. In another town we operate the fire alarm and in the third we might carry the fire alarm or the police alarm wire on our poles. And in another case we might give 5 per cent of our gross revenue.

Q. I would suggest that for the present that you let us have the agreement with the city of Ottawa.

Mr. ZIMMERMAN.—I do not think that would cover the bill. I think it is a matter that would interest the public very much, and I think the public should be made acquainted with the facts. I know there is a very great difference between the agreement between the Bell Company and Hamilton and a very much more favourable agreement between the Bell Company and the city of London. I do not think that should be. I think all municipalities should be treated on an equal footing.

Mr. CHRYSLER.—Under the same conditions?

Mr. ZIMMERMAN.—I am speaking from a standpoint of the municipalities. The company no doubt made the best arrangement they could.

WITNESS.—You mean the best for us?

Q. Yes.—A. Yes, that is right.

By the Chairman:

Q. There are some arrangements of a special character. For example, Mr. Dyke, the representative of Fort William, charged that there were a number of free telephones in Fort William. It would be interesting to have information on that point. We were told by Mr. Dyke that there were some very specially favourable advantages granted in Fort William. There is another point, Peterboro. I believe there are somewhat favourable arrangements made for the public there?—A. I am not sure. I do not think we have a contract there.

Q. You are treating the people very well ?—A. That is not exceptional.

The CHAIRMAN.—I hope not.

By Mr Chrysler:

Q. We are speaking of agreements with municipal corporations, not the tariff offered to the public?—A. No.

Mr. CHRYSLER.—Mr. Sise says there are probably not more than 20.

The CHAIRMAN.—The committee will probably make up a list that will meet their wishes and without causing any unnecessary trouble to the company.

By Mr. Miller:

Q. You cannot make up a list unless you know the places where you have agreements?—A. We have no objections to filling them. If you like we will have them all copied.

By the Chairman:

Q. We cannot make our selection unless we know the names of the places where you have agreements?—A. We will give you a list of the places from which you can select.

By Mr. Geoffrion:

Q. I suppose in a good many cases the terms are offered by the municipalities themselves to the company?—A. Yes, in many places.

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That would account for the difference in the terms that you have with the different municipalities ?—A. We don't have much difficulty in restraining the generosity of the municipalities.

The CHAIRMAN.—Would you make a note and give us a list of the municipalities in which you have made contracts ?

Mr. MILLER.—Possibly Mr. Sise might submit the original agreements and have one or two members of the committee inspect them.

Mr. ZIMMERMAN.—I do not think it is necessary.

The CHAIRMAN.—Leave it that way and have the list of the places and we will make a selection. There are only twenty of them.

Mr. MCFARLANE.—Mr. Sise makes that statement from memory.

The CHAIRMAN.—If there are only that many he could make copies of them all. Give us fifteen or twenty agreements anyway and a list of all the places, so that if there are many more we can make our selection.

Mr. MILLER.—They can submit the originals and we can look at them.

WITNESS.—We can telephone to Montreal this evening and get the list by telephone and submit that list to you.

The CHAIRMAN.—To-morrow morning, and we will take it up again. You have been discussing the question of rates in some cases under special agreement. Have you discussed the question of rates not as the result of agreement.

Mr. CHRYSLER.—Oh, well——

The CHAIRMAN.—I would like to know the prevailing rates where there are no special agreements.

Mr. CHRYSLER.—We will furnish a form on which the names of a number of places will be given and request Mr. Sise to furnish the tariffs, such as we have here from Walkerton and these places where there are no agreements.

By the Chairman:

Q. Give us the regular tariff say for places of——

Mr. CHRYSLER.—Five hundred telephones.

By the Chairman:

Q. Commence with the smallest incorporated villages ?—A. There is such a variation.

Q. Then, I think, with such a variation we ought to have a sample of all the different rates charged.

By Mr. Chrysler:

Q. Is there such a thing as a sample, have you fixed a tariff that you apply to all ? —A. It applies to all.

Q. Applies to 100 or 150 telephones ?—A. Practically, yes.

Q. That is the way it is done ?—A. Yes, but the trouble comes here. We fix a tariff for a place with 100 instruments, and every one agrees to it, and we fix another tariff for another place with 200 telephones, but that 100 telephones increases to 200, and of course it devolves upon us to increase the rates. So you see where a complication arises. We try to please that 100 subscribers, and the rate we will assume to be $25 a year, but at the same time we start in at another with 200 subscribers and it will be a rate of $30. If Sorel reaches 200 they do not allow us to charge a rate of $30, so you see the inconsistency in rates.

The CHAIRMAN.—That explanation will be useful, but the committee desires to know the actual going rates which are charged in the different classes of municipalities.

Mr. ZIMMERMAN.—How would it do to take a county and take a couple of extreme cases in each county ?

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The CHAIRMAN.—I think perhaps each member could prepare a list of places and we could make a list from that.

Mr. ZIMMERMAN.—I think if we had a couple of extreme cases in each county we could get at the reason why there is such a variation.

The CHAIRMAN.—I will ask Mr. Dagger to prepare a list for the committee including any points at which we have reasonable ground for thinking that abnormal rates are being charged. For instance, Fort William, Peterborough—I am not sure about that, whether the rates there are lower than current rates, or whether effective competition has reduced them there.

Mr. CHRYSLER.—Perhaps it will be convenient if amongst those places the committee will name the places from which we have figures from the company, that is to say a list of places such as Toronto, London, etc., of which we have already figures of the receipts and expenditures of the Bell Telephone Company so that we can know what rates are charged in those places. Not excluding in that list, but including those places for which we have figures of the actual receipts and actual outlay.

By Mr. Johnston:

Q. If the tariffs of those various places are submitted, of the places that we mentioned the other day, would not that be representative of all, such places as Toronto, Winnipeg, London and Windsor.

Mr. CHRYSLER.—That is the point I would suggest that the committee should have those figures before them.

The CHAIRMAN.—Mr. Sise filed the other day a statement showing the rates charged at some places which they selected, and furnished, and I made a larger list myself and had it sent to them and they are gathering that information I think now. Well to-morrow morning perhaps we can take up the list which Mr. Dagger will prepare.

By Mr. Chrysler:

Q. We will pass from that just now until we get the additional figures, and take up these long-distance schedules, exhibits 117 and 118. Exhibit 117 shows a schedule of rates of the toll offices in Canada from Toronto to all points with which Toronto can be connected. I think you said that was a printed tariff published in your long-distance exchange book. Is it ?—A. I think it is.

Q. The printed part of it is what is furnished to the public every day in your books, and you have added the railway mileage ?—A. We were asked to do that.

Q. The railway mileage has been added in ink ? Well, the first thing that one notices is that you have two rates, a day rate and a night rate ? Why is it ?—A. Because there is less demand for business perhaps at night than in the daytime.

Q. The general proportion appears to be in a great many cases, 50 per cent less, that is the night rate is only one half the day rate ?—A. Yes.

Q. That appears to be true for all amounts over 50 cents, for 50 cents and upwards. Here is one place I see, Toronto to Aurora, the charge is 25 cents at daytime and the night rate is 25 cents.—A. We have no rates less than 25 cents——

Q. What is the reason of that ?—A. On these lines.

Q. Yes, Toronto to Bartonville, 25 cents day rate or night rate.—A. You see the reason, that is, no rate less than that.

Q. Twenty-five cents is the charge ?—A. For that distance on that line. We have a great many places where the rates are 10 and 15 cents in the daytime.

Q. I could find some of those cases in this list could I ?—A. Certainly.

Q. Or are these points very close——A. I have never seen that list myself.

Q. What is the closest point to Toronto. There are some near Montreal where less than 25 cents is charged. Will 25 cents be taken as the minimum charge for most of the distances here? Oh, here is one, Agincourt, 14 miles from Toronto, that is 15

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cents. What distance is it you fix the minimum of 25 cents for?—A. I could not say without seeing the list—I do not know.

Q. What is the essential principle upon which this list is made up?—A. The reason for the charges is that the office must be kept open, the telephone with the apparatus, and a night operator there, and unless we get 25 cents for that distance it would be cheaper for us to close the office.

Q. Aurora is marked here at 25 miles, that is day and night rates 25 cents. That is the first item to which I called your attention. After you get up to higher mileages, 50 miles and upwards, is there any fixed principle?—A. Fifty per cent of the day rates for night messages.

Q. Yes?—A. A half a cent a mile, I think it is.

Q. Is that consistently applied in this statement?—A. It seems to be, I find here 87 miles is 40 cents; 288 miles is $1.50. I wish to explain that the railway mileages are very much less than the actual mileages, necessarily so because we do not go on the railway track.

Q. Which do you apply in making the tariff?—A. The railway mileage here.

Q. But in making your tariff?—A. We take our own mileage.

Q. Over your own line? And that may be in most cases longer than the railway mileage you say?—A. Longer. The basis is ½ cent per mile.

By the Chairman :

Q. That is one-half cent per mile is the prevailing rate throughout Canada?—A. Practically.

Q. That is over your own line?—A. Well, practically it works out on the railway mileage, I see.

By Mr. Zimmerman :

Q. I telephoned to Hamilton the other day and it cost me $2, and the distance from here to Toronto is 220 miles, which should make that rate $1.25 and to Hamilton 20 cents more on a mileage of 40 miles, and yet they charged me $2.—A. How long were you speaking?

Q. I spoke less than 2 minutes.—A. That may be the actual speaking time, still from the time you called until you got the line of the party you were speaking to, might be much longer. How long were the lines in use?

Q. I do not know.—A. It makes a world of difference in the value of the line. If I call up anybody at Hamilton from here and get his office, and he does not see fit to come to his telephone for ten minutes, there is no reason why our line should be at his service for that time without charge.

Q. I do not know about that, but as I was going into the breakfast table, I called up Hamilton, and I had it almost immediately while I was at the telephone, it was a trifle less than 2 minutes. The line might have been in use a little longer.

Mr. AYLESWORTH.—I think the explanation of that is that the telephone mileage is considerably longer than the railway mileage . I was telephoning to Toronto last night, and the charge was $1.75 and I think the distance is only 250 miles by railway.

By Mr. Zimmerman:

Q. Mr. Sise says the railway mileage has governed?—A. I beg pardon, I said that looking at this list I found that the long-distance rate is about a half a cent a mile on the railway mileage.

By Mr. Chrysler:

Q. Never mind about that at this time, and we will return to that question I asked some time ago. Do you determine the charge by reference to the mileage of your own line or by reference to the railway mileage?—A. We take our own mileage to form the

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basis of the charge and as nearly as possible, we approximate that to the railway mileage. But the conditions vary very much. We may, for instance, as has been asked here why we do not, charge on the air line mileage. I do not know how many miles it is across from Toronto to Buffalo by the air line, but we go a good many miles around the head of the lake to get to Buffalo, and you could not have any tariff upon any such basis as the air line in that case.

Q. And applied to the mileage, as you do it, whatever the number of miles may be. about one-half cent per mile is about the rate that you charge?—A. About one-half cent per mile. We make it as nearly uniform as possible.

Q. And in these two statements we shall find that these charges work out at about that rate?—A. Yes.

Q. I have been shown a number of places where the charges are less than 25 cents. I see one, exhibit 116, to Beaconsfield from Montreal, which is marked 15 miles and the charge is 15 cents day rate and night rate. Dorval, 10 miles, is 15 cents day and night rate, so that there are places where the charges are less than 25 cents?—A. What is it to Ste. Anne's?

Q. Ste. Anne's—Lachine is 15 cents day and night rate?—A. I find Cooksville is 15 cents.

Q. Ste. Anne's de Bellevue, 21 miles, that is 25 cents day and night rate.—A. Yes.

Q. At all events that is the principle, and if you vary from that the tables will show it?—A. One-half cent a mile is the principle.

Q. One-half cent a mile?—A. Yes.

Q. Well, how is that rate arrived at, how did you ascertain that one-half cent a mile was the proper long-distance rate?—A. Upon the earning capacity of the line, what we must get out of it to make it pay. You must remember that the capacity of the best line is not five messages per hour. The best line you can construct with the business you can count on ten minutes on an average from the time the calling party asks for Toronto and the time that the party that has been called up rings off, he may have only got three minutes of conversation, but the line is tied up for that period.

Q. Tied up until that connection is made?—A. Yes, and on the other hand——

Q. Do you mean ten messages per working hour?—A. Five messages per working hour as we have them.

The CHAIRMAN.—Have you called attention to the long-distance rates which are charged elsewhere, Mr. Chrysler.

Mr. CHRYSLER.—I am coming to that.

The CHAIRMAN.—There is a schedule here that has been put in.

By Mr. Chrysler :

Q. Five messages per working hour, would it not be more than that instead of less, Mr. Sise?—A. Hardly, it may be less.

Q. Why do you say that if you can send 10 messages per hour?—A. No, I did not say that; it will take 10 minutes per message.

Q. I am wrong; do you apply that to the whole 24 hours, that is what I mean?—A. No.

Q. That is only during the busy hours during the day?—A. The business is not offering at other hours. But if you had five people come into the office at Ottawa who wished to speak to Toronto, before those five people can get through with their conversation and get out it will take an hour.

By the Chairman :

Q. You have more than one wire to Toronto?—A. Only one, I think.

By Mr. Chrysler :

Q. That is one through wire. You explained the other day, there are other wires going part of the way?—A. One through wire.

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Q. Now, we have had some statement put into the Committee and that statement has been published in the minutes of evidence of the Committee at page 16, if you have the report there?—A. I have it.

Q. The statement is made there that: 'On schedule "F" to this exhibit will be found the long-distance fees charged in the principal countries of the world. From it will be seen that the charges in the United States and Canada are the highest of all, being double the British rates and four times as much as the German.' Now, look to schedule "F," page 33, before reading the reasons which follow?—A. I have it.

Q. Well, the United States and Canada are there coupled together and the statement made as to the charges is that, can we test that, for instance a distance of 200 miles; do you know of any distance that we have here. That will be perhaps an air line distance, I do not know how that is. Here is a place, Brockville, 208 miles from Toronto and the charge is $1.25, and what does this schedule "F" say? $1.20, so that that is pretty nearly correct for that distance, and you have given us—take one half cent, if that is the basis, these rates vary a little from that. What do you say about these rates in other countries of the world—do you know anything about them?—A. I am rather familiar with them, I am more familiar with the results of operation in Great Britain. There they went behindhand in the postal department, telephone and telegraph business last year, about £600,000.

By the Chairman :

Q. How much is that on the telephone, you will have to separate that in order to ascertain what the shrinkage is on the telephone?—A. It was the telephone that took most of the money. If you go into the office in Liverpool, Manchester or London or anywhere else in the postal service to-day and you wish to communicate say from Manchester to Liverpool. I am informed that you are charged the toll service to call up the long-distance office, you call up, say John Brown, at Liverpool and he is dead or wants to die, and you are also charged one quarter of the regular rate because he is dead. Furthermore, it is said that before you can converse you have to put up a deposit, £1, to cover any possible expense. I do not know where we would land if we did business under those conditions.

Q. This system that you are referring to now is the government service?—A. The Government service.

Q. In England the government controls the long-distance line ?—A. Yes, and gives conspicuously the worst service in the world.

Mr. ZIMMERMAN.—I understood that in England there is no capital account. They have been constructing many lines of late years and the amount is charged up to revenue. There is no capital account, and that accounts for that apparent loss in the service in Great Britain.

Mr. CHRYSLER.—That is the construction is charged to revenue.

Mr. ZIMMERMAN.—Yes, all construction. There is no capital account at all for long-distance, of course there is another point in Great Britain, they charged for the actual mileage in every instance. From Toronto to Hamilton, for instance, the distance is 40 miles, and they would charge for 40 miles, they would not charge for 50 miles?—A. No, but in England the Government has the right to go upon the right of way of the railway and consequently they have the railway mileage; we have no such right.

By Mr. Chrysler :

Q. I do not know anything about that. I know they charge the actual amount. What do you say to the statement that the loss is accounted for, so far as the telephone is concerned, by the fact that all construction is charged to revenue?—A. I think he is in error, I am not sure.

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APPENDIX No. 1

By Mr. Casgrain :

Q. Do you not think that will all appear in the official report and probably Mr. Sise is not well enough informed to answer that question now.

Mr. CHRYSLER.—I am quite prepared to have him say he does not know, but he says he does know?—A. No, I do not say that.

Q. I asked Mr. Sise if he had common knowledge of the charges in Great Britain, and he said he was familiar with it ?—A. Not as to capital being charged to revenue. I was speaking about the operation of the line.

Q. We want information that you know of?—A. In this I do not know from my own observation. Some years ago when I went to England I undertook to examine the conditions on the government line.

Q. You have told us about what you did know respecting the conditions?—A. That is the point, I am informed as to the conditions, not of my own knowledge, but it is common talk there, everybody says so.

Q. Do you know of your own knowledge whether you are charged if the person you desire to speak to cannot be found?—A. I am informed that one fourth of the long-distance rates are charged whether he gets the party or not.

Q. And the other point you mentioned was the making of a deposit, was it not?—A. They have to make a deposit up to 20s. to cover the rates.

Q. Do you know anything about the other countries that are mentioned in the schedule, the charges made for long-distance service?—A. I do not know about the charge; I know what the service is.

Q. Do you know how the service in Great Britain is as compared with that of your company?—A. I can only say that the system, the service in England is universally conceded to be the worst in the world.

Q. Do they operate their own exchanges ?—A. Some of them; they had one in Newcastle.

Q. As well as the long-distance lines?—A. All the long-distance lines.

Q. Look at page 16 again. So what you have to say about the statements there, stating that the charges in the United States and Canada are about double the British rates and four times as much as the German, and it is said there that there is no satisfactory reason for this, as it is well known that the cost of the English trunk lines is very much greater than those upon this continent, and the reasons for that as given are that much heavier copper wire is used in England, the main lines weighing 800 pounds to the mile as against 200 pounds here. Is that correct, or do you know ?—A. My information is to the effect that, except upon some of the heavy government lines, particularly that going down to Dover, the heaviest that they use is 400 pounds to the mile. I may be in error, but that is my information.

Q. What is the fact as to the copper line that you use here?—A. They weigh about 350 pounds to the mile.

Q. 200 pounds is not high enough, the figure is not high enough as given on page 16 in the statement made?—A. If you want a line 50 miles long, 200 pounds is quite heavy enough if it doesn't connect with another line.

Q. That is the rule that you apply—the distance?—A. According to the distance.

Q. What is the heaviest line that you use, the heaviest wire?—A. About 350 pounds to the mile, I mean metallic circuit; about 200 pounds to the mile for single wire.

Q. 200 pounds for single wire?—A. Single wire.

Q. The 400 pounds to the mile is for the double wire?—A. Yes.

Q. And what is the lightest?—A. I should say 125 pounds.

Q. For double wire?—A. Single; I do not really know what they do weigh.

Q. Then there are the other things that are required, so you had perhaps better look at the statement, because the information here is that the poles have to be imported and creosoted, whereas in Canada the native cedar is used. Do you know anything about that?—A. That is in England?

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Q. Yes?—A. I know they import their poles and some of them are creosoted, but they do not cost them as much creosoted as some of our poles do in the North-west and Manitoba.

Q. You agree that they cost more than in the provinces of Ontario and Quebec?—A. Yes. There is the transportation.

Q. What costs in the North-west is the transportation?—A. For the poles, and it is heavy.

Q. And that is a heavy cost?—A. It is a heavy cost.

Q. Where do you take the poles from that are used in Manitoba and the North-west Territories?—A. The poles for Manitoba and the North-west Territories we get from British Columbia and also from northern Ontario.

Q. You get them from both ways?—A. Yes.

Q. Some from the east and some from the west. Do you get any poles from between Winnipeg and Calgary?—A. No.

Q. The third point that is made here on page 16 is that porcelain insulators and iron bolts are used in England, whereas glass insulators and wooden pins are used here?—A. We prefer them, that is the only reason.

Q. You prefer glass insulators and wooden pins? Would there be much difference in the cost?—A. I think there would, but that is not the cause that influenced us. They give no better service.

Q. And the last statement is that the present rates in Canada could be cut in two and still leave a satisfactory profit on the working; what do you say about that?—A. That the man that made that statement did not know what he was talking about. Our figures that we have submitted to the committee here show that.

Q. How ?—A. Why, take our gross revenue, cut it in two by reducing rates, and there will not be any revenue at all, because expenses will not be reduced.

Q. Is that if you apply the same principle to the long-distance?—A. I do not know that the reference is to long-distance wholly.

Q. I think that the reference is to the long-distance wholly?—A. I think I can show that very quickly. Our long-distance revenue last year was $761,991.15, or in round figures, $762,000. Our operating expenses are roughly 75 per cent. Let us calculate them at 70 per cent and that will be 30 per cent net on that, that would give a revenue of $228,600. If you are going to cut that in two you have a net revenue of $114,300 on a capitalization of over $2,000,000.

By the Chairman :

Q. When Mr. Sise speaks of operating expenses being 30 per cent roughly, is that reached from taking the operating expenses of the whole system, long and short lines, or is there an account taken as to the relative cost of the long-distance and the short lines respectively?—A. It is taken on the percentage of all the operating expenses.

Q. Can you separate them, have you any account, or is there—what I understand is that there is no account in the Bell Telephone Company books showing the business of the long-distance lines, if that is the case it is difficult to see what you will charge against the long-distance for operating expenses?—A. The operating of the long-distance lines is not kept distinct from the entire operating expenses.

Q. That being the case, how do you know what are the net earnings of the long-distance lines?—A. We take the gross revenue and the gross operating expenses.

Q. Of the whole system?—A. Of the whole system, and it is something like 72 per cent, I have calculated it at 70 per cent.

Q. Well, Mr. Sise, if I might be allowed to hand to Mr. Chrysler, I will do so, a statement showing what is the charge in the continental countries. I do not know whether they are operated for amusement or not, but if this is an accurate statement of charges on the continent—and these countries are throwing away money rapidly, our public are charged a great deal more than the public of Europe, the leading countries of Europe.

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APPENDIX No. 1

Mr. CHRYSLER.—These are the charges——

Mr. CASGRAIN.—What is that you have?

Mr. CHRYSLER.—An extract from the 'Electrical Engineer' of February 3rd, 1905.

The CHAIRMAN.—Might I just save time by asking a question while Mr. Chrysler is looking at that. I asked you a moment ago if you have more than one wire for carrying on the long-distance business, and I understood you to say you had not?—A. I understood you to say between here and Toronto?

Q. Yes?—A. This map will tell, apparently on that map there is a metallic circuit and one ground wire.

Q. And having only that one wire, your customers must wait their turn for the use of that one wire?—A. Yes.

Q. Does not this often cause long waits and by that means discourage the public from using the long-distance line?—A. I do not think it does.

Q. You are not one of the patrons?—A. There might be too much business for one wire and not enough for two.

Q. What would be the cost of adding another wire? Having the poles and appliances and all set up as they are to-day?—A. Assuming that these poles are large enough to carry another wire.

Q. Yes, I do not think that can be questioned?—A. I was figuring at it, but I have it handed me here. At present price of copper wire to add an additional wire according to this statement would cost $86 per mile.

Q. What is the total cost per mile of that long-distance line?—A. About $250.

Q. $250 it cost you for one wire?—A. One circuit.

Q. $250 per mile it has cost you for one metallic circuit?—A. Yes.

Q. And for $86 more you could double the working capacity of that line?—A. Double the capacity but not the business.

Q. You could double the capacity?—A. But not the business.

Q. That is a question?—A. We might be busy for one hour and idle for 23 hours.

Q. Quite true, but perhaps your facilities for doing business are not sufficient to attract all the business that might offer under different conditions?—A. We have to do the best we can with our own information and our own judgment, and also that we have not the financial ability to construct. We have not the money.

Q. The people have to telegraph rather than wait perhaps to get your long-distance?—A. Over the telegraph wire you can send four messages each way, it—the line—costs $100 per mile, and each message will not take three-quarters of a minute to send. Therefore, the earning capacity of the telegraph lines costing $100 per mile is ten times the capacity of our line.

Q. I am speaking of the ordinary business principle that increased facilities for doing business encourages business?—A. That may be.

Q. And for $86 more you would be able to double the working capacity of your long-distance line?—A. That would not be warranted unless we expected to get an increase of work.

Q. Unless you had an increase of work you say it would not be warranted?—A. Would not be warranted.

Q. Your rates are very high, and they may keep off the traffic, and your rates may discourage the traffic?—A. Of course I do not agree with you.

Q. I will not ask you to agree with me?—A. You do not expect me to do so, do you?

Q. No, but the high rates and the delay to the public must have a material bearing on the volume of the business offered you. That is a reasonable assumption, any business man will agree to that.

By Mr. Chrysler :

Q. Looking at this table of rates, do you know anything about the rates charged

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from London to any of the larger towns, to Liverpool, for instance?—A. I do not know what they are to-day, I did know.

Q. Do you know what they are to Glasgow or to Edinburgh?—A. I do not know.

Q. You could not say?

The CHAIRMAN.—Between some of the continental countries, between London and Paris, for instance, we have all those rates here.

By Mr. Chrysler :

Q. Do you know what the rates are—they are given separately from London to Paris, and from Paris to a number of points in France?—A. No.

Q. You do not know anything about these?—A. No.

Q. Do you know anything about these continental rates, say in Sweden?—A. I can only say about those rates that if a Canadian will accept the wages paid in Stockholm we could reduce our rates.

Q. Why?—A. They pay about one-half in wages of what we pay, and the material is also cheaper.

Q. Do you apply that to all classes of labour employed?—A. In the telephone business.

Q. All classes of labour employed by the telephone company?—A. Yes.

Q. Including the officials as well as the operators?—A. Yes, the best paid of them do not get more than one-half of what they get with us.

By Mr. Bergeron :

Q. Do you know anything about the difference between the cost of sending a message by 'phone from New York to Montreal and the charge of sending it from Montreal to New York. What difference is there between sending a telephone from Montreal to New York and sending one from New York to Montreal?—A. There is no difference.

Q. I understood there was.

By Mr. Chrysler :

Q. A member of the Committee wants to know whether you pay more if you telephone from New York to Montreal than if you telephone from Montreal to New York?—A. It is the same rate.

By Mr. Bergeron :

Q. Is it the same rate; are there not two or three companies interested?—A. We act with two other companies, but it is the same rate; all that the Bell Telephone Company gets is the Canadian end of it, but we connect with the other lines giving connection with New York.

Q. Are you sure of that?—A. Yes.

Q. Because a man said here the other day that it costs more to telephone from New York to Montreal than from Montreal to New York?—A. No it does not.

By Mr. Chrysler :

Q. And the through rate is the sum of the three local rates?—A. No, I think it is less than that.

Q. It is less than the total of the different local rates?—A. Yes. I would like to state this morning that what I am stating about the rates abroad is information that I received when I went over that system some years ago. I am not prepared to state what they are to-day, but some years ago I went over them thoroughly and got some information.

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APPENDIX No. 1

The CHAIRMAN.—Would you like to go over this article of Mr. Bennett, who is an electrical engineer; it is just possible that if you went over these figures it would not hurt you and it might please the public.

Further examination postponed.

Committee adjourned.

THURSDAY, May 18, 1905.

The Committee met at 11 o'clock, Sir William Mulock in the chair.

Rev. Father S. JOLICŒUR, of Ste. Catherine, Portneuf county, Quebec, sworn.

By Mr. Demers (St. Johns) :

Q. You are the parish priest of Ste. Catherine?—A. I am.

Q. In Portneuf county ?—A. Yes.

Q. Will you explain to the committee how you became interested in telephones ? —A. Well, at the beginning of the whole scheme we needed a telephone to go from the presbytery up to the station on the Quebec and Lake St. John Railway, about two miles, and I interested the merchants. On the Lake St. John Railway sometimes the trains are very late and there is no need to go to the station so much ahead of time. So we began building that small line with the help of the persons interested. Some of the merchants gave help in the shape of hauling the poles and also erecting them. They sent their serving men. It was not a long work, it only took about four or five days to build that line. I just furnished the wire, No. 15. It took about 100 pounds of No. 15 wire to cover a mile. For the same price with No. 12 wire we could get pretty nearly a mile and a half constructed. We have no doctor residing in the parish. The one who attends us is nine miles from the church and the farmers asked me why we would not build a line going to Pont Rouge. I said I am ready to give you the help of my little experience if you want to help me. So we decided during one winter, two years ago, to completely build that line.

Q. What is the length of your line now ?—A. The length of what we call the main line is about 17 miles.

Q. The main line ?—A. The main line, that is from one end of the parish to Pont Rouge church.

Q. In Ste Catherine have you many stations ?—A. Yes.

Q. How many stations have you ?—A. Fourteen. That is fourteen telephones. There are some that are only public offices and some others are subscribers.

Q. How did you organize for the building of that telephone line ? Is it your property ?—A. Yes. It is my property in this sense after two years. If you will allow me I will just keep on with my narration and it would be clearer probably. The farmers hauled during the winter all the poles necessary for that line and in the summer we had a bee, what we call in French *corvée*. Some young men would come and dig the holes and plant the poles and I had two or three who learned how to climb the poles and we just put on the wire.

By the Chairman:

Q. We call it a bee in English ?—A. That is what we call it in our place also. Then we made connection with Pont Rouge, where the doctor resides, Dr. Savary. There was another doctor in St. Bazil who was a close friend of mine and later on he began to build a line from St. Bazil down to Pont Rouge thinking it would be in the interests of his patients. He was in a society with his father-in-law and they had to give up the society. He was the proprietor of that line and completed it and we con-

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nected with St. Bazil and then from Ste. Catherine we could speak through Pont Rouge and St. Bazil, and later on I built another part, 7 miles long, on the east side of the parish connecting the east side, that is what we call the Ste. Gabrielle end of the parish. The farmers were distant from the church and from the doctor some 15 miles, but just now they can have the doctor. To all the farmers who contributed to build the line I gave a frank for two years over our system. It was understood that if at any time they would need the telephone, day or night, they could use it. Last year, in May, we connected with the Bell Telephone Company, in St. Bazil, to interchange business. That, in a few words, is the story of our small system. It is not very big, probably, but I think if it disappeared just now the farmers would regret it very much.

Q. In your parish are you going to increase the number of the phones?—A. Yes. Because there are two corners more of the parish I could not reach last year. You will understand that I have not got simply that to do and I am engineer of the whole thing.

Q. What is the total length of your parish?—A. The length of my parish?

Q. Yes.—A. It is 11 miles square.

Q. Would you state what it costs?—A. Mr. President, it costs really nothing but the wires, the wire and the insulators.

Q. And the instruments?—A. And the instruments, yes, but the instruments are ordinary ones. Of course, others besides those who have franks will use the line, and during the year probably a telephone will pay itself. The gross revenue for the line last year was $510, but some of this money belonged to the Bell Telephone Company. You see we had to pay something to the Bell on account of people from Quebec who telephoned up to the parish. We have some big mills in the parish, three big concerns, and they have a telephone also and they use it extensively. They are subscribers. We charge them $15, and they paid for the line, the trunk line to the switch-board.

By Mr. Demers:

Q. For the 17 miles, what do you charge for telephoning?—A. We charge inside the parish of St. Catherine five cents a message.

Q. In your parish?—A. In our parish.

Q. And outside?—A. Outside we charge ten cents to Pont Rouge and fifteen cents to St. Bazil and twenty cents to Cap Santé. That is five cents from one station to the other, meeting on the middle of the road.

Q. Do you think you are making enough profit to keep up the telephone?—A. Well, last year our system gave $150 of revenue.

Q. Outside of expenses?—A. No, the expenses amounted to $100.

Q. Of expenses?—A. Yes. The keeping of the line, and some new telephones we had to buy, and some spare ones which we necessarily must keep, you see, on account of the lightning or burning of the telephone.

By the Chairman:

Q. Who put on the wires on your poles?—A. Some young men that I teach how to climb the poles.

Q. You did not have to hire any skilled workmen?—A. No.

Q. In connection with any of the work?—A. No.

Q. It was all done by the people of the parish?—A. Yes.

By Mr. Casgrain:

Q. You have connection you say with the Bell Telephone Company?—A. Yes.

Q. What arrangements have you with that company?—A. Well, we interchange business with them. That is, if we have to telephone and use the Bell Telephone we collect the rate of the Bell Telephone, and at the end of the month we just make a balance with them; that is all. From Quebec they will telephone out to Ste. Catherine or St. Bazil, and the people who so telephone will be charged not only the Bell rate, but also our rate, and at the end of the month we meet together.

Rev. S. JOLICŒUR.

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APPENDIX No. 1

Q. And settle accounts?—A. The one who has to pay, pays.

Q. Did you have any trouble in making arrangements with the Bell Telephone Company?—A. I never had any trouble at all.

Q. Everything has been satisfactory?—A. Yes, the whole time.

By Mr. Zimmerman:

Q. You have connection with the railway?—A. Yes.

Q. Right from the beginning?—A. Yes. Well, we have connection this way: We have to go to a neighbouring house, because we cannot get into the station.

Q. You cannot get into the station?—A. No.

Q. Why?—A. On account of the telegraph company, the Great Western is over there.

Q. The Great Western Railway?—A. No, the telegraph company. And they have a contract with railways not to admit any telephone or any other competitive company to transmit messages, so the railway company cannot let us in without the permission of Mr. Pope. I think he is the general manager in Quebec. So they will not allow us to go into any station.

Q. They won't allow you to go into any station?—A. No.

Q. That is the telegraph company, it is not the Bell?—A. It is not the Bell, it is the telegraph company.

By Mr. Casgrain s

Q. The Great North Western?—A. Yes.

By Mr. Zimmerman:

Q. The Great North Western Telegraph Company will not allow you to go into the station?—A. Yes.

Q. Have you switching privileges with the Bell Telephone Company?—A. Well, we have the privilege of speaking with our money, that is the privilege we get.

Q. What I mean to say is, do you switch, for instance if you want to telephone to Quebec?—A. Well, we switch, we go on the central switchboard at St. Bazil. There are two offices in St. Bazil, one belonging to our system and the other belonging to the Bell and there is one wire. That is the main line goes right through our office in St Bazil and connects at the switchboard in St. Bazil about, I suppose, 150 feet further up the road, and there we call direct on the Bell Telephone Company and work the connection to Quebec or Montreal, or Ottawa, wherever we like.

Q. You have very favourable connection?—A. Oh, yes.

Q. You speak direct?—A. Yes.

By the Chairman:

Q. Do you connect with the Bellechasse Company?—A. No, the Bellechasse is lower in Quebec.

Q. Well, does your line go into the same territory where those lines of Dr. Demers' are established? Take the Portneuf Company?—A. Well, I understand that the Portneuf Telephone Company belongs, one or the other, to Dr. Demers. I do not know if it is true, but probably it is.

Q. Well, do you connect with them?—A. No, we do not connect with them.

Q. Did you make no effort to do so?—A. They made some proposition, an indirect proposition, to have some connection with us but I did not think it would be fair for us. I do not think they have the same way of working their telephones in Portneuf county. They charge, I think, $15 to a subscriber with a permission to telephone all over the county of Portneuf. They would connect with us as long as we would allow all their subscribers to telephone for nothing on our system, and we would be allowed to do the same on theirs.

Rev. S. JOLICŒUR.

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Q. Well, whatever is the reason it is a reason that weighs with you? For your own reason you do not care to accept their proposition?—A. No.

Q. You are at liberty to connect if you like, I suppose?—A. Well, we have liberty in this way. If we want to make connection with other companies than the Bell Telephone Company we must advise them that we want to do so.

Q. Is there some special agreement between you and the Bell?—A. There is a special agreement in their own contract, the usual contract.

Q. Have you got it here?A. Yes, I produce a copy of the agreement. (Exhibit No. 145).

Q. This is an agreement dated April 25, 1904, between the Bell Company of the first part, and the Rev. Simeon Jolicoeur of the second part. The Bell Company agrees.

(1) To permit and to provide at its office in the village of St. Bazil the equipment necessary for an interchange of telephonic conversations and messages between the proprietors of the system as above set forth and the telephone system of the Bell Company under the general rules and regulations of the Bell Company, and the charges hereinafter provided for; to erect and maintain a single iron wire on its existing pole route from its office at St. Bazil there to connect with the premises of Dr. Marcotte at St. Bazil, and so on. The proprietors agree that they will maintain their telephone line, instruments and apparatus in good working order, &c. They will not take subscribers to their system in the village of St. Bazil nor in any other manner enter into competition with the Bell Company in the said village of St. Bazil, or at any other point connected with the Bell Company's system. An exception to the above is made in the case of Father Gauthier, whose residence at St. Bazil may be connected with the system of the proprietors; that they will not extend their telephone system beyond the villages of St. Bazil and Ste. Catherine, and Ste. Catherine station, without the consent in writing of the Bell Company; that they will not during the term of this agreement connect their telephone system with the system of any company, person or persons other than the Bell Company; and that they will not accept messages or conversations from, or transfer messages or conversations to, the telephone lines of any other company, person or persons without the written consent of the Bell Company; that they will not interfere with satisfactory service by placing an excessive number of instruments direct on their lines. Then there is an agreement about charges, the charges for each message. I do not know that that is material. The Bell Company shall have the first option of purchase of the plant and the apparatus owned by the proprietor. There is a lot of other clauses. Father Jolicoeur, this is a correct copy of the agreement, is it?—A. Yes.

Q. That is now in existence?—A. Yes.

Q. Between you and the Bell Telephone Company?—A. That is good for three years.

Q. Well, it has two years yet to run?—A. Yes.

Q. And the clauses that I have read?—A. You can keep that copy, if you like.

Q. And the clauses that I have read are, as far as I read them, a true copy of the clauses in the original agreement?—A. Yes.

By Mr. Casgrain:

Q. Might I ask another question, Sir William, if you please? Father Jolicoeur, the agreement shows that you are not to connect with any other system without the permission in writing of the Bell Telephone Company?—A. Yes.

Q. Have you ever had occasion to apply to the Bell Telephone Company asking their permission to connect with any other company?—A. I do not think we need it.

Q. You do not need it?—A. We do not need it. You see we wanted the telephone especially to get connection with Quebec and Montreal, and besides that we wanted the local doctors.

Q. So that if you did not connect with Dr. Demers' telephone system it was not

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because of that clause in your contract, but because it did not suit you or would not be any benefit to you?—A. We did not need it at all.

By the Chairman:

Q. Do you say you were not allowed to connect with the Quebec and St. John Railway because of the Great North Western Telegraph Company?—A. Yes. If I understand well, when they put up the telegraph line for the Quebec and Lake St. John Railway they objected to any other company, telegraph or telephone, coming into competition with them. I do not think there is more than one telephone on the Quebec and Lake St. John Railway in one station, and that is at St. Raymond, and it belongs to the Bell Telephone Company, and I think they had to fight very long to get it. I know something about it, and they had to fight very long before they could get permission to go into the station.

Q. And the answer given to you by the Quebec and Lake St. John Railway was—— A. Go to Mr. Pope.

Q. Go to Mr. Pope?—A. Yes, and Mr. Pope sends us to Toronto, and it is too far.

Q. He is the local representative for the telegraph company?—A. Yes, I think he has been the manager for a long, long time.

The witness was then discharged.

Mr. SISE recalled.

By Mr. Chrysler:

Q. I want to make that a little clearer, perhaps, than I made it yesterday, Mr. Sise, if you will look at these figures and compare them with the statement in the annual report for 1904, and tell me whether that is a correct method of arriving or not, at the capital upon which the dividends are paid, at the actual money invested in the operating of your business—about $10,560,000, if you assent to that?—A. I think that is right.

Q. Mr. Sise, you say that you are not paying dividends upon the whole amount which is invested in the business?—A. No, we are not.

Q. You pay dividends upon the amount of stock which is shown in that statement? —A. Upon stock sold.

Q. Which is close upon $8,000,000, $7,900,000?—A. Yes.

Q. In addition to that you have to pay interest upon the bonds?—A. We do.

Q. Have you any statements showing what the net cost of this is, that is the average as your capital stands to-day, the average amount paid in interest upon the bonds, and dividends upon the stock?—A. I think we have filed it, we have it.

Q. What is the average interest paid?—A. You want it at par?

Q. Yes?—A. I thought we had filed that.

Q. I want to direct your attention to some matters about which evidence has been given at an earlier sitting of the committee. The first one is a question that is brought up by the evidence of Mr. Hoover, who was examined, and whose evidence is given at page 44. Mr. Hoover is the organizer of a telephone company which went into operation principally in the county of York, and which is described as starting at Markham village in York county, and was then carried eastward to Locust Hill, from Locust Hill to Green River, from Green River to Whitevale and from Whitevale to Brougham. Have you read the evidence of Mr. Hoover, and are you familiar with it?—A. I have looked over the evidence, but it is a matter of which I have no personal knowledge.

Q. Well, I will not examine you as to a question of fact between the Canadian Pacific Railway and that company, and your own company and that company, but as

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to the principle. Why do you desire to enforce your agreement excluding such companies as that from placing a telephone in the station of the Canadian Pacific Railway?—A. I knew nothing about the case, I knew nothing whatever until after the matters reached that stage of which I see Mr. Hoover complains.

Q. Who can give us the information?—A. I think the General Superintendent, Mr. McFarlane, can.

Q. Well, the general question of policy, I suppose, as to taking these agreements from the railway companies, is one that has been determined by yourself?—A. Without reference to this particular case, yes.

Q. Without reference to this particular case, that is what I meant?—A. Yes, I suppose we gave large consideration, and the question still commands that.

Q. That is what we want to know. What are your reasons for desiring to make contracts and enforcing them for putting your telephones exclusively in the stations of the railway companies?—A. We thought it was to the advantage of the company, to the advantage of the public and to the advantage of the railway.

By the Chairman:

Q. I was just going to say I understood Mr. Sise to say that he does not know anything about this Hoover question?—A. Beyond the case——

Q. I was just going to remind him that I understood there was an inquiry before the magistrate, and that Mr. Sise had been informed of that, that in fact he had been summoned to appear?—A. I think I was, Sir William, and I cannot understand why I did not.

Q. I could not understand why you knew nothing about it?—A. It was a case that I never appeared in, and know nothing about.

Q. I should think that the summons would suggest to you that you should inform yourself about it?—A. I cannot recall it now, I might if I had the correspondence with me. I know I was summoned to appear and I was relieved from appearing because I knew nothing about it.

Mr. CHRYSLER.—I think we must examine Mr. McFarlane about this case, it is within his knowledge, and Mr. Sise does not know anything about it.

The CHAIRMAN.—Would you like Mr. Sise to stand aside until you call Mr. McFarlane?

Mr. CHRYSLER.—Not now, I will call Mr. McFarlane later.

Q. I would like to ask you, Mr. Sise, about the general principle—what is the advantage to your company under these exclusive arrangements with the railway companies?—A. It is a very great advantage to our company to have access to their stations, across their bridges, and on their poles, and have other facilities. We give a great deal for it, and it would not be worth our while to pay as much as we do in service for the privilege unless we had an exclusive right to do it.

Q. What do you give for it?—A. We give practically an unlimited service to the railway company.

Q. Over what lines?—A. Over all the lines.

Q. Locals as well as long-distance?—A. Locals and long-distance.

Q. You extend all these privileges, of course it will appear from the agreements the number of telephones?—A. You mean to put it in dollars, roughly?

Q. Yes?—A. I should say the telephone service we render to the railways was $10,000 or $15,000 a year more than what we get from them in transportation, but not more than what we get from them in rights of way over their bridges. We could not get out of Montreal to the north without crossing the Canadian Pacific Railway bridge, for instance, that is in the country.

Q. From the Island of Montreal, going north, your line is carried over the Canadian Pacific Railway bridge; we have also learned from the evidence, or at least I presume that your line is carried over the Victoria bridge, coming from the Island of

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Montreal, south?—A. They also go through the underground systems, and we go on their poles.

Q. What do you mean by saying that they go through your underground system? —A. They carry their telegraph systems in through our underground conduits in Montreal to the Montreal office.

Q. Does that state of affairs exist anywhere else than in Montreal?—A. Wherever they have asked for it, but I cannot say where.

Q. You said a moment ago that your advantages in transportation were a large amount, I think we will have to separate them. What advantage do you get from the C.P.R. ?—A. They give passes to all our employees on company's business,—not freight.

Q. It was suggested by some here that you also got freight carried free?—A. Never.

Q. With regard to the Grand Trunk, is that the same?—A. Yes.

Q. It is the same agreement?—A. Quite so.

Q. Your employees are carried free while on company's business. Is it confined to that?—A. Yes, in fact the transportation is confined practically to the company's business, not travelling for pleasure.

Q. And what class of employees have occasion to use this privilege most?—A. All the outdoor employees.

Q. The people who keep the lines in repair?—A. The linemen, inspectors, superintendents, managers and others.

Q. If you had to pay transportation from the railway companies, it would no doubt be a considerable sum?—A. It would be a great sum.

Q. Now, I have considered the advantages to your company and to the railway company, you said there was some advantage to the public, where does that come in?—A. The advantage of having but one service, which is a great advantage.

Q. Any other?—A. Any other advantage?

Q. Yes?—A. Well, I think that is the principal advantage that the public do not want to have two telephones, two connections in the station. This is not from my own knowledge specially, but what I am told by parties having telephones that they do not wish to have to bother with two telephones in their office.

Q. There is nothing, then, that you desire to add to that as to the interest of the public in this matter?—A. No, nothing particularly.

Q. You do, of course, offer to your subscribers the advantage, whatever it is, of having connection with the railway stations?—We give them connection.

Q. Not the public, but your own subscribers?—A. We give them that and it adds very much to the work of the company; of course, in a sense we get no returns from the company.

Q. You mean calls from the subscribers stations to stations in the railway offices, of course?—A. The railway company pays nothing for this service and the instruments in the railway offices are free.

Q. I will pass from that, and I will ask if the committee will call Mr. McFarlane, we can examine Mr. McFarlane as to the particular facts of the case with regard to the Locust Hill case, you think Mr. McFarlane would know about that?—A. I presume he would, he might refer to some other officer of the company who had this matter in hand.

Q. Is Mr. William Scott, who was mentioned frequently in this evidence, still in the employ of the company?—A. Yes, he is.

Q. What is his position?—A. Special agent.

Q. Where is his headquarters?—where can he be found?—A. He lives in Napanee, his headquarters is in Toronto.

Q. Is he not in the employ of the Toronto office?—A. No, he has nothing to do with the Toronto office any more than any other.

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Q. What is his special duty?—A. It is his special duty to smooth over all these difficulties, and where there is any cause therefor, in some instances, to remove it, and act as an intermediary, as it were, between those who got into trouble between the city or municipality and the others.

Q. He is a diplomatist then ?—A. Yes,—I do not always approve of his diplomacy.

Q. Mr. Angus Cameron in his evidence given on page 63 brings up another question, you may not know anything about it, Mr. Sise.

The CHAIRMAN.—Had you not better fix the date of Mr. Scott's appointment, Mr. Chrysler ?

By Mr. Chrysler :

The CHAIRMAN.—Had you not better fix the date of Mr. Scott's appointment, I could not state definitely, but certainly for twenty years. He was, at one time, our manager at Napanee.

Q. At page 63, Mr. Angus Cameron, who is a gentleman that owned a line at Beaverton at one time, which he organized into a local company, and it was called the Independent Telephone Company, and was afterwards sold to the Bell Telephone Company; the only thing in Mr. Cameron's evidence that I want to ask about is the statement of his—that is assuming that you do not know personally anything about the facts that are mentioned here, or do you ?—A. If you will excuse me a moment I will look over the evidence (peruses evidence). I have no personal knowledge of that other than was reported, it appears here that I had nothing to do with the negotiation.

Q. The statement that I wanted to ask you about is a matter of policy and is one that Mr. Cameron mentioned here, I cannot see the exact place, but he makes the statement that your company does not seem to be very anxious to extend its business in the country?—A. What page is that?

Q. It is at the top of page 63, that is what I want to know, will you explain this? You see the statement of Mr. Cameron at the top of page 63?—A. I do.

Q. Have you anything to say to that? Is there any policy on the part of your company that leads to such a conclusion?—A. That is Mr. Cameron's opinion only, it is quite opposed to the policy of the company.

Q. That is what I want to know?—A. We want to get all the business we can, but we are restricted to a very great extent because of the difficulty of carrying on all these smaller lines. If it is a question of erecting an exchange in one large place and of giving a service needed by 1,000 people we certainly, and quite properly, in doing that give the preference to the needs of a large number rather than to a lot of farmers' lines. There is a much better return from the expenditure of money on that work than there will be from the expenditure of the same money on smaller lines. On the same principle, if a line is required from Toronto to Montreal to give a service to the business men, to the mercantile community of Montreal and Toronto, and on the other hand the same amount of money is required for farmers' lines that will give little or no return, on any proper business principle anyone would say: Build the long line, and give the service to the greatest number of people to whom it is of the greatest value.

By Mr. Zimmerman:

Q. Just on that point, Mr. Sise, would it not be of advantage to your company to give connection with independent companies seeking it?—A. We do give it. We have some 30 or 40 contracts filed here. All that we ask is that they should have standard equipment, so that they can speak over our lines. We do not wish, and the public do not wish that a man building a 15-mile iron line should hold our copper line from Toronto to Quebec in a vain effort to talk with a man in Quebec so that the man in Quebec will throw down his telephone and curse the Bell Telephone Company, and refuse to pay the toll because he cannot hear. We insist that he should have built according to our specifications. It is a waste of time and temper to connect these small lines, I am speaking of connecting the small iron lines, with our heavy copper metallic

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line 500 miles long. It is impossible to speak over that, and, as I show here, we do not object, and shall not object to give connection with any line that is of the proper standard, with our line in that way.

Q. As a matter of fact you have not refused these independent companies that have given evidence up to the present, on account of wishing to keep the telephone business in your own hands, but on account of their system not being up to the standard?—A. As a rule,—I may, however, say that I am quite correct in stating that is the case. I think you have on file here evidence of a far greater number of cases where we have made connection, like those of Father Jolicoeur, who was here this morning, than those cases in which we had for some reason or other declined to do so. It is our policy to do so; we want to get all the money we can——

Q. That has been why I have been greatly surprised during this whole examination?—A. But we have not met much success yet.

By Mr. Chrysler:

Q. I do not want to interrupt you, but I was going to bring this out in connection with the next evidence. I will just direct Mr. Sise's examination now to the particular case of the town of Neepawa, which is mentioned on page 64. Mr. Crawford, M.P., says that at Neepawa they have a municipal system?—A. Yes, they have.

Q. And about half way down on page 64 you will see his statement that the Bell Telephone Company also have some stations and an exchange at Neepawa:

'About two years ago, they came in with their long-distance lines, and opened an office there, and they are in operation there now. We have only got, I think, 12 'phones operated by the Bell people in the town now. They are used by the business men of the town; banks and leading business men use the Bell office, that is for long-distance purposes more than anything else. Of course, they have the use of it for local purposes as far as it goes, but you see there are only 12 local 'phones in town.'

He also says that there are about 200 subscribers to the municipal system. Without pursuing the details of that statement further, his evidence raises this question, whether there was any reason why a municipal system of that kind should not be given connection with the long-distance lines of the Bell Telephone system?—A. I assume that it might be for the same reason that I have already given, that they are not in a condition to connect. But on the other hand, accepting his statement as a whole as we do in part, we have some people in Neepawa who are not subscribers, that, he states himself that the people of Neepawa get a lower rate than his own subscribers do, so that I fail to see the cause of complaint. He says here 'a subscriber really pays more.'

Q. He pays the rate for the local telephone, and pays the same charge for the use of the Bell's long-distance lines that any subscriber to the municipal phone pays?—A. Yes. Then if they have it, I fail to see why they complain.

Q. I think the complaint is that you do not allow their lines to be connected through the local station, through your local station, with the long-distance wires; that is the complaint.—A. I haven't seen it here, he is a subscriber.

Q. Oh, yes, he is a subscriber to both telephones. I do not know that he says the exchange has been refused?—A. I do not see that he does.

The CHAIRMAN.—Oh, yes, he does, he said that he had to put in the independent line in order to do his business.

By Mr. Chrysler:

Q. I thought that was so, but I could not find it.—A. He does not say that we refused to connect with the Independent, does he?

Q. Do you know of yourself whether he does or not?—A. No, I do not.

Q. Well, he could tell us?—A. I can tell by having the matter looked up.

By Mr. Zimmerman:

Q. It is just as well to call Mr. Crawford up; he is down stairs. He says here, he is asked the question: 'Is the municipal system connected with the long-distance

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telephone ?' And he replies, 'No, no connection; that is the disadvantage or trouble we have found.' The next question is, 'It is a disadvantage,' and he replies 'Yes.' Then he was asked, 'How can they use the long-distance ?' and he replied 'They can use it by going to the central office or by putting in the Bell telephone.'

The CHAIRMAN.—And he said also that he had to do that in order to get use of the long-distance, he said that himself, you will find it later on probably. He swore that he had to supply himself with the Bell telephone in order to reach the long-distance.

By Mr. Chrysler :

Q. Yes, but I cannot see anything where he says, squarely, that the local office asked the Bell Telephone Company to make the connection. Perhaps he did not know that. You do not know Mr. Sise, you say, personally whether they did or not ?—A. No, I do not.

Q. Is there any reason for the local municipal system of Neepawa if it asked to-day for a connection with the Bell telephone system, is there any good reason why it should be refused ?—A. Not if it is standardized, and if I may be allowed I will give a case in point. At Edmonton where the municipality of the town or city, whatever it is, was discussing the erection of a local plant where we had none, and I told them last year that if they decided to put in a municipal plant we would not do so. We have a line from Calgary to Edmonton, and we would let them have one of our engineers and give them all the assistance we could possibly give them to make their exchange first-class in every respect, and we would be very glad then to connect such wires with our line to Calgary and elsewhere.

Q. And was that done ?—A. I think that is sufficient evidence that we do not object to connect.

Q. Did they build the municipal system in Edmonton ?—A. I believe that they are on that now, and we are corresponding with them still and on good terms with them. I do not know just what they are doing because I have been away.

Q. The matter is still under consideration, I suppose ?—A. Probably so.

By Mr. Chrysler :

Q. What do you say about that, Mr. Sise, I think I asked you before what you would require in order to bring these lines up to your standard ?—A. That is quite an elaborate specification, I can give a part of it.

By the Chairman :

Q. What I meant was, have you a standard, and is it the policy of your company to allow all other companies that come up to that standard to connect with your line ? —A. It is.

Q. Then the only reason for not allowing that connection is that because the applying companies have not adopted your standard to your satisfaction ?—A. It is hardly proper to say the only reason, Sir William, because the applying company might erect a line from here to Montreal absolutely in competition with us, and we certainly should object to giving them the use of our Ottawa and Montreal exchanges to injure us. We would object strongly to that.

Q. Take the case of the Neepawa municipal system—you are both in the same town. The Neepawa company is a competing company with you ; if you would object to allowing a competing company to have the use of the long-distance line between Toronto and Ottawa, would you not for the same reason, object to their connecting and making use of your long-distance line from Neepawa to Winnipeg ?—A. I am referring, Sir William, to competing long-distance lines, not competing exchanges. I think the question has reference here to long-distance opponents, and the situation in Neepawa is a little different from what the others were, inasmuch as we had an exchange there for a great many years, and had a very great loss in doing business in the North-west. Business was very bad indeed, and the municipal council of Neepawa did not care about buying us out, or going into business for themselves when it was run at a loss, but

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when it promised to improve, they thought they would come into the business. They had a perfect right to do so, but we thought we would do what we could to hold our own business, and we have done so. It is a fair competition.

Q. Will you allow the Neepawa subscribers to the municipal system to connect directly with your system of long-distance if their system comes up to your standard?—A. I should hardly like to say definitely that I would, and have it held over me as an agreement. But I do say that generally speaking we would. I do not know anything about the conditions in Neepawa, and therefore cannot make a statement here, but generally speaking I should think so.

By Mr. Chrysler:

Q. When you specify the standard up to which any local company shall come before you grant connection with your long-distance lines, do you specify the particular manufacturer or maker of instruments?—A. No, we do not.

Q. They are free to buy supplies anywhere, are they?—A. They can buy their supplies wherever they please, naturally we recommend our instruments.

Q. You don't confine them to the purchase of yours by the specifications?—A. No.

Q. They can comply with your specifications by buying elsewhere?—A. They should be similar to ours in order to get the best results.

By Mr. Miller:

Q. They are absolutely free to buy where they like?—A. If they equip their exchange by standardizing with ours. I am not saying that you can get equally good work that they can get out of ours.

By the Chairman:

Q. What do you mean by standardize?—A. A certain value of the instruments technically, and able to speak for a certain distance.

Q. Are there other instruments besides yours that are standardized, that might be said to be standardized with yours?—A. I mean that they should be equally——

Q. Equally?—A. Oh, yes, there are no doubt other systems. I do not know of them.

Q. Who is to be the judge of that?—A. It is not probable, of course.

Q. Who is to be the judge whether the other system is as good?—A. As it is now the larger property which is connected up with the other service, we must be the judge the same as a railway would be the judge in a similar case.

Q. Then your opinion seems to be that there are no other instruments as good as yours?—A. I said no doubt there were, but I don't know of any.

Q. Did you not say there were none as good?—A. I think not. I did not make the statement.

Q. You thought not. Even if you think there are no other instruments as good as yours would you accept other instruments?—A. If they would do the work, certainly.

By Mr. Chrysler:

Q. What is the fact, Mr. Sise, in the case, for instance, of the Ste. Catherine and St. Bazil Company, what instruments have they in use?—A. I do not know.

By Mr. Miller:

Q. If there are no local companies that do connect with your long-distance but who purchase their supplies in Canada they are supplied by your company?—A. I do not know that there are a very large number of connections. I cannot tell.

Q. At least a large number of them will have purchased their supplies through you as a fact?—A. I think so.

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By Mr. Chrysler :

Q. I may call your attention to this case which is pertinent to the subject of this agreement, with Mr. Gillies which is being put in as a type of the agreements with the local companies, printed on page 475. It contains a reference to the instruments to be used. Paragraph 13 of that agreement on page 476 contains this clause:—

'The proprietor agrees to equip his lines with the Bell Company's solid back long-distance instruments, which the Bell Company agrees to sell outright, including plush lightning arrestors. The Bell Company is to install these instruments without charge, but the proprietor shall thereafter during the term of this agreement, maintain the instruments and all the equipment at his own expense. The Bell Company will supply an inspector or lineman to make repairs to instruments or lines when required on receipt of reasonable notice at a rate of two dollars ($2) per day and expenses, any material necessary for such repairs to be supplied by and at the expense of the proprietor.'

That is a clause in the agreement with Mr. William Gillies which you told us was a fair sample of the agreements entered into with the smaller lines and companies?—A. It is.

Q. Does not that clause require that?—A. That clause in the contract evidently requires him to purchase his instruments from us, and it is quite evident to everybody that if we could have such a clause inserted and sell these instruments in order that similar instruments might be provided for the whole system it would be quite proper to do it and not proper to do otherwise. Our object is to have all the instruments as much alike as possible.

Q. Can you say whether that clause is in the agreements with the other companies?—A. The agreements vary. They are all filed.

Q. If they vary, of course you cannot say whether that clause is in the agreements with the other companies. I will just look at the agreement put in by Father Jolicœur this morning. Do you know whether there is a similar clause as to instruments in the agreement with that company, the Ste. Catharine and St. Bazil Company?—A. I do not recall whether there is or not.

Q. On page 479, bottom of the page, you have said as to supplies—the question was asked, 'I want to ask you now with regard to the second part, as to the furnishing of supplies to these companies that you exchange business with, 'and you answered, 'We have no agreement. We furnished these companies, several of them, with a price list at the beginning of the year and they either accept it or reject it as they see fit. They are not bound to buy from us.'—A. Excuse me. We were discussing then, and my evidence referred to that, the business with the North American Telegraph Company, the New Brunswick Telephone Company, and the Nova Scotia Telephone Company. When we were discussing that matter I was asked if I had an agreement with those companies and I explained that we had been furnishing price lists only to those companies.

Q. This answer was meant to apply to your business with the New Brunswick Telephone Company, the Nova Scotia Telephone Company and the North American Telegraph Company?—A. And I think Prince Edward Island Company, perhaps, sir, I was referring merely to those companies.

Q. You were not referring to the agreement with the smaller companies which is printed here?—A. No.

Q. In the agreement with the Ste. Catherine and St. Bazil Company the paragraph referring to instruments is No. 16. Will you read it, please?—A. (Reads.) 'That if the telephone instruments now in use at the public offices on the proprietor system do not in the estimation of the Bell Company furnish satisfactory service, the proprietor will equip these public stations with the Bell Company's standard solid back long-distance wall instrument at their own expense.' That refers only to the connection, not with the local subscribers, the connection with our long-distance line.

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Q. That is exhibit 145. So that you see the clause there is different from the clause in Gillies' agreement?—A. Yes.

The CHAIRMAN.—Just before you leave that branch, Mr. Chrysler, Mr. Sise has, if I understand him, said that there are agreements with many others, the North American Telegraph Company——

Mr. CHRYSLER.—That is an agreement which we have just mentioned.

WITNESS.—No, an agreement with them to sell them instruments.

The CHAIRMAN.—Yes.

WITNESS.—I do not know as there is an agreement, written agreement, but we sell to the North American Telegraph Company all the instruments they require at five per cent advance for handling.

Q. Mr. Bampfield was examined and put in an agreement which contains a very hard and fast cast-iron clause that they will not buy any instruments except from you, and he showed that acting under that agreement he had been charged $21 for an instrument.—A. Mr. Bampfield would like to correct that.

Q. We have it in evidence, about 50 per cent higher than the current rate?—A. What Mr. Bampfield intended to say was that his instruments cost him $21 per subscriber, that is his plant, not the instrument alone, and as an evidence of that we submit here an invoice of November 30.

By Mr. Chrysler:

Q. Do you want to put that in—has this reference to supplies for the North American Telegraph Company?—A. Yes, prices charged. It shows that we charged him 5 per cent advance on the price of what we pay for them. For handling and shipping the instruments we charge five per cent above what we pay.

Q. I want to bring your attention then, since we are upon that question, to the evidence of Mr. Bampfield on page 248——

Mr. CASGRAIN.—Probably Mr. Sise wishes to put that in.

WITNESS.—I will put that in.

By Mr. Chrysler:

Q. What is this?—A. These are our prices.

Q. This is the price list to the North American Telegraph Company?—A. Yes, showing what they paid last November.

Q. Do you want to put in a price list?—A. We will file it later. This is merely a copy of an invoice.

Exhibit No. 146.

MONTREAL, November 30, 1904.

NORTH AMERICAN TELEGRAPH COMPANY,
Kingston, Ont.

To the Bell Telephone Company of Canada, Limited, Dr.

Order No. 535. Shipped by Dominion Express to Norwood, Ont.

2 st'd backboards and bty. bxs., $1.21	$ 2 42
2 1000 ohm. magneto Bells, 3 single magnets, $7.41	14 82
2 st'd Blake transmitters, $1.70	3 40
2 st'd R. H. telephones (red bands), $1.25	2 50
2 No. 6 telephone cords 2 ft., 24 1-5 cents	48
2 transmitter iron brackets and screws, 9 cents	18
Boxing	46
	$24 26

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Q. This is an invoice dated November 30, 1904, from the Bell Telephone Company to the North American Telegraph Company, showing the price of a number of instruments or parts of instruments. (Referring to Exhibit No. 146).—A. I would like to quote the prices charged the North American Telegraph Company.

Q. Allow me, I have something to put before you first. What Mr. Bampfield says in this statement that is material is that he has been charged a certain sum. Let me get that in first, then you can give any contradiction or explanation that you want to give. What he says on page 250 is:—

'We have to furnish him with a 'phone, with a telephone and a bell, and the telephone cord, and a three-cell battery and a lightning arrestor, and that will run up to $20.

'Q. Where do you get the supplies?—A. We buy them from the Northern Electric Company.

'Q. Where is that?—A. In Montreal.

'Q. What do they charge for such an outfit?—A. That is what they charge.'

Then on page 250:—

'Q. That is the lowest net cost to you?—A. $21 per set. That is for a long-distance instrument. You understand we could furnish them with a Blake set for about $14.50; that is what the cost to us would be.'

That is the statement of Mr. Bampfield, I would like you to reply if you can?—A. Mr. Bampfield is in error. My impression of his statement is that what he meant by the cost was the instrument installed in the subscriber's house. I was not here. I did not hear it said. But he pays us $11.82 for an ordinary Blake set and $15.32 for a desk solid back set.

Q. I am not sure whether he is speaking of a desk or wall set. Is there a difference in the cost?—A. There is a difference of $2 or $3.

Q. You had better give them both. What is the cost of a long-distance wall set—what is it to Mr. Bampfield—and what is the cost of a long-distance desk telephone? I understood this was a wall set from the contract?—A. The price paid by him for a Blake set was $11.82.

Q. That is the wall Blake set, wall instrument?—A. Yes, for the solid back long-distance he pays $15.32.

Q. These are the figures already given?—A. Yes.

Q. These prices are for the wall instruments?—A. Yes.

Q. How do you account for Mr. Bampfield's statement that it cost him $21?—A. The only way in which I can account for it is assuming that he is taking into his cost the entire cost of equipping the instrument, putting the instrument in, running his line, internal wiring and all that.

Q. Whether you account for it or not, whether is your statement or his correct?—A. Our statement is correct, I am sure of that, I think Mr. Bampfield misunderstood the question. Now you have a special agreement with the North American Telegraph Company (Exhibit No. 63) which has been put in evidence and which is printed on page 252, the third paragraph of which provides:—

'The Telegraph Company agrees to use no telephonic apparatus except that furnished by the Telephone Company, and to pay therefor a price equal to the price paid by the Telephone Company and five per cent commission thereon."—A. That is what I have just said.

Q. That agreement is dated January 1, 1900. When did you acquire the stock of the North American Telegraph Company.

A. I cannot supply the date with any possibility of being correct.

Q. Was it before or after this agreement was made?—A. I think that this agreement was made. Bampfield was not the manager before that.

Q. What is your answer?—A. We acquired the company before that agreement.

Q. The Bell Company acquired the stock in the North American Telegraph Company before the agreement, Exhibit No. 63, of January 1, 1900, was made?—A. Yes.

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Q. You said that your answer on page 479 with reference to furnishing a list of prices only was intended to apply to three or four companies which you named, and the North American was one of them. Now, I want to get back to the terms upon which you supply the smaller companies. Under the Gillies agreement it was provided expressly that their lines should be equipped with the Bell Telephone?—A. Yes.

. Q. Have you agreements as to the furnishings of other supplies to the local companies that you connect with, apart from the telephone instrument itself? Do you furnish a list of prices to these small companies at the beginning of the year at which you will furnish supplies?—A. No, unless we are asked for them.

Q. And of the number of companies that you have mentioned here can you tell us how many of them have agreements which provide that their lines are to equipped with Bell Telephones ?—A. Not without looking at the contract.

Q. Can Bell telephones be purchased from any company except the Northern Electric Company and the Bell Telephone Company in Canada?—A. I think so. Dealers purchase from us and sell to whoever they please. We sell to anybody who wants them —I am referring to the Northern Electric. There are many telephone supply dealers and they purchase wherever they see fit and we are glad to sell to them.

Q. Then, I want to refer to another subject—I do not know that it is of much importance—but it should be noticed. That is the letter which is on file from Mr. Roaf. Mr. Roaf wrote a letter which is printed on page 4, Appendix 'A,' and in the second paragraph of that letter he says:—

'The Bell Telephone commenced business with a capital of about $500,000—of which $100,000 represented an investment, the balance of about $400,000 being given in payment of certain patents, which at that time were invalid by reason of breaches of the Patent Act, and which breaches'—I think that is a misprint for stock or patents —'was largely held by the American Bell Telephone Company of Boston, who practically controlled the Canadian company, and sent their representatives to take charge of the work. Some of those interested in the managemnt of the Boston Company were also interested in companies who supplied electric and telephone appliances, and the apparatus required by the Bell Telephone Company was purchased to a large extent from this company. The result was that prices were paid largely in excess of what the work could have been obtained for from other manufacturers or contractors.'

Further down, in the fourth paragraph he says :—

'There are affidavits on file in the courts in which the value of the Bell equipment as given by themselves and disinterested parties are shown up and the result of this evidence was such that on a motion made by me that the Bell Telephone Company should give security for costs,'——

And so on. He says an order was made. Now, Mr. Roaf's letter is dated, 1905. The first part very evidently refers to the circumstances in connection with the acquisition of patents, which have already been explained. Do you know when that litigation that Mr. Roaf refers to was going on, and what it was?—A. I cannot state the year exactly. I recall it very well. It was in Ontario—a question of assessment.

Q. Was it in connection with the assessment? I thought it was in connection with the patents?—A. He is referring to two matters there, Mr. Chrysler.

Q. The assessment is one thing and the voiding of the patents is the other?—A. Yes.

Q. Under these patents that were acquired by the company in 1880, were they voided by the Commissioner of Patents?—A. They were.

Q. To what extent?—A. Wholly.

Q. That is—— A. Those that were in court at the time.

Mr. CASGRAIN.—When was that ?

Mr. CHRYSLER.—I am just coming to that.

Q. I have looked up the report and I will give you the reference to it. I will give the date and all that, if you are satisfied. It is 1884 and 1885. The first petition was

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by the Toronto Telephone Manufacturing Company. Was that an opposition company?—A. I do not think they were ever in operation. I do not know what they were.

Q. They petitioned the Commissioner against the continuation of Patent No. 7789, granted on the 22nd August, 1877 to Alexander Graham Bell, now owned by the Bell Company, on the ground of non-manufacture and importation contrary to the provisions of section 28 of the Patent Act of 1872. The result was that that patent was declared void for non-manufacture, I think?—A. Yes, and refusal to sell.

Q. The argument was in October, 1884, and the judgment apparently in January, 1885. There appears also to have been a similar attack made upon the patents acquired called the Edison patents. What was the result of that?—A. The patents were confirmed.

Q. These patents were confirmed. These two cases are reported in volume 2 of the Exchequer Reports of Canada, the first one at page 495 and the second at page 524, so that Mr. Roaf's letter refers to matters away back in 1885?—A. The first part where he said he had charge of the case here, I do not know of that; I was here.

Q. The second part then, that is a different matter. Of what date is he speaking here?—A. Five years ago, I think—some years ago at any rate.

Q. But the difference may be a different date from the date of the communication about the patent?—A. A long time afterwards.

Q. Then, I want to refer to the evidence of Mr. Joshua Dyke. He is the mayor of Fort William and gave evidence which you will find on page 70. Do you know anything personally about the controversy that went on at Fort William?—A. Very little.

Q. Well, who does?—A. Mr. Scott had charge of that in detail. He was acting as manager up there. I know the general trouble or general cause of the trouble.

Q. What do you mean by 'acting as manager'? Do you mean as manager in these two towns?—A. Yes, the local men were under him. He had charge of this matter.

Q. For how long a time was he manager then?—A. I think he must have been there six months or more.

Q. Well, what do you know about it then, Mr. Sise?—A. I know the case itself and the result. I know very little of the details of it.

Q. Well, Mr. Scott would know all the details?—A. I do not know that he would know anything that I could not tell myself, only mere daily details.

Q. What was the trouble then, Mr. Sise, as far as you know about it?—A. We had an exchange at Port Arthur and one at Fort William which had been operated for a long while, and we had no complaints from Port Arthur or Fort William. It was a long way off. The railways did not reach there at that time. I sent men there from time to time, outside of the local management to investigate and we had no complaints.

Q. You say the railway did not reach Fort William?—A. Not when we installed the exchange.

Q. You had an exchange there before 1885?—A. Yes, I think I am correct in that.

Q. That is the date the railway was built?—A. Later on I had reason to believe that the service was not so good as it was represented, and then we learned the cause of it, that our manager was endeavouring to get a good position for himself, was representing to us that the service was excellent and no complaints whatever, and was representing to the town that we would not do anything and they had better start a municipal plant. They naturally listened to him, their townsman, and they put in a municipal plant and put our men in charge of it, with rather disastrous results, and then they applied for connection with the railway, to which we objected.

Q. Yes?—A. And this is what the result was.

Q. What resulted?—A. The result was that the matter was brought before the Railway Commissioners. It is settled now that the railways cannot shut out any company from their station.

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Q. You mean the Act of parliament has been passed since?—A. Following the act of the Railway Commissioners.

Q. So far as Mr. Scott appears to have acted in the matter he was there as the representative of the company?—A. He went there as soon as we heard of this trouble. But we had sent a man there previously to ascertain if there was any reason—whether everything had been right.

Q. When was the municipal system started—yes, in 1902?—A. And the man who had been constantly assuring us there was no cause to complain, for some reason or other the city placed him in charge.

Q. You think now the complaints of the service were justified to some extent?—A. Yes.

Q. What was wrong with the service supplied?—A. I imagine it was general inefficiency on the part of the manager, who had allowed the lines to run down, the plant to deteriorate. But we had no complaint, and he was constantly assuring us that everything was in good shape.

Q. You said that the results were disastrous. To whom? What do you mean by that?—A. To the Bell Telephone Company.

Q. So far as its agency there is concerned?—A. That we lost a great deal of money there. When I spoke of disastrous results, I meant, the city took him. The first thing he did was to run the wires in the exchange in the town hall, that the town hall was burned down.

Q. What is the name of the man who was your agent and afterwards the manager of the local system?—A. I do not recall his name.

Q. At all events the fact is that the general manager of the local system was originally your agent at Fort William?—A. Yes, shortly after he took charge they had trouble, and the city hall burned down. I do not mean that he burned it down.

Q. No, you don't know how it was burned down or what was the cause of it?—A. Crossed telephone wires.

Q. With what?—A. Trolley wires, I think. That is what was assumed to be the cause. I do not know that anybody was to blame for it at all.

The committee adjourned.

FRIDAY, May 19, 1905.

The Committee met at 11 o'clock, Sir William Mulock in the chair.

Mr. J. E. FRENETTE, of the Kamouraska Telephone Company, Fraserville, sworn.

By the Chairman:

Q. Mr. Frenette, where do you live?—A. I live at Rivière du Loup.

Q. Are you connected with any telephone company?—A. Yes, sir.

Q. What is the name of that company?—A. The name of our company is the Kamouraska Telephone Company.

Q. When did you commence operations?—A. Our charter shows that we commenced operations in 1902.

Q. When did you have any telephone lines constructed, available for the public?—A. I produce the map, showing all our system. (Map produced.)

Q. When did you have any lines in operation?—A. Before we got our charter we had about 18 miles of telephone line.

Q. You had about 18 miles of telephone line in operation before you got your charter?—A. Yes, sir.

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Q. You got your charter in 1902?—A. That is right.

Q. And how many miles have you in operation now?—A. I will tell you exactly from the report. I have got a blue print here showing our lines, if you would like to see it.

Q. Tell us the extent of your lines?—A. Yes, sir. I will give you in a few words the history of our company.

Q. Do so in your own words. Tell us anything you desire with reference to the telephone question in your district?—A. We began the telephone business in Kamouraska, having a line from Kamouraska to St. Germain, and from St. Germain to St. Andre.

By Mr. Bergeron:

Q. What distance?—A. Altogether from Kamouraska to St. Paschal, and from Kamouraska to St. Germain, and from St. Germain to St. Andre, about 18 miles. This telephone was operated by five or six men who were friendly. Then, as we had no communication from Rivière du Loup to any large place, with Quebec or Montreal, we decided to have a charter and to form a company, and if possible have connections with large companies, because at Kamouraska, Fraserville and St. Patrice there are lots of strangers in the summer time. Those strangers ask for connection with large places such as Toronto, Ottawa and Montreal, and we decided if possible to extend the line from Rivière du Loup to L'Islet, where the Bell Company was, and to have connection with the Bell if possible. So we obtained letters patent incorporating us as a company with a capital of $25,000.

By the Chairman:

Q. Letters patent?—A. Letters patent, yes.

Q. Well, proceed?—A. We had a capital of $25,000. Then we extended the line from Kamouraska to Rivière du Loup also. Then afterwards from Kamouraska to Ste. Anne's, and we found at Ste. Anne's a private line which extended from Ste. Anne's to L'Islet, and we bought that line from Mr. Francoeur.

Q. You bought that line?—A. We bought that line. It was not suitable for us on account of our being obliged to put cross arms on and to string copper wires and some other wires to suit the public and give to any persons who wanted a telephone a good service. We changed all the poles, and we had to rebuild that line. Then when we arrived at L'Islet, before we asked to have connection with the Bell we thought it was possible to arrive at an arrangement with the Bellechasse Telephone Company, and we had a meeting of our board, who decided to confer with the manager of the Bellechasse Telephone Company. But we did nothing with them. Then we had an arrangement to suit our company with the Bell Telephone Company. Before we arrived at Rivière du Loup we wrote to the local company there, called La Compagnie des Pouvoirs Electriques.

By Mr. Bergeron:

Q. The Electric Power Company?—A. The Electric Power Company. We wrote to the president to have with him a conference to decide about connecting with his company before we started for Rivière du Loup, as that town is a place of only about 7,000 people, and there are lots of poles on the streets. There is one electric company, one telephone company and one telegraph company, and we preferred if possible not to build another row of poles, so we wrote to the president of the local company to have connection with his line before starting for Rivière du Loup. Then the president answered——

Q. Who is your president?—A. Mr. J. Camille Pouliot. And we received an answer that his company did not recognize ours.

Q. Did not want yours?—A. Yes.

Q. So you did not connect with them?—A. Another reason is they do not want our company to connect.

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Q. As a matter of fact you did not connect with them?—A. No, we did not connect with them. So we built a row of poles from the boundary of the town to the middle of the town.

By the Chairman :

Q. The town of Rivière du Loup?—A. Yes, and put there a public station and we opened that afterwards to local companies who knew us enough to enter into an arrangement with us. We decided last year to build to Rivière du Loup and we managed to have poles, cables and everything to start business at that place and we commenced operations at Rivière du Loup last summer.

By Mr. Bergeron :

Q. What is the length of your line altogether now?—A. I can tell you exactly, I figured it out before I came here. I sent that in to you.

The CHAIRMAN.—Six hundred miles of long-distance and 200 miles of separate circuits.

By Mr. Bergeron :

Q. How many subscribers have you got?—A. We have at the present——

The CHAIRMAN.—430.

WITNESS.—430, that is right.

By Mr. Bergeron :

Q. 430 subscribers?—A. Yes.

Q. How much do you charge?—A. We charge $13, $15 and $18 a year.

Q. What is the $13 for?—A. $13 for farmers.

The CHAIRMAN.—Rural telephone.

By Mr. Bergeron :

Q. How many farmers have you got?—A. Farmers? We have got over 30, I think.

Q. Farmers?—A. Yes.

Q. And the $15 is for what?—A. Is for, I suppose, a man who has only one line. a merchant who has one line of business.

Q. A merchant?—A. A merchant who has only one line of business.

Q. That is $15?—A. $15, yes.

Q. And $18 is for what?—A. For the general merchants, and all the lawyers and notaries.

Q. Offices?—A. Yes.

By the Chairman :

Q. Business telephones?—A. Business telephones.

By Mr. Bergeron :

Q. Are these prices $13, $15, $18, charged your subscribers for a service all over your line?—A. All over our line, yes.

Q. Without paying a toll?—A. Yes. But let me explain this: Our system is quite different from any others. When we started business we only had in view to give connection between Rivière du Loup and Quebec, Montreal and Ottawa, if possible. Then we fixed our price as low as possible to give connection to any one who desired to have it, farmers, business men, or any one in a large or small business, and we quoted our price as low as possible. We managed to put one double line of our poles, one iron double line, metallic circuit to give connection, local connection, from one parish to another, and we strung two copper wires to give long-distance services. We never give local services on the long-distance lines which are two copper wires.

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By the Chairman :

Q. What do you charge for long-distance rates?—A. We charge from Rivière du Loup to L'Islet, 25 cents.

Q. What is the distance?—A. About 76 miles, I think.

Q. 25 cents?—A. 25 cents.

Q. About a third of a cent per mile?—A. Yes, about that.

Q. Have you any other long-distance rates?—A. We charge 25 cents, that is the maximum of our price.

Q. Yes?—A. When a man is not a subscriber and wants to telephone on a local line he will have to pay five cents for each parish, from one to another, but the maximum rate is 25 cents. We never charge more than 25 cents.

By Mr. Bergeron :

Q. That is for those who are not subscribers?—A. Yes.

Q. Those who are subscribers you do not charge anything at all ?—A. On the long-distance system we charge 25 cents.

Q. I asked you a few moments ago if it cost anything to telephone all over your system and you said no, that there was no toll?—A. Oh, yes, there is a toll. We give the use of all our local lines to subscribers for the annual rate they pay, but we charge a toll when we connect with the other companies.

Q. What other companies do you connect with ?—A. With the Bell Telephone Company.

Q. Where?—A. L'Islet.

Q. And have you an arrangement with the Bell Telephone Company?—A. Yes, we have a contract.

Q. And when your subscribers telephone by the Bell telephone line then you charge 25 cents?—A. We charge 25 cents.

Q. And what arrangement have you got with the Bell Telephone Company for that 25 cents?—A. We interchange business and add the price of the toll on to our rates.

Q. And when the Bell people telephone on your line they also charge 25 cents, I suppose?—A. Exactly.

Q. How long can they speak to one another, can people use the telephone for 25 cents?—A. From Rivière du Loup through to L'Islet.

Q. I mean, how long can they talk?—A. Three minutes.

Q. And over three minutes what do you charge ?—A. We charge 5 cents for each minute extra.

Q. Five cents per minute extra?—A. Yes.

Q. Well, do you get any commission from the Bell Telephone Company when they pass over your line?—A. No. They give us 25 cents when they send a message over our system.

By Mr. Zimmerman :

Q. Who gives you 25 cents ?—A. The Bell Telephone Company.

Q. They give it to you?—A. Yes, they give us 25 cents.

Q. And you give them the same price?—A. The same price to Quebec. We give to the Bell Company 25 cents for a message to Quebec.

By Mr. Bergeron :

Q. How much did your line cost you ? Have you any idea of the cost per mile counting poles and wires, instruments and everything?—A. Yes, sir; from $130 to $140.

Q. $130 to $140 a mile?—A. A mile, yes.

Q. That comprises the poles and the wires?—A. Yes, iron wire, No. 9.

Q. What kind of wire do you use?—A. We use No. 12 copper standard for long-distance.

Q. Metallic?—A. Metallic copper.

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By Mr. Zimmerman :

Q. Does that include telephones as well?—A. I beg pardon.

Q. Does that include the instruments, the telephones, as well?—A. No. In one parish we put four or five telephones and another one we put more, but what I gave you is the price for the construction of the wires, the cross arms, on six pin cross arms with two No. 9 iron wires.

Q. But it does not include the telephone instruments?—A. No, sir.

Q. And that is extra?—A. That is extra.

By Mr. Bergeron :

Q. When you say $130 to $140 per mile, that is without instruments?—A. Without instruments, that is right.

Q. Where did you get your wire and material for construction?—A. We get it from the Wire and Cable Company and from the Bell Company.

Q. From the Bell Telephone Company and from the Wire and Cable Company?

By the Chairman :

Q. From the Sumter Manufacturing Company?—A. Just instruments, Mr. Chairman.

By Mr. Bergeron :

Q. Were you forced to do so by anybody?—A. When we made a contract with the Bell Company they included a clause to take our instruments from their plant, from their factory, but we said to Mr. Sise when we signed the contract that we were not bound to take our instruments from them, and he said, 'You will have no trouble about it,' and of course we have had no trouble at all.

Q. Well, have you bought all your instruments from the Bell Telephone Company?—A. Not all. We buy also from the Sumter Telephone Company.

Q. From whom?—A. We buy from the Sumter Telephone Company, from California.

Q. And you buy some instruments from the Bell Telephone Company and some from the Sumter Telephone Company?—A. Yes, that is right.

Q. What is the object of that? Do you get them cheaper by that means?—A. We get them cheaper, and sometimes we are in a hurry and we want telephones quickly, and we send an order to the Bell Telephone Company, and the Bell answers that they could not give instruments in such and such a time.

Q. Yes?—A. Well, immediately we order some from the Sumter Company, in Quebec, where this company has——

Q. An agency?—A. Yes, an agency.

Q. What is the difference in the price between the two?—A. About $3.

Q. For what size?—A. We pay the Bell Telephone Company for their instruments $15.50 and $16.50, that is desk sets and wall sets. We pay $1 more for the desk sets than for the wall sets.

Q. And what is the price of the Sumter?—A. The Sumter is about $3 of a difference.

Q. Well, is it more or less?—A. Less.

Q. Well, why did you not say so at first. Have you any duty to pay on those?—A. No.

Q. You mean to say $3 less altogether?—A. Yes; but I must be just to the Bell Telephone Company. When we put in an instrument to speak to long-distance we prefer to put the Bell Telephone Company apparatus always, and we find that the service is better. The American instrument is a good instrument, but very soft, and on long-distance it does not give the same service as the Bell apparatus. The Bell apparatus on the long-distance gives the same good service as at a small distance.

Q. So that when Dr. Demers, whom we have had as a witness here, says that the American sets are superior to the Bell he makes a mistake?—A. He makes a mistake.

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By the Chairman:

Q. It is a matter of opinion?—A. Yes, that is a matter of opinion. But Dr. Demers could say that because he is not on the long-distance. He will speak from Rivière du Loup to Lévis, and as he has no subscribers on his line at intervening points he could say what an American instrument could do.

Q. But your experience is a different one?—A. From my experience I am perfectly sure on that point. We speak from Rivière du Loup to Toronto, and once we put an instrument in for the manager of a pulp company in Rivière du Loup and we were obliged to change it for a Bell because the Bell gave him better service when he spoke to Toronto.

Q. When you made the arrangement with the Bell had you abandoned the American instruments, or was there any question of your abandoning them?—A. No.

Q. No question of that?—A. No question of that.

Q. Does your company put any instruments in any railway stations on your line?—A. Yes.

Q. Where?—A. In all the stations of the Intercolonial Railway from L'Islet to Rivière du Loup and down below.

Q. Is there any other railway in that part of the country?—A. The Temiscouata, yes.

Q. And have you got your instruments in their stations?—A. Yes. We have a contract with both the government and the Temiscouata Railway Company.

Q. You never had any difficulty about that?—A. Never.

Q. You have in all how many miles of toll line?—A. About 200. When I put the figures down I was very certain.

Q. These figures are right?—A. Yes, sir.

Q. Then I will read the figures you have given to us. You say that your capital is $71,000?—A. No, $74,000. $71,000 is a mistake.

Q. It is $74,000?—A. Yes.

Q. Your capital is $74,000?—A. Yes.

Q. Has that all gone into plant and extensions?—A. No, sir.

Q. Is it all invested in works?—A. No, sir.

Q. How much money have you expended in the construction of lines and equipment?—A. This statement will show :—

Exhibit No. 147.

(Translation.)

BALANCE SHEET OF LA COMPAGNIE DE TÉLÉPHONE DE KAMOURASKA, TO DECEMBER 31, 1904.

Liabilities.

Capital stock		$30,500 00
Bills payable		7,760 00
Loans		8,700 00
Sundry amounts due		5,297 55
Subscribers	$1,744 50	
Messages	1,042 33	
	$2,786 83	
Expenses	2,617 38	
Profit and loss		169 45
		$52,427 00

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Assets.

Telephone line	$46,463 58
Instruments and apparatus	3,046 35
Real estate	2,031 96
Furniture	20 45
Amounts due company	351 50
Cash in hand	513 16
	$52,427 00

Certified correct,

ELU. DIONNE, *Priest.*
L. J. BÉRUBÉ, *Notary.*
P. E. CÔTÉ,
Joint Auditors.

True copy,

J. B. DUPUIS,
Accountant.

Q. This statement is up to December 31, 1904, and shows your capital to be $30,500?—A. That is capital paid, sir.

Q. Yes, capital paid. Bills payable, $7,760; money borrowed—this is in French, and I am giving the English translation—money borrowed, $8,700; accounts payable, $5,297.55; profit and loss account, $169.45, representing a total capital of $52,427. Then you have assets—telephone lines, $46,463.58; instruments and apparatus, $3,046.35; movables, $20.45; bills receivable, $351.50; buildings, $2,031.96; and caisse, $513.16. What is that?

Mr. BERGERON.—Cash.

By the Chairman:

Q. Cash, $516.13, and the statement balances. Now, this $52,427 built all the line and plant you have?—A. Yes, all the plant.

Q. And they are all paid for?—A. All paid for.

Q. You owe nothing that this does not show?—A. Exactly, sir.

Q. So the extent of your plant to-day represents a capital invested of $52,427?—A. Yes, that is right.

Q. And according to the statement that you have sent in you have 433 telephones in operation?—A. That is right, sir.

Q. Of which 258 are residence telephones and 174 business telephones? You have 600 miles of long-distance line?—A. The 600 miles represent wires.

Q. Wires?—A. Wires only.

Q. Not of pole line?—A. Not of pole line; that is wires.

Q. 350 miles of pole line?—A. Pole line, that is right.

Q. And you have marked down here 200 miles of separate circuits?—A. Yes, sir.

Q. You got all that for $52,000?—A. Yes, sir.

Q. You mentioned that you are not able to make interchange arrangements with the Bellechasse Company?—A. No, sir.

Q. That failure to make arrangements still continues?—A. I do not know what you mean.

Q. At the present moment you do not interchange?—A. No, sir.

Q. You have not been able to make arrangements with them?—A. That is right.

Q. And you have been able to make arrangements with the Bell Company?—A. That is right.

Q. Is there any inconvenience to the public by your not being able to make an arrangement with the Bellechasse Company? Would it be of more convenience to the public if you had made an arrangement?—A. In Rivière du Loup we have over 128 subscribers now, and the most part of them have to pay two telephones, that is the trouble.

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Had we been able to arrive at an arrangement with the local company, the Electric Power Company of Fraserville, we would have been able to have saved money to our subscribers and to the subscribers of the other company.

Q. You spoke of having a number of telephones in use among the farmers?—A. Yes, sir. I see that Dr. Demers, in his evidence, told the committee that he is going to try a farmer's line at $12 a year?

Q. Yes?—A. But he is not the first in that line.

Q. You are doing it at $13?—A. We have been doing it for three years.

Q. Do you find the farmers anxious to get telephones?—A. For a good part.

Q. They are?—A. For a good part of them, but they always find that they pay too much. That is the great trouble we have with them, and they wish to have the same service that we give to any other subscribers. We are making a trial of this in every way possible. First we started one line on our poles, and put subscribers on the same grounded line as Dr. Demers proposes to do. The farmers have complained to us because they are on the same line. They say: 'We want our own instruments, our own service; you will have to put our instrument on your switchboard at such a place.' That would mean that we would have to string two wires, one wire more, a pair of wires for that man, and he prefers to give sometimes two dollars more in order to switch on at the switchboard.

Q. Well, we will not go into these minor details. They are very interesting, but we will not dwell upon them. I want to ascertain from you for the information of the committee whether there is not a strong desire among the farmers to have telephones in their houses?—A. For some who have something to sell.

Q. To sell?—A. To sell in the parish. A majority of the farmers, in my idea, will not pay what the system costs.

Q. They do not want to pay what you think they should give?—A. What they should give.

Q. What is the population of the district served by your line?—A. Well, I am not posted enough to give you that exactly.

Q. Do you remember making up the figures at 60,000 ?—A. 60,000 perhaps.

The CHAIRMAN.—You mentioned that in a communication to the committee.

By Mr. Bergeron:

Q. How many counties are there?—A. Three counties.

By the Chairman:

Q. Kamouraska, Temiscouata and L'Islet?—A. Yes.

Q. I suppose L'Islet is at the western end of it?—A. It is at the western part.

Q. Do you know the total number of telephones in that district of 60,000 people, or thereabouts?—A. Oh yes, we have it there.

Q. You can tell me the total number of telephones now in operation in that district?—A. Well, in Rivière du Loup the other company claims to have 200 telephones.

Q. And you have?—A. We have 128 at the present time in that town.

By Mr. Bergeron:

Q. Is the Bell there?—A. No. Their line is at L'Islet. That is what I find strange in Dr. Demers' statement. He says that his company was the only one starting business there.

By the Chairman:

Q. In your statement you mentioned that the long-distance was from a quarter of a cent to a half a cent per mile?—A. I stated that we charged from Rivière du Loup to L'Islet 25 cents.

Q. To the public?—A. To the public and nothing to the subscriber on the local line. I do not know whether you understood me. When we started our business we

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put two circuits, metallic circuits, on our poles, one for the local services and one for the long-distance. The one for the long-distance is of copper, and when we interchange business with the Bell Telephone Company we do it on the copper line, and we charge 25 cents to anybody who wants to telephone to Quebec, to anybody, subscribers or non-subscribers. Then the subscribers are given free service on our line, but to the non-subscribers we charge 25 cents for local service, from Riviére du Loup up to L'Islet 5 cents in each parish and not over 25 cents.

By Mr. Zimmerman :

Q. Has your company paid a dividend at all?—A. No, sir. We have only been in business for two years. We obtained our letters patent in 1902.

By Mr. Bergeron :

Q. You have got a central office, I suppose?—A. In Rivière du Loup. Yes.

Q. And how many people do you employ in the central office?—A. What do you mean by people?

Q. Attendants?—A. Oh, yes. We employ two girls in Rivière du Loup; one for the day and the other for the night.

Q. How much do you pay those girls?—A. $15 for the one that occupies the board in the day and $5 for the one that occupies the board at night.

Q. That is a week?—A. No, a month. $15 a month.

Q. And $5 a month?—A. Yes.

Q. Well, she must do something else, the one that gets $5 a month? Where is that place, is it in a post office or store?—A. It is in the centre of the town.

Q. Are they employed only for that?—A. Yes, that is cheap.

Q. How much do you pay your linemen at work on the pole construction?—A. We pay our combination man $3 a day, and we pay the linemen from $1.50 to $1.75 a day.

Q. And they keep the line in good shape?—A. Yes, we have four men all the time to keep the line in good shape, two inspectors, one lineman, and the combination man.

By Mr. Johnston :

Q. What do you pay your inspector?—A. $1.75 per day.

By Mr. Bergeron :

Q. Have you any other office anywhere on the line where you have employees?—A. Yes, we have offices all along our system and we pay some employees by a percentage and some by the month. Some have from $5 to $6 a month and some others have a percentage of 25 per cent.

Q. Twenty-five per cent?—A. Yes.

Q. On the work which is done?—A. Yes.

Mr. MONK.—Has the witness stated, Mr. Chairman, the reason why they did not connect with the Bellechasse Company?

The CHAIRMAN.—Yes. The Bellechasse Company refused their personal application; they are rivals.—A. They are not.

Q. They are not?—A. Well, when we built from Rivière du Loup to L'Islet the Bellechasse Company was not there—the Bellechasse Company was down below and at Levis, and neighbourhood, and we suffered from not having connection from Rivière du Loup to those places around the town and that is the reason why we built our line.

By Mr. Casgrain :

Q. Does the Bell Telephone Company give you any assistance in the shape of lending you men or anything of the kind?—A. Yes, sir.

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Q. You make a requisition do you for help and they give it to you, or how is it done?—A. No, they send their men and we pay the wages which the Bell Telephone Company pay.

Q. You can speak from Rivière du Loup to Montreal, Ottawa or Toronto?—A. Everywhere.

Q. Where the Bell Company connects?—A. Everywhere.

Q. And the service is good?—A. Very.

Q. Do you put anything aside each year for depreciation?—A. Not yet.

Q. You have not done it yet?—A. No. Because we only started two years ago.

Q. Have you made any calculation as to what you should set aside every year for depreciation?—A. Oh yes, we can arrive at it pretty close.

Q. Well, what is the calculation you have made? What is the amount you propose to set aside?—A. About $10 to $12 per mile.

Q. $10 to $12 per mile?—A. Yes.

The witness was then discharged.

Mr. PETER H. FOX, sworn.

By the Chairman:

Q. Where do you live, Mr. Fox?—A. At Northport, Prince Edward County.

Q. Province of Ontario?—A. Yes.

Q. Are you connected with any telephone company?—A. I am.

Q. You have some official connection?—A. As promoter and engineer.

Q. Of what company?—A. The Sprague Telephone Company.

Q. When was that company started?—A. Established in 1900.

Q. Where does it operate?—A. It operates in Prince Edward County alone.

Q. Why was it established?—A. It was established to get communication to the rural sections. They had no communication by telephone.

Q. Was there any other telephone company operating in that district?—A. The North American was operating there.

Q. Is it at present?—A. It is.

Q. Why didn't that company meet the public demands, and not make it necessary for you to enter the field?—A. I cannot say. Orders were placed to put in telephones and it was not done. I do not know for what reason.

Q. Your company came into existence because the other was not meeting the public demand?—A. It was because the demand of the public had not been met.

Q. What part did you take in the organization of your company?—A. In arranging the lines, selecting the instruments, the superintending of construction, and so on.

Q. What is the extent of your system?—A. 180 miles.

Q. Through the county?—A. Through Sophiasburg and Ameliasburg.

Q. Your operations are confined to these two townships?—A. Yes.

Q. Are your telephones exclusively in towns and villages?—A. Country villages and farming sections.

Q. Will you tell the committee briefly the extent to which you serve farmers on the telephone?—A. Starting in the township of Sophiasburg, where we started it first, we have in the neighbourhood of 125 subscribers in that township, and we serve to the farmers all around the concession lines, main roads, country post offices, villages, veterinaries, ministers, and such like as that, and while we started in 1900 with I think in round numbers 25, the demand increased so much that we could not supply them fast enough or build lines fast enough to accommodate them. We have in some sections as many as perhaps 7 or 8 farmers to a mile, while in others there would be a greater distance covered with not so many.

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Q. Do you mean 7 or 8 on a party line?—A. Yes, on party lines. We have as high as 16 to 18 on a party line.

Q. Would 16 instruments work satisfactorily?—A. Perfectly.

Q. How long have you been having as many as 16 to 18 on a line?—A. Since 1901.

Q. No intention of discontinuing so many?—A. We have not yet.

Q. Can you use more than 16 or 18 satisfactorily on a party line?—A. We could, but we do not think it wise, on account of so many being on a line, for very often the demand for the line would cause delay.

Q. Does the length of the line have any bearing?—A. We have not found it so for 12 or 13 miles.

Q. Can you have 16 or 18 on a party line any distance up to 12 or 13 miles?—A. Yes, or to 35 or 40 miles.

Q. Satisfactorily at all distances in that length of line, so far as your experience goes?—A. Yes.

Q. What do you charge for such a service?—A. $10 a year.

Q. And you maintain the lines?—A. Yes.

Q. And keep up the system?—A. Yes.

Q. Do you find any demand amongst farmers and the people of the rural districts for that sort of service?—A. Extensive.

Q. How many farmers' instruments have you in use?—A. I would say three-quarters of them are farmers.

Q. How many have you altogether?—A. We have 180 subscribers.

Q. You have 180 altogether?—A. Yes.

Q. About 135 then would be farmers' telephones?—A. Perhaps 135 to 150. I am not accurate as to the number.

Q. About 135 or 150 are farmers?—A. Yes.

Q. What are the others?—A. General stores, post offices, ministers, doctors.

Q. Are you extending your line?—A. We are.

Q. Among the farmers?—A. Among the farmers.

Q. On the same rates?—A. On the same rates.

Q. Do you think those rates pay you?—A. Very satisfactorily.

Q. Financially?—A. Financially.

Q. Is the company in a good state financially?—A. It is.

Q. Have those rates enabled you to maintain your line and pay a dividend?—A. —They have.

Q. What dividend?—A. After allowing for depreciation, about 7 to 10 per cent.

Q. Allowing for depreciation?—A. Yes, and all expenditures.

Q. What do you write off for depreciation?—A. Two and one-half per cent.

Q. You estimate a life of forty years for the telephone system?—A. Well, in our system when we started we did not use as good a class of poles and equipments as we should have, and for that reason we will have to rebuild sooner.

Q. You have then perhaps 20 or 30 instruments in other than farmers' houses?—A. It would be more than that.

Q. Thirty or forty?—A. Yes.

Q. What do you charge for them?—A. $10, everybody pays the same.

Q. Are they all party wires then?—A. Yes, except trunk line connections.

Q. Do you use any exchange system?—A. Yes, we have three centrals.

Q. Does the Bell Telephone Company help you in establishing your line?—A. Not in any way at all.

Q. Did they take any part one way or the other?—A. They offered some objections we thought.

Q. Yes. Were they proper, or did they commend themselves to you as fair objections?—A. We did not think so.

Q. They desired, I suppose, to retain the field to themselves?—A. I think that was it.

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Q. Are they still working in that field ?—A. They are. I may explain that it is known as the North American Telegraph Company in that section.

Q. Is the North American doing business in that field ?—A. They are.

Q. What is the extent of their operations ?—A. Pay stations—just toll offices.

Q. Just toll offices ?—A. Yes, that would be in the township of Sophiasburg. In Ameliasburg they went in last summer and placed new party lines—that would be the Bell people.

Q. The North American ?—A. No, the Bell, in Ameliasburg.

By Mr. Bergeron :

Q. I want to find out if the North American and the Bell are not the same thing ? —A. No, it is the North American that operates in Sophiasburg and the Bell in Ameliasburg.

By the Chairman :

Q. These are your two townships ?—A. Yes.

Q. Taking these two townships together, can you tell us to what extent those two companies are operating there ?—A. They have toll offices at Northport, Demorestville and Ameliasburg village. That would be the extent. Added to that there would be the party lines in Ameliasburg and seven or eight subscribers in the same territory where we are operating.

Q. That is the extent of the operation of the other companies ?—A. Yes.

Q. Then your operations are very much more extensive ?—A. In that section, yes.

Q. Do you connect with the Bell Telephone Company or the North American ?—A. We connect with the Bell at Picton.

Q. You exchange business with them ?—A. Yes.

Q. Do you exchange with the other, the North American ?—A. No.

Q. Why not ?—A. We have never applied for it, never been offered it.

By Mr. Bergeron :

Q. What are the charges of the Bell and the North American, do you know their charges. You charge $10, how much do they charge ?—A. I understand in Ameliasburg the Bell charges $25, and that is the cost to the people on their party lines, and they have rights of free conversation to all subscribers in Belleville.

Q. About how many subscribers would they have in Belleville ?—A. I cannot say accurately. I should say 400, something like that, or more perhaps.

Q. What is the charge of the North American ?—A. The North American has no telephones only toll offices in our section.

Q. I suppose that this difference in prices would be entirely in favour of your company ?—A. I think so.

Q. Is your company increasing the number of its subscribers ?—A. Oh, yes.

Q. You had no difficulty in making arrangements with the Bell ?—A. I cannot say that we had.

Q. How much did your line cost you ?—A. Around about $9,000.

Q. How much a mile ?—A. Would you mean to include instruments ?

Q. Yes, and we would like to know how much for poles and wires and instruments, to make a comparison with the others.

The Chairman :

Q. The total expenditure ?—A. It would average about $55 per mile.

By Mr. Bergeron :

Q. For the poles, wires and instruments ?—A. Yes.

Q. What kind of wire is it ?—A. No. 12 iron.

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Q. You have no metallic circuit ?—A. No.

Q. Is it double or single ?—A. Single grounded line.

Q. I understand that your material, at least the poles were not made just as you intend to have them in future ?—A. Yes, they were rather cheap on the start.

Q. So that, this price that you mentioned would be the price of building this—— A. For the better class—I might correct that any say an average of the two methods of construction, as I based my figures on it.

Q. Did you have to buy the poles and everything or were they given by farmers or were they dear ?—A. We secured poles in the vicinity where we built our lines.

Q. They were cheap ?—A. Yes, cheaper than we could get them now.

Q. How much should they cost ?—A. 60 cents to $1.

Q. How many to the mile ?—A. Thirty-five to the mile.

Q. Thirty-five ? What about the erecting and the working on them.—A. We employed men at $1.25 a day.

Q. How long did it take to make a mile ?—A. That would depend upon the soil, the digging.

Q. But generally, how many poles could a man or a set of men put down in a day ? —A. Well, counting three or four men to a set, I should think, not in a rock section they could do about one and a half to two miles a day, according to nature of the soil.

Q. What kind of wood were the poles ?—A. All cedar.

By Mr. Johnson:

Q. What dividend is your company paying ?—A. Our company is private. We have no incorporation. We applied for incorporation but failed to get it.

Q. At what rate were your net earnings ?—A. About seven and a half to ten per cent.

Q. How many years have you been in operation ?—A. Since 1900.

Q. Five years ?—A. Yes.

Q. What amount do you put aside annually for depreciation ?—A. Two and a half per cent on the total capital invested.

Q. You think two and a half per cent is sufficient to set aside for depreciation ?— —A. It might not be, but we have based our calculations on that so far.

Q. What do you regard as the life of your line ?—A. The beginning we would estimate at fifteen years. Perhaps the balance of the line we would figure at 30 to 35 years, possibly longer.

Q. Upon what do you base that experience ?—A. I cannot say that we based it on anything outside of other companies, similar pole lines in that section, judging from the experience of their lines, the length of time they have been built and the condition they are now in.

Q. How many years have you been in the telephone business ?—A. I first started in 1888, gathering up some ideas about it.

Q. With what business have you been associated ?—A. I was agent for the North American from 1893 to 1901.

Q. Your experience with this business led you to the belief that the average life of your line would be from 15 to 35 years ?—A. Yes, possibly longer, with the better class of construction that we have now.

By Mr. Monk:

Q. I would like to ask you one or two questions. You referred to some objections that have been made by the North American Company to your own company at its initiation ?—A. Yes.

Q. What were those objections ?—A. The objections were that we should not be doing a telephone business, as I understood from their claim.

Q. That you should not ?—A. That we should not enter into the telephone business.

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By Mr. Bergeron:

Q. Is that while you were in the employ of the company?—A. Yes.

By Mr. Monk:

Q. What form did the objections take? Is there any correspondence or anything like that?—A. It was by personal appeals of representatives of the North American and the Bell waiting on me.

Q. What did they do?—A. They came into my place of business, and demanded to see the telephones we were using.

Q. Demanded to see them?—A. Demanded to see them, yes, and I declined. My objections were that they were private property, and they claimed infringement of patents or something of that kind. It was followed by a notice from the solicitor of the Bell to discontinue the use of them.

Q. So you refused to show them?—A. I did.

Q. Is that all?—A. That is all.

Q. Is there anything else?—A. Nothing further.

By Mr. Bergeron:

Q. Did I understand you to say that you had a central office?—A. We have.

Q. Do you employ anybody there?—A. We do not employ any one outside the members of the family who keep the central. We operate one central, that is in the post office and telegraph. The main central is at a private house, where most of the lines centralize, and the switch is operated there by any member of the family.

Q. Is that an automatic system?—A. No; it does not work automatically.

Q. If one man at one end of the line wants to telephone to the other end, has he to ring in the central office and be connected with the telephone of the person that he wants to speak to?—A. If a subscriber wants to speak to some one who is on another line he would have to call central.

Q. He would have to call central?—A. That depends upon which line he is on.

Q. You have three centrals?—A. Yes.

Q. The operating at central? Have you anybody employed specially for that?—A. No one specially.

Q. Do you pay anybody for that?—A. It is done within ourselves.

Q. Well, it does not cost anything?—A. No.

Q. Where do you buy your instruments?—A. We get them from Chicago, Elkhart, Cleveland and other places.

Q. Different kinds?—A. Yes.

Q. How much did they cost you?—A. The average cost would be about $15 to $16. Some are stronger than others, we pay more for some than others, according to the number arranged on the party line.

Q. Your instruments are not all alike?—A. No.

Q. And they cost about $16, an average of about $16?—A. About an average of $16.

Q. Duty paid?—A. Yes, and transportation included.

Q. Never bought any in Canada?—A. Never.

Q. Can you speak from the island, do you connect with any company that allow you to speak to Belleville or to any towns or municipalities outside of Prince Edward county?—A. We talk to any point where the Bell lines reach.

Q. Any point on the Bell lines?—A. We are connected with them at Picton.

Q. What are your arrangements with the Bell Company?—A. Our arrangement is that they take 60 per cent of the earnings derived from our section to the connecting point at Picton and add to their tariff from Picton to whatever point of destination.

Q. Anybody telephoning from Belleville on the Bell to your line, does the Bell

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pay you anything?—A. We would get 40 per cent of the 15 cent tariff from our section to Picton.

Q. That would be your share?—A. Yes.

Q. Do you consider that a good arrangement?—A. I cannot say that it is altogether satisfactory.

Q. Did you make any remonstrance to that effect?—A. I understand there was something mentioned about it, not by myself, but by Mr. Sprague.

Q. You don't know personally?—A. No.

By Mr. Roche:

Q. Is that in the form of a contract?—A. It is.

Q. What length of time does the contract run?—A. The contract was made for five years. The contract with the Bell Company is dated October 20, 1902.

Q. Then by an agreement with the Bell you have the use of their lines in certain parts, to which you agreed?—A. Yes.

Q. That agreement at the time it is entered into was satisfactory to you personally?—A. I might say it was.

Q. Have any conditions arisen since which have rendered it unsatisfactory—the agreement which was then satisfactory?—A. I might explain. For instance, at Northport the North American Telegraph Company toll office has a rate to Belleville of 15 cents. Our rate from our line would be 40 cents. We have to take the Picton tariff to Belleville, 25 cents, and add our tariff for the whole line to Picton, making it 40 cents, and the North American from Northport to Belleville and Deseronto and other local points is 15 cents.

Q. That is a condition which has arisen since?—A. No, at that time.

Q. Were you aware of it at that time?—A. We were.

Q. Could not you have covered it?—A. I cannot say about that.

Q. Have you made any application to the Bell to vary the agreements?—A. Mr. Sprague informed me that he would, but I do not know that he did.

Q. So that, if the agreement is unsatisfactory you do not know that it could be remedied?—A. I could not say that it could not be remedied.

By Mr. Bergeron:

Q. By the North American it costs 15 cents for what costs 40 by the two others?—A. Yes, 40 cents.

Q. They give the whole for 15 cents?—A. Yes.

Q. It is very extraordinary that your company and the Bell should have that much difference in the price. How do you account for that?—A. We had no other offer, but the location of our subscribers favoured us, they being inconvenient to the Bell. They might be willing to pay us a higher rate to us rather than spend the time to drive to the Bell Telephone Company.

Q. Wouldn't it be rather that your company, combining with the Bell, the number of subscribers reached would be a great deal larger than by the North American?—A. We can give more connections than by the North American. We can give 180 connections, where the other two companies, the Bell and the North American combined, would have in the neighbourhood of 10 or 15, all told.

Q. That, I suppose, would account for the difference in the price, these greater advantages?—A. I did not gather the idea——

Q. More advantages, as I understand, by using your company and the Bell than by using the North American?—A. It certainly would.

By Mr. Roche:

Q. Does the North American and the Bell traverse the same territory?—A. No.

Q. They don't have any connection?—A. Between the North American and the Bell?

Q. Yes.—A. Yes, they connect at Picton and Deseronto.

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By Mr. Boyce :

Q. So that there is a general interchange in your district between telephone companies?—A. Yes.

Q. Except between your company and the North American?—A. Yes.

Q. An interhange between you and the Bell and between the North American and the Bell?—A. Yes.

Q. But not between you and the North American?—A. No connection.

By Mr. Roche :

Q. Do you know who constitute the North American Company?—A. Mr. Bampfield seems to be the general manager at Kingston.

By Mr. Zimmerman :

Q. Why did you leave the North American? You were in their employ?—A. Well, the feeling existing between the North American and myself was not the smoothest, and I seemed to be bothering them a lot by my private telephone line, and I asked them to remove their system.

Q. You were running a line of your own through the section?—A. Yes.

By Mr. Casgrain, K.C.:

Q. I believe that you said just now that the Bell Company claimed that by using certain instruments you were infringing upon their patents?—A. That was the claim, yes.

Q. And their solicitor wrote you a letter?—A. Yes.

Q. What did you do afterwards?—A. I did not pay any attention to it. I went right on.

Q. You continued to use the same instruments?—A. We did.

Witness discharged.

Mr. WALTER CROW sworn.

By the Chairman :

Q. What is your full name ?—A. Walter Crow.

Q. You live at Sydney, Cape Breton?—A. Yes.

Q. Are you connected with any telephone company?—A. I am secretary of the Eastern Telephone Company, Limited.

Q. How long has it been in existence?—A. Since 1890.

Q. What is the field of its operations?—A. Three counties in the island of Cape Breton and part of the fourth. I have a plan that shows our lines, if you care to look at it.

Q. How many instruments have you in operation to-day?—A. 916.

Q. How many miles of pole line?—A. 406.

Q. Are those instruments wholly in cities, towns and villages?—A. Chiefly in the towns.

Q. Do you reach the rural districts?—A. We cover in what we call our Baddeck district a purely rural district, and also in the Arichat district.

Q. Are the people in those districts farmers, miners or fishermen?—A. Fishermen and farmers.

Q. Are you extending your telephone to this class of people?—A. No we are not.

Q. Why?—A. Because there is no demand for it.

Q. No demand? How are your rates regulated?—A. By the Act of the local government passed in 1903.

Q. The general Act?—A. The general Act.

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By Mr. Bergeron:

Q. In what year did you say?—A. The year 1903.

Q. You have had your rates approved of by them?—A. Approved by the government.

Q. Are there any other companies operating in that district?—A. We have absorbed them. There is one small company called the Southern Telephone Company, which had about 10 miles of wire from Louisburg.

Q. You have absorbed the others?—A. We have.

Q. How do you connect with Halifax?—A. We built a main trunk line to the Strait of Canso two years ago.

Q. They are all your own?—A. Yes.

Q. How do you connect to Halifax?—A. By the Nova Scotia Telephone Company. The Nova Scotia Telephone Company joined us in building the cable across the Strait of Canso.

Q. You are on a friendly footing with it?—A. Yes.

Q. You exchange traffic with it?—A. Yes.

Q. Have you any other company in the district?—A. We also exchange with the Southern Telephone Company; that is the small company that I spoke of.

Q. Is there any other company that you come into contact with that you do not exchange traffic with?—A. No, there is no other company in Cape Breton but ourselves.

Q. So that peace and harmony prevails between yourselves and the neighbouring telephone companies?—A. Yes.

Q. What are your rates?—A. In towns up to 50 instruments our rates are $20 for business and $15 for residences.

Q. Yes?—A. And with towns with 50 instruments and under 300 our rates are $25 for business and $20 for residences. In exchanges of 300 instruments and upwards our rates are $35 for business and $25 for residences, and we have the right to add $5 to each of these rates when we find it necessary to put in metallic circuits.

Q. And are all these services at the present time ground circuits?—A. In some towns they are ground circuits. In North Sydney and in Glace Bay they are metallic, but we have since put long-distance 'phones in residences in Sydney on two party lines, independent numbers and ringers, for $20 per year. I will file this schedule of rates:—

Exhibit No. 148.

RENTS, Rates, Tolls and Charges of the Eastern Telephone Company, Limited, in force on the first day of January, A.D. 1903. Approved by the Lieut.-Governor in Council, 25th day of July, 1903.

Sydney and exchanges of 300 instruments and upwards.

	Business Telephones.	Residence Telephones.
For existing Blake instruments, per annum	$35 00	$25 00
For long-distance instruments with metallic circuits, for distances within one mile from exchange, per annum	40 00	30 00
(Long-distance telephones are now put in residences in Sydney on 2-party lines, independent numbers and ringers, for $20 per year.)		
Towns with over 50 instruments and under 300.		
For Blake instruments and grounded circuits on the magneto system, for distance within one mile from exchange, per annum	25 00	20 00
Towns up to 50 instruments.		
For Blake instruments and grounded circuits on the magneto system, for distance within one mile from exchange, per annum	20 00	15 00

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RENTS, Rates and Charges of the Eastern Telephone Company, Limited—*Concluded.*

	Business Telephones.	Residence Telephones.
Metallic circuits.		
Should the company find it necessary to install metallic circuits instead of grounded circuits in any town in order to give an efficient service, they shall be entitled to an additional charge per annum of	5 00	5 00
Long-distance instruments.		
For long-distance instruments there shall be added to the other rate, whether grounded or metallic, per annum	5 00	5 00
Distances over one mile from exchange.		
For distances over one mile from exchange there shall be an additional charge, as follows:		
Grounded circuits, per mile, per annum	10 00	10 00
Metallic circuits, per mile, per annum	18 00	18 00

Branch exchanges.

The rates in branch exchanges shall be the same as in the main exchange.

N.B.—A branch exchange is one situated not more than three miles from the main exchange.

Tolls within the County of Cape Breton.

(*a.*) Between North Sydney (including Sydney Mines), Sydney and Glace Bay exchanges, 10 cents for three minutes conversation, and for extra minutes, 3 cents each.

(*b.*) The toll for a three minutes' conversation from and to any point on the company's lines other than the foregoing, and Glace Bay to Port Morien and vice versa, and Sydney to Victoria Mines and vice versa, within the County of Cape Breton (excluding the trunk line to Halifax), to be 15 cents and 4 cents for each extra minute.

(*c.*) The toll charge for a message from any pay station to any subscriber's telephone on the same exchange shall be 5 cents for three minutes, and 1 cent for each extra minute.

Long-distance service.

The rates for long-distance messages shall be 40 cents per hundred miles, a minimum charge of 25 cents for each three minutes' conversation, and shall be arranged in 5 cent increases as per the following table:—

Up to 50 miles	25c.
From 51 to 66 miles	30c.
" 67 " 83 "	35c.
" 84 " 100 "	40c.
" 101 " 112 "	45c.
" 113 " 125 "	50c.

Rates on Lines of Inverness and Victoria Telephone Company.

On the lines purhased by us from the Inverness and Victoria Telephone Company, Limited, the rate is $25 per year for a telephone, with the free use of these lines. Toll charges to non-subscribers, 25 cents per message.

MR. WALTER CROW.

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APPENDIX No. 1

Rates on Lines of Union Telephone Company.

On the lines purchased by us from the Union Telephone Company, Limited, the rates are the same, except that the toll charge is 15 cents from Arichat to points on the Isle Madame.

By the Chairman:

Q. How many instruments on one party line—the largest number you have on any one party line?—A. 300.

Q. I fancy you have misunderstood. What is the largest number of instruments you have on one party line?—A. On some of the rural lines we have four or five; not more than that.

Q. Not more than four or five?—A. No; we found it impossible to work with more than that.

Q. What is the difference?—A. That is a technical matter that I do not like to speak about. I know that in practice it does not work out.

Q. You heard what the last witness had to say about that?—A. Yes.

Q. And your experience is different from his in that respect ?—A. Yes it is different.

Q. How long have you had four or five instruments on party circuits ?—A. The Dominion Coal Company had six on a line that they had, but it was unsatisfactory and had to come out, the instruments were frequently used I suppose and it was more from that perhaps than from anything else.

Q. What do you estimate the cost of a telephone line in your district ?—A. It figures out with us $205 per mile.

Q. That is the capital invested for each telephone in operation ?—A. Is $205.

Q. $205 ?—A. Yes.

By Mr. Bergeron :

Q. What does that comprise?—A. That comprises everything.

Q. Everything?—A. Poles, lines, wires, real estate, everything we own.

By the Chairman:

What do you estimate to be the average cost per mile of a single wire line and instrument ?—A. We estimate that at $105.

Q. Does that include the instrument ?—A. No, that does not include the instrument.

Q. Then you will have to add the cost of the instrument to that, $105?—A. You will have to add the instrument over that.

Q. What is the cost of the instrument? $20 I suppose.—A. $16.50 and $14.50.

Q. That will be about $120 per mile.—A. Something like that, $120 per mile.

Q. What are your long distance rates?—A. As approved, they are between North Sydney, Sydney and Sydney Mines and Glace Bay which are comparatively close together we charge 10 cents for three minutes' conversation.

By Mr. Bergeron:

Q. And over three minutes how much?—A. Three cents per minute. Up to 50 miles the rate is 25c.; from 51 to 66 it is 30c.; from 67 to 83 miles it is 35c.; from 84 to 100 miles it is 40c.; from 101 to 112 it is 45c.; and from 113 to 125 it is 50c. This is the longest line that we have. Of course we have to add the Nova Scotia rate to that.

Q. You said, I think, you had something over 900 telephones in use?—A. 916.

Q. Of those how many are what we would call rural telephones?—A. We made a close inspection of that and I do not think there are more than 80 properly so-called rural telephones.

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Q. That is about 9 per cent?—A. About 9 per cent.

Q. What do you charge the farmers for their telephone, or people using your rural telephone?—A. We charge them according to the scale I have given you.

Q. It is the same scale?—A. The same scale.

Q. Has your company paid a dividend?—A. We have paid altogether since starting 20 dividends of 3 per cent. About a year or a year and a half ago business became slack, rather hard times, and we desisted from paying dividends.

Q. That covered what period of time?—A. For the first six years we did not pay any dividends and then we paid them regularly down to 1903.

Q. That would be about how many years?—A. Ten.

Q. What rate of dividend per annum?—A. Six per cent.

Q. The 3 per cent dividends of course were half yearly?—A. Half-yearly.

Q. And recently you say you have got into some little trouble?—A. We expended money too freely during the boom.

Q. You mean you expended capital too freely in the boom?—A. Yes.

Q. From which you are not getting a return?—A. We are not getting a return.

Q. That was during the boom period? What do you allow for depreciation?—A. We have not yet been able to allow any, but we figure that 7 per cent on the local and 10 per cent on the long distance will be required to meet depreciation.

Q. Is that per annum?—A. Per annum.

Q. You figure on that?—A. That is what we figure upon as necessary but we have not been able to set that much aside.

Q. You are setting something aside?—A. We are putting something aside.

Q. How much?—A. Our depreciation account now, amounts to $5,000.

Q. What is your total capital?—A. $215,000.

Q. Do you operate only in Cape Breton?—A. That is all.

Q. You do not cross the straits?—A. No, we are joint owners of the cable across the Strait of Canso, connecting with the Nova Scotia line.

Q. Then you do connect with the mainland?—A. Oh yes, we connect with the mainland.

Q. With what lines do you connect there?—A. The Nova Scotia Telephone Company.

Q. Is the Bell Telephone Company in the island, is there any other telphone company there than your own?—A. None except the one small company, the Southern Company, which operates ten or twelve miles of line.

Q. Are you connected with the Bell Telephone Company?—A. No.

Q. And you said, if I understood rightly, that the cost of construction you calculated at $205 per mile?—A. Yes, sir.

Q. Does that mean copper wire or iron?—A. That is the average, of course we have all kinds of construction, we have spruce poles and cedar poles.

Q. But that is the average?—A. That is taking an average, but taking the line that we built, 96 miles, it cost us $290 odd, to the mile. I think I have the exact statement of that.

By Mr Zimmerman:

Q. Is that a rural or a city line?—A. It is a through line.

By Mr. Bergeron:

Q. It is a through line; you are mixing the cost of construction in the city and in the country?—A. Yes, I am taking the average of all the lines we have, cities, towns, and rural, and copper and iron wires.

By Mr. Zimmerman:

Q. How many wires have you on that line you are speaking of last?—A. Two.

Q. A double copper wire?—A. Yes.

Q. What is the size of the wire?—A No. 12.

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APPENDIX No. 1

By Mr. Bergeron:

Q. How many central offices have you for the operation of your line?—A. We have exchanges at Sydney, Glace Bay, North Sydney, Arichat and Baddeck.

Q. Five?—A. And a sub-exchange at Sydney Mines.

Q. That makes six. Whom do you employ in these different offices?—A. Girls and men operators day and night.

Q. How much wages do you pay these people?—A. Well, we pay—the girls get about $20 a month when they have learned; we pay our chief operator $24 a month. The long-distance operator and toll girl $20 a month, we pay the other girls there $16.

Q. $16 a month?—A. $16 a month; and we pay our night operator $45 a month; he is a man.

Q. How many do you employ altogether, in the six offices?—A. We employ 24.

Q. That is about 4 to the exchange on an average. What kind of instruments do you use?—A. We use the standard instruments, which we buy from the Northern Electric Company.

Q. Are they made in the United States?—A. No; made in Montreal.

Q. How much do you pay for them?—A. I think they cost about $16; they vary in type.

Q. Is that where you buy them or delivered?—A. Delivered.

Q. They are delivered at that price?—A. Yes.

Q. Are they a good instrument?—A. Yes.

Q. Are they as good as one imported from the States?—A. Yes; we used to import the instruments from the States, and we gave it up.

Mr. BERGERON.—This is the first case we have had I think of instruments being bought in Canada.

The CHAIRMAN.—The Nova Scotia Company buys from Canada chiefly, and the North American Company and others.

By Mr. Bergeron:

Q. And you find that it is as good an instrument as any that could be imported?—A. Yes.

By Mr. Roche:

Q. When you say that your rate for the long-distance is 50 cents for 125 miles, is that a uniform rate day and night?—A. It is cheaper at night; there is a discount at night.

Q. How much?—A. It is half rate after eight o'clock.

By Mr. Johnson:

Q. You said there was but one company in operation. What has happened the Victoria Telephone and the Union Telephone companies?—A. These companies were small companies that were operating; we are confined to the County of Cape Breton. The Union Company was operating in the County of Richmond and a portion of Inverness County. The Inverness and Victoria Company was operating in the County of Victoria and a portion of the County of Inverness, and they both approached us and asked to be bought out, which we did.

Q. They have disappeared altogether?—A. Yes.

Q. You bought them out?—A. Yes; but we had been exchanging business for many years with the Inverness and Victoria Company.

Q. And eventually you bought them out after approaches had been made to you to buy them?—A. By them. I do not think it was a particularly lucky business for us.

Q. You have heard the views of the last witness regarding the life of the telephone line. Is your experience the same as his experience? What is your experience?—A. My experience has been this, that in the town of Sydney, possibly owing to faults,

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misconstruction, and not knowing enough about the business—as a matter of fact, our whole system has been rebuilt there three times since 1889.

By Mr. Roche:

Q. You said you used spruce poles?—A. At one time, but they have all disappeared; and then we got cedar poles, and these disappeared; we have had to put up better poles.

By Mr. Bergeron:

Q. But has the rebuilding not been because you had to put up better poles?—A. Yes.

Q. The other poles were not completely worn out or out of use, but you put up a better class of poles—you improved your system?—A. We improved the system.

Q. It would not altogether mean that the life of the pole had expired?—A. Oh, no; but I can make this statement that until we began to buy copper and bronze wire we used iron wire altogether, but the rust wore it out in four years.

Q. Where do you buy your wire, from the Northern Electric?—A. No, the chief portion of our wire is bought from Roeblings, of New Jersey.

By Mr. Johnston:

Q. With regard to the wages you pay, evidence has been given here as to the prices paid in other places. A witness here to-day gave evidence, and a former witness gave evidence, that good line men could be obtained at $1.25 per day. What do you pay?—A. Our chief line man gets $2.15, and the other line men get $1.80 per day.

Q. You could not get labour of any kind at that price in Cape Breton?—A. You could not get an ordinary labourer in Cape Breton for any such money as you have mentioned. We pay our local men in North Sydney, the only local men we have on the monthly pay list, $60 a month.

By Mr. Casgrain, K.C.:

Q. In your experience do the rural lines, farmers' lines, pay?—A. No, they do not. I can prove that from our figures here.

By Mr. Johnston:

Q. What rural lines do you operate? You are operating lines in the Baddeck and Arichat centre, you say?—A. I can give you a description of them. Take the description of the Arichat district—that is a line beginning at Port Hastings, passing through Port Hawkesbury and running to Arichat, with telephones at McIntyre Lake, Cleveland, West Bay, West Bay road, Grand Anse and D'Escousse. At West Bay we connect with a private line running out 12 miles more or less from there to Marble Mountain. From Arichat branch lines run to Petit de Gras and West Arichat. From Grand Anse the line continues through St. Peter's to Lower L'Ardoise, with a telephone at River Bourgeoise. From Port Hawkesbury a line runs through Point Tupper, Port Malcolm and McCarthy's Ferry. At Port Hawkesbury there are seven local subscribers, at Arichat eleven, and at St. Peter's six, whose rentals give them the right to speak to any place in the district without extra charge. There are 70 miles of line in the district. As to the Baddeck district, it is a rural system beginning at North Sydney, with a line from there to Baddeck, which has telephones on it at Big Bras d'Or, New Campbellton, Englishtown, and South Gut St. Ann's, at which point a branch runs north to Monroe's Point. From Baddeck one line runs up the Middle river to N.E. Margaree, with telephones at Nyanza, Big Baddeck, Middle River, and N.E. Margaree; another runs to Marble Mountain, with telephones at Little Narrows, Whycocomagh, Orangedale, Southside River, Deny's and Marble Mountain. At Baddeck there are eighteen local subscribers, and they as well as all the other subscribers in

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APPENDIX No. 1

this district speak to any point in the district embracing 123 miles of line without extra charge.

Q. Have you a statement as to that?—A. I have a statement of that if the committee want it. Roughly, I may say we do not get our money back from these rural lines.

By Mr. Roche:

Q. Do these lines run through a thickly populated country?—A. No, not a very thickly populated district.

Q. You have not had any experience with the automatic system?—A. No, we have never tried that.

By the Chairman:

Q. Are these people in the districts you have referred to pretty well off?—A. They are ordinary farmers, such as we have in Cape Breton.

Q. There is a percentage of them fishermen, I suppose?—A. It is a mixed population.

Q. Are they well to do?—A. The chief telephones in these country places are in the country stores, where they work on commission.

By Mr. Zimmerman:

Q. There is a matter which has been spoken of very frequently, as to the amount of the rest account. We have had a great deal of evidence from the different gentlemen who have been examined, and some say they do not require any rest account; others say that 2½, and still others say 10 per cent is sufficient. Is it on account of the difference in construction or the difference in locality? As a matter of fact do you not renew constantly; are you not renewing constantly your lines?—A. We are renewing, yes, that is done under reconstruction. We are reconstructing all the time, but our experience has been that our switchboards depreciate and eventually disappear, and have to be enlarged and new ones have to be obtained. We have to be continually doing that, and the wires go to the scrap heap.

Q. There seems to be such a difference of opinion; I could not understand amongst business men why there should be such a difference.

By Mr. Casgrain, K.C.:

Q. In your opinion, and in your experience, would these farmers lines be operated as well by a company such as yours, or by an association, a co-operative association between the farmers themselves?—A. I think we could do it better.

Q. You think the farmers co-operative associations could do it better?—A. No, I think we could do it much better. We have the technical men and the experience.

Witness discharged.

Dr. JOSEPH I. BASTIEN, of Rigaud, P.Q., sworn.

By Mr. Monk:

Q. You live in Rigaud, Doctor?—A. Yes, sir.

Q. There has been a telephone introduced there, and it was referred to here by Mr. Macdonald in his examination?—A. Yes.

Q. Do you know anything about that telephone system?—A. Well, we built that telephone about four years ago. It is a private line.

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Q. It does not extend beyond the limits?—A. No, just in the village.

Q. Is it a regularly organized company, a joint stock company?—A. No, just a private company, there is no stock in it.

Q. Built by a few people?—A. Well, we are 25 members and are all subscribers. We get all the telephones. We built the line and when this line was built we divided the expense.

Q. What is the total amount paid by these 25 subscribers?—A. I think the total was $652.

Q. How much for each?—A. I think it cost about $20 each, because there were two that were not paid for in the list. We put telephones in the C.P.R. station and did not charge for that.

Q. These 25 who built the line are the 25 subscribers.—A. Yes.

Q. And how much did the system cost you—what is its length?—A. Well, it cost about $5.50 a year, because we are obliged to pay $2.50 for the central and we pay $3.00 a year each for a man coming from Montreal to keep the line always in good running order.

Q. So that each subscriber has to pay for maintenance?—A. Just $5.50.

Q. That covers all the expense of maintenance?—A. All the expenses of the year.

Q. How much did the line cost to build per mile? How many miles are there?—A. We have only about one and a quarter miles in poles and about ten miles of wire.

Q. What kind of wire?—A. It is all No. 12 iron wire.

Q. Where do you purchase the instruments?—A. We get them in Montreal.

Q. From what company?—A. From Ness, Maclaren and Bates.

Q. How many companies in Montreal sell telephone instruments?—A. I cannot tell.

Q. You just went to this company and bought there?—A. Yes.

Q. How much did you pay for instruments?—A. We paid for the instruments, I think, about $13.50.

Q. Delivered at Rigaud?—A. No; we were obliged to pay express on them.

Q. Are they good instruments?—A. Very good.

Q. Do you know if they are up to the standard of the Bell Telephone instruments?—A. Well, they make no difference between our telephone and the Bell.

Q. Have you had any difficulty with the Bell?—A. Not at all.

Q. Is your instrument installed in the station at Rigaud?—A. We had about a year ago.

Q. Why have you not got one now?—A. I think there was something between the station agent and the central office, and he took out his instrument, and the Bell came a few months later and put their instrument in, and later we wanted to have our own instrument installed, but the agent told us the company would not allow it.

Q. Have you a central office?—A. Yes.

Q. How is that managed? Is there a person there in charge?—A. Yes, there is a lady in charge of the central.

Q. What do you pay her?—A. $2.50 a year.

By Mr. Bergeron:

Q. For the twenty-five?—A. The twenty-four.

By Mr. Monk:

Q. Have you made any allowance for depreciation?—A. No.

Q. There is no profit?—A. No, not at all.

Q. It is a mere mutual concern?—A. Yes.

Q. Are you aware that there is any demand among the farmers of the neighbouring municipalities for an extension of the system?—A. Yes, we have a demand from Ste. Marthe and St. Redempteur.

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Q. Do you think the farmers of your community would subscribe if furnished with facilities?—A. I do not think so.

Q. Any farmers in the neighbouring villages?—A. No.

Witness discharged.

Committee adjourned.

MONDAY, May 22nd, 1905.

The Committee met at 12 o'clock, Sir William Mulock in the Chair.

The examination of Mr. C. F. Sise, was resumed.

By Mr. Chrysler:

Q. Your bookkeeper has prepared a new statement of contingent fund as you wish to submit it?—A. The statement is simply elaborated to a certain extent so that it may be more clear to a person reading the method of keeping accounts. The figures are the same as before.

Q. It is the same statement as Exhibit No. 136?—A. The same statement, but more clear.

(*See* Exhibit No. 149 on next page.)

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Exhibit No. 149.

CONTINGENT FUND

Date.	Particulars.	Added.		Particulars.	Deducted.		Balance.
1881..	From Revenue		5,000 00				5,000 00
1882..	" "		20,000 00				25,000 00
1883..	" "		40,000 00				65,000 00
1884..	" "		40,000 00				105,000 00
1885..	" "		145,000 00				250,000 00
1886..	" "		100,000 00				350,000 00
1887..	" "		150,000 00				500,000 00
1888..	" "		150,000 00				650,000 00
1889..	" "		150,000 00				800,000 00
1890..	" "		75,000 00				875,000 00
1891..	" "		100,000 00	Account Federal Telep. Co		175,000 00	800,000 00
1892..	" "	54,213 37		" " "	56,091 60		
.....	" Prem on stock	123,729 73	177,943 10	" Park Hill Telep. Co	500 00		
.....				" Ontario "	10,000 00		
....				" Plant	100,000 00		
.. ..				" L D Construction	11,351 50	177,943 10	800,000 00
1893..	" Revenue		49,275 10	" Plant	30,000 00		
.....				" L D Construction	19,275 10	49,275 10	800,000 00
1894..	" "		50,000 00				850,000 00
1895..	" "	49,250 00					
.....	" Bond Premium	10,750 00	60,000 00				910,000 00
1896..	" "	19,491 25					
.....	" Revenue	20,508 75	40,000 00				950,000 00
1897..				" Plant		150,000 00	800,000 00
1898..	" Northern Elec. Division		93,000 00	" Patents		93,000 00	800,000 00
1900..	" Revenue	46,119 20					
.....	" Prem on stock	35,105 80					
.....	" " Bonds	18,775 00	100,000 00				900,000 00
1901..	" " "		53,361 00				953,361 00
1902..	" " "	22,809 24					
.. ..	" " stock	98,840 00					
....	" Revenue	40,000 00	161,649 24				1,115,010 24
1903..	" "	50,000 00					
.....	" Prem on stock	151,160 00	201,160 00				1,316,170 24
1904..	" Revenue	50,000 00					
.....	" Prem on stock	479,240 00	529,240 00				1,845,410 24

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APPENDIX No. 1

Mr. CHRYSLER.—Here is a statement, which has been prepared, of exchange service charges in a number of cities, towns and villages.

THE BELL TELEPHONE COMPANY OF CANADA, LIMITED.

STATEMENT of Exchange Service Charges in following Cities, Towns and Villages, according to class and period for which telephones are furnished.

Exhibit No. 150.

22nd May, 1905.

County.	Exchange.	Business.	Residence.	Population.
Addington	Newbury	Not B.T. C.		614
Algoma	St. Joseph's Island	No exchange		
	Fort William	$24	$12	3,997
	Port Arthur			3,214
	Sault Ste. Marie	$20 to $25	$15 to $20	7,169
Bothwell	Dresden	15 " 25	15 " 20	1,613
South Brant	Brantford	30	15 " 30	16,619
	Paris	20 " 25	20 " 25	3,229
Bruce	Wiarton	15 " 25	15 " 25	2,443
	Lucknow	15 " 20	15 " 20	1,007
	Cornwall	20 " 30	15 " 25	6,704
Dundas	Iroquois	15 " 20	15 " 20	1,097
	Morrisburg	15 " 25	15 " 20	1,693
Durham	Port Hope	20 " 30	15 " 25	4,188
	Bowmanville	15 " 25	15 " 25	2,741
Elgin	Aylmer	15 " 25	15 " 20	2,204
	St. Thomas	25 " 30	20 " 30	11,485
Essex	Windsor	25 " 30	20 " 25	12,153
	Meaford	20 " 25	15 " 20	1,916
Haldimand	Dunnville	15 " 25	15 " 20	2,105
Halton	Hopeville	No exchange		
	Hamilton, limited	$25 and 2c. call.	$25 and 2c. call.	
	Limited party line (100 calls month)	$35	$20	62,684
	Unlimited	45	30	
Hastings	Desoronto	Not B.T. Co		
	Belleville	$25 to $30	$25 to $30	9,117
	Huron	No exchange		
Kent	Chatham	$25 to $30	$20 to $30	9,068
	Kingston	25 " 30	15 " 25	17,961
Lambton	Petrolea	25 " 30	15 " 20	4,135
Lanark	Almonte	20 " 25	15 " 25	3,023
	Perth	20 " 25	15 " 25	3,588
Leeds	Smiths Falls	20 " 25	15 " 25	5,200
	Brockville	25 " 30	20 " 25	15,901
	Gananoque	20 " 25	20 " 25	3,085
Lincoln and Niagara	Merriton (see St. Catharines)			1,710
	St. Catharines, including Thorold, Merriton and Port Dalhousie	25 " 40	25 " 35	9,946
	St. Catharines, limited	15 " 25	15 " 25	
	Grimsby, including Winona, Beamsville and Jordan	15 " 20	15 " 20	
	Trenton	20 " 25	15 " 25	
Middlesex	London, unlimited	40 " 45	20 " 25	24,415
	limited	15 " 20 & 2c. per call	15 " 20 & 2c. per call	
	Parkhill	$15 to $20	$15 to $20	1,430
Muskoka	Parry Sound	20 " 25	15 " 25	2,884
Nipissing	North Bay	25	20	2,530
	Brighton	15 " 25	15 " 20	2,774
Ontario	Beaverton	15 " 25	15 " 20	855
	Bracebridge	20 " 25	15 " 25	2,479
	Whitby	15 " 25	15 " 25	2,110
Oxford	Burford	15 " 25	15 " 20	
	Oakland	No exchange		
Perth	St. Marys	$15 to $25	$15 to $20	3,384
Peterborough	Peterborough	25 " 30	15 " 25	11,239
	Lakefield	15 " 25	15 " 25	3,244

Mr. C. F. SISE.

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STATEMENT of Exchange Service Charges in following Cities, &c.—*Continued.*

County.	Exchange.	Business.	Residence.	Population.
Prince Edward	Picton	$15 to $25	$15 to $25	3,698
Renfrew	Pembroke	20 " 25	15 " 25	5,156
	Renfrew	20 " 25	15 " 25	3,153
Simcoe	Gravenhurst	20 " 25	20 " 25	3,146
	Collingwood	25	25	5,709
	Berlin, including Waterloo—Unlimited	25 " 30	25	9,757
	" " " Limited	$15 & 5c. call	$15 & 5c. call	
	Waterloo	See Berlin.		3,411
	Hespeler	$15 to $25	$15 to $20	3,457
Welland	Niagara Falls	20 " 30	20 " 25	4,344
Wellington	Orangeville	15 " 25	15 " 20	3,511
	Mount Forest	15 " 25	15 " 20	2,019
	Guelph	25 " 30	25 " 30	11,496
Wentworth	Dundas	See Ham'lt'n		3,373
York	Toronto	$45 to $50	$25 to $30	208,040
	East Toronto	30	20	1,564
	Markham	15 " 20	15 " 20	
	Markham, Green River and Locust Hill —Rural system	No exchange		
	Aurora	$15 to $20	15 " 20	1,590
	Weston	15 " 25	15 " 25	1,083
Argenteuil	Lachute	15 " 20	15 " 20	2,022
Bagot	Actonvale	15 " 20	15 " 20	1,075
	Beauharnois	20	20	1,976
	Berthier	15 " 25	15 " 20	1,364
Brome	Eastman	No exchange		630
	Knowlton	$15 to $20	$15 to $20	760
Compton	Cookshire	15 " 25	15 " 25	904
	Waterville	15 " 25	15 " 20	976
Drummond	Drummondville	15 " 20	15 " 20	1,450
Huntingdon	Huntingdon	15 " 20	15 " 20	1,022
Jacques Cartier	Lachine	25 " 30	20 " 25	5,561
	St. Anne de Bellevue	25 " 30	20 " 25	1,693
Joliette	Joliette	20	20	4,220
Laprairie	Laprairie	20	25	1,451
	L'Assomption	15 " 25	15 " 25	1,605
	L'Epiphanie	No exchange		
Laval	Ahuntsic	"		
	St. Vincent de Paul	$30	30	1,345
Lévis	Lévis	$18 to $20	18 " 20	7,783
Missisquoi	Bedford	15 " 20	15 " 20	1,364
	Farnham	15 " 20	15 " 20	3,114
Quebec	Quebec	35 " 50	25 " 45	68,834
Richelieu	Sorel	15 " 25	15 " 20	7,057
Richmond	Richmond	15 " 20	15 " 20	2,057
	Windsor Mills	15 " 20	15 " 20	2,149
Rouville	St. Cesaire	15 " 20	15 " 20	865
	St. Hyacinthe	20 " 25	15 " 25	9,210
Iberville and St. Johns	St. Johns	15 " 20	15 " 20	1,512
Shefford	Granby	15 " 20	15 " 20	2,773
	Waterloo	15 " 20	15 " 20	1,797
	Sherbrooke	25 " 30	15 " 25	11,765
Stanstead	Coaticooke	15 " 20	15 " 20	2,880
	Magog	15 " 25	15 " 25	3,516
Terrebonne	Terrebonne	15 " 25	15 " 20	1,822
	Three Rivers	25 " 30	15 " 25	9,981
Vaudreuil	Vaudreuil	15 " 20	15 " 20	385
	Rigaud	15 " 20	15 " 20	779
Wright	Hull, including Ottawa	45	20 " 25	
	Aylmer	15 " 20	15 " 20	
	Winnipeg	50	30	42,340 claim double present date.
	Neepawa	24	18	1,418
	Portage la Prairie	30 " 35	20 " 30	2,911
	Brandon	30 " 35	20 " 30	5,620
	Lethbridge	35	20 " 35	
	Strathcona	No exchange		
	Edmonton	"		
	Calgary	$32 to $35	20 " 35	

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APPENDIX No. 1

By Mr. Chrysler :

Q. What do you say as to this statement of the exchange service charges in the cities, towns and villages in this list ? Is that a correct statement of the charges ?—A. That is a correct statement. I may explain that the statement is based upon the census of 1901.

Q. As to population ?—As to population of 1901.

Q. There is a column showing the county, the name of the exchange, and the cost of a business telephone. Is that not the meaning of the word 'business' at the top ?—A. Business rates, residential rates. I may explain also that where the two rates are given, as in many cases, that it is because of the terms of the contract which we have with these cities, as a rule.

Q. Well take one at hap-hazard, Morrisburg, $15 to $25. Why do you have a rate for a business telephone ranging from $15 to $25 ?—A. I could not speak of Morrisburg, for I am not sure whether we have a contract with that town or not. But take Hamilton.

Q. Take Hamilton, there is a special arrangement with that city apparently which is stated in these words : 'Limited $25 and two cents a call.' That is limited to what ?—A. A limited number of calls. For $25 they get the connection and a certain number of calls and they pay two cents a call for all in addition.

Q. Then also in Hamilton, 'Limited party lines, 100 calls a month' ?—A. That is where there are more than one on the line.

Q. Thirty-five dollars. Unlimited, $45. You do not know why the limit for the $25 is the same for the non-party line, that is, where it is 100 calls a month ?—A. Not 100 calls a month, I think that is 100 calls a year. I do not know, but we filed the agreement.

Q. One hundred calls a year ?—A. About 100 calls a year.

By Mr. Zimmerman :

Q. Where the number is, it is for the year and not for the month ?—A. Probably not.

Q. I was under the impression it was 200.—A. The details are shown in the contract which we have filed.

By Mr. Chrysler :

Q. You do not mean that the reason for the cost ranging from $15 to $20 or from $20 to $25 is due to any special agreement, but you mean that the difference we see between a city like Hamilton and say Kingston, is that there is a special arrangement with Hamilton ?—A. There is a special arrangement in Hamilton.

By the Chairman :

Q. If it is a written agreement, perhaps it is here. The agreements were ordered to be produced ?—A. They are filed.

By Mr. Chrysler :

Q. Have you an agreement with the city of Hamilton ?—A. Yes, and we filed it.

By the Chairman :

Q. Have you got a list of all the agreements ?—A. They are all here. I would like to state that these are original agreements and must be returned.

By Mr. Chrysler :

Q. You produce a list of the places with which you have agreements ?—A. This is a list of exclusive contracts, that is what you mean in all cases ?—A. Yes, that is what I mean.

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Q. There is a contract with Kingston numbered 116, the one with Hamilton is numbered 114.—A. That is the number of the contract.

Q. And in reference to your explanation that there are special agreements with a number of cities and towns you produce a list of the exclusive contracts with cities and towns that are in force?—A. We file the list.

Exhibit No. 151.

LIST OF EXCLUSIVE CONTRACTS WITH CITIES AND TOWNS.

Barrie, Belleville, Brockville, Chatham, Dundas, Essex, Galt, Guelph, Hamilton, Hull, Ingersoll, Kingston, Kingsville, Leamington, Listowel, London, Midland, Montreal West, Notre Dame de Grace, Ottawa, Stratford, Sault Ste. Marie, St. Catharines, St. Thomas, Tilbury, Trenton, Walkerville, Waterloo, Windsor, Woodstock.

MONTREAL, May 22, 1905.

Q. I will just take as a sample the Hamilton agreement which is No. 114. It provides that the city will not for a period of five years from August 24, 1903, give permission to any other company to use the streets or lines. Provisions as to the height of poles follow. Then there is a covenant by the company to pay to the corporation $1,450 on the execution of the agreement, and $2,900 a year for five years, in quarterly payments. The company agree to maintain and keep in repair the poles and wires in connection with the city police system, and supply all new wire and any poles that may be required for the maintenance and repairs of that system; that the wires strung by the company upon their own poles under agreement with the city shall not be removed. The company covenant to permit the city to use free of charge for the city's fire alarm wires, the top cross arm on every pole now standing or which may hereafter be put up or replaced by the company; to provide an efficient telephone service for all subscribers in the city of Hamilton and use modern appliances therefor; to install a long-distance instrument for every subscriber in the city of Hamilton free of extra charge for installation and use, and on and from first day of January, 1905, to cancel and annul all agreements by the subscribers in the city to pay an extra charge for long-distance telephones. The company agree that they will not charge any subscriber in the city of Hamilton for an instrument used for a private dwelling house and for no other purpose, more than $30 a year for unlimited calling, or for such dwelling house on measured service plant with separate metallic circuit, more than $25 a year and two cents per call, or for such dwelling house on a party line with not more than four on a line $20 a year with an allowance of 100 calls during each month?—A. Each month? Too liberal.

Q. A hundred calls during each month? Calls over 100 to be paid for at 2 cents a call. The company agree that they will not charge for telephones for office, or for houses used for trade or any other business purposes, more than $45 a year for unlimited calling, or on the measured service plant, more than $25 a year, and 2 cents per call for separate lines, or for offices, on party lines, with not more than two on a line, $35 a year, with an allowance of 100 calls for each month, extra calls over 100 to be paid for at 2 cents each.

Mr. BERGERON.—Do I understand this is a contract between the Bell Telephone Company and the Municipal Council of the City of Hamilton?

Mr. CHRYSLER.—Yes, sir.

Q. That is what it is, Mr. Sise?—A. That is what it is.

Q. And these are special arrangements made with the council of the City of Hamilton after negotiation?—A. Yes.

Q. The agreement is dated August 31, 1903, and is still in force? With regard to that method of computing rates, have you had much experience with it, Mr. Sise?—of limited service and a lower rate, or charging for each call?—A. Do you mean the result?

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APPENDIX No. 1

Q. Yes?—A. When the number of calls reach the amount that is equal to the rate for unlimited service, of course they drop out and take the unlimited service.

Q. They can only drop it for the future?—A. They drop it for the future, they go on to the unlimited service.

Q. They must pay according to their contract up to the time the change is made, I suppose?—A. Yes.

Q. Have you found in practice in Hamilton any considerable number using the limited service by preference?—A. A great many, dwellings principally.

Q. And it is found satisfactory, is it?—A. Until the number of calls amount to as much as the unlimited rate.

Q. Is there any other place besides Hamilton where the system is in operation?—A. In London, Ont.

Q. How do you count the number of calls, is there any special system?—A. There is a regular system of tickets. Of course the charge is made upon the person calling, not the person called. And if subscriber No. 420 calls up another subscriber this little ticket is stamped and put to one side, and subsequently counted.

Q. There is no method of registering?—A. No.

Q. Automatically?—A. No.

Q. Would it be possible to register, or would it be more expensive?—A. Well, it would not be satisfactory, because the subscriber requires to see something himself. You can show him his ticket at the time if he wishes to see it.

Q. There is a letter in connection with the subject of rates in the printed minutes of the committee. I have a reference to it in my notes that I wanted to call your attention to. The letter is from a man who wrote from the North-west, I think. The substance of his letter was that the time had arrived for a considerable reduction in the charges for the use of telephones, because a great deal of the expense incident to the earlier years of the enterprise was now done away with, from the fact that the apparatus was now pretty well standardized and they were not required to discard so much useless telephones or other apparatus—that the increased experience was the reason why the company should carry on the business much more economically?—A. I could hardly reply, Mr. Chrysler, without seeing that letter. I can only say as regards one part of it, that the apparatus is constanlty increasing in cost.

Q. The letter is at page 2, of Appendix 'A,' (No. 2). I will read you the part that I wanted to ask your views about:—

'In going into the question of the cost of operation the committee will have the greatest difficulty, without the assistance of an undoubted expert, in arriving at the true value of any portion of the Bell Telephone Company plant. The fact is that any telephone plant prior to 1895 is now obsolete, and not only imperfect in operation but more expensive to maintain.'

A. I would not be prepared to reply to such a very indefinite charge as that because I don't know to what he was referring. I would be very glad to give any explanation, or if the committee call in any expert, but that is altogether too indefinite a charge.

Q. I only read it because it is connected with what follows. If you do not desire to say anything about it, I do not wish to ask you. Then the gentleman goes on to say:—

'Since 1895 must be taken into consideration 10 per cent annual depreciation, and only such portions of the plant as have been constructed since 1900 are really modern. You will find upon investigation that the Bell people conduct their business upon the principle that they must receive in returns every five years the total investment plus dividends and operating expenses.'

Mr. MONK.—Who says that?

Mr. CHRYSLER.—That is Mr. Potts.

Mr. BERGERON.—Who is Mr. Potts?

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Mr. CHRYSLER.—He wrote a letter to Mr. W. J. Roche, one of the members of this committee. I do not know what his information is except as it appears in the letter read.

WITNESS.—I would be very glad to give any information, but I may say that I think a man making charges of that kind should do as I do, come before the committee and submit his evidence. I cannot really reply to that because it is too indefinite altogether.

Mr. BERGERON.—You might ask, Sir William, whether there was any answer from Mr. Potts to your letter. I see the letter was to Mr. Roche, and that you gave instructions to acknowledge the receipt of his letter and to ask for some information regarding certain questions. I do not know whether he has answered to that or not.

The CHAIRMAN.—Mr. Dagger says there has been no answer received.

By Mr. Chrysler :

Q. Well, we will not go into that any further, Mr. Sise, if there is nothing you desire to say about it ?—A. I am quite willing to furnish any information to the committee that I can.

Q. About the other question, what do you say, or can you say anything as to that, beyond what you have already said to us, as to the effect upon the cost of the telephone service of improved methods and experience ?—A. It has not reduced the cost at all.

Q. It has not ?—A. No, it becomes more complicated, more costly, rather than cheaper in every shape.

Q. Now, as to the cost, upon your last financial statement for 1904, taking the local exchange earnings as stated in the report for that year, the receipts from the exchanges (less unearned rentals) were $1,980,185.51, and if you take the number of paying telephones at 66,160, you get the average receipts, and if you take the number of telephones in use, which you say is 70,000, you get another figure of the average receipts. That would be the same information, would it not ?—A. It would.

Q. The average receipts from telephones, I have worked that out and somebody here at the back could do it in a moment, the average receipts from the paying telephones amount to about $30 per subscriber ?—A. Yes.

Q. And from 70,000 telephones, taking the number that are actually in use, it is $27.30 I think ?—A. Yes.

Q. So that from your whole system, taking the high and the low charges, the high in the cities and the lower charges in the towns and villages, which are less, you collected during the year for all telephones in use about $27.30, and for the subscribers' paying telephones, about $30. So that we have in that some test to compare with the prices that have been given in evidence as to the cost of telephones, and in the other countries of the world where telephones are used.

Mr. MACLEAN.—Twenty-seven dollars and fifty cents is the average price.

Mr. CHRYSLER.—Twenty-seven dollars and thirty cents.

The CHAIRMAN.—I think the true average is that for the paying ones, there is no complaint from non-paying ones. The average of all these that pay is $30.

Mr. MACLEAN.—Does that include the tolls from pay stations, &c.

By Mr. Chrysler :

Q. It does not include any at all from the long-distance lines, it should include toll lines from pay stations within the city ?—A. Yes.

Q. It does include that, does it not?—A. It does.

Q. It includes tolls paid where you are not a subscriber?—A. For local calls.

Q. And the other item, 'long-distance lines,' includes all receipts for that?—A. Yes, all the receipts.

Q. I want to ask for a few words of explanation, Mr. Sise, about the exhibits which are printed on pages 541 to 545, just for the information of this committee.

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APPENDIX No. 1

Exhibits Nos. 127, 128, 129 and 129*a*, required to be looked at together. I find, Mr. Sise, on examination of this statement that the amounts written off do not all appear in your annual report. You have written off large items through the medium of accounts which are summarized in 129*a*. That is instead of adding to the construction account, in a year, we will take one year in which this is most apparent, the year 1901?—A. Yes.

Q. You wrote off of the patent account in that year $255,750. Where that is done the actual amount expended on construction, on plant account, the committee will look at the first column, is $712,206.48, that is the outlay. Then there is deducted from that $50,000, and that $50,000 is not shown written off in the annual report. Then to the patent account there is added $1,221.25, and in the next column there is deducted from it $255,750. The result of these three columns is that the sum of $255,750 is written off the patent account, but the net result of those four columns is carried out at $407,677.73 in the last column, as the net amount shown in statement expended each year. It took me some trouble to puzzle this out, and I want to call attention to it. The members will look at the construction account at page 545, on the last line, but one, and they will see what is added there, is an amount in the first column of $712,206.48, less $50,000 written off, and it is carried out in the margin at $662,206.48, the amount which is carried into the credit of the plant and patent account in the annual report is only $407,667.73, so that in this year the company has in fact, as I make it, written off $255,750.

Mr. MacFarlane.—That is off patents.

Mr. Chrysler.—Yes, off patents. Can you follow that yourself—I could not understand how the annual reports did not have as large an amount written off, but it is explained in these statements, 129 and 129*a*. I took some trouble in working them out, and could not understand it until I put these two results together, and now I see that it is clear.

Mr. Bergeron.—What is the result of that?

Mr. Chrysler.—The result is that Mr. Sise's early statement that he had written off a large amount for depreciation is established by the figures in this statement. I did not understand it because it did not agree with my computation——

The Chairman.—How much has been written off from patents since the beginning; how much has been paid out and how much has been written off?

Mr. Chrysler.—There is a statement here showing that, take the statement at page 540. No. 126 shows the total amount paid for patents which is $578,955.17. The total amount written off is shown in the fourth column in the statement 129*a* and is $508,677.50. The difference is $70,288.17, and therefore in their assets to-day there is only $70,000 put down to patents.

The Chairman.—Or patent rights.

Mr. Chrysler.—Yes, that is right, Mr. Sise, is it not?—A. That is right.

The Chairman.—Well, I speak of depreciation of plant generally from the beginning. Could Mr. Sise tell us what policy his company has pursued in regard to writing off for depreciation or charging up to revenue for renewal. What has been the policy, and what has been the result in figures?—A. We filed a statement to-day giving that very fully. We filed one before, but it was not quite clear enough, and we have put in another to-day.

Mr. Chrysler.—That is exhibit No. 149.

The Chairman.—Is that from the beginning?—A. I think it is from the first year.

Mr. McFarlane.—I think what Sir William wants is in exhibit 129.

Mr. Chrysler.—That is on page 543. I might say to the committee that I went over it and checked it, and with the exception that I have given, it agrees with the annual reports. I think there are some amounts not written off in the annual reports, but the way in which they are written off is shown in No. 129*a*.

The Chairman.—Has it been written off on any fixed basis of percentage, or of

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the life of the material?—A. Not on a fixed basis, but generally upon the basis of the condition of the material at the time.

Q. That is, the service and the state of the business?—A. Yes.

Q. Taking it then, Mr. Sise, taking your plant as it stands to-day in your books, it is there at its present value, I presume, in the year's annual statement?—A. Yes.

Q. You have not written off more than you ought to have written off?—A. I do not think that we have, I do not think we have written off as much as we should; as for example I will take the Montreal switchboard, to which I have referred before. That switchboard, which costs, speaking roughly, $200,000, will in the course of this year be utterly condemned and taken out, but as yet no depreciation has been charged for that, but it will be when it is taken out.

Q. Has it no saleable value when it is taken out; this superannuated switchboard? —A. Well, it is just as good for operation as it ever was, but it cannot be moved as a whole. Anyone looking at these boards, can see that it has to be taken apart, and the greater value of it is in the labour. I should think it is a liberal estimate to say that that board was worth $50,000 for sale if it was shifted. I do not wish to make that an insurance estimate in case of fire though.

Q. Separate the value of the switchboard from the value of the other plant—there are two different kinds of plant.—A. Well, the instruments become obsolete; an instrument that was perfectly good for the work that it was called upon to do 15 years ago, that is for speaking from here to Chicago or Louisville, Kentucky, is not sufficient for the purpose. Then the overhead lines depreciate very rapidly. The underground conduits depreciate very slowly, but the cables in the underground conduits depreciate very rapidly on account of electrolysis, the underground current. We take up a cable and find it completely honeycombed, and, as you know, if any dampness gets into the cable there is an end of it. We consider that depreciation in the underground conduit can be covered perhaps by two per cent, but the underground cable cannot be covered by any such percentage.

Q. Are the wires capable of being used again?—A. The wires are worth very little, except as copper. When we take them out we cut the cable up in lengths and run the lead off it for the value of the copper that is in them .

Q. What is the material with which the conduits are lined—what is it, the conduits that the cables are carried in?—A. As a rule it is a clay conduit. We have some of iron and some of iron lined with cement.

Q. Do you apply the name conduit to the pipe or to each hole in the pipe?—A. We apply the term 'duct' for a single pipe and the term conduit is applied to a number of ducts laid in the same trench.

Q. To a number laid in the one trench?—A. If one only was laid we would call it a duct.

Q. I suppose that it is according to the requirements of the business how many ducts you put in in the one trench?—A. I think we have thirty in some places.

Q. You have as many as thirty ducts in one conduit?—A. Perhaps more.

Q. What is the diameter of the duct?—A. It is three and a half inches.

Q. How are the wires taken through that?—A. They are led through manholes at the street corners.

Q. How are they arranged, in cables?—A. In cables, wholly in cables.

Q. That is the principle. All the wires are covered with a lead covering?—A. The wires themselves are insulated before being put out into the cables.

Q. How?—A. With paper; formerly it was cotton and parafine.

Q. How many wires are there in each cable?—A. Up to 600—600 pair. We have never done it, but it can be done.

Q. Six hundred metallic circuit lines?—A. Yes, we have never done it.

Q. Then if you had thirty ducts in a conduit, and fill them to their capacity with 600 to a cable, you would have 18,000?—A. Of course if we carried 600, but I was stating how many could be put into a cable.

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APPENDIX No. 1

Q. Your practice, I mean.—A. 200 pairs.

Q. With thirty ducts you can put in 6,000 return wires ?—A. Yes.

Q. Can you tell us what that would be worth for a mile of such conduit ?—A. It varies very greatly. I cannot tell you off-hand what the price would be. It varies with the price of copper and the price of lead. We will file those prices.

Q. Then you said a long time ago in your evidence—that is the reason I am asking now—that you would charge to revenue the price of such work where it was required for the present needs of the exchange ?—A. Present use.

Q. In laying such conduits do you not provide for the future ?—A. In most cases. If we were laying conduits and had 1,200 subscribers in a town or were laying a conduit through a street which to-day had 500, we would not think of laying less than a capacity of 1,000 on that street.

Q. You would not add wires for more than the present number ?—A. No, but we must lay the conduit and the pipes.

Q. The ducts may be left unoccupied until filled with further cables ?—A. Yes, the loss is to us in the meantime.

Q. Loss of capital invested ?—A. Yes.

Q. The loss is in the sum expended in laying ducts and not in placing wires in advance ?—A. We would not place the wires until they were required.

Mr. MONK.—Do you think the committee requires all these details ?

Mr. CHRYSLER.—These have just arisen out of the evidence on a former occasion as to future requirements.

Q. Mr. Sise, there were a couple of statements asked for before you began. What is this statement ?—A. This is a statement of the number of exchanges, or of agencies and the number of stations, from 1881 to 1904, inclusive, showing the yearly growth.

Q. Graphically ?—A. Yes.

EXHIBIT No. 152.

Year.	Number of Agencies.	Number of Exchanges.	Number of Stations.
1881	40	40	3,100
1882	40	44	4,400
1883	78	44	6,000
1884	61	73	7,418
1885	49	126	9,614
1886	79	157	11,846
1887	106	184	14,214
1888	115	184	15,065
1889	124	201	17,448
1890	151	212	20,437
1891	185	229	23,652
1892	241	251	25,560
1893	256	275	28,394
1894	262	300	29,496
1895	268	345	31,317
1896	275	341	31,976
1897	261	349	32,793
1898	340	343	34,414
1899	450	343	36,887
1900	494	343	40,094
1901	514	343	44,659
1902	553	377	51,063
1903	672	421	60,235
1904	789	475	69,850

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Exhibit No. 153.

STATEMENT of Number of Exchanges.

10 and under	182
20 and under	70
30 and under	29
50 and under	53
100 and under	56
500 and under	65
1,000 and under	6
5,000 and under	5
10,000 and under	
15,000 and under	2
Total	468

Montreal, Que	14,995
Toronto, Ont	12,714
Winnipeg, Man	4,121
Ottawa, Ont	2,999
Quebec, Que	2,365
Hamilton, Ont	2,020
London, Ont	1,930
Windsor, Ont	698
Kingston, Ont	688
St. Catharines, Ont	648
Sherbrooke, Que	609
Peterboro', Ont	604
Brantford, Ont	596
Guelph, Ont	492
Chatham, Ont	468
Calgary, Alta	460
St. Thomas, Ont	453
Brockville, Ont	418
Sault Ste. Marie, Ont	415
Three Rivers, Que	392
Galt, Ont	391
Brandon, Man	387
St. Hyacinthe, Que	360
Stratford, Ont	359
Niagara Falls, Ont	354
Sarnia, Ont	338
Belleville, Ont	337
Woodstock, Ont	320
Berlin, Ont	309
Portage la Prairie, Man	307
St. Johns, Que	295
Owen Sound, Ont	288
Pembroke, Ont	277
Cornwall, Ont	274
Regina, Alta	268
Smith's Falls, Ont	226
Lévis, Que	215
Lindsay, Ont	211
Ingersoll, Ont	209
Valleyfield, Que	198

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APPENDIX No. 1

STATEMENT of Number of Exchanges—*Continued.*

Barrie, Ont.	180
Orillia, Ont.	174
Joliette, Que.	167
Cobourg, Ont.	157
Coaticook, Que.	154
Perth, Ont.	153
North Bay, Ont.	151
Lachine, Que.	151
Goderich, Ont.	150
Carleton Place, Ont.	150
Arnprior, Ont.	148
Oshawa, Ont.	145
Renfrew, Ont.	138
Collingwood, Ont.	136
Port Hope, Ont.	133
Petrolia, Ont.	131
Sorel, Que.	129
Farnham, Que.	128
Fort William, Ont.	128
Bowmanville, Ont.	127
Clinton, Ont.	127
Cowansville, Que.	127
Waterloo, Ont.	127
Granby, Que	119
Sudbury, Ont.	117
Waterloo, Que.	117
Grimsby, Ont	115
Buckingham, Que.	114
Lethbridge, Alta	113
Midland, Ont.	112
Napanee, Ont.	111
Paris, Ont.	111
Trenton, Ont.	109
Richmond, Que.	109
Simcoe, Ont.	108
Picton, Ont	106
Wingham, Ont	103
Prescott, Ont.	101
Wallaceburg, Ont.	100
Orangeville, Ont.	99
Medicine Hat, Assa.	98
Carberry, Man.	97
Tilsonburg, Ont.	97
Strathroy, Ont.	96
Listowel, Ont.	95
Walkerton, Ont.	95
St. Jerome, Que	92
Seaforth, Ont.	91
Welland, Ont.	91
Wiarton, Ont.	90
Morden, Man.	88
Almonte, Ont.	87

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STATEMENT of Number of Exchanges—*Continued.*

Ridgeville, Ont	86
Gananoque, Ont	85
Winona, Ont	85
Montmagny, Que	85
Parry Sound, Ont	83
Carman, Man	83
Danville, Que	82
Aylmer, Ont	76
Newmarket, Ont	76
Prince Albert, Sask	76
West Selkirk, Man	76
Leamington, Ont	75
Meaford, Ont	73
Magog, Que	73
Wetaskiwin, Alta	73
St. Mary's, Ont	72
Brampton, Ont	71
Minnedosa, Man	71
Souris, Man	71
Bedford, Que	69
Dundas, Ont	68
Amherstburg, Ont	65
Preston, Ont	65
Port Colborne, Ont	64
Jordan Station, Ont	62
Penetanguishene, Ont	62
Winchester, Ont	60
Etchemin, Que	60
Beaverton, Ont	59
Hawkesbury, Ont	58
Whitby, Ont	57
Shawinegan Falls, Que	57
Alliston, Ont	56
Huntsville, Ont	55
Mount Forest, Ont	55
Hespeler, Ont	54
Grand Mere, Que	54
Huntingdon, Que	54
Rock Island, Que	54
Aurora, Ont	52
Emerson, Man	52
Norwich, Ont	51
St. Agathe, Que	50
Elora, Ont	49
Deloraine, Man	49
Gravenhurst, Ont	48
Harriston, Ont	48
Kingsville, Ont	48
Lachute, Que	48
Alexandria, Ont	47
Bracebridge, Ont	47
Ste. Anne de Bellevue, Que	47
Mitchell, Ont	46

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APPENDIX No. 1

STATEMENT of Number of Exchanges—*Continued.*

Uxbridge, Ont.	46
Dundalk, Ont	45
Fergus, Ont.	45
Red Deer, Alta.	45
Georgetown, Ont.	44
Terrebonne, Que.	44
Forest, Ont	43
Longueuil, Que.	43
Beamsville, Ont	42
Palmerston, Ont	42
Knowlton, Que.	42
Morris, Man.	42
Grand Valley, Ont.	41
Milton, Ont.	41
Oakville, Ont.	41
Port Perry, Ont.	40
Cookshire, Que.	40
Atwood, Ont.	39
Chesley, Ont.	39
Dunnville, Ont.	39
Exeter, Ont.	39
Colborne, Ont.	37
Niagara, Ont.	37
Ridgetown, Ont.	37
Vankleek Hill, Ont.	37
McGregor, Man.	37
Durham, Ont.	36
Lakefield, Ont.	36
St. Lambert, Que.	36
St. Scholastique, Que.	36
Copper Cliff, Ont.	35
Shelburne, Ont.	35
Thessalon, Ont.	35
Tottenham, Ont.	35
Blenheim, Ont.	34
Bridgeburg, Ont.	34
Cannington, Ont.	34
Dresden, Ont.	34
Norrisburg, Ont.	34
Marieville, Que.	34
Parkhill, Ont.	32
Kincardine, Ont.	31
Thornbury, Ont.	30
Pointe Claire, Que.	30
Burk's Falls, Ont.	29
Beauharnois, Que.	29
Raymond, Que.	29
Elmira, Ont.	27
Cardston, Alta.	27
Gretna, Man.	27
Essex Centre, Ont.	26
Marshville, Ont.	26
Sutton, Que.	26

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STATEMENT of Number of Exchanges—*Continued.*

Weston, Ont.	25
Thetford Mines, Que.	25
Hanover, Ont.	24
Chambly, Que.	24
St. Cesaire, Que.	24
Acton, Ont.	23
Brighton, Ont.	23
Actonvale, Que.	23
Mansonville, Ont.	23
Orono, Ont.	22
Ridgeway, Ont.	22
Beeton, Ont.	21
Bruce Mines, Ont.	21
Brussels, Ont.	21
Fenelon Falls, Ont.	21
Millbrook, Ont.	21
Compton, Que.	21
St. Eustache, Que.	21
Ayr, Ont.	20
Coldwater, Ont.	20
L'Orignal, Que.	20
Newcastle, Ont.	20
New Hamburg, Ont.	20
Delhi, Ont.	19
Erin, Ont.	19
Lucknow, Ont.	19
St. Felix de Valois, Que.	19
Ste. Marie Beauce.	19
Ailsa Craig, Ont.	18
Blyth, Ont.	18
Dutton, Ont.	18
Markham, Ont.	18
Southampton, Ont.	18
Watford, Ont.	18
Cap St. Ignace, Que.	18
Victoriaville, Que.	18
Cobden, Ont.	17
Rockland, Ont.	17
Tilbury Centre, Que.	17
Beloeil Station, Que.	17
Chesterville, Ont.	16
Mildmay, Ont.	16
Oil Springs, Ont.	16
Stouffville, Ont.	16
Berthier, Que.	16
Breslau, Ont.	15
Burlington, Ont.	15
Embro, Ont.	15
St. Eugene, Ont.	15
Batiscan, Que.	15
Shawville, Que.	15
Agincourt, Ont.	14
Creemore, Ont.	14

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APPENDIX No. 1

STATEMENT of Number of Exchanges—*Continued.*

Crysler, Ont.	14
Glencoe, Ont.	14
Port Rowan, Ont.	14
Tara, Ont.	14
Lacolle, Que.	14
Roxton Falls, Que.	14
St. Raymond, Que.	14
Vaudreuil Station, Que.	14
Arthur, Ont.	13
Bradford, Ont.	13
Holstein, Ont.	13
Omemee, Ont.	13
Paisley, Ont.	13
Springfield, Ont.	13
Victoria Harbour, Ont.	13
Waterford, Ont.	13
Campbellville, Ont.	12
Cardinal, Ont.	12
Inglewood, Ont.	12
St. Jacob's, Ont.	12
Wheatly, Ont.	12
Fort Coulonge, Que.	12
Ormstown, Que.	12
St. Hilaire Station, Que.	12
St. Polycarpe, Que.	12
St. Remi, Que.	12
Waterville, Que.	12
Burford, Ont.	11
Cookstown, Ont.	11
Plattsville, Ont.	11
Port Elgin, Ont.	11
Severn Bay, Ont.	11
Tavistock, Ont.	11
Vittoria, Ont.	11
Wellington, Ont.	11
Baden, Ont.	10
Gorrie, Ont.	10
Hepworth, Ont.	10
Markdale, Ont.	10
Milliken, Ont.	10
Mount Elgin, Ont.	10
Pakenham, Ont.	10
Teeswater, Ont.	10
Aylmer, Que.	10
Louisville, Que.	10
St. Adele, Que.	10
St. Andrews, East, Que.	10
Brigden, Ont.	9
Cayuga, Ont.	9
Elmvale, Ont.	9
King, Ont.	9
Lucan, Ont.	9
New Dundee, Ont.	9
North Williamsburg, Ont.	9

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STATEMENT of Number of Exchanges—*Continued.*

Pickering, Ont.	9
Rockwood, Ont.	9
Stevensville, Ont.	9
Quyon, Que.	9
Neepawa, Man.	9
Alfred, Ont.	8
Ayton, Ont.	8
Brooklin, Ont.	8
Cargill, Ont.	8
Fordwich, Ont.	8
St. George, Ont.	8
Waubaushene, Ont.	8
Bury, Que.	8
Ste. Anne de la Perade, Que.	8
St. Bruno, Que.	8
St. George Beauce, Que.	8
St. Martine, Que.	8
Bolton, Ont.	7
Bothwell, Ont.	7
Drayton, Ont.	7
Dublin, Ont.	7
Jarvis, Ont.	7
Marbleton, Que.	7
St. François Beauce, Que.	7
Avonmore, Ont.	6
Casselman, Ont.	6
Clifford, Ont.	6
Lancaster, Ont.	6
Neustadt, Ont	6
Port Dover, Ont.	6
Sunderland, Ont.	6
Coteau Landing, Que.	6
Grand Piles, Que.	6
Rigaud, Que.	6
St. Anicet, Que.	6
St. Benoit, Que.	6
Olda, Alta.	6
Comber, Ont.	5
Desbarats, Ont.	5
Iroquois, Ont.	5
Port Credit, Ont.	5
Russell, Ont.	5
St. David's Ont.	5
The Brook, Ont.	5
Campbell's Bay, Que.	5
Chateauguay, Que.	5
Como, Que.	5
Plessisville, Que.	5
Roland, Man.	5
Milverton, Ont.	4
Myrtle, Ont.	4
Newton, Ont.	4
St. Joseph Beauce, Que.	4
Windsor Mills, Que.	4

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APPENDIX No. 1

STATEMENT of Number of Exchanges—*Continued.*

Winkler, Man.	4
Finch, Ont.	3
Kenwood, Ont	3
Mount Albert, Ont.	3
Plantagenet, Ont	3
Port Stanley, Ont	3
Unionville, Ont.	3
Deschambeault, Que.	3
Pierreville, Que.	3
Ste. Anne de Beaupre, Que	3
St. Barthélémi, Que	3
St. Hubert, Que.	3
Verchères, Que.	3
Altona, Man.	3
Lacombe, Alta.	3
Magrath, Alta.	3
Bobcaygeon, Ont.	3
Cameron, Ont	2
Columbus, Ont.	2
Flesherton, Ont.	2
Gen. P.L.OD.	2
Hagarsville, Ont.	2
Kirkfield Ont	2
Kleinburg, Ont.	2
Lefaivre, Ont.	2
Maxville, Ont	2
Metcalfe, Ont.	2
Moose Creek, Ont,	2
Port Burwell, Ont.	2
Rodney, Ont.	2
Sombra, Ont.	2
Streetsville, Ont.	2
Vars, Ont.	2
Wales, Ont.	2
Bryson, Que	2
Jeunne Lorette, Que.	2
Laprairie, Que	2
L'Assomption, Que.	2
North Hatley, Que.	2
Ste. Anne de Stukeley, Que.	2
St. Bazile, Que.	2
St. Casimir, Que.	2
St. Madeleine, Que.	2
St. Martin, Que.	2
St. Therese, Que.	2
St. Vincent de Paul, Que.	2
Scott, Que	2
Scottstown, Que.	2
Allenford, Ont.	1
Alvinston, Ont.	1
Beachville, Ont	1
Caledonia Springs, Ont.	1
Caledonia, Ont	1
Claremont, Ont.	1
Drumbo, Ont.	1

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STATEMENT of Number of Exchanges—*Continued.*

Echo Bay, Ont.	1
Elmwood, Ont.	1
Everett, Ont.	1
Fesserton, Ont.	1
Floradale, Ont.	1
Formosa, Ont.	1
Garden Hill, Ont.	1
Garden River, Ont.	1
Hallville, Ont.	1
Hawkesville, Ont.	1
Hensall, Ont.	1
Inwood, Ont.	1
Locust Hill, Ont.	1
Lynden, Ont.	1
Martintown, Ont.	1
Merlin, Ont.	1
Morewood, Ont.	1
Mountain, Ont.	1
Oakwood, Ont.	1
Pendleton, Ont.	1
Queenston, Ont.	1
Sheffield, Ont.	1
Stayner, Ont.	1
Sutton, Ont.	1
St. Clement, Ont.	1
Tupperville, Ont.	1
Union, Ont.	1
Warsaw, Ont.	1
Wellesley, Ont.	1
West Lorne, Ont.	1
Woodville, Ont.	1
Abbotsford, Que.	1
D'Israeli, Que.	1
Drummondville, Que.	1
Henriville, Que.	1
Isle aux Noix, Que.	1
L'Ange Gardien, Co. M., Que.	1
Portneuf, Que.	1
St. Augustin, Que.	1
St. Charles de Bellechasse, Que.	1
St. Gabriel de Brandon, Que.	1
St. Jacques L'Achigan, Que.	1
St. Julienne de Montcalm, Que.	1
St. Liboire, Que.	1
St. Ours, Que.	1
St. Stanislas, Que.	1
South Ham, Que.	1
Stanfold, Que.	1
Valcourt, Que.	1
Warwick, Que.	1
Yamachiche, Que.	1
Bagot, Man.	1
Miami, Man.	1
Sidney, Man.	1

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APPENDIX No. 1

By Mr. Chrysler:

Q. Here is a diagram (Exhibit No. 152a), illustrating by coloured lines the annual growth shown by the previous statement. The colours are referred to in the other statement, but what is the black line?—A. The black line is the number of subscribers from 1881 to 1904.

Q. The red line?—A. The red line is the number of agencies, and the yellow line the number of exchanges, showing their growth from year to year.

Q. Here is a statement (producing document). What is it?—A. The number of agencies and the number of subscribers.

Mr. CHRYSLER.—Mr. Sise puts in a list showing the agencies of the company and the number of subscribers at each.

By Mr. Chrysler:

Q. There is a summary in that statement showing the total number?—A. Yes, the number according to that statement is 468 exchanges, and now in reference to the remarks made that we have not developed business in the smaller places, I want to point out to you that of the 468 exchanges, 182 had 10 subscribers or less, 70 had 20 or less, 29 had 30 or under, 53 had 50 or under, 56 had 100 and under, 65 had 500 and under, 6 had 1,000 and under, 5 had 5,000 and under, and 2 had 15,000 and under, making 468 exchanges, of which a very great number, the very great majority of them, have not 100 subscribers, which, I think, should answer the charge that we have not developed the small places and given the farmers connection.

By the Chairman:

Q. Referring to Exhibit No. 152. In one column, under the head 'number of stations,' it gives figures—just to make this statement plain, I would like to ask what this means. I understand the word station means a telephone?—A. Yes.

Q. For example, then, it begins, column to the left, the year 1881. Opposite at the right are the figures 3,100. That means 3,100 telephone instruments in use in Canada in 1881?—A. Well, hardly in the Dominion of Canada—in our territory. We did not operate the whole of the Dominion.

Q. Then this column under the head 'number of stations,' shows the figures opposite each year from the year 1881 to 1904 showing the growth of the number of instruments?—A. The annual growth.

Q. Showing that whereas in 1881 the total number of instruments in use was 3,100, in 1904 it was 69,876?—A. That is correct.

Q. Does that mean the total number, paying and non-paying?—A. That is, I think, the total number, paying and non-paying.

Q. It shows the growth of the number of instruments?—A. To the end of 1904.

By Mr. Maclean:

Q. Mr. Sise, you have rights over all the roads and streets in this country by your charter, that is your contention?—A. It is.

Q. And I see by your Articles of Incorporation that you are given powers to make connections for the transmission of messages by telephone in Canada, or elsewhere, with the lines of any company or companies in Canada or elsewhere?—A. We have that power.

Q. Well, do you connect with other companies?—A. With a great many, I have filed a list of 40 of them.

Q. Under what conditions?—A. The conditions are filed, the contracts are all filed here.

Q. Did you make the conditions?—A. We agreed with them as to the conditions.

Q. Then do you refuse to make conditions in any case?—A. We do not refuse to make conditions.

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Q. I mean to make connections?—A. I think we have, at times.

Q. You were given power to make connections, but you reserved the right to make connections. You do not consider there is any compulsion on your part to make connections, or to give connections?—A. We do not consider that there is any compulsion.

Q. You do not consider that in giving you a great public franchise, and the power to make connections, that you are bound to make all connections that you are asked for?—A. Not at all, we might ruin our own service by doing so.

Q. So that, as a matter of fact, the company enjoys great public franchise and rights and refuses to give connection?—A. You should put in 'under conditions'; you are rather broader in your expression than I would be inclined to reply to. We do not refuse to make connections.

Q. But you do refuse to make connections?—A. Under certain considerations we do.

Q. You have requested the Grand Trunk and the Canadian Pacific Railway to order out of their stations independent telephones?—A. Not to all of them.

Q. But you know of cases?—A. Wherever they required it.

Q. But you have ordered the Grand Trunk and the Canadian Pacific Railway and other railways to order out telephones from their stations by reason of the agreement, the exclusive agreement, that you claim you have with them?—A. We had that power, but it has been ended by Act of parliament.

Q. Which?—A. The power for us to compel the railways to put them out.

Q. But you have ordered them out of several places?—A. Not since the Act of parliament—the amendment to the Railway Act.

Q. But both Mr. Hays and Mr. McNicoll have said that in obedience to that contract they have refused to allow other independent companies in?—A. I doubt whether they have done that since the amendments to the Railway Act.

Q. At any rate you have not, since the amendment to the Railway Act, ordered them out?—A. No.

Q. So you consider that the Act of parliament practically compels the railways to give connections?—A. My interpretation of the Act would be of no value; the Act speaks for itself.

Q. But since that Act was passed you say the Bell Telephone Company has not ordered the Grand Trunk Railway, the Canadian Pacific Railway or any other railway company to order out any independent telephones that might be in their stations?—A. I do not know of any case, but no doubt if any case has arisen where we have been asked to we have done so.

Q. Well, that Act was passed nearly two years ago, and there have been grievances stated here. The Act was passed in 1903, two years ago, and a good many witnesses have stated that connections have been asked for and were refused?—A. None of them have stated, I think, that it has been so since the amendment to the Railway Act was passed. I do not like to be sure about it.

Q. Is it not so, that in cases where you have had no local lines you have ordered the railways, probably before you had a contract, you have forbidden connection with independent companies?—A. Not since the amendment to the Railway Act.

Q. But before that?—A. That I can hardly go into, because the power to do so is at an end.

Q. But in places where you have no service, you have asked the railways to order out the independent line?—(No answer.)

Mr. MONK.—I do not think he has answered that question.

By Mr. Maclean:

Q. Have you ever ordered the railway companies to put out an independent telephone?—A. We have declined—the usual course has been for the parties to apply to the railway, and the railway at times has referred to us, and as a rule the railway re-

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plies that in view of the contract they have with the Bell Telephone Company—of course this is prior to the amendment of the Railway Act—they could not allow them to be placed there.

Q. But have you ever taken the initiative and ordered the railway to put out any of these independent telephones?—A. I doubt if we ever have. On the other hand, I may say that wherever we have had no exchanges, and where we have had no instruments of our own at the stations, we have immediately complied with the request of the railways.

By Mr. Zimmerman:

Q. I think that is of some importance, because the fact that you have contracts with the railway company is one thing, and taking the active part of ordering the railways to take them out is another thing?—A. I do not think we have ever ordered them out.

By Mr. Maclean:

Q. Then you have in answer to correspondence told the railway companies that you would consider the allowance of telephones in their stations a breach of their contract with you?—A. I do not recall any such correspondence, but I think it would be perfectly proper if we had done so.

Q. We have correspondence here showing that you have done so, because the railways were ordering them out on that ground?—A. I do not think that is exactly a proper way to state it.

Q. Then you state it if it is not?—A. I think investigation would show that they applied to the railway company for permission to put in their instruments in stations; naturally they would have to do so, whereupon the railway company would ask us if we had any objection, and if we have an instrument there no doubt we would reply that we had objections.

Q. Take Locust Hill. The people asked the Canadian Pacific Railway agent to allow an independent instrument to go into that station. Mr. Shaughnessy over his own hand, said they could not go in by reason of his contract with you. And in other cases—I will have to get specific cases—witnesses have stated here that they were anxious to get into the railway stations and that the railway authorities ordered them out because you had asked them to order them out?—A. I think the way in which you put that statement, Mr. Maclean, shows that it is precisely as I said, that the initiative was on the part of the railways and not on the part of the Bell Company. You said they applied to Mr. Shaughnessy and Mr. Shaughnessy said they could not put it in.

Q. Then we had Mr. McNicoll and some other witnesses who say they ordered out the 'phone because of letters received from your company?—A. I do not know. These letters would have been acknowledged.

Mr. ZIMMERMAN.—Mr. McNicoll stated in his evidence that when application was made by independent companies he never allowed them because he did not wish to break his agreement with the Bell Telephone Company.

Mr. MONK.—That is a very different thing.

Mr. ZIMMERMAN.—He said he had a good arrangement with the Bell and he felt in honour bound to carry it out.

Mr. BERGERON.—Was that before or after the amendment to the Railway Act? Will you allow me to remind you of something that you have asked, Exhibit 4, page 46, the evidence of Mr. A. Hoover. This is what Sir Thomas Shaughnessy wrote to Mr. Hoover:—

'Very sorry that we cannot comply with your request unless it be with the consent of the Bell Telephone Company, with whom we have a contract for privileges in our stations.'

That is dated the 5th of February, 1903. That is before the Railway Act was in operation.

Mr. MACLEAN.—I know.

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Mr. ZIMMERMAN.—It does not matter. But the Railway Company acknowledges the agreement with the Bell Telephone Company and they were only carrying out their arrangements.

By Mr. Maclean:

Q. But witnesses have told us here, from New Brunswick, that they had 'phones in and were ordered out and that this was traced back to the Bell?—A. I beg your pardon. We don't operate there at all.

Q. It is an associate company?—A. Not at all. No, no.

Mr. CASGRAIN, K.C.—That has been disproved absolutely here.

By Mr. Maclean:

Q. I will undertake to give the case. I will ask you another question. Do you discriminate in your rates for telephones between equal villages, between equal towns. I am not making them exact equals. Have you different rates for towns of the same size and villages of the same size and cities of the same size?—A. We intend to make these rates as uniform as possible, but as I explained here the other day, parties request us to install an exchange in a place of 100 subscribers and we make our rates based upon 100 subscribers. In a short time the village grows to 150 or 200 subscribers. We have not the power to increase those rates, to make them concur with the rates in other places of 200 subscribers without coming to Parliament, and I need not say to you that we do not like coming to Parliament.

Q. Do you think the Bell ought to give an equality of treatment as near as possible to cities and towns of the same size?—A. We endeavour to make them as nearly equal as possible.

Q. Do you not as a matter of fact almost make it free 'phones in some towns where it is in the interest of your business?—A. We certainly do so if it is to our interest.

Q. You make a cut rate?—A. I beg your pardon—you are speaking of free telephones.

Q. You change your rates in towns. There are towns all over this country in which there is a much lower rate than in towns of a similar size in other parts of the country?—A. It is not the policy of the company.

Q. Whether or not it is the policy, it is a fact that you have these different rates?—A. I do not think our schedule of rates will confirm your statement. It is filed here.

Q. There is a discrimination in rates. There is no equality of treatment in your rates?—A. The schedule of rates is filed here.

Q. Let me put it in another way. In many places you throw the long-distance 'phone in with the annual rental?—A. We might if we thought we were going to get business.

Q. And in other places you put them in for $5 a year extra?—A. We put it in if we think we are going to get a long-distance revenue from it—we do most assuredly.

By Mr. Zimmerman:

Q. Mr. Sise gave us an instance this morning of Hamilton, where they charged $5 for the long-distance telephone, but have now made a special arrangement with the city whereby this is to be deducted from the subscriber's cost of the telephone?—A. Yes.

Q. And the long-distance instrument was put in in all cases. That was under a distinct arrangement. They got a concession from Hamilton, and that is part of the concession, the reduction in the price. In any city where they don't get a reduction they would charge $5. I presume that is your idea, is it not?—A. That is my idea.

By Mr. Maclean:

Q. In some cities there is a discrimination in some shape or another. If it is not in the rental it is in the use of the 'phone, and in some others almost free 'phones?—A. We have had no complaint from those having free 'phones.

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APPENDIX No. 1

Q. A great many people think that a great company enjoying a public franchise should give equality of treatment, the same as the railways are supposed to do.

Mr. CASGRAIN, K.C.—Are they doing it?

By Mr. Maclean:

Q. I want Mr. Sise's opinion as to the policy of his company as to whether the Bell does not discriminate as between cities and towns?—A. It is not our policy to discriminate.

Q. But, do you discriminate? I will put it this way: Have you not discriminated in that way?—A. I think what we have done has been more in favour of the press than anything else.

Q. The press will half to look after itself?—A. I may say that is the only discrimination, and that is done on the quid pro quo.

By the Chairman:

Q. Do the press get free telephones?—A. No, they don't get free 'phones. We will reduce their rates, and take out so much in advertising.

Mr. BERGERON.—It is a matter of business.

By the Chairman:

Q. Isn't it a discrimination to take out in trade with one man and make another pay in cash?

Mr. MACLEAN.—Perhaps.

The WITNESS.—The other might be a business proposition as well.

By Mr. Maclean:

Q. It might be in the interests of your company to make a discrimination between towns?—A. Yes, and in the interests of the parties?

Q. Yes?—A. Then, who complains?

Q. The town that has not that equal advantage.—A. It is not in towns, it is individual cases.

Q. Then the individuals in the town—practically, then, you consider that there is discrimination?—A. I can only state as I have stated before, that it is not our policy to discriminate in rates.

Q. No?—A. I do not know that it has ever been charged before against the company that they made any discrimination in rates. I have been not very long receiving complaints—about 25 years—and I never yet had a charge that the Bell Telephone Company discriminated in its rates.

Q. Is it a fact that some towns and villages have 'phones for $15 and $20 and $25, and others get them for $12?

Mr. BERGERON.—It may be the difference in the towns.

By Mr. Maclean:

Q. No, I am talking of equal towns?—A. You are asking me the policy of the company. I say it is not the policy of the company to discriminate, and I know of no cases where there have been discriminations.

Q. You know of no case where there has been discrimination?—A. I cannot make my reply any stronger than I have. I know of no cases of discrimination.

Q. Have you not some villages that you serve where you charge $12 or $15 and others where you charge more?—A. I do not know. I think I have gone into that very fully.

Q. That is all I want, your answer?—A. I have explained that as a village grows we cannot increase our rates.

Q. In your opinion there is no discrimination in rates. What do you call what you did in Port Arthur, in order to fight the municipal system there, what do you call

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that?—A. I do not call that discrimination. If we let every one of our subscribers have the same rate where is the discrimination?

Q. There are towns in Canada that get 'phones free or at $5 a year?—A. I trust that there are none.

Q. Isn't that discrimination? The fewer the better?—A. The fewer the better.

Q. There are a few which have been getting very low rates?—A. I do not know about that. But I do not consider it is discrimination where everybody gets the same rate.

Q. Your discrimination is as between communities. Why should not Ottawa get a $5 rate?—A. That is rather a broad question. There was a time when in Peterborough we charged nothing for our service, and your argument would be that we would have to give a free service all over Canada.

Q. There may be some people think they are entitled to it. I am satisfied with the answer—practically that there has been discrimination in some places.—A. I beg your pardon. I take the ground that there is no discrimination.

Q. As a matter of fact, you have been giving people this Bell service in Port Arthur and Fort William for a very low rate?—A. We have, yes.

Q. As low as $5 per annum?—A. I do not know; I doubt that very much.

Q. What rates, then?—A. I am quite sure we have not given it to them as low as $5.

Q. In Peterborough you gave it to them for nothing. That is very cheap.—A. I do not know that anybody in Peterborough ever objected.

Q. But towns of similar size would like the same privilege, the same rate.

Mr. BERGERON.—How would the company like?

Mr. MACLEAN.—That is for Mr. Sise to find out.

Examination adjourned.

The Committee then adjourned.

TUESDAY, May 23, 1905.

The committee met at ten o'clock, Mr. Zimmerman in the chair.

The examination of Mr. Sise was resumed.

By Mr. Maclean:

Q. We were discussing yesterday the question of discrimination and I have taken some of the charges which the Bell Company make in order to show discrimination and I wish to ask you about it. The town of Meaford has a population of 1,960, and the rates are $20 to $25. Dunnville has a population of 2,100, less than 200 difference, and the rates for 'phones there are from $15 to $25. Whitby has 2,100 population and the 'phones there are also $15 to $25. In one case that of Meaford the rate begins at $20 and in the others at $15. What is the reason for the difference?—A. Meaford $20?

Q. Yes.—A. And the population, what?

Q. 1,960.—A. And the number of subscribers?

Q. I do not know the number of subscribers.—A. Well, I am very sorry that I have not that statement with me, Mr. Maclean, because the value of the exchange depends more upon the number of subscribers than upon the population. I will look into that and have it ready for you. You see the difficulty, Mr. Maclean? It is the number of subscribers rather than the population that fixes the rate.

Q. Then as the number of subscribers increase the rates increase?—A. I fully explained that yesterday although you may not recall it. The rate at Meaford——

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APPENDIX No. 1

By the Chairman:

Q. Pardon me, Dunnville has 39 subscribers and Meaford 73.—A. Let me have that sheet a moment. Meaford has 73 subscribers and Dunnville has 39. Well I think that of itself, the fact that Dunnville has but one-half the number of subscribers that Meaford has, shows that it is only worth one-half as much.

Q. But you charge $5 additional?—A. Well that accounts for the discrepancy. I think we ought to raise Meaford under those conditions and let it pay $30.

Q. Then the tendency is the greater the service in a town the higher the rate?—A. Well, it is more valuable and costs us——

Q. It is more valuable, I admit that. Then take another class of towns beginning with East Toronto with 1,564 population?—A. East Toronto?

Q. Yes, with 1,564 population.—A. Does not East Toronto form part of Toronto?

The CHAIRMAN.—East Toronto is evidently not on this list.

Mr. MACLEAN.—It is on the exhibit containing a statement of the rates. However, I will begin at the other end. I will take Hamilton and Ottawa, two cities of about the same size, and I find your rate for business 'phones in Hamilton is $45 and in Ottawa it is $45, but your rate for residences in Hamilton is $30 and in Ottawa it is $20 to $25. Why that discrimination between residences in these two cities of about equal size and population?—A. They were both under contract?

Q. Yes.—A. They are both under contract, exclusive contract and I should assume that was all we could get out of them, if that is a sample. There is no doubt it ought to be $30 in Ottawa.

Q. Ottawa ought to be $30, but it does not happen to be, but in Hamilton it is $30.—A. I suppose it was the best we could get.

Q. Then there is discrimination? In the best you could get there is discrimination as a matter of fact?—A. Well, there may have been other conditions, Mr. Maclean, in the contract. We pay a very large amount of money to Hamilton in cash.

Q. Yes?—A. More, I think, than we do in Toronto.

Q. Well could you tell us as to that?—A. I assume there were conditions which warranted that change. Hamilton was well aware of the Ottawa contract when it was made. Hamilton had before it the Ottawa contract because it was made previous to the Hamilton contract. Both cities were well aware of what contracts were being made.

The CHAIRMAN.—What is the difference in the amount?—

Mr. MACLEAN.—In both cities the charge for business 'phones is the same, $45, but in Hamilton the rate for residences is $30 and in Ottawa it is $20 to $25.

The CHAIRMAN.—Well, we will have to have that changed, it will never do. I find that Ottawa has 2,999 'phones, and in Hamilton there are 2,020, so that Ottawa has more 'phones.

The WITNESS.—One-third more.

By Mr. Maclean:

Q. Well, we will take Berlin and St. Catharines. One has 9,900 population and the other has 9,700. A business telephone in St. Catharines costs from $25 to $40, and in Berlin the rate is $25 to $30, why that discrimination?—A. Probably from the same reason. There are contracts in both places and at St. Catharines I believe there are a very much larger number of telephones than in Berlin.

Mr. MACLEAN.—Well, let us see the number of telephones in Berlin.

The CHAIRMAN.—In St. Catharines the number is 648 and Berlin 309.

The WITNESS.—That is sufficiently plain, I think.

By Mr. Maclean:

Q. Well then Berlin pays less, it gets off with $25 for residences?—A. It has not one-half the service.

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By the Chairman :

Q. That does not apply between Hamilton and Ottawa then ?—A. You will understand, Mr. Maclean, that the key to the whole question of rates is rather the number of instruments than the population.

By Mr. Maclean :

Q. In other words, the general principle is, the greater the service the greater the number of telephones linked up together——.—A. The more it costs us and the more it is worth to them.

Q. Was not one reason why Ottawa got better terms because some kind of competition was threatened?—A. I do not know of any *bona fide* competition or opposition. There never was any that I know of.

Q. Was there not an offer made ? There was talk, and wherever there is talk of competition the tendency is to reduce the rates or it has in some cases. For instance, Port Arthur has reduced the rates.—A. Are the rates reduced there ?

Q. I think so, I think from $7 to $5 up there, from the evidence we have had.—A. I doubt it, I have been there myself.

Q. What is the rate in Port Arthur ?—A. I am not prepared to say, but I do not think it is $5.

Q. All right, we will leave it at that. It is evident then, from the figures that I have read, that there is a difference between the charges.—A. Oh, yes.

Q. In similar towns, but there would be a reason as to that difference in charges?—A. Yes.

Q. But there is a difference ?—A. Yes, there is a difference, but I may say that in all cases in fixing a scale of rates, whether by me or by anybody else, it would necessarily be based upon the number of telephones rather than upon the population.

Q. Then, Mr. Sise, you told us yesterday that your company was chartered to give a telephone service to subscribers. That is in your charter, to give a telephone service ?—A. No, it is not to give it.

Q. Well what ?—A. To furnish it under rental.

Q. Well to supply a service ?—A. Yes, to supply a service.

Q. To supply a service. And at one time you did not have to supply that to everybody who asked for it, but only to those to whom you made up your mind to give it ?—A. I do not think we ever refused to give it.

Q. Well but it was not compulsory ?—A. No.

Q. But it has been made compulsory since ?—A. It has, yes, by an amendment to the charter.

Q. By an amendment you are compelled now to give a service, but you were not in the first instance compelled to do that ? Then by your charter to-day you are authorized to make connections with other companies ?—A. I assume that we are. We always have been.

Q. You always have been authorized ? Would it not be a great hardship if you were compelled to give a service to other companies ?—A. It all depends upon the conditions. It would certainly be a great hardship if we had to give a service to a competitor.

Q. If you had to give service to a competitor you would consider that a hardship ?—A. May I give you a case in point?

Q. Yes.—A. We will assume that you and other gentlemen build a line from here to Montreal.

Q. Yes ?—A. And we were compelled to give you connection.

Q. Yes?—A. You compel us to bring that line into your exchange here and our exchange at Montreal, make use of a million of our capital at these two places, and then after getting that line built in opposition to us to do the work for you with our money, you with your greater popularity go around to your friends and you want them to call up and use the Maclean line to Montreal instead of ours. You having no capital

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in it or anything else, could do the service at one-half the cost that we do, but I do not consider that would be fair or just.

Q. Then I will put it to you in another way. Are you by the law compelled now to give a public service at your pay stations to whomsoever asks for it and is willing to pay your charges?—A. We are not compelled to have any pay station at all.

Q. I know, but if you have a pay station are you compelled to give the public service there?—A. I do not understand it that way.

Mr. MONK objects to witness being asked a question upon matters of law.

By Mr. Maclean:

Q. Do you do business at your pay stations?—A. We do business with the public at our pay stations.

Q. And if I came in there, if say I was the owner of this Maclean line that you were speaking about?—A. Yes.

Q. And I went to one of your pay stations and asked you to give me connection with Montreal you would do so if I paid your rate?—A. We would, doubtless.

Q. You are giving a service at your pay stations?—A. Yes.

Q. What is the difference between my coming to your door and asking you to transmit a message to Montreal and coming in to your office by wire and there giving the business? Would it not be one and the same thing?—A. We do a great deal of that where they do not compete with us.

Q. Where they do not compete with you?—A. Where they do not compete.

Q. But by reason of competition you say you decline public business?—A. We do.

Q. If you think it is an injury to your business?—A. It has never occurred yet. I say we would do so.

Q. Then the public are not to get the best possible service under the Bell system?—A. I beg your pardon. I take issue with that. We give a better service than anybody else.

Q. Quite possibly but you do not get this service according to your admission?—A. There are no long distance lines in Canada. There are no long distance lines to compare with ours in any way.

Q. I am not disputing that at all?—A. But you say they give a better service.

Q. I say the public would get a better service?—A. How could they, if they do not get a good line?

Q. I mean they would get a better service if they could use all your lines under all conditions?—A. There is no case of a competing company paralleling our line.

Q. I am not speaking of a company competing against your's?—A. I beg your pardon.

Q. But I am speaking of the right of the public to go into your office to do business and have it transmitted? You say that you are willing to receive business at your pay stations and transmit it? But if they came in to you over the wire and paid you the same rate would you consider that?—A. Not when it is a direct competing line.

Q. Supposing it is the city of Ottawa and the company came in from the back country and came in on their wire, would you grant connections ?—A. Most assuredly, if their lines are built absolutely according to our specifications.

Q. But do you not as a matter of fact condition these connections, requiring all these local companies to keep themselves in their own territory or in territory that you delimit ?—A. Not necessarily. It has been done in some cases by agreement.

Q. It has been done by agreement ? In other words a condition of independent companies having connection with your line has been that they confine themselves to a defined territory ?—A. Not invariably.

Q. But in cases ?—A. I am not sure that there have been cases of that kind.

Q. Cases where these independent lines could have connection on certain conditions.—A. No, I beg your pardon, that is not the only way.

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Q. Well, in the case of some of these lines ?—A. There are cases where the parties themselves were quite agreeable to it.

Q. We have had evidence that such companies were not willing to make connections, the conditions were so onerous ?—A. I am speaking of those who have made connections not those who would like to have them.

Q. Well, then you do give a public service at your pay stations as a matter of fact but you exercise your right to connect or not to connect with public companies that may offer themselves ?—A. Mr. Maclean, in order that there shall be no misunderstanding, I may say I think that you are not referring to the stations where the conditions are made. When you speak of a pay station where you say a man merely goes in, you had better refer to the exchanges because there could be no connection at a pay station. We never carry the wire into pay stations.

Q. I know you do not.—A. You are using the wrong term.

Q. We misunderstand one another, but what I say is this——A. We are at cross purposes.

Q. But you do a public business at your pay offices ?—A. At our public offices, yes.

Q. Whether it is on your switchboard or whether it is——A. We cannot carry any wires into these little pay stations.

Q. But a company could come to your central office and connect with you there ? —A. Well, perhaps you had better say central offices instead of pay stations, then there would be no misunderstanding.

Q. I know, but I want you to admit the fact, as you have admitted that you do a public business at pay stations.—A. We do a public business at pay stations but you are asking me another thing why we do not carry these lines into pay stations. It is an impracticable thing.

Q. I am asking if you do a public business at your pay stations. I do not see why you should not do a public business at your pay stations or at your switchboard or at any place else, if the usual rates are paid?—A. We do it but we do not allow competing companies to come in for that purpose.

Q. But if that competing company goes into your office and offers some business for the same if written on paper you would take it ?—A. Well, we would allow them to use the telephone if they wished to.

Q. So that the public has the use of your system for any kind of business at the regular rate provided they come in and ask for the use of the phone ? But it is conditional when a company comes in and asks to have the use of your system, although they are willing to pay for it by a wire connection ?—A. Mr. Maclean, you must remember that when a man comes in in that way without having an arrangement with us, without our having any control over his lines, over his apparatus, a man can build a line 15 miles out from Ottawa as he pleases and bring it into the office and he will hold our lines from here to Quebec, it is impossible to speak to him, it is impossible to hear him—we have no control over the line—it is his line—the man at Quebec after endeavouring in vain for 15 minutes to keep up the conversation throws down his telephone and curses the Bell Telephone Company, and refuses to pay anything.

Q. Yes ?—A. Furthermore, no company would be authorized in giving a competitor, an outside competitor, the control of its lines any more than the railway company would allow the locomotives of a competing line to run one foot over its own tracks. The Central Vermont, for instance, which is in connection with the Grand Trunk Company, will run their locomotives to St. Johns, but the Grand Trunk cannot go a foot beyond St. Johns over the Central Vermont track.

Q. Yes, we understand that.—A. The railway controls, absolutely controls everything on its own lines because it has to be responsible for it. That is a similar case.

Q. That is reasoning by analogy, but it is not quite pertinent analogy.

Mr. CASGRAIN.—Have you finished your answer, Mr. Sise?

The WITNESS.—Yes.

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APPENDIX No. 1

By Mr. Maclean:

Q. Well now let us take the case in Canada. As a matter of fact you do give connections to a great many lines, some forty odd lines, I think it is?—A. Under restrictions.

Q. Under restrictions?—A. As to their construction.

Q. As to their construction?—A. As to their safety appliances.

Q. But if they were standardized the service could be perfect? If you were satisfied as to that there is no reason why a satisfactory service should not be given?—A. A satisfactory service could be given if the line and equipment of the other company was standardized, certainly.

Q. And is the company giving these connections?—A. Well could you give me any reason why we should place our million and a half of capital between here and Montreal at the disposal of a company that has only $500.

Q. I am putting the question to you, and I only want the facts?—A. There are no facts in connection with it.

Q. But you do give a service to some companies?—A. Not all companies.

Q. But you do interchange business with some companies?—A. With 40 companies.

Q. 30 or 40?—A. 30 or 40.

Q. But you do not give a service to competing companies?—A. No.

Q. And when people bring business to you or become subscribers do you guarantee your system shall be so perfect, there shall be transmission of that business and that the receiver at the other end shall hear?—A. We do not guarantee it.

Q. You have not an agreement like that. The railway companies have a conditional agreement?—A. I do not think it is like that.

Q. Well what are your conditions?—A. I could not recall the conditions.

Q. No, but it is in your contract? As a matter of fact you do not contract to deliver the business, in fact you guard yourselves specifically against performance of the work you undertake to do?—A. Have you seen a contract in that form?

Q. I have seen it roughly.—A. For long-distance business?

Q. Any business?—A. I beg your pardon, we are talking about another matter altogether. We are speaking about long-distance connections.

Q. No, we are not.—A. I beg your pardon, you spoke about pay stations.

Q. I am talking about your contracts with subscribers.—A. That has nothing to do with long-distance business.

Q. Have you that contract with your subscribers?—A. I have not it. It is in the evidence.

The CHAIRMAN.—What class of contract have you reference to?

Mr, MACLEAN.—I am asking Mr. Sise, if, as a matter of fact, he undertakes to deliver business to his subscribers, whether it is long-distance or short-distance. Do you guarantee that your wires will transmit and your transmitters will transmit and your receivers will receive?—A. I am waiting to see the agreement.

The CHAIRMAN.—It is at page 480. (Exhibit No. 103.)

Mr. MONK.—If the agreement is filed what is the use of asking the witness as to how he interprets it?

Mr. MACLEAN.—Well it has a bearing on the question.

WITNESS.—May I read the form to you, Mr. Maclean?

Q. Well perhaps you can shorten it.—A. It is at page 480.

Q. Well what I want in your contract is this——A. I beg your pardon, let me read it. (Witness reads).

CURRENT LEASE FORM BELL TELEPHONE COMPANY OF CANADA, LIMITED, EXCHANGE LINE CONTRACT.

The subscriber requests the company to put telephone instruments and equipment as noted on back hereof in his (insert 'business' or 'residence') premises (insert street, name and number) street and to furnish him local service therefrom

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at exchange for which service he agrees to pay to the said company the sum of dollars per annum payable half yearly in advance for the period of year from date of connection and thereafter until this agreement is cancelled by the subscriber or the company giving written notice ten days in advance of the termination of any such period of his or its intention to do so.

EXTRAS—

The terms and conditions stated on the back hereof and the companies reasonable rules and regulations are made a part of this contract.

This request becomes a contract when the instruments are connected. Its terms cannot be varied or waived by representations or promises of any employee unless the same be in writing and signed by the manager of the department.

Q. Turn to page 481 containing the terms and conditions and read 4 and 7? What is 4 ?—A. 'The subscriber assumes all risk for errors and delays in the transmission and delivery of messages over his telephones and lines.'

Q. And what is 7 ?—A. 'The company does not guarantee the uninterrupted working of the telephones and lines, but undertakes to make repairs with all reasonable despatch.'

Q. So as a matter of fact then the subscriber is the man who takes all the risk of errors and the company does not guarantee uninterrupted working at all ?—A. I did not say that we did.

Q. No you did not. So if there is bad transmission by reason of another line you do not suffer ?—A. Well if a man has got 500 miles of our line and 15 miles of his own and they talk in vain for 15 or 20 minutes, then we do suffer.

Q. But if you are able to show that your own line is working ? It is easily proved between the two that your service is working satisfactorily ? You could show that the other man's service was not satisfactory ?—A. But who are we going to get our pay from ?

Q. You do not have any trouble in getting your money from these other companies ?—A. I beg your pardon. When a man does not get connection we do not charge him anything.

Q. But you have made arrangements with some lines for the transmission of business ?—A. Yes.

Q. And what I want to show is you make arrangements with other lines provided they comply.—A. I am speaking of what we do.

Q. I know, and what you do is you do not guarantee to transmit business of any kind ?—A. No.

Q. Whether it is on lines of your own or lines of somebody else, or inferior lines ? —A. I am not referring to the transmission of messages. I am referring to an inefficient service, taking the time of our line, giving an inefficient service for 10 or 20 minutes and nobody pays for it. Nobody would pay for it.

Q. You would be perfectly justified, Mr. Sise, in refusing that business in my estimation, but in the case of standard lines which will transmit well you will not give connections ?—A. Why should we ?

Q. Because you say they are competing lines ?—A. And why should we ?

Q. That has been given in evidence.—A. I do not know of any standard lines.

Q. We have had witnesses who have said that their lines are first-class ?—A. They have said so. That is only one side.

Q. The reason why they have not connections, according to their evidence is not because their lines were not standardized, but because they would not accept the territory as limited by you ?—A. I was not here when that evidence was given.

Q. Well that evidence was given and there are lots of persons to prove it all over the country.—A. I have not seen any such evidence.

Q. Well, as a matter of fact while you say you are most careful about your lines, as to whom you give connection, you have effectually protected yourselves in para-

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graphs 4 and 7 of the terms and conditions, as to whether the lines will transmit or not.—A. Well, Mr. Maclean, I think we are speaking at cross-purposes. Paragraphs 4 and 7 refer to our telephoning the message, but who compensates us if lightning burns down an exchange as has happened?

Q. I know.—A. Who will compensate us for that?

Q. We are going to pass a law that will compensate you, perhaps.—A. Perhaps, but we are not working on perhaps.

Q. We will help you out of that difficulty? We will get you full protection in that respect. Mr. Sise, your tolls are subject to approval and revision?—A. Yes, by Act of parliament.

Q. It is through the Governor in Council, is it not?—A. It is, and I am pleased to have you refer to it, because in the years that have elapsed since that law was passed there has not been one application to the Governor in Council to have the rates reduced. I think many would like to see them raised.

Q. Perhaps so, it all depends on the service?—A. Our shareholders would.

Q. Perhaps they would put up the rates if they got a better service?—A. There has been no complaint.

Q. Well, there have been discriminations. However, we will pass on from that. Now in regard to the agreements with the railways, you stated here yesterday that you thought it was now against the law to refuse access to railway stations. Is that your opinion?—A. I have no opinion on the subject, that has all been settled by the Railway Commission.

Mr. MONK objects to the line of examination.

Mr. MACLEAN.—The witness told us yesterday it was against the law to refuse access to railway stations. I will ask him if that is not so?

The WITNESS.—I beg your pardon. I stated it was now against the law, but not against the law when the agreements were made.

Q. It is now against the law, you say. That is the most important admission that has been made?—A. There is no admission about it, it is the law.

Q. The company makes the admission that it is against the law. Then I will ask you this: Why did you go before the Railway Commission and demand extraordinary compensation for what was breaking the law?—A. Well, I do not know that anything could be more simple than stating the fact that the agreement was a legal one when it was made.

Q. Yes?—A. And that breaking, voiding an agreement that was called legal when it was made, in the opinion of legal men entitled us to compensation.

Q. You still claim compensation, or you claim compensation in bringing out the effects of the law?—A. I don't understand what you are getting at.

Mr. AYLESWORTH.—Parliament took away our advantages.

Mr. MACLEAN.—Parliament has taken away your advantages?

Mr. CASGRAIN.—Will you allow me to make one observation? This question is now *sub judice*, it is before the Railway Commission, and I think it is hardly fair that Mr. Sise, the President of the Bell Telephone Company should be called upon now to explain the position, or to be questioned upon what the company contends and to probably injure his case.

By Mr. Maclean:

Q. Well then, Mr. Sise, I will ask you this question: Are you making any more contracts similar to those you made with the railway?—A. Well, I think that is hardly a proper question to ask me, when I have told you that I consider them illegal.

Q. Well, have you ceased making those contracts?—A. I think that is not a proper question to ask.

Q. I ask you if you have ceased making those contracts? All right you can have that as the answer to my question, if you like?—A. Having told you that in my opinion they were illegal, I do not think it is a proper thing to ask me if I was continuing to do this illegal thing.

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Q. All right.—A. It is all right not to do it.

Q. Now, with regard to this company in Manitoba?—A. What company do you refer to?

Q. The North American Telegraph Company. Does the Bell Company own that charter?—A. The Bell Company own the stock of that company.

Q. Well, the stock? The Bell Company owns the North American Telegraph Company?—A. Practically, yes.

Q. And under that charter it is proposed to enlarge the capital stock and move the office to Winnipeg?—A. I am not prepared to speak about what they intend to do. There has not been a meeting of the board for a long while, and I am not prepared to speak about that.

Q. Has that question been up at a meeting of the board?—A. Not since they decided to defer going there, as I explained to you the other day.

Q. They must have had the question up if they decided to defer going there?—A. One would assume that is the case.

Q. But is it the case? You do not have to assume, either it was or it was not.

The CHAIRMAN.—Mr. Sise gave a clear statement of the facts the other day.

The WITNESS.—I explained that matter fully the other day.

The CHAIRMAN.—You were not here then, Mr. Maclean.

By Mr. Maclean:

Q. Can he not tell me when?—A. It is on record there, what I told you about it. It is on the file here.

Q. Is it the intention to go to Winnipeg?—A. I am not prepared to say whether they are going to Winnipeg or not. I am not prepared to state anything in connection with the North American Telegraph Company. You have asked it once and had your answer.

Q. Well then, Mr. Sise, how many companies in Canada, are you connected with, telephone companies?—A. Do you mean personally?

Q. Yes.—A. As a shareholder?

Q. In any way? As an office holder to begin with?—A. I should say four or five, but I could not recall them at the moment.

Q. At least four or five. Does that include the Wire and Cable Company?—A. That is not a telephone company.

Q. I know.—A. But you asked me about telephone companies.

Q. Well, companies interested in the telephone business or furnishing supplies for telephone companies?—A. They do not supply the telephone business. Their business is, I think, with railways more than with telephone companies.

Mr. MONK objects to the examination on the ground that it does not lead to the object of the inquiry.

The CHAIRMAN.—Up to the present the widest scope has been given to the committee to ask any questions they choose. While many questions have been of a very irrelevant character, I feel that we should allow Mr. Maclean to question the witness as fully as he thinks proper. While I do not agree with him altogether, I feel that I would not be doing my duty if I did not allow that privilege.

By Mr. Maclean:

Q. It has been alleged that small companies are compelled to buy their supplies from the Bell Company, or companies associated with the Bell?—A. I do not know of any company or the representative of any company who has stated here that he had bought instruments or apparatus from the Bell Telephone Company or any companies with which I was connected, under compulsion. I am a director of the Westinghouse Company. You might just as well ask if they are compelled to go there to get their power.

Q. Do you do any business under contract or otherwise with the Northern Supply Company?—A. The Wire and Cable Company, as to which you have asked me, have

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no relations with the Bell Telephone Company beyond the fact that there are shareholders in that company who also belong to the Bell. No man has been compelled to buy from them. A majority of the stock is held in Montreal, and their operations are confined more to street railways than they are to telephones. Our people buy their supplies wherever they please.

Q. I admit that. But you are connected with several of these companies ?—A. I am, I have stated so.

Q. And you are connected with, or you have relations with, the American Telegraph and Telephone Company in the States ?—A. None whatever, except as an individual shareholder.

Q. As an individual shareholder, and their directors are directors of your company ?—A. They are directors of our company.

Q. And they are directors also of similar companies associated with them ?—A. I do not know anything about that.

Q. You do not know that Mr. Fisher is associated with similar companies ?—A. I do not know anything about that, I am not prepared to speak of his relations.

Q. Well, I know it, and it does not need a contract to compel purchase but a little hint to the purchasing agent sends most of the business, as a matter of fact, to the associated companies. Is not that so?—A. That is a theory of your own, which is not conformable to the facts in our case.

The CHAIRMAN.—That is not fair, that is an implication.

By Mr. Maclean :

Q. I know, but this business is all going in that way?—A. I hope so.

The CHAIRMAN.—Mr. Sise swore the other day that when they had the largest purchase of iron wire to make it was purchased from an independent company outside of the interested companies.

The WITNESS.—Yes.

Q. Just one more question. Your capitalization is put down here in the return made a year ago as about $8,000,000?—A. Capital?

Q. Yes ?—A. The capital issued is not quite $8,000,000, but a fraction over.

Q. It has been worked out there. And your average capital is $139 per telephone? —A. Well that is including real estate and long distance lines.

By Mr. Chrysler:

Q. Have you seen that statement which Mr. McFarlane has handed to me? It is a correction of the one I presented the other day?—A. We have just received this from Montreal; I assume it to be correct.

Mr. CHRYSLER.—I put in, Mr. Chairman, a statement showing the capital invested. It is a corrected statement corrected from the one which I tendered the other day. It completes the statement which is in exhibit No. 143, and shows the amount invested per station. It will be exhibit No. 154.

Exhibit No. 154.

STATEMENT SHOWING AMOUNT INVESTED IN BUSINESS.

BELL TELEPHONE COMPANY OF CANADA, December 31, 1904.

Fixed assets.

	Amount invested.	Percentage of total investment.
Plant (about $100 per station on about 70,000 stations)	$7,037,291 27	66 65/100
Patents	70,288 17	00 67/100
Long distance lines (not including anything in exchange districts)	2,166,176 46	20 51/100
Real estate	1,284,930 89	12 17/100
Total invested in company's plant	$10,558,686 79	100%

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Fixed liabilities.

Stock account		$7,916,960 00	
Bonds		2,000,000 00	
		$9,916,960 00	
Surplus			$ 641,726 79

Active assets.

Stock in other companies	$ 927,056 50	
Bills receivable including agency outstandings	398,026 83	
Supplies on hand	389,789 71	
Cash	575,952 52	
	$2,290,825 56	

Floating liabilities.

Bills payable	$320,253 80		
Bond interest due	25,000 00		
Unearned rental reserve	397,087 86		
		$ 742,341 66	
Surplus			$1,548,483 90
Total, surplus			$2,190,210 69

Distributed as follows :—

Contingent fund	$1,845,410 24	
Insurance reserve	200,000 00	
Accident reserve	100,000 00	
Balance revenue carried forward	44,800 45	
		$2,190,210 69

MAY 23, 1905.

By Mr. Aylesworth :

Q. Just one question with the permission of the committee, Mr. Sise. A letter was read here, I understand, from the Hon. Mr. Oliver with reference to the conditions at Edmonton. I would just like to ask you one question in that connection. Did your company endeavour to buy out the local line at Edmonton ?—A. We went there on the invitation of the owner of that exchange to see whether we would purchase it or not.

Q. Yes ?—A. And after we arrived there the unfortunate man had a stroke of paralysis and was very anxious to get rid of the line. We were on very friendly terms with him and we were about to buy it out when he explained to us very frankly that the municipality of Edmonton was contemplating erecting a plant of their own and that the mayor wished to know in case they did so, whether we would connect with their line, from Edmonton to Calgary. I then went to see the mayor and he told me very frankly that he thought the city ought to own the line and we ought to own the exchange. We had no exchange there and I told him just as frankly that I was not endeavouring to get into trouble with Edmonton and that if he was going to buy out this person we would not compete for it, that we did not want to have it, to have a contest with the city, and he asked me again whether we would let them connect and we had another interview, prior to which I wrote him a letter or rather wrote a letter to be read to him. I have a copy of that letter here, with an affidavit from the local manager who had it that this was the letter which was read to the mayor of Edmonton and if the Chairman will allow me I will read the letter. (Reads) :—

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APPENDIX No. 1

Exhibit No. 155.

OTTAWA, May 6, 1905.

DEAR SIR,—In reply to your inquiry of April 20, I beg to say that the city of Edmonton recently purchased the telephone system which is transacting the business of the city and is proceeding to put in a first-class plant. The purchase includes a line 25 miles long to Fort Saskatchewan, and another 20 miles long to Leduc, on the Calgary and Edmonton Railway. It also includes connections with lines built and owned jointly by the government and the people extending 25 miles to Stony Plain, 25 miles to Rivière Qui Barre, and 35 miles to Legal. The system has some 400 telephones, I believe, and three exchanges; one at Edmonton, one at St. Albert village and one in Strathcona.

The Bell Company have a long-distance copper wire strung from Cardston near the International boundary by way of Lethbridge, Macleod and all the towns along the Calgary and Edmonton railway to Edmonton, 350 miles. They do not connect with the city system. The city system has connection with the railroad stations in Strathcona and Edmonton. There are telephone systems installed in a large number of towns between Edmonton and Cardston. In some cases the town owns the system, in some it is owned by a local company, and in others by the Bell Company.

There is a strong objection on the part of most of the people to permitting the Bell Company to control the local system. It was the danger of the local system being bought out by the Bell Company that caused the city of Edmonton to purchase the system itself at a cost of $14,000.

If you desire further information on the subject I would be glad to name parties who would be eligible as witnesses, and whose knowledge would be more definite than my own.

Yours very truly,

FRANK OLIVER.

HON. SIR WILLIAM MULOCK,
Chairman Telephone Committee,
Ottawa.

I do not know what Mr. Oliver's letter implied, but I certainly think that there could not have been a formal proposal.

By Mr. Aylesworth :

Q. There is just possibly one thing that there may be misapprehension unless I ask you the direct question. Is it the fact that the town was forced to buy out Mr. Taylor to prevent your doing so ?—A. Not at all. We assured the town that if they desired to buy it out we would not compete with them.

The CHAIRMAN.—That is the point in Mr. Oliver's letter that the town of Edmonton were forced to buy the system out.

By Mr. Aylesworth :

Q. That was a misapprehension ?—A. I think it is. That is shown by my letter to the mayor of September, 1904.

By the Chairman :

Q. I suppose you would have no objection to the two being filed together ?—A. I will file the letter.

Exhibit No. 155a.

EDMONTON AGENCY, May 13th, 1905.

L. B. MCFARLANE, Esq.,
General Manager B. T. Co.,
Montreal.

DEAR SIR,—I inclose herewith a true copy of a letter written to me by President Sise under date of Sept. 14, 1904.

MR. C. F. SISE.

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After this letter was written you will remember I accompanied yourself and the president to the mayor's office and found him in when the contents were fully explained to the mayor.

I also at a later date read the contents of this letter to the mayor and council.

Yours truly,

D. W. MACDONALD,
Local Manager.

Exhibit No. 155B.

EDMONTON, September, 14th, 1904.

D. W. MACDONALD, Esq.,
Local Manager, Edmonton.

DEAR SIR,—I regret that I was unable to see the mayor this morning as I desired to discuss with him the matter of the proposed municipal ownership of the local telephone plant and to assure him of our good-will and our desire to render the town every assistance towards making the experiment a success.

As you are aware, the Bell Telephone Company did not propose to install a system in opposition to either the town or Mr. Taylor, but the public desires direct connection with our long-distance lines, which, with Mr. Taylor's present equipment, is not practicable, and at the same time—because of his ill-health—Mr. Taylor does not wish to place more capital in the business.

Mr. Taylor realizes our position and agrees with us that to reconstruct his system so that a person could be heard over our long distance lines would cost at least $50 per subscriber. Should I be unable to see the mayor to-day (I leave for Calgary to-morrow) will you be good enough to assure him that, while as I explained to him yesterday, we cannot, while in its present condition, connect Mr. Taylor's system with our long distance lines, we trust the town, if it acquires Mr. Taylor's plant, will at once standardize it and put it in such a condition that the town and the Bell Telephone Company can arrive at a mutually satisfactory agreement whereby the town's subscribers can have as direct connection with our long-distance lines as they would if one company operated both systems.

Should the town desire the services or advice of our engineering department regarding the most desirable lay-out of the system we will be pleased to place those services at its disposal.

In short, we have no desire to enter into competition with the city for local business, but will be pleased to consider an equitable proposition for connection with our long distance lines as soon as the local plant is placed in such a condition as will render such an arrangement practicable.

Yours,

C. F. SISE,
President.

D. W. Macdonald.

By Mr. Lewis:

Q. There is one matter that I have not quite understood. You stated the other day that you had 460 exchanges or somewhere in that neighbourhood.—A. Yes.

Q. And you said, I think, that there were forty companies with which you exchanged. What do you mean by that?—A. Those exchanges are our local exchanges, like the exchange here at Ottawa. The forty companies are independent companies outside which connect with our exchanges.

Q. Then the 460 were your own exchanges?—A. Our own offices, and where you see the number of agencies those are toll offices.

Q. Is there any difference between the cost of wire now and the cost of wire when you first started business?—A. When we first started business, iron wire was worth about—it is a good many years ago—about 3 or 4 cents a pound. To-day instead of using 150 pounds of wire at the higher price that it is to-day, four cents a pound, we

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use 300 pounds of copper wire at about 17 or 18 cents a pound, that is a metallic circuit.

Q. Has the price of instruments increased or decreased since you first started ?—A. The expenditure.

Q. Has the expenditure upon instruments increased or decreased since you first started ?—A. Increased.

Q. How much ?—A. I do not think that you refer to the subscriber's instruments. That is not a very important thing, but I can give you the expenditure upon the switchboard.

Q. It is the subscriber's instruments that I am referring to. I want to know this in connection with the farmers putting in a local telephone. Has the price increased or decreased ?—A. Old instruments that were in use, that is instruments of a type of twenty years ago have not increased in cost, but the long-distance instrument is a much more expensive instrument than the old type.

Q. Well, has it decreased the cost of the instrument that is used for local exchange ?—A. A little for local, for small exchanges, yes. But not for long-distance.

Q. Then it would be cheaper now to put in a local line than it would be when you first started in business ?—A. Not to any very great extent. The subscribers instrument is but a small item. The switchboard is the very important item.

Q. Where you have switchboards ?—A. Well, there are some exchanges, where there is no switchboard.

Q. How many companies are you president of from which you buy material for your lines ?—A. Two, I think.

Q. And how many are you director of ?—A. Two. I beg your pardon, I do not know anything about other companies. As I stated just now, I am a director in the Westinghouse Company and I am quite sure that we have bought motors, motor generators, and other apparatus from the Westinghouse Company, and they are in other companies as well. We buy wherever we can buy cheaply. We do not always buy from the Wire and Cable Company.

Q. But the question was, how many companies are you president of or director of ?—A. Telephone companies ?

Q. Any companies with which you may be dealing ?—A. Well, I could not tell whether all the companies with which I am connected sell telephone apparatus or not. They do not sell it by our direction. Our purchasing agents buy wherever they can buy the cheapest.

Q. That may be, but I simply wanted to know how many companies you were director of or president of, that have any dealings with telephone supplies ?—A. I could not tell, except the two companies I mentioned whether the telephone company buys of them or not.

Q. Give me a list of the companies you are a director of ?—A. I could not at the moment.

Q. I would like to have that.—A. Do you mean telephone companies ?

Q. No, companies with which it is possible you may deal.—A. Well we deal with a steamship company for freight in which I might be a director. That is rather a broad question. I will give you any information you wish, but it depends how far you want to go.

Q. I would like to find in what companies the Bell Telephone Company or yourself are interested in or that you are a director of. That is the purport of the question ?—A. I do not quite understand that you want a list of all the companies in which I personally am interested or am a director. That is another matter which I do not suppose the board cares anything about, but if you wish a list of the companies with which or with whom the Bell Telephone Company deal, I can give you that.

Mr. JOHNSTON.—That list has already been put in.

Mr. LEWIS.—That information ?

Mr. JOHNSTON.—Yes, it is on page 481.

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Mr. LEWIS.—Not covering the Bell Company.

Mr. JOHNSTON.—It does cover the Bell Company.

By Mr. Lewis:

Q. He has mentioned a number of companies with which the Bell Company deal, but not all. The question is, Mr. Sise, what companies the Bell Telephone Company are interested in, or you are interested in as president?—A. Whether they have anything to do with the telephone business or not?

Q. Yes?—A. Well, I hardly know if that comes within the scope of the inquiry. I want to give the information if I know just what you want.

Q. Mr. Sise knows just what I want?—A. I am the president of the Northern Electric Company, and I am president of the Wire and Cable Company. Those are all the companies with which the Bell Telephone Company has anything to do. As I say, I am a director of the Westinghouse Company, but it has no more to do with the Bell Telephone Company than if I did not have any connection with it.

Q. There are other telephone companies, are there not?—A. You are speaking of companies furnishing supplies?

Q. No, no?—A. Or do you mean all the telephone companies? I will give you that.

Q. Companies of which Mr. Sise is president?—A. I have given you those that I am president of. I am a director in the New Brunswick Telephone Company, in the Nova Scotia Telephone Company, the Federal Telephone Company, the North American Telephone Company, the Northern Electric and Manufacturing Company, and the Wire and Cable Company. I think that answers the question.

By Mr. Maclean:

Q. Just one question. Mr. Sise, with your experience in the telephone business, I want to ask you about this: Take an average farmers' telephone service in the province of Ontario connected up with your line, and giving a local service paying the usual fee, what do you think your company should give such a service for?—A. Well, that is too much of a problem without looking into the conditions.

Q. Hold on, now. This committee has been largely concerned in trying to ascertain what a farmers' telephone service could be had for, and to extend the service and to convey the information?—A. Well, Mr. Maclean, do you not think that the map you have there is a case in point very similar to what you refer.

Q. I will put the question in this way: Supposing in an ordinary township the people came to you and said 'we would like to have a farmers' service in this township,' an ordinary average service, and are willing to have a bridging telephone with double wire?—A. What is a bridging telephone?

Q. That is what they have been calling it?—A. You mean the question of bridges such as we had up yesterday, the Victoria bridge?

Q. A bridging telephone, I think they call it?—A. A bridging Bell you mean?

Q. You know very well what I mean, Mr. Sise, an ordinary farmers' telephone, double wire, and they call it a bridging service?—A. It is a bridging Bell.

Q. Well, a bridging Bell?—A. Yes.

Q. Well, what could that service be had for in an ordinary township, how much a year?—A. Well, here, as I say, is a case in point. (Pointing to the map.)

By the Chairman:

Q. You mean a fruit growers' service in the Niagara peninsula?—A. My impression is that it is possibly in the Niagara peninsula.

By Mr. Maclean:

Q. In the Grimsby district?—A. That is a case in point.

Q. How much a year?—A. My impression is that these people pay $15 a year. I am not sure that I am right, Mr. Maclean. We own the line and instruments, and they have unlimited connection with each other, and for $20 a year they also have connec-

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tion with St. Catharines, and that means that they get on the St. Catharines exchange. They pay a lower rate than the St. Catharines people themselves do, if I am correct, and I think I am.

Q. For something in the neighbourhood of $20 the Bell Company could give a farmers' service?—A. I assume so. If I am correct in saying we do it.

Q. Well, that is an answer?—A. That is the best evidence.

By Mr. Bergeron:

Q. Mr. Sise, I do not know whether this has been asked of you, or whether you have answered it. Since the enactment of the Railway Act of 1903, do you know of any other corporation or any other telephone company having made application to the Railway Commission, as they are entitled to do by that Act, to force your company to come to any agreement or any understanding with them?—A. We have never received any notice of any such application, and I do not know of any.

Q. If there had been, you would have heard of it?—A. I assume we would have been notified by the commission.

The CHAIRMAN.—I might say, the Union of Municipalities are to be heard this afternoon at four o'clock, but the city of Toronto wishes to be heard on a special case, and I suppose that we might examine Mayor Urquhart now.

Mr. BERGERON.—I did not know that Mayor Urquhart was called in as a witness. I thought it was the municipalities who are to be heard this afternoon.

Mr. H. H. DEWART, K.C.—The mayor asked me to come and represent the city to-day. The matter he desired to deal with as a witness is rather on the same line as has been given before. There are certain legal questions to be argued this afternoon. He proposed to touch on the general features of the case so far as the situation in Toronto is concerned.

Mr. MACLEAN.—I move that the mayor of Toronto be examined, and that Mr. Dewart, counsel for the mayor, be examiner.

Mr. THOMAS URQUHART sworn:

Would you permit me to make a personal explanation. On Friday night we received a telegram to be here on Monday at 10 o'clock. When it was received we had made all arrangements for the regular meeting of the city council on Monday, and it was absolutely impossible for us to be here yesterday. I wish to apologize for not being here yesterday, and it was only the exigencies of the case that prevented our being here. Mr. Fullerton, our counsel, is unable to be here because he is preparing a case for court.

By Mr. Dewart, K.C.:

Q. Mr. Urquhart, you are mayor of the city of Toronto?—A. Yes.

Q. And have been mayor for how many years?—A. This is my third year.

Q. And before you acted as mayor of Toronto, had you any special knowledge or acquaintance with the telephone business?—A. I was for three years one of the aldermen representing one of the wards, and I was for two years chairman of the Special Telephone Committee.

Q. So that you had in that way special knowledge of the relations of the city of Toronto to the telephone business and telephone services?—A. I have some knowledge.

Q. Was there at any time any agreement between the city of Toronto and the Bell Telephone Company?—A. An agreement was made on September 17, 1891, between the Bell Company and the city of Toronto for a term of five years. Under that agreement they agreed to give service to business houses at $45 per year and to dwelling houses at $25 per year. That agreement expired in September, 1896. I have a certified copy of the agreement, or rather a copy of the agreement, which I would like to put in.

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Exhibit No. 156.

AGREEMENT BETWEEN THE CITY OF TORONTO AND THE BELL TELEPHONE COMPANY, RESPECTING TELEPHONE BUSINESS IN TORONTO.

THIS INDENTURE made the 17th day of September, A.D. 1891, between

THE BELL TELEPHONE COMPANY OF CANADA, hereinafter called the 'Company' of the First Part, and

THE CORPORATION OF THE CITY OF TORONTO, hereinafter called the 'City' of the Second Part.

1. Whereas the said Company through its president made certain proposals to the City, which appear on the printed appendix to the minutes of the meeting of the City Council, held on the 20th day of July, 1891, relative to the exclusive right of doing telephone work in the City of Toronto for the period of five years.

2. And whereas the said proposals were considered by the Council of the said City, and by Report No. 17 of the Committee on Works (which was adopted by the Council on the 20th day of July, 1891), the said proposals were adopted, and the City Solicitors (with the City Engineer) were instructed to prepare a formal contract to carry out the same.

3. And whereas this agreement has been accordingly prepared and approved by the City Solicitor and the City Engineer, in pursuance of the said instructions.

4. NOW, THEREFORE, THIS AGREEMENT WITNESSETH that in consideration of the propositions and agreements made by the said company, as hereinafter set forth, the said City, so far as it legally may do so, covenants with the Company that it will not during the period of five years from the execution hereof give to any person, firm or company any license or permission to use any of the streets or lanes of the City for the purposes of placing in, upon or under such streets or lanes any poles, ducts or wires for the purpose of carrying on any telephone business.

5. And the said Company agrees with the said City that it will quarterly, and every quarter during the term covered by this agreement, on the first days of December March, June and September in each year, pay to the said City, through its City Treasurer, a percentage of its gross receipts for telephone service within the City limits or any extensions thereof, but not to include the receipts for business transacted between the City of Toronto and offices outside the City or any services in the City not connected with the Company's exchange offices there. Such percentage to be at the rate of five per cent of such gross receipts and that it will permit its books evidencing the above to be examined and audited quarterly by the City Auditors or other persons appointed by the City Council.

6. The said Company further agrees that from and after the first day of September, 1891, and during the period of this agreement the rate to be charged for leases of telephones for dwelling houses within the present City limits, or any extensions thereof, extending for one year or more, shall be twenty-five dollars per annum; and for similar leases of telephones for business houses within such City limits, forty-five dollars per annum, and that such rate shall apply to telephones now in use as well as to those thereafter leased, during the period of this contract. For those telephones now in use a *pro rata* rebate for the unexpired term shall be made by an extension of the term to lessees who may have paid rent in advance, and for those thereafter leased the rates charged shall, for the period of this contract, only be those hereinbefore provided for.

7. The Company agrees that it will, with the approval of the City Engineer, forthwith proceed with the work of placing its wires underground within that portion of the City specified in By-law No. 2767, passed on the 23rd December, 1890, viz.: that portion of the City of Toronto lying between the following limits: the Esplanade on the south, Spadina avenue on the west; one block north of Queen street on the north,

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APPENDIX No. 1

and George street on the east, all inclusive, and will continue such work so that the provisions of that By-law may be complied with in advance of the time therein limited; and will, with the like approval, place its wires underground as rapidly as possible, consistent with good work and business methods, within the remaining portions of the City between Bloor street on the north; the Bay on the south; one street east of Sherbourne street on the east, and one street west of Spadina avenue on the west, with the exception of lines on small back streets required for distribution purposes.

8. The said Company further agrees that it will not allow any other persons or companies to use its poles without the consent of the City Engineer and the approval of the Council, except in cases where the company has already existing contracts covering such joint use of poles.

9. The Company further agrees that it will furnish the City with one duct in its conduits now or hereafter to be constructed in any of the streets, lanes or other parts of the City, to be used for the City fire alarm wires, and make no charge therefor, and will also give the City room (free of cost) on any of its poles, when required, to any reasonable extent, for its fire alarm system.

10. The Company further agrees to rent to any telegraph company or companies applying for the same a duct or ducts on the street through which the conduits extend, if the said Council should so desire, and if there be a spare duct or ducts available therefor.

11. Should the City hereafter decide to build its own subways, the Company will make use of them on streets where the Company has none, if within the area hereinbefore mentioned, under a rental to be agreed upon, or to be settled by arbitration as herein provided.

12. All the work hereinbefore agreed to be performed, such as pole lines, subways, conduits, &c., hereinbefore agreed to be placed, constructed and maintained by the said company, shall be so placed, constructed and maintained to the satisfaction of the City Engineer, and the cost of inspecting such work and repairing deficiencies is to be borne by the Company.

13. The City Engineer may at his option do all or any of the work of excavation and re-filling required by the Company in its operations, charging the cost of the same as well as of repairs to pavements or other repair works required by reason of such operations, to the Company, provided that the same is done by the City Engineer without unreasonable delay, the Company agreeing to pay for such work monthly on the account being furnished by the said Engineer.

14. The Company also agrees, if desired by the council, to provide a summer telephone service on the Island, and to connect the same with the City service, such service to continue during the whole summer, commencing not later than the twenty-fourth of May and continuing at least up to the first day of October in each year.

15. The Company hereby agrees that it will provide an efficient telephone service, and will forthwith use modern appliances, including metallic circuits, and will have all these to the satisfaction of the City Engineer.

16. In the case of its being necessary to obtain legislative sanction to any of the provisions of these presents, the City undertakes to apply to the proper legislature, at the session thereof next after the same becomes necessary, for ratification of this contract, and the Company agrees to assist the City in obtaining the same.

17. The following are the streets which are to be cleared by the Company of telephone poles in accordance with paragraph 7 of this agreement: King Street, from the Don to Bathurst Street; Adelaide Street, from Bathurst Street to Jarvis Street; Richmond Street, from Peter Street to Jarvis Street; Farley Avenue, from Bathurst Street to Spadina Avenue; Spadina Avenue, from the Bay to Bloor Street; Simcoe Street from the Bay; Beverley Street, from Queen to College Street; St. George Street, from College Street to Bloor Street; Queen Street, from Bathurst Street to the Don; Yonge Street, from Bloor Street to the Bay; Church Street from Bloor Street to the Bay;

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Jarvis Street, from Bloor Street to the Bay; Sherbourne Street, from Bloor Street to the Bay; Berkeley Street, from Carlton Street southward, College Street, from Bathurst Street eastwards; College Avenue; Carlton Street, from Yonge Street to the Don; Bloor Street, from Bathurst Street to Sherbourne Street.

18. If an electric system is adopted for the Toronto Street Railway, the said Company shall have no claim against the City or the lessees of the said railway for damages on account of interference with the working of telephones by reason of induction.

19. This contract shall continue for the period of five years from the date hereof and no longer.

20. Should any difference arise as to the interpretation of this contract, or as to the mode of carrying it out, or as to the rights or position of the parties thereunder, such difference shall be decided by arbitration, as follows: One arbitrator shall be nominated by the City, another by the Company, and a third by the two so nominated. In case one party nominates an arbitrator and gives notice thereof in writing to the other, and in case such other does not within one month after the giving of such notice nominate an arbitrator, the party who gave such notice may, upon notice to the other party, apply to a judge of the High Court of Justice for Ontario to nominate an arbitrator for the party in default, and such judge is hereby empowered to do so. In case the two arbitrators do not within ten days after their nomination nominate a third, either party may, upon notice to the other, apply to a judge as aforesaid to nominate such third arbitrator, and such judge is hereby empowered to do so. In case any arbitrator after being nominated dies or refuses or becomes unable to act, the party or arbitrators who nominated him shall nominate an arbitrator in his stead within one month after such death, refusal or inability, and in default thereof either party may, on notice to the other, apply to a judge as aforesaid to nominate an arbitrator in his stead, and such judge is hereby empowered to do so. In case an arbitrator nominated by such judge dies or refuses or becomes unable to act, either party may, on notice to the other, apply to a Judge as aforesaid to nominate an arbitrator in his stead, and such Judge is hereby empowered to do so. The award of the three arbitrators, or any two of them, shall be final and binding. Such award shall be made in writing, and published to the parties within one month after the third arbitrator has been nominated, but the arbitrators, or a majority of them, or a judge as aforesaid, may, after notice to the parties enlarge in writing the time for making such award, and for the further and better enforcing of such award the submission herein contained may be made a rule of the High Court of Justice for Ontario. The costs and expenses, including witness fees, incidental to any arbitration under the terms hereof, shall be in the discretion of the arbitrators or a majority of them, and they may direct by whom and to whom the same shall be paid.

In witness whereof the parties hereto have caused their corporate seals to be hereunto affixed, and these presents to be signed by the proper officers in that behalf.

THE BELL TELEPHONE CO. OF CANADA, by

C. F. SISE,
President. [L.S.]

CHAS. P. SCLATER,
Secretary-Treasurer.

J. J. Potter, witness to execution by Bell Telephone Co. of Canada.

E F. CLARKE,
Mayor. [L.S.]

JOHN PATTERSON,
Assistant Treasurer.

Approved.

C. R. W. BIGGAR, *City Solicitor.*

W. T. JENNINGS, *City Engineer.*

Mr. THOMAS URQUHART.

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APPENDIX No. 1

By Mr. Bergeron:

Q. It was for five years ?—A. Yes.

By Mr. Dewart, K.C.:

Q. Do you know what has been the minimum rate before the date of that agreement ?—A. I cannot say.

Q. I understand it was $50 and $30 ?—A. I cannot speak from personal knowledge.

Q. Perhaps the engineer can speak more particularly as to that. Was that agreement renewed ?—A. It was not renewed.

By the Chairman:

Q. It was not renewed ?—A. I was not in council at the time, but I have been advised that the Bell Company refused to renew it.

Q. Do you speak of your own absolute knowledge ?—A. No.

Q. Have you, since you became mayor, tried to have it renewed ?—A. Not that same agreement, no.

Q. Have you tried any ?—A. I am coming to that.

By Mr. Dewart, K.C.:

Q. I was going to read to you the negotiations which took place afterwards, that agreement not having been renewed.—A. Under that agreement the city received 5 per cent of the gross receipts of the company in Toronto.

By th Chairman:

Q. Under the agreement as filed ?—A. Yes.

By Mr. Dewart:

Q. What was the condition of affairs between the city and the telephone committee at the time when the agreement ceased to have effect in 1896, Mr. Mayor ?—A. There was considerable friction between the city and the company from that time continuously perhaps down to the present time, you might say.

Q. And what would you say as to the rates charged after the expiry of the contract in 1896 ? Have you any information on that point ?—A. They charged the same rates, I think, for some little time, but some time after that they came to subscribers and told the subscribers that the instruments which were being used by them were practically worn out, and they wished to put in better instruments, long-distance instruments, and charged $5 a year more for them, increased the rate for business to $50 and for dwelling houses to $30. A great many subscribers have changed from the old to the new instrument at the higher rate.

Q. So that the effect has been that instead of the old rate, by reason of a slight improvement, $5 extra is charged to each one.

Mr. AYLESWORTH.—If counsel is going to repeat the answer of the witness when he is his own witness, he ought to repeat it accurately.

Mr DEWART.—I asked if that was the effect.

Mr. AYLESWORTH.—He is inserting words which the witness did not use.

By Mr. Dewart:

Q. What is the effect then of the abrogation of the agreement between the city and the telephone company so far as the rates are concerned in the city ?—A. So far as those who get the new instruments are concerned, it has been increased by $5.

By Mr. Bergeron:

Q. What about the others ?—A. They are still paying $45 and $25.

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Q. It is increased only because they were consenting to it?—A. Consenting to it.

The CHAIRMAN.—I think it would be well if the witness gave us a detailed story.

By Mr. Dewart:

Q. Allow me first to ask whether the mayor is aware that there was an application made by the Bell Telephone Company to increase its rates?—A. I understand there was.

Q. And whether at that time you obtained any data as to the prices that were being charged?

The CHAIRMAN.—What year was this?

By Mr. Johnston:

Q. Has the witness any definite information to give the committee on that?—A. That was in 1901, the application, I understand, was made.

Q. As a matter of fact, you don't know?—A. I was not present. I was a member of the council.

Q. You are not in a position to tell us it was made?—A. I was not present. I suppose the records would show it. I made inquiry at that time regarding the rates charged in Toronto to various persons, and I found that much larger rates than the regular rates were being charged to some persons.

By Mr. Dewart:

Q. You said you made inquiry and found that much larger rates than the ordinary rates were being charged in certain instances?—A Yes.

By Mr. Bergeron:

Q. When did you make that inquiry?—A. In 1900 or 1901—latter part of 1900 or early part of 1901.

Q. You made that inquiry in what capacity?—A. I was chairman of the telephone committee. I received letters from various persons showing the amount that had been asked them or they had been paying.

By Mr. Dewart:

Q. I suppose that the committee are aware that an application was made to parliament for an Act which would allow an increase in the rates of the Bell Telephone Company? A certain Act was passed in 1902, when, as I understand, in view of the representation of certain municipalities, including Toronto, certain limitations were made that will be found in the statute of 1902. It was in that connection that these statements were obtained by the telephone committee of the city council. You gave them a statement?—A. The first was by E. R. Hooper, 630 Bathurst St. He was asked $70 for a telephone, and it was near the very heart of the city.

By Mr. Aylesworth:

Q. Near the heart of the city?—A. The centre of Toronto is somewhat west of Spadina Avenue, and Bathurst is not far west of Spadina.

Q. It must be two miles from the Bay?—A. It is not a mile from the Bay. It is between College and Bloor, near Harbord St. The centre of the city is a little west of Spadina, and this is near Harbord and Bathurst Sts. And John Logan, 35 Langley Ave., was asked $65 and the expense of putting up the wires. He had been a brickmaker for years on Greenwood Ave. and they asked $150 for a 'phone on Greenwood Ave.

Q. Within the city limits?—A. Within the city limits, I am advised.

By Mr. Bergeron:

Q. Do you know this personally?—A. These persons either saw me or wrote letters complaining.

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Q. I think we had better have these people here?—A. These are instances that I know of myself personally. The other instance——

By Mr. Dewart:

Q. I admit that the information may be startling. That is no reason why credit should not be given to it.—A. The other items I have on this list I did not get by personal knowledge, but I assume it can go to the committee, because they were procured by our solicitor. But I can not speak of the others in this list from personal knowledge.

By the Chairman:

Q. I do not think we can take any evidence but what you can swear to of your own knowledge.—A. There were others, but I cannot remember the names.

Mr. DEWART.—If the committee preferred we will leave the list with the committee so that you can summon any witnesses you may desire.

Mr. BERGERON.—If the mayor would say that he had some information from so and so, and lead us to where he wants to bring the committee to, this information would amount to something. That is the point.

Mr. DEWART.—We are trying to show what the local conditions were at that time.

Mr. MACLEAN.—The statement could go in.

Mr. DEWART.—The statement has been carefully compiled.

Mr. MACLEAN.—We have received all kinds of letters, and put them on our minutes, and there is no reason why this should not be brought out, that the Mayor has information which states certain things. Let us have the information.

The CHAIRMAN.—Is it the desire of the committee that this information should go on the record?

Mr. BERGERON.—I want him only to speak of cases he knows personally.

The CHAIRMAN.—We are wasting a great deal of time. I think that the only evidence that should go in is the evidence that this gentleman knows from his own personal observation, and that is all that I think we can accept.

Mr. JOHNSTON.—Certainly.

The WITNESS.—I am satisfied myself that these cases are all carefully prepared from the list before the Telephone Committee of Toronto.

The CHAIRMAN.—We will file the document.

By Mr. Maclean:

Q. You have all sorts of complaints. Now, a man comes and makes this complaint and makes a statement that our citizens are charged so and so?—A. Were asked so and so.

Mr. DEWART.—I may say that we would not have submitted this document only that it was carefully prepared, although it was not verified.

Mr. JOHNSTON.—No statement has been accepted until it has been verified under oath, but statements have been forwarded and received from persons who do not appear.

The WITNESS.—This statement was compiled by the solicitor's department.

By Mr. Bergeron:

Q. Now, it could go in. This was compiled by the solicitor's department?—A. This was compiled by the solicitor's department from the evidence gathered by the Telephone Committee.

Exhibit No. 157.

COMMUNICATIONS RECEIVED *RE* BELL TELEPHONE COMPANY RATES AND MUNICIPAL TELEPHONES IN 1900-01.

From George B. Shaw, 578 Bathurst street, October 22nd, 1900, $55 asked by company.

Mr. THOMAS URQUHART.

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From Charles Lindsay, Registry office, W.D., October 5th, 1900 complains about delay in installation.

From S. S. Young, 50 Metcalfe street, August 28th, 1900, $35 asked by company.

From Charles Phillips, 604 Spadina avenue, November 6th, 1900, $35 asked by company.

From George E. Manson, 335 Pape avenue, November 26th, $85 asked by company.

From J. E. Hansford, 18 King street west, October 9th, 1900, $55 asked for a private 'phone in a boarding-house.

From John Logan, 35 Langley avenue, October 6th, 1900, $65 and expenses of wires, &c.

From John Logan, Greenwoods avenue, October 6th, 1900, $150 asked by company.

From Dr. E. R. Hooper, 630 Bathurst street, September 20th, 1900, $70 asked by company.

From Jones Bros., Bracondale, December 17th, 1900, $95 asked by company.

From M. Mayer, 408 Spadina avenue, November 20th, 1900, *re* municipal telephones.

By Mr. Dewart:

Q. Will you detail then what took place at that time?—A. The telephone committee at that time—some members of it—were very strongly of the opinion that it would be in the interest of the municipality to put in a telephone system of their own, a telephone exchange of their own, and we very strongly recommended it and a report of the committee was passed by the council by which it was provided that in the event of our receiving a certain number of subscribers for the municipal telephone system that this system should be installed. The number of subscribers named in the report was not received. We did not canvass for subscribers at all. The number named was received, therefore the municipality did not act upon that report. But in connection with the work of the committee I personally looked into the legal question, the Act or Acts governing the Bell Company, their Act of incorporation and the Act passed by the Ontario Legislature in connection with the same matter, and I personally came to the conclusion that the Provincial Act governed and that the Provincial Act did not give them the right of control over the streets as was given by the Dominion Act. The Act was considered by one or two counsel whose opinion I asked, and they agreed with the opinion I had formed myself, and the corporation counsel also gave an opinion and the mayor agreeing an action was brought against the Bell Company to have it declared that they had no rights on the streets.

Q. Without the consent of the municipalities?—A. Yes.

By Mr. Monk:

Q. What became of that action?—A. Mr. Justice Street decided in favour of the municipality. An appeal was taken by the Bell Company to the Court of Appeal for Ontario and the majority of the judges disagreed with the judgment of Mr. Justice Street and gave judgment in favour of the company, Mr. Justice Maclennan dissenting. The city appealed to the Privy Council in Great Britain and they upheld the judgment of the Court of Appeal for Ontario, holding that the Dominion legislation governed in the matter and that the Ontario legislation was not effective to control the city's streets.

By Mr. Bergeron :

Q. What did you do then ?—A. That was only last October or November when that judgment was given, and since then we have been to some extent negotiating with an independent company for an independent service.

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By Mr. Dewart :

Q. As one of the results of that judgment, you are here to-day ?—A. One of the results.

Q. One result is to urge upon the committee such redress as these municipalities are entitled to. During 1903 and 1904 were there any conversations or negotiations with the Bell Company, or any effort on their behalf, looking to the renewal of their agreement ?—A. I had a conversation personally with Mr. Dunstan, local manager in Toronto, in which verbally, not in writing, he made an offer that if we gave an exclusive franchise in Toronto for a term of years and permitted them to increase their rates to $50 and $30, they would pay the city $20,000 a year.

By Mr. Bergeron :

Q. $50 and $30 is what is paid to-day by those who have long distance instruments ?—A. Yes ; giving them the right to make their prices $50 and $30 to subscribers, and they would pay the city $20,000 a year. I think that was in 1903. That offer was reiterated before the Board of Control, the chief executive committee of the city council, during the summer of 1904. This offer was rejected. I cannot give the reasons for rejection. My own personal reason is that I was advised that there were some 4,000 or 4,500 telephone subscribers who were paying $45 or $25, and their charges would be increased $5, and we would be just appointing the company a tax gatherer for the city of Toronto for the amount the telephone company would hand over to the city of Toronto.

By Mr. Maclean :

Q. There was nothing in it ?—A. Except that certain subscribers would pay $5 more than they were paying and the city would receive $20,000.

Q. It came out of the subscribers ?—A. It was just a tax on the subscribers. I did not think that was justice to the subscribers.

By Mr. Dewart:

Q. It is taking nothing out of the company on the basis of their existing charges ?—A. I do not think it was.

Q. Nothing further has taken place with reference to the telephone business so far a the city is concerned ?—A. We received, during 1904, two offers to put in an independent service in Toronto. These were made to the city. One is dated January 20th, by the Canadian Telephone and Telegraph Company, of which I have the original here, in which they offer to furnish business telephones at a rental of $36 and residence 'phones at a rental of $24 per annum, and they agreed to give the city of Toronto fifty free telephones and to pay for the competitive franchise the same amount that the Bell Company had been paying for its exclusive franchise, and to put in the conduits, and so on.

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Exhibit No. 158.

CHARLES ROBINSON, President.
ROBERT BICKERDIKE, First Vice-President.
F. J. STEGMAIER, Second Vice-President.
J. R. MEARS, Treasurer.
FRANK J. LEONARD, General Manager.
JOHN T. C. THOMPSON, Secretary.

THE CANADIAN TELEPHONE AND TELEGRAPH COMPANY.

OTTAWA, CANADA, January 20th, 1904.

Mr. LITTLEJOHN,
City Clerk,
City of Toronto, Ontario.

DEAR SIR,—Having recently obtained a telephone and telegraph charter from the Dominion of Canada, and it being our intention to construct local and long distance telephone lines throughout the entire Dominion, we are desirous of doing a telephone business in your city, and with that end in view make the following proposition:—
We will furnish—

Business telephones at a rental per annum of..... $36 00
Residence " " " " 24 00

We further agree to furnish the city of Toronto with fifty (50) free telephones, to be installed at places hereafter named by city engineer.

We will pay to the city of Toronto for competitive franchise the same fee that the Bell Telephone Company have been paying for exclusive privileges.

We will build a conduit system through the principal streets of Toronto, as may be required by city ordinance, or, in case the city should build its own conduit system, we agree to lease ducts in said system sufficient for our business at such rental as may hereinafter be decided upon by the city and our company.

Trusting your council will give this proposition their favourable consideration, we remain,

Respectfully,
THE CANADIAN TELEPHONE AND TELEGRAPH COMPANY,
FRANK J. LEONARD,
General Manager.

By Mr. Bergeron:

Q. Is that a Canadian company?—A. A company incorporated by the Dominion parliament.

Q. When was that offer made?—A. January 20, 1904.

Q. What happened it—where is that company operating now?—A. I cannot say.

By Mr. Dewart:

Q. It was incorporated and they made a *bona fide* tender here in Ottawa and after they had made a tender the Bell came $5 lower and secured the franchise here.

By Mr. Bergeron:

Q. They are not operating anywhere yet?—A. Not to my knowledge. Then, the Stark Telephone, Light and Power System made an offer.

Q. What answer did you give to that company?—A. We considered both offers and finally agreed to prepare telephone specifications and advertised for tenders. To go back to the first Stark offer on February 12, 1904, we received an offer from the Stark Telephone, Light and Power System, which provided—(the terms of the offer are somewhat peculiar). They offered to install the system and charge citizens the rate of $6 a year and one cent for each outgoing call and not to exceed $15 for private houses, and business houses on the same basis, not to exceed $35.

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APPENDIX No. 1

Exhibit No. 159.

The Stark T. L. & P. System, Limited,
Successors to
The Union Power & Light Company, Ltd.,
Electric Plant, Toronto Junction, Ont.

Hon. John Dryden, President.
A. M. Stark, Managing Director.
W. N. Dollar, Secretary.

TEMPORARY OFFICES, QUEBEC BANK CHAMBERS.
TORONTO, CANADA, February 12, 1904.

To His Worship
The Mayor of Toronto,
Toronto, Ontario.

DEAR SIR,—The Stark T.L.P. System, Limited, (Telephone, Light and Power), a company incorporated under the laws of the province of Ontario who have just purchased the property and plant of the Humber Power and Light Company, Limited, and who are now engaged in reconstructing it to supply light, power and telephone at Toronto Junction, desire to arrange with the city of Toronto for the privilege of establishing a telephone, light and power service within the city limits and to obtain the right to lay down conduits, wires and cables and where necessary to erect poles and string wires under and upon the streets, squares and other public places of the city of Toronto.

Provided the necessary rights be given to them the company make the following offer :—

The company to proceed to install their system, and as the system is installed and connections made to give to the citizens telephone service at the price of six dollars per year and one cent per out-going call for telephones installed in private houses with a limit of fifteen dollars per annum, that is when the amount of calls taken by the subscriber together with the six dollars originally paid shall together amount to fifteen dollars in any one year no further charge for the year to be made.

The rate for business telephones to be six dollars per annum and one cent per call with a limit of thirty-five dollars per year, that is when the amount paid by any such subscriber for calls together with the six dollars originally paid shall together amount to thirty-five dollars in any one year no further charge to be made for service during that year.

The above mentioned rates for telephone to be applicable until the company shall have ten thousand subscribers within the area hereinafter defined, and when this company shall have ten thousand subscribers within the said area the limits hereinbefore mentioned shall be increased to twenty dollars in the case of private houses and forty dollars for business telephones.

The company to supply current for electric lighting from mains at the rate of ten cents per thousand watts per hour with twenty per cent off all accounts for current for lighting when paid by the 15th of each month.

The company to supply current for power to constant users wherever a motor is installed at the maximum rate of four cents per thousand watts per hour.

All mains for the supply of telephone, light and power laid down by the company upon the streets or other public places of the city within the limits bounded by Bathurst street, Bloor street, the River Don and the Esplanade to be placed under ground.

The company will supply to the city from its mains wherever constructed a fire alarm system properly connected free of charge to the city.

The company also to give the city the free use of its wires and wiring for a police patrol system and when such system shall be connected with the mains of the company to keep the said mains in efficient working condition for the purpose of such service, the municipal corporation to supply its own police patrol boxes and to make connection with the wires of the company for such purpose.

The company proposes that the terms of this offer shall be applicable to all service supplied by the company within a radius of fifteen miles from the city hall in

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the city of Toronto no extra charge beyond those hereinbefore set out to be made for such service within that limit.

The system constructed by the company will consist of the most modern apparatus including the long-distance type of telephone instrument.

Contracts have already been secured within the city of Toronto for the supply of upwards of four thousand subscribers, and the company will proceed at once to install its system and make connections with these if the necessary rights are granted by the corporation.

The representatives of the company will be pleased to wait upon the council, board of control or yourself, for the purpose of discussing the matter at any convenient date you may appoint.

We are,
Yours very truly,

ALEX. STARK,
Managing Director.
W. N. DOLLAR,
Secretary.

Q. Where is that company operating ?—A. They are operating, or just beginning to operate an exchange in Toronto Junction, just outside the limits of Toronto.

Q. It was not operating before they made that offer ?—A. Not operating at that time but they have now or are about to have an exchange operating in Toronto Junction, a separate municipality of 7,000 or 8,000 people.

Q. Are they operating on these lines ?—A. I do not know the terms of the Junction contract.

Q. Are they operating on these lines and charging so much per year and so much per call ?—A. Toronto Junction is the only place I know where they are doing business, and I do not know the terms they have made there.

By Mr. Johnston :

Q. They are doing business now ?—A. I understand they are doing business.

By the Chairman :

Q. Do you know the terms ?—A. I do not know them of my own knowledge.

By Mr. Dewart :

Q. What was done so far as the city is concerned ?—A. After we received these two offers the city prepared a specification for the installation and operation of a telephone business or service, and advertised for tenders in August, 1904. The time was up, some time, I think, in October—September or October. I put in a copy of the specification. (Exhibit No. 160.) We received in reply thereto one tender.

By Mr. Bergeron :

Q. That offer was made to whom ?—A. To any company that might wish to come in.

By the Chairman :

Q. These advertisements were sent all over the country ?—A. Yes, and every person who wanted a copy of the specification could get it.

By Mr. Bergeron :

Q. The advertisement was sent all over Canada and the United States?—A. I believe it was.

Q. Did you have a report from your engineer upon the Stark Company ?—A. We have a report.

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APPENDIX No. 1

Q. What is that report?—A. I have the report here, which I would be glad to file. (Exhibit No. 161.) He reported that these companies—it is a somewhat lengthy document.

Q. Was it a favourable report or not?—A. The Stark Company wished to furnish light and power as well over the same wires. The engineer reported : 'The Stark system of furnishing a telephone service, light and power over the same wire, is a matter that I am not able to report upon, and if the board desire a report upon this phase of the subject, it will be necessary for me to consult an electrician.'

I do not think the engineer deals specially——

Mr. DEWART.—It is rather an analysis of the different offers.

By Mr. Bergeron :

Q. You could not do much upon the report of the engineer, as you have it in your hand. A. I prepared about the same time a report personally.

Q. As far as the engineer is concerned, your committee would not have recommended any of the contracts mentioned in his report?—A. No, one reason why we did not accept any of them was we did not have the rights of the municipality over the streets and the control of the business sufficiently protected. We also wanted a provision in any contract we might make giving us the right to purchase the Exchange at any time that we might desire to do so upon arbitration, and also to include a special clause regarding the amalgamation of the company with any other company. In fact, in our specifications you will find a clause dealing with this matter and providing that in the event of amalgamation or doing anything contrary to the terms of the agreement, their property would be forfeited to the city.

Q. In the event of amalgamation with the Bell?—A. Or any other company.

By Mr. Dewart :

Q. You provide for the municipalization of the agreement?—A. Also the right to purchase.

Q. As a matter of fact, at the time that these negotiations were going on, had the Privy Council settled the question as between the Bell and the city with reference to the rights over the streets?—A. Not when these——

Q. Not when these negotiations were going on?—A. I think they were settled about November. This offer is dated November 30, so that it was settled about that time—when the final offer was received from the Stark Company.

Q. Is there anything else that you wish to say with reference to the negotiations between the city and the others relating to an independent franchise?—A. Except that in reply to these advertisements we received a new tender from the Stark Company, which I think was dated 30th November. (Exhibit No. 162.)

By Mr. Maclean:

Q. What is the substance of their offer as to prices?—A. Practically the same as the original offer, I think.

By Mr. Dewart:

Q. Some slight modifications?—A. $36 for business and $18 for residence telephones. It also provided for a toll system which they had provided for in their first offer.

By Mr. Bergeron:

Q. They had the two conditions, so much a year or——.A. They did not have the tender in that way, but the subscriber would have the option of choosing.

By Mr. Dewart:

Q. $18 and $36 were the maximum figures?—A. Yes.

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By Mr. Bergeron:

Q. What did you do with them ?—A. It has not been finally disposed of by the council. I think probably that we were looking to the Dominion parliament to do something towards taking over the long-distance telephones. It would make matters very much easier for the local municipalities to deal not only as a municipality with the question, but to deal with the company in regard to a local telephone exchange, if the Dominion government would take over the long-distance line.

Q. Things were at a standstill ?—A. Yes.

Q. Do you know the Railway Act of 1903?—A. Yes.

Q. Do you know the clause of that Act which says that municipalities can always go before the Railway Commission when they have any difficulties with any telephone company ?—A. Yes, I am aware of that.

Q. Did you take advantage of that clause ?—A. No, because we were negotiating with independent companies throughout all this time practically and also considering the question of a municipal exchange, which we thought would give us better rates than we could ever get from the Dominion government or the Governor in Council.

By Mr. Dewart:

Q. Then, having spoken with reference to the position of the city and the efforts made to obtain independent franchises, you thought it better not to go on and deal with them ?—A. No, I did think so myself, and I advised the Board of Control that pending action by the Dominion government, I did not think it wise myself either to put in a municipal system or to advise making a contract with another company.

Q. You spoke of the proceedings instituted in 1901 against the Bell Company with reference to the erection of poles on the streets and placing conduits underground, the judgment of Mr. Justice Street and the appeal to the Court of Appeal and the subsequent decision of the Privy Council. What led to that action on the part of the city ; what were the conditions that gave rise to those proceedings ?—A. The Bell Company had contended before that time that they had the right to enter upon our streets without our consent, and when I was appointed chairman of the telephone committee I looked into the matter and came to the conclusion that they had not the right. There was considerable friction between the company and the city. We were refusing, I presume, the right to put up poles upon the streets and ordering other wires to be put underground, I presume, that is correct. Any way, there was friction and we brought the action to determine our rights.

Q. The city engineer can speak more in detail as to the particular circumstances that led to that action ?—A. I cannot say as to that.

Q. Is there anything else that you desire to speak of ?—A. I prepared myself in the early part of 1904 a report for the Board of Control which was presented to the board at that time. It was somewhat historical as to the situation in Toronto and gave my own opinion regarding the matter. This was prepared some time prior to the judgment of the Privy Council. It would be, I think, about April.

By Mr. Maclean:

Q. Will you put that in ?—A. I will be glad to put it in.

Q. You say it is your opinion as to the telephone situation generally ?—A. I first point out the litigation and give some history of the Bell Company's movements, and something regarding the number of companies in the province and in the city. Then I quote some rates in other cities across the line, also in European countries. Then I deal with the question of the wisdom of competition and the necessity of providing against the watering of stock and too much capitalization. Then I conclude in these words:—

'From my examination of the matter, I have come to the conclusion that a new exchange could be established in the city of Toronto providing for 10,000 subscribers,

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upon the same plan as the Bell Company is at present installing their central office, and a telephone service could be given to the subscribers at a rate of $30 for business 'phones and $20 for house 'phones, and pay a reasonable profit to the company, providing, of course, that there was no over-capitalization or expensive management; and if an automatic system could be installed, I believe these prices could be cut about $5 per annum.'

Exhibit No. 163.

To the Board of Control.

GENTLEMEN,—In dealing with the question of a telephone service it becomes necessary to give an account of the organization, and to some extent the development, of the telephone service in Ontario.

In 1880 the Bell Telephone Company applied to and received from the Dominion Parliament a charter for the purpose of carrying on a telephone business in the Dominion of Canada. This charter, it is contended, gave them the right to erect poles of a certain height and string wires thereto along the highways, without the consent of the municipalities. They, however, apparently had some doubt as to the validity of the Dominion charter, and in the following year applied to the provincial legislature of Ontario for an Act identical with the Dominion Act; but some verbal changes were made, presumably in the interests of the municipalities, controlling the stringing of wires and the planting of poles.

In the litigation now pending between the city and the Bell Telephone Company the question of the construction of these two Acts is involved, and the rights claimed by the Bell Company under their Dominion charter will be determined. The Judge in the first instance decided in favour of the city, and the Court of Appeal gave judgment against the city, but the judgment was not unanimous.

The Bell Telephone Company soon after obtaining their charter commenced their telephone business, and have had, at least in the province of Ontario, a practical monopoly from 1880 down to the present time. There are two or three farmers' lines, a municipal plant at Port Arthur and Fort William, and one or two lines in the eastern part of the province, but for all practical purposes the Bell Telephone Company has enjoyed a monopoly.

In the United States the Bell Telephone Company had for many years (during the life time of their patents) a monopoly, but upon the expiry of the patents, in 1894, a movement in favour of the installation of independent lines commenced, and has during the last ten years so extended that to-day the independent lines are very much more important, and have many more subscribers than the Bell Telephone Company. The last returns that I have (December 31, 1901), show that the Bell has 1,020,647 and the independent 1,250,000, and since that date the independent have grown very much more rapidly than the Bell.

In the province of Ontario, according to the most recent statistics I have been able to lay my hands on (December 31, 1901), the number of telephones was about 43,000. This gives one telephone in Ontario for about every 89 inhabitants. In the United States on the same date there was one telephone for about every 35 inhabitants, and in Sweden there was one telephone for about every 14 inhabitants.

There are three ways in which a telephone service might be dealt with: First, Government ownership; second, municipal ownership of the local exchanges and government ownership of long-distance lines; and third, company ownership, either with or without competition.

Referring to the first, I believe the adoption of this plan would result to the advantage of the community generally, but I think the second plan would give a more efficient service. If the government owned all the long-distance lines and the municipalities owned and operated their own exchanges the local needs would be better sup-

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plied and provided for than under government ownership. There would be a quicker response to the actual requirements of the community.

We have had, however, so far as Toronto is concerned, a company in operation for more than twenty years, and other companies are now seeking permission from the council to provide a system in competition with the Bell Company, and they claim that competition has been a success in the United States; that it has cut down the price of telephones to the users, and that a better and more efficient service has been furnished. I am of the opinion that the contention of the independent companies is borne out by the results. It is only fair to say here that in Toronto and in Canada generally we have never paid the same high rates which were paid in the American cities. I might refer to the prices formerly paid in some of the American cities, which might fairly be compared with the city of Toronto.

In Cleveland the Bell Telephone Company, in the days of monopoly, charged $120 for business and $84 for residence telephones. In St. Paul and Minneapolis $120 for business and $66 for residence 'phones. In Louisville, Ky., $96 for business and $60 for residence 'phones. In Grand Rapids, Mich., $40 to $50 for business and $40 for residence 'phones. In the cities mentioned the independent companies have stepped in, and have reduced the figures to the following: Cleveland, $48 for business and $36 for residence. St. Paul and Minneapolis, $48 for business and $30 for residence. Louisville, $48 for business and $24 to $30 for residence. Grand Rapids, $30 for business and $20 for residence 'phones. Very much higher prices were charged in the larger cities, like New York, Chicago and Philadelphia.

In the European countries, the cost in Stockholm, a city that has perhaps the best telephone system in the world, is about $20 or $22 per year, and in Christiania, Norway, the price is about the same. The price in Stockholm covers an area of 43 miles around the city. In Berlin, Germany, the price is $36 per annum, and in Copenhagen $36 to $46 per annum. In Rotterdam the price is $30 per annum for distances up to 3½ miles, and in St. Petersburg, Russia, $28 per annum. In Amsterdam, Holland, it is $36 per annum, but there is an installation rate of $10. In Amsterdam, Rotterdam and St. Petersburg the service is controlled by the municipality. In Great Britain the general rate of the National Telephone Company, (The British branch of the Bell), is about $48 per annum, and the only large and important municipal exchange is that of Glasgow, which was installed and opened about two years ago. The general rate in Glasgow is $25.60 per annum, and this covers a telephone area of 143 square miles.

The question, however, for us to consider is the offers which have been made to the city by two companies, viz. : The Canadian Telephone and Telegraph Company and the Stark Telephone, Light and Power Company, for franchises within the city of Toronto. If any franchise is granted to either of these companies I think it should be upon the agreement that the city will have the right at any time to purchase the plant and wires of the company, and providing that if they have a long-distance line in connection with their service the city shall, for a reasonable tariff, (to be fixed by some independent tribunal), have the right to use or have messages carried over such long-distance line or lines, and also upon a proper provision to prevent amalgamation with, or purchase by the Bell Company or any other company. This is a difficult matter to control, but a proper guarantee bond, with forfeiture of property, can, I believe, be prepared, which will provide against any such amalgamation or sale. Another difficulty which has to be faced in the granting of a franchise to a company is the danger of over-capitalization. Upon looking into the matter it seems to me that in the United States, where the independent telephone movement has attained such importance, that many of the companies are already very much over-capitalized. Take, for instance, the Cuyahoga Telephone Company, carrying on business, I believe, in Cleveland, with 9,710 subscribers. The capital amounts to $3,000,000 and the bonded indebtedness of $2,333.000, or an average of $539 per subscriber. I am advised that from $125 to $150 per line would provide ample capital for a telephone company in

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any of our large cities. The Columbus Telephone Company, which has 6,277 subscribers, $705,000 capital and $650,000 bonded indebtedness, averages per subscriber $216. I think I have in my possession a letter from the company who put in this plant, that it cost , including everything, about $127 per subscriber. The Mansfield Telephone Company, 1,575 subscribers, capital $300,000, bonded indebtedness $200,000, average per subscriber $217. The Akron Telephone Company, 311 subscribers, $300,000 capital, $300,000 bonded indebtedness, average per subscriber, $199. In contrast, the Citizen's Telephone Company of Grand Rapids, Mich., with 2,000 miles of toll lines and 10,048 subscribers, has no bonded indebtedness and a capital averaging $96 per subscriber. I may add here that the cost of the Glasgow exchange, after providing in a large measure for future requirements, is somewhere in the neighbourhood of $90 per subscriber. So that in dealing with any company regarding these matters provision must be made against over-capitalization or watering of stock which the city might have to pay in the event of taking over the plant and business of the company. Another provision which should be made is that the city engineer should have the absolute right to determine whether the wires should be placed under ground or not, and all work done upon the streets should be carried out under his supervision. In dealing with this question it is also necessary to consider that there are improved systems of telephone coming into use. I am convinced that the automatic system which has been introduced in recent years is the coming system of telephone communication, and while the outside work will be the same for all systems, yet the reducing of the cost of the central exchange equipment and the reducing of the cost of operation by reason of the automatic system will have a great effect in reducing the cost of telephones than perhaps any other of the improvements which have been invented. Nor must we overlook the long distance exchange in dealing with this question. The Bell Telephone Company have now established exchanges in operation, and neither of the companies applying for a franchise has as yet any long-distance exchange in operation, though one of them, the Canadian Telephone and Telegraph Company agrees to construct such an exchange. I may say, however, that from looking into the matter I believe the telephone system, so far as 80 per cent of the subscribers are concerned, is really a local exchange. The average subscriber uses the long-distance line very seldom and many of them not at all. But to many of the larger business houses the long-distance exchange is a very good factor in the transaction of out-of-town business. A company building a new exchange at the present time will have a great advantage over the Bell Telephone Company. The Bell Company has practically to earn interest or pay dividends on the cost of two exchanges, as they have rebuilt nearly the whole of their exchange in Toronto, while the new company would have only the cost of one exchange to pay dividends on, and would probably have a more modern and efficient plant and be able to furnish subscribers with a better service.

From my examination of the matter, I have come to the conclusion that a new exchange could be established in the city of Toronto providing for 10,000 subscribers, upon the same plan as the Bell Campany is at present installing in their central office, and a telephone service could be given to the subscribers at a rate of $30 for business 'phones and $20 for house 'phones, and pay a reasonable profit to the company, providing, of course, that there was no over-capitalization or expensive management, and if an automatic system could be installed I believe these prices could be cut about $5 per annum.

By Mr. Bergeron :

Q. Which company had you in mind when talking about watering stock ? Had you any special company in mind at the time ?—A. No, I was discussing the question of the way some American companies had over-capitalized, and I was contending that in making any agreement with any company we should provide against over-capitali-

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zation, because it was something that might very well follow if they got the exclusive right in the city.

Q. Because, I hope you have read the evidence before this committee—have you read it ?—A. I have read part of it as it appeared in the daily papers.

Q. I think we are sending you from day to day the evidence ?—A. Yes, they have been, but I have not had time to read it.

Q. Because I wanted to say that we found no water yet in any of the companies of Canada. I was asking if you had seen the evidence brought before this committee?—A. This statement was prepared in July of last year.

By Mr. Maclean:

Q. Have you offered to purchase the Bell Company's interest in Toronto ?—A. I do not know of any direct offers being made. I remember saying once to Mr. Dunstan—asking him if they would sell it, but there was never any negotiation along that line.

Q. That would be a very reasonable solution of the question if you could buy.—A. We would be delighted to buy them out.

The Chairman.—I think there is a law to compel them to sell.

Mr. MACLEAN.—No law at present.

WITNESS.—No.

By Mr. Bergeron :

Q. Did you make any offer?—A. No.

By Mr. Maclean :

Q. Wouldn't it be a good thing to have a law to provide for that very thing?—A. I think it would be a good thing.

By the Chairman :

Q. Does not the Conmee Act provide for it ?—A. The Bell Company is held to be a Dominion company, and the Conmee Act only applies to provincial companies.

By Mr. Maclean:

Q. That is a very interesting point, that in your opinion it would be a desirable thing to have a federal law which would provide for the purchase by a municipality of a local system or of a system by an association of municipalities in some way ?—A. I think the Dominion Government should restore to the municipalities the control of the streets taken away by the Act of 1880 incorporating the Bell Company; secondly, they should give municipalities power to purchase exchanges in their limits, and thirdly, the Dominion should take over the long-distance telephone lines and provide for control of the various telephone companies throughout the Dominion.

By Mr. Bergeron :

Q. That is a subject for this afternoon.—A. I would rather deal with it this afternoon.

By the Chairman :

Q. That is a phase of the question which we will take up this afternoon. Have you anything further to offer ?—A. Just one thing, that was, that as mayor of the city, I received a great many complaints regarding the service in Toronto, a great many complaints made by subscribers from time to time to myself.

Q. Have you investigated any of them yourself ?—A. Well, I personally have had many subjects for complaint, for instance, standing ten or fifteen minutes at the 'phone and not getting a reply.

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Q. Did you make a complaint to the company ?—A. I did not myself, but there have been, as I said, a great many complaints regarding inefficient service.

By Mr. Maclean :

Q. There is no contract for an efficient service ?—A. No, there is no contract at present with the city, but contracts with subscribers.

By Mr. Bergeron :

Q. Did I understand that Mr. Mayor has said what he wanted to say before the committee ?—A. I think I have covered it mostly now. I have a letter from the secretary of the Board of Trade, Toronto, asking me to present to the committee a statement prepared regarding the Bell Company by the Board of Trade in 1901, as representative of their views.

Q. Was it sent to the Bell Company ?—A. It was sent to the Bell and sent to the members of the House here and to the Senate.

The CHAIRMAN.—Shall we place it on file?

By Mr. Bergeron :

Q. I would have no objection if the Bell Company received it.—A. It was presented with this resolution :

'Resolved further that copies of this resolution, together with the president's report on the matter, be forwarded to the members of the Dominion Government, the members of the Senate, and the members of the House of Commons.'

And that was done in 1901.

Q. Was it sent to the Bell Company ?—A. They were all before the House at that time regarding legislation, so I presume they got it.

Exhibit No. 164.

RE BELL TELEPHONE COMPANY.

To the Members of the Council of the Board of Trade of the City of Toronto:

GENTLEMEN,—I beg formally to advise that the amendments, which were proposed to the Bill of the Bell Telephone Company, in the Private Bills Committee of the Senate, and which received the endorsation of this board, were defeated in the Senate Committee by a vote of 12 to 10, one of the majority being the vice- president of the Bell Telephone Company, a member of the committee. The amendment to the amendment, which was adopted, provided only that the Bell Telephone Company should be subject to such restrictions as should be imposed by any future general Act. The Bill was then reported to the Senate, and I note by this morning's papers that, on the second reading, the Senate Committee's amendment was defeated by a vote of 28 to 20. This, of course, indicates that there is a considerable section of our representatives who are seized, to a greater or less extent, with the importance of the subject.

I think that the Bell Telephone Company have been much too successful in misrepresenting the question at issue. Their tactics in representing to the Private Bills Committee of the Senate, and then to the Senate itself, that the whole opposition to their Bill sprang from the city of Toronto, gave evidence of ingenuity rather than of good faith. It appears to me though that the obvious nature of this misrepresentation would lose support to the company of senators acquainted with the facts of the case. It is by no means a question affecting Toronto interests only, and the Toronto Board of Trade, and the municipal council of Toronto, have both the active support and the best wishes of the municipalities throughout the country.

The strongest argument against allowing the Bell Telephone Company to remain unrestricted as to rates seems to be that in connection with what has become a necessity of business life, there is no room for bargaining whatever. In this case it does

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not 'take two to make a bargain.' The Bell Telephone Company have shown wisdom in not raising rates up to the present as much as they might have done. They have, however, given evidence of what their intentions are, as to ultimate policy, in two ways:—First, by their application to the Governor in Council for authority to increase its rates in accordance with its suggested schedule, in which the rates asked to be allowed were $65 where there should be in the municipality 5,000 or 6,000 telephones; $70 for telephones in municipalities having 6,000 to 7,000 subscribers; and so on up to $85 for cities having 9,000 to 10,000 subscribers, these rates being applicable to subscribers located within one half mile of the main and centre exchange, with additional charges for greater distance, and for special equipment. The other way in which they have shown the policy which they intend to pursue is by the increases already made in Toronto to new applicants. The rates asked for such subscribers within reasonable distance from the central office has run as high as $75.

A point to which the Telephone Company give no weight whatever is that their central offices are established arbitrarily by themselves. Naturally, they located them at the nearest point available to the majority of their subscribers. It does not seem reasonable, however, that people living in one section of the city will pay higher rates than people living in another section of the city, no farther away from the real centre of population. For instance, in Toronto, I believe it is a fact that the centre of population is close to the corner of Spadina avenue and College street. As you are aware, the main telephone office is at a great distance from that point.

Another feature, which I do not know to have been brought out clearly, is, that any extension of facilities of business tend to the enlargement of business. It seems, therefore, a matter which is not only important, but vital, that as this country is building up it shall not only not be handicapped by restrictive telephone rates, for long distance or otherwise, but shall, instead have the advantage of rates which provide only a proper profit to the company supplying the service.

In my judgment, this is a matter in which the people of the country may properly consider that much responsibility rests with the Dominion government. So far as I am concerned, it seems to me that it is essentially within the province of the cabinet to lend the weight of its influence towards protecting the many from the unjust exactions of the few.

In conclusion, so far as the Board of Trade is concerned, and I thoroughly believe that so far, also, as the municipality of Toronto, and the other municipalities of the Dominion are concerned, there is anxiety to be fair to the Bell Telephone Company, and if that company can establish from time to time to the satisfaction of the Governor in Council that they are not receiving reasonable profits on their business in any direction, the imposition of adequate rates would not encounter objection.

The company's application for increase of capital is one which, in connection with ordinary companies, is usually acceded to as a matter of course, but having regard to the logic of the position, and to the fact that it is most undesirable that the Bell Telephone Company should have competition in the districts in which it operates, it seems to me, at all events, quite within the province of parliament to impose such conditions as should provide adequate remuneration to the company, but prevent extortion. If such provision is not made I fully believe that within the next few years telephone subscribers in Toronto will be paying from $200,000 to $300,000 per annum more than they should pay, and that the excess charges of the company throughout the Dominion will reach a sum approximating $1,000,000 per year.

I take the liberty of suggesting that if it meets with the pleasure of the council, a resolution be adopted, calling for the support of the government and members of the Senate, and of the House of Commons, to the principle outlined.

A. E. AMES,

President.

TORONTO, May 15, 1901.

MR. THOMAS URQUHART.

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APPENDIX No. 1

Resolved, that this council desire to emphasize the great importance of telephone legislation now before the Senate of Canada, and to urge upon the government and members of the Senate, and of the House of Commons, the duty of enacting such provisions in connection with the application of the Bell Telephone Company for increase of capital as shall ensure provision by an independent tribunal of the rates to be charged their subscribers.

Resolved further, that co-operation is invited of all boards of trade and of all municipalities, and of all public journals, in impressing upon legislators the justice of this course.

Resolved further, that copies of this resolution, together with the president's report on the matter, be forwarded to the members of the Dominion government, the members of the Senate, and the members of the House of Commons. Carried.

EDGAR A. WILLS,

TORONTO, May 15, 1901.

By Mr. Aylesworth:

Q. You have been a resident of Toronto for a great many years?—A. Yes, 23 years.

Q. Since the telephone system was first introduced?—A. Well, it was introduced before I came to Toronto. I came in 1882, and I think it was introduced a year or two before that.

Q. In those days how did the service compare with the service at present?—A. I think the service is better to-day than it was then.

Q. It does not need much hesitation to bring one to that conclusion, does it?—A. The service was a comparatively small one in those days.

Q. There was a small number of subscribers. And what about the wires as to their efficiency?—A. I cannot speak from any personal knowledge as to that.

Q. You could recollect the condition of things 20 years ago?—A. I can recall that I think the service was not as good then. I was not personally a subscriber at that time.

Q. But you used the telephone occasionally, I suppose?—A. Yes.

Q. And am I not right in saying there was no comparison between the service to-day and what it was then?—A. I have seen the service within the last few years as bad as it was then.

Q. Sometimes with a sleet storm?—A. No, because I have myself stood 15 minutes at the instrument and could not get a reply.

Q. You are speaking of the efficiency of the operator, not as to the efficiency of the wires and the plant?—A. I cannot say about that.

Q. Do you not know that the efficiency of the instruments and the wires has vastly improved?—A. Yes, I think it has.

Q. And that it is better now. Have you heard complaints except with regard to the operators such as you have spoken of?—A. I have heard a great many complaints as to the service, possibly it may be because of construction or because of the operator, but they complain of having to wait for answers, of being cut off while they are speaking, and complaints of that kind.

Q. Anything else but those two causes of complaint that you can think of?—A. There are so many complaints made that I do not go into them. I tell the people generally that we have no control whatever over the company.

Q. I want to know are there any other classes of complaints other than those you have mentioned?—A. Those are the complaints generally.

Q. That will cover it, will it?—A. They are general.

Q. That is with regard to the operator?—A. I suppose the operator is employed by the company?

Q. Will you kindly answer my question?—A. I cannot say whether it is the fault of the operator or anything else, it might be attributed to something else than the operator.

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Q. The delay in getting an answer?—A. It may be the fault in the construction for all I know.

Q. Do you say that the delay in getting an answer can be attributable to faulty construction?—A. I am not an expert. This might occur, supposing when a person takes off the receiver.

Q. Yes, you are not answering my question?—A. I am not answering it 'yes' or 'no'—and the light opposite the operator, that advises the operator a person is calling, would not light; I do not know whether that will happen or not, but if that did happen it would not be the fault of the operator.

Q. I am not asking you about a suppositious case?—A. I cannot say——

Q. That is you cannot say whether it is so or not, you are not personally acquainted with the method of operating the exchange?—A. I have been in the exchange in Toronto and at other places.

Q. That is a casual visit?—A. A casual visit.

Q. But you have no special knowledge of operating?—A. I have no special knowledge.

Q. Turning to the condition of things prior to this agreement of 1901, what do you say the rates were as you understood?—A. I cannot say of personal knowledge, but I think they were fixed at $50 and $30.

Q. $50 for business and $30 for residents?—A. I think so.

Q. Did you not know that there were mileage charges in addition?—A. I have not heard so.

Q. Was it not known to you?—A. Known to me, no.

Q. Your idea was that it was simply $50 for business and $30 for residents?—A. I was not a member of the council during all the time that agreement was in force.

Q. That refers to the place where the instrument was located?—A. I might say that it was only by advice that I know of the rates of $50 and $30.

Q. And in those days had they any such thing as the present long-distance instrument for house or office use?—A. Not that I know of.

Q. They were all the Blake transmitter with an open saucer shaped receiver for speaking into?—A. Yes.

Q. Have you had experience practically in using that instrument?—A. Of the Blake?

Q. Yes.—A. Oh, yes.

Q. And also the long-distance?—A. I have one of the Blake yet in my law office.

Q. How do they compare for efficiency?—A. I find that the Blake transmitter in my office, speaking generally, gives as good service as the long-distance instrument in my house.

Q. For local service?—A. For local service.

Q. Have you ever tried it for long-distance service outside the city?—A. Yes, I was speaking over it last Friday in my office to Mr. Lighthall in Montreal, and I think it was the best conversation I have had with Montreal yet—that was the Blake transmitter.

Q. And you find it for long-distance service as satisfactory?—A. I would not say that. I found it on occasions as satisfactory. I have not had very many conversations over that line.

Q. Is that your testimony that on occasions when you have used it, you have found it quite as satisfactory as the long-distance, and more expensive machine, but you will not say that it is as efficient on the whole?—A. I would not say that it is as efficient on the whole but I have found it satisfactory.

Q. When did you get that Blake transmitter installed in your office?—A. Well, I do not suppose it was the same one, but I started practising law for myself in 1891, and I ordered a telephone at that time.

Q. And you had a Blake?—A. I had a Blake transmitter then, but I think it has been changed once or twice during the interval.

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Q. Is it the case that you have had there that transmitter or some other transmitter, continually during that period?—A. In my law office.

Q. And you have not paid any increase in rate for it?—A. No.

Q. From the time since it was installed?—A. That is right.

Q. Have you had any pressure brought upon you to make a change?—A. They have asked to have it changed.

Q. You understand that if you change to a long distance transmitter, you got a more expensive machine, which they said would give you better service and that you would be charged $5 extra?—A. I do not know that it was more expensive. I was told that it was a cheaper machine than the Blake, but that I would get better service.

Q. And that it would cost you $5 more?—A. Yes.

Q. But you prefer to retain the Blake transmitter?—A. Yes, although we have been asked two or three times to change.

Q. You were asked to take the other and that was all there was?—A. That was all.

Q. You understand that this has been the uniform course with their subscribers in Toronto?—A. I think so. I have been told that there was something like 4,000 Blake transmitters in use still.

Q. Somebody told you that?—A. Mr. Dunstan told me that there was about 3,600 the last time I spoke to him about them.

Q. When was that?—A. During 1904, and in 1903. I believe it was between 4,000 and 4,500.

Q. But the changes have not been made by reason of any compulsion on anybody?—A. Yes, persons have spoken to me in this way, that they were told by the Bell Telephone people that they could not give them a good service, which they had contracted to give them in their form of agreement, unless they put in a long distance transmitter.

Q. That was the whole extent of your compulsion, was it?—A. Men have told me—yes.

Q. Surely you can answer my question, please?—A. Men have told me that.

Q. Answer my question, please?—A. (Question read by stenographer). That was the extent of the compulsion that I was advised of.

Q. Then in the agreement of 1891 the city enjoyed what percentage of the Bell Telephone Company's receipts?—A. Five per cent, I think.

Q. About what did that come to per annum?—A. I cannot speak of my own personal knowledge, I was not a member of the council at that time.

Q. Have you not investigated that?—A. I have, but I do not recollect.

Q. You do not recollect?—A. I do not.

Q. Five per cent of the revenue went to the city, and the rates were fixed at $45 and $25?—A. $45 and $25.

Q. Still being the Blake transmitter? When was the long distance first put into use?—A. I cannot state that.

Q. Was it after or before '96, the expiration of the agreement?—A. I cannot tell that.

Q. Do you not know?—A. I do not know.

Q. Did you not become aware in 1896 that the company was charging for its new long distance transmitter a great deal more than $45 and $25?—A. I did not know that.

Q. That is news to you?—A. That is news to me.

Q. That is news for you now. Have you not heard Mr. Dunstan time and again, before the mayor and board of control, stating that in reality they reduced the rates on the expiration of the agreement, while you contend that they had increased it by $5? Have you not heard that stated repeatedly?—A. Not in any way. He stated something about higher rates before the agreement and that the agreement was a reduction of rates.

Q. Did he not repeatedly state in conversation with committees of the city council that before the expiration of the said agreement in 1896 on the invention of the new

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long distance transmitter, the company had been installing where it was necessary and persons wanted it, and that the charge was $70 per annum?—A. He might have done so, but I have no recollection.

Q. Did he not contend at all events before the committee that the company was reducing its rates for the long distance instruments?—A. I remember him using an argument of that kind.

Q. You did not think it was true?—A. No.

Q. And the company during the continuance of that agrement stated that it was a very burdensome agreement upon them did they not?—A. I am not sure, I was not a member of the council at that time, and I do not know anything about it.

Q. You have heard that, I suppose, said in conversation since then, have you not?—A. I have no recollection of it being said.

Q. You know Ald. Hubbard?—A. I do.

Q. He is one of your Board of Control?—A. Yes.

Q. Has been a city alderman for a great many years?—A. Yes, for a long time.

Q. He is there as long as you are?—A. Longer, twice as long.

Q. Do you remember a conversation between Mr. Dunstan and the Board of Control at which you were presiding officer as mayor, on March 23, 1904?—A. I remember we had some conferences in March and April of 1904.

Q. I have what purports to be a shorthand report of that conference, and I find it is stated on page 6 by Mr. Dunstan : 'The mayor and all the city officials agree that under the former contract it was very onerous on the company, but the company did not do any shirking, they carried it out faithfully.' 'Ald. Hubbard—Yes, that is so, I never heard a single word of complaint from first to last, nothing could have been more satisfactory.' Do you recall Ald. Hubbard making that statement?—A. I do not recall the statement; it may have been made.

Q. Would you contradict it?—A. No, I do not contradict it.

Q. Then before that contract expired were you in the city council at all?—A. I was elected to the city council in 1900, that was my first year.

Q. That was your first year?—A. Yes.

Q. Do you know that as a matter of fact, of municipal history, that before that contract expired the city council decided to advertise throughout the North American continent for offers from competent companies?—A. I was advised they had done so.

Q. Just as a matter of official knowledge, you have been told that?—A. By some of the officials.

Q. And that such advertisements were inserted?—A. I believe they were.

Q. Generally through all the newspapers? And did they produce any results?—A. Not to my knowledge.

Q. And at the expiration of that agreement, were there any immediate efforts at continuing it?—A. I cannot speak of that, I know nothing about that. That was four or five years before I was a member of the council.

Q. You cannot say whether there was any effort or not? Had any friction as you call it arisen between the company and the City Council prior to your entering the council, do you say?—A. I was told there was; I was advised of that, but I cannot state.

Q. Did you see any trace of it in the newspapers do you think?—A. Yes, I remember there were complaints before that, I mean in the newspapers regarding the tearing up of the streets.

Q. Regarding the tearing up of the streets?—A. Regarding the putting of poles on the streets.

Q. But was there anything with regard to the service?—A. I have heard complaints continually with regard to the service.

Q. I am not speaking about the present time, but prior to your entering the council?—A. There were no complaints made of course to me.

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Q. But in the newspapers, in the city newspapers, making complaints that you can recall?—A. I do not recall, I would not have paid any attention to them if there were.

Q. Surely you were giving attention to public affairs?—A. Generally, yes, but I do not remember now.

Q. What do you say of this extract in the Toronto Evening Telegram of the 31st of March, 1897?—'Toronto does not want the Bell Telephone Company to conduct the service at a loss. The service is good, the company's servants are courteous and obliging.' Do you agree or disagree with that?—A. I do not know whether it is so or not—I cannot agree or disagree.

Q. You cannot agree or disagree. This is the Toronto 'News' of October 4th, 1897: 'The people of Toronto have never fully realized the perfect telephone service they enjoy, nor appreciate the moderate charges that prevail. When they are informed by Assistant Engineer Rust, that, after visiting the United States and communicating with parties all over the continent, he cannot find any company that will attempt to compete with that established here, there can be no further proof asked of the assertion that Toronto is being treated in an exceptionally favourable manner. They are fortunate also in having at the head of the local branch of the Bell Telephone Company men of intelligence, who are equally enthusiastic in their work and in their desire to afford subscribers a first-class service. The experience of the citizens with the company from its inception has been of a uniformly satisfactory character and a new company would have a hard row to hoe in going up against it.'

Mr. BERGERON. Is that the Toronto 'World'?

Mr. AYLESWORTH.—No, it is the Toronto 'News.'

Q. Does that correctly describe in your judgment the attitude of the citizens of Toronto generally towards the company?—A. I do not think it does at the time I first entered the council.

Q. It is three years before your entry into the council?—A. I cannot speak about it only since I went into the council.

Q. I think all Toronto will agree that since then there has been a great deal of trouble made for the Bell Telephone Company?—A. I think that prior to that time there was a great deal of dissatisfaction with the service.

Q. We come to the 'Star' of the 25th of March, 1899. That was only a year before you entered the council: 'The City Engineer advised that the Bell Telephone Company be allowed to erect more poles in the annex district. Ald. Lamb thought it would be proper to do so. The Telephone Company were decent people and were giving the cheapest service in the world, with underground wires where they are really needed.' You would disagree with that view, of Ald. Lamb's?—A. Yes, I do.

Q. He had been at that time, 1899, an alderman of the City of Toronto for a generation almost?—A. For nine or ten years I think.

Q. And was for a long while a chairman of one of the most important committees—for many years?—A. For several years he was chairman on the Committee on Works.

Q. But you disagree entirely with his statement that in 1899 the Bell Telephone Company was giving the cheapest service in the world, with underground wires where they were really needed?—A. Yes, I do disagree with that.

Q. Would you disagree with this statement by Alderman Lamb?—A. Yes, and I might also add that Alderman Lamb was always looked upon as one of the strongest friends the Bell Telephone Company had in the city.

Q. And you were a strenuous opponent of Alderman Lamb on that subject?—A. I defeated him for mayor.

Q. And he said, on March 21, 1896, that 'the present service was good, and the officials, from the manager down, are obliging and are anxious to repair any defects in the service'?—A. I would not agree with that.

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Q. On that occasion, according to the report that I have, Alderman Hubbard, whom I have quoted before, moved that the city advertise at once for a new company, as, if there is no other one in the field to use as a club, they could do nothing. Did you ever hear such a reason given as that?—A. I have never heard that reason; I have heard it stated that competition would give better service.

Q. Would it be a correct designation of the policy which the city has been pursuing for the past four or five years, with regard to the Bell Telephone Company, to say that a club was considered a very useful instrument to have in the house?—A. Not to my knowledge.

Q. And that is not correct?—A. Not correct.

Q. But it describes the attitude of the city?—A. I believe that competition would be a great advantage to the city.

Q. In the way of compelling the company to accede to their wishes?—A. To give us reduced rates.

Q. Well, that might be pretty well called a club?—A. You might denominate it that, if you choose.

Q. But competition is what you mean?—A. Yes.

Q. And if you could have succeeded in establishing your view that the company could not plant another pole without the city's consent, that would have compelled them to agree to any terms you desire?—A. That would have been a very great advantage to the city.

Q. They could have compelled the company to pay any license fees within reason that you could exact?—A. Within reason, and it would have enabled us to make a better bargain.

Q. Would it be proper to call that a club?—A. I do not think so.

Q. That would be gentle persuasion?—A. That would be one of the rights that we have.

Q. That is, if the Privy Council had agreed with your view of the law?—A. Yes.

Q. Anyway, in that connection, your view was based entirely on the idea that the Ontario statute, and not the Dominion statutes governed?—A. My idea was that the Ontario statute governed.

Q. And it was never your view, was it, as a lawyer, that, supposing the Dominion statute governed, that there was any doubt as to what it meant?—A. That was a question of law; I am not giving a legal opinion now.

Q. You told us that you formed an opinion, in which you were confirmed by counsel, that the city had control over its streets?—A. I am not here for the purpose of giving a legal opinion.

Q. I want to ask you, having made the statement that you did, if there is any doubt in your mind about the meaning of the language used in the Dominion statute? —A. Yes, there was one question, with regard to the location of the lines, whether that could be interpreted to give the city power to locate an underground system, instead of the poles.

Q. That was the only question.

The CHAIRMAN.—Would it not be well to take that phase of the question up after four o'clock?

Mr. AYLESWORTH.—I am not going to pursue it at all; it is a question of fact.

By Mr. Aylesworth:

Q. Just state now a history of the litigation, the whole of the city's contentions? —A. Yes.

Q. It was based on the view that it was the Ontario statute that governed?—A. That is what I understood.

Q. Justice Street held that the city was correct?—A. Yes.

Q. Justice McLennan also held that the city was correct?—A. I think so.

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Q. Took the view that the company was obliged to obey the Ontario statute?—A. Yes.

Q. And they were the only two judges in the course of all that long litigation that adopted that view?—A. I think they were.

Q. Then, just one more reference to that whole agreement, and why it was not renewed. On April 18, 1901, you were in the city council?—A. I was.

Q. And you paid some attention to this question of the Bell Telephone Company at the time did you not?—A. Yes.

Q. Ald. Hubbard was then a member of the council?—A. Yes.

Q. And on the board of control?—A. I cannot say that.

Q. Well, he was a member of the council anyway?—A. Yes.

Q. I have been furnished with an extract from a newspaper report of the meeting of the board of control on April 18, 1901, in which in discussing that agreement Ald. Hubbard is reported to have said: 'That the company did not refuse to renew that agreement. The corporation was to blame for not renewing it' Do you agree?—A. I do not agree, I do not know. I do not think Ald. Hubbard made such a statement as that. You cannot always rely on the newspaper reports, and I do not believe that Ald. Hubbard made that statement.

Q. You cannot say whether that is true or not?—A. No, because I was not a member of the board of control at that time.

Q. At that time, April 18, 1901? Then, at a meeting of the board of control on April 4, 1901, Ald. Hubbard is reported to have said: 'We used to have an agreement with the company, but upon its expiration it was not renewed, because it was thought that such renewal might interfere with establishing a municipal telephone system, which was talked of at that time.' Correct or incorrect?—A. I cannot say whether it was correct or incorrect.

Q. You have heard that statement made during your time in the city council by Ald. Hubbard, whether alderman at the time or not?—A. I never heard that statement made in the council.

Q. Have you ever heard Ald. Hubbard make that statement out of the council?—A. I never heard it out of the council.

Q. And you cannot say whether it was the true reason or not if it were given?—A. I could not.

Q. Then this litigation which went to the Privy Council, if I understand it correctly, was deliberately instituted by the city with the object of establishing the city's contention that the company could not plant another pole without the city's leave?—A. It was deliberately instituted for the purpose of ascertaining what our rights were.

Q. And the contention on the part of the city was?—A. We contended that we had the right to control our streets.

Q. Yes?—A. We wished to have our rights ascertained.

Q. And in supporting that litigation your proposition to institute it, did you, on March 29, 1901, at the committee on works, say: 'That you were sure that the company could not lay conduits without the consent of the city. The city could also impose a tax or license fee. He urged the company be not allowed to erect another pole until all these legal matters were settled'?—A. I was not a member of the committee on works at that time, but that was the position I took about it, that that was our legal position.

Q. And in March, 1904, you were mayor, of course?—A. Yes.

Q. And at that time your appeal to the Privy Council the argument had not yet been heard?—A. Yes.

Q. Did you then, sitting in the board of control on March 17, say that if you succeeded in the action before the Privy Council you could grant an absolute monopoly by stopping the present company from putting up any poles or wires or taking another subscriber?—A. I took that position as a result if the decision was in our favour.

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Q. And on May 6, 1903, at a conference with the board of control, did you say: 'That if the city was successful in its legal action they could forbid the company making any extensions'?—A. I did say that, yes.

Q. And did Controller Richardson say: 'That the course outlined by the mayor would be nothing short of highway robbery'?—A. I cannot say that; I do not remember the latter part. I do remember that I took that position that we had control of our streets, that we could say whether poles should be put up or should not be put up—I explained that the municipality should have absolute control of its own streets, and that no person had the right to go upon them.

Q. That is a matter for discussion this afternoon. I was only getting the facts in that connection. You say that you had some offer last year from some other company; what company was that?—A. The Canadian Telegraph and Telephone Company.

Q. Where are their headquarters to-day?—A. I don't know.

Mr. CHRYSLER.—They are at Ottawa?—A. Mr. Chrysler tells me they are at Ottawa.

Q. Is it any other than a paper concern, do you know?—A. I do not know.

Q. Was there anything, was there a dollar of capital subscribed?—A. I cannot tell you.

Q. Can you tell me who the promoters were?—A. I met Mr. Leonard, and Mr. Bickerdike.

Mr. DEWART.—The statute will show.

Q. It will show who the incorporators were?—A. There were a number of members of parliament in the company.

Q. I do not know whether the charter will give the information. How did they take concrete form in connection with the proposition to you? Whom did you meet as their representative?—A. I met Mr. Leonard, who put in the offer, and I think it was Mr. Bickerdike.

Q. Did you meet anybody else?—A. They had counsel representing them.

Q. The same counsel who is representing you to-day?—A. I think it was Mr. Dewart.

Q. You think so?—A. I think so.

Q. This was on the 5th of June, 1904; they were before you?—A. No, the offer was made on January 20.

Q. Were they not there before the council within the last six months?—A. Yes. last six months of 1904.

Q. Were they represented by anyone other than by the person who represents you here as counsel to-day?—A. Mr. Leonard was there with Mr. Dewart.

Q. Now, just one otner question. Do I understand you, Mr. Mayor, that you would recommend to this committee that as useful legislation the Dominion Parliament should adopt the Conmee Act as applicable to this company?—A. I do not say that.

Q. That is what I understand?—A. I do not say the Conmee Act.

The CHAIRMAN.—Is not that touching a question that will be taken up this afternoon?

Mr. AYLESWORTH.—I hardly think so, with due deference, because the mayor expresses the opinion as to the advantage he thought it would be if the Dominion Parliament passed legislation enabling the city to expropriate the local business of the Bell Telephone Company?—A. I agree with that, but I do not look upon the Conmee Act as an Act for the purpose of expropriating; I regard it as somewhat of an Act for the purpose of preventing expropriation.

Q. Let us understand so that the gentlemen of the committee will understand your recommendation or opinion, whether you will advocate the application of the Conmee Act or the Conmee clauses of the municipal Act to such a case as the Bell Telephone Company?—A. Not the Conmee clauses, but an Act which will enable us to expropriate upon fair terms—terms to be decided upon by arbitration.

Q. But of course any statute which would make it incumbent upon the munici-

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pality to expropriate an existing company before establishing a competitive system of their own, that would be monstrous?—A. I beg pardon.

Q. I say, of course, that any statement which will compel the municipality to expropriate on fair terms—A. I would agree to that, to a statute which would enable the municipality to expropriate on that unfair term.

Q. I am saying that a statute such as the Conmee Act which will make it compulsory on the city to expropriate the existing company would not be satisfactory to you?—A. I said I would prefer if the Act was a proper one, I would prefer to expropriate before we established a company of our own ,because we would take over their plant as a going concern, which would be of very much advantage to the city.

Q. Would you advocate a provision in the Dominion statute making it compulsory upon all municipalities before establishing a municipal system of their own to expropriate any one that is already in operation?—A. I would agree to that if the terms were fair to the municipality.

Q. The terms being in reference to?—A. Yes. The value of the property and not the franchise rights.

Q. That is as you understand it in outline, the provisions of the Conmee Act?—A. I understand that the Conmee Act is that you may go on with an arbitration and then you may not take it over at the close.

Q. That is, the municipality may decline?—A. No, the company may decline to sell.

Q. I do not think you will find any such thing there?—A. We were advised by the corporation counsel that we could not compel the sale of the electric light works under the Conmee Act.

Q. Because it does not apply to electric light?—A. It is supposed to apply to gas and electric light companies.

Q. You know, I suppose that under the Municipal Act you have the right to establish a competitive service at any time without expropriating anybody?—A. I think we have.

Q. But you still think you have the right to expropriate first?—A. I think we should have.

By Mr. Maclean:

Q. This is not a crime to fight for public rights in this way?—A. I do not think so, but some people do.

By Mr. Chrysler:

Q. I have only a word or two, I think. I only want to add if you have had your attention called to the statement which has been proved in this case with regard to the city of Toronto, that figures have been put in by the Bell Telephone Company, showing that for a series of years, from 1891 to 1904, the number of subscribers, the total plant account, the rental of the long-distance, the total receipts, the cost of maintenance, the cost of operating, and the total and the net revenue and the percentage and revenue account. Have you seen that?—A. No, I have not seen that before.

Q. You have not—perhaps if you had seen it in time it would have been in the interests of the inquiry?—A. My attention was not called to it.

Q. That was published on the 10th; at least that is the report of the meeting of the 10th of May. I do not know how soon after that it was published?—A. I have not seen that before.

Q. None of your officers can give us any criticism of it?—A. I do not think so.

Q. With regard to the agreement, Exhibit No. 156, which existed between 1891 and 1896, the rates charged during that period of time appeared to have been $25 for residents and $45 for business houses?—A. Yes.

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Q. Do you know what the rates in force in Toronto are to-day?—A. Those who have 'phones. the Blake transmitter, are still paying these rates; those who have the new long-distance transmitter are paying $50 and $30 for subscribers generally.

Q. So that without the extension of this contract between the city and the Bell Telephone Company the rates have been continued, except that additional charges made for the use of the long-distance telephone?—A. Yes. Of course I think that they should not make that charge because they are bound under their contract to give a good service, and under that new legislation passed in 1902 they were not supposed to increase their rates.

Q. That is their Dominion Act under which their capital was increased?—A. Yes, without consent of the Governor in Council ,and I thought that that was an increase of their rates.

Q. Speaking generally as to the negotiations which have gone on since 1896, are the citizens willing to renew an agreement of this kind if there is no advance in the rates?—A. I cannot speak as to that.

Q. What is your view?—A. My own judgment is that the rates should be made a little less than they are. In fact, I did offer to Mr. Dunstan that if they would make the rates a little less than these we might renew the agreement.

Q. Was there anything in that offer of yours with regard to the extra charge for long-distance transmitter?—A. No, that was just a verbal proposition which would cover an up-to-date service.

Q. And in your mind you would consider that the long-distance transmitter should be included at these figures?—A. I consider that they should have given a long-distance transmitter at their old rates of $45 and $25.

Q. So that the rate in your mind would have been a satisfactory settlement or you would not have made the offer?—A. I beg pardon.

Q. That that would be a satisfactory settlement?—A. That was in my own mind with somewhat less rates.

Q. And then you were getting a percentage of five per cent of the gross receipts?—A. I think that we should have a reasonable percentage.

Q. What would you consider a reasonable percentage?—A. Five per cent would be a reasonable percentage.

Q. Look at this statement, and you will see that almost in every year, take the number of 'phones, take for instance the year 1903, which is the convenient figure to compute, the revenue was $409,000?—A. Five per cent on that would be $20,000.

Q. That would be $20,000, and the number of subscribers was 11,252, so that you would get a return of nearly $2 per subscriber?—A. About that.

Q. Take nearly any year almost, and you will find that is about what they will amount to, so that upon these figures from Toronto, that percentage of five per cent would amount to about $2 return to the city for each subscriber?—A. Yes.

Q. In your form of specification (Exhibit No. 160) which I suppose was drawn with considerable care, you ask the applicants to tender on the basis of paying the corporation the sum of 2½ per cent of your revenue for the first five years and thereafter 5 per cent and also in the alternative tender to tender on the basis of paying no percentage.—A. Yes.

Q. Insofar as you have got, how did they work out? Did you find that they made any considerable difference?—A. We only received one offer.

Q. What difference did it make in the figures of the tender?—A. I think they only tendered upon the one basis. The Stark Telephone Company offered to supply phones at $36 and $18 and the company was to pay the corporation 2½ per cent upon all the revenue of the company for five years and thereafter 5 per cent.

Q. Then they tendered on the basis of paying a percentage?—A. Yes.

Q. There was no alternative—I thought it would be instructive to determine what

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difference they made in the tenders as between paying a percentage and not paying a percentage?—A. I cannot speak from memory, but I do not think they made any such difference, but we had the right to expropriate their property as well.

Q. Clause 31 of the specification reads : 'The corporation shall not engage in the business of installing or operating telephones in the city during the continuance of the contract, to be entered into under these specifications, unless and until the said corporation shall give notice of their intention to buy out the applicants property or such part thereof as is herein provided may be taken over at the expiration of the period of ten years, or at the expiration of any succeeding period of five years, and then only by carrying out such intention to so buy.' Was that also made a basis of the tender? —A. That was made a basis of the tender, yes.

By Mr. Maclean:

Q. You spoke of this long distance transmitter being a matter of negotiations between the company and its subscribers in Toronto? You spoke of the Bell Telephone company approaching their subscribers in Toronto and negotiating for the substitution of the long distance for the base transmitter.—A. Yes.

Q. That took place?—A. I understand it did.

Q. And an additional charge was made for it?—A. $5 per year.

Q. And also was there not an effort made to extend the contract, over the time at which the city's contract with the Bell Telephone company expired?—A. I am not cognizant of that.

By Mr. Dewart:

Q. I think there was no contract in existence at this time because it expired in 1896?—A. No, because I think these long distance transmitters were put in before the city's agreement expired, and the agreement with them overlapped the city's contract.

By Mr. Johnston:

Q. Generally speaking, what do you say with regard to the service given to the people of Toronto by the Bell Telephone Company?—A. I think it is a fair service; but there have been, as I have said, a great many complaints regarding the service made to me. Whether that is on account of the equipment or the fault of the operator I do not know.

Q. But generally speaking?—A. I think it is a fair service.

Q. In the statement you handed in here, you make a reference to the telephone service in various other countries, European countries more particularly?—A. Yes.

Q. What do you say about them, you have some knowledge of them, I presume?—A. Just from reading works on the subject.

Q. You have no personal knowledge?—A. No personal knowledge; the only plant I examined personally was the plant at Glasgow.

Q. That statement which you have submitted here, and which is perhaps to be incorporated in the evidence, which is to be given to the people of this country——?—A. I just handed it in to the committee, I did not know it was to be incorporated as evidence.

Q. It is not to be incorporated with the evidence I will not ask any questions about it.

The CHAIRMAN.—It is marked as a portion of the evidence.

Mr. BERGERON.—Do I understand it to be incorporated in the evidence?

The CHAIRMAN.—Yes, it is marked as his experience.

Mr. BERGERON.—I thought I heard the mayor say that he would not swear to that? —A. That statement I prepared for the Board of Control, giving my own opinion regarding telephone matters.

Q. As a matter of fact you did not consider it evidence?—A. No, I would not consider it so, because I have gathered a lot of information from books which the

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committee might gather as well as I might gather it. I would not think it was evidence.

By Mr. Johnston:

Q. It is important that when statements are to be put in evidence they should be verified?—A. I do not think it is put in on the same basis as the offers put in by the City of Toronto, for instance.

Mr. MACLEAN.—We are printing evidence and information both.

The CHAIRMAN.—This might go into Appendix 'A,' as information.

Mr. JOHNSTON.—But any information we are to give to the people of this country in the report that is to be sent out should be verified. You speak of Stockholm here, Mr. Mayor, as having perhaps the best telephone service in the world.—A. I copied that from some authority.

Q. As a matter of fact you have no reason to believe that in the city of Stockholm the citizens are getting any better service than is given by the Bell Telephone Company?—A. Except what I have heard.

Q. Then there are Berlin, Copenhagen, Rotterdam, St. Petersburg, and Amsterdam?—A. This is all from reading and not from personal knowledge.

Q. You would not be prepared to swear that the service in these places is nearly as good as in Canada?—A. I am not prepared to swear, I am merely giving the information from books.

Q. But if I wanted to say that from personal knowledge I know that in neither of these places is the telephone service nearly as efficient as that given by the Bell Telephone Company in Canada, you would not contradict it?—A. I certainly would not.

By Mr. Aylesworth:

Q. In your study of the subject, Mr. Mayor, did you ever investigate the comparative extent to which the citizens of one city patronize the telephone as compared with the citizens of another city?—A. As to the use of the telephone?

Q. In proportion to the population?—A. I have to some extent, but not to any very great extent.

Q. Can you tell me, as a result, in what city of North America of over 200,000 inhabitants, there is the greatest patronage of the Bell Telephone Company according to population?—A. I cannot tell you that.

Q. Can you tell me at all how Toronto would rank?—A. I cannot tell you how Toronto ranks; I had the figures before me at one time, but I cannot remember.

Q. I am told that there is only one city on the continent in which they patronize the telephone to the same extent as they do in Toronto, and that is Minneapolis?—A. I cannot tell that.

By Mr. Lewis:

Q. What is the basis of your complaint in the city of Toronto. Is it the control of the streets or the prices charged by the company?—A. We think the price is too high, and that the municipality should have control of their streets. I have kept away from the question of streets to-day because I thought that would come up this afternoon.

Q. What is the basis of your complaint, is it the disfiguring of the streets?—A. Their planting poles all over the city, I think on many streets where they should have gone underground. The city should have the right to decide, whereas all they do now is simply to inform us that they propose to put poles on a certain street and ask the city or the city engineer to appoint somebody to locate the poles.

By Mr. Maclean:

Q. On this question I will ask you this afternoon—you say you have examined the Glasgow system?—A. Yes, I was there.

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Q. You know how the municipality there has control of its streets?—A. Yes, I know something about it.

Q. Then I will, this afternoon, ask you about that.

Witness discharged.

Mr. C. H. RUST, called and sworn.

By Mr. Dewart :

Q. You are engineer for the city of Toronto?—A. Yes.

Q. How long have you acted in that capacity?—A. Since 1898.

Q. And before that?—A. I was deputy city engineer for six years, and have been connected with the department since 1877.

Q. Then you know of the existence of this agreement with the Bell Company that is put in that was in existence from 1891 to 1896?—A. Yes.

Q. Can you say what was the reason why that agreement was not renewed?—A. My impression was——

Mr. AYLESWORTH.—He was not there.

Mr. DEWART.—He was there; he has been in the department since 1877.

WITNESS.—My impression was that the Bell Company refused to renew it.

By Mr. Dewart :

Q. That is your recollection from what took place at the time?—A. Yes.

Mr. AYLESWORTH.—'Impression,' he said. You should not repeat his words wrongly.

By Mr. Dewart:

Q. Is that your recollection?—A. Yes.

By Mr. Johnston:

Q. Do you know it, as a matter of fact?—A. Yes.

Q. Can you state it on your oath?—A. I have been informed——

Q. What the committee desires to know is statements of facts. Do you know it as a matter of fact?—A. I said that as a matter of fact I was informed by the officials of the Bell Company. Q. Never mind being informed.

Mr. DEWART.—He says he was informed by the Bell Company officials.

WITNESS.—I do not think that the Bell Company wrote to the city and said they refused to renew the agreement. I am giving the best answer I can.

Mr. JOHNSTON.—That is all we want.

By Mr. Dewart :

Q. Something has been said with reference to the control of the streets. What was it that gave rise to the action that took place in 1901 against the Bell Company?—A. Of course, we had always objected to the Bell Company being able to occupy the streets with poles without the consent of the city council.

Q. What were the particular circumstances that led up to the matter then as to the facts or acts of the company?—A. The city council gave instructions to me that we were not to allow any more poles to be planted by the Bell Company.

Q. On any particular streets?—A. I do not remember the streets now.

Q. Do you recollect anything with reference to Bloor street at that time?—A .Yes, there was Bloor street, that was one. There were two or three streets.

Q. Madison avenue, do you recollect?—A. Yes, that was another.

Q. So that there were certain streets——?—A. That the Bell Company wanted to put poles on and we declined to give them permission.

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Q. Now, would you state from your experience as city engineer whether there is any objection to the Bell Company having access to the streets for the erection of poles or the tearing up of streets for laying conduits as they may desire?—A. I think it is a matter that should be left to an official, the city engineer for instance, to say, for instance, we may have just paved a street——

Q. As to the practical side of the case—what objections are there from your standpoint as city engineer to the company having an unlimited right to erect poles or put down conduits, as the case may be?—A. It is not in the interests of the city. For instance, we may have just recently paved a street. The company come and say they want to lay conduits or erect poles, and we think we should be in a position to say, 'You cannot come here, but you may go on another street.' Just as an instance, the Post Office Department are doing underground work in Toronto for pneumatic tubes. They made application to the council to use the streets. The matter was referred to our department, and after consultation with the engineer in charge, I said, 'You cannot go on these streets because we have just paved them,' and they went to another street. But the Bell come along and say they want to go on a certain street, and we cannot stop them under that Act.

Q. What is the effect of tearing up pavement recently laid on the street for the laying of conduits?—A. Take the pavement of asphalt which has been recently laid on a good foundation. If you tear it up you cannot get it in the good condition in which it previously existed.

By Mr. Johnson:

Q. Are the Bell people in the habit of tearing up your pavements?—A. They notify us when they want to lay underground work on certain streets and we have nothing to do, or that they want to locate poles. In that case we locate the poles for them, and we say as far as possible what part of the streets they shall use for underground work.

Q. Do you suggest an alternate route—when they propose a certain route to which you object do you suggest an alternative proposal?—A. We have done so.

Q. And they have refused to accept the alternative proposal?—A. No, I cannot say that; but as a rule they open these streets where they say they want to.

Q. Are you prepared to give us some instances of the Bell Company opening up streets in opposition to your department, after having been refused by your department, or where they have refused to adopt an alternative proposal?—A. I do not think that I can give any instances to you, but there have been some cases.

Q. You don't know of any instance?—A. I think there was the case of Huron street or Madison avenue.

By Mr. Dewart:

Q. Bloor street and Madison avenue?—A. That is their poles. I refer to underground work.

Q. You say you think there are such instances, but you cannot give them now?—A. Yes.

Q. In connection with the installation of an independent or competitive system, did you go at all into the cost of construction and installation, what it would cost to put in an independent or competitive system?—A. Yes, I prepared a report for council and got two others to make reports.

Q. Have you those reports with you?—A. Yes, I have them.

Q. Can you submit the reports or copies of them for the information of the committee?—A. Yes.

By the Chairman:

Q. What is the nature of these reports?—A. These are reports on the cost of a telephone system.

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APPENDIX No. 1

By Mr. Dewart:

Q. These were reports of the estimated cost of a telephone exchange, one from Mr. T. F. Ahern, of Detroit, 1898, and another from Mr. Dagger, September, 1900, and there is your own report of September, 12, 1900?—A. Yes.

Mr. DEWART.—If the committee desires these we will put them in as showing estimates obtained by the city with reference to this matter, and Mr. Rust's report upon the matter at that time.

Exhibit No. 165.

DETROIT, MICH., February 28, 1898.

The Hon. JOHN SHAW,
Mayor of Toronto,
Canada.

DEAR SIR,—Attached herewith is a prospectus, showing the earnings of a six thousand line plant for the city of Toronto, at the following rates:—

For a business telephone.. .. .. $40 per year.
For a residence telephone.. .. .. 25 "

I have computed the cost of maintenance principally from the cost of maintenance of the Detroit Telephone Company, which is in actual operation. I am,

Very respectfully yours,

THOMAS FRANCIS AHERN.

PROSPECTUS.

4,000 business telephones at $40..	$160,000
2,000 residence telephones at $25	50,000
Total earnings..	$210,000

MAINTENANCE.

General manager..	$4,000
Secretary and treasurer..	3,000
Superintendent..	2,000
Asst. superintendent	1,500
Construction agent..	1,200
Asst. construction agent..	500
Bookkeeper..	1,500
Asst. bookkeeper	700
Two clerks (ladies)	600
Office boy	240
Cashier	900
5 collectors..	2,500
Rent..	2,500
Light and heat..	1,000
Taxes..	2,500
1 manager of exchange..	1,200
1 asst. manager..	600
4 chief operators at $360..	1,440
125 operators at $20	30,000
Superintendent of construction..	900
1 foreman at $65	780
6 linemen at $50	3,600
1 supt. of equipment..	900

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9 inspectors at $50	5,400	
Material	5,000	
Livery	1,000	
Unexpected expenses	10,000	
Annual depreciation of plant	10,000	
	$95,460	
Five per cent interest on $600,000 bonds	30,000	
Total expenditure		$125,460
Net profit		84,540

About 14 per cent on $600,000 stock.

DETROIT, MICH., February 28, 1898.

Hon. JOHN SHAW,
Mayor of Toronto.

DEAR SIR,—In pursuance with your request, I submit herewith attached for your consideration, an estimate for the construction of a telephone plant in the city of Toronto, for six thousand metallic lines.

Very respectfully yours,

THOMAS FRANCIS AHERN,
Electrical Engineer.

United States of America,
City of Detroit,
County of Wayne.

IN THE MATTER of the application of the Bell Telephone Company to the Governor General in Council to increase their rates of charges for the use of telephones.

I, THOMAS FRANCIS AHERN, of the City of Detroit, in the County of Wayne, in the State of Michigan, one of the United States of America, electrical engineer, do solemnly declare:

1. That I am general superintendent of the Detroit Telephone Company.

2. That I have prepared the report hereto annexed, at the request of the mayor of the City of Toronto.

3. That the facts and matters therein stated are true and correct, to the best of my knowledge, information and belief, and so far as they purport to be, have been prepared and made by myself, and in so far as the facts and matters have not been prepared by myself, they have been supplied to me by Charles H. Rust, engineer of the City of Toronto.

4. That I have had nineteen years' experience in the telephone business, and have been fifteen years in the employment of the Bell Telephone Company, and have been ten years acting as electrical engineer, and am, and have been, the constructing engineer of the Detroit Telephone Company, and have had a large experience in telephone construction.

And I make this solemn declaration conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath and by virture of 'The Canada Evidence Act, 1893.'

THOMAS FRANCIS AHERN.

Declared before me at the City of Detroit, in the County of Wayne, this 28th day of February, A.D. 1898.

JAMES A. WHEELER,
Notary Public, Wayne Co., Michigan, U.S.A.

MR. C. H. RUST.

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APPENDIX No. 1.

DESCRIPTION.

1st. I have located the Central Station on the north-west corner of West King and Bay Streets, in what is known as the 'Mail' Building.

This exchange can be located a block or two in any direction from said place, without materially affecting the cost of this estimate.

2nd. I have based this estimate on the supposition that three exchanges will be built within the incorporate limits of the City of Toronto, one exchange to be located as above stated; the North Exchange to be located on or near the corner of Yonge and Bloor Streets, the West Exchange to be located on or near the corner of Queen and Dovercourt Road.

3rd. The maximum capacity of the Main Exchange to be 4,500.
The maximum capacity of the North Exchange to be 1,000.
The maximum capacity of the West Exchange to be 1,000.

This gives a total switching capacity of 6,500, a margin of 500 over and above the estimated capacity of the plant.

4th. Distribution of instruments according to the circles on drawings of proposed underground system.

(1,500 telephones in the 1,000 feet circle), I have estimated that there will be from the 1,000 feet circle to the 2,000 feet circle there will be 1,500 telephones.

From the 2,000 feet circle to the 4,000 feet circle, there will be 1,000 telephones.

From the 4,000 feet circle to the 6,000 feet circle, there will be 600 telephones.

From the 6,000 feet circle to the 8,000 feet circle there will be 400 telephones.

Outside the 8,000 feet circle, there will be 1,000 telephones.

This gives an estimated number of telephones within the incorporate limits of the city of Toronto of 6,100.

5th. Proposed underground conduit system. (see plan attached for guidance in the following description.)

From the point of distribution at the Mail building, two main conduits start, one running through the alley to York street, thence north on York street to Richmond street.

The other main conduit runs south on Bay street to Wellington street.

I have designated these two main conduits, as main conduit number 1, being the conduit leading to Richmond street.

Main conduit number 2, being the conduit extending to Wellington street.

Main conduit number 1 will have a capacity of 42 ducts and main conduit number 2 will have a capacity of 24 ducts.

In addition to these 66 ducts entering main office, there will be numerour other ducts diverging from central office for distribution of cables and wires within the 1,000 ft. circle.

Conduit number 1 divides at corner of Richmond and York streets, running east and west, and extending from Soho street on the west, to Ontario street on the east; this conduit is designated hereafter as main sub-conduit No. 1.

This conduit has tributaries extending from it, and designated herein as sub-conduits.

6th. CAPACITY OF MAIN SUB-CONDUIT ON RICHMOND STREET.

From York street to McCaul street	18	ducts
" McCaul street to Soho street	12	"
" York street to Church street	18	"
" Church street to Jarvis street	12	"
" Jarvis street to Ontario street	6	"

Sub-conduit No. 1, extending on Church street, from Richmond street to Bloor street, and has a capacity of 6 ducts.

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Sub-conduit No. 2, extending from Richmond and Bay streets to Queen street, thence west to Elizabeth street and alley; thence on St. Joseph street to Chapel street; thence north to Bloor street, 12 ducts.

Sub-conduit No. 3, extending on McCaul street, from Richmond street to College avenue, 6 ducts.

Sub-conduit No. 4, extending on Soho street, from Richmond street to Bulwer street, on Bulwer street, to Huron; thence north on Huron to Arthur, 12 ducts.

From Arthur street to Bloor street, 8 ducts.

Sub-conduit No. 5, extending on Victoria street from Richmond street to West King street, 4 ducts.

Sub-conduit No. 6, extending on Church street from Richmond street to Wellington street, 4 ducts.

Sub-conduit No. 7, extending on Simcoe street from Richmond street to King street, 4 ducts.

7th. Main Sub-conduit No. 2, extending on King street from Spadina Avenue to Simcoe street.

On Simcoe street from King to Wellington street.

On Wellington street from Simcoe to Market streets.

The capacity of main sub-conduit No. 2.

On Wellington street from Bay street to Market street, 12 ducts.

On Wellington street from Bay street to Simcoe street, 12 ducts.

On Simcoe street from Wellington street to King street, 12 ducts.

On King street from Simcoe street to Spadina Avenue, 8 ducts.

There are three sub-conduits extending from main sub-conduit No. 2.

Sub-conduit No. 1, extending on Simcoe from Wellington to Front streets, 4 ducts.

Sub-conduit No. 2, extending on Spadina avenue from King street to Front street, 4 ducts.

Sub-conduit No. 3, extending on Spadina avenue ,from King street to Queen street, 4 ducts.

Sub-conduit No. 4, extending on Bay street from Wellington to Front street, 4 ducts.

In addition to conduits herein described, necessary laterals and feeders to the cable poles in the different blocks, connecting the various feed poles with the conduit system.

MANHOLES.

I have divided the manholes into the following classes. a, b & c (see drawings and specifications attached, for manholes).

On the two main conduits, the special manhole is used, and on the main sub-conduits, the class 'a' manhole is used.

On the sub-conduits, the class 'b' manhole is used.

On laterals and feeders in alleys, the class 'c' manhole is used.

UNDERGROUND CABLES.

In main conduit No. 1, extending from terminal in subway to Richmond and York streets, there will be 23,100 pair cables, known as main cables; three of those cables extending from said manhole at Richmond and York streets, east of Richmond street to Church street; thence north on Church to Bloor.

Three of these cables extending from manhole on corner of Richmond street and York to Bay street, thence north to Queen street. On Queen street to Elizabeth street; thence north on Elizabeth around the off-set on St. Joseph, continuing north in conduit to Bloor street.

Two cables will extend from conduit at Richmond and York streets, east on Rich-

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APPENDIX No. 1

mond to Church street, thence north, distributing in the different blocks between Richmond and Bloor streets.

Two one hundred pair cables extending from corner of Richmond and York streets to Bay street, north on Bay street to Queen street; west on Queen street to Elizabeth, north on Elizabeth around St. Joseph, continuing north through conduit to Bloor street, and used for local distribution in different blocks between Queen and Bloor streets.

One cable extending from corner of York and Richmond streets, east to Victoria street, and thence south on Victoria street.

Three cables extending from manhole, corner of York and Richmond streets, east on Richmond to Jarvis street, continuing east around off-set to cable pole on Ontario street.

From manhole, corner of Richmond and York streets to McCaul street, thence north on McCaul street to College avenue, 1,100 pair cable.

One 100 pair cable from manhole, corner of Richmond and York streets, west on Richmond to Soho street, north on Soho to Balwer, west on Balwer to Huron, thence north on Huron to Arthur.

Three cables from manhole, corner of York and Richmond streets, west on Richmond to Soho, north on Soho to Bulwer, west on Bulwer to Huron, thence north on Huron to Bloor.

One cable extending from manhole, corner of Richmond and York, east on Richmond street to Jarvis street for local distribution between the said points.

One cable extending from corner of Richmond and York streets, east on Richmond street to Victoria for distribution from that point.

One cable extending from manhole, corner of Richmond and York streets, west on York street to Soho, used for local distribution.

One cable divided and extended both ways from manhole, corner of Richmond and York streets, a distance of one thousand feet each way, and used also for local distribution.

In main conduit No. 2, extending from the centre of distribution to corner of Wellington and Bay streets, 17 cables.

Four cables extending on Wellington street from Bay street ,east to Market street.

Four cables extending west on Wellington street from Bay street to Simcoe street, north on Simcoe to King street, west on King to Spadina avenue, two cables ending at this point.

One cable extending north on Spadina avenue to Queen street.

One cable extending south on Spadina avenue to Front street.

One cable extending from Wellington and Bay streets east to Church street for local distribution.

Two cables extending from Bay and Wellington south to Front street.

One cable extending from Bay and Wellington streets west to Simcoe street, north on Simcoe street to King street, west on King street to Spadina avenue for local distribution.

One cable extending from manhole, corner of Bay and Wellington streets east to Front street, for local distribution.

Two cables from Bay street, extending in laterals and feeders for the district south of Wellington street, between Church and Simcoe streets, for local distribution.

The average length of each of these two cables is twelve hundred feet from point of distribution.

Five cables radiating as shown on drawing to different points within the two thousand feet circle for local distribution.

These cables too, average a thousand feet in length.

Mr. C. H. RUST.

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DISTRIBUTION OF POLE LINES.

Main Pole Line.

(1) Out West Bloor street, 3 miles. lateral and spur lines, 4 miles; total, 7 miles.
(2) Out Arthur street, 2½ miles; laterals and spur lines, 4 miles; total, 6½ miles.
(3) Out West Queen street, 2½ miles; laterals and spur lines, 3½ miles; total, 5⅞ miles.
(4) Out West King street, 1½ miles; laterals and spur lines, 2½ miles; total, 4 miles.
(5) Out Huron street, ½ mile; laterals and spur lines, 1 mile; total, 1½ miles.
(6) Out Bloor street and College, ½ mile; laterals and spur lines, ¾ mile; total, 1¼ miles.
(7) Out Church street, ½ mile.
(8) Out East Queen street, 3 miles; laterals and spur lines, 4½ miles; total, 7½ miles. (N.B.—Very heavy lead.)
(9) Out Wellington and Front streets, ¾ mile; laterals and spur line, ¼ mile; total, 1 mile.
(10) Out McCaul street, ⅝ mile; spur line, ⅛ mile; total, ¾ mile.
(11) At foot of Brock, Simcoe and Bay streets, ⅛ mile each for dock distribution; total, ⅜ mile.

Total of main lines	14⅞ miles.
Total of lateral and spur lines	22½ "
Grand total of pole lines	37⅜ "

SWITCHBOARDS AND INSTRUMENTS.

The switching apparatus to be used according to this estimate is the same as the apparatus used by the Detroit Telephone Company, and is what is known as the Automatic Transfer system, manufactured by the Detroit Switchboard and Telephone Construction Company.

The instruments to be used according to estimate are the regular long-distance instruments used by the Detroit Telephone Company, and manufactured by the Detroit Switchboard and Telephone Construction Company.

ESTIMATED COST OF UNDERGROUND SYSTEM.

Itemized statement for laying conduit :—

Excavation	·03c	per single	duct foot.
Conduit	·0850	"	"
Repaving	·02	"	"
Concrete	·035	"	"
Hauling away	·01	"	"
Supervision and engineering	·01	"	"
Labour	·02	"	"
	·21c		

476,664 lineal feet of single duct conduit at 21 cents, $100,099.44.

Mr. C. H. RUST.

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Manholes.

7 special manholes at $102	$ 714	
32 class A manholes at $70	2,240	
63 class B manholes at $45	2,835	
100 class C manholes at $25	2,500	
	$8,289	
Total cost		8,289 00
Total cost of underground system		108,388 44

Underground cable estimated cost:—

Total feet of 100 pair cable 215,264 at 43c	$ 92,563 52
Total feet of 50 pair cable, 3,750 at 27c per ft.	1,012 50
Total feet of 25 pair cable, 9,000 at 20c	1,800 00
Total feet of 15 pair cable, at 16c	792 00
Total feet of 10 pair cable, 3,750 at 11c per ft.	412 50
16 miles, 50 pair cable, aerial	23,000 00
Total cost of cable	$119,580 52

Pole Lines.

Estimated cost—

600 50 ft. poles at $6.75	$4,050 00	
220 40 ft. poles at $2.90	638 00	
700 45 ft. poles at $4.90	2,800 00	
143 40 ft. poles at $2.90	414 70	
500 30 ft. poles at $1.30	650 00	
	$8,552 70	
Total cost		$8,552 70
Setting and framing	$1,000 00	
2,163 poles at $2 each	4,326 00	
Painting at $1 each	2,163 00	
4,000 brackets at $6 per 1,000	240 00	
15,000 knobs at $8 per 1,000	120 00	
9,000 10 pin at $27 per 1,000	2,430 00	
65,000 insulators	780 00	
Guy wire, 25 miles at $4.60	115 00	
20,000 ft. strand at 2 cts	400 00	
Guying	2,000 00	
Cable box work—		
13 large poles at $60	780 00	
143 small poles at $20	2,860 00	
Wire—		
3,500 M. No. 14 iron wire put up at $5.00	18,500 00	
60 miles copper wire at $30	1,800 00	
Total cost of pole construction		$46,066 70

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Switchboards.

Main—		
1—4,500 capacity set up in exchange at $20	$90,000 00	
Wiring	15,000 00	
Lightning arrestors	1,500 00	
Distribution	5,000 00	
Terminals	2,000 00	
Storage batteries and power room	2,000 00	
		$115,500 00
Two sub-stations—		
1,000 line at $8		$8,000
Wiring		1,000
Lightning arrester		700
Distribution		1,000
Terminals		700
		$11,400
		2
		$22,800
Reconstruction of building		$2,000
6,000 long distance telephones complete at $12		72,000

RECAPITULATION.

Underground conduit	$100,099 44
Manholes	8,289 00
Cables	119,580 52
Pole lines	46,066 70
Switchboard (main)	115,500 00
Switchboard (subs)	22,800 00
Instruments	72,000 00
Labor—	
General construction of plant	72,000 00
Incidentals	10,000 00
Engineering and supervision	15,000 00
Repairs on building	2,000 00
Total	$581,335 66

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APPENDIX No. 1

THE DETROIT SWITCHBOARD AND TELEPHONE CONSTRUCTION COMPANY, DETROIT, MICH.

DESCRIPTION OF UNDERGROUND SYSTEM.

Approximate amount of earth excavated on 45,342 feet of trench 3-ft. x 3-in., with allowance of excavation of 102 manholes, different sizes, 15,197 cubic yards.

Distribution of Conduit and Cable.			Distance.	No. of Ducts.	Lineal Feet Six Duct Conduit.	Lineal Feet Four Duct Conduit.	No. of Cable 100 pr.	Lineal Feet Cable 100 pr.
Along	From	To						
Alley	Central	York	700	42	4,900		23	16,100
York	Pearl	Richmond	700	42	4,900		23	16,100
Richmond	York	Simcoe	500	18	1,500		6	3,000
"	Simcoe	McCaul	640	18	1,920			3,840
"	McCaul	Soho	1,000	12	2,000		5	5,000
Soho	Richmond	Bulwer	500	12	1,000		4	2,000
Bulwer	Soho	Huron	250	12	500		4	1,000
Huron	Bulwer	Arthur	2,000	12	4,000		4	8,000
"	Arthur	Bloor	4,000	8		8,000	3	12,000
E. Richm'd	York	Bay	900	24	3,600		15	13,500
"	Bay	Victoria	966	18	2,898		11	10,626
"	Victoria	Church	484	18	1,422		8	3,872
"	Church	Jarvis	650	12	1,300		3	1,950
Jarvis	Richmond	Duchess	130	6	130		3	390
Duchess	Jarvis	Ontario	1,500	6	1,500		3	4,500
Church	Richmond	Bloor	6,500	6	6,500		3	21,000
Bay	"	Queen	250	18	500		5	1,250
Queen	Bay	Elizabeth	525	12	1,050		5	2,625
Elizabeth	Queen	St. Joseph	4,800	12	9,600		3	16,000
St. Joseph	Elizabeth	Chapel	5 5	12	1,050		3	1,575
Chapel	St. Joseph	St. Mary's	582	12	1,164		3	1,746
St. Mary	Chapel	North	90	12	180		3	270
North	St. Mary	Bloor	800	12	1,600		3	2,400
McCaul	Richmond	College	3,400	6	3,400		1	3,400
Victoria	"	W. King	900	4		900	1	900
Church	"	Wellington	1,350	4		1,350		
Simcoe	"	W. King	900	4		900	1	900
Bay	Central	Wellington	650	24	2,600		17	11,050
Wellington	Bay	Church	1,420	12	2,840		6	11,360
"	Church	Market	450	12	900		5	2,250
"	Bay	Simcoe	1,580	12	3,160		8	14,140
Simcoe	Wellington	W. King	450	12	900		5	2,250
W. King	Simcoe	Spadina	2,200	8		4,400	5	11,000
Simcoe	Wellington	Front	450	4		450	1	450
Spadina	W. King	"	1,000	4		1,000	1	1,000
"	"	Queen	1,100	4		1,100	1	1,100
Bay	Wellington	Front	500	4		500	1	500
			45,342		67,044	18,600		209,044
Deduct for manholes					775	220		
Total conduit (6 duct)					66,269			
Total conduit (4 duct)						18,380		
Allow for slack and splices								1,180
Allow for 100 pr. stubs from exchanges								5,000
Total feet pr. cable								315,264

There will be 13 main pole leads.

There will be 143 block distribution poles.

For distribution stubs there is estimated:—

25 fifty pair cables, average 150 feet long 3,750

60 twenty-five pair cables, average 150 feet long 9,000

33 fifteen pair cables, average 150 feet long 4,950

25 ten pair cables, average 150 feet long 3,750

Cable from subway to terminal room not estimated above.

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Exhibit No. 165a.

REPORT RE PROPOSED MUNICIPAL PLANT.

CITY ENGINEER'S OFFICE,
September 12, 1900.

To His Worship the Mayor and Members of the Council of the Corporation of the City of Toronto :

GENTLEMEN,—In compliance with the resolution of the council of the 9th instant, ordering the city engineer to prepare and submit to council an estimate of the probable cost of installing and operating a telephone system of from 6,000 to 10,000 subscribers, I beg to submit the following estimate :—

In preparing these estimates I have assumed that underground work would be used in that section of the city between Bloor street on the north, the bay on the south, Spadina avenue on the west, and Sherbourne street on the east.

The cost of installing a system for 6,000 subscribers would be approximately $675,000. The annual cost of operation, including depreciation at 5 per cent and interest at 3½ per cent, would be approximately $120,000.

The approximate cost of a system for 10,000 subscribers would be $1,200,000. The annual cost of operating a plant of this capacity, including interest and depreciation, would be approximately $205,000.

These estimates are based upon a common battery switchboard which is, I understand, considered the most modern one, and is coming into general use. I have, however, recently heard that there is in operation, in a small town in Ohio, what is known as the automatic system, that is, no operators are required. If this is successful it would very much reduce the operating expenses, and it might be advisable to further investigate this system.

C. H. RUST,
City Engineer.

C. H. RUST'S ESTIMATE—TELEPHONE PLANT.

6,000 Subscribers.

	September, 1900.
Underground conduits	$120,000
Manholes	8,500
Cable	120,000
Switchboard	155,000
Instruments	75,000
Pole line	65,000
Labour—Construction of plant	70,000
Building	35,000
Engineering	15,000
Contingencies	12,000
	$675,500
Operating Expenses—	
Manager	$ 2,500
Secretary and treasurer	2,000
Superintendent	1,800
Bookkeepers	2,200
Collectors	2,500
Operators	28,000
Foreman	800

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APPENDIX No. 1

Operating expenses—*Continued.*	
Six linemen	3,600
Nine inspectors	5,400
Contingencies, &c.	12,000
Livery	1,000
Light and heat	1,500
	$ 63,300
Depreciation	33,750
Interest at 3½ per cent	23,625
	$120,675

Exhibit No. 165b.

ESTIMATE OF COST OF TELEPHONE EXCHANGE SYSTEM OF 6,000 SUBSCRIBERS.

Capital Expenditure—		
6,000 lines at $125		$750,000
Annual Revenue—		
6,000 subscribers at $24		$144,000
Annual Expenditure—		
Working expenses	$56,340	
5 per cent depreciation	37,500	
4 per cent interest	30,000	
Rent, heat and light	5,000	
		$128,840

NOTE.—This estimate provides for one operator per 80 subscribers, and an addition of two-thirds for relief; I am satisfied, however, that with a common battery system, one operator can easily attend to 100 lines.

The salaries of the Bell company's operators average less than $17.50 per month, whereas I have allowed $20.

I have also allowed a higher figure than the 'Bell' for the salaries of inspectors and linemen.

F. DAGGER.

September 6, 1900.

ESTIMATED COST OF WORKING A TELEPHONE EXCHANGE SYSTEM OF 6,000 LINES.

1 manager	$ 2,000	
1 chief inspector	1,500	
1 wire chief	1,000	
2 sub-wire chiefs	1,440	
12 inspectors at $50 per month	7,200	
10 linemen at $50 per month	6,000	
130 operators at $20 per month	31,200	
Clerical labour	6,000	
		$56,340

Six thousand subscribers at an average rental of $24 would produce an annual revenue of $144,000.

NOTE.—10,000 subscribers, add $34,000.

C. H. R.

Mr. C. H. RUST.

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ESTIMATE OF COST OF TELEPHONE EXCHANGE SYSTEM OF 10,000 SUBSCRIBERS.

Capital Expenditure—		
10,000 lines at $125		$1,250,000
Annual Revenue—		
10,000 subscribers at $24		$240,000
Annual Expenditure—		
Working expenses	$90,000	
5 per cent depreciation	62,500	
4 per cent interest	50,000	
Rent, heat and light	7,500	
		$ 210,000

NOTE.—The remarks made on the estimate for 6,000 lines regarding the number of operators and salaries also apply here.

F. DAGGER.

September 6, 1900.

By Mr. Aylesworth:

Q. What capacity did you occupy in the city service in 1896?—A. I was deputy city engineer.

Q. And in that office you would have nothing to do with matters of renewing a contract or making a contract between the Telephone Company and the city?—A. The matter was discussed——

Q. Would you have anything to do with it?—A. Mr. Keating referred all those matters to me.

Q. Would Mr. Keating or his department have anything to do with such a subject?—A. Yes, the department is constantly asked to report upon all these subjects.

Q. Was he asked to report upon renewing this contract?—A. I do not think he was.

Q. All you know is a matter of conversation in your office, or it might be on the street?—A. I had a conversation, I think, once with Mr. Dunstan.

Q. And is it from that you are able to say or you understand the Bell Telephone Company are unwilling to renew?—A. Yes.

Q. Did Mr. Dunstan tell you anything else than this, that that contract had not been a paying contract for the company, but on the contrary a very burdensome one, and they would not renew on those terms?—A. That is what I was going to say. The company refused to renew because the contract was not to their advantage.

Q. They did not take the position they would not make a contract?—A. No.

Q. They would not renew that contract?—A. Yes.

Q. The company's statement was that it was a very onerous contract to them?—A. Yes, I understood that from the conversation with Mr. Dunstan.

Q. Then you became city engineer in 1898?—A. Yes.

Q. Having before that been for some time assistant?—A. Yes.

Q. Had it been the policy of your department or the city as represented by the engineer's department to favour the placing of wires underground?—A. Yes.

Q. As a matter of engineering it is better?—A. Oh, yes.

Q. And to what extent comparatively has the Bell Telephone Company buried its wires in Toronto?—A. They have a great deal of underground work.

Q. Is there any other company using wires for any other purpose, that is in comparison, to the same extent?—A. The electric light company have a great deal of underground work.

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APPENDIX No. 1

Q. But nothing like the Bell Telephone Company?—A. Not to the same extent; of course they do not use the underground.

Q. How would the extent of the mileage that the Bell Telephone Company has underground compare with the amount of overhead mileage?—A. I have a statement here.

Q. Well, I am told that there are two miles of underground for every mile of overhead?—A. That is of wires.

Q. That is what I understand. You will verify that, will you?—A. That is only the statement I have received from the Bell Telephone Company.

Q. Have you any reason to doubt it?—A. No.

By Mr. Dewart:

Q. What is the meaning of 'wires?'

By Mr. Aylesworth:

Q. Wire mileage. Will you look at this plan and tell me if this represents correctly the streets in the city where the wires are underground—perhaps you need not examine it too critically but I am sure—take your time about it—it is given to me as being correct. You can verify that?—A. That appears to agree with the statement that I have here, looking at it, and roughly of course, it will take some little time to compare it with the memorandum I have, but it appears to be all right.

Q. It is about right. I should have stated that in order to be absolutely accurate this includes some streets on which there are no poles. I do not want to convey a wrong impression but this does include some districts where there are no overhead poles on any of these streets. Then Bloor street is one of those streets?—A. That is there are underground works on.

Q. There are no poles on Bloor Street, do you not know that?—A. From Brunswick to Huntley there is underground work.

Q. That is the bulk of the street?—A. Well, no it is not the bulk of the street.

Q. I do not know, it is in the heart of the city, where the mayor lives, I suppose that is in the centre of the city?—A. Of course Bloor Street runs a long distance west of Brunswick avenue.

Q. Yes, I suppose it runs all the way to Lake Huron. But with regard to the settlements or residential quarters, Brunswick to Huntley is practically the whole street?—A. It is a residential quarter.

Q. Practically the whole street?—A. Not the whole street.

Q. There is not the same bulk east of Huntley?—A. No, but west of it.

Q. West of Brunswick Avenue there may be smaller houses to the city limit, but it is pretty sparsely inhabited?—A. No, it is well built up, there are some large blocks along the line.

Q. The distance from Brunswick Avenue to Huntley would be a mile or more?—A. Yes, over a mile.

Q. A mile and a quarter, or over a mile anyhow?—A. 7,800 feet.

Q. There are no poles on that street?—A. No.

Q. Where abouts on that street was it that there was trouble over a pole, leading to this litigation?—A. My recollection is it was in the neighbourhood of Yonge Street.

Q. There are no poles there?—A. Not now.

Q. But there were not in 1901?—A. I have the impression that there were some poles on Yonge street in 1901.

Q. Is it not a fact that you were instructed to object to the opening of the street for the very purpose of bringing on litigation in order to test the question as the mayor wanted it?—A. I could not say that, probably it was. I received orders.

Q. To withhold consent, to refuse?—A. Yes.

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Q. Was Madison Avenue the place, do you think?—A. It may be, I have an impression that it was; I may be wrong.

Q. Did you have any objection from any person on Madison Avenue?—A. Underground or poles? We very often get objections.

Q. Madison Avenue, please, I live on that street?—A. The people in any case object to poles.

Q. Did any one on Madison Avenue object?—A. I cannot say they did.

Q. Then have you had any difficulty whatever as to not restoring any street that had been opened?—A. No, they do their work very well.

Q. The streets are restored by your workmen at our expense?—A. We resurface the pavement at their expense, they pay for it.

Q. The city does the work and charges it up to the company?—A. Yes.

Q. Has there been any instance, can you tell me, where they have proposed to open a street that you objected and suggested an alternative route and they refused to adopt your suggestion?—A. I have it in my mind there was one instance that is all.

Q. Can you tell me the street?—A. I cannot tell you the street.

Q. You cannot tell me, how long ago was that?—A. Four or five years ago.

Q. You cannot tell me the street at all so that I might make an investigation?—A. No, I cannot, I am not positive about it.

Q. Is that the only instance you have in your mind?—A. That is the only instance.

Q. Then they have to move their poles, I suppose?—A. The principal reason for moving the poles is where we are moving the sidewalk.

Q. If they change the sidewalk our poles may have to be moved?—A. Yes.

Q. Do they ever object to that?—A. No, except on Bernard Avenue, I think.

Q. There was some difficulty in regard to Bernard Avenue, was there?—A. Yes.

Q. That was an objection to a second moving I am told?—A. It might have been.

Q. They had first located the poles, and then, they had to put them out to where you said they should go, and then after they had done that, they objected to moving the poles again a second time?—A. Yes.

Q. With that exception they have never objected to moving them when the city improvements rendered it desirable in your opinion that they should be moved?—A. No.

Q. And they have done it at their own expense?—A. At their own expense.

Q. Have you any knowledge as to how much it has cost them the last three or four years for this work?—A. It must have cost them considerable money, I cannot give the amount.

Q. I have been told that it is $5,800 in the last three or four years. You cannot say that?—A. No.

Q. They are not under any statutory compulsion to do that?—A. No.

Q. What grievance has the city against the company?—A. Principally that we should control our streets, that no corporation should have the right to say that they can occupy our streets without our consent.

Q. Can you give us any single instance where they have abused the right, where parliament has given them that right?—A. Probably there are some streets where they have put poles on.

Q. Give me any instance where they have done so.—A. Probably there are some streets they have put poles on that we would not have given them the right to go on if they had not had it from parliament.

Q. Can you give me any instance?—A. I cannot give you any particular instance but there are cases I know.

Q. That will do me.

By Mr. Maclean:

Q. Has there not been innumerable cases where the city of Toronto streets have been ripped up by the Bell Telephone Company?—A. To put underground work in

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Q. And to the inconvenience of the public?—A. Certainly, and it is a detriment to the pavement of course.

Q. And as a matter of fact if the city had protested under the present law, would they have any redress?—A. I was going to say referring to the matter of poles that we have had several complaints from citizens about poles being put upon streets by the Bell Telephone company people where probably we would not have allowed the poles to be placed if we had the right to control our streets.

By Mr. Aylesworth:

Q. Do you mean as to the location of some particular poles on some particular streets or do you mean the going on that particular street at all.—A. I mean going on that street at all. I will give an instance, a short time ago on Langley Avenue for instance there was a great deal of opposition to the Bell Telephone company putting poles there.

By Mr. Maclean:

Q. But streets have been ripped up repeatedly after they had been put down?—A. Yes.

Q. Did you ever hear the chief of the fire department complain of the difficulty of getting to fires because of the streets being ripped up?—A. He complains more of the overhead wires, I think.

Q. Did you ever hear him complain of the trenches?—A. I may have heard him complain of the trenches blocking the way.

Q. In the city of Toronto, in which you suffer from the Bell Telephone Company opening up your streets, there is also the electric light companies, and who else—the gas company—who open the streets?—A. There is the Bell Company and the electric light company.

Q. There are two electric light companies ploughing up your streets practically all the time.

By Mr. Johnston:

Q. Coming back, so that the Committee shall have a clear view of this question as to the tearing up of the streets, the question the Committee should ascertain is, whether this tearing up of streets is done in opposition to the wishes of the city council of Toronto?—A. As I said just now, referring to the poles, there are some streets probably upon which poles have been placed, which the city council would not have sanctioned.

Q. For a moment confining our attention to the question of tearing up the streets, which appears to be the principal thing, has the city council protested against the opening up of the streets? Have they requested the Bell Telephone Company to desist from opening up streets, and have the Bell Telephone Company refused to comply with their request?—A. In the first place, it was no good protesting.

Q. That is not the question. The question is, has the city council protested?—A. I do not know that they have protested. Anyway, as I said just now, it is no use protesting.

Q. That is not the question. The question is, that in no instance has the Bell Telephone Company opened up a street in the city of Toronto in opposition to the wishes of the city council?—A. I cannot speak fully for the city council.

By Mr. Dewart:

Q. Have you had the oportunity to protest?—A. No, we have not had the opportunity.

The CHAIRMAN.—An alderman of the city of Glasgow was here and stated to this Committee that they had full control of their own streets as to the opening of them,

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and he said that control was an essential part of the good government of the city; that the city should be supreme in the opening up of their streets, and that when there was an opening required by one company, all the other companies were notified that they would have an opportunity at that time of doing any work they required, and in that way the best control of the streets can be secured.

The WITNESS.—I was going to say that if we had control of our streets, we could probably arrange for these companies to open one trench and put all their pipes in.

By Mr. Johnston:

Q. Coming to that now, you have made a proposition to the Bell Telephone people along this line, that they should open one street or one trench, in common with the other companies, and the Bell Telephone Company has refused that?—A. I know the Bell Telephone Company object to putting their wires in the same trench with the electric light company wires, because they claim it may damage their wires.

Q. The question is, have you made that offer to the Bell Telephone Company?—A. I haven't any authority to make that offer.

Q. I am certainly desirous of ascertaining, on behalf of the Committee, to what extent the city of Toronto controls its streets, and, for all practical purposes, the city of Toronto does control its streets, does it not?—A. I do not agree with you.

Q. Well, then, you will be able to give the Committee specific instances of cases where the Bell Telephone people have gone on the streets of the city of Toronto in opposition to the wishes of the city council?—A. As I have said just now, it is no good offering any opposition.

By Mr. Bergeron:

Q. Before that decision was given, last November, the city of Toronto insisted previous to that that it had control of its streets?—A. Well, I was going to say they contended they had, of course.

Q. Am I not right in saying that the city of Toronto assumed previous to last November that it had control of its own streets, as against the Bell Telephone people?—A. We only assumed that the last two or three years. The present mayor brought them to assume that.

Q. Do you know of an instance, previous to 1891, of the Bell Telephone people going upon the streets in direct opposition to the wishes of the city council—previous to last November?—A. I was saying just now that there was one case; I am not certain about that, but I am under that impression, that four or five years ago there was one or two cases.

Q. But you are not in a position to say to the committee that previous to last November there has been an instance of the Bell Telephone people going upon your streets without your consent?—A. No, I am not prepared to say so.

Q. I think the committee is right in assuming that previous to last November you did assume, you did consider, you had control of your streets?—A. No, the city council, as I said just now, the mayor took that ground, and that is the reason we went before the courts to have the matter settled.

By Mr. Dewart:

Q. As a matter of fact the city's protest was made in 1901 when the litigation began. Then in 1901, in 1902, in 1903 and 1904 until the decision of the Privy Council. How did the Bell Telephone Company get access to the streets in each case?—A. They made application, and the city considered each case on its merits afterwards.

Q. During the time the city was ascertaining its rights you were protesting all the time? And agreements were made in each case where they desired to have access to the streets?—A. Yes; I will just give you an instance. In 1904 the Bell Telephone Company, according to our record, only erected 113 poles, and then since the decision

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of the Privy Council has been given, this year, up to date, they have already erected 324 poles.

Q. Just one question further. During that period in reference to the city re-surfacing pavements that had been ripped up, the city did the work?—A. Yes.

Q. You said the city had no opportunity to protest?—A. None.

Q. When you re-lay or re-surface an asphalt pavement is it possible to make it as good a job as it was before?—A. No.

By the Chairman:

Q. Did I understand you to say that the Electric Light Company, the Gas Company and the Telegraph Company have the same privilege as the Bell Telephone Company in regard to the use of your streets?—A. The Toronto Electric Light Company have the right to use the streets, and the Gas Company has. Of course the Telegraph Company have no underground work at all; it is all overhead.

By Mr. Dewart:

Q. Has the Incandescent Company the same right?—A. I do not know. We can produce these contracts.

By the Chairman:

Q. It is not a matter of statutory power?

Mr. AYLESWORTH.—No, it is a matter of contract.

The CHAIRMAN.—The Electric Light Company have the power to go on the street.

Mayor URQUHART.—The Electric Light Company is under agreement with the city for street lighting, and under that agreement has the right to erect poles.

The CHAIRMAN.—Under that agreement they have the power to set up poles in the city?

Mayor URQUHART.—Yes, under the engineer's direction; they have to make application.

By Mr. Chrysler:

Q. I think you say the telegraph companies have no right to place works underground. The G.N.W. and the C.P.R. Telegraph Companies have statutory rights; they stand upon the same footing as the Bell Telephone Company.

The WITNESS.—Yes, I believe the provisions in the Bell Telephone Company's charter are similar to those of the telegraph companies.

By Mr. Aylesworth:

Q. I think you attended, under instructions from the city, and in your official capacity, a telephone convention in Detroit in September, 1897?—A. Yes—I do not know that I was there at the convention, but I was at Detroit to get some information.

Q. You made an examination into the subject?—A. Yes.

Q. And on your return you made a report, did you?—A. Yes, sir.

Q. What purports to be a copy of it is in my hand. As a result of your visit there, and from conversations with a number of telephone people, it would be almost impossible, as long as the Bell Telephone Company in this city maintain their present rates, to successfully establish an opposition company. Is that the result of your observations?—A. Yes.

Q. And that, if they increase their rates, there would be no difficulty in forming a new company, provided we could get local men in the city to take hold of its formation?—A. Yes.

Witness discharged.

Mr. C. H. RUST.

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Mayor URQUHART, recalled, made the following statement:—From 1891 to 1896 the streets of the city of Toronto were opened up and poles were put up under an agreement between the city and the Bell Telephone Company. From 1896 down to 1901 we were advised that we did not have the right to control. It was in 1901 that the information was first given to the city that we had the right to control our streets, and in 1901 we protested against the Bell Telephone Company going upon our streets without our consent, and in every case since then we have insisted upon having a special agreement in regard to every street that was opened up. Since the decision of the Privy Council, they have been going on our streets simply by notifying us of their intention to do so.

Committee adjourned until 4 p.m.

TUESDAY, May 23, 1905.

The Committee resumed at 4 o'clock p.m., Sir William Mulock in the chair.

The CHAIRMAN.—This appointment is fixed to hear representatives of the Municipal Union of Canada. The Committee are now prepared to hear them.

Mr. W. D. LIGHTHALL.—Mr. Chairman, I represent the Union of Municipalities to some extent, and have with me here counsel for the cities of Toronto and Montreal and Ottawa, who represent the large cities in the union. They are particularly affected by the questions raised in connection with the control of the streets. I understood from the letter received from the secretary of the committee addressed to myself a short time ago, that the question on which we were expected to address the committee to-day was this matter of the control of the streets particularly, and I have come here with the endorsement of the president, the executive committee, and generally the members of the association. Now, with regard to this question of street control——

Mr. MACLEAN.—Just for a moment. How are we to proceed then? We are to hear you and the others with you, and then hear the other side. Is that the proposal, Mr. Chairman?

The CHAIRMAN.—You propose to argue that the streets should be left under the municipal control. Is that it?

Mr. LIGHTHALL.—That is the principle I would say a few words on. I do not think it requires a tremendous amount of explanation, Mr. Chairman.

Mr. MACLEAN.—How many are to be heard?

Mr. LIGHTHALL.—After opening this question in general, it is understood between ourselves, if the committee will permit it, that counsel for the city of Toronto should be heard as to the special conditions in which Toronto is affected on this phase of the question, and after that the cities of Montreal and Ottawa, should I suppose, concur. That is practically what it will amount to, a statement of concurrence I understand.

Mr. MACLEAN.—Do the Bell people wish to be heard?

Mr. AYLESWORTH.—Yes.

Mr. MACLEAN.—Are we going to finish hearing them this afternoon?

The CHAIRMAN.—This is a point which I think we might very advantageously give a little time to.

Mr. LIGHTHALL.—On the question of street control we do not intend to go into details of the cases that have been argued on this point, but rather to explain as practical municipal people the extent of this question and the manner in which it affects the rights of the citizens of the communities which we represent. We consider that the absolute control of the streets of a municipality, particularly of those which are large and complex, is an enormously important right affecting the lives, the rights and

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so forth in many ways of the citizens of these great communities. We also submit that there is no other form of arrangement, except the complete control of the local franchises, the complete control of the streets by the municipality, which will secure the absolute rights which belong to them, at least which will fulfil the same end. All sorts of expedients have been proposed except this complete control, this home rule which was expressed by the clause occurring now in many charters imposing the consent of the municipality to enter and do business within it. All sorts of other devices have been proposed in the course of such legislation which has not a practical effect in protecting the people. The first matter in which the large municipality particularly is affected is the destruction of pavements, the entry without the permission of the people on valuable asphalted and other pavements belonging to the city, and the destruction of a large amount of valuable property. Now, our city engineers tell us, and we can easily see for ourselves, that these pavements cannot be replaced, cannot be put in the same condition, and do not remain in as good condition, no matter what we do to them, as the balance of pavements that have not been ripped up. The extent to which this has been done by the larger companies is very large. There was, for instance, an attempt a short time ago by the Bell Telephone Company in the city of Montreal to rip up some three miles of pavement in that city. In the town of Westmount we have had a large extent of pavements ripped up in the same way. Westmount is a part of Montreal, and also has pavements which are made at a good deal of cost. Besides the cost of pavements, there are inconveniences to traffic and a great deal of trouble made to the people in many ways, which are easily imagined, and which has occasioned a great deal of complaint, and a feeling by the people that they are not treated right if this kind of thing is allowed to go on in their streets. There is even occasionally a considerable amount of loss on business streets where the pavements are ripped up for a considerable period, and business and traffic impeded. All sorts of things will occur in connection with this tearing up of the pavement, and all sorts of dirt are thrown into the stores. Now, not only is the question of ripping of pavements concerned in this matter, but poles and wires introduce complications with regard to the fire department. They make sometimes extremely serious fire losses in the case of large fires, and this sort of thing is constantly growing. It is not a matter of to-day alone, but we see the increase of conditions of that kind coming to a point where we can readily imagine that it will become a very much more alarming affair. One of the incidents in connection with that which may be taken as typical was the report of the Provincial Board of Fire Underwriters in connection with the city of Moutrea', who reported to the provincial government that this was a very serious matter to the city, and was the reason why the rates of insurance on buildings throughout the city, or at least the part where the wires are thick, should be raised. Then there is the question of monopoly of space. We find that in a street of the nature of Notre Dame street, Montreal, and other comparatively narrow but very busy and important streets, that the space taken up by conduits of companies like the Bell Telephone Company occupy pretty much the available space of half the street, and that if this principle is permitted to go on there will in the end not be room for other services which ought to be there also. Every year that complication on the streets continues, and it is necessary that the space in our thoroughfares be under the complete control of the municipality if it is to be properly economized. In the city of New York, for example, the boast has been made by the American Bell Company that they control the telephone rate situation, and the telephone situation generally in that city, by controlling the space on the principal streets. That is what we are evidently coming to in these crowded thoroughfares.

Now, another matter on which it is unnecessary to say more than a few words is the question of beautifying our streets. If we are unable to dictate what shall be done with the service of a company like the Bell Telephone Company in our streets, and I do not take it alone as being the Bell Telephone Company, but as representing all over

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Canada, it is a very bad principle of defiance of municipal control, and it is impossible for us to do away with and remove the poles. Poles are very often unsightly and very often when not unsightly in themselves as compared with other poles they are objectionable. The question of beautifying in fact is one of the most frequent causes of complaint by the public in general, although the men who are concerned with other municipal business find that bad as it is it is a comparatively minor affair compared with these other things. But the main reason why control of streets is necessary is that we should have in these municipalities the power of stopping the company at our borders and of making a bargain with them. Otherwise all this class of companies can come in if empowered by other sources, and they tend to unite to form amalgamations and combinations according to the general tendency of the time, and in the end they unite in usually one large trust, that is to say, there is no competition at all. Competition disappears and the rates are at the dictation of such a company. That has been the complaint of a great many of our municipalities with regard to the Bell Telephone Company. That this power of bargaining, this liberty to make commercial contracts with people of that nature, is the most important right that we could have in connection with public lighting and things of that sort, is well illustrated by another example. If we had had such a power in Montreal it would have enabled us to make a reasonable bargain with the Montreal Light and Power Company for the ordinary necessities of the people, and would have protected us from the present great monopoly that we have there. We are charged four times the price in Montreal for light and power in many cases that we ought to be charged, or would be if we had the power to make an ordinary bargain on a commercial basis.

Mr. BERGERON.—I beg your pardon, Mr. Lighthall. As far as the Light, Heat and Power Company is concerned, is that not a province of Quebec matter—putting their poles in the streets? Have we anything to do with that here?

Mr. LIGHTHALL.—I mentioned that, sir, as an illustration of the difficulty of allowing any outside source to interfere with the power of home rule.

Mr. BERGERON.—What do you suggest then in place of that? How can their commodities come into the city, or generally what would you suggest, because these things you are saying now we have heard of before.

Mr. LIGHTHALL.—They would enter the city if they offered the citizens, represented by their council, a sufficiently cheap rate to be attractive to the citizens.

Mr. MACLEAN.—And a continuous regulation by the city as to how they should open the streets.

Mr. LIGHTHALL.—I say cheap rates, because the question of rates is not the only question concerned. There is the question of service and all these other matters as to control, which would be contained in a reasonable contract.

Mr. BERGERON.—Yes, but as to all these commodities you speak of the Bell Telephone Company, as I understand it, is only one which has the federal power of going into any city. Light, heat and power and other companies do not derive their powers from here.

Mr. LIGHTHALL.—Mr. Bergeron, there are also several other companies which have somewhat similar powers. There is the Telephone Company, but among others there is the St. Lawrence Light and Power Company, and there are the telegraph companies and some others. Some which are not in operation, but which might——

Mr. BERGERON.—What is the proposal you make? I understand that the object we have to-day is to receive suggestions. We want to find out what should be done so as to remedy all those evils.

Mr. LIGHTHALL.—The remedy which we respectfully propose to the committee is to impose on all such companies, including the Bell Company as well as any other, is to obtain the consent of the municipalities, to be expressed by by-law before using the local franchise, before using the streets. Of course, the position of the Bell Company is one in which it is endowed with legislative power already. It is more or less

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entrenched and its rights would have to be respected in some way. We would not pretend, I think, that the municipalities should act in a way that is absolutely unfair.

Mr. BERGERON.—If I understand well what you are proposing, is that in the future if a charter is granted to any one of these companies it should not have the right to go into that municipality without the consent of that municipality.

Mr. LIGHTHALL.—Yes, but there is one important modification which has to be made to that, and that is as regards the right of passage. We would not pretend for a moment that a municipality, no matter how much it might be able to prevent a through company which has been granted a charter by the Dominion of Canada on good grounds——

By Mr. Bergeron:

Q. And for the advantage of Canada?—A. Well, whatever it might be, we would not presume to ask that one municipality prevent a through company from going through. What we are speaking of is the consent to use the streets for the local franchise.

By Mr. Maclean:

Q. But you still would contend that even on through wires, or through services, they should still consult the city as to location?—A. Certainly as to location, and should obey all general, local regulations which were fair and reasonable. If these local regulations were not fair and reasonable I suppose the court would set them aside. Such a thing was done in the case of the city of Owen Sound and the Bell Telephone Company.

By Mr. Bergeron:

Q. A few moments ago you were talking about the trouble it causes by digging up the street, the dust that comes out, and so on. Do not the companies generally make compensation for such things, as in the city of Montreal. Of course I am talking under correction, but when the Bell Telephone Company put their wires underground was there not an understanding with the city of Montreal that wherever they were breaking the streets and opening the streets they should put them back in the same condition?—A. In the same condition. And the City Engineer tells us that notwithstanding all they do they cannot put them in the same condition.

Q. Why would not the city surveyor oblige them to do so. He has the law in his own hands?—A. Because doing the best you can, you cannot convert clothes with a tear into good clothes again.

Q. If you had the power to make terms how would you get that done?—A. If we had the power of making terms we could arrange that at the present time. For instance, a new pavement is put down and it is preferable; the next thing we see is that it is ripped up.

Q. That is true, but is it not generally at the request of the municipality the wires are put underground? It seems, as far as I can learn, that in the city of Montreal it was at the demand of the municipality the Bell Telephone Company were obliged to put—we granted permission—to put their wires underground?—A. Not as to time and place. The time and place are chosen by the company, and the city can do nothing.

By Mr. Lewis:

Q. What are the circumstances of the incident in the city of Owen Sound to which you referred?—A. The circumstances, if I remember exactly, the details are something like this: The Bell Telephone Company, if I mistake not, wished to put a wire across a street connecting two offices of its own. The city fell back upon the general provincial law, as it was before the recent decision of the Privy Council in the case of the city of Toronto, and they contended that the Bell Telephone Company had no right to cross the street, must not touch the street under any circumstances, and it

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was held that the by-law was passed with an ulterior object, and not with the object it was purported to have. In other words, it was contended that the city was trying to tax the company and obtain a considerable sum from them for the privilege instead of exercising its powers for any reasonable purpose.

By Mr. Bergeron:

Q. Is there not a danger that the municipality might prevent the object aimed at? —A. Do you mean in the case of a municipality?

Q. Yes, by exacting too much from the company, or in other words a disposition to blackmail the company?—A. I think not for a general service.

By the Chairman:

Q. We will suppose that the Dominion parliament incorporates a telephone company with the right to operate throughout the whole Dominion, and, as it has been decided by law, give it the power practically of expropriation, of utilizing public streets. If a municipality could, without any other tribunal intervening, withhold its consent, it might defeat the object of this legislation. Have you any suggestion to make in the event of a difference between the company and a municipality, as to how that difference can be solved in the public interest?—A. Well, that sort of appeal has been suggested a number of times, Mr. Chairman. We find in it this difficulty that the people in the municipality knowing where they are when they are dealing with their council. They know they have a council which if it does not give them what they ought to have in the way of a business service and connection they can turn that council out. If we go beyond that council, and go for example to the old Railway Committee as was suggested some time ago, or to the Railway Commission, we find that we are dealing with an outside body, and with a body which we cannot turn out. We are not dealing on a business basis, but going to some tribunal which does not know all the facts and is not amenable to local control. We do not know where we are.

Q. Well, is there any provincial body, is there any tribunal, either in the province or throughout the Dominion, which can be trusted to act as an arbitrator in case of a difference between a company and a municipality?—A. Well, Mr. Chairman, we know there are some very good tribunals, at least some are very honourable and straightforward, and many of them would be called good tribunals, whose judgment can be trusted in many things; but in the case of local conditions, of local companies and local business, and so forth, that is a matter to which, in regard to which, we look to our councils. If they are wrong, we know that we can——

Q. Let us try and take a practical view, not a merely theoretical view, of conditions. The Dominion Parliament, or any provincial legislature, in the exercise of its powers, gives companies the right to expropriate without the consent of the owner. A railway incorporated by the province may take the property of an individual, because the scheme is supposed to be in the interest of all the people of the province, and in that event the individual interest must concur. Now, if the individual cannot agree with the railway as to what compensation should be paid him, the local law provides a way in which that dispute can be settled; and throughout the whole of our system of expropriation, throughout the Dominion of Canada, there is legislation to prevent a deadlock, to prevent a municipality standing in the way of a great enterprise, that may perhaps touch a hundred municipalities. One municipality cannot block a great enterprise.—A. That is the very thing I was saying a few moments ago, Mr. Chairman. We do not pretend that one municipality ought to be permitted to block——

Q. I was asking you how you would propose to solve a deadlock like that?—A. We would propose to give any company of this nature, a through company, the right of passage, a single line of passage, through any municipality. We have no hesitation in admitting the right of passage.

Q. Without municipal control?—A. Except as to local conditions. And if there was some general by-law applicable to all electric companies in the municipality, to

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the effect that they should all go under ground, we should expect the company which was passing through to go under ground also.

Q. Well, without going into details, supposing there are some local conditions that the applicant company thinks are unreasonable and unjust, which might be declared to be applicable generally, but which the other side might not think is a fair by-law or regulation, who is to determine its fairness?—A. Well, we think that a clause could be so arranged that a right of passage could be given which would not be subject to any such difficulty, but in any case we would have no objection whatever in agreeing to any tribunal whatever that parliament might think fit to fix the conditions of such right of passage. The Railway Commission, for example, might very properly be chosen.

Q. I thought you were of opinion that it was too far away in most instances?—A. Too far away for the general franchise over the streets of a municipality; but as to the right of passage, that is a different thing.

By Mr. Maclean:

Q. You are not fearsome over that at all?—A. Oh, no, as to the right of passage, we have no objection to an appeal on that, if there is any difficulty about that.

The CHAIRMAN.—Well, take the case of a railway. Take the case of the Grand Trunk Railway Company, that are now expropriating large areas of land in Toronto. If they had no more than the right of general passage through the city, if it could not have been brought within the jurisdiction of the Railway Commission, how would it ever have been able to complete the expropriation necessary for their new union station?

Mr. MACLEAN.—It does so on terms with the city.

The CHAIRMAN.—No, it has to get the consent of the Railway Commission, too.

Mr. MACLEAN.—They cannot take the streets without the consent of the city. I am going to raise that very point. The railways to-day have to get the consent of the city to expropriate the streets.

The CHAIRMAN.—That is a fact.

Mr. ZIMMERMAN.—To go further than that, there was an application by the Hamilton and Brantford Street Railway Company.

The CHAIRMAN.—Pardon me, Mr. Maclean, just to correct you: they have not the right, under the law, to run along the street, but they have the right to cross a street without the consent of the municipality.

Mr. MACLEAN.—But they have not the right to occupy all the streets of the city—it is to cross streets.

The CHAIRMAN.—They have the right at the present moment to interfere with the use of the streets to some extent, if they can get the authority of the Railway Commission.

Mr. MACLEAN.—Yes, I agree with that; but still they cannot occupy all the streets. They are restrained to only taking what they want for general purposes.

Mr. BERGERON.—We must look at this from the standpoint of common sense. Any of these companies that want to go through a municipality, their idea is not to do harm, but to do good, to the public. There must be a way of bringing about a settlement between the municipality and the companies wishing to go through the municipality.

Mr. ZIMMERMAN.—The Brantford and Hamilton Railway Company had actually surveyed their line. They applied to the legislature in Toronto for an amendment to their Act. In the meantime, they had received the power from the council of the city of Hamilton to use certain streets. When the company went to the legislature for the amendment to their Act, the legislature declined to allow the amendment, unless two-thirds of the people living on those streets were favourable. They demanded that, before they would allow the by-law passed by the city of Hamilton to go into effect.

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Consequently, it blocked that railway. There is no entrance that the railway can get into the city without the consent of the people residing on those streets.

Mr. BERGERON.—But that is as far as the municipal council is concerned. The municipal council cannot pass any agreement without having the consent of two-thirds of the people on the streets, but there cannot be a deadlock.

Mr. ZIMMERMAN.—There is there.

Mr. MACLEAN.—The power is in the legislature, which can break any deadlock in regard to municipal institutions.

Mr. LIGHTHALL.—There is a great difference between a railway and a telephone business, that is essentially done on streets.

By Mr. Zimmerman:

Q. Yes, but take your own statement, Mr. Lighthall. You have taken very strong exception to the telephone companies, on account of the practice of tearing up the streets, and the dirt, and so forth. You have also taken very strong exception to the overhead wires, on account of the trouble it gives the fire brigade, and also because of the increase in fire insurance. Now, what would you substitute in place of bringing in the telephone company in either one of these ways into your city? How would you overcome that difficulty? You would have to meet it in some way or other?—A. Each city has its own conditions. The council is supposed to be elected by the citizens from among those acquainted with the locality, and is supposed to know which is the best choice to make. The council might in some cases call for a decision, and it might in some other cases require to know how the disposition of conduits or wires between different streets was made; but if it had the power to do so, it would do better than any outside power could do. One point in connection with some other tribunal settling that question is, that it would only lead to an increase of charters proceeding from parliament, and multiply the rights to tear up streets and to enter upon them in different ways; whereas, under home rule, the city could overlook them and see how they were to be carried on and conducted.

By Mr. Maclean:

Q. The result of the present system is chaos on the streets?—A. At the present, and in the future still more chaos by multiplying them.

Q. What the cities are asking is the right to regulate the occupying of the streets? —A. It is a pure matter of bargain. People want these things. They want the best service they can get. And the proper body to make that for them is the city, or town, council. Most of these are virtually monopolies, or must in the end be so.

By Mr. Johnston:

Q. But if the multiplication of these wires becomes a source of danger, as you say—and I have no doubt it is—it is not a question of bargain, after all?—A. If the multiplication——

Q. You laid great stress on the multiplication of these wires becoming a danger. Supposing the city had the power to make a bargain, would that remove the danger? —A. Yes, because the cities in many instances would order lots of these wires underground. It might or might not, whichever it thought best.

Q. Assuming they were ordered underground; you also laid great stress on the fact that your streets were being utilized to a great extent.—A. Yes, we would, if we could, limit the number of companies tearing up our streets, and the number of charters issued which were not subject to the municipality.

Q. Then we get down to the fact that competition would be destroyed?—A. This would be something like monopolies regulated locally, and it is local regulation we want.

Q. You are destroying competition?—A. Competition ought to meet us at the border of the municipality and to offer us what it claims to be its lowest price there.

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Mr. MACLEAN.—We want now to get at the power which creates these things in the streets. In the streets, as far as I know, at the present time our interests are interfered with in regard to streets—are interfered with by companies created by federal charter, such as telephone companies, for example.

The CHAIRMAN.—Is there any other company besides the Bell?

Mr. MACLEAN.—We have telephone companies operating on our streets.

The CHAIRMAN.—And telegraph companies.

Mr. LIGHTHALL.—Only to a very slight extent.

Mr. MACLEAN.—Yes, but they are operating on the streets, and they get their powers and their charters from the federal authorities. Telephone companies are one class and telegraph companies are the other.

Mr. LIGHTHALL.—Yes.

Mr. MACLEAN.—The Dominion post office tubes will be another.

The CHAIRMAN.—No.

Mr. MACLEAN.—Why.

The CHAIRMAN.—No, we have no power.

Mr. MACLEAN.—You are taking over the power.

The CHAIRMAN.—In a municipality like Toronto or Montreal we apply to them, they consent; they pass by-laws asking us to do so.

Mr. MACLEAN.—There will be Dominion occupation.

The CHAIRMAN.—That does not illustrate your point. We are not invading. We are all of the same opinion, and the only way is to go the right way about it. We need not argue in favour of the general proposition. We all favour municipal control of the municipal highways, and the only point I was going to take up is to ascertain how, in the case of a deadlock, would we settle the right of the municipality to prevent a federal undertaking of its own motion, arbitrarily, we might call it so. What do the municipalities suggest in the way of meeting or solving a deadlock?

Mr. MACLEAN.—Let us get a list. We have three methods of putting streets under federal power. I want to get at provincial occupation.

The CHAIRMAN.—It is enough to know—if there are 40 the principle is the same.

Mr. MACLEAN.—I want to get at some of the methods of provincial occupation. There might be provincial telephone occupation. There might be provincial telephone companies as there are in the maritime provinces. There might be electric companies for light, heat and power occupying the public streets. Isn't that so?

Mr. LIGHTHALL.—Yes.

Mr. MACLEAN.—There are trolley railways occupying the streets. Isn't that so?

Mr. LIGHTHALL.—Yes.

Mr. MACLEAN.—There may be federal railways occupying the streets.

Mr. LIGHTHALL.—Yes.

Mr. MACLEAN.—And there might be fire and burglar alarm wires.

Mr. LIGHTHALL.—And steam distribution companies.

Mr. MACLEAN.—You have the two powers in the streets, but as far as I take it the cities have the right to ask for federal power here to-day. If you allow these people to occupy our streets you must put them under conditions to which we must be parties. And the same thing must apply to the provincial powers, they must occupy the streets under conditions if you are to have the two classes of companies, federal and provincial occupying the streets. It does seem then that there should be an agreement between the two, or there should be a court to settle disputes that come up as between the city and any one of these companies.

The CHAIRMAN.—In case they cannot agree.

Mr. MACLEAN.—Yes.

The CHAIRMAN.—We will put it this way: Supposing instead of speaking of a telephone we will take a railway, because we have more cases of Dominion railways invading the highways than telephone companies. It is the same in principle, only the Railway Act does not allow a railway to run along a highway without the consent of the municipality.

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Mr. AYLESWORTH.—I do not think that is the law.

The CHAIRMAN.—Any way, we know they are allowed to cross the streets without the consent of the municipality.

Mr. AYLESWORTH.—They can run along the street without the consent of the municipality if the Railway Commission approve it.

MAYOR URQUHART.—They have to give another street in lieu of it.

The CHAIRMAN.—Public opinion in Canada sanctions the authorization of Dominion railways. We have a great many Dominion railways enjoying powers which have been alluded to. It would perhaps be asking more than parliament would assent to if we were to ask that the Dominion should lay it down as a principle that no undertaking of a Dominion character should occupy any street, should be prevented from occupying the street without the will of the municipality, because, conceding that general proposition would be practically depriving the Dominion parliament of the fruit of its legislation. And therefore it seems to me that we would have to try and find a solution of the case of a deadlock by a railway or telephone, a solution that would preserve the right of the public as distinct from the individual. Where the individual interests conflicts with the public welfare the individual interests must stand aside. In like manner, the interests of a municipality in a sense is less than the interests of 100 municipalities. How would you deal with a municipality that will not consent? Can you not suggest some other tribunal?

Mr. LIGHTHALL.—The great evil that we have found from the practical point of view is the numerous charters, the multiplication of charters, giving power, either by the Dominion parliament or by the provincial legislature, particularly that of Quebec, to override, to go in and out. Thus tearing up all the streets. We have too many companies in the streets and this control is the only protection that we can have, the right to say what shall come in and what shall not. Otherwise we will have a great many companies. We have nearly a score of them in Montreal now.

Mr. MACLEAN.—The evils that you have spoken of are really theoretical. Not one has come into existence. But other evils are in existence. Invasion of our streets by federal companies, or companies with federal or provincial powers who are doing what they like on the streets. There is some injustice done under the present arrangement which there would not be if they were compelled to make an agreement with the city, as they do in Glasgow, of which Mr. Willock told us, where even the post office authorities have to ask the consent of the municipalities to go on the streets.

Mr. BERGERON.—If you are logical, you will just bring out this point. Why don't the municipalities deal with this like Glasgow? They have built underground conduits at their own cost and then allowed any other company to go through them. Ask Westmount to build conduits underground and see what they will say. Or ask Montreal, if Montreal undertook to do the same thing, to build conduits for the telegraph, telephone, light, heat and power for a line to do this and then make their bargain They could not do it. That is the whole difficulty.

Mr. MACLEAN.—They have not got the power.

Mr. AYLESWORTH.—In Ontario they have the power by express legislation.

Mr. MACLEAN.—Glasgow is master of the situation, because no outside companies can invade its streets without the consent of the city. There you have a keynote of her independence to-day, and that is what Canadian cities should ask for. They are asking the Dominion parliament to make some provision that if companies like the Bell wish to enter the city they can only do so on the terms of the city.

Mr. LIGHTHALL.—I asked to be followed by Mr. Dewart.

Mr. H. H. DEWART, K.C.—I am sorry that Mr. Fullerton, who has charge of this matter is unavoidably away. I will do the best I can to lay before the committee the view that the city takes of the matter. You have heard something of the inconvenience that exists through the condition of affairs referred to by Mr. Lighthall, and.

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APPENDIX No. 1

without referring to the argument in the Bell Telephone case before the Privy Council, or to the merits or demerits of the city's case in that instance, I desire to refer briefly to the legislation, to show reasons arising out of the legislation, both provincial and Dominion—reasons to show that the city should have control of its local municipal services. I think, in the first place, that a good deal of the misconception that exists arises from the fact that we have not sufficiently recognized in the past the dual character of the telephone companies of Canada. The Bell Company perhaps stands for the telephone business of Canada, and if you analyse the business of that company, you will see that it consists, on the one hand, of a great trunk system, a trunk line of telephones, and it consists also of a large number of municipal or local telephone exchanges, and the difficulties which have arisen in the past, I venture to suggest—and I think I am right, speaking for Toronto—have largely arisen from the fact that there has been a great trunk business, and besides in each separate municipality, local exchange, all run the same set of rules and regulations. And what we on behalf of the city of Toronto desire to press upon the committee is this fact, that the telephone business, the trunk line system of the country, must be subject to different regulations altogether from those that should regulate existing municipal franchises or the local telephone interests in the separate municipalities. Now, there is an illustration found in the Railway Act, in which the Dominion parliament has chosen to deal with telegraph and telephone lines which the railways have established in the country. In section 195 we find that, wherever a railway company is empowered to 'construct, operate and maintain lines of telegraph or telephone * * * the company may with the consent of the municipal council or other authority having jurisdiction over any highway, square or other public place, enter thereon for the purpose of exercising the said powers.' Therefore, the consent of the municipalities is required. And there is further, the provision that the municipality, under clause (*f*) of section 195, as to the way in which a street or square shall be opened up, and the way in which the work shall be done : 'Wherever a company cannot obtain consent from the municipal council or other city authority, then they may apply to the Railway Board of Commissioners for leave to exercise their power.' There is all the machinery provided there for the exercise of these powers. The position we take is this: if in the wisdom of this committee such a recommendation shall be made to parliament or such legislation shall ensue as shall bring the trunk telephone system of the country under the control of the Dominion government, you have in that clause the machinery which we consider is more particularly applicable to that trunk telephone system and when you once eliminate the trunk telephone system from the consideration of this matter you see where we stand as municipalities. Let us see the strength and force of the plea of the cities, towns and local municipalities, that they should have control of their local telephone systems within the limits of their municipality.

Now, the history of the Bell Telephone Company legislation—and I do not propose to argue the question of the cities and towns in opposition to the rights of the Bell, but rather to point to some of the main circumstances in connection with the history of the legislation and some of the important features in that legislation which go to show that when we appeal to this supreme court of equity, the Dominion parliament, and say, though the Privy Council has decided the case against the cities, it is owing to the mixing up of the trunk line system and the local telephone service. because although most of this legislation is upon the statute-books, which the Privy Council was bound to interpret against the interests and claims of the municipalities. we say now we appeal to parliament as the court of equity. There are circumstances and conditions arising out of the legislation of the past which compel us to ask for the redress which will entitle us to have the interests and rights of the municipalities protected by giving them control of their streets so far as the local telephone franchises are concerned.

Now, the first Act of incorporation of the Bell Telephone Company was in 1880, and

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under that Act of 1880 municpal rights were only protected to the extent that there were limitations as to the height of the pole, as to the height the wires were to be carried upon the streets, and as to certain minor matters regarding the way in which the work should be done. Now, at that time, it is important to consider that the Bell Company was not declared, its works were not declared to be for the general advantage of Canada and questions arose therefore as to whether the Bell Company, under that Act of 1880, had been given any control so far as its undertakings and works, especially in the municipalities, were all to be of a local or municipal character. It was therefore in March, 1882, that the same Bell Company came to the Ontario Legislature because doubts had arisen as to its powers and as to whether it had the rights——

The CHAIRMAN.—Is there any use going into that? It has all been disposed off by the decision.

Mr. DEWART.—I don't propose to go into that for the purpose of argument.

The CHAIRMAN.—It is unnecessary by reason of the legislation.

Mr. DEWART.—At that time the Bell Company applied to the province of Ontario, The province passed an enactment limiting the work of the Bell Company which protected the interests of the municipalities and made the work in every city, town and incorporated village subject to the control of the municipal council and preserve the rights of the municipal council. I only mention that for this reason, I think it is important to emphasize the fact that they came to the Dominion legislature because we are asking now for redress from the Dominion from clauses to which we submit we should not have been subjected in the past.

The CHAIRMAN.—We are dealing with the large subject of telephones, not dealing with any particular company.

Mr. DEWART.—I am aware of that, sir.

The CHAIRMAN.—What is the use of making that application?

Mr. DEWART.—Perhaps by reference to the individual case I can best illustrate it.

The CHAIRMAN.—I do not think it is the slightest use; if it is desired to have any special legislation to deal with any special case, we want to deal with the gneeral proposition.

Mr. DEWART.—What I have endeavoured to say that we are asking is that so far as the local telephone service and the telephone business in municipalities is concerned that the provisions of the Act of 1882, enacted at the instance of the Bell Telephone Company and enacted to apply to local conditions, should be applied to those local conditions, while you make your trunk system apply to the same principles as have been applied to the railways of Canada. Therefore, I suggest as far as the local systems are concerned, the provisions of the Ontario statute of 1882 should be incorporated so that the lines of the telephone company should not be placed in any city, town or incorporated village except with the consent of the municipality, but now I take it that this Act is not in accordance with the sound principles of municipal law so far as the Province of Ontario is concerned, and I argue that it is contrary to the statutes of Ontario because the principle of municipal control of highways runs all through the municipal law of Ontario. We all know that, subject to certain exceptions in favour of Dominion works, local lines and matters of minor character, that each municipality has jurisdiction not only over the original allowance for roads and highways, but also every public road and highway in the municipality. Now, this is not only a matter of provincial legislation, but it is a law dating back to the old Canada Act of 1858. It is a principle of not only merely modern growth, but it is one that was a principle before the provinces were created into provinces and before they assumed jurisdiction over municipalities. I therefore invoke that principle and say that so far as the local business is concerned there is no good reason why we should depart through the committee from the general principle of municipal control with reference to a matter which is emphatically a matter of municipal character.

Now, I do not, as I said, desire to discuss the effect of the different Acts. It

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has been held that the amendments in the Act of 1882 put the location of the lines under the control of the municipalities, only relates to two classes of matters; first, the particular clause under which poles may be placed on the street.

The CHAIRMAN.—What Act ?

Mr. DEWART.—The Dominion Act of 1882, which amended the Act of 1880.

The CHAIRMAN.—Is it all necessary to go into that ? Because we are now dealing with the general principle, and I think the committee and every one realizes to-day the importance, the almost supreme importance, of a municipality controlling its own streets. We do not require to go into the history of the past. These Acts are all representative of mistakes probably, and we are trying to devise something to meet the requirements of the day and of the future.

Mr. DEWART.—I did not know that the committee had gone so far as to admit that these legislative Acts were mistakes.

The CHAIRMAN.—I think they are mistakes.

Mr. BERGERON.—We did not know at that time. The telephone was very little used.

The CHAIRMAN.—I think these provisions now have been regarded by municipalities as unfair to them.

Mr. BERGERON.—That is what we want to know.

Mr. DEWART.—It is admitted that the provisions of the Acts of 1880 and 1882 are not applicable to the condition of affairs as existing to-day, then I urge the severance of the two parts of this business into its natural component parts, and which separate the trunk from the local business.

Mr. BERGERON.—What would you do with the trunk lines ?

Mr. DEWART.—We would be satisfied if they should be made subject to the same provisions or analagous provisions to section 195 of the Railway Act, the consent of the municipality should be asked and if it is withheld the right of appeal to the Railway Commission, and we ask that so far as the local line is concerned, that the municiaplity alone is concerned and they should control their own streets.

The CHAIRMAN.—How far does that first proposition meet with the approval of the municipality that you represent ?

Mr. DEWART.—I only represent Toronto, which perhaps has been fighting this particular question.

The CHAIRMAN.—Mr. Lighthall?

Mr. LIGHTHALL.—Municipalities generally would prefer Dominion ownership of the trunk lines. If they could not get Dominion ownership they would prefer as second——

The CHAIRMAN.—Quite regardless of ownership, if it is not right for the company to invade highways, it would not be right for the Dominion without the municipality's consent—you have heard Mr. Dewart's proposition ?

Mr. LIGHTHALL.—We generally approve of that.

The CHAIRMAN.—Then in case of difference between two municipalities the Railway Commission should decide.

Mr. LIGHTHALL.—Yes, or any similar tribunal.

The CHAIRMAN.—So much progress made. You ask for exclusive control in respect of what may be purely local enterprise.

Mr. DEWART.—I urge the former proposition as to trunk lines because it is a fair principle, if the government assumes control of these trunk lines. It is a provision that the government has laid down for the operation of telephone lines and telegraph service when operated by railway companies that are the great trunk lines of this country. If any other system is desired by the government in the event of its taking them over we have no objection to it. It has occurred to me as a most feasible and reasonable proposition.

The CHAIRMAN.—But a recalcitrant municipality can block the federal scheme.

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Mr. DEWART.—Yes.

The CHAIRMAN.—Another point. Give us credit for being able to apply a few points without any very elaborate arguments. How would you deal with the existing conditions, the rights at present enjoyed by any telephone companies, as regards first, their works that are actually constructed and second as regards their powers to construct but not yet exercised.

Mr. BERGERON.—Created by their charter.

The CHAIRMAN.—Supposing the Bell or any other company incorporated by the Dominion have to-day the power under their Acts of incorporation to take possession of municipal highways, erect and maintain their works there without municipal consent, and all over Canada the same. We will suppose as to this fact that the Bell Company has exercised some of its rights and it may to-morrow want to further exercise them, to-day it has its telephones in this city. To-morrow it wants to put them in another city. Therefore you have to deal with the rights, and that is the question that will be complicated. Do you want to withdraw from them rights which they have to some extent exercised and others not exercised.

Mr. DEWART.—I can only say this, to the extent to which rights had been acquired by virtue of the existence of statutory powers, I presume these rights must be respected. But the argument that I was endeavouring to direct was this that so far as those rights had not been exercised, so far as those powers have not been exercised upon highways, they should not continue, because it is a mistake that this enactment rests upon the statute-book in the way in which it is. From 1891 to 1896 when the Bell Company had an agreement with the city of Toronto they were bound by various restrictions and the city had power to say where they should go and where they should not go.

Mr. BERGERON.—You are dropping trunk lines.

Mr. DEWART.—Yes, because the suggestion is only applicable to the local lines. But I say that so far as these rates that have not been exercised are concerned that by reason of this mistake which is illustrated by the Ontario legislation of 1882——

The CHAIRMAN.—That is the legislation of only one of several provinces. The Bell is operating in several provinces. In some of these provinces it has exercised its rights. To-morrow it may enter any municipality and desire to further exercise its rights. I would draw a distinction between works constructed by such authority and works not yet constructed.

Mr. MACLEAN.—Deal with one. For instance give Toronto the powers of expropriation that it asks for here to-day and it could take over that business and operate it. The mayor of Toronto in his evidence stated, and I am quite willing from my study of the question to be satisfied with it, that if the Bell Company have acquired rights in Toronto as it has under the general Act, that the city now ought to be free under some law of expropriation to take over these existing rights if it wishes to and then start over.

Mr. LEWIS.—Buy them out.

Mr. MACLEAN.—And the other way, that the parliament should close up these rights now that have not been occupied—close them out.

Mr. DEWART.—I am free to say that so far as existing rights are concerned, acquired by virtue of statutory enactments in the statute-books to-day, we consider that in the taking over of the properties of any telephone company either for a trunk line system by the government or for the purpose of a municipal system by the municipality, that in either event the existing company should be paid full value, to be fixed by arbitration, for whatever plant or rights there is existing. But the franchise to operate in the municipality, for which they have paid nothing, we submit should have no value, because the municipality has charged nothing for it and is receiving nothing for it. But if they occupy streets by virtue of a license from the Dominion parliament, we say we have the right to come and ask that those rights shall no longer continue to exist. I do not desire the committee to misunderstand the position. I want

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to point out some instances in which parliament has dealt with matters of a cognate character.

Mr. MACLEAN.—Give us one.

Mr. DEWART.—For example, in section 184 of the Municipal Act provision is made with reference to highways that if a great trunk railway wants to occupy a highway it shall not do so 'until the company has first obtained the consent therefor by by-law of the municipal authority of such city or incorporated town'. The circumstances under which that provision was put into the Railway Act when it was passed two years ago are well known.

Mr. BERGERON.—If the municipality refused—there must be something else.

Mr. DEWART.—There is no other provision in reference to that.

Mr. BERGERON.—You don't say that if a long line arrived at so and so and the municipal council would make some objection against them——

Mr. DEWART.—There is no provision made for that.

Mr. BERGERON.—There must be something to prevent that. There must be some other clause there. You could not stop a railway of that kind in that way.

Mr. DEWART.—There was a provision in the Act that you could run across but not along a highway.

Mr. AYLESWORTH.—It would be interesting to the Grand Trunk Pacific to be held up by some little municipality in Manitoba.

Mr. DEWART.—Some members will recollect the discussion that took place upon the section in 1903 when the Railway Act was under consideration.

Mr. BERGERON.—Look at section 206, Sir William.

The CHAIRMAN.—No, it has nothing to do with it.

Mr. DEWART.—My reason is this for referring to this. You asked what should be done and what shall be offered with reference to rights not yet exercised. Parliament in 1903 dealt with the great railway companies in this country. They undoubtedly had greater powers before that Act was passed. And so we have the right to ask yau to exercise some kind of power in the same way you have exercised it in regard to railways.

The CHAIRMAN.—It would seem that the time has arrived for general legislation regarding telephones. Some time before we had general legislation regarding the railway law, but of late years parliament has not hesitated to alter the general laws in very material ways.

Mr. BERGERON.—I see Mr. Atwater, of Montreal, is here.

Mr. A. W. ATWATER, K.C.—I came here not with the idea that it was possible for me, even if I wished to do so, to give you any ideas on the subject, but merely to represent Montreal and on its behalf, and I think representing the opinion of nearly all its citizens, to concur in the general principle that the municipalities ought to have as exclusively as possible, the control of their own affairs, of their own streets, and of their own franchises and privileges. I may say that so far as Montreal is concerned, I do not think that we have any quarrel or interest in connection with the Bell Company or with any telephone corporation, but on general principles——

Mr. BERGERON.—The Gas Company.

Mr. ATWATER.—The Gas Company is troubling us for the moment. We certainly wish to see that municipal rights are kept within the control of the municipal council, but since being here and hearing the arguments and suggestions, that have been made, if the committee would permit me it seems to me and I think will seem to any one who looks at the question, that the suggestions that have been thrown out by Mr. Dewart, that in the case of a municipality being contumacious or refusing unreasonably its consent to the exercise by a company of the privileges that that company derives from parliament, that a settlement of such a tribunal as the railway tribunal under a section of the Railway Act, as suggested by Mr. Dewart, ought to provide a satisfactory solu-

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tion of the difficulty. If that tribunal is competent to decide questions between municipalities and railways or between municipalities and street railways, or between other interests that may come before it under the Railway Act, it seems to me it should be competent to decide similar questions where the rights of other corporations than railways are in conflict with the municipal rights. It occurred to me also, sir, to say that it is possible perhaps to provide for a reference to arbitration, apart from the reference to the Railway Commission, that arbitrators might be appointed, one by the municipality, one by the company and the third possibly by a judge of the local court. I think that was the system adopted in the case of expropriation of land before the present Railway Act was in force—in the case of expropriation of lands by a railway.

The CHAIRMAN.—Do I understand that these are suggestions applicable to disputes generally?

Mr. ATWATER.—Yes.

The CHAIRMAN.—Whether in respect of through business by its trunk lines or absolutely local works?

Mr. ATWATER.—No, sir, I should say that the suggestions that occurred to me—of course after very little consideration—it occurred to me that they would be applicable to the trunk lines as well as the local lines.

The CHAIRMAN.—You differ from Mr. Dewart then.

Mr. ATWATER.—No.

The CHAIRMAN.—Perhaps I misunderstood him then. I thought I understood Mr. Lighthall and Mr. Dewart to say that in regard to these operations of the undertaking which are purely local operations, the municipalities should have exclusive jurisdiction. Was that your point?

Mr. DEWART.—That is our contention.

Mr. ATWATER.—I agree with that.

The CHAIRMAN.—Then your proposal for an outside tribunal does not apply to those operations that are purely local.

Mr. ATWATER.—I misunderstood your first question. I thought that you asked me whether my suggestion applied to the two trunk lines as well as the local lines. I did not understand the suggestion to apply to the local lines. I intended it to apply only to trunk lines. Of course, if we leave to the municipality absolute control in the case of local questions, the question of difficulty or deadlock arising could not occur, and only could arise in the case of the trunk lines. It seems to me that a reference to arbitration might be allowed. It might also be suggested that the question of a decision might be left to the local courts.

The CHAIRMAN.—When it is conceded to be an independent tribunal that is only a detail.

Mr. ATWATER.—There should be some independent tribunal, whatever it might consist of. Reference was made during the course of one of the other arguments to the question of conduits. I think Mr. Bergeron made a remark that a municipality might itself construct conduits and that the line so far as wire or anything of that nature is concerned might be carried through municipal conduits. I do not know what the legislation in Ontario is, but so far as Quebec is concerned no municipality would have the right to construct conduits for such a purpose, unless they should obtain special legislation for it. Montreal has not got it. I might make this suggestion, that in the case of an Act of parliament referring to one of these companies, provision might be made that where the municipality had a conduit system it would be possible for the municipality to compel the companies to make use of the conduits. I suppose there is nothing unreasonable in that. Then there would be an object in a municipality obtaining power to construct them, and going to the expense of constructing them. At present they have no such power.

Mr. BERGERON.—Could not the municipality of Montreal obtain power from the legislature of Quebec to lay conduits?

Mr. ATWATER.—It might, but you could not compel the Bell Company to use them.

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APPENDIX No. 1

Mr. BERGERON.—Supposing the city obtained the permission to build them—and I do not see why they would not, because there is no reason why they would not allow it, after they expended a large sum of money, whenever a charter would be granted to a telephone or telegraph or any company that would use conduits, is it unreasonable to require that they should use the conduits laid by the city of Montreal ?

Mr. ATWATER.—That is exactly what I am suggesting.

Mr. BERGERON.—I don't know, of course this is another question altogether. I am putting it to the point where these things could be settled. Supposing that such a thing would be established. The Bell Company have to put their wires in conduits and one of their objections is on account of the cost. If these conduits were built and if the Bell Company or any telephone company or any telegraph company were told by the city of Montreal that they could use these conduits, even if there is something to pay—that is a matter of detail—then there is no doubt that the parliament of Canada would use its powers to obtain such a result. I want to show that we have had testimony from a gentleman—very interesting testimony—about how things are carried on in Glasgow as far as that is concerned, and I want to show that because somebody said it could not be done. There are, I think, three of four of these different conduits in the streets of Glasgow.

The CHAIRMAN.—I do not think there is much difficulty in legislating where you have the free field and new company. The real difficulty will be in dealing with the vested rights.

Mr. ATWATER.—But you will allow me—of course my reference to conduits merely amounts to this, that I would suggest that whatever else, whatever other provisions are made necessary in an Act with regard to giving municipalities the control over your streets, or providing for the solving of questions where there is a difficulty between the municipality and the company, that you might insert this clause, that where a municipality has the power and it has actually constructed a conduit for the placing of these lines and wires and similar means of making this service, that it would be possible for the municipality to compel the company to make use of these conduits.

The CHAIRMAN.—Do you think that is the only method by which they could be compelled to remove their wires from the poles?

Mr. ATWATER.—No, sir; I am not suggesting it as the only method.

The CHAIRMAN.—It would be very expensive for the city to construct underground work for a telephone company.

Mr. BERGERON.—The same as it is expensive to the company.

The CHAIRMAN.—The company gets a revenue from it.

Mr. ATWATER.—I would allow the municipalities to charge the company for the use of it. I am not suggesting that they should give it free at all.

The CHAIRMAN.—We would have to pass an Act to compel telephone companies to utilize present systems and to put their wires underground.

Mr. ATWATER.—I am not familiar enough with the process of telephone operating to make any answer to that.

Mr. BERGERON.—I do not think any company, not even the Bell, cares about having their wires overhead now.

The CHAIRMAN.—The use of the underground conduits will become more valuable to the cities and have to be guarded the same as the space above ground.

Mr. BERGERON.—What do you think of putting wires over the houses ?

Mr. ATWATER.—That is a suggestion that might do in the absence of something better. It might solve the question by the chairman as to what would be done by the existing privileges that have not been exercised by the company, that in cases where the wires are already strung on poles through the streets of the municipality that municipality might be obliged to enforce the placing of its wires over the houses instead of through the streets.

The CHAIRMAN.—The owner of the house would have something to say as to that.

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Mr. BERGERON.—That is a question. That is the way it is in Glasgow. It seems to be working so well there, I do not see why it might not be done here. That is why I am putting the question of distribution.

Mr. LEWIS.—I want to ask this : Your idea is that where the trunk lines go through a municipality where the company and the municipality can agree, there is a local tribunal to settle disputes; if they cannot agree there is the federal tribunal ?

Mr. ATWATER.—I have hardly made myself understood.

Mr. LEWIS.—If the company and the municipality agree they can each select one man, and these two or the county judge select another, and that will be the final court of recourse, but if they cannot agree then there should be a federal tribunal.

Mr. ATWATER.—I merely intended to suggest a general principle, that where there is no agreement between the municipality and the company that there should be some sort of an independent tribunal to settle the question the way it is done by the railways, by the Railway Commission. This will be a matter for the wisdom of the committee. I would only submit again—thank you for hearing me—that in common with the other municipalities of the country, as a very great necessity, Montreal would like to see these municipal privileges and franchises limited as much by parliament as possible.

Mr. MACLEAN.—What do you think of this proposal, that the Postmaster General should assume on behalf of the Dominion government by legislation authority over all the telephone companies, that they should be required to take out a license every year and that in addition their conduct would be under his review every year, and every grievance should be heard and every error rectified as it is to-day in England. That to me seems to be very nearly the solution of the whole question.

Mr. BERGERON.—Would you be in favour of that yourself?

Mr. MACLEAN.—Yes, I would be in favour of it, because it would pave the way for public ownership of all these things. The company would start with the supreme power in the Dominion government. All Dominion companies would have to take out a Dominion license, and where you get the control of them is in granting the license, and and they would have to come under review every year or every five years, and in that way you regulate them from top to bottom.

Mr. BERGERON.—Would you be in favour of that, Mr. Dewart?

Mr. DEWART.—It is a very large proposition. It requires some consideration. I would be sorry to load the Postmaster General down with so heavy a burden. We would be glad to have him take hold of the trunk lines. As to the others, it would be well to give it some consideration.

Mr. LEWIS.—What do you say as to the interchange of traffic?

The CHAIRMAN.—Mr. Lewis would like to know what suggestions you would make for providing for a fair interchange of traffic between companies and trunk lines not owned by the companies. I have an idea on that point myself; I have not given it to the committee, but——

Mr LEWIS.—Perhaps you have some views on that.

The CHAIRMAN.—How would you propose, Mr. Mayor of Toronto to provide, if Toronto, for example, owned its own telephones and there is a trunk line to the other points, how would you propose to use the trunk lines in connection with your municipal system?

Mr. URQUHART.—I think there should be connection between the trunk lines and the municipal system and that the rates should be limited by the Railway Commission or by some other similar commission.

The CHAIRMAN.—And all necessary details.

Mr. URQUHART.—All necessary details of the trunk line business.

The CHAIRMAN.—You think that Dominion control of the rates between different companies and different trunk lines would be satisfactory to the municipality.

Mr. URQUHART.—I personally would like to see the Dominion government take

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over the long-distance lines, but failing that, Dominion control of the rates would be the next best thing.

The CHAIRMAN.—In the meantime the ownership remains in the companies and in the various organizations that own telephone lines. There are many forms of organizations operating companies, municipalities and some unincorporated societies and associations all operating telephones, and each telephone independent of the other, and perhaps it would be in the interest of some of them or all of them to exchange traffic. Now, if the consent of one is withheld how would you bring about an arrangement that would make an interchange of traffic possible.

Mr. URQUHART.—It would have to be by way of a commission like the Railway Commission to control all rates.

The CHAIRMAN.—A Dominion commission?

Mr. URQUHART.—A Dominion commission for the log-distance lines.

The CHAIRMAN.—I am not speaking of long distances particularly.

Mr. URQUHART.—Interchange of business.

The CHAIRMAN.—Long distance or between two local companies.

Mr. URQUHART.—These local companies would all have connections with the long distance line.

The CHAIRMAN.—What do you mean by long distance?

Mr. URQUHART.—I mean a line which connects with any two municipalities would be a long-distance line for the purpose of those municipalities.

The CHAIRMAN.—A trunk line?

Mr. URQUHART.—Yes.

Mr. BERGERON.—Where is the line of demarcation?

Mr. MACLEAN.—It is a telephone line stretched a long distance.

Mr. AYLESWORTH.—That is what the Privy Council said; it is all one system.

The CHAIRMAN.—You observe that there are many local lines incorporated under provincial legislation, and in an interchange of business between these or in any way making use of any federally created company—how would you provide a scheme for an interchange of traffic between these purely local companies.

Mr. URQUHART.—Of course, I myself am not a telephone expert in any way. It seems to me that would be a question for some one who had a large knowledge of the telephone business, but I think either by Dominion or provincial authority there should be some way of settling these difficulties. I have not sufficient knowledge of telephone systems to say how they should make it. I should think this, Mr. Chairman, if there is some arrangement of that kind made, there ought to be some standard telephone system, perhaps, adopted. For instance, I understand that it has been argued that on certain of these local systems they cannot speak for a long distance, so that if there is connection with the Bell for exchanging business there should be some standard system adopted.

Mr. JOHNSTON.—Mr. Mayor, you recommend that the long-distance line should become the property of the Dominion government.

Mr. URQUHART.—That is my own personal opinion.

Mr. JOHNSTON.—Reserving to the various municipalities the right to operate their——

Mr. URQUHART.—Or companies.

Mr. JOHNSTON.—Or independent companies.

Mr. URQUHART.—Yes.

Mr. JOHNSTON.—You are aware, no doubt, that the long-distance portion of the telephone service is the non-paying part.

Mr. URQUHART.—Well, I am not aware of that, no.

Mr. JOHNSTON.—Well, as a matter of fact——

Mr. URQUHART.—I was of the opinion it was the most profitable part of their business, and if the Dominion government had it they could fix the rates to make a profit. I understand that it is the most profitable portion of the business. Now, I may be mistaken, but that is what I understood.

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Mr. A. B. AYLESWORTH, K.C.—I appear of course on behalf of the Bell Telephone Company, and I am not in the least degree interested as to what may be done respecting the future companies that may come and apply for incorporation to the Dominion parliament, or to what the policy of this committee or of this parliament should be. As to that it is merely the interest that I should have as a citizen of the country, or that the Bell Telephone Company may have as regards possible competitors in future that would lead me to say anything. But with reference to the Bell Telephone Company itself, very important considerations arise if it is in any way proposed that incorporation should now be taken from them, or any encroachment made upon them. A private Act of parliament is, as all our judges tell us and as every person who thinks about the matter must see, in reality nothing less than a contract with parliament: a contract between the company that may be brought into being by it and the public, the people of the country as represented by their legislature. And what is the proposal, if I understand the suggestions that have been made here it is simply that after some twenty-five years of experience under the contract, one party should, against the wish of the other party to it, take away from that other party a part of the consideration or the reasons which have induced the party that has acted upon that contract for that period of time to invest his money in it. This is a pretty serious proposition, as I said and a proposition that if any one thought about it he would hardly be willing to entertain.

Is it anything else but to publicly discard it? Look at the contract made, about the time that incorporation was given to this company, with the Canadian Pacific Railway. A great many of us know as a matter of history, that many representatives in parliament thought that bargain was an injudicious one, but it is a contract that was entered into between the people of this country with men who entered into that experiment of building the railway, and could it be conceived to-day that if that company has been a success, and if that company is paying dividends to its shareholders, that any man should rise in public and take the responsibility of suggesting that because that company still have on hand some unsold land, which this country gave to them as a consideration for undertaking the construction of this great railway, that these lands had been given them by the public, should be taken away from them and that they should not have any compensation for it. We have something over 1,000 Canadians who have put their money in this enterprise who are literally in this same position. No person asking incorporation for the purpose of the general transmission of messages by telephone throughout the country would think of putting his money in the investment if he was going to be subject to the control and exactions of every municipality of this country. Would any man sitting around this board ever dream of putting his money in an enterprise, at least would he have dreamed of it twenty years ago when the whole system was an experiment and when the men who risked what they have in the enterprise had no guarantee that they would ever see their own out of it at all? It needs but little consideration to see that no man proposing to put his money in such an enterprise would do so if he were told that at the boundary of every municipality he would be stopped unless he chose to submit to such terms as the municipality was able to exact from him. That alternative was put in the most distinct way before the committee of the House that was considering this Bill in 1880. Mr. Kilvert, then member for Hamilton, seeking the incorporation of this company, then consisting to a very considerable extent of his constituents, put the alternative distinctly and clearly before the gentlemen of that committee, that unless they could have this power to go into the streets of the municipality and along the sides of and across the public highways and streets, bridges, watercourses, or other such places for the general public benefit of the country it would be perfectly idle to endeavour to get capital to go into the undertaking. It was an experiment in those days, they had difficulty enough as it was and if they had been told by parliament at this time, 'No we cannot give you this power to occupy the streets,' undoubtedly there would have

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been an end to that incorporation and an end of that company for all time. However, that was distinctly the borgain between the parliament of Canada and the incorporators of this company. It was distinctly put before them that way, and no one has from that day to this suggested that there was any obscurity in the terms of the language in which this was actually expressed in the statute of incorporation. I must ask to be allowed to correct a misapprehension which might otherwise be held in consequence of remarks by Mr. Dewart here who speaking to-day of the interpretation which has recently been put on the legislation of that day by the Privy Council as to the meaning of the legislation of that day, that it was to the disadvantage of the municipality, that was not at all the question before the Privy Council. It was as Mayor Urquhart quite distinctly stated this morning, and quite accurately, whether the legislation of the Dominion or the provincial parliament was to control. Once it was decided that the legislation of the Dominion parliament was to control that question therefore was at an end, there was an end of all agitation, there was no longer doubt because now the statute is free from any possible obscurity. So much has been said to-day on the nature of the municipal control and the terrible evils that the municipalities labour under as to the existing state of things that I ask the gentlemen of the committee to bear with me now a minute so that I may call attention to the legislation with regard to the occupation of the streets by the Bell Telephone Company. Under section 3 of our Act of incorporation we have the right to 'construct, erect and maintain' our line or lines of telephone 'along the sides of and across or under any public highways, streets, bridges, water course or other such places, or across or under any navigable waters' in Canada provided that we 'shall not interfere with the public right of travelling on or using such highways, streets,' and providing 'that in cities, towns and incorporated villages we shall not erect any poles higher than 40 feet above the surface of the street, nor affix any wire' and the reason for that I am instructed, and indeed it is stated in 'Hansard' that if a pole was only 40 feet high it could not be of undue dimensions at the foot, and could not therefore unduly obstruct the street. It is provided that in cities, towns and incorporated villages the company shall not erect any pole higher than 40 feet above the surface of the street, nor affix any wire less than 22 feet above the surface of the street, nor carry more than one line of poles along any street without the consent of the municipal council having jurisdiction over the street of the said city, town or village' in order we were told that the asthetic taste might be shocked by unsightly poles it was also provided that they 'shall be as nearly as possible straight and perpendicular, and shall, in cities, be painted if so required by any by-law of the council.' It is provided also that in erecting their poles the 'company shall not cut down or mutilate any tree' and that 'in cities, towns and incorporated villages the opening up of the street for the erection of poles or for carrying the wires underground shall be done under the direction and supervision of the engineer or such other officer as the council may appoint, and in such manner as the council may direct, and that the surface of the street shall, in all cases, be restored to its former condition by and at the expense of the company; provided also, that no Act of parliament requiring the company (in case efficient means are devised for carrying telephone wires underground) to adopt such means, and abrogating the right given by this section, to con- for carrying the wires underground we are reserving to ourselves the right to impose deemed an infringement of the privileges granted by this Act.' Parliament was careful to say that if at any time in the future there should be any efficient means devised for carying the wires underground we are reserving to ourselves the right to impose such conditions upon the company and in that way to abrogate your rights to go overhead and to deviate our grant to that extent. Is there not an implication, the strongest implication that in saying this parliament was saying to us we will not take from you your much more valuable privilege of being able to enter into any part of the country and go along the streets and lanes under the restriction which that statute may impose upon you, but without compelling us to come hat in hand and buy our way along any

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street that any municipality may say is theirs for the time being. No such restrictions with regard to the public right are put upon us more than are needed to ensure the public safety. I submit there has been no grievance submitted to the gentlemen here on this committee by the gentlemen who have appeared on behalf of the municipalities that is crying aloud for redress and I am not discussing the question of municipal ownership, or whether or not this should be operated by municipalities or by the government, there are certainly two sides to it and I think it will be a very long day in this country before it will be proved in that respect. But that is another question. The contention is here that the municipality own our streets, they are called our streets, speaking with all respect and I am speaking as a lawyer in the province of Ontario I deny that is the law. I do not know what the law is in the other provinces. Take the case that every one of us knows, a concession road or side line allowance, and the property in that strip of land has never been granted by the Crown; the property up to the line of the street has been granted to a farmer, but the 66-foot wide strip which runs across the township from side to side, has never been granted by the Crown. Is not that strip still the property of the Crown?—That is to say, the public of this country. I do not mean to say that His Majesty the King has a personal right to that strip of land, but the municipality that happens to be built up around it does not own it any more than, supposing a man that comes from another part of the Dominion, that is public ungranted land. The other people of Canada have a property in that, it is the property of the people of this country to be legislated about for the general public, for the benefit of the people of this country. It may be that the road which is conveyed to the municipality or purchased by them stands in quite a different position. It may be that a street that is dedicated by the owner for the benefit of his remaining lands is also in a different position, but the great trunk lines, like any street in the city of Toronto, never has been parted with by the people of this country, is still public property, and is in no sense the property of the citizens of Toronto, that is I as a citizen of Toronto have not only as much right to the streets of Toronto, but I have as much right to the streets of Montreal as any citizen of Montreal, I have a common user in those streets with any citizen who sets foot in them. Any citizen of Montreal who sets foot in the streets of Toronto has a common user and has as much right to the streets of Toronto as the people of Toronto. I intend to refute the idea that the municipalities own the streets, they have never had it, but by provincial enactment they have the right to control the street.

The CHAIRMAN.—How could the province take control over the streets if it had not the rights of ownership?

Mr. AYLESWORTH.—The province retains the ownership which comes from the Crown.

The CHAIRMAN.—The province owns the streets to begin with, at the time of confederation that right was in the province, you say.

Mr. AYLESWORTH.—Yes.

The CHAIRMAN.—But not in the right of the Dominion?

Mr. AYLESWORTH.—No, the right was in the province, not in the Dominion of Canada.

The CHAIRMAN.—It was provincial in name.

Mr. AYLESWORTH.—That is true, because Upper Canada was a separate province altogether, and the Crown in the right of the province still retained its rights in all streets except of streets that have been conveyed by parties to the municipality or dedicated by the owners to public uses.

The CHAIRMAN.—Apart from your statement, is there a judicial decision?

Mr. AYLESWORTH.—Yes, I am not speaking at all without judicial sanction. If any one will take the trouble to refer to Biggar's Municipal Act at the reference to this question of the municipality owning the streets, it is pointed out that the opinion of the great majority of our judges, and if I may be allowed to say so, the opinion of any

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well-informed lawyer, is that the property in the streets remains in the public of this country, that is to say in the Crown, except to the extent I have indicated.

Mr. MACLEAN.—You mean the concessions and side lines are still retained in the Crown?

Mr. AYLESWORTH.—Certainly.

Mr. MACLEAN.—Well, there are 20 streets in the city that have been dedicated for one that is a concession or side line.

Mr. AYLESWORTH.—Quite so.

The CHAIRMAN.—The right to these are not in the Crown, not in the province?

Mr. AYLESWORTH.—No doubt.

The CHAIRMAN.—Then if that is so, I am not troubled over your proposition that the municipality does not control the streets.

Mr. AYLESWORTH.—I do not say they do not control, I say the municipality does control the streets, but it does not own the streets.

The CHAIRMAN.—What remains in the province, the fee?

Mr. AYLESWORTH.—The property in the soil.

The CHAIRMAN.—That is part of your position.

Mr. AYLESWORTH.—If there are any minerals found underneath who do they belong to?

Mr. ATWATER.—The municipality, and the municipality has the right to sell them.

Mr. AYLESWORTH.—I beg pardon, the municipality can lease them, but cannot sell them. I am simply rebutting the idea that seems to have taken root in some quarters that the municipality owns the street in the same sense that a man owns his own farm, and that it should be allowed to exercise proprietory rights.

The CHAIRMAN.—If a man has only possession of a farm under a lease, if he does not own the farm so long as he is in lawful possession that excludes every one else from the property, but if the property in the street is now vested in the Crown or in the Government they have parted possession with it, they have given the use of it to the municipality.

Mr. AYLESWORTH.—With all due deference, I submit that is not so. They have not given the streets of Hamilton, for instance, to the use of the citizens of Hamilton alone. Every liege subject has the right of those streets to use them. They have only legislative control, that is all that has been given them, the control by by-laws, the right to make municipal laws.

The CHAIRMAN.—If the municipality has been given the control of the streets, is not that technically known as property in the streets?

Mr. AYLESWORTH.—That is the point I want to make, that the control of the streets was given to the municipalities or local legislatures, and the municipalities, that is, the municipal council, not for the purpose of making gain or profit by the municipalities, the municipalities are trustees for the general public, not merely for their own citizens, but for all His Majesty's liege subjects and for the aliens as well. It is a very different thing to say they should have the right to use that property and make the best bargain to get the most money they can out of it.

The CHAIRMAN.—They are given the control and the management, and that is quite inconsistent with any other control or interference.

Mr. AYLESWORTH.—It is not inconsistent with parliamentary control, which is being exercised every day, and is necessarily being exercised.

The CHAIRMAN.—And they have no statutory power to close up streets if they like and to sell the land for money and put it in their own pocket.

Mr. AYLESWORTH.—If they are no longer needed for streets.

Mr. BERGERON.—There is a case in the city of Montreal just now of that kind.

Mr. AYLESWORTH.—That does not at all detract from the position I take upon the legislation and upon the law as declared by the judges to be the law of the land, the right which the municipalities or the municipal council rather has in the streets, is

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that of legislating in regard to them, and holding them as trustees for the use of the general public of the country.

The CHAIRMAN.—And for the use of such public the municipality is allowed to use them.

Mr. AYLESWORTH.—The municipality cannot stand on its border and stop a traveller.

The CHAIRMAN.—But under that, they can stop a company from interfering with somebody else using it. There is a vast difference between a citizen using the highway and then moving on and then someone else taking possession of the highway.

Mr. AYLESWORTH.—Unless that individual or party is given a legislative right to use it.

The CHAIRMAN.—A man may leave his vehicle too long on the highway, and that is provided for.

Mr. AYLESWORTH.—If he obstructed the highway he commits a nuisance, and so if we obstruct the highway in the least degree we commit a nuisance and are liable for damages. And should not our expressed right as given by parliament give us that express condition that we should not interfere with those rights, or they with ours ?

The CHAIRMAN.—I was only just wishing to controvert your proposition which went to show that the municipalities hadn't any business there at all.

Mr. AYLESWORTH.—I do not mean that at all, I was simply contending that they have no right to take the position which is going to be flatly taken by the advocates of this new cult, that the municipality is in the street for the purpose of making money out of them. That, I say, has never been the law, and will not be the law, until it is declared by some parties with the authority to say so.

Some references have been made here about the Owen Sound case, which is a very instructive case, and as I happened in that action, to represent the town of Owen Sound, and did what I could to maintain the reputation of my clients there, I hope the gentlemen will excuse me making any statement whatever about the facts of that case, but that they will permit me to read a very brief extract from the judge's report merely dealing with the facts of the case and the law. From the decision of the judge who tried the case, the town did not care to enter an appeal. The extract is as follows :—

The facts of this case are simple and free from doubt.

The plaintiffs' system of telephone communication has been in operation in the defendant's municipality for some years, and as usual in this country, by means of overhead wires upon wooden poles. Their office was upon the main street of the town, and the wires were carried into it from two poles—carrying the wires from opposite directions over the main street on the opposite side of the street to a pole upon the same side and thence into the office. They moved from that office into a new one, next door to it, and it became necessary to move the wires, and that the plaintiffs proposed doing by putting them underground instead of overhead, thus removing one, at least of their large and anything but picturesque poles, and all the danger and unsightliness of a great number of wires, thus crossing the main street in two directions.

The thing was so obviously better for everyone concerned that it is impossible to imagine any objection in good faith to it. In the interests of the public and in the interests of the defendants nothing but advantage could come from their changing the mode in which the wires cross the thoroughfare. It is plainly insincere and untrue to suggest that the road or the sidewalk, or the curb, or the gutter, would or could be injured by the work if done even with ordinary care. It could be done in a few hours if need be, without inconvenience to traffic at all, and without interfering in the least degree with the sidewalk, or the curb, or the gutter, or doing a particle of injury to any of them or to the roadbed The road is but a macadamized one, and one that is often opened for far less generally useful purposes. Any objection to the work on

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these grounds is purely a subterfuge to cover some ulterior purpose, and that purpose is plain, namely, to coerce the plaintiffs to pay to the defendants a tax upon their business in the municipality, which the defendants have no sort of legal right to enforce or demand. Their objection to the work is not made in good faith, but it is for a purpose *ultra vires* and wholly unwarranted.

Both federal and provincial legislation has conferred upon the plaintiffs certain powers in respect of public ways. These powers are conferred quite as much in the public interests and to be exercised for the public benefit as much as for the protection of the rights and interests of the municipality. Whether federal or provincial legislation is to prevail, or whether both in regard to matters in which there is no conflict between them, are questions not necessarily requiring consideration in this case upon the facts set out. But it may be said that if provincial legislation prevails the plaintiffs have undoubtedly the right to carry their wires under the street as they desire to do, and the defendants have no power to prevent the work. In any case the legislature has power to legislate as to public ways and municipal corporations, and it may possibly be to confer an additional right upon the plaintiffs in such ways and against such corporations even if the general right of legislation in respect of the plaintiffs and their undertakings belongs to parliament. Parliament has clearly and distinctly given the plaintiffs power to carry their wires over and under public streets, but has made that right subject to the restrictive rights before alluded to. The latter rights must be exercised in good faith, and for a legitimate purpose, and should be reasonably exercised, instead of that they have been unreasonably exercised in bad faith and for a purpose not authorized or within the power of the defendants so that whatever those rights may be the plaintiffs are entitled to succeed in this action; see London and North-western R. W. Company versus Mayor of the City of Westminster (1904), I. Ch. 759.

The defendants will therefore, be perpetually restrained from interfering with the work of the plaintiffs in carrying wires to their new office under instead of over the highway for the purpose of exacting any tax or payment, disconnected from such work, from the plaintiffs, or otherwise than in good faith and in accordance with the federal legislation. Whatever may be the powers of a corporation when the plaintiffs first entered the municipality or when they are making great changes in their works after such entry, in this case the defendants acting in good faith cannot impose restrictions beyond providing for the careful doing of the work and restoration of the street so that no loss is suffered or injury done to the defendants or anyone entitled to the use of the highway by reason of the work. It is but a usual thing to provide in municipal by-laws that such work as that in question shall be done under the direction of a competent officer of the municipality, and sometimes the deposit of a reasonable sum of money to insure the doing of the work as so directed or if not so done of enabling the corporation to have it so done and to pay for the work out of the money so deposited.

The defendants must pay the costs of the action subject to their right to set off the additional costs, if any, caused by the trial at Hamilton instead of at Owen Sound.

Upon the broad question of the powers of municipal councils under section 3 of the Federal enactment as amended by 45 Vict., ch. 95, sec. 2 (D.), I have been unable to find any reason for changing the opinion expressed by me at the trial. The extravagant claims of the defendants that it rests with the municipal councils to determine as they see fit where and how the plaintiffs shall construct their wires seem to me quite unwarranted by the enactment or by any interest the municipalities may have in the matter, and since the decision in the case of the city of Montreal versus Standard Light and Power Company (1897) A.C. 527, there ought to be little, if any, excuse for it. The defendants are in truth but trustees of the highways within their municipality, the ways being vested in them mainly to that they may better perform their duties towards all of the King's subjects in respect of them; it is in the interests of the public which are mainly to be protected under the powers given to the muni-

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cipal councils. Telephone communication, not alone in any one municipality, but throughout the land wherever the system is or may be in operation, is a thing beneficial to the public, something which nowadays cannot be done without; the benefit and the convenience to the public are the first considerations, and should be the main purpose of the plaintiffs, and of the municipalities in exercising their respective rights under the section in question. By that section the plaintiffs are unequivocally permitted to construct their lines upon the highways either overhead or underground, the work is theirs and to be done by them, not the defendants' or to be constructed by them, and there being the right thus plainly conferred upon the plaintiffs in respect of a work beneficial, indeed now necessary to the public, that right is to be derogated from only in so far as the enactment with reasonable clearness confers upon the defendants the power over it. The Montreal case was one coming under an enactment the same as that in question, but without the provision as to the location of the line, so that leaving that provision out of the question, that case is an authority clearly against the defendant's contention. Can the additional words in regard of the location completely transform the situation, and in effect give almost absolute control of the plaintiffs' work to the defendants. If so, there was a great waste of judicial energy in the case of Toronto vs. Bell Telephone Co. (1903) 6 O.L.R. 335, for what gain to consider whether federal or provincial legislation prevailed, if under the former the municipalities have all the power the defendants here contend for. If it were in the power of the municipality in that case to require the defendants to 'locate' all their wires underground and to 'locate' them all in Stanley street, and at such height or depth as the council chose to dictate, it would be quite immaterial to either of the parties which legislation prevailed, either would make the council of a city, town or village complete masters of the situation within the municipality. The plaintiff's clear right to place their wires underground or above in any highway is made subject to the provision, that the location of the lines and the opening up of the street shall be done under the direction and supervision of the engineer or other officer whom the council may appoint in such manner as the council may direct. The provision is by no means a novel one; it is met with in many by-laws providing for the opening of highways for the convenience of the owner or occupiers of adjoining houses or lands, such as laying gas or water pipes and making sewer connection, and has reference merely to the oversight of the work so that traffic may not be interfered with more than necessary, and that the way may not be injured and that the sewer connections shall be made in a proper and workmanlike manner. It is to be observed that what is aimed at is the work upon the ground, for it is done under the direction of the officer whose duties are those of a supervisor; the work is the plaintiff's, and that work which the enactment empowers them to do, not some new or changed work which the defendants are to devise for them and require them to do. If there is power to decide whether the line shall be above or underground, why should that not be decided by the council; why make it something to be done under the direction and supervision of a subordinate officer? If it were to rest with the council whether the lines should be under or overground and upon what streets they should be constructed, surely parliament would have said so in plain words and not have first given in plain words to the plaintiffs the right to make use of any highway and to go underground or overground as they choose. The section presents no difficulty to my mind; in the interests of the public the clear rights of user of the highways are given to the plaintiffs; they could not carry on their operations very well without them; in the interests of the public, and for the protection of the interests of the municipalities in the highways, these rights are to be exercised under the supervision of an officer of the municipality in such manner as the council may direct in regard to the location of the lines which the plaintiffs under their rights intend to construct, and in regard to opening up of the streets; that is acting in good faith, the council can thus control the placing, in the particular highways selected by the

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plaintiffs, of the poles or the wires underground as the plaintiffs may decide to place them, and require all that to be done which will best tend to prevent unnecessary obstruction to the highway and save the municipal corporation from loss or expense by reason of the plaintiffs' works.

On this ground also the plaintiffs' case can be rested, but I have preferred to put it upon the other ground as it seems to be necessary that the municipalities should know that the powers conferred upon them are not to be exercised for what have been called in one of the leading cases sinister or collateral purposes. When parliament or the legislature permits money to be made by municipal corporations out of powers conferred on them it usually says so, as in such enactments as sections 639, 640, s.s, 4, 657 and 331 of the Consolidated Municipal Act, 1903.

Mr. BERGERON.—Was there an appeal?

Mr. AYLESWORTH.—No appeal was taken from that decision. The town was not advised to appeal. Now, I point to that as an instance upon which a judicial opinion has passed after a full trial in open court, and what is here plainly stated to this committee every municipality wants to be able to do. It wants to stand at its threshold, so to speak, and say to every telephone company: You shall not use our streets unless upon terms that you pay us a license or a fee to do so. Is the telephone not doing a public service? And are not the people of that municipality entitled to consideration? I speak here, not merely as the advocate of the Bell Telephone Company, but as a citizen of the city of Toronto, and I ask the gentlemen who are sitting about this board who are citizens of Toronto to imagine what value there would be to them, as compared to its present value, in their own domestic telephones, if it were limited, as has been suggested here to-day, to the municipality itself. Would it be one-half or one-quarter the value to any business man if he could not obtain connection with any outside municipality. If there was a complete severance, as was suggested here, between the municipal local system and every adjacent municipality, it might be. Toronto wants power to expropriate the local business of this company. I do not know exactly what that means, whether for instance it means the business within the territorial limits of the city of Toronto, or whether it means the business which might arise in adjoining suburbs or in towns within easy radius of Toronto, but I do know this, if I understand the proposition, that if that system was in vogue I would be quite unable to stand in my house, as I can to-day, and converse upon business or social matters with anyone whom I may choose to call up in any of the surrounding towns. Would my telephone be, under such circumstances, of one-half the value that it is now?

Mr. MACLEAN.—No one has suggested that.

Mr. AYLESWORTH.—Well, it may; anyway it might, and I shall try and make what I have to say exceedingly brief. It has been said here that the long distance line ought to be subject, and it is suggested that the committee should recommend to the House that the long distance lines should be subject to parliamentary control and that the local exchanges—that the city of Toronto ought to have the right to buy out the local business of the Bell Telephone Company in that city. Well, gentlemen, if I owned a good fat beast which was fit for the market and some one came and said he would like to have one of the hind quarters and that I had to give him one, I think the value of that beast would be pretty thoroughly destroyed if he were to take that hind quarter or just a part of it and leave me the rest. That is, I submit, a perfectly accurate analogy to the situation that is absolutely proposed here. Of what value to any business man to put his money into as an investment would the Bell Telephone enterprise be with the power given to Montreal, Toronto and other cities—that proposition cannot be restricted to one municipality—and to every municipality along the line to do its own local business and then say to the Bell Telephone Company you may have the refuse, but we will do the good part which is within our own border. In the first place is it practicable to sever in the slightest degree, is it not so re-

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marked by their lordships of the Privy Council that it must manifestly be one system, one owned and one connecting system? Take what we have had in evidence here in comparison on the streets here in Ottawa to-day. Any person standing here in Ottawa to-day and desiring for any reason to communicate with some local subscriber in Montreal, does he not of necessity use the local system? Here if he makes the local connection, does he not use the branch system which is part of the local system, the local exchange and also the local exchange at Montreal, which is all part of one system? If the gentlemen could avail themselves of the invitation which was extended by the Bell Telephone Company to pay a visit to the local exchange in Montreal, or even to the exchange here in Ottawa, and see for themselves what a switchboard is, to see literally millions of connections and soldering that there are of necessity in the work of bringing all these wires into their different compartments of that exchange, probably you would get an object lesson which would at once give a much more distinct impression than I can give, of the absolute fact that when I in Ottawa am speaking to a subscriber in Montreal there is one continuous wire from my residence to Montreal to his ear.

Mr. MACLEAN.—If you were a subscriber of the Merchants Company, how could you do that?

Mr. AYLESWORTH.—If I were a member of the Merchants Company I could not converse beyond their line.

Mr. MACLEAN.—But a subscriber in Toronto could not speak to a subscriber on the Merchant's line.

Mr. AYLESWORTH.—Not unless he could get that continuous wire, and therefore I confess it is an impracticable thing to sever parts of that one wire. Where should you sever it? At the municipal boundary line? That is manifestly impossible.

The CHAIRMAN.—How long will you take to finish, Mr. Aylesworth?

Mr. AYLESWORTH.—I cannot get through in less than 15 minutes.

The CHAIRMAN.—Then we will sit this evening at 8.30. Just before you leave, I will call your attention again to the point that you raised that the municipalities have not control—ownership—speaking of our own province, that they had a limited use.

Mr. AYLESWORTH.—Precisely.

The CHAIRMAN.—Well, that decision that you read from Mr. Justice Meredith——

Mr. AYLESWORTH.—That was not the decision I was alluding to.

The CHAIRMAN.—I know it went further than your statement of law. He admits that the land is vested in the——

Mr. AYLESWORTH.—Not the original ungranted land of the province.

The CHAIRMAN.—Here is the section, the first section, 600, gives jurisdiction.

Mr. AYLESWORTH.—I know, that is in the provincial government.

The CHAIRMAN.—Section 601 says: 'Every public right shall be vested in the municipality subject to any rights in the soil reserved to the person.'

Mr. AYLESWORTH.—That is just what I have been stating. If you look at section 599 you will see that the soil in the highway remains in the Crown. Section 601 deals with the case of a road that is dedicated and in which the owner may have reserved certain rights.

The CHAIRMAN.—When you have argued that Zulus and foreigners, the moment they come here have rights to these streets—they have no rights until they come within the municipalities.

Mr. AYLESWORTH.—Certainly not, until they come and tread there.

The CHAIRMAN.—And therefore the municipality is the trustee for the people within that municipality.

Mr. AYLESWORTH.—No, for all that seek to use the rights of travel. They need not use that right until they come to it.

The CHAIRMAN.—Therefore it is strictly given to them for the benefit of the municipality, and for those outside the municipality while they are within the municipality.

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APPENDIX No. 1

Mr. AYLESWORTH.—And for the use of the Bell Telephone Company, as one of the public of this Dominion.

The CHAIRMAN.—When they come to it.

Mr. AYLESWORTH.—When they come within it.

Mr. MACLEAN.—And they have no more rights there than Parliament gave to them.

The committee adjourned.

TUESDAY, May 23, 1905,
8 o'clock p.m.

The Committee resumed, Sir William Mulock in the chair.

Mr. AYLESWORTH.—At the time of the adjournment, Mr. Chairman, I was discussing the practicability of the suggestion which had been made of separating the business of the Bell Telephone Company, or of any telephone company, into the long-distance and the local, and I wish to return to the subject for a few further words. But perhaps, in the meantime, I may be allowed to mention a case which I had not thought of when on my feet before but which has been spoken of between my friend, Mr. Chrysler, counsel for the committee, and myself, since the adjournment. That was a very well known case and a somewhat famous one in the city of Ottawa a few years ago, and very probably, hon. gentlemen will remember something of it from the newspaper discussion which took place at the time. The Richmond road, in the city here, is the continuation of a principal thoroughfare westerly through the county of Carleton, and at a point within the city limits, near the western station of the Canadian Pacific Railway, the railway company desired to construct a spur, a 'Y' leading into their station for the purpose of reversing their trains and avoiding the expense of building a turn table. To construct it properly the spur had, of necessity, to cross the line of the Richmond road. The history of that piece of road was this : 'It had been the property of a road company incorporated some fifty years before, on which the company had built the road as a private enterprise, intending to be, and being for the time, remunerated for its investment by tolls which it charged every traveller who used that highway. In course of time the limits of the city of Ottawa came to be extended, by Act of the provincial legislature, and as a result of that extension in the city limits, a considerable length of this road, which had been the private property of the company, and on which they had charged tolls, came within the territorial jurisdiction of the city of Ottawa, was annexed to the territory of the municipality, and accordingly became a part of the city streets, so to say, and free of these tolls, so that every person had a right to use it without paying any toll whatever therefor. The legislature, in equity and justice, attached as a condition to the extension of the city's area, an obligation upon the city to pay to the company which owned that highway, which had built it and which was getting its reward for its expenditure by exacting tolls for the use of it, a sum to be fixed by arbitration. The amount was agreed upon in that instance and it did not need any arbitration. The parties agreed and the city paid to the company the price which had been fixed and obtained a conveyance from the company of that piece of land. It was bought with a price, it was as much a piece of city property, according to the city's contention, as the town hall, which had been bought and paid for out of the city's taxes. In that instance the city solicitor, who was here this afternoon, and who I regret is not present here to-night to hear what I have to say, advocating the interests of the city as his clients and following

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out the instructions of the city council, advanced the contention that the railway company had no right to use the city's property, to use that piece of land which it wanted for its private purposes, without compensation, any more than it would have the right to the use of a town lot, and that the city was entitled to prevent, by injunction, the railway company from having its tracks cross that strip of land or from running its locomotives across that strip of land until the railway company had compensated the city, either by payment of money or by giving to the city countervailing advantages for the use of that land, just as it would have to give advantages or money to a farmer if it was taking a strip of his land. And accordingly the city, in the peculiar circumstances of that case, advanced the contention as against the railway company, that it was entitled to compensation and that the railway company could not be allowed to use that property without first arbitrating and determining and fixing such compensation, either by payment of money or by some advantages to be agreed upon in the way of a contract, or else imposed by some tribunal with authority to dictate terms in the circumstances. That litigation was carried to the Supreme Court and the uniform opinion of not merely the judges of the province of Ontario without exception, but also of the Supreme Court of Canada, was, that it was an utterly fallacious contention on the part of the municipality, that although the city taxes had paid for that strip of land and so had freed it from the imposition of tolls for its user, it had thereby become a part of the property of the general public and that the railway company was on the highway, was using that piece of land which was common to the two purposes—to the travelled highway for vehicles and also to the travelled highway for the locomotives and cars, exactly for the purpose for which it was intended and dedicated to the general use of the public—and that the city of Ottawa had no kind of special property in it. I mention that as a strong instance where, with absolute unanimity all the judges of this country—I may say certainly of the province of Ontario and of the Supreme Court of the Dominion—have supported entirely the contention I was submitting to this committee this afternoon, as undoubtedly the law of Ontario in that regard, although the property might be, for the purposes of the trust, in the language of section 601 of our municipal Act, which the chairman has read, vested in the city and under control, as of a board of governors ,of the city council from time to time.

By the Chairman :

Q. Well, conceding all that, so long as the municipality is left in possession what force has that argument ?—A. Merely this: That the piece of land which constitutes a highway being dedicated to the general public purposes of the whole of His Majesty's liege subjects, if not of the whole of the world to use it, the Dominion parliament is perfectly justified in utilising that strip without compensating the local authorities for the use of it, in using that strip for any of the general purposes of the Dominion. Now take my clients the Bell Telephone Company. Supposing they own a vehicle, an ordinary wagon, drawn by a team of horses, they have the undoubted right, with any one of us, to use the highways in the city of Toronto or of any other city of the Dominion for the purposes of traffic. If then, it pleases the Dominion parliament to say that without obstructing the general purposes of that strip of land, without in any way impeding traffic upon it, and so long as they do not interfere with the public user of it, they may plant their poles upon it for the general public purposes and transmit messages from man to man. It is a legitimate user of that strip of land, a part of the purposes for which that strip of land either was reserved by the Crown, or dedicated by the owner, to the public general use.

Q. The telephone company could not have its vehicle and horses standing in one spot ?—A. Granted.

Q. For a continuous time ? There is a difference between a company that is there permanently and a vehicle that is passing along ?—A. And neither can the telephone

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company under this legislation which the Dominion parliament has prescribed for it, impede or interfere in the least degree with the public user of that road for purposes of traffic. That constitutes safeguards and the very moment they transgress the statute they are liable to indictment or a monetary punishment for so doing. It is but an instance and one specific part of the general purposes for which that strip of land is dedicated by the owners of it, to the general body politic. No more reason exists, assuredly, for legislating or enacting that any particular individual shall not use the highway specially for his own advantage without compensating the city than exists for enacting that he shall not use it without compensating the county of which the city is a part. Why limit it to a township, the local municipality, why not make it the larger, the county which includes a group of minor municipalities ? Why give the compensation that is proposed to the minor municipality and not to the larger ?

Q. Does not the Municipal Act distribute powers among these bodies ?—A. Legislative powers.

Q. It determines all the powers that a village or a town shall exercise municipally ?—A. True.

Q. Though part of a larger municipality ?—A. True, it delimits and just in the same way our constitution, to wit, the British North America Act, gives control to the Dominion parliament and to the various legislatures, and under those legislatures to their minor tribunals, the legislative bodies of the municipalities, jurisdiction each within its own sphere.

Q. Yes, of the municipal institutions entirely within the sphere of the province ? —A. Just so, but our system is consistent throughout. The Dominion parliament may exercise its powers, where it is legislating in regard to something that is for the general benefit of the whole Dominion, and the provinces in regard to local or provincial matters, and just exactly as the provincial legislature at Toronto may legislate with regard to the use of a highway for provincial purposes, so the Dominion undoubtedly has jurisdiction to legislate in regard to these local roads for general Dominion purposes, and for all cognate purposes also, for the transmission of traffic, whether it be the traffic that is tangible and that we see conveyed upon wheels, or the traffic in messages from man to man.

Q. The question is not a matter of law, the question is one of public policy.—A. I think so, and I am only arguing against the assumption of absolute control which is being put forward by local municipalities to the exclusion, one might say of their master, not merely this parliament but also the local legislatures and the county councils.

Q. Mr. Aylesworth, so long as the municipality controls the streets it must have the right to say, subject to paramount action such as might occur here, it must have the right to say whether or not services such as these shall invade the streets. If the provincial government resumed control of the streets then I grant you the concessions made by the municipality would fall to the ground, but so long as the provincial governments, the provincial legislatures in whom the soil in these streets vests, allow the control of these streets to be exercised by the municipalities, so long the municipality must be allowed to have jurisdiction.—A. Then under municipal legislation we might be no longer able to use the streets because we were *persona non grata* to the municipal council.

Q. That is not contended ?—A. Certainly not. I am merely showing the absurd length to which this argument may be pushed.

Q. The municipality might pass a by-law that you could not obstruct the streets ? —A. Certainly and the Dominion parliament has passed something more. It has passed a law providing that the Bell Company shall not in any instance impede or obstruct highways.

Q. By obstruction on the streets, obstruction *pro tanto* ?—A. That obstruction exists already. There are poles planted in the middle of our Toronto streets which might be termed a great nuisance.

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MAYOR URQUHART.—Not municipal poles at all.

Mr. AYLESWORTH.—They are poles of the street railway. There are many places in Toronto where the poles are planted in the streets.

The CHAIRMAN.—The municipality having the control might hurt itself if it likes ?—A. There are poles of the street railway planted up the centre of Spadina avenue and nobody calls them a nuisance. That is a wide street and the poles divide the street into two. I merely mention it as an answer to the suggestion which I made myself as to planting poles in the middle of the street: Remember this: The legislature safeguards the public perfectly when it makes the absolute proviso that the company shall not interfere with the public right of travelling on or using city highways and any trangression of that is immediately liable to punishment. I am arguing simply against the contention that a local municipality, because by the local legislature it is given the legislative control for certain purposes over the highways, has thereby secured the right to make that a commodity out of which it shall have gain. The municipalities come apparently here before parliament and say, 'We want to sell the franchise,' as they call it, 'or the right to use these streets to a particular individual,' to wit, a company, and out of that sale make gain. I say that is an illigitimate transaction, that is not the purpose for which the streets are given into the control of the local municipal authorities, and that any theory that it is so, is a false one and demonstrated to be utterly erroneous by the slightest consideration of the general purposes for which that strip of land in any cases was dedicated to public use.

Now, reverting to the subject I was discussing, as to the practicability of the suggestion of taking a part out of the whole, of the company's, or any telephone company's, business, and bisecting it, or dividing it into two parts, one of which should go under local municipal control and the other either be left to the company or go into the control of the legislature or parliament, some larger body, I am seeking to point out that it is a most crude and ill-digested suggestion, as must be manifest when one thinks of the nature of that with which the committee is dealing and in regard to which the suggestion is made. Assuredly if the city of Toronto (or any other municipality, because, as I said, it cannot be the intention that the city of Toronto, can ask any special privilege) if every municipality in the country is to be given the right to expropriate the section of the Bell Telephone Company's property which lies within its corporate limits we should have the most unmitigated and unbearable nuisance that could be imagined, namely, not one connected system of telephoning from town to town and from house to house in different parts of the country, but a series of disconnected cells, so to speak, not having any connection one with another, not being under any one general management, but each part of it under a different and continually changing management.

Mr. ZIMMERMAN.—It is an accomplished fact, Mr. Aylesworth, in England. The government own the long-distance lines in England to-day and operate them.

Mr. AYLESWORTH.—I do not know if my good friend who speaks has had any practical experience of attempting to telephone in England. I have had, and I can only say that while telegraphing there is a joy and a pleasure and a very cheap one at that, telephoning is—I do not know how to characterize it—but conspicuously, to use the language of a witness, one of the most dismal failures that could be imagined. I have attempted to telephone in London, England, to a friend a few blocks away, and in all seriousness it was a saving of time and of annoyance to go and take the message myself. A man cannot telephone to-day in London, England, between the Hotel Cecil and the Hotel Metropole, a distance of not more than from here to the Court House in this city, at an expenditure of less than five minutes' time.

Q. That is under the National Company, that is not a trunk line ?—A. I do not know what it is, but I know it is the most aggravating nuisance a man could have.

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Q. That is not the government system at all, that is just as if you were telephoning from the King Edward to the Queen's in Toronto ?—A. Is that not an independent company ?

Q. No.—A. I do not know where the fault is, all I know is that is the result, and I think, therefore, that for practical results no one can refer with any satisfaction to the English system. Ours is certainly, as far as telephoning is concerned, incomparably the better, and let me point out why of necessity it must be so.

The CHAIRMAN.—I have seen it stated that the English telephone system was worse than anything in all Europe.—A. I have had no experience in any other country, as I do not speak any other language, but I cannot imagine anything more disgusting than attempting to use the telephone in England.

Mr. ZIMMERMAN.—I have had the same experience that you have.

Mr. AYLESWORTH.—I think every person who has been there must have had. I cannot tell you why it is so, but it is practically impossible to get good telephone connection. I have tried to get telephone connection and to connect say from a West End hotel in London to Hammersmith, somewhere about a mile or two away, and I simply had to give it up as an absolutely useless thing. I remember an occasion of that character three years ago when in preference to telephoning I telegraphed for a parcel that I wanted to get from a short distance, and it is practically the only way of getting what you want unless you wrote a letter or went with it yourself. Now, returning to a consideration of the practicability of the suggestion of separating, legislation is asked, as I understand, and it is suggested here by some of the gentlemen who have spoken on behalf of the municipalities, that power ought to be conferred by this parliament upon local municipalities to expropriate and to buy out sections of the Bell Company's or any other company's property, in the way described. Let me ask why should that power be given when you bear in mind that in Ontario—I know nothing of other provinces—but in Ontario to-day and for years all municipalities, urban municipalities, have power, without purchasing, either to construct and to operate their own telephones lines. Would it be any cheaper to buy ours, which is established, within Toronto, than it would be to construct a new one ? I cannot see why it should be. We have constructed ours at the lowest possible expense, and may be it is partially worn out, but the city of Toronto has the legislative power to-day, under the Municipal Act, to start a competitive line any time it pleases. It can use its own streets if it wishes, for it calls them its own, it can establish, at any rate, without the assistance of legislation from Ottawa, its own independent competitive system without paying us one cent. We have no exclusive rights in the city of Toronto; we have no agreement; we have no franchise to sell; we ask nothing; we are there serving our own customers and serving the general public of the city. I shall, with the consent of the committee, prove here out of witnesses before the inquiry closes, that to-day Toronto has a telephone service which is patronized to a larger extent in proportion to population than any other place in the continent. I think that in itself demonstrates that the people of Toronto are satisfied with the system, are patronizing it and are content to pay those rates which have been referred to and against which not one word of objection has been heard. Now, what are the objections that have been urged to-day by the civic head of the city of Toronto, in your hearing in the witness box ? After having made the general statement that there was great dissatisfaction, that there was constant complaining, that the people of Toronto were dissatisfied intensely with the service of the Bell Telephone system, the worst thing that Mayor Urquhart could say was that there had been complaints come to his knowledge that there was too long a time taken in giving connections or that conversation might be interrupted by the connection being cut off. Is it not childish to urge such objections as that to a telephone service which manifestly must be the fault of the operator and which might—I will not say would—but might, at any rate, equally well exist if it were under municipal control. I do not want to encroach at all upon the vexed question

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of municipal ownership. No doubt there are two opinions upon that subject, but I think there are some members of the committee who would agree with my views, at any rate, that a municipal service is an unmitigated nuisance to the citizens and an unmitigated loss. However, that may be, the question whether it is likely that the people of any community would have a better telephone service under a system where there was some experience and some expert knowledge, or under a gentleman who might, without any previous knowledge of the subject, be pitchforked into the position of telephone manager and changed annually, according to popular will? Is it likely that a man who is giving his time for nothing to the service of a city and who simply occupies the position of alderman or mayor, perhaps for a twelvemonth, would become during that twelvemonth, so skilled in the operation of a complicated piece of mechanism or a complicated system of work like the telephone system, as that he could give, under his management, better service than men who had spent a lifetime at the system?

The CHAIRMAN.—They do not change municipal employees with each election?—A. It depends, sir.

Q. Speaking of Toronto, I have never heard of it being done?—A. I think the citizens of any municipality have not had such results from any experiments at municipal ownership as would justify one of them in wishing to have it in preference to the management of some person skilled and permanently employed in that line of work.

Mr. BERGERON.—And if the trunk lines belong to the Government?—A. If the trunk lines were under different control I should think we would have confusion worse confounded. That, however, is a matter of policy which gentlemen here are much more competent to determine, in the interest of the general public of Canada. I make no suggestion in regard to it. I merely point out one or two things which it seems to me stand upon the threshold and have certainly not in any sense been grappled with by the suggestions which have come, as we heard to-day from Mayor Urquhart as his own idea, not as a proposition that anybody else fathered but as his own idea, that long-distance telephones ought to be under one management, local or municipal or any other. We have heard Mr. Sise, and certainly he has some practical experience on the subject, speak of the practical objections. I shall not try to supplement his evidence more than to point out this: In discussing the general question, or considering rather the general question, of the advisability of legislation which would compel an interchange of traffic let me point out the danger of false analogy. If you are thinking of the requirement which makes railway companies transmit traffic one from the other, or interchange traffic one with the other, it is, of course, a thing of no practical difficulty to require a railway company to take from another company its parcels and forward them to their destination, or, if a car is loaded, to carry that car over its rails to the destination asked by the sender of the goods. That is a perfectly easy thing to legislate in regard to, and something in regard to which, as common carriers, the railway companies in their own interests probably would make traffic arrangements between themselves, even if legislation did not require it. And no objection I am sure has ever been urged by any telephone company, or any company for the purpose of transmitting messages, to taking from any person who brings it, independent line or otherwise, that person's messages and transmitting them to their destination. That is a very different thing from physical connection, from switching one line on to the other. Mr. Sise has spoken of the detriment to business of occupying the line. Assuredly that is the truer analogy. Would any legislation ever be suggested which would compel a railway company, not merely to haul the car of another company over its tracks or take parcels out of the car of that other company and tranship them into its own car, would any legislation ever be suggested which would require a railway company to allow the trains of another company to traverse its lines under control, not of its own crew of managers, but under the control of drivers and conductors of another line, and to the detriment of its own traffic, not running according to its own regulations, but impeding its traffic; not running according to its own time-table, but simply occupying for the time, how-

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ever long or short it might be, necessary to get from one station to another, the single track, it might be, of the railway company upon which that train was travelling.

The CHAIRMAN.—That is done on the Erie line between Windsor and Niagara Falls to-day by the Wabash Railway.—A It runs its own line, it does not allow the Michigan Central trains to interfere with its own trains running over the line.

Q. Full trains of different companies run over that air line?—A. What is proposed here to-day is that physical connection should be given to some independent line. such as a local municipal system, over the trunk lines or long-distance lines of the Bell Telephone Company. That is exactly as if it were proposed by some little branch road that might run out of a way station of the Grand Trunk, that the Grand Trunk Railway of Canada should be compelled to allow that little branch line to run its trains unbroken upon the main line of the Grand Trunk from Toronto or Montreal without regard to the rules of the Grand Trunk.

The CHAIRMAN.—The Act of incorporation of the Transcontinental Railway Company gives the government the right to run the trains of the Intercolonial Railway from Moncton to Quebec.—A. Will they not be run under the control of the officials of the Grand Trunk Pacific Company?

The CHAIRMAN.—The full Intercolonial trains will go.—A. It may be right if these trains are run on the regulations that are prescribed.

Q. The Wabash Railway has a division point at St. Thomas. There they have their own round-house, their own train crews waiting, their own engines, their own trains and cars and men go from the Detroit river to the Niagara river on a line every foot of which is operated by another company.—A. I speak subject to correction, I may be entirely wrong, but my idea of the arrangement between the two companies, Mr. Chairman, was this that the Wabash uses that line exclusively and that no trains except the Wabash trains can occupy it.

Mr. CHRYSLER.—That is not correct, the Grand Trunk uses that line.

Mr. AYLESWORTH.—With the Wabash.

Mr. CHRYSLER.—With the Wabash, yes.

Mr. AYLESWORTH.—Then it is under some amicable arrangement between the two.

The CHAIRMAN.—There is an officer to regulate the traffic.

Mr. BERGERON.—Do you see any analogy between the telephone and the railway?

Mr. AYLESWORTH.—I do not. I use that merely for the purpose of illustration because it seems to me at least as objectionable that any branch line should have powers given it to compel physical connection. Now bear in mind, gentlemen, I am not for a moment speaking of the obligation upon the Bell Telephone Company, the one I am interested for, to receive from any branch company you please messages and transmit these messages to any destination which the Bell Company is able to reach. That is exactly analagous, it seems to me, to taking the parcels of one railway over another railway and forwarding them to their destination. But what is proposed is something radically different from that. It is proposed that another line, I do not care whether it is competing or non-competing that another telephone line should, against their will so to speak, and in their turn against the Bell Company, have the right to switch its lines to the Bell Company's lines and transmit, entirely independent of the Bell Company's control, over Bell Telephone trunk lines, messages from the lips of the sender to the ear of the receiver. Now it is not manifest that to do that you certainly exclude the Bell Telephone Company's own traffic for what ever time the line is so occupied.

The CHAIRMAN.—The law requires a railway to carry the cars of another railway? – A. To the exclusion of its own?

The CHAIRMAN.—For the moment to the exclusion.

Mr. MACLEAN.—Yes, certainly.

Mr. AYLESWORTH.—With all deference I do not think so.

The CHAIRMAN.—You think the railway can refuse to haul the cars of another railway company?

Mr. AYLESWORTH.—Certainly not.

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The CHAIRMAN.—Then for a time the Bell Company cannot occupy the place occupied by the other.

Mr. AYLESWORTH.—Surely the difference is apparent. One message occupies the whole line until it reaches its destination.

The CHAIRMAN.—One car occupies an exclusive place also over the line.

Mr. AYLESWORTH.—One car occupies a space of 33 feet, and is continually shifting. Of course any company is very glad to haul the car of another company instead of using its own rolling stock.

Mr. MACLEAN.—Why not the Bell Company then?

Mr. AYLESWORTH.—They are perfectly willing to take charge of the message, but they are not willing and ought not to be asked to defer their own legitimate business while some person who is an active competitor is using their property for his own purposes Is it not manifest that if he takes five minutes to telephone from Ottawa to Montreal all the business of the Bell Telephone Company, all its own business, is being suspended while that conversation is going on. As a matter of fact you have it in evidence already that the present long-distance lines of the Bell Telephone Company barely suffice to accommodate the business it has.

The CHAIRMAN.—Why?

Mr. AYLESWORTH.—Because it does a business now which occupies all the money it has invested and because it is difficult, if not impossible, to go on increasing its capital.

The CHAIRMAN.—Because they have only got a single wire.

Mr. AYLESWORTH.—Is it then the proposition—I do not know what the gentlemen are proposing—is it the proposition that the shareholders of the Bell Company are to be required by Act of Parliament to put their hands into their pockets and to supply out of their own private purses a vehicle of traffic for a rival or competitive concern? I do not know whether this is their proposal. It does not seem to be equitable or just—for parliament is a court of equity. Is it just that a man should have the right to take coin from my pocket? Is it any more just that a competing company should lay hold of the property of the Bell and say: 'We will employ it when we want it, and you will stand back with your own legitimate business.'

Mr. MACLEAN.—Parliament has over and over again passed laws to compel railway companies to receive traffic from other companies.

Mr. AYLESWORTH.—No objection is offered to receiving messages from people and transmitting messages from any other company, as that is our corporate purpose, but we do object to being turned out of the use of our own property even for five minutes. And if five minutes why not for five hours or five years?

Mr. MACLEAN..—Your line is there for serving the great public and it is earning money.

Mr. AYLESWORTH.—We are serving the greater public when we are serving our own subscribers than if we were serving some farmer who has built his independent line to connect with ours.

The CHAIRMAN.—If it were not for the farmers your company would not amount to much.

Mr. AYLESWORTH.—I am speaking in that way merely as an illustration.

Mr. MILLER.—What do you propose to do to serve the customers of the Bell Company? Would you give perhaps an hour at the close of the day to serve other customers?

Mr. AYLESWORTH.—I do not know how it could be worked out, but I feel very sure that every operative of the Bell Company who was honestly endeavouring to serve the interests of his employer would give preference to his employer's rather than to his rival's business. Suppose I, a subscriber, called for Montreal simultaneously with a man on a branch line, haven't I a better right——

Mr. MILLER.—You have no suggestion to make on the part of your clients as to how you might accommodate the other subscribers?

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APPENDIX No. 1

Mr. AYLESWORTH.—I have made the suggestion over and over again to-day to take their messages and transmit them.

Mr. MILLER.—When?

Mr. AYLESWORTH.—As soon as we receive them; just as the general public is served.

Mr. MACLEAN.—But do not compel you to switch.

Mr. AYLESWORTH.—Do not put them in the possession of our property to the exclusion of our own customers. Is it right or fair? Would any merchant submit to such a thing that he should be asked to serve his rival's customers to the exclusion of his own who had been dealing with him for years? That is literally our position. We have built up a business and are endeavouring to give the best service we can. One of our subscribers wants to use the line to Montreal, but he finds that it is being used by somebody else who is a rival in the trade.

The CHAIRMAN.—Upon proper terms.

Mr. AYLESWORTH.—It might be perfectly fair to the shareholders, but I am speaking rather in the interests of the customers whom we serve. Are you to injure a thousand subscribers——

The CHAIRMAN.—Who is proposing that?

Mr. AYLESWORTH.—I think those who propose physical connection.

The CHAIRMAN.—Regardless of terms?

Mr AYLESWORTH.—I cannot see any difference.

The CHAIRMAN.—Is it your contention that there should be no arrangement under some proper tribunal to regulate an interchange of traffic on proper and just terms.

Mr. AYLESWORTH.—Again and again I have tried to say that an interchange of traffic means reception and transmission of messages.

The CHAIRMAN.—You object to that?

Mr. AYLESWORTH.—Not at all.

The CHAIRMAN.—What are you fighting against?

Mr. AYLESWORTH.—I am fighting against their having the right to switch to our line and transmit their own messages.

The CHAIRMAN.—Supposing they switch and transmit messages upon terms fixed by a fair, impartial tribunal and upon proper equitable terms to your company?

Mr. AYLESWORTH.—I am not able to imagine terms that would adequately meet the exigencies of the case.

The CHAIRMAN.—Then, do you take the ground that you are absolutely opposed to any interchange of traffic except upon terms that suit the Bell Company?

Mr. AYLESWORTH.—Not at all. I take the ground that we have not the slightest objection to interchange, as we understand the term.

The CHAIRMAN.—Who is to fix the terms?

Mr. AYLESWORTH.—Let me repeat that the Bell Company, as I understand my instructions, offer not the slightest objection.

The CHAIRMAN.—No matter what they offer—they may offer to-day and not to-morrow.

Mr. AYLESWORTH.—They offer not the slightest objection.

The CHAIRMAN.—Supposing we were desirous of adopting a general scheme for all companies of interchange of traffic on just and fair terms, parliament has from time to time amended the Railway Act to provide for a greater interchange of traffic between railways, making it compulsory for one railway to receive the traffic of another on fair and just terms. Why should not the same principle be applied to the interchange of telephone traffic.

Mr. AYLESWORTH.—I answer, no reason, but again let me say what I have said a great many times, and what I hope I have not been misunderstood in saying, when I use the term 'interchange of traffic' I attach to that the meaning of my taking that traffic and transmitting it myself to its destination.

Mr. A. B. AYLESWORTH, K.C.

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Mr. MILLER.—You say you have no objection to transmitting messages from other companies. Then will you transmit those messages ?

Mr. AYLESWORTH.—Equally promptly with the messages that come from our own subscribers.

Mr. LEWIS.—The same as the telegraph.

Mr. AYLESWORTH.—Exactly.

Mr. LEWIS.—You could not offer the opportunity for one man to converse with another.

Mr. AYLESWORTH.—No, he would converse with the central office and the central office would repeat his message.

Mr. MACLEAN.—You would transmit messages but not conversations?

Mr. AYLESWORTH.—That is our business.

Mr. MACLEAN.—To some people you transmit conversations. You were created a transmitter of conversations.

Mr. AYLESWORTH.—We are carrying out our corporate purpose. The messages are written out at the end of the line and transmitted by messenger. Many a message is transmitted in the same way and delivered by messenger.

Mr. MACLEAN.—Many a conversation is transmitted. What about the proposition of exchanging conversations.

Mr. AYLESWORTH.—I have already dealt with that. We do not propose, and I urge it would be inequitable to compel us to subject our property, possibly even for a temporary period, to a business rival, to put our line absolutely under his control for the time being.

Mr. MACLEAN.—You don't think that you are compelled to give an interchange of conversation.

Mr. AYLESWORTH.—I have no doubt that that phrase describes what I mean.

Mr. MACLEAN.—And yet it is for the transmission of conversation—that is your position.

Mr. AYLESWORTH.—That is my position.

Mr. ZIMMERMAN.—As a matter of fact, Mr. Sise stated that he had given physical connection to about 40 independent lines already.

Mr. AYLESWORTH.—Yes.

Mr. ZIMMERMAN.—And that he was prepared to give connection with any independent lines providing they were up to the standard.

Mr. AYLESWORTH.—And not competing lines.

Mr. ZIMMERMAN.—Yes. Take the point that you are trying to make. Take from Cleveland, there are a series of independent lines from Cleveland to St. Louis, and from Cleveland to Chicago. They have physical connection all the way through. You can telephone right from Cleveland to St. Louis over perhaps twenty or thirty different independent lines.

Mr. AYLESWORTH.—Only using one at a time, I suppose.

Mr. ZIMMERMAN.—You can't use more than one at a time here.

Mr. AYLESWORTH.—I do not question it, of course I do not know anything about it. I have no doubt it is a fact. But is not the connection of these companies or individuals by agreement very different from such a condition as imposing legislation upon a company or an individual against his will ? I fully grant the supremacy of parliament. I am trying to urge why in my humble opinion it would not be a just or right thing. Would anybody propose that to accommodate the traffic of any rival railway company another company, should be ordered by parliament to duplicate its railway ? Wouldn't it be a monstrous suggestion ? And yet it is urged that if our line is not sufficient for our own traffic and the other line we must duplicate it.

Mr. MACLEAN.—You received a franchise to do a telephone business, and do you not think you should serve the public in any way convenient to the public.

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APPENDIX No. 1

Mr. AYLESWORTH.—What do you mean by 'franchise'? It is an indefinite word that I scarcely appreciate the meaning of.

Mr. MACLEAN.—The first Act passed by parliament empowered you to do certain things.

Mr. AYLESWORTH.—Gave us corporate power.

Mr. MACLEAN.—And I take that to be a franchise to serve the public.

Mr. AYLESWORTH.—Very well.

Mr. MACLEAN.—I think it is a common ordinary expression.

Mr. AYLESWORTH.—I understand your meaning. Whe have charter powers.

Mr. MACLEAN.—Enjoying a public franchise as a railway is supposed to to have a public franchise and with public rights, ought you not to try to serve the public who are willing to pay you your charge for that service?

Mr. AYLESWORTH.—We are doing so to the utmost of our physical ability, and to the extent of our means. To impose an additional burden would exclude our own subscribers.

Mr. MACLEAN.—You must exclude them, you must exclude somebody.

Mr. AYLESWORTH.—I used the expression 'burden' in regard to the company being ordered to accommodate the traffic of its neighbours and to decline its own. Did anybody ever hear of such a thing?

Mr. MACLEAN.—I would say it is a good public policy.

Mr. AYLESWORTH.—Very well. My friend is consistent at all events.

Mr. LEWIS.—You have public pay stations?

Mr. AYLESWORTH.—Yes.

Mr. LEWIS.—What would be the difference if an outside company, properly built and inspected, which would not injure your business, if they telephoned to your central and you connected them, and you were paid your proper proportion, the same as if they went to the pay station?

Mr. AYLESWORTH.—Just as I was saying, that while an independent line was using our wires our own customers could not use them.

Mr. LEWIS.—What is the difference between the stranger and the company?

Mr. AYLESWORTH.—Because the stranger is our customer.

Mr. MACLEAN.—It pays the company.

Mr. AYLESWORTH.—Then if that customer will give us his messages and we transmit them, I will make no objection.

Mr. LEWIS.—He cannot give a message. He is telephoning through. He is paying you. What is the difference?

Mr. AYLESWORTH.—Just the difference that I have tried to explain, if I have made my meaning clear, that for the time being that man controls the line, and not ourselves.

Mr. LEWIS.—So does anybody who uses the pay station.

Mr. AYLESWORTH.—No, we control it. He is our customer, and he is merely using our line.

The CHAIRMAN.—Have there been any decisions where a telephone company is a common carrier?

Mr. AYLESWORTH.—I think it is held that a telegraph company is not liable as a common carrier.

The CHAIRMAN.—Has the question been determined at all?

Mr. AYLESWORTH.—It has been decided in the United States that it is not. I think the law of common carriers would not apply, because there are responsibilities as to conveying safely and so forth which could not very well be brought to bear upon messages.

The CHAIRMAN.—The question has never come up in Canada.

Mr. AYLESWORTH.—Not that I am aware of.

Mr. LEWIS.—What difference does it make if a man on a properly inspected company rings up your office and gets connection or comes in and uses a pay telephone?

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Mr. AYLESWORTH.—I think Mr. Sise made that very plain. Suppose a man fifteen miles out of Ottawa who is on one of these branch lines calls up Ottawa and asks for one of our subscribers in Montreal, we connect him at the other end of the telephone and there is no difficulty.

Mr. LEWIS.—I provide for that company, there being a properly inspected one.

Mr. AYLESWORTH.—That is supposing it is a standard line betwen here and the distant point, so that there are no difficulties of service. I see no objection then except that we are doing the business of a rival and competing company to the exclusion, for the time being, of our own.

Mr. BERGERON.—Supposing for example that during that time one of your subscribers in Ottawa, say, Mr. Maclean, wants to call up some other person, but he finds that the line is in use by the subscriber on the outside lines to Montreal. That is the point.

Mr. MACLEAN.—I would say, put up another line.

Mr. AYLESWORTH.—Why should the Bell Company put up another line for the business of its rival? Why should not the other company put up its own line to accommodate its own business? Bear in mind that we have no exclusive rights. Any company can start.

Mr. MACLEAN.—You spoke of the city as using its particular position in connection with the highway as a hold-up of corporations.

Mr. AYLESWORTH.—Precisely.

Mr. MACLEAN.—Is it not so that you are really justifying something that gives you a hold-up business?

Mr. AYLESWORTH.—I cannot see it. I fail to see it. We have gone into this undertaking under the authority of parliament. We could not get the money which has been invested without these rights on the streets, and parliament has said: 'In the interests of the general public we will, deliberately, give them to you.' Then the question simply is, that our having lived up to our part of the bargain, is it right that an additional burden should be imposed upon us or that our property should even temporarily be taken out of our hands.

Mr. MILLER.—You are willing to transmit the message, repeat it, but not willing to give physical connection. I think you will admit this, that that will not be so satisfactory either to the sender of the message or to the man who is listening.

Mr. AYLESWORTH.—Certainly it will not be.

Mr. MILLER.—You say that the principal reason why you will not allow them to have physical connection and talk over your line directly is because of the time that it takes up to the exclusion of your customers. If you are willing to transmit those messages properly, to repeat them, will it not take just as great a time to transmit them as to let the other persons talk?

Mr. AYLESWORTH.—Certainly not, for this reason: our line is not being held while that message is being received. It is being taken down on paper to be transmitted, being received by our operator at our office, coming over the strange line, and during that time our line is not being used. But if he has connection with our trunk line our line will be held during the time that the man fifteen miles away is trying to get the subscriber at the other end of our line, and perhaps during that time several of our own customers have tried to get our line. Then, if we were unable to connect the man on a strange line with the subscriber he wants, our line has been used and we cannot charge it against that strange company.

Mr. MILLER.—That does not apply any more than in the direct connection.

Mr. AYLESWORTH.—I think so, because in our own business we get a lump sum.

Mr. MILLER.—Still you get the same amount.

Mr. AYLESWORTH.—Unless it is a pay station, where it is someone that is not a subscriber. We get a lump sum. We get the price of the ten-minute conversation, the very same to the thousand subscribers at the pay-station, but in this pay-station we

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were serving someone who is not an annual subscriber, but we are getting a lump sum which will cover such an outlay.

Mr. MILLER.—If you reduce it to the matter of rates, it is a detail that could be arranged.

Mr. AYLESWORTH.—If some provision could be devised, I myself cannot think of any means whereby the branch line would be compelled to pay for the whole time occupied. We should not be called upon to bring in the branch line to furnish accommodation.

Mr. MACLEAN.—Isn't it so that the interchange of traffic balances itself and you are liable just to make as much money by giving conversations to your customers over this limited line from one end to the other.

Mr. AYLESWORTH.—It does not matter to the individual shareholder. He gets his dividend and it does not make any difference who is using his property if he is being paid, except that he wishes to retain the good-will of his customers. It is undoubtedly in the interest of the shareholders to serve their own customers, but from the standpoint of the general public, the mass of the public, the larger portion who patronizes it, it is surely to their detriment that some one man or half dozen men should exclude twice or three times that number.

Mr. MACLEAN.—On the contrary, the more service you give the better the service. That is my experience.

Mr. AYLESWORTH.—Take the illustration of some little community, Waterville, I think, where there were some 17 subscribers of the local company, and three subscribers to the Bell, and it was asked why the 17 should be refused leave to connect physically to the other three. Of course it is not the 17 against the three, but 17 as against, it may be, 500,000 all over Canada, who are subscribers to the Bell. Anyone of these 500,000 might want one of the three and could not get him because the 17 were being served. The line is devoted to the far greater number.

Mr. MILLER.—You are arguing upon the greatest good to the greatest number. If by encouraging the business of the independent line, by giving them ready connection with your lines and greater advantages, it seems to me that you will very largely increase the number of subscribers to the independent lines and the greatest number will be subscribers to the independent lines, and then you will be serving the greatest number.

Mr. AYLESWORTH.—I am not a practical telephone man, not a practical business man, it may be. It would seem to me, however, that the interests of business would be a sufficient security for the practical business man who is at the head of the Bell Company, Mr. Sise. He will do the best he can for his patrons, because he does the best he can for his shareholders, and he will manage that company in the best way his business experience enables him to do in the interest of the general public.

Mr. MILLER.—If he is going to manage his own business in the interests of his company——

Mr. AYLESWORTH.—And therefore in the interest of the shareholders.

Mr. MILLER.—And that will be undoubtedly to the interests of his customers, and that will be to the best interests of his stockholders, then the great general public are customers of the Bell, and if there appears all over the country a demand from the public for a different system upon the part of the Bell that will provide greater dividends to independent companies, is'nt Mr. Sise making a mistake as to what will be the interests of his shareholders?

Mr. AYLESWORTH.—If your premises are admitted to be correct, your conclusion would be true. You are using the term general public, and there is where I will draw a distinction. The general public in Toronto would be the men who are paid subscribers of the Bell; perhaps there are half a dozen or half a hundred others who want to telephone once a year. Are they that large body, the general public? Surely not.

The CHAIRMAN.—I understand that in the interests of the Bell Telephone Company

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you are objecting to any proposition that will bring any more business or money to the Bell Telephone Company?

Mr. AYLESWORTH.—I am objecting to any compulsory legislation. I am urging that the shareholders of the Bell Telephone Company, whose money has been put into it just as legitimately as any man's money has been put into his farm, want and are entitled to manage their property according to their own best interests. Those interests are identical with the best interests of the public. They are doing it to the satisfaction of the public and it seems to me that the testimony of the mayor of Toronto was the very best evidence of it when he engaged himself, as he tells us, four years ago in a crusade against this company, and now comes and tells us that he could not point to a single grievance that he could remember having been mentioned to him except those trifling grievances which have been referred to.

The CHAIRMAN.—Your company have collected such rates as are sanctioned by the government and have refused the traffic, you have by doing that compelled the construction of independent lines or systems requiring the duplication of the outlay of capital, you cannot complain if the provisions of this Act are enforced?—A. I am making no complaints of the provisions of this Act being enforced. I am asking you to take no right from me which was given to me by Act of Parliament.

The CHAIRMAN.—But you take an unwise stand in regard to your rates.

Mr. BERGERON.—But there is nothing to prevent any competing line from building long-distance lines.

The CHAIRMAN.—And there is nothing to compel the state or the country to have the Bell.

Mr. MACLEAN.—There is nothing to prevent the state coming in and building a competing line.

Mr. BERGERON.—That power is in the state all the time.

Mr. MACLEAN.—Yes, but we have not used it. We may use it.

Mr. AYLESWORTH.—I may have my property taken from me by the state, but I rely upon the infallible justice of the Crown that it will not take away my property without compensation. I object to no competition, for we have had no monopoly, we have never had one.

Mr. ZIMMERMAN.—The idea of telephoning is to have a conversation over the telephone, and your principle, if it were carried out, would be to prevent conversation and reduce it to a simple message.

Mr. AYLESWORTH.—My principle of interchange of traffic, my interpretation of the interchange of traffic would mean——

Mr. ZIMMERMAN.—If I telephone to my house I want to have a conversation with someone there.

Mr. AYLESWORTH.—Might I suggest whether if the home in Hamilton has no telephone, it should have direct conversation?

Mr. ZIMMERMAN.—Surely direct conversation is natural with people who pay for that privilege from this company?

Mr. AYLESWORTH.—It seems to me the fact that part of our legitimate business is sending messages to the end of our line, taking it there on paper, and sending it to the person for whom it is intended, is an answer to that.

Mr. ZIMMERMAN.—That forms a very small item of your revenue.

Mr. AYLESWORTH.—I admit that, but when it is shown to be a part of our business, it seems to me it should be left to us to do it in that way; but let me say that I did not dream of discussing that this afternoon and would not have done so if the question had not come up, and if the committee will allow me to drop it, until Mr. McFarlane who is to be before the committee on Friday, and who is a practical man, can be heard, probably he will be able to work it out, and possibly I may ask the committee to allow us to examine another witness on the difficulties in the way of giving direct physical connection, which a practical telephone man could give as it is a technical subject, in a better way than I can. Therefore I will not occupy any more of your time, it is a

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question of considerable difficulty, I venture to think, for the Telephone Committee to work out. I ask but another word or two to point out that the objection which has been urged here to the company tearing up the streets, and as it is said, destroying the pavement recently laid, are manifestly not open upon the terms of this statute which requires these streets to be restored at the expense of the company. Practically the way that it has been done in the municipality of Toronto, and I presume elsewhere, is that the work is done by either the city, or the people who have laid the pavement in the first place. The company's men do not do the work at all, but the streets are opened and restored by the city's workmen, under the control and the management of the city engineer, exactly in the same manner as if they were being opened for city purposes and the company simply pays the bill. When we hear such doleful statements as 'chaotic confusion,' and 'tearing up' the streets, and so forth, bear in mind who it is that is doing it, it is the city itself who is tearing up the street and the city itself who is restoring it—at our expense and for our accommodation it is true, but in regard to any statement about the company putting the pavement back in the same condition in which it was before it was taken up, that fact should be borne in mind. It may be perfectly true that an asphalt pavement once laid is better not to be taken up.

The CHAIRMAN.—Is it worth while dealing with the different forms of pavements?

Mr. AYLESWORTH.—Probably not, there are not many asphalt pavements, and they have not been very often torn up.

Mr. BERGERON.—If there was a municipal telephone system the pavements would have to be torn up in the same way anyway.

Mr. AYLESWORTH.—I am not their adviser, it is not part of my duty, but I would like to point out a situation which is manifest if one only considers the matter—that is the position in which any municipality would be if that municipality says that no street shall be touched unless it first gives sanction and points out the place for opening up the street. If a pole is planted in the street, and as a result if its position becomes an impediment to traffic, although it was thought when it was placed in that position it would not be an impediment, and a farmer we will suppose becomes injured because of that impediment that municipality, having taken the responsibility of locating that pole, would be liable for damages that might arise to the man by reason of the pole being in that place. That has been litigated and found to be the case in the city of Chatham not long ago. It may be that there is no right to indemnity against the Bell Telephone Company because the municipality has taken charge of the company's business for the time being and directed the place of the pole. Of course the city is liable as the Telephone Company owns the pole, and the city is liable, but the man might select which of the two he would attack or he might attack both. That is very fair but in the case of the great general public, which the committee, or the House of Commons or the parliament of Canada has, in the nature of things, to take into consideration, ought not gentlemen who are thinking of the interests of the general public and are desiring to advance the best interests of the people to bear in mind that those things for which some individuals are crying may turn out to be *damnosa hereditas*?

Mr. HARTLEY DEWART.—There is very little I desire to say in reply to what Mr. Aylesworth has said because his remarks have been so fully discussed by the committee that perhaps they do not require very much reply from me. But that he urge the old doctrine of vested rights and refers to the statute of 1880 as if it were something too sacred for anybody to lay hands upon. But I must remind him, that in 1882 that very statute to which he refers was amended by adding the words referring to the location of the line of lines, although it was at that time supposed to cover every point which has been a bone of contention between the municipalities and the company which he represents. I will only say that when I was addressing myself to this committee before I endeavoured to confine myself to the larger issues as between the municipalities generally and the companies at large. But I think there is an argument that may be based upon the application to the Ontario legislature in 1882 as having a wider

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application than merely of an application so far as the view that is taken in Ontario was concerned of the law of provincial rights, because so far as that application was made to the Ontario legislature in 1882 that by the Act of the legislature there was this definite restriction laid down that so far as the user of the highways by the municipality was concerned they were by the very submission of that application to the province of Ontario showing that they deemed, as far as the province was concerned, that these were matters as regards the Bell Telephone legislation for which they had to go to the legislature in each province to get the powers. I shall not refer to the Owen Sound case in which the learned judge referred to the insincere remarks which my learned friend made on behalf of his client, further than to say, that I can only hope this committee will deal more kindly with my learned friend than the learned judge did on that occasion. But when he referred to the user of the street and refers to the using the streets, surely he is using the term 'use of the highway' in a very different sense from the use of the highway by those who use it for the purposes of public utility. That is obvious at once. I think that it is a fair way to look at the question, as if the Dominion legislation were not upon the statute books. If these were not inscribed in the statutes, upon the statute books, where would the Bell Telephone Company stand to-day so far as its rights upon the highway are concerned. Clearly its rights upon the highway would be absolutely regulated by the municipal authorities, and whether nearly all the streets, the ownership is vested in the municipality or not, surely the jurisdiction under section 600 is vested in the municipality. According to section 601 where the streets are dedicated by private individuals, they are highways vested in the municipality.

Mr. BERGERON.—I beg pardon, it has been said here, and I think is very well understood that in the charter of 1880, I remember it very well—it was said then that if these privileges had not been granted there would be no incorporation; that unless they were granted those very special privileges, of which you speak now of putting in poles in every municipality.

Mr. DEWART.—Then my answer to that is this : That the same company that says that was their opinion in 1880, went, in 1882, to the provincial legislature of Ontario to obtain an Act and upon the prayer of the Bell Telephone Company of Canada,—the company prayed that necessary powers be conferred upon it by the legislature of this province to exercise in Ontario certain powers, and the legislature provided that the company should not carry any poles or wires along any street without the consent of the municipal council, having control over such cities, towns or incorporated villages. It does not lie in the mouths of these gentlemen to say to-day that they did not have connection with the work for which they obtained incorporation when two years after they went to the legislature to ask for those very powers and believing that they were under the jurisdiction of the province of Ontario.

Mr. AYLESWORTH.—We went to the province of Ontario and to each of the other provinces in the Dominion by reason of the decision which was pronounced in connection with the Queen *vs.* Mohr, in the province of Quebec and which has since been declared to be bad law, wrongly decided. In consequence of that decision we made application to each province for an enabling statute confirming the rights and the powers which had been given to us by the Dominion parliament, each provincial legislature granted us those privileges upon such terms as it chose to impose. We had no more choice in the matter than any man who makes an application, we applied to the provinces to give us confirming or enabling powers and they give us them.

The CHAIRMAN.—That did not deprive you of the powers that you had under the Dominion ?

Mr. AYLESWORTH.—Certainly not, but the Privy Council declared that this legislation was absolutely nugatory.

Mr. DEWART.—Mr. Aylesworth has referred to the difficulties which he puts as almost insuperable, difficulties in the separation of the local business from the long-distance generally. I will refer the committee to the English telephone reports from

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1891 to 1898, vol. 1. The first item in these reports is a treasury minute dated May 23, 1892, upon the proposals dealing with the telephone system of the United Kingdom submitted by the Lords of the Treasury to parliament, in which is proposed that the company should abandon their rights over the trunk line wires and that the post office should purchase from them and work those lines. In other words, it is just the same as had been suggested to-day, in the memorandum made by the Lords of the Treasury in 1892. The representations now made that the rights of the Bell Telephone Company in the long-distance lines should be acquired by the government, are such as was then made.

Mr. BERGERON.—We are told that it is a bad system there.

Mr. MACLEAN.—I know all about that—go on and try it here.

Mr. DEWART.—I refer also to the further document which will be found in the same volume dated March 25, 1896, an agreement between the Postmaster General and the National Telephone Company, Limited, in which are set out in detail the terms of agreement between the Postmaster General and the National Telephone Company, and it is a matter of interest to notice that that company, which had certain rights there from the year 1881, which under the franchise granted to it in 1891 had the absolute right and franchise for thirty-one years under that agreement, as a result of the parliamentary investigation that has been held, as a result of the evidence accumulated, and as a result of the reports of the Lords of the Treasury, when the government as a result of the report made to parliament, that franchise which had more than one half its term to run, was abrogated, and that company was taken over upon arbitration. and upon a fair basis by the government. And the way in which the difficulties of which my learned friend has spoken were adjusted, ought to be sufficient answer to those objections. It is under that agreement and by virtue of that agreement that the government operates that system to-day.

The CHAIRMAN.—And the company assented.

Mr. BERGERON.—You propose the same operation here.

Mr. DEWART.—Well, we trust that even the Bell Telephone Company will show the lot of us that its interests are the interests of the public at large.

Mr. BERGERON.—That is the question Mr. Chairman, the company assented to it in England.

The CHAIRMAN.—They assented to it ?

Mr. DEWART.—And so the company got what its business was valued at, on a fair valuation.

The CHAIRMAN.—I do not think there was any coercion there. I think it was a fair arrangement reached by consent.

Mr. BERGERON.—There is no consent here if I understand well.

Mr. AYLESWORTH.—There is no proposition here.

The CHAIRMAN.—I have read the evidence; I have read everything in connection with it, and I do not remember that the National Company was compelled to yield to pressure.

Mr. DEWART.—I do not desire to put it that way, but as a result of that parliamentary investigation which was held, this company saw that the proposal made by the government was a fair and feasible one, and though it was considered as a proposition that could not be carried out it was arranged, and they received a fair value for their property, plus 10% was paid to them and the plant was turned over to the government. If my learned friend desires to refer, however, to the 2nd volume on telephone rates for 1901-02 he will find that in the proceedings of the Telephone Committee various adjustments are discussed, and it is shown that as far as the mechanical difficulties that have been referred to was concerned, all these were met and dealt with. Not only the financial terms were arranged, but the mechanical difficulties were each met and dealt with.

Mr. BERGERON.—It may be due to that change from a telephone company to the government in England that the service is badly carried out; it may be due to that.

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If I understand it well, it was said as to the amalgamation of companies, it would result in a poorer service, that you might be calling for a telephone connection in some other place and could not get it, and that you could not find out whose fault it was in that way.

Mr. DEWART.—My learned friend Mr. Aylesworth in his address referred to that matter, but his evidence upon that point only went to show that it was in reference to the local service that he found a difficulty, because it was not in reference to the long distance that he spoke.

Mr. JOHNSTON.—Have you any doubt as to the relative merits of these two systems in this country and in Great Britain?

Mr. DEWART.—I have no knowledge in Great Britain, but my answer to that is——

Mr. JOHNSTON.—Is it not a matter of note that the system there is bad?

MR. DEWART.—My answer is that the mere transfer of an efficient trunk system to the government would not affect a local system operated by the municipalities.

MR. JOHNSTON.—We are not asking that; you are endeavouring to point out that the system in Great Britain is equal to ours?

Mr. DEWART.—I might say that that is not asked for by the city of Toronto, the suggestion came from another source and the mayor in answer to a question said that on fair terms he would not object to expropriation. But surely it is absolutely necessary that there should be oral communication and physical connection.

Mr. BERGERON.—Do you know if the city of Toronto has ever offered to make any arrangement with the Bell Telephone Company with a view of buying them out, or in any shape or form?

Mr. DEWART.—I am advised that the proposition has never reached that point.

Mr. BERGERON.—Can you tell me if since the Railway Act has been in force anyone in Toronto or the city have taken any proceedings before the Railway Commission, as they are entitled to by the Railway Act, for any lack of operation on the part of the Bell Telephone Company in the city of Toronto?

MR. DEWART.—I know of no such application before the Railway Commission.

Mr. AYLESWORTH.—The mayor said there is no such power given to the Railway Commission.

MR. DEWART.—I am not aware that there is any such power. I think section 194 only refers to a line or lines of telephone or telegraph operated by a railway company. There is no reference to a telephone line operated by a telephone company.

Committee adjourned until Thursday morning at 10 o'clock.

THURSDAY, May 25, 1905.

The committee met at 10 o'clock, Sir William Mulock in the chair.

Mr. KENNETH J. DUNSTAN, sworn.

By Mr. Aylesworth:

Q. Mr. Dunstan, you are the local manager for the city of Toronto for the Bell Telephone Company?—A. I am.

Q. And have you been long?—A. Since September, 1891.

Q. Had you previously been engaged with the company?—A. Since its inception.

Q. You only became manager in September, 1891?—A. Prior to that date I was manager in Hamilton.

Q. Then at that time you had just made an agreement with the city of Toronto for five years, the company had?—A. It was made immediately previous to my going to Toronto.

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Q. After you took charge as agent in Toronto ?—A. Yes.

Q. Under that agreement there were certain privileges given to your company and in consideration the company paid to the city a cash payment for the five years of the existence of the agreement? Can you tell me about what that amounted to?—A. The cash payment was 5 per cent on the exchange rentals. It varied as the exchange rentals varied.

Q. But about what figure did it reach annually?—A. About $8,000 a year; that is my recollection of it.

Q. Then there were certain other advantages to the customer and disadvantages to the company in the way of rates. Explain what they were under this agreement?—A. Part of the price paid by the company was the agreement to reduce the business rate which has been $50 to $45.

Q. Yes?—A. To reduce the residence rate which had been $35 a year on a one-year contract and $30 on a three-year contract to $25 a year on the one-year contract. Also, prior to the agreement, extra mileage had been charged where lines were more than a certain distance in length, that extra mileage was thrown off.

Q. Where lines were more than a certain distance in length? Measured from what terminus?—A. From the central exchange with which the subscriber connected.

Q. Then while the agreement obtained there was no mileage charged?—A. No mileage charged within the city limits.

Q. Within the city limits certainly. Now, what manner of telephone was used at that time, telephone instrument?—A. It was known as the Blake transmitter.

Q. Is that the ordinary or old-fashioned instrument in which you spoke into a saucer-shaped opening on the side of the transmitter?—A. Yes.

Q. When did the attachment that we sometimes call the long-distance attachment, the horn shaped instrument, I think, which you now generally use for speaking into first come into notice?—A. I could not assign any definite date, but it was during the currency of that agreement.

Q. Had it ever been heard of or used in Toronto prior to that agreement?—A. Not to my knowledge.

Q. Then what is your experience as a telephone man, whether or no that is an advantage, that instrument I have been describing, the long-distance attachment?—A. It is decidedly superior to the old type of instrument.

Q. How as to local work within the same city or town, is it any advantage there?—A. Decidedly so.

Q. You find it decidedly an advantage ?—A. Decidedly.

Q. How does an instrument so fitted compare in expense with the old fashioned Blake transmitter ?—A. The expense of manufacture ?

Q. Yes, the cost to the company ?—A. I cannot say, I have no knowledge as to the cost of manufacturing the instrument.

Q. I see, you do not know whether it cost the company any more or not ?—A. I cannot say. I have no doubt it does, but I have no personal knowledge.

Q. Do you know anything about the expense of a patent ?—A. Nothing whatever.

Q. You know nothing whatever? When these began to be installed during the life of this Toronto agreement what was the course of the company in making the charges for them ?—A. The charge in a business house was $70, the charge in residence was $50.

Q. Did you by the time this agreement expired in 1896 come to have any instruments installed in Toronto?—A. Yes, we had a number of instruments, principally in business houses and some in residences.

Q. What number ? Could you say ?—A. I could not say from memory.

Q. You could not give us any idea ?—A. No.

Q. Very well, if you do not know. You had some ?—A. Some hundreds, I would say, but I would not like to be too positive.

Q. Those were larger rates than your agreement with the city permitted. How

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did they come to be allowed?—A. The city agreement covered the style of equipment which was in use when the agreement was made.

Q. But not applied to those improved?—A. It did not apply to those improved, of the more expensive character.

Q. Then it would be of course in each instance a matter of voluntary arrangement with the subscribers to take the more expensive instruments and to pay an increased price in consideration of its superior efficiency?—A. Yes.

Q. And some hundred had come to do that by 1896?—A. Yes.

Q. Paying these larger rates? Well, in 1896 what happened when this agreement with the city expired?—A. The company considered that as the agreement expired both parties reverted to their original positions.

Q. Yes?—A. The city ceased to give any consideration to the company and the company ceased to pay any percentage upon its exchange revenue.

Q. Yes?—A. But as a matter of fact did not revert to the old $50 and $30 rates, or rather the higher rates, because in many cases they were much in excess of $50 and $30.

Q. When the agreement expired, it had but five years to run, and when the five years lapsed you did not make any renewal of it?—A. No, no renewal was made.

Q. How had it turned out in its operation with regard to the company? Had it been burdensome or an advantageous agreement as far as the company's interest was concerned?—A. It was very burdensome and onerous.

Q. Upon the company?—A. Upon the company.

Q. Had it been fulfilled to the spirit and the letter by the company?—A. It had, and the city officials did not hesitate to express themselves publicly to that effect.

Q. Well, prior to the expiration of that agreement were any steps taken by the city in regard to any other telephone accommodation?—A. About six months before its expiry a sub-committee was appointed and their first action was to——

Q. A sub-committee of the city council?—A. Of the city council. Their first action was to decide to advertise throughout Canada and the United States for the purpose of obtaining tenders which some members of the committee openly stated would be used as a club to beat the Bell Company into a renewal on more advantageous terms to the city.

Q. Do you know if such advertisements were in fact issued?—A. They were.

Q. And we have heard from the Mayor that they produced no result?—A. No result.

Q. Then when the contract actually expired with the city were there any negotiations at all between the city and the company with regard to renewal or did it drop without effort to renew it?—A. There were no negotiations further than the intimation given to the city authorities that whenever they wished to negotiate a new agreement the company would be willing to meet them.

Q. I see, and that willingness has never from that day to this been expressed. I think?—A. By the city, no.

Q. By the city?—A. I may say that I have personally, on behalf of the company, informed every successive mayor that whenever they chose to change their point of view and desired to make arrangements with the company the company would be glad to negotiate with them.

Q. I see. Then there being no agreement, when this one expired in 1896 you say, what did you do with regard to the subscribers or customers in Toronto?—A. No change was made with regard to the customers. We ceased to pay the percentage to the city.

Q. Of course. The old rates remained as to customers?—A. The old rates remained.

Q. Notwithstanding you were not under contractual obligations to maintain them?—A. And received no consideration from the city.

Mr. ZIMMERMAN.—What year was that?

Mr. AYLESWORTH.—September, 1896. Then something was said outside of your

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offer or the company's offer to, I scarcely remember the word, to induce your customers to use the new or long-distance equipment. What policy did the company pursue in that regard?—A. After some time, I cannot give the exact period, the $70 rate for long-distance equipment was reduced to $50, that is the business rate.

Q. Yes?—A. The residence rate of $50 a year was reduced to $30.

Q. Yes?—A. Then an active canvass was prosecuted for the purpose of making the more efficient instruments as general as possible.

Q. An active canvass by the company's men?—A. By the company. The alternative was presented to every subscriber.

Q. What alternative?—A. The alternative of retaining the old equipment at the old rate or taking the greatly improved equipment at the slightly increased subscription.

Q. A subscription of $5 more than was paid by the old subscriber?—A. Yes.

Q. But at a greatly reduced subscription as compared with what you had been up to that time charging for the better equipment?—A. Exactly.

Mr. ZIMMERMAN.—Had you many subscribers at the larger rate, Mr. Dunstan?

By Mr. Aylesworth:

Q. At that time what would be the number of subscribers at the larger rate?—A. I cannot say, Mr. Zimmerman, I did not refer to the records. I cannot speak more definitely than to say my recollection is there were some hundreds at the high rate, the comparatively speaking high rate.

Q. Then what has been the result of the canvass, or of any influence you have tried to exert since then on subscribers to use the better equipment?—A. The result is that the large majority have changed voluntarily to the better equipment.

Q. You have about how many instruments in Toronto?—A. About 13,600.

Q. And about what number are there with the old fashioned Blake in use?—A. About 2,300.

Q. The remainder have made the change or are new subscribers?—A. Have made the change, or are new subscribers, and as far as my knowledge goes are well satisfied with the value which they have received.

Q. Have you had any complaints?—A. Practically none.

Q. Then explain why it would be an object to the company to secure the use of the improved transmitter?—A. It is in the interest of the company that the service should be as efficient as possible, that the equipment should be absolutely modern and up to the highest standard of efficiency; also the better the local instrument the more freely will the long-distance lines in all probability be used.

Q. I see. That is the interest of the company in the matter you say?—A. Yes.

Q. Then when did you first hear of any difficulty about the streets or which streets you should use?—A. I have no recollection of ever having any difficulty with the city engineer's department in regard to the use of a particular street.

Q. What was the course you pursued from the time you came there as manager in 1891 if a subscriber wanted to have a telephone in his house upon some street on which you had no poles or lines?—A. If the number of special poles was reasonable we would notify the city in accordance with the form required by our charter. The city engineer would locate the poles, we would erect them, and give the citizens the service.

Q. Yes. Putting them upon such a street as was most convenient I suppose to get to the exchange?—A. I may say that in every case if there is an alternative route we take the least objectionable one, and there has never been any friction with the city engineer's department, because we have from first to last shown a disposition to voluntarily take the least objectionable way of reaching the objective point.

Q. Mr. Rust, said on Tuesday that he had a vague recollection or impression that in one instance you refused to do that, to accept the alternative route that they suggested to you. Can you speak on the subject?—A. I have no recollection of any in-

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stance of that character, and while Mr. Rust did not state the exact street I am under the impression that he had reference to a case where he had trouble, where he had asked us to place the poles in a lane, and the citizens, the residents of the street objected and he was put to a good deal of trouble. I think that was the case that was floating through his mind. We had in harmony with his wishes and the wishes of the board of works placed the poles in an adjoining lane, whereas in our original notification to the city we referred to the main street. I have no absolute knowledge but from the locality he named I think that was what was floating through his mind.

Q. That was what he referred to and with that possible exception you say there has not been any instance in which there has been the slightest conflict between the city and yourself?—A. Absolutely none.

Q. In the whole fourteen years that you have been there? And was there any change in those relations then prior to the time that they issued their writ and began their action which they carried to the Privy Council to get, as they say, control of their streets?—A. Yes, I think the change of attitude of the city council dates from their failure to get any tangible offers in response to their advertisements in 1896, having failed because they found no company would tender at rates as low as were charged by the existing company. They then entered upon a long course of opposition in the court, the legislature and parliament.

Q. That is a matter of public knowledge?—A. Yes.

Q. But what I was asking was whether there had been any change in their course with regard to your occupying a street? For instance was there at any time before that line was begun such a case as this: That you wanted to plant poles on a certain street and they said, 'No, you shall not?'—A. No, the trouble dated from the institution of that suit.

Q. Then we know the history of that litigation which was going on. What was the condition of things on the ground with regard to extensions that anybody might desire in Toronto?—A. During the period that Judge Street's interpretation of the law governed we asked permission in many cases to erect poles on the streets and were with few exceptions refused. There were isolated cases where the would-be subscriber had influence with the aldermen and he succeeded after much badgering in obtaining consent subject to an agreement signed by this company that the maintenance of the poles should depend upon the law as finally determined. In all cases the company was willing to sign an agreement to that effect, but in the large majority of cases the applications were refused and it became a waste of time to make a further one.

Q. Well, what was the effect then upon your work of extension within the city? —A. We had to refuse a great many orders and had an accumulation of deferred orders of I would say 200.

Q. By what time?—A. By the time the Privy Council gave its decision.

Q. I see, at the end of the ligitation?—A. At the end of the litigation, but a larger number of people had applied of whose application we had kept no record.

Q. There were about 200 unfilled orders?—A. I would say so, roughly speaking.

Q. In round figures? And what did you do then when the law was finally declared to be that of the Dominion parliament?—A. We then undertook the work of filling these orders as rapidly as we could perform it.

Q. And have been doing since last November?—A. Since last November. I may say there were some cases of extreme hardship. People who had serious illness in their houses were unable to get a service and in many cases great loss was inflicted.

Q. Then with regard to the putting of wires under ground instead of overhead, what has been the policy pursued by your company since your taking charge; since your knowledge extends?—A. The policy has been to underground as rapidly as possible.

Q. Which matter of construction is preferred for cities?—A. The underground is applicable to certain portions of a city, not to others. It is applicable where there

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is a congestion, a large accumulation of wires, there the underground is preferable, but much more expensive.

Q. It is more expensive but preferable wherever there is a densely peopled or business part of the city?—A. A large number of telephones within a limited area.

Q. Yes. Then to what extent have you succeeded in getting your wires underground in Toronto? What amount of undergrounding wiring have you in the city limits compared with the overhead?—A. There are two miles of wire underground to every one mile overhead.

Q. A plan was presented here on Tuesday by Mr. Rust that you handed him for the purpose. Can you tell me if that accurately represents the streets in Toronto upon which you have no poles?—A. It was not intended to represent all the streets in Toronto on which there are no poles, but solely to indicate that upon what may be called the main streets in the business section the telephone company has no poles.

Q. Well, let me put my question in this way: On the streets shown on the plan have you any poles?—A. No.

The CHAIRMAN.—What does he mean, two-thirds underground miles or two-thirds actual wiring?

Mr. AYLESWORTH.—I have no doubt you mean, Mr. Dunstan——

By the Chairman:

Q. Which does it mean?—A. It means that for every mile of wire overhead there are two miles underground.

Q. Yes, I see, about two-thirds of your wires are underground?—A. Yes, sir.

By Mr. Aylesworth:

Q. It does mean that two-thirds of the whole street length of the city has its wires buried?—A. It means that if the total wire mileage overhead was 1,000 miles, the total wire mileage underground would be 2,000 miles.

Q. I suppose that 2,000 miles underground can be a short length of street distance than 1,000 overhead?—A. Exactly.

The CHAIRMAN.—Is their policy ultimately to put them all underground?

By Mr. Aylesworth:

Q. Wherever the business is congested, not in the outlying residential districts on account of the increased expense, but wherever there are other wires, wherever, as he puts it, there are a large number of telephones within a limited area, it is the practice of getting these wires underground. The method is that you notify the city of your desire or intention, and who digs the trench in the street?—A. Our men dig the trench, but the city appoints an inspector who is on the work from first to last and is paid by the company.

Q. And who restores the earth after the underground wire has been laid?—A. We restore the earth; they resurface.

Q. The resurfacing of the pavement is done by the city workmen?—A. Is done by the city workmen.

Q. At whose expense?—A. At the company's expense.

Q. Then has there been any shifting of poles after being once planted?—A. Yes, that is done every season at the request of the city engineer to meet the new kerb line in cases where new roadways and new sidewalks are being laid down.

Q. Are you under any contract to do that that you know of?—A.We are not.

Q. Why do you do it then? Does it cost you anything to do it?—A. The policy of the company has been not to stand in the way of any public improvement but to willingly and without expense to the city move poles to meet new requirements.

Q. You do it as a matter of policy ?—A. As a matter of policy.

Q. Not being under any obligation ?—A. And that work is given precedence over our own work.

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Q. And what does it cost on the average, that work of shifting poles ?—A. During the past three years it has cost at least $2,000 a year.

Q. Have you ever objected to doing it when you were told that there was a change of alignment or kerb which would make it desirable ?—A. There is only one instance. That was a case where the poles were originally moved at an expense, if I remember rightly, of about $800, to suit a new sidewalk. They were placed where the city engineer ordered them to be put. Then certain residents of the street wished them to be placed in another situation, but the engineer reported against it. Pressure was brought to bear upon him and upon the council and the final result was that they were moved a second time, the city paying a portion of the cost of the second moving. With that one exception the poles within the last fourteen years have been moved in every instance willingly, promptly and at the expense of the company.

Q. That instance was the one on Bernard avenue, I suppose ?—A. Bernard avenue.

Q. Which has been referred to here ? Then during the currency of the late agreement, you were, I think, pursuing the policy of getting rid of your poles in the business portions of the city by putting the wires underground ? You are under contract by that agreement as to certain streets to do so ?—A. Yes.

Q. And as to other portions of the city to do it as fast as business would permit ?—A. As a matter of fact they were removed from many streets not included in the list named in the contract to which you refer.

Q. And take the position of things two or three years ago to the present time, to what extent had you completed the work of getting rid of your poles within the areas that have been defined in the agreement of ten years before ?—A. The provisions of that agreement were carried out absolutely within the terms of that agreement.

Q. Yes, I know, you have told me that impliedly. You say that you complied with the requirements of that agreement during its life, but I am calling your attention to the feature of that agreement that within a certain larger area, at the immediate centre of business in the city, you were to get rid of overhead wires as fast as the circumstances of your business would enable you to do. Did you continue that policy of getting rid of these overhead wires after the expiration of your agreement ?—A. We did.

Q. And after the agreement had been out of the way for, as I have said, five or six years, to what extent have you succeeded in accomplishing the whole work of getting your wires underground within that wider area which had been described in the original agreement of 1891 ?—A. To a very large extent, and that work is still in progress.

Q. Within that larger area to a very large extent, and you are still doing it, notwithstanding the expiration of that agreement ?—A. Yes.

Mr. CHRYSLER.—I just want to ask a question or two.

By Mr. Aylesworth :

Q. One word, Mr. Chrysler (to witness). Will you look at that map on the wall, can you show from the tracing, Mr. Dunstan, the extent to which you are underground ?—A. No, Mr. Aylesworth, I could not show from that map the extent to which we are underground. It only shows that on certain principal streets there are no telephone poles.

Q. The one on the wall, the other one, I am referring to. Mr. Sise thought you could do it upon that tracing ?—A. It could not be done from that map.

By Mr. Chrysler :

Q. Have you anything to do yourself with the fixing of the rates, Mr. Dunstan ?—A. Nothing, that is done by the head office.

Q. That is done by the head office. You were, under the agreement which has been filed here, from 1891 to 1896, charging in Toronto $45 for business telephones and $25 for residence telephones, I think ?—A. That is right.

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Q. That is right. And afterwards I understood you to say to Mr. Aylesworth that for a time the company was charging $70 for business and $50 for residence?—A. Yes.

Q. Under what circumstances did you make that charge to old subscribers who had telephones installed between 1891 and 1896?—A. By voluntary arrangement with them.

Q. Where the new long-distance transmitter was put in?—A. At their request.

Q. At their request, the subscribers in 1896, and where no change was made in the telephone the old rates continued?—A. The old rates continued.

Q. And have continued down to the present day?—A. Down to the present day.

Q. So that a man who was a subscriber since 1896 and had a Blake transmitter and has not made any change in his instrument has not had the rates changed?—A. He has not. Let me illustrate; a subscriber might, prior to September, 1891, have paid $80 a year for a Blake transmitter on a single line. Then in September, 1891, that rate of $80, which included extra mileage, was reduced to $45, effective from September, 1891, and a refund was made if he had prepaid at the higher rate. From 1891 to September, 1896, he paid $45 by virtue of the contract, after that down to the present day he has continued at $45 although the service to-day is over a metallic line—that is two wires from his office to the exchange, instead of one line prior to 1891, and his use of the instrument has probably doubled.

Q. And the business telephone charge has continued to be $45 so long as no change was made in the instrument?—A. Yes.

Q. When was the change made of using metallic circuits? Was that consequent upon the contract of 1891?—A. Yes, sir.

Q. Was it in use in Toronto before 1891?—A. If it was it would be to a very small extent. What was called the common return system was used in Toronto and if there were metallic lines they would be very few, I cannot speak definitely.

Q. Was it according to the terms of the contract of 1891 that all the circuits should be made metallic?—A. Yes.

Q. And was that done between 1891 and 1896?—A. It was.

Q. By 1896 you would cease to have any other in use?—A. Yes, sir.

Q. Then you are not able to tell us what is the difference in the cost of supplying a long-distance transmitter as compared with the cost of a Blake transmitter?—A. No.

Q. Have you no idea?—A. I have no knowledge as to the cost of manufacture. The cost of manufacture, however, is a small matter as compared with the cost of giving service, and that is bound up with——

Q. One thing at a time. I am speaking of the cost of manufacture and you say it would be a small matter. Probably Mr. McFarlane could tell us what it would be?—A. Yes.

Q. Is there any other difference in the cost of installation than the cost of manufacture?—A. No.

Q. It cost as much to put the one in for a new subscriber as the other?—A. Yes.

Mr. BERGERON.—I beg your pardon. You might ask him about the cost of the Blake transmitter. It has been said here in evidence that the Blake instrument costs more than the other one.

By Mr. Chrysler:

Q. Is it another form of the question. A witness stated quite recently—I do not remember who it was but perhaps it was Mayor Urquhart,—that he understood that the Blake transmitter cost more to purchase, apart from installation or any other equipment, than the long-distance transmitter?—A. I would say that he is wrong. We do not purchase supplies, we requisition on the head office. They are forwarded to the agencies on requisition.

Q. When you say 'we' you mean the Toronto exchange?—A. All agencies.

Q. All agencies?—A. So that we are not thrown into contact with cost prices.

Q. I understood that, or at least I supposed that was the reason?—A. Yes.

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Q. You cannot give us any information as to that but you think that would be wrong? But supposing that it is wrong and that the long-distance transmitter costs more to manufacture you say that the difference would not be serious? It would not be sufficient, for instance, to make it a reasonable thing, to charge a subscriber who is paying $45 for a Blake transmitter $25 more per annum?—A. Not because of the difference in the cost of manufacture.

Q. Then what difference is there in the cost of a service which would warrant such an increase in the charge?—A. The cost of maintenance and the cost of central office apparatus.

Q. What is the difference in the cost of maintenance between the two instruments?—A. That would depend upon the character of central office apparatus.

Q. What is the difference in the cost of the central apparatus you use. Do you use a different apparatus when a long-distance transmitter is in use from that which you employ when the Blake transmitter is in use?—A. Not necessarily. The cost of maintenance per subscriber's station will depend upon whether the switchboard at the central office is of central energy type or not.

Q. The one at Toronto it is of the central energy type, is it not?—A. Yes.

Q. And has been since 1891?—A. Since 1901 in one exchange and the last large exchange was converted to central energy last year.

Q. Is equal with the rest then? And before that time what was the character of the large exchange, the principal exchange in Toronto?—A. It was called a branch terminal board.

Q. A branch terminal board. And how was the energy for working the telephone provided?—A. At the local stations.

Q. By a battery in each telephone?—A. By a battery or batteries.

Q. Battery or batteries in each telephone? Is it essential with a long-distance transmitter that you should have a board and exchange operated by central energy?—A. It is not essential but the instrument works in harmony with that class of equipment. It is not essential.

Q. I see. Well then from the time you commenced with your subscribers to exchange the long-distance transmitters for Blake instruments you had to have a switchboard and central energy exchange?—A. No, it was not essential.

Q. Then were you giving the advantage which the long-distance ought to give them?—A. Yes, by means of a local battery at each subscriber's station, whereas with the central energy system there is a storage battery, a reservoir in the main office, and the battery current is sent out over the wires to the subscriber's instrument.

Q. I understand that. That may be a reason for making additional charge, but if you were supplying them upon the old principle with an exchange which was operated by the local battery, were you giving them anything more than the exchange of one instrument for the other?—A. Yes. The cost of maintenance and of battery with the long-distance transmitter greatly exceeded that of the Blake.

Q. Why?—A. Because it required a much more powerful battery and a different form of battery.

Q. How long was it that you asked these higher charges of $70 and $50? During what years did that rate prevail when you made exchanges of the old instruments for the long-distance, or in the case of new subscribers did you always put in the long-distance?—A. No.

Q. New subscribers might if they choose pay a little less and put in a Blake transmitter?—A. Yes.

Q. They had the option?—A. Yes.

Q. How long did you continue to ask the higher charge? You told my learned friend no doubt, but I did not notice; when the rates were reduced to $50 and $30?—A. I cannot from memory fix any definite period. My recollection is during about three years.

Q. The high rate——A. The high rate was enforced.

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Q. The high rate was enforced?—A. I am subject to correction, because I am speaking from memory without having referred to any document.

Mr. AYLESWORTH.—How much of the three years would be before the expiration of the agreement?

Mr. CHRYSLER.—It is all since.

The WITNESS.—No.

By Mr. Chrysler:

Q. I beg your pardon, I understood so.—A. I would say, speaking roughly, one year prior to the expiry of the agreement and perhaps two years after.

Q. That would bring it down to 1898?—A. It may have started earlier and may have lasted a little later.

By Mr. Zimmerman:

Q. You cannot say, Mr. Dunstan, how many instruments you had at that time, long-distance instruments, at the higher charge?—A. Not more definitely than I have stated.

Q. What would be the percentage?—A. I would not like to say; I do not remember exactly how many subscribers we had at that time nor how many had the superior equipment. Therefore, I cannot put it in the form of a percentage.

By Mr. Chrysler:

Q. As a matter of fact when you put in the long-distace did you not put in the double lines?—A. They were put in in advance of the long-distance equipment, apart altogether from that feature of the case.

Q. It was no special advantage then to your company to have the long-distance in except the extra fee?—A. And the advantage it gives to any business concern to have their equipment of the best, satisfactory to their patrons and of a character which will enable any subscriber to speak from his house or office over the long-distance lines to any point no matter how far distant. I may add that every bank, wholesale house, large financial institution or factory would have one or two instruments of the improved type, the balance of the instruments being of inferior character. Now practically all instruments are uniform and of the superior character.

By Mr. Zimmerman:

Q. While you are on that question I want to ask what is your charge in Toronto for an extra telephone in the house? For instance, I want a telephone in my bedroom, what is your extra charge for that?—A. It runs from——

Q. There is no extra wire except to the room?—A. From $6 to $13.

By Mr. Chrysler:

Q. Per annum?—A. Per annum. It depends upon the style of the instrument.

By Mr. Zimmerman:

Q. Then apparently you charge for the use of the telephone practically the whole cost in one year?—A. Experience shows, Mr. Zimmerman, that if you place an instrument conveniently situated it will be used to a much larger extent than if placed elsewhere. The traffic is increased, sensibly increased, by the extension instruments to which you refer.

Q. Then there is another charge that there has been some little trouble over, the charge for extra bell running into the kitchen from the 'phone. What is your extra charge for that?—A. $2 per annum.

Q. It costs you about $2.50?—A. I cannot say as to the cost. Of course the cost of the instrument is not the governing factor, it is the increased cost of maintenance due to additional instruments being placed upon the line and in the case of telephones

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the increased work thrown upon the operators by reason of the increased use of the line.

By the Chairman:

Q. What increased cost is there to the company by putting a signal bell in a man's house?—A. The efficiency of the line is affected to a certain extent by every instrument placed upon it, and the more instruments there are the more difficult it is to keep the line up to the highest standard.

Q. I am not speaking of a telephone instrument, but merely a bell?—A. I include the bell.

Q. Take the case of a wire extending from the telephone to some other room on the premises and an alarm bell attached to it, is not the effect of that to facilitate attention to the call and thus make your service more prompt?—A Possibly, but it is an additional burden on the line and an additional instrument which may get out of order.

Q. What additional burden on the line?—A. It is another instrument to get out of order and another instrument that has to be examined and inspected.

Q. And it is worth do you think that $2 a year? Does it not strike you that is an excessive charge?—A. Personally I would prefer that an extension bell was not on the line and that the company should lose the $2 revenue.

Q And then with reference to the other point you made that the more convenient in the house the instrument was the greater the cost?—A. The more convenient the situation, the more freely the instrument will be used and the greater will be the cost of operating.

Q. Then if we should place an instrument in a very inconvenient part of the house the charge would be less?—A We place the instrument where the subscriber selects as the most convenient.

Q. And it would be an absolute saving if it was placed on the house top?—A. It would, the less it is used the less would be the cost of service.

By Mr. Chrysler:

Q. I was going to ask you, as the manager of one of the largest exchanges in the system, whether you have any statistics as to the number of calls? It has been said here by Mr. Sise that the cost of service increases as you increase the number of telephones. I do not know that that has been put in any exact form, but generally that is the impression Mr. Sise has given us, that it is more expensive to operate an exchange with 2,000 'phones than an exchange with 1,000. No doubt you have had, in the 14 years you have been in Toronto, some great advances in the number of telephones in use. No doubt there is a large increase in the telephone service in the number of calls, but in order to ascertain whether that theory has any foundation, one would need to know whether on an average each telephone is used, that there is a greater demand on a large system than on a small one. Do you know if you have a list giving the number of calls per 'phone in each year?—A. Yes.

Q. Do you keep an account of that?—A. Yes, a record is kept, I refer now to the record of 1894 and 1904, and found that the increase——

Q. Let us wait for a moment, before you get the figures let us compare them with the figures that we have already and see how many telephones you had each year, and then we will be able to inquire intelligently. In 1904 you had in use 4,588 'phones?—A. In 1904 ?

Q. I mean 1894, did I say 1904?—A. I have no doubt that is correct.

Q. Well, it is your own statement?—A. I have no doubt it is correct.

Q. And in 1904 there were 12,832. Can you tell us each year the number of calls? —A. I cannot tell from memory, we have the records, but not with me. I referred to the record of 1904 and the increase from 1894 to 1904 is between 50 and 60 per cent.

Q. That is you have 50 per cent more calls?—A. Per subscriber.

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Q. 50 per cent more calls per subscriber?—A. The average daily calling rate per subscriber in Toronto to-day is more than 50 per cent greater than it was 10 years ago, and I should think nearly double what is was——

Q. Can you furnish us with the increase in the number of calls for each year since 1891, because we have the figures for the number of telephones, and we could then see exactly the growth of it. Is it kept?—A. Yes, I think that can be done.

Q. That would be of value. Do you think it will prove that with the increased number of telephones there is an increase in the average number of calls per subscriber?—A. Without question.

Q. Perhaps you could have that sent down when you return to Toronto, if it is not too much trouble. It is merely that we had the other information, the total number of calls in each year. About the cost of putting the wires underground, you say that is greater, of course that is apparent?—A. Yes.

Q. But you would agree with Mr. Sise, no doubt, that the cost of maintenance after it is put under the ground is a great deal less?—A. Yes.

Q. And the life of the plant underground is longer?—A. Yes.

By Mr. Zimmerman:

Q. With regard to the greater number of telephones, now for instance in Toronto, you have 13,000 telephones, and you have in Hamilton 2,000; you are charging in Toronto $5 or $10 per instrument more than in Hamilton, is it? Can you not operate the larger system at a less percentage than you can the smaller system?—A. Most decidedly not.

Q. Is not your office expenses, &c., at a less percentage?—A. The office expenses might be, but in every other respect the cost is greater, the central office apparatus is much more expensive, because necessarily it is more complicated in order that it can make connection between a greater number of subscribers. The average length of the lines is much longer, the city extends over a much larger area, and as a rule, the number of subscribers and the size of the city are related one to the other. When the number of wires increases, the congestion becomes greater, and you must adopt first aerial cable and ultimately underground, each step is more expensive. The larger the number of subscribers the more freely will the telephone be used, there being more people to speak to, distances are greater, and there is more temptation to use a telephone. The cost of service is in direct proportion to the size of the exchange.

Q. Then, of course, the larger the service, you claim the higher the charge should be to the subscriber?—A. The higher the flat rate should be, but in reality the service costs the subscriber less. The true measure of cost is the cost per call, and if a subscriber in a large city uses the telephone twice as often as one in a small place the service will cost him less unless he is paying double charge, which is rarely the case.

Q. What I am trying to get at is the greater the number of telephones—in the case of Hamilton and Ottawa there is a difference of 977 'phones, and Ottawa is charged $5 less. Now your theory is as you work it out, your theory doesn't work out at all in this case?—A. There are special contracts, I understand, with Ottawa and with Hamilton, I have no personal knowledge of either of them. It will probably be found that Hamilton has taken out its compensation for the exclusive franchise in one form, and Ottawa may have taken it in another. You will have to take the whole contract in each case and compare the one with the other to arrive at a clear idea as to which city, if either, is favoured.

Q. I have not examined the contracts yet, I suppose we will have to take our medicine.

By Mr. Roche:

Q. Have you been able to respond to the demands in Toronto for telephones?—A. Except in so far as we have been hampered by the city in the erection of poles, we have.

Q. There has never been any complaint on that score?—A. None whatever, except where we were unable to give a service for lack of pole facilities.

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Q. You have not refused telephones on the ground that there are not sufficient number demanded in that locality to pay the company to install them?—A. No, the policy of the company is, and has been, to comply with every reasonable demand. We are constantly putting up six, eight or ten poles for one subscriber. There is necessarily a limit to the number of poles that can be erected for one person, but this has practically no bearing within the city limits, it applies principally outside.

Q. When you say you have not been able to respond to the demand for 'phones where you were hampered by the city what do you mean by that?—A. During the litigation between the city and the company to determine the power of the company to erect poles, without the consent of the city, the city withheld its consent, and many citizens were unable to obtain service. Since then, we have supplied every demand as rapidly as possible. We were left with an accumulation of orders, the accumulation of two years, and when the legal difficulty was removed we were confronted with a physicial difficulty. I may say that the decision was no sooner bulletined up, than parties began to telephone saying: 'now your hands are free give us this service.' We are doing this as rapidly as possible and have almost completed the whole list of deferred orders.

Q. From 1891 to 1896 you charged $45 and at that time you were paying a percentage to the city?—A. We were.

Q. You are now charging $45 and you do not pay anything to the city?—A. No.

Mr. AYLESWORTH.—And we have lost our exclusive rights; we had our exclusive rights under the contract but we have not now.—A. And there are other rights and privileges given under the contract in addition to the exclusive franchise.

By Mr. Miller:

Q. Is there not a congestion frequently on your long-distance line, say from Toronto to Montreal?—A. Yes.

Q. And you find it necessary for the accommodation of your own business to increase the accommodation, do you not, on your long-distance line?—A. Yes.

Q. And you propose to do that, I suppose?—A. Additions are being made constantly, but the business is growing very rapidly and it is difficult to keep ahead of it

Q. That is one of the difficulties you find in your business, to meet the increasing necessities ?—A. Yes.

Q. Is your wire on that line at all times sufficient to carry your business?—A. It is not.

Q. What is the distance from Toronto to Montreal on your long-distance line ?—A. I cannot give it.

Q. About what distance ?—A. Nearly 400 miles, I think. Mr. McFarlane is here and he can tell you.

By Mr. Bergeron :

Q. I suppose these instruments of yours are improving all the time. They are trying, some gentlemen, or somebody is trying to improve them all the time ?—A. Undoubtedly. Even in this long-distance transmitter there have been a number of changes within the last four or five years. I think it can be said that there is not a single long-distance desk transmitter that was installed four years ago in Toronto in use there to-day; all have been supplanted by somewhat better instruments.

Q. Yes, and it will be going on all the time like that; we have not seen the end of it yet, I suppose ?—A. There seems to be no finality.

By Mr. Aylesworth :

Q. I want to ask, with reference to the maintenance of the old rates in Toronto, when the same transmitter is in use, what your course of business was with the customer, say, who had the Blake transmitter prior to or during the time of the contract with the city of Toronto and has retained it since, in a case where he has moved his

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residence once, twice, or even three or four times ?—A. The instrument is moved for him, he takes it with him.

Q. And he pays the same rate as before ?—A. Yes, a change of location does not affect the contract.

Witness discharged.

Mr. LEWIS B. MCFARLANE sworn.

By Mr. Lawrence Macfarlane :

Q. You are the general superintendent of the Bell Telephone Company, I understand ?—A. Yes.

Q. How long have you been in the company's employ ?—A. Since its inception in 1880.

Q. Since 1880 ?—A. Since 1880.

Q. Have you been pretty well through the service?—A. Yes, I have ; I have been——

Q. In what branch did you start ?—A. With the Bell Telephone Company I started as manager in the maritime provinces in 1880.

Q. The company was then doing business in Nova Scotia and New Brunswick ?—A. They had purchased certain telephone properties in the maritime provinces and I was placed in charge of them.

Q. You have had full opportunity then to watch the development of the company and the nature of the growth of the business in its different branches ?—A. I have had.

Q. There have been some statements made by certain witnesses as to the way in which the company has developed its business. I would refer particularly to the statement on page 8 of the evidence, where Mr. Dagger, secretary of the committee, makes his report, stating: 'That the small towns, villages, and rural districts have hitherto been almost entirely left out of consideration by those upon whom the duty of supplying telephonic facilities had been delegated.' On page 19 there is the statement, also, I think, in Mr. Dagger's report, 'this (the rural) branch of telephoning has in the past been absolutely neglected and discouraged in Canada by the existing companies.' I would like you to explain to the committee briefly what the company has done to develop rural or farmers' line business, and whether it has devoted a portion of its energies in that direction ?—A. As early as 1881 or 1882 the policy of the Bell Telephone Company was to encourage not only telephone service in the large centres, but also in the rural districts. In the year 1882 or 1883, I, in pursuance of that policy had to visit different parts of Nova Scotia and New Brunswick and other points in the east for the purpose of encouraging that development. We had purchased an exchange at Yarmouth, Nova Scotia, we had an exchange at Halifax, and in those two cities, the public were not apparently very anxious to purchase the stock of the Bell Telephone Company, and there was some difficulty in developing as rapidly as we would like to have done.

Q. On account of the cramped capital?—A. On account of the cramped capital. A block of stock was assigned to me to endeavour to dispose of in Nova Scotia, but nobody appeared to be anxious to buy, and we failed to sell.

By Mr. Miller:

Q. Was that stock offered at par ?—A. At par. It was then thought desirable to attempt to extend the business in another way. Among other places I went to Yarmouth in Nova Scotia and succeeded in inducing parties there to form a company known as the Yarmouth and Tusket Wedge Company, they became an operating company and I believe are in existence to-day and they work in connection with the tele-

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phone exchange in Yarmouth. I then went to Maitland, Nova Scotia, and succeeded in forming a company known as the Maitland Telephone Company, and later on another company started, which is known as the Bear River Company, with extensions along to Digby and other places along the Bay of Fundy, and then, some two or three years afterwards, I visited and spent some time travelling through the south-western portion of Nova Scotia from Yarmouth to Halifax, principally by stage, there was no railway in that country, and I succeeded in arranging to start companies; one, I believe is the Barrington and Shelbourne; we got the nucleus of a company started running from Liverpool to Milton and a company was organized too, either on a subsequent or previous visit, to connect Bridgewater to LaHaise and the points up the river, and I believe it eventually made connection through to Lunenburg to the eastward.

By Mr. Bergeron:

Q. Have they telephones there in those places now ?—A. They have.

By Mr. Macfarlane:

Q. Started by the Bell Telephone Company ?—A. By the Bell Telephone Company.

By Mr. Bergeron:

Q. Are there still different companies or are they operating with the Bell Telephone Company ?—A. Some of them I believe are still separate and have connection arrangements with the Nova Scotia Telephone Company.

By Mr. Zimmerman:

Q. That was originally the Bell Telephone Company ?—A. I was acting for the Bell Telephone Company then. The Nova Scotia Telephone Company bought out the Bell Telephone Company later on.

Q. It is different management at present at any rate ?—A. Entirely separate, no connection between the companies.

Q. Except as stockholders ?—A. There are quite a few stockholders. We also at the same time extended our business with Bell capital in other parts of Nova Scotia and succeeded in securing business, not only in some of the larger places, but in some of the smaller ones. In New Brunswick I visited St. Martins and arranged to have a company formed there to connect with the Bell Company at St. John, New Brunswick, the Bell Company taking, I believe, a small amount of stock in order to encourage and advance its interest. That company was afterwards connected with a company running up the river, known as the Salmon River Telephone Company, I believe.

By Mr. Chrysler:

Q. Where is St. Martins ?—A. St. Martins is twenty or thirty miles from St. John, N.B., on the Bay of Fundy. Prior to 1885 I endeavoured to develop the rural telephone business between Fredericton and St. John, New Brunswick, and saw the Hon. Mr. Gibson for the purpose of trying to induce him to join us in the construction of a line connecting the different points between Fredericton and St. John. I also visited Chatham and Newcastle, and endeavoured to interest Senator Snowball in the line, and, I believe, one was afterwards built between Newcastle and Chatham, although I am not sure that he became interested in it. While this has been going on, we developed other parts of the provinces, and as you know, as has been stated, we have sold out our business through all that territory.

By Mr. Bergeron:

Q. I understand that you were doing all that work in the maritime provinces ?—A. That is where I was engaged in it.

Q. In Nova Scotia, and I imagine all those places now are provided with telephones. The work you have done there has succeeded, they have telephones there ?—A.

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Although I have not visited these places for a number of years, I am credibly informed they have 'phones in all these places—it is a good many years since I have been there myself.

Q. And I understand from other gentlemen that they connected with the Bell Telephone Company?—A. Most of them, not with the Bell, but with the local telephone company to whom the Bell sold out.

Q. That is, I understand, that it would be the actual policy of the Bell Telephone Company at that time, to have telephone companies in different parts of the country. so as to provide feeders for the trunk line; that must have been the object of the company at that time—the policy of the company?—A. That was one object, but there was the difficulty of getting money.

Q. I know it would have been useless to build the trunk line if there had been no local feeders to feed it?—A. Certainly.

Q. Later on I imagine the question will be put to you why do you not increase your business in or around Montreal, say, around the principal offices of the company, I imagine that question will be put to you, and that is why I am asking you in advance whether the object of the company was to have trunk lines, and to have these smaller companies to feed the trunk line with business?—A. I must say there were practically no trunk lines in those times, there were exchanges in the larger places, and it was for the purpose of increasing the business and advancing the interests of the Bell Telephone Company that we endeavoured to increase the facilities in the rural districts.

Q. And providing business for the trunk lines?—A. That will follow.

By Mr. Macfarlane:

Q. The Bell Telephone Company was introducing the telephone in the maritime provinces?—A. At that time, and not only there, this may not be exactly pertinent to the question, I personally visited Newfoundland, and endeavoured to put into operation a telephone system there, in 1883, I think I was there.

Q. Was that favourable?—A. I made arrangements for a telephone system with the Anglo-American Company and they took possession of and operated Newfoundland at that time.

By Mr. Miller:

Q. What was the object of the Bell Telephone Company in desiring to have that telephone company established in Newfoundland?—A. The object was to operate a telephone service throughout British America if we could do so.

Q. What arrangements exist between the Bell Telephone Company and the Newfoundland Company by which any advantage would accrue to the Bell people?—A. The Bell Company had acquired the patents for British North America.

Q. The Bell Telephone Company was making money out of the sale or the use of the patents?—A. Precisely.

Q. Was that the only way in which they did make money out of it?—A. That was it, I think the original intention was for the company to operate in Newfoundland.

Q. They had not the capital, I suppose?—A. They did not get the charter, there was no charter granted to them.

By Mr. Macfarlane:

Q. Coming to the provinces of Quebec and Ontario, I want you to explain briefly what was done in the early period of the development of rural lines there?—A. As far back as 1887 the company saw the desirability of giving rural districts connection with the large centres, and an attempt was made to meet this condition by experimenting with a certain territory. The county of Stanstead was chosen for that purpose.

Q. That is in the province of Quebec?—A. The province of Quebec; and an arrangement was made whereby practically the whole county was put into one system, the intention being to discover if such a plan of operating would be satisfactory. Several towns were joined together by trunk lines, and farmers' lines radiated out throughout

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the county from those towns. The rate, as I recall it, was $20 per year, which entitled the subscriber to a service within his special territory, a cheaper pole line, country lines were constructed, and it was found that at the end of the term for which the farmers and other parties in the rural districts had signed contracts that they thought the price was too high, and numbers of them dropped out, claiming they had no particular use for the telephone, or that they could not afford to pay the price, and various other reasons were given.

Q. Just while you are on that point, how is the company left when a subscriber on a country line of that kind ceases to be a country subscriber? What risk does the company run in building these rural lines?—A. I was going on to say that about this time competition developed about Coaticook, a company known as the Lemay Company came into operation there. The people thought that they would get the telephone much cheaper and we were left with an unproductive plant on our hand, and in a good many cases we had to remove the wires and cut down the poles and abandon the project. We had there connected a number of small villages and hamlets, and these still continue to be operated. We also, about this time, or possibly a little later, attempted to develop the rural business in the Niagara district. At first the subscribers were encouraged to build their lines and get connection with our system through our central offices, but we found that they were very negligent about keeping their lines and instruments in repair, and it resulted in their system becoming unsatisfactory, consequently arrangements were made to take them in as regular subscribers for the Bell Company's local service in that district.

By Mr. Chrysler:

Q. Were they a local company then at first?—A. Just a farmers' line.

Q. A co-operative line?—A. Co-operative, owning their lines and connected with our exchanges.

By Mr. Macfarlane:

Q. Was the telephone business known in the rural districts, or was it in operation to any extent at that time?—A. We had made arrangements at that time in a great many counties to initiate the service and develop the business. But we found that the people were not ready for it. They had no knowledge of the value, they expected to get the service for little or nothing. I notice in the minutes of the proceedings that the member for Bonaventure called attention to the fact that there was no telephone system in his county. About 1886, or thereabouts, under instructions from the company, I visited Bonaventure and Gaspé counties, and worked very hard, spending both time and money in order either to get sufficient business to warrant the building of a line from Gaspé to Paspebiac, or getting parties interested to inaugurate a service. I utterly failed. I may say, gentlemen, that we met that condition in a great many cases because the people had no idea of the value of the service.

Q. Had any systematic attempt been made in any of those parts of the country to which you have referred, to develop the business prior to your efforts, or the efforts of the Bell Telephone Company?—A. There may have been a few spasmodic efforts in the eastern townships. There was a gentleman named Webster who had a theory that every farmer should have a telephone, and he started a concern known as the Dominion Telephone Company, I think that was about 1886.

Q. About the same time that you were working in that district?—A. About the same time I was working in that district.

Q. Did his efforts meet with success?—A. They made a failure of it.

Q. So that you were practically doing missionary work, doing pioneer work in the country?—A. That is the only case I can recall except where the Bell Telephone Company have been the pioneers in endeavouring to develop the country generally in the telephonic business.

Q. You referred to the business in the Niagara district where you say early efforts were made. I understand that a map of the present developments in the Niagara dis-

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trict has been prepared and you might explain to the committee what development exists there now. I think some members were anxious to ascertain what rates were charged in that district and what service the company's subscribers get?—A. (Referring to exhibit 115). We had a central station here at Winona, Stony Creek and Grimsby. There were centrals in each of these places, and they were in direct communication. The rates there are $15 and $20, I believe, per annum. Another little system here——

Q. What are the names?—A. This system here is in Pelham township the central is at Ridgeville with lines running, radiating out from the centre to Fonthill, Pelham centre and a line to Welland.

By Mr. Bergeron:

Q. What are those dotted lines, those long lines?—A. The green lines represent the telephone pole lines of this company, the purple circles indicate subscribers stations, the red lines indicate the township boundaries and the black dotted lines indicate the railway. The purple circles are the subscribers stations.

In the St. Catharines district we have suburban subscribers in Grantham and in part of Louth, some of the subscribers prefer to be in local connection from Louth with the Grimsby section and other lines connecting to the westward. Other lines in Louth prefer St. Catharines, that being their business centre, and they have no connection with St. Catharines. There are two methods of charging on the rural lines connected with St. Catharines, one is by a flat rate for the telephone and then a toll charge to St. Catharines; a flat rate of $15 per year and five cents per call. These rural subscribers who prefer to pay for the St. Catharines service by a flat rate get it for $25 per annum. There are other rural connections in the Niagara district which are now shown on this map, points both north and south, and they are in connection with the Niagara Falls office.

Q. What is the object of showing this map particularly?

By Mr. Macfarlane:

Q. That is a good rural district, of course, and that is one of the districts in which the company started to develop, where the farmers use the rural telephones a good deal?—A. One object is to prove that the statement made is false, that is, that the company has not developed the rural telephone lines.

Q. But you have only developed in this district, have you not?—A. No, sir; it is developed practically all over the country. We have over 2,000 rural telephone subscribers, and 2,500 miles of line.

By the Chairman:

Q. That is in Ontario?—A. No, sir, in Ontario and Quebec.

Q. You have 2,000 subscribers?—A. Two thousand rural subscribers.

Q. Out of 4,000,000 people?

Mr. MACFARLANE.—Not in our territory, Sir William.

THE CHAIRMAN.—Of course that last remark of mine would hardly be fair, I ought to have taken out of the total the population of the cities and the large places which are served by exchanges.

By Mr. Zimmerman:

Q. I was in a place called Green Vale two or three weeks ago, it is about eight miles from Dundas. There are two villages there close together within half a mile of each other, and there is one telephone at Green Vale, but there is no telephone at Bullock's Corners, half a mile away. I was told that the company would not extend the telephone to Bullock's Corners, and if the farmers there could not get connection with Greenvale, if they wanted to get connection by telephone they would have to go to to Greenvale. The company would not extend the system for the convenience of the farmers who reside in the vicinity. What is the object of that, why would they not extend that system?—A. I presume you have reference to the county of Wentworth.

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My recollection is that about a year ago we endeavoured to secure rural subscribers in the county of Wentworth and we did not meet with very much success.

Q. The county of Wentworth extends over a great many miles north and south, this is only a particlar location that I have reference to, because that has come to my notice ?—A. I do not know the conditions, I have no personal knowledge of it.

Q. Have you prepared any table, or has the company any records, Mr. McFarlane, showing the development of the rural business in the past few years. For instance, there is a table on page 8, I understand, in the evidence, showing the number of telephones, the number of exchanges, the number of agencies, on December 31, 1901.—A. I assume that the table is correct, probably it was taken from the statement and in that connection I had a statement prepared.

Exhibit No. 166.

The following is a statement of the number of telephones, exchanges, agencies, &c., of the company on December 31, 1901, and December 31, 1904 :—

	Dec. 31, 1901.	Dec. 31, 1904.
Number of telephones	42,858	66,160
" exchanges	343	475
" agencies	514	789
" telephones, 24 cities and towns	32,000	47,674
" telephones in remaining 319 exchanges and 514 agencies	10,858	18,486

This shows that in the rural districts the gain in three years has been 80 per cent.

By the Chairman :

Q. Is that a statement giving the comparative number of telephones, exchanges, agencies, in 24 cities and towns and in the remaining agencies and exchanges in each year on the 31st December?—A. Yes. Taking the figures given on page 8 as of December, 1901, I have in this statement made a comparison as of the 31st December, 1904, which shows that the number of telephones in 1901 was 42,858 and in 1904, 66,160.

Q. That is in all Canada, is it ?—A. In all Canada.

Q. Can you tell us the number of rural telephones in existence to-day?

Mr. MACFARLANE.—Yes, Sir William, we can tell you this in a minute, I think it will come out of this examination.

Q. Can you give us the number at the date of the census in 1901, so as to make a comparison with the population ?—A. No, there is no record of that, I could not give that.

The CHAIRMAN.—I would like to know the absolute number of what we call rural telephones.

By Mr. Macfarlane:

Q. Just continue.—A. The number of exchanges in 1901 was 343, in 1904, 475. The number of agencies in 1901 was 514, and in 1904, 789. The number of telephones in 24 cities and towns in 1901 was 32,000, and in 1904, 47,674. The number of telephones in the remaining 319 exchanges and 514 agencies in 1901 was 10,858, and the number in 1904 was 18,486.

Q. Yes ?—A. Which shows that in the rural districts the gain in three years has been 80 per cent.

Q. 80 per cent ?—A. 80 per cent of the total.

Q. Agencies—I understand by the word agencies you mean companies, place of business where no exchange is carried on. Is that right ?—A. Yes, it means where there is no exchange.

Q. It practically means rural business?—A. Rural business or small country offices.

Q. So that the growth between 1901 and 1904 in the number of agencies and in the number of telephones in such small exchanges practically represents the growth of the small offices of the company, rural business and small telephone offices?—A. It does.

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Q. A statement was put in the other day by Mr. Sise giving the particulars of the company's exchange and the number of subscribers in each. You will find that statement on page 666. What does that column giving the number opposite the names of places represent, Mr. McFarlane ?—A. That column represents the number of telephones—subscribers—in each exchange.

Q. Yes. Does that statement show in any way the number of exchanges where there is a very small number of subscribers, thus, the rural and small telephone business ?—A. It shows that there are 468 exchanges, of which 334 are under 50 subscribers. Which would indicate that the largest number are small or rural exchanges.

Q. So that leaves 131 exchanges in the large——A. Which may be classified as cities or towns.

Q. There are only 131 exchanges which do not serve the rural business or small village business ?—A. That is correct.

Q. In addition to which, the company, as I understand, has a large number of agencies or other stations not classified as exchanges ?—A. Yes, they have 789 agencies, as on 31st December, 1904.

Q. Adding that to the number of exchanges which you say serve 50 people or less, how many places are there now where the company operates for less than 50 subscribers per office ?—A. 1,125, I make it.

Q. I find on page 19 of the evidence a statement made by Mr. Dagger in his evidence or his report with reference to the rural lines:—

'After the line has been in existence some time, the company have claimed it as their property, and in cases where there has been no explicit agreement, the farmers have given up their rights. This, you will understand, has made the farmers very reluctant to deal with the company on any terms.'

That is pretty serious. I want to know whether you can tell us whether there is any truth in it.—A. I cannot recall a single case of this kind in my 25 years' experience. As a matter of fact, we endeavour to make our agreements explicit, so that there can be no disputes or discussion on the terms of any agreement.

Q. Has the company, as a matter of fact, ever taken over any farmer's line, or small line without proper arrangement and an agreement with the farmers themselves? —A. The company would not attempt to take any property except it had a perfect legal and tangible right to do so.

Q. So that, that statement has been made in error, I understand ?—A. Wholly in error.

Q. Does the company have any understanding or does it agree with the rural communities to furnish part of the construction or to assist in the construction ?—A. We have in numerous instances. Not only that, but we have encouraged people to build and help them in many ways by sending them men, inspectors, linemen and others.

Q. In connection with this assistance that you rendered to these small companies, what charge do you make for the services of your linemen and inspectors in assisting in this construction ?—A. We charge them the men's time and their expenses.

Q. Then the company reaps no profit from that arrangement ?—A. No, we do not desire any profit from that arrangement.

Q. Are you anxious to develop the rural business and the construction of these small lines?—A. We are, under proper conditions.

By Mr. Zimmerman:

Q. What do you mean by proper conditions?—A. They are required to build a line that will stand up, it may not be the Bell Company's standard, but a good standard construction. We ask that they will furnish instruments that will give a good satisfactory service ,that will work in connection with the long-distance line. We also ask that they will agree to maintain their apparatus and appurtenances in good order and line condition, so that anybody on our line wanting to use their service or anybody on their line wanting to use our service can obtain it without any unnecessary delay.

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By Mr. Macfarlane:

Q. Am I right in inferring from that that you are anxious to build up the rural business as feeders to your lines?—A. We are, where it is non-competitive.

Q. So that the statement made by Mr. Cameron, one of the witnesses, on page 63, where he says that the company 'does not want subscribers in the country; I do not know the reason why, but they do not seem to want business in the country,' is not a fact? What is the fact as to that, Mr. McFarlane?—A. All I say is that Mr. Cameron is mistaken.

Q. Is the company, as a matter of fact, anxious to extend its rural business?—A. I believe it did in that particular case, and it is anxious to extend where it can do so profitably.

Q. While on this question, a table made by the company—have you prepared any statement showing the telephone development in the cities of that portion of Canada in which the company operates?—A. There has been a statement prepared by the company.

Q. Is that the statement?—A. This statement shows the number of telephones in towns having over 7,000 inhabitants, and I believe is accurate. The figures are given as the estimated population on December 31st, 1904. These figures are arrived at by taking the census figures of 1901 and adding 10% of the increase during the last census period per year as the annual growth since 1901, and it would, I think, be considered fairly accurate. This shows an average development of 21·9 inhabitants per telephone.

Exhibit No. 167.

THE BELL TELEPHONE COMPANY OF CANADA.

Number of telephones per population in towns having over 7,000 inhabitants.

Place.	Estimated Population, Dec. 31, 1904.	No. Telephone Stations, Dec. 31, 1904.	No. Inhabitants to each Telephone, Dec. 31, 1904.
Montreal and suburbs	346,830	14,995	22·7
Toronto and suburbs	223,828	12,714	17·6
Quebec and suburbs	78,665	2,365	33·2
Ottawa and suburbs	81,659	2,999	27·2
Hamilton	53,975	2,020	26·7
Winnipeg	47,350	4,121	11·5
London	39,781	1,930	20·6
Kingston	17,571	688	25·5
Brantford	17,777	596	29·8
Windsor	12,702	698	18·2
Sherbrooke	12,260	609	20·1
Guelph	11,781	492	23·9
St. Thomas	11,818	453	26·1
Peterborough	11,695	604	19·3
Valleyfield	12,717	198	64·2
Three Rivers	10,473	392	26·6
Stratford	10,094	359	28·1
St. Catherines	10,177	648	15·7
Berlin	10,443	309	33·8
St. Hyacinthe	9,867	360	27·4
Belleville	8,880	337	26·3
Chatham	9,071	468	19·3
Brockville	8,982	418	21·4
Woodstock	8,899	320	27·8
Owen Sonnd	9,157	288	31·8
Sault Ste. Marie	8,594	415	20·7
Sarnia	8,620	338	25·5
Galt	7,965	391	20·3
Levis	7,927	215	36·8
Lindsay	7,279	211	34·5
Sorel	7,171	129	55·6
Total, 5th May, 1905	1,118,008	51,080	Average 21·9

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APPENDIX No. 1

By the Chairman:

Q. Mr. McFarlane, your policy, as I understand it, is to extend your works rather in the centres than in the rural districts?—A. I think, Mr. Chairman, that the centres are extremely well developed in Canada, and if we want to extend we have to extend into rural districts.

Q. Let me call your attention to Mr. Sise's statement in his evidence on the 18th of May, page 622, where he was examined as to this alleged policy, and he says: 'We want to get all the business we can, but we are restricted to a very great extent because of the difficulty of carrying on all these smaller lines. If it is a question of erecting an exchange in one large place and of giving a service needed by 1,000 people we certainly, and quite properly, in doing that give the preference to the needs of a large number than to a lot of farmers' lines. There is a much better return from the expenditure of money on that work than there will be from the expenditure of the same money on smaller lines. On the same principle, if a line is required from Toronto to Montreal to give a service to the business line, to the mercantile community of Montreal and Toronto, and on the other hand the same amount of money is required for farmers' lines that would give little or no return, on any proper business principle any one would say: Build the long line and give the service to the greatest number of people to whom it is of the greatest value.' It would seem from that that as yet you have not completed the services in these centres. From Mr. Sise's statement you have not enough money to do both, and he gives preference to the centre?—A. I do not read it that he will not do it. He says he will give preference to the needs of large centres. I think that is a good business principle.

Mr. MACFARLANE.—This statement is merely supposition.

The CHAIRMAN.—I would draw attention to the fact that it is the policy of the company, and I would think further that Mr. Sise meant to tell us in so many words that it was not convenient for the company to meet the demands from the rural districts, because of more paying demands absorbing their available capital.

Mr. AYLESWORTH.—You notice Mr. Sise's answer to the previous question.

The CHAIRMAN.—He negatived the policy, then he went on to give his views which very much qualify his former answers. However, when we get the statement showing how many telephones you have actually got in use in the rural districts we will see what the practice is. That will be much better than any policy.

By Mr. Macfarlane:

Q. Would the statement of the number of telephones in the rural districts show to the committee the development as well as a statement of the number of stations and the population served, which practically represents the development in the rural districts?—A. The two statements would show such development.

By the Chairman:

Q. I have been handed these figures: The rural population of Ontario, Quebec and Manitoba is put down as 2,493,471 people. I understand you to say there are about 4,000 farmers' telephones now in use?—A. 2,000 farmers' telephones.

Q. Then that would be about one telephone for every 1,250 people?—A. Or thereabouts.

Q. That is the extent to which you have met the demand for rural telephones in these three provinces?—A. We have also found that in canvassing for telephones not more than 20 per cent of those canvassed evinced the slightest desire to have a telephone.

Q. Well, at what prices?—A. Paying prices.

Q. What price? You spoke here a moment ago when speaking of the Grimsby district of $25. Is that the price that you asked from the farmers?—A. The prices vary from $15 to $25, according to the class of service and the size of the exchange that they connect with.

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By Mr. Macfarlane.

Q. On that question of price, there have been statements made by certain witnesses who have said that they operate or connect with operating telephones at a considerably lower price than that, these small farmers' lines. Can you explain the difference in your prices where they are higher?—A. My experience has been that when a company, an organized company, undertakes to operate a telephone service, the subscriber looks for the best class of service. He requires practically a continuously good service. On most of the small farmers' lines or co-operative lines, rural lines, built by individuals are left largely to take care of themselves. Prompt repairs are not made on them, batteries are allowed to run down, and sometimes for days the whole system is out of order. Nobody complains. But if a company like the Bell undertakes to give the service, they have got to get repairs made immediately no matter what the cost may be. Therefore, if a subscriber wants a fairly continuous service he has to pay more for it than he would on a co-operative farmers' system.

Q. What about the cost of construction, the relative cost of construction between yours and theirs?—A. As a rule a farmer's line is built by farmers. Farmers give the poles, very often furnish the labour, and the only accounting done is for the money actually spent. The construction is of the crudest possible description, the poles in many places are not put in the ground more than two feet, where they should be five feet, and a comparatively small number of poles per mile being used. In many cases inferior wire is furnished because it is cheap, and yet they claim to give a good service on such an output. They may do so for a very short time, but the experience of the past has been that these small concerns usually come to grief as they fail to maintain their telephones in good order and condition.

Q. In making arrangements for a connection with these small concerns, do you find, as a rule, that they have to improve their line before you can give that connection?—A. In nearly every case we have something to say about lines before they were built. Where they are not satisfactory we will not make a connecting arrangement with them until they put them into good order. We generally send some one over the line to see what its condition is before we establish connection.

Q. So that you have had some considerable experience in examining the construction of these small lines?—A. To some extent, yes.

Q. I just want to ask you to refer to that statement you put in (exhibit No. 167), showing the development in the cities, the number of subscribers there are. It is as of what date?—A. December 31, 1904.

Q. And that statement shows the average development, that is the number of inhabitants per telephone. What is the number?—A. The number of inhabitants to one telephone is 21·9.

Mr. LEWIS.—Is that a selected number of places?

Mr. MACFARLANE.—No, all places in the Dominion over 7,000.

By Mr. Macfarlane:

Q. The question was asked Mr. Sise with reference to the Neepawa system, whether any request had ever been received for connection with your system. Can you tell us whether such a request was ever received?—A. I have no recollection of such a request having been received. If it had been I should have known.

Q. All requests of that nature are referred to your office?—A. They are.

Q. I want to call your attention to Exhibit 152A, which Mr. Sise stated was a diagram showing the development of the company's business in subscribers, agencies and exchanges since 1880. Does that in any way illustrate the growth in agencies as in excess of the exchanges, which you referred to? You will see the agencies are marked in red.—A. The exchanges show a development of 475 and the agencies show a development of 789.

Q. If you look at the diagram you will find the years marked at the bottom. Is there anything in that diagram to show the development in the last few years?—A. In

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1900 there were 343 exchanges and 494 agencies. This will show that there has been a more rapid development in the agencies than there has been in the exchanges.

Q. Does that mean a development of the rural business ?—A. It does.

Q. Now, Mr. McFarlane, the question of compulsory physical connection has been referred to. Your company has had some considerable experience in connecting with smaller companies, I understand ?—A. Yes, we have been connecting more or less with small companies since we started.

Q. What are the practical difficulties, or what would be the practical difficulties in the way of giving connection to small lines ?—A. This company has adopted a standard set of rules which they find is necessary for the proper conduct of their business, and these rules will make for the best class of service. When we come to couple up with co-operative farmers or rural lines we find that as a rule there is practically no management, no operating staff, no one with any particular authority, and business is run in a shiftless sort of way. When connections are asked for, our company would require that they shall conform to the reasonable rules of the company, for if they will not do so we cannot give them a service that will conform with the agreement between ourselves and our subscribers. We find as a rule that these companies are ready to agree to conform to reasonable rules and regulations and to standardize their apparatus so far as they can, but in many cases they have not the means and they have not the people to do the necessary work for them. When they do that and are operating on non-competitive territory we usually make an equitable arrangement with them for an exchange of business. But we insist that they shall not connect with other companies which will possibly come in competition with us unless they make an arrangement with us.

Q. Would you explain that ? It is the same statement that was made by Mr. Winfield of the Nova Scotia Telephone Company.—A. A case that comes to mind at the moment is that of the Conn Telephone Company, which operates in the neighbourhood of Mount Forest, Ontario. They extend to a number of small towns and villages, and I understand are about to continue their line to Arthur, but the people of Arthur, possibly suspecting that the extension of the Conn line will take the local business away from Arthur, are preparing to build a competing line with them in the same territory. And in such a case if we connect with the Conn company we cannot very well connect with the Arthur company. It would result, I think, disastrously to both the local companies. For that reason, if we could confine the Conn Company to a certain limited territory and the Arthur Company to another territory, that difficulty would not exist.

Q. In that way would you say that an arrangement was for their advantage as well as your own ?—A. I certainly think it would be to the advantage of both our subscribers and the subscribers of those companies.

Q. Now, Mr. McFarlane, I want you to explain the practical difficulty which would follow if the company was forced to give connection, that is if some rule of enforced physical connection was brought into effect.—A. In that case, this company and all large companies—large operating companies—I feel would suffer. It would be equivalent to taking the property of one company and allowing another company to take it and use it without proper compensation. A little company with $1,000 capital could use the property of a telephone company having $10,000,000 capital. The intention apparently would be to give the smaller company the right to take the property of the other company and use it. A connection such as is spoken of is not an equivalent to connection between the two telegraph companies.

Q. Would you explain what the difference is ?—A. The method of connecting two telegraph companies is to have a repeating point where the telegram is taken down and relaid to the receiving station. If physical connection was compulsory with telegraph companies, then this would happen: The Great North-Western Telegraph Company, having its line from Sorel, we will say, to Montreal, would order the Canadian Pacific Telegraph to switch its line directly on to its Vancouver circuit, and

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notwithstanding any rules or regulations of the Canadian Pacific Telegraph Company, would have a telegraph line direct from Sorel to Vancouver as long as it had any business to transmit.

Q. Would the same thing apply to compulsory connection between telephone companies?—A. The same thing would apply in a greater degree, because there might be, we will say, three or four companies connecting together to-day to reach a given point. The message originating on A company's system and going to D would have to be sent over the lines of B and C. The two middle companies, B and C, would have no means of recording or checking such business, and I see great difficulty in even ascertaining what company's line the business originated on, and what company is responsible for the holding and use of the line.

Q. Would that involve a difficulty in the collection of rates?—A. It would involve quite a difficulty in the accounting.

By the Chairman:

Q. Are the difficulties insuperable?—A. I see no way out of them at present.

Q. Can you tell whether company B knows if it was company A that asked to have a connection?—A. Company A might ask to have a connection with D company and B company would give the line until he is told to come back and take down the connection. C company does the same. D company makes a record of the receipt of the message, A company a record of the sending of the message, but I see no way of B and C companies getting their proper proportions for the use of the line.

By Mr. Macfarlane:

Q. Did I understand that several messages could be sent over that connecting line without B and C having a possible method of checking them?—A. That would happen unless they were supplied with operators to keep watch on the line constantly to see by whom and what use was made of it.

Mr. ZIMMERMAN.—That difficulty does not apply everywhere. I mentioned a case here the other day, the independent lines from Cleveland all the way down to St. Louis, and also from Cleveland to Chicago, there is one series of independent systems extending all the distance.

The CHAIRMAN.—What length of line?

By Mr. Zimmerman:

Q. It must be 1,000 miles or more. There are perhaps 20 or 40 companies, independent companies along that line. There is a long-distance telephone all the way from Cleveland to St. Louis and from Cleveland to Chicago?—A. I do not know what number of companies there may be, but I know they have a great deal of difficulty in making arrangements for connection, just the same as we have found in Canada. Every company has different rules and an effort has been made to standardize them so that business will be carried on with the greatest facility.

By Mr. Macfarlane:

Q. What do you mean by rules?—A. In operating the long-distance plant, especially, we require operators to understand the business. Sometimes it takes months to teach an operator to handle the long-distance business of the company.

Q. Is it done by signals?—A. Yes, in large measure.

Q. To economize time?—A. Yes, and to expedite the service on the line.

Q. In case you were ordered to connect with a small company with whom you had no arrangement, would there be a waste of time?—A. There would be a waste of time. Their methods would be so different from ours it would be hard to get them to work systematically.

By the Chairman:

Q. In answer to Mr. Zimmerman's question, when he stated that many independent lines in the United States connect together for their business, I understand you to say

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that the difficulty with you in Canada is that different companies had different rules. Do you think that if it is successful in the States it is because they have more or less standardized their rules?—A. I have more particular reference to companies connecting with us at American points. We connect with a number of them, and they have different rules.

Q. The independent lines that Mr. Zimmerman has referred to have interchanged business satisfactorily. Why can you not interchange business in Canada satisfactorily? —A. I think you will find that the exchange of business in the United States is made largely by amicable arrangement, and is not compulsory in any sense. If it was, it would not have been satisfactory.

Q. What do you mean by amicable arrangement?—A. Friendly arrangement between themselves, where both companies agree and act in harmony.

Q. I see, and they were not so disposed and not inclined to make an arrangement and come together, and then the system would be a failure?—A. I believe it has been where it has been forced upon companies.

Q. Then, if the same conditions apply in Canada and you and the others will not make harmonious relations, but some person else steps in and makes harmonious relations for you, why should not the interchange of business in Canada succeed?—A. I would rather leave that to the party that makes the arrangement.

Q. Then the difficulties that you allude to in the way of an interchange of business between different companies arise because of the lack of cordial relations and the desire on the part of everyone to make satisfactory arrangements. Is that it?—A. And the lack of uniformity of business methods.

Q. Uniformity of rules?—A. And methods of operating the plant.

Q. These do not seem to me to suggest insuperable difficulties.

No answer.

By Mr. Macfarlane:

Q. Mr. Miller asked a question the other night as to the difference between operation when a man goes into one of your pay stations and speaks over the long-distance line and when that man being a subscriber to an independent line gets connection with your line to Ottawa and then connection with your long-distance line ?—A. In respect to the payment of tolls?

Q. Not in respect to the payment of tolls, but there is in a practical way a difference between connection in these two methods. It was suggested that the small company got control of your long-distance line for the time being?—A. I have already illustrated that in the case of a telegraph company and how it would apply in the case of ours.

Q. The same thing would apply?—A. The party on the other line, over whom we have no control, would get possession of our property and hold it possibly as long as he thought it well to do so, and if the business was not satisfactory the blame would attach to us as well as to the party on the other line.

Q. Do you see any danger in the case of lines connected in that way in fixing the responsibility for negligence, for instance?—A. Under present conditions the rural companies do not seem to pay much attention to protecting their properties from high potential currents or from lightening or danger of that nature, and if we were compelled to connect we would be carrying hazards into our stations and into those of our subscribers that we should not be compelled to carry.

By the Chairman:

Q. Can you telephone direct from Ottawa to New York?—A. Yes.

Q. Is that entirely over one system?—A. Over two systems.

Q. Is it successful?—A. Very.

Q. Can you telephone beyond New York?—A. Telephone beyond——

Q. How far can you telephone—anywhere beyond New York?—A. From here to Baltimore.

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Q. Over how many lines?—A. Two lines.

Q. Just one besides your own?—A. One besides our own.

Q. Have you other arrangements—can you telephone further than that or over more companies?

By Mr. Lewis:

Q. New Orleans?—A. It is impossible to talk that distance. I am trying to recall any case where we go through three companies.

By the Chairman:

Q. Two companies besides your own?—A. I cannot recall any at the moment.

Q. Are you aware that you can telephone from London to Paris or from London to Berlin?—A. Yes, I am aware of that.

Q. Over how many different lines?—A. I should say two.

Q. You don't know whether it is more or less?—A. I do not think it is any more. The British Government and the French Government control the connection between Paris and London.

Q. And how about between London and Berlin?—A. I do not know who controls that.

Q. You are aware that you telephone between London and Berlin?—A. I am aware. There is a connection, I think through Antwerp.

By Mr. Bergeron:

Q. There has been a great deal said here about traffic arrangements on railways, and these gentlemen say that the same thing could be done with a telephone system. Can you tell us what analogy you find there, if there is any, and if one system could be operated as well as the other?—A. I do not think there is an analogy there. If this physical connection were forced upon the company it would be equivalent to taking the property of a railway company and running your engine on its track regardless of the rules or methods of operating or anything else. In the case of the railways the moment a train is switched from one railway to the other it is put under the control of the railway owning the property it is running over, and in the case of the telephone, the company owning the property has no further control over it. If we were connected with the St. Laurent Company near Montreal and one of their subscribers wanted connection to Toronto, we would have to switch our long line to their system and give it to them as long as they wanted it.

Q. And so for the time being it would be their line?—A. It would be their line while they were using it. Four hundred miles of line, possibly worth $150,000, would be put at their service. In the meantime, our subscribers would be deprived of the use of that line and the St. Laurent Company would have full control of it.

Q. So you cannot make any point of comparison between the two?—A. I think not.

The committee adjourned until 4 o'clock p.m.

THURSDAY, May 25, 1905.
4 o'clock p.m.

The committee resumed, Sir William Mulock, in the chair.

Mr. McFARLANE'S cross-examination was resumed.

By Mr. Chrysler:

Q. When I was obliged to leave this afternoon, Mr. McFarlane, you were explaining the efforts that you had been making to educate the rural population into the ad-

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vantage of extended telephone service. I do not know whether any additional facts were brought out by you after I left. I think you were speaking of the Niagara district rural telephone that you had inaugurated. Was there anything more after I left upon the subject, do you remember?—A. I do not think there was anything special. There was just the general information in reference to the rural service.

Q. If you have read the evidence that has been presented to this committee you will find there has been a very widespread movement apparently in the last few years in the direction of rural telephones by small local companies, some of them co-operative, some of them small stock companies, but mostly organized by people who have sought to help themselves in the way of obtaining telephone facilities. Have you read the evidence that has been presented?—A. I have, sir.

Q. You have read the evidence?—A. Yes, up to a certain period, as far as it has been printed.

Q. And it does appear that there are considerable communities in which your company has not been able to give facilities or has not done so. A large part of the province of Quebec, the eastern part of the province of Quebec, apparently, has been occupied by telephone companies of that kind. Several of them, it appears in the evidence, are connected with your company, and some of them are not. Can you give me any case in which you had been engaged in organizing a rural company in Ontario or Quebec except the Niagara system?—A. Not personally. Personally I had nothing to do with the Niagara business.

Q. It was done by some officers of the company?—A. It was done by some other officers of the company. In eastern Ontario there is quite a ramification of lines, in Dundas county and thereabouts, belonging to the Bell Telephone Company.

Q. Along the St. Lawrence?—A. Back of the St. Lawrence. Back from Morrisburg, including such places as Winchester, Metcalfe, Russell and through that district. It has been in operation for a number of years.

Q. And was that originated by some of your agents or was it a local company at the outset?—A. At the outset there was a local company called the Dundas Telephone Company. They started in in the territory in the rear of Morrisburg. Finally they went to the wall, it was a financial failure, I believe.

Q. And did you buy their property? Did the Bell Telephone Company buy their property?—A. As far as I recollect we bought some poles. I do not remember whether we bought any of the other material or not.

Q. Mr. Morris has written a letter to the committee in reference to the Grimsby and Pelham system which does not give your company so much credit for establishing the rural telephone company system. Mr. Morris' letter is abstracted at page 58, Appendix 'A.' The letter is in full here, but I assume that it is correctly abstracted. If there is any doubt about it we can refer to the full letter. (Reads.) 'Two years ago the committee were desirous to have a rural system. The writer spoke to the Bell manager and obtaining no encouragement proceeded to organize a company. In two months $3,000 was subscribed. The Bell hearing this, they offered to put in system at $15 per 'phone per annum. Prior to this tolls were charged everywhere. Finally the Bell proposition was accepted on condition that free communication was given to Welland. The district now has a first-class service, with nearly 100 subscribers. Had the government controlled the long-distance wires, the people would have preferred their own local system. The writer believes rural telephones a great convenience.' Do you know Mr. Edward C. Morris? He writes from Brown's Nurseries, Ontario?—A. I do not recall him, I do not recall him by name.

Q. Here is the letter more fully than appears in the evidence:—

'About two years ago I found the people in this community were desirous of establishing a rural telephone company. On talking with one of the local managers of the Bell Telephone Company he did not give us very much encouragement for opening an exchange here in this country. The only alternative then was to try to

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organize a local company, which we proceeded to do. In less than two months we had stock subscribed to the amount of about $3,000, and were on the point of calling a meeting for the purpose of organizing the corporation, when the Bell people heard of it, and through their representative offered to put in the telephone system, putting in grounded party wires, with not over six subscribers on a wire, at an annual rental of $15 per 'phone.

'Previous to this, the Bell Company had a long-distance wire into this township, with three or four offices in the different villages. All telephone messages were toll messages. The people said that they would be willing to turn the telephone proposition over to the Bell people on the terms stated above, provided they would give them free connection with Welland. This the Bell Company agreed to do. The grounded party wire was not a success. There was too much cross-talking, and of their own accord, the Bell Company metallic circuited nearly all of the wires, and the result is that we now have a first-class system. There are on the Ridgeville exchange, which is the village where the telephone exchange is located for Pelham, nearly 100 subscribers, and I believe on the whole, the system is working to the satisfaction of a majority of the people.

'Had the government had control of the long-distance wires, I think it would have been more difficult for the Bell Company to have secured control of this district; or in other words, the people would have preferred to have had their little local company. At that time there was no chance for any long-distance 'phoning had the local men established.'

Q. That appears to have been quite recent, if Mr. Morris' account of it is correct. He speaks of it as having been done within the last two years?—A. Speaking from memory, it seemed to be two years since we opened an exchange at these two places. Part of that is true that we had a toll station for the purpose of supplying a telephone service to the rural communities in that district and the fact that they were ready to go into it, into a farmer's line proposition, was indicative of the fact that they wanted telephones, and we supplied them.

The CHAIRMAN.—There was also the Glen Huron case.

By Mr. Chrysler:

Q. I have a letter here in reference to that. This is a letter (No. 28) which has been printed at page 36, Appendix 'A.' You have a copy of the evidence before you Mr. McFarlane, will you please turn to it? The first part is merely introductory, but when he reaches the history of the matter, he says: 'We had asked the Bell Telephone Company on several occasions to extend their lines to this place, and always met with a refusal. We then built a private line extending from Singhampton to Glen Huron station giving the people, though they had not contributed anything towards it, free service as far as it went. Nottawa and Duntroon to the north of us, Singhampton, McIntyre, Badgeros, and Maple Valley to the south and west of us being without either telegraph or telephone communication, with the exception of telegraph at Duntroon and Singhampton, the writer proposed a scheme to form a joint stock company with shares of $10 each, to build a line from Collingwood connecting with the above named places, and also to extend to Creemore via Dunedin later on. We proposed giving as cheap service over the whole line as possible, the object being convenience and not dividend. We had several meetings, and the people were in hearty sympathy with the project, and everything went well until the Bell Telephone Company heard of it, who then sent, unasked, two men canvassing over the territory for weeks. They first asked large sums from each place, and in every instance but one were refused. When they could not block our scheme any other way, they immediately accepted a small bonus subscribed by the people of Duntroon and ran a loop into that place and a loop from Collingwood to the village of Nottawa without any bonus or consideration whatever, and unasked. As these two places were large subscribers to the proposed local line, and feeling that the latter would be largely deprived of patronage on account of the

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Bell having long-distance connection, we found it impossible to get their assistance and the result was that the scheme fell through for the time, and the other points mentioned are still without a line. As soon as the Bell Company had the matter blocked they immediately withdrew their canvassers and I do not know of one being on the scene since.' Do you know anything about the facts in this case, Mr. McFarlane?—A. My recollection is that the district superintendent recommended that we connect Duntroon and Nottawa as being places that would afford some revenue to the company, if we could get any help or assistance from the people, and it was done. I think it was a toll line, not strictly a rural farmer's line, but a toll line.

Q. With pay stations at Duntroon and Nottawa probably?—A. Yes, sir.

Q. And where did you run the line connected with these places? The line connects from Collingwood, is that right?—A. I believe it is right. I think they are adjacent to Collingwood, the two villages.

Q. Who is that district superintendent, Mr. McFarlane?—A. Mr. A. T. Smith, if I recollect.

Q. Do you know anything about the allegation here that the Bell Company sent canvassers in to canvass over the territory?—A. I think it is quite possible.

Q. What would they canvass for, for individual subscribers?—A. In some cases, and in other cases they would canvass for the poles, or for a bonus to warrant the opening of a small country office.

Q. You had had no line in that district before apparently?—A. Not close to there. We looped down from some point near Collingwood.

Q. When did this occur? I do not think Mr. W. H. Hamilton, the writer of the letter, gives the date. When was that extension made to Nottawa and Duntroon?—A. It appears to me to be about three or four years ago. Possibly it may not have been as long as that, but it seems so.

Q. You think within the last three or four years?—A. I think so.

Q. Did you make any effort to obtain subscribers from rural stations apart from establishing the two pay stations?—A. I do not think there was any.

Q. You did not do there as you did in the Niagara district, give a telephone service at $15 for each house?—A. I could not say, but I think it was simply a matter of getting these two villages connected up to the long-distance system.

Q. Would you dispute what Mr. Hamilton gives as your reason for taking that action, of extending your toll line to Duntroon and Nottawa, that it was for the purpose of heading off the competition of this local company?—A. I think it is quite possible that we saw an announcement in the press that there was a movement on foot to have a telephone service, and we went there and supplied it as far as we could.

Q. According to Mr. Hamilton there was a discussion among all these people as to the advisability of having in addition to the pay stations which you have given, farmers' lines with their own telephones?—A. The only intimation that I have had is what is contained in Mr. Hamilton's letter.

Q. Was it contained in Mr. Hamilton's letter? Well, as a matter of policy, is there any reason why it would not pay your company as it has in the Niagara district? I suppose the Niagara venture is a satisfactory one?—A. I should say it is not.

Q. It is not?—A. No.

Q. Why?—A. They give too great an area for the amount of rentals. They cover too great an area.

Q. That is your subscribers in that district are enabled to communicate for too lengthy a distance?—A. Too long a distance, too large a number of centrals.

Q. Do you keep your books so that you can determine whether a particular venture of that kind is profitable or not?—A. Generally speaking, I think we could.

Q. If $15 does not pay you in the Niagara district, how much do you think would pay you?

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By the Chairman:

Q. The rates are not limited to $15 there. Mr. Sise spoke of them as ranging from $15 to $25?—A. Dependent upon the class of instruments and the exchange they connected into.

By Mr. Chrysler:

Q. $15 is the cheapest?—A. $15 is the cheapest.

Q. Well, the difference that was spoken of by Mr. Sise, I think was, that there was an additional sum charged for connecting with the local exchange at St. Catharines, or possibly Welland was the possible objective point?—A. St. Catharines only. It has a large exchange.

Q. And what was the additional fee you had?—A. 5 cents per call.

Q. 5 cents per call?—A. Or that could be commuted by the subscriber on paying $25 per annum, a flat rate which entitled him, in addition to the farmers' line service, to the St. Catharines exchange service.

Q. He virtually got a free local exchange at St. Catharines as well?—A. Exactly.

Q. And that might be at his option, a flat rate of $10 per annum?—A. In addition to the $15.

Q. Well, were there any subscribers in the Niagara district, who, without having any of the facilities of the St. Catharines exchange were charged more than $15?—A. I know of no rural lines that were charged more than $15.

Q. You said something about the class of service and the class of instrument, was there any higher charge for a long distance line or were they all supplied with long distance transmitters?—A. I could not say as to that without referring to the tariff.

Q. Well, is there any other place in the province of Ontario in which you have in any way fostered or assisted in the formation of local lines or in the construction of lines by independent companies?—A. I can not recall any just at the moment. Although we have a number of connections, I cannot recall them very well, but we have quite a number of connecting places.

Q. We have a list of the companies that you connect with but I do not recall any in the——?—A. There is one that I think of in the northern part of Ontario.

Q. There is one near Manitoulin Island?—A. No, near Wiarton, that goes into our Wiarton exchange.

Q. Yes?—A. It extends from Lion's Head. The proprietor is Mr. Gillies.

Q. Yes, we have got Mr. Gillies' agreement here. What was the history of Mr. Gillies' line? Did he build before getting the right to connect with your line?—A. Yes.

Q. That was a sort of local enterprise called for by remoteness, I suppose?—A. And the fact that we were not operating in that territory.

Q. And you connected with Mr. Gillies line at the Wiarton exchange?—A. Yes, sir.

Q. Well, why did you not do that in the case of Hamilton? I do not mean Hamilton city but Mr. Hamilton?—A. Mr. Hamilton?

Q. Mr. Hamilton who wrote that letter. Could not the same thing have been done in his case?—A. Possibly it could.

Q. Instead of your opening two local exchanges?—A. I do not know whether our people saw Mr. Hamilton or the parties interested in that project at all at that time, or not. They may have done it and may not have been able to arrange terms.

Q. Can you speak as to the policy of the company? Mr. Sise has told us that the Gillies agreement is a form of agreement that, with local variations, is the one commonly in use. Is there any reason why you should not at Nottawa or Duntroon have allowed a local company to connect with your line upon similar terms to those given Mr. Gillies?—A. None whatever as long as they are non-competitive and do not operate in territory that we operate in.

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Q. That is what I want to find out, Mr. McFarlane, just exactly what are the elements of what you regard as competition? From some answers of Mr. Sise I thought that he meant only long distance competition. Would you object to another company. A. Decidedly.

Q. And you would not want to make connection with them at all?—A. No, sir.

Q. What is the reason? I suppose you have some good reason for it or you would not make such rule?—A. Taking the position at the beginning, an individual might want to connect wth us instead of a company.

Q. Yes?—A. He buys his telephone, he builds his own line and he connects on to our exchange under an arrangement. What is there to prevent every other person in the community doing the same thing, reaching our central and putting us out of business? We are an operating company, we are there to operate and if we did that we might as well abandon the field to a local company, or the local individual who has formed this little concern to run their own telephones. It is not the policy of this company.

Q. Well, supposing that is so? Take the case of the individual, I suppose no individual would suggest that unless it were one that you were not giving a service to? For some reason or other you have an exchange and you do not connect with with some person and he proposes to do it at his own expense, putting in his own instrument, or would you expect him to pay? I suppose there is no reason why he should not be taken in the same as anybody else?—A. It would be folly to expect anybody to do that. They would not provide the apparatus themselves and keep it in order and pay us for it at the same time the interest, operating charges and repairs.

Q. What is your position? You decline to allow him to connect with you upon any terms, do you not?—A. On rental terms we let him connect. If he takes our instruments and pays for them.

Q. Why should he take your instruments if he is willing to pay the same rate as anybody else?—A. Well, I do not think there is anybody that I ever knew who would pay the same amount as anybody else and furnish all the apparatus and keep it in repair himself.

Q. Supposing instead of one individual, a company came to you and said: 'We have 100 subscribers in a village and we wish to connect with your line, will you do it, and upon what terms?' You say that you will if they are not competitors?—A. Not if we have 100 telephones also in the same village.

Q. We have understood here there is a place in the province of Quebec, Harrietsville, where it is said you have——

Mr. BERGERON.—Waterville. They have got 3 and the other company 17.

A. That was the condition a number of years ago. That condition, I understand, is considerably changed.

By Mr. Bergeron:

Q. I think we had that testimony here the other day.—A. In reference to a telephone being put in two years ago in the railway station.

Q. Yes.—A. They were speaking of that time. That is a competitive company.

By Mr. Chrysler:

Q. That is a competitive company?—A. Yes.

Q. You would not accept their business on any terms?—A. Not in that exchange.

Q. Not in that exchange? Well, how else would you accept it? You would allow them, I suppose, to go to a public pay station and send messages along like anybody else does?—A. Exactly.

Q. Why should you not accept it upon the same terms? Do you say it is reasonable to ask them to pay the same rental as your subscribers are paying in addition to their local rate? Why not allow them to be connected on paying a sum less than that?

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—A. Because it would build up a competitor and finally would possibly put us out of business.

Q. Well, have you confined your connections to a company that was not a local competitor with you?—A. We have confined our connections to companies that were not local competitors.

Q. Have you not refused connections to companies that were not locally competing with you at all?—A. If they would not conform to the propositions that we made to them. In some cases there are propositions made that they would restrict themselves to certain territory and not connect with other companies.

Q. Yes, that seems to have been the stumbling-block in a number of cases? We have some cases of that kind, I think. Look at page 239. We will just see what the elements of them are. I have been trying to make them out from the papers and evidence here, and I will be glad if you will make it a little more clear. Now, the agreement at page 239 refers to the Beauce Company. It is introduced by the evidence of Dr. Demers in the first place, and the agreement itself is printed at the bottom of page 238. But later on we got from Mr. Sise the full correspondence with the Beauce Company, and that is printed at page 501, the same agreement, apparently. I did not examine it very closely. Now that was an agreement that never was executed, apparently. It was a draft agreement proposed by you and the negotiations follow here, and unless it has been terminated since?—A. It is still in that condition.

Q. Still pending?—A. Still pending.

Q. In the second paragraph of that agreement, of the draft I should say, it was provided that it, that is the Beauce Company, 'will not connect directly or indirectly, or allow to be connected, its lines and apparatus with the lines of other companies or persons, without the consent of the Bell Company, and will sever and disconnect the lines of any company or person now connnecting before this agreement becomes operative.' It was introduced in the evidence of Dr. Demers because that gentleman was speaking as an officer of the Bellechasse Company, which I understand operates lines further east, and he wanted to make connection with the lines of the Beauce Company. He was told by the Beauce people that because of these clauses in their binding agreement with you, the draft which was then under consideration, they would not be able to make connection with him. I suppose that would be so, would it not? You would not have allowed a connection between the Beauce Company and the Bellechasse Company if this agreement had been completed?—A. Well, I will correct the statement as soon as you have finished your question.

Q. I have finished that part of the question, Mr. McFarlane.—A. In reference to the Beauce Company's contract, Senator Bolduc called at my office and informed me that his company, that is the Beauce Company, desired to have connection with the Bell Telephone Company; that they then had connection with the Bellechasse Company at or near St. Mary's, in the county of Beauce; that the service was most unsatisfactory; that they had been informed that they would have Quebec connection and a lot of other things which had not been carried out.

Q. That is the Bellechasse Company?—A. The Bellechasse Company; that the people were not satisfied and that as the contract with the Bellechasse Company was about to terminate they would be glad to make connection with us. I pointed out to him at that meeting that we did not care to connect with this company because he was already connected with a company which was competing with us at Lévis and some other places in the province of Quebec.

Q. Who are you speaking of now?—A. Senator Bolduc, who was a member of the Beauce Telephone Company, a shareholder and possible——

Q. Was the Beauce Company connected with Lévis?

Mr. BERGERON.—No, no; the Bellechasse.

A. It was connected with the Bellechasse Company which had a line running to Lévis and other points eastward, and they have been in operation for some time, the two companies, and the Beauce Company was not getting satisfactory results.

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APPENDIX No. 1

Q. They exchanged business?—A. Exchanged business. They wanted to cut away from the Bellechasse Company and they wanted us to give a service. He suggested some such arrangement as this referred to in this agreement.

Q. Then the point where the Beauce Company and the Bellechasse connected was at Ste. Marie Beauce? Is that the right name of it?—A. Yes, sir.

Q. And the correspondence between you was printed here, following this agreement, at pages 504, 505 and at page 506 of the evidence? And at page 506, Exhibit 121 G, is a letter which Mr. St. George Lemoine, secretary-treasurer of the Beauce Telephone Company, wrote to you, as follows :—

'DEAR SIR,—Your memorandum of propositions for arrangements with our company in Beauce county has been taken into consideration by our directors who have come to the conclusion that great many objections were against giving up Ste. Marie Beauce. For that reason we would ask you if you would be disposed to give us Ste. Marie Beauce as well as St. Joseph, Beauceville, St. George, and let us know what amount of indemnity per year you would ask for it. All the other parts of the contract seem to be mostly all acceptable.' On January the 5th, 1905, you replied as follows:

'DEAR SIR,—We regret to learn from your letter of December 28th that your directors object to dividing up the exchange territory, giving your company offices south of Ste. Marie Beauce and our company the office of Ste. Marie Beauce. We do not see any other way of arriving at an amicable and non-competitive arrangement, but would be pleased to receive any suggestions you may have to offer us as an alternative.

'We presented to our company your suggestion to give your company Ste. Marie Beauce exchange as well as the others, but as we will neither lease nor sell such property we must decline to entertain this proposition.' That is your letter to Mr. Lemoine. Now, had that anything to do with the connection with the Bellechasse Company?—A. It had nothing whatever to do with it except that if we had obtained the business from the Beauce Company there we would have been immediately subjected to competition. The Bellechasse Company had already a line there and would probably have opened an exchange.

Q. You wished to have Ste-Marie Beauce exchange handed to the Bell Telephone Company?—A. There are two exchanges, one operated by the Bell Telephone Company, the other operated by the Beauce Company. They are in competition with largely the same subscribers. We had the same conditions at St. George, Beauceville, St François and one or two other places in that district and we wanted practically an exchange of territory whereby they would operate in the lower part of the county of Beauce and we would operate in Ste-Marie. That would be the dividing line for the two companies, that would result in a non-competitive arrangement and give the people the whole of the service through one switchboard in each town.

Q. You would close up one of the Ste-Marie offices and you would take it? You would close up one exchange at St. George and——A. And give it to them.

Q. They would take it and in this way it was supposed to make a division?—A. Instead of having two exchanges in each place there would be just the one exchange.

Q. That is what the correspondent has reference to?—A. That is what it has reference to.

Q. So far the two companies are not agreed?—A. Nothing further has been done.

Q. Then as a consequence if that had been carried out you would have to cut the connection with the Bellechasse Company at Ste-Marie office?—A. We would have had nothing to do with that. Senator Bolduc, I think it was, assured me they would take care of that and would have the Bellechasse line itself disconnected before we connected ours. That was a matter of arrangement between them.

Q. But it was one of the terms proposed?—A. Well, it was one of the propositions.

Q. If I understand the result of what you have said, there are two fundamental propositions in your negotiations with these smaller companies. You would not permit them to engage in competition in long-distance business and connect with them, I mean?—A. Yes.

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Q. Of course they can do what they like without connecting with you? In the local business they must divide the territory?—A. Yes, sir.

Q. And not compete in the same territory with you?—A. That is practically our agreement.

Q. And subject to these two conditions you were quite willing to conduct with any local company, is that correct?—A. Yes, sir.

Q. Well, do you agree with what Mr. Sise says that the Bell Telephone Company has not at present the capital required to develop in all directions in the Dominion and that the company as a matter of ordinary business policy would prefer to accommodate the larger centres of population?—A. I think it would be a proper policy to follow that out because the larger population require the telephone probably to a larger degree than the smaller one, as evidenced by the fact that the larger populations were the first to use the telephone and make greater use of it than the smaller population.

Q. I suppose it does pay. The business given to you by the local companies is profitable if you are not, as you say, building up a rival business by exchanging with them? It is an advantage to your long-distance lines to have the local company connected and bringing business to it?—A. It certainly is.

Q. How is it, or can you give any reason why, so many of these companies have sprung up in the province of Quebec, and particularly in the eastern part of it, and that you have had so little development of that kind in the province of Ontario?—A. As a matter of fact these little companies have been springing up since 1885 all over the country. They are of mushroom growth and last a few years and then go out of existence because they are not carried on on good business principles. If some of them do not improve their conditions at present they will meet the same fate.

Q. Well, we have not heard of any companies that have failed except where the Bell Telephone Company have bought them up?—A. That is where they failed.

By the Chairman:

Q. I fancy the number of independent telephones is a little on the increase?—A. No doubt, Mr. Chairman, it is, and the people are wakening up to the necessity and the value of the telephone, a thing which we have been preaching to them for years.

Q. You charge too much for your sermons to the farmers. Just on that point I would like to know what are the lowest rates for farmers for rural telephone party lines?—A. The lowest rate we quote, sir, is $15 a year.

Q. There are a great many of these small companies who are giving their telephone service at much less rates. We had some very interesting evidence from Mr. Fox, of Prince Edward county. He is getting a system of considerable extent which has been going on for some years now. I think he told us he was making money at $10?—A. His system connects with the Bell.

By Mr. Chrysler:

Q. What do you say as to that? I was going to ask you what the chairman has implied. Can you supply to the rural community in any way, either by party line or by some other method not too expensive as the lines which are in use in the larger exchanges, can you supply to these people a service at less than $15 a year?—A. I should say not, sir. If the co-operative companies or the farmers' companies can do it, I think we should leave the field to them.

Q. Well, that is a second branch of the question. If you can not do it, and do not want to do it, is there not a field for companies which can do it—a company which proposes to give a service in the less expensive way than you require?—A. Precisely, if their subscribers and the public will put up with the kind of service they furnish.

Q. What is the objection to the kind of service they furnish?—A. One objection is that they as a rule do not go to any expense to maintain their lines and, Mr. Chairman, it costs money to maintain a telephone line and to keep it in good running order every day of the year.

Q. Well, maintaining a line is simply keeping it up in the air? Is it not? It does

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not require anything else to maintain it?—A. Yes, sir, there is a good deal more required.

Q. What?—A. If the line is a metallic circuit line it should be gone over at least every year to clear the wires off the trees, to free them from the trees or other obstructions, because unless you have an absolutely clear line you do not get good talking. Then the poles rot and there are storms of snow and sleet which break the poles and the wires also get broken.

Q. We have been assuming that the line would have to be kept up. That is what I meant by keeping it up in the air. The wires have got to be connected and broken poles have got to be replaced, but so long as it is in the air the only care apparently is to keep it from contact with obstructions?—A. And also to care for the instruments.

Q. Now what care do you give to the instruments in a subscriber's house?—A. Each subscriber's instrument is supposed to be inspected three or four times every year. The man who does his work properly will thoroughly inspect the wires leading to and inside the house upon the system, to see that no wires have been broken, and he must see that they are repaired and the instruments and batteries are put and kept in good order.

Q. With a good instrument to start with, three or four inspections of each instrument to the year would be enough?—A. I speak now of inspections; in addition to that there is the quick repair necessary at times.

Q. You find it necessary to make repairs at once?—A. That is the most expensive of all, as a rule, because in the rural districts you may have to send a man 50 or 100 miles. We usually find that a man who wants a telephone from the Bell Company wants to have it put in repair at once if anything goes wrong.

Q. It is unusual to have lines of this class 50 or 100 miles long. They are mostly short lines?—A. I am speaking of where the inspector is located who has charge of them. Take the case of Richmond. The inspector located at the nearest point is at Sherbrooke. He has to travel by rail to Richmond and then he may have to drive 10 or 15 miles to reach the party whose 'phone is out of order. That is not an unusual condition.

Q. Take the Niagara lines, the Grimsby and Pelham system. How many men do you keep and where do you keep them for the inspection of the line in the vicinity of St. Catharines?—A. I think the conditions there would be the same as elsewhere. There is practically an inspector for about every 200 telephones.

Q. How many telephones are there in that district? We have the figures somewhere but I cannot lay my hands on them. One man will take care of about 200 telephones?—A. Yes.

Q. And all the line in connection with them?—A. Yes.

Q. So that a local company of that sort, not having more than 200 subscribers, could be kept in repair by one man?—A. Yes.

Q. He would require to be, I suppose, fairly expert?—A. Yes.

Q. Have you any knowledge as to the cost of telephones or the service in other countries? For instance we have had a discussion here as to the efficiency of the service in Great Britain as compared with the service here, and the cost of it. Mr. Sise had not himself very much personal knowledge of it. Have you?—A. No, sir, I have never been in Europe. I am a Canadian.

Q. We have a number of towns and cities in one of the statements furnished by your company, at page 666. An examination of that statement shows that there is a large number of small places in which a very small number of telephones are in use. Will you look at Iroquois, for instance. I have not the population of it here, but it is quite a considerable sized town. It has five telephones.

The CHAIRMAN.—I am informed the population is about 1,100.

By Mr. Chrysler:

Q. The smallest among the list of large places are some towns in Quebec. Do you know Henriville?—A. It is just south of St. Johns, Quebec.

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Q. It has a population of 800, with one telephone in it. So that apparently you reach the town.—A. We reach the town. It is a small town, very compactly built, if I recollect aright.

By Mr. Bergeron:

Q. It has a toll box ?—A. It is a toll station.

By Mr. Zimmerman:

Q. Isn't that your policy, to have a toll station only in these very small places ? —A. Not altogether, sir. The facts of the matter are that in a number of places we went in with the object of putting in an exchange as well as a toll station, and we found that the people had such little use for that, that after the exchanges had been in operation for a few years they gradually dwindled away. A man would sooner walk to the Bell office and telephone from there, and he thought it was not worth while to keep the instrument.

Q. Could you give a list of the places that have thrown out telephones ?—A. No, I cannot at the moment recall any. But with reference to Iroquois which has been spoken of, I think we had as many telephones to start with as we have now. It is a sleepy little place. There does not seem to be much business doing and the people do not seem to require telephones.

By Mr. Bergeron:

Q. Don't the company make efforts to have one telephone in all these small places, a pay telephone ?—A. Yes, in a great many cases they ask us to put in a system and they will put up a certain number of subscribers. They know they don't want the telephone but they do it to entice us there. After we put our money in, in two or three years they will tell us they don't want the telephone.

Q. A toll telephone ?—A. We never withdraw the toll station.

Q. Don't they make efforts to have one put in when you don't offer one ? Don't they beg you to put a toll telephone there and make offers to you ?—A. Yes, we constantly receive such proposals.

Q. I have heard of such cases in Beauharnois where they went down and begged for telephones for two or three different parishes, such as St. Stanislas de Kostka and St. Etienne.—A. We are constantly extending our business in that way by putting in toll stations, which apparently answer all the purposes of the immediate vicinity.

Mr. BERGERON.—I think that is the answer to your question, Mr. Zimmerman.

Mr. ZIMMERMAN.—The matter came to my notice in Grenville a few days ago. I was out for a drive. One of the farmers said, 'I see you are on the Telephone Committee.' I said, 'Yes.' He said, 'It would be very convenient for us to get a little better telephone connection. There are two villages close together, half a mile apart, Grenville and Bullock's Corners. There is only one telephone for the two places and for the whole surrounding country.' So that, apparently the policy of the company is to just put one telephone into these small towns, and if the people——

The CHAIRMAN.—To occupy the territory—to hold the territory.

Mr. ZIMMERMAN.—Yes.

Mr. BERGERON.—What is the object, I do not quite see ?

Mr. ZIMMERMAN.—They will hold the territory in the meantime, at any rate.

The CHAIRMAN.—If the territory was wholly without telephone facilities and the Bell Company would not go to the rescue, perhaps some local or other company would supply the needs of the community.

Mr. BERGERON.—The telephones which are asked for in the parishes in Beauharnois of which I spoke, were not wanted for the villages themselves but to reach the surrounding towns and other places, to reach Valleyfield or Beauharnois, the large centres in that county. They would also telephone to Montreal or even to Quebec if they wanted to. But they don't care about having private telephones. It would

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not amount to anything to them even at the low price of—I think the price is $15 a year.

The WITNESS.—About that—$15 to $20.

Mr. BERGERON.—I think it is $15 in Beauharnois. It is more than an ordinary place. It is a town, so I am trying to find out what would be the object of having telephones there. I think it would be for the purpose of telephoning to outside points. I know personally that the company is not at all anxious to go there. They have been urging that the Bell Company should go in for the past three years but they do not care about it. They had to put up poles and expend a certain amount of money, and they had to do the same thing in other places. It is not on their line and they had to run a branch out about nine miles and put up poles and wires.

Mr. ZIMMERMAN.—What I cannot understand, is why the people in the United States find so much more use for the telephones than they do in Canada. There must be some reason for it. Take Ohio. There is one telephone there to every 15 of the population; and take Indiana—there is one telephone to every 12 of the population.

Mr. BERGERON.—What do they pay for them.

Mr. ZIMMERMAN.—I do not know. If they pay as much as we do there must be a very strong reason for that. If they get it very cheap the reason may be similar. There is no doubt in the world that since the independent telephones companies have started in the United States it has reduced the price very materially.

Mr. BERGERON.—Competition.

Mr. ZIMMERMAN.—Yes.

By Mr. Chrysler :

Q. I was going to ask if this is your explanation, doesn't it point to this, what Mr. Bergeron has been saying, is correct to a considerable extent, that the people in the small villages do not wish to telephone to one another, and that a pay station will answer their desire to communicate with the county town or larger centre ? But doesn't that show that you don't seem to reach the farming community ? Isn't it likely that the sections five or ten miles away want particularly to get the doctor and do not want to have to drive that distance. How is it we don't find subscribers of that kind attached to these small points ?—A. We have in some cases. I do not know if it is in the records—there are some cases submitted—but there are several lines running out of Port Perry.

Q. Tell us what happened at Port Perry.—A. There are two or three private lines running out of Port Perry, rural lines. We connect with some of them. I have not got the exact figures, but it is just such a case as you spoke of here.

Q. Is that a recent development ?—A. It is some years ago.

Q. How many subscribers have they on that line or on those lines, roughly ?—A. There is such a mix up of farmers' lines in that vicinity that it is absolutely impossible for anybody to keep track of them. They seem to have spread over all that part of middle Ontario.

Q. The county of Victoria ?—A. Victoria and Ontario. In that district we also have communication with Dr. Eastwood's line, a farmer's line. It has a number of telephones on it from Claremont to Brougham, Stouffville, and some other intermediate points.

Q. Where does it connect with your line ?—A. At Claremont.

Q. Eastwood's line connects at different points to the Port Perry connection. I suppose it is the same connection ?—A. The business in one part of the county goes to one place, and the business from the other part to the other—from the northern part of the county it goes to Port Perry and from the western part to Toronto.

Q. Upon what terms do they connect with you over such a line as that ?—A. It is the usual form of contract that I think we have submitted here.

Q. Something like the Gillies contract ?—A. Yes, each party gets their local tolls and settles accounts monthly.

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Q. And any through message that is carried by you, you get paid for what?—A. The owner of the line is responsible for any tolls accruing on his line.

Q. And the two local tolls make the total amount of the charge?—A. Yes.

Q. Then in this case it is not a question of obtaining connection with your line by payment of a yearly subscription?—A. No, sir, not in this case.

Q. Well, do you do that anywhere, do you receive and allow to connect with your exchange subscribers of any local company upon the payment of a yearly subscription either in bulk for all the subscribers of the other company or so much for each? Would you make an arrangement of that kind?—A. I cannot recall any such case as that.

Q. Have you such a case?—A. I think we have not such a case.

Q. So far as you recall, these are all cases of toll lines?—A. All cases of toll lines, except possibly the case of the Joliette Telephone Company where they have communication with our subscribers I think on payment of five cents.

Q. For each message?—A. Yes.

Q. May that be commuted for a yearly payment?—A. No sir, there is no arrangement to that effect.

Q. Would'nt it be a better arrangement if it could be carried out—be more satisfactory?—A. I think we would prefer to charge per message, because then we get paid for what we do.

Q. Could your rates for rural subscribers not be lower upon the same principle of making a lower annual fee with a charge per message? That is, a limited service, as it is called, I think, in the evidence. Is not the difficulty that many subscribers in the smaller towns and in the country think $15 a year is a large amount, for the amount of use which they have for a telephone?—A. We had one case something the same as you refer to now. That was at Coaticook. There, $12 or $15 was the price. We took in a number of farmers' lines, farmers building and owning the line, and supplying their own telephones. We gave them service with the Coaticook exchange for an annual payment of $5 per telephone.

Q. Yes. Well, how did that succeed?—A. Our competitors came along shortly afterwards and offered to do it for nothing and we lost the business.

Q. Except for that, you were satisfied with that arrangement?—A. It seemend to be a fairly satisfactory arrangement.

Q. They had their own local service among themselves for so much and paid $5 additional for getting into your exchange?—A. For switching into our Coaticook exchange.

By Mr. Bergeron:

Q. How long did that arrangement last?—A. Two or three years, I think, if I remember.

Mr. BERGERON.—Mr. Chrysler, before you finish, will you ask him if he remembers anything about the Gillies matter?

Mr. CHRYSLER.—We have been speaking of that.

Mr. BERGERON.—Ask if he remembers that Mr. Gillies wanted the Bell to give a telephone at his mill and the company wanted $40 a year.

The WITNESS.—That was the Wade case.

By Mr. Chrysler:

Q. Do you know about that case?—A. I have seen it in the evidence.

Mr. BERGERON.—I would like to get his explanation of that.

By Mr. Chrysler :

Q. He says on page 340, if you will look, that he had a little company of about 30 odd telephones for which he is charging $10 a year apiece?—A. It is before that.

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APPENDIX No. 1

By Mr. Bergeron:

Q. Before that where he is asked, 'tell us your story,' and he replied:—

'A. In 1892 or 1893 I had a son a doctor who started business in Brighton. Of course I wanted telephone connection with him. I applied to the Bell agent there in the village to get connection, as their line ran past our house, and the best I could do with them was $40 a year. Well, of course, that did not suit me. I went and built a line, put it up, and it did not cost me much more than that, to connect my house with my son and with my son-in-law.

'Q. What length of mileage?—A. Three miles.

'Q. What did it cost you?—A. About $25 a mile.'

Q. Do you know about that, Mr. McFarlane, why the company charged $40 a year? —A. In this evidence he states that he lives three miles from Brighton, that the line runs by his house. I assume that the wire that he has reference to is our long distance line, and that it would not be available to any subscriber. He wanted us to build a line three miles in length and give him telephone service with the Brighton exchange—I assume that from his statement—and $40 a year would very likely be the cost of that, because there would be an initial charge of probably $20 for a mile of line, and the local service, and say $10 a mile for each of the other two additional miles, which would make $40 ,for you would have to put up special lines, metallic circuits.

By Mr. Chrysler:

Q. The line is not a line that you could give connection with. It is a through line? —A. It is the long-distance line. I assume so, as I do not think we had any subscribers in that territory at that time.

Q. Then you would have had to build from his house to Brighton?—A. To the Brighton exchange, a distance of three miles.

Q. He would just call up to be connected?—A. Yes, and he would have had a special line for himself.

By Mr. Bergeron:

Q. He seems to have made a pile of money by that line of his, and possibly you were losing money by not going there yourself?—A. Possibly.

By Mr. Chrysler:

Q. You said you had 2,000 rural telephones. How do you make that computation? It is excluding all the large exchanges, is it?—A. The clerk who made this up was told to take in farmers' or other rural lines outside of exchanges—outside the limits of the ordinary exchanges.

Q. You would include all these single pay stations at the country villages?—A. Not at all, I am speaking of paying subscribers.

Q. Not pay stations?—A. Not pay stations.

Q. Well, do you know what the rural population in the provinces of Ontario, Quebec and Manitoba is?

The CHAIRMAN.—I gave him the figures this morning.

By Mr. Chrysler:

Q. This, I suppose, is taken from the census—2,493,147, which makes an average of about one telephone for every 1,246 people.—A. They also have the advantage of using 789 public pay stations.

Q. Which you think would serve a very large number of these people?—A. It undoubtedly does.

Q. Well, how do you account for the success, then—have you read the evidence of Dr. Demers?—that seems to have been a purely spontaneous thing. And we have had several other doctors who have given evidence here of much the same sort. Dr. Demers

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did not want to go into the telephone business. He was a doctor and wanted a line, and when he built a line for his own use his neighbours all wanted lines, and they came troubling him to have lines built in that part of Quebec. Have you had any similar experience with farmers who desire to have lines constructed?—A. We have done very little in that part of the province. We had an exchange at Rimouski.

Q. What about Demers' system?—A. I do not think anybody knows very much about the telephone business who has not been in it at least ten years.

Q. I am not speaking of the success of the company. I am speaking of the fact revealed by the experience of that company and others that there are a large number of people who want telephones and are not getting them, and apparently they have not been pressing the Bell Company very much or else you would have extended your facilities, that is all?—A. I do not think we should be called upon to answer for the sins of others. There have been some 100 or odd telephone companies chartered in this country, and I do not see why the Bell Company should be blamed. I think we have done our share to promote the telephone business in this country.

Q. Then in that direction you don't seem to have met the want?—A. There are 100 other companies.

By the Chairman:

Q. I understand it to be your contention that your company cannot supply rural telephones at less rates than you are asking at present?—A. Not profitably.

Q. And not being able to do so profitably it is not your policy?—A. Except in so far as it will aid us to get business indirectly, which is always a good thing to do.

Q. For the sake of the business itself cannot you establish rural telephones? You are not prepared to go into that on a large scale to meet the wants of the 2,000,000 odd people except at the present rates?—A. I think we are doing all that we can do physically and financially, and if we were to supply the demands which you and the other gentlemen here speak of, it would need at least another $10,000,000 of capital to do it.

Q. You think also, do you, that local or rural telephone services can be better supplied by the local people—more cheaply?—A. I think they can in a great many cases.

Q. That is the people having the telephone largely under their own control will be contented with a species of service that they would not be satisfied with if supplied by you?—A. That is the reason why they can do it cheaper.

Q. It is no doubt a reason. Do you know Mr. Hoge, the president of the Independent Association of the United States? You are aware there is an association of independent telephone companies in the United States?—A. I think there are several.

Q. There is Mr. Hoge, Mr. J. B. Hoge, I think——A. I have heard of him, but I do not know him.

Q. I may call your attention to an address of his assuming that these statements are correct. I am reading now from a paper entitled '*Finance*' published in Cleveland, and it is the issue of May 20, 1905. Mr. Hoge is here reported to have addressed the people assembled there in regard to the growth of the telephone, and he makes this statement that about 1895 the main patents, telephone patents, expired, that up to that time there were about 300,000 telephones in the United States—no more. But since then, in the ten years between the expiry of those patents and to-day, the number of telephones throughout the United States has increased 1,500 per cent. I will read:—

'In 1895 the situation changed. The basic patents expired, and the long suffering public were allowed by their expiration to secure the service for which they had been negotiating so many years. The independent companies from the start were successful, they worked in most cases far better than those of the Bell Telephone Company. At first everyone thought the public would require twice as many telephones as the Bell Company had furnished, but no one anticipated that they would require fifteen times as many. Yet there are fifteen times as many telephones working in the United States to-day as there were when the original patents expired, the majority of which are connected with the independent systems. In Indiana there are over thirty times as

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many, and in Ohio, at least twenty-five times as many. Now, think of these percentages; a growth in two states of twenty-six hundred per cent.'——

And so on, and the figures laid before us indicate that in the United States to-day there is a telephone to every eleven of the population, and in Canada only one for something like seventy, assuming our population to be 6,000,000. How many telephones do you think there are in operation in Canada outside of yours? You have about 70,000?—A. 70,000.

Q. You have about 70,000?—A. About 70,000.

Q. What proportion is there in addition to those of your company, in a rough way?—A. I should think about 20,000.

Q. That is just my estimate, that is the amount that has been furnished to me. That will make 90,000 altogether as the estimated number of telephones in Canada to-day. Since the expiry of these patents since 1894, or 1895, your number has increased from 29,000 to 69,000, not a bad increase I will admit, 40,000, a little over 100 per cent or rather nearly double. But in the same period they have increased 1,500 per cent. Now how is that. You have been in possession of the field and now you have told us that as to nearly one-half the population it will not pay you to put in the telephone to supply it at a rate that the people seem to be able to pay. Do you not think you could have done better than this for the people?—A. The patents in Canada, the basic patents were voided about 1885 or 1886, consequently there has been an open field since that time. All the answer that I can make to you is that the Bell Telephone Company have done everything possible to furnish telephone facilities wherever the terms, the physical conditions and the monetary condition would allow. The people of the east are less prone to use the telephone than they are in the west. The further west you go the more telephone development you will get because the people are perhaps more enterprising and more up to date, and when you finally get out to the Pacific coast, you will get the best telephone service, that is the greatest proportion of telephones, according to the number of the population.

Q. Your company has been given great facilities, the greatest of all facilities in Canada, and you have done nothing in the way of your own development. You have been at liberty to burrow your way into every municipality and yet here to-day the total number of telephones in Canada is only 90,000. Take Ohio, the record of which I have before me with a population of 4,151,000 people and it has 301,000 telephones, or three times as many telephones as we have, and its population is only two-thirds of that of Canada.—A. I think myself that the telephone conditions in the States which you have mentioned are abnormal. At the present time, I understand, in some of these cities there are as many as three or four telephonic exchanges in one town, there are rate wars—and to use a rather rude expression, it is 'dog eat dog' just now. I don't know what the outcome will be, but the telephone business has been developed most extraordinarily.

Q. Do you not think there is another explanation of it; do you not think your rates are higher than they are in the States?—A. I have yet to see that statement made.

Q. Is it the case?—A. I should think not, considering the class of service supplied by this company, I do not think there is any company in the world that furnishes a cheaper service.

Q. I do not know about the standard, but I think that the statistics will show that your rates are slightly higher than in the States. You are aware, I suppose, that the company has written off large sums each year for depreciation, all that good business principles seem to call for, and yet has a reserve fund and has increased its plant and assets over and above its capital by $2,500,000. Is not their contingent fund about $2,500,000?

Mr. CHRYSLER.—No, that includes other funds.

Q. No, but including all their funds, I do not care whether you call it contingent fund or anything else, they have all their capital and their money borrowed, and in

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addition to that they have assets of over $2,000,000.—A. Largely owing, I assume, to good business management.

Q. No, it is not quite that. You have taken more than is necessary in rates, if you have written off, we must admit that your company is well managed, and we must assume that you have written off all that the depreciation calls for, and yet your statement shows that you have enough assets to meet all your liabilities and something like $2,500,000 over. That was made out of the earnings?—A. Yes, sir, and premiums on stock.

By Mr. Casgrain:

Q. $479,000 premium on stock?—A. And premiums on bonds.

The CHAIRMAN.—I have the statement here, the balance sheet for December 31, 1904. It shows stock capital, stock account, $7,916,960; bond account, $2,000,000; contingent fund, 1903, $1,316,170.24; add premium on stock, $479,240; add from revenue account, $50,000. Now that sheet, you may call it liabilities, what is owing for stock and bonds, including premiums, and add that together and you make up by adding revenue account, unearned rental reserve, insurance reserve, accident reserve, bond interest reserve, and sundry creditors, a total of $12,849,512.35. And all these items, these different items, are practically part of the contingent fund. You would have to add to that $1,316,170.24, $50,000 from revenue account, which is going to be put in the contingent fund, you would add to it the insurance reserve, $200,000, and the accident reserve, $100,000, and these will make the contingent fund at least $1,600,000; that is all earned out of revenue?—A. It is necessary in our business to keep a substantial contingent fund. The changes are so rapid, they still continue so frequent in the business that it is necessary to have a fund to fall back upon.

Q. Your attention being called to these accumulations, amounting to over $1,500,000, over and above all outgoings, dividends, &c., do you not think you could lower your rates so as to serve the people that you do not now serve?—A. I do not think so.

Q. Well, are you going on to add to that contingent fund? When will you stop adding to it?—A. When the business stops growing; it is growing all the time, and growing fast. Every subscriber we put on means additional capital, we do not get enough out of our subscribers to meet that demand. Every additional dollar in the business means additional hazard, and it has to be protected.

Q. Then your policy is to make extensions out of earnings and not out of additional capital?—A. I beg pardon, I said we had to get additional capital for each additional subscriber. Every time a new subscriber comes in we have to get additional capital to put his line in, and when we cease to have new business we will cease to need additional capital.

The CHAIRMAN.—What is this down at the bottom, contingent fund $1,800,000?

Mr. CHRYSLER.—It is all credited in the first half of the page.

The CHAIRMAN.—What is the surplus there?

Mr. CHRYSLER.—The surplus is shown by deducting the par value of the stock and bonds which shows a surplus of $2,500,000.

By the Chairman:

Q. It shows a surplus of $2,500,000 above the capital of $7,900,000. How was that surplus acquired?—A. I have no general access to the books of the company, and I am not a director, I do not know what they do at the directors' meeting, I do not know how they provide for the reserves or contingent fund.

Q. I suppose it will have to be acquired from the earnings of the company?—A. Certainly.

By Mr. Chrysler:

Q. Except, as Mr. Macfarlane says the premiums on stock for additional capital. —A. And bonds.

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The CHAIRMAN.—Certainly, the premiums are actually stock. It is only in the name.—A. Yes.

By Mr. Zimmerman:

Q. You think it is necessary to have a large contingent fund ? Mr. Sise made a statement here the other day that the plant of the Bell Telephone Company has been renewed at least four times, I think it was, possibly four or five times, since it first began business in Canada. That has all been paid for out of the earnings as well, I presume?—A. Renewals have been paid out of earnings, necessarily so. We shall immediately, or very shortly, have to abandon three or four of our very large switchboards in Montreal, which will put a very large hole in the earnings.

Q. In the earnings or in the contingent fund ?—A. Well, wherever it comes out of. It has to be taken care of and these switchboards have to be put out of use long before they are worn out, they are obsolete, simply because there is something better in the market.

By the Chairman:

Q. Have you ever tried the automatic switchboard ?—A. Well, my experience with the automatic switchboard, known as the Strowger automatic switchboard, is not of very recent date. Some twelve or fifteen years ago it was introduced into Canada and put in operation at Terrebonne, in Quebec, and I think in Mitchell and one or two other places in Ontario. It proved a failure. I saw something of it at that time.

Q. This was ten or twelve years ago ?—A. And then some of the companies which took it up went out of existence. Later on some promoters attempted to exploit it and they got some plant over from the United States to Toronto and endeavoured to interest the local people. I visited their exhibition, the apparatus that they had in Toronto, and I saw it in operation there. They did not succeed, and they took it back to the United States or disposed of it in some way.

By Mr. Zimmerman:

Q. Was that the Lorimer system ?—A. No, sir, it was the Strowger.

Q. Have you visited any places in the United States where the automatic system is in working order, lately ?—A. Some three or four years ago I visited a town called Picqua, Ohio. I was led to believe from information given me that there was an automatic service there known as the Lorimer system. When I arrived in town I found that they had an exhibition plant in the top story of a factory in that town, and the experts told us that the battery was out of order and that the system was not working properly, so that we did not get a very good impression of the apparatus at that time. They said they were making improvements on it.

Q. That was the Lorimer system ?—A. The Lorimer system.

By the Chairman:

Q. Was it installed then ?—A. Yes, it was installed in the factory.

Q. There is an automatic system called the Strowger in operation in New Brunswick ?—A. I have seen it so stated in evidence, but I have not seen it.

Q. You have not had an opportunity of studying it ?—A. I have not had an opportunity of studying it because I have not been in New Brunswick.

Q. There is one being installed in Toronto Junction, I understand ?—A. I understand they are putting one in operation there, but I do not know whether it is in use there or not.

Q. You are not prepared to give any information as to the merits of the automatic ?—A. Not at the present time.

Q. If it is a success it will save you from a great many worries with the plant that has been spoken of ?—A. Until something else takes its place, I understand that

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there are some rumours of a semi-automatic and semi-manual system now, so that we are as far away from a finality as ever.

By Mr. Roche:

Q. Do all applications no matter from what part of the Dominion for extensions of the system, come before you?—A. No, sir. But if it is an extension that involves an expenditure of a sum exceeding $300, that has to be done by requisition. It has to go through me to the president and directors.

Q. Have you any recollection of an application quite recently for an extension of your system from Minnedosa on the Canadian Pacific Railway to a point called Clan William, a distance of eight miles?—A. Is Hamiota one of the places it runs through?

Q. No, that is on the Great North-western Central trunk line. This is on the Yorkton branch, which runs out on the Canadian Pacific Railway to Neepawa. Your long-distance line runs to Minnedosa, and you have a local service there as well. Application has recently been made to your company for an extension up to Clan William, a new town on the Canadian Northern?—A. I cannot recall that particular case, but we have before us now some 40 or 50 applications for extensions of lines in Manitoba which will require attention this year. I cannot, however, recall this particular one. there have been so many. I know that there are applications from Hamiota and Rapid City, but not many from Minnedosa yet that I recall.

Q. You cannot say on what principle you make the extensions into a town like that?—A. In Manitoba we have been making extensions on its merits, we have gone over the ground and have had the reports of our inspector, and if the business warrant it we make the extension.

Q. You do not want a certain number of subscribers in advance?—A. I am speaking of long-distance lines. If you want to speak of local exchanges, the same as at Portage la Prairie, it will be the same for the same service as at Portage la Prairie, where we charge $30 a year, and for farmer we give him the $30 rate and we allow him for one mile of wire, that is 10 telephones within 10 miles, and we will give him the same price and the same service. The same thing will apply at Minnedosa except that the rates are lower.

Q. This connection is from town to town, a distance of eight miles, and I understand that you require a certain number of subscribers there, either on the way or in the village at so much a subscriber before you will construct this line?—A. We usually say that we want one subscriber per mile, that is, they do not need to be located one mile apart, but in ten miles we will need ten subscribers.

By Mr. Boyce:

Q. What is the policy of the company with respect to connections with rural telephones where you are asked for connections?—A. If the company cannot build it themselves, if they are not in a position to go ahead with the work, they are quite willing to aid and help those that want connection to provide the line.

Q. I do not know that I made myself clear. But a rural or independent system that is in existence and it wants connection with the trunk lines of your system; what is the policy of the company in that case?—A. We try to set forth this in our contract; take for instance the contract with Mr. Gillies, which is on file here, we set forth that we agree, as we do with that gentleman, to connect his wire with our exchange, and charge tolls for our service, and for his service, that is the local rate will apply.

Q. Have there not been difficulties with local or independent companies with regard to making these arrangements?—A. There have been difficulties where the company would not want to be restrained by the regulations of our company in regard to the service or territory to be occupied. They might, for instance, want to come into a town that we are connected with, and compete with us for the local exchange service. But if they are in another town where we are not operating we will make arrangements with them.

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Q. Take the case when they want to have a local exchange connected with your long-distance. Is there any objection to making that connection?—A. No, we have more than 30 or 40 companies with whom we give connection now.

Q. Can you mention any case where that has been refused?—A. You mean non-competitive systems?

Q. I mean non-competitive systems?—A. I cannot recall any except in cases where we could not get a good service.

Q. Just give us the condition on which you will allow connection?—A. We shall allow them to use instruments and to connect with our line——

Q. Then there is supervision?—A. On condition that they must agree to keep their wire in good order, and on condition that they must agree to make monthly returns of the business exchanged between the two companies, and not compete with us in territory which we occupy.

Q. Then if these companies or systems are willing to conform to those conditions there is no difficulty about making arrangements with your company?—A. There is one condition that we make, and we make it for their protection as well as for our own, and that is that these companies shall not connect with other companies without our consent, because these other companies with which they connect may perhaps on the far end of their line work around and come into our territory and make competition for us. So we ask that there shall be no connection with other companies unless with our consent.

By Mr. Roche:

Q. So that in towns where there are companies operating in competition with your own you could not give them connections with your long distance lines?—A. It has not been our policy to do so.

By Mr. Boyce:

Q. Has it been your policy to open up connection with these local systems as much as possible or are you a little phlegmatic about it?—A. I think you will find from the contracts that are already filed before the committee, that we have in quite a number of cases made such arrangements. I think further you will find that so far as those arrangements are concerned, those gentlemen who have made them with us find it very satisfactory.

Q. Is it the policy of your company to stimulate these connections?—A. It is, because it increases our revenue without additional expense.

By the Chairman:

Q. There is a local grievance that has been called to my attention by a person in my constituency. I understand that you have a telephone system in Uxbridge and vicinity?—A. We have, sir.

Q. And that you have also bought or acquired control of small local lines owned by Dr. Bascom?—A. We have a connecting arrangement with a gentleman named Dr. Bascom, I think the contract has been submitted and is in the record.

Q. You do not remember the nature of that contract?—A. No. All I can say is that, generally, they are practically all of the same nature, and the contracts usually contain about the same conditions I think, so that one would practically apply to the whole.

Q. Who maintains the Bascom lines?—A. The proprietor will maintain them.

Q. You will have nothing to do with them?—A. We have nothing to do with them.

Q. The wires are on your poles I am told?—A. That may be provided for in the contract, I am not familiar with that detail.

Q. I am told that these lines run to a number of points outside Uxbridge, and that at a number of these points there are signs indicating that they are under the

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control of the Bell Telephone Company. The complaint that is made is that there is one person there whom you will not allow to make use of those lines, that you do not serve all the public who are willing to comply with your terms, but that you actually exclude one person from the use of your line?—A. I think that is one of the best evidences of the inutility of legislation to compel companies to give connection with other companies. We have no authority over Dr. Bascom or his lines or his doings, but we have to take all the onus if anything goes wrong, as we are doing in this case.

Q. I am not charging you with anything, have you no control over Dr. Bascom or his lines?—A. We have no control whatever, he is quite independent, we have connecting arrangements with him the same as we have with others, but we have no right to go into his office and dictate what he should do.

Q. You do not dictate to him who may or may not be a subscriber on that line?—A. We have nothing to do with it at all, we have simply a working arrangement with him.

By Mr. Macfarlane:

Q. You said in answer to a question put to you by Mr. Boyce that in making this arrangement with small companies you provide that they should not connect without your consent with other companies, and you explain that was for their own protection as well as for yours. Is it not true that if you connected with Company "B" and if they connected without the knowledge of your company with Company "A" you would have absolutely no control over the telephone system of Company "A", that is as to their arrangements and their mode of operation, yet they would have connection with your line?—A. That is why we require a connecting company to get our consent before connecting with a third company.

Q. So that if you had connection with that kind of company which has a poorer service it would get connection with your line?—A. It would, and we would have no guarantee as to the tolls or accounting.

By the Chairman:

Q. Would you let me have a copy of the Bascom agreement?—A. Yes, I will furnish it.

By Mr. Macfarlane:

Q. Reference was made to the development in the state of Ohio, is it your experience that the telephone development is greater in thickly populated districts?—A. That goes without saying.

Q. Would that account in any way for the difference in development in the state of Ohio which has a considerably larger number of inhabitants than there is in any portion of Canada covered by the Bell's line?—A. I have no doubt that is an important factor, and one of the great drawbacks that we found in attempting to develop the rural districts of Canada is the great distances that have to be overcome. Some time ago I was in the town of Waterloo and I endeavoured to induce our agent there to make a canvass for a farmers' line, put he pointed out that each farm was 300 acres out there, and if he only got one farmer in ten which is all that you can expect to get, according to the average, that would not be a very good paying proposition. The same thing applies throughout the country, the farmers are far apart and the cost is therefore excessive.

Q. Can you give us comparatively the area of Ohio, and the inhabited portions, the settled portions of Ontario, Quebec and Manitoba?—A. I could not give that without reference to some record.

Committee adjourned.

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APPENDIX No. 1

FRIDAY, May 26, 1905.

The committee met at 10 o'clock, Sir William Mulock in the chair.

The examination of Mr. L. B. McFARLANE was resumed.

By Mr. Macfarlane:

Q. You were asked by Mr. Chrysler yesterday whether there was any other district in which rural lines had been developed, with the exception of Niagara. The only other place you mentioned, I think, was Dundas. I do not know whether you understood the question or not. Will you refer to (Exhibit No. 153) at page 666, where a list of exchanges is given, and tell us whether the small exchanges, beginning at page 668, with 50 and under subscribers, do not represent rural development?—A. I intended to have stated, yesterday, that all those small exchanges having 50 subscribers or under were practically rural exchanges, inasmuch as they served small communities, not only in the villages, but in the districts round those villages; the rural districts round those villages. We have, in Ontario and Quebec and Manitoba, some 416 party rural lines, either in operation or under construction. This work is being extended all the time. In addition to this, we have a large number of country subscribers connected with other exchanges by direct lines. Beyond this, we are connected with 42 local companies or telephone associations, which cover a considerable territory. We are developing, not only a city, but a suburban and rural telephone business, and already this year we had appropriated a sum exceeding one million and a half of dollars for the purpose of enlarging, extending, improving and taking care of the new business of the company.

Q. Could you give us any idea as to what proportion, in a general way, of this amount has been appropriated for next year's development, and will go to the development of the country districts or small exchanges?—A. A very fair proportion of it; I cannot give the exact figures. It is divided up into underground work in the cities, exchange work overhead, and office equipment, and long-distance line extensions, the opening of new exchanges in territory not already occupied by the company.

Q. These would be largely rural exchanges, I suppose, small exchanges?—A. Largely rural, and building small lines, in extensions or branches for rural service.

Q. Is it not a fact, Mr. McFarlane, that, outside the underground work and the necessary reconstruction in these large cities, that the company's efforts are now devoted to developing in new territory, which is largely rural?—A. That portion of the work is increasing very rapidly.

Q. That is all, I think, I have to ask, except to produce a statement asked for by the committee, giving the population of a number of cities and the number of telephones in each?—A. This statement was asked for by the committee, and is now submitted.

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Exhibit No. 168.

THE BELL TELEPHONE COMPANY OF CANADA.

LIST OF CITIES AND TOWNS OF OVER 5,000 INHABITANTS.

(Supplied by Committee.)

Number of Telephones in Operation.

Cities and Towns.	Population.	Number of elephones on March 31, 1905.
Montreal	267,730	15,934
Toronto	208,040	13,558
Quebec	68,840	2,318
Ottawa	59,928	3,168
Hamilton	52,634	2,251
Winnipeg	42,340	4,468
London	37,981	2,043
St. Henri	21,192	*
Kingston	17,961	707
Brantford	16,619	621
Hull	13,993	150
Windsor	12,153	715
Sherbrooke	11,765	648
Guelph	11,496	509
St. Thomas	11,485	465
Peterboro	11,239	632
Valleyfield	11,055	194
St. Louis du Mile End	10,933	*
St. Cunegonde	10,912	*
Three Rivieres	9,981	406
Str atford	9,951	381
St. Catharines	9,946	683
Berlin	9,747	329
St. Hyacinthe	9,210	370
Belleville	9,117	340
Chatham	9,068	488
Brockville	8,940	424
Westmount	8,856	*
Woodstock	8,833	332
Owen Sound	8,776	304
Sarnia	8,176	368
Galt	7,866	406
Levis	7,783	220
Sault Ste Marie	7,169	426
Sorel	7,057	147
Lindsay	7,003	224
Cornwall	6,704	282
Toronto Junction	6,091	†
Barrie	5,949	184
Collingwood	5,755	139
Lachine	5,561	159
Brandon	5,380	433
Rat Portage	5,202	‡
Pembroke	5,156	289
Smith's Falls	5,155	241

* Included in Montreal. † Included in Toronto. ‡ No exchange.

MONTREAL, May 25, 1905.

By Mr. Zimmerman:

Q. Mr. McFarlane, you would hardly consider places like Fergus, Georgetown, Mount Forest, and places of that kind as rural districts entirely? Each of these towns is capable of supporting fully the number of telephones that you have there now without going outside at all?—A. I would not think we operated simply in those towns,

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but when we are speaking of the Mount Forest exchange we may mean a subscriber who is situated ten miles from Mount Forest. He would be considered a Mount Forest subscriber, and would get all the benefits of the service locally at Mount Forest. The same would apply to Fergus or Guelph or Elora, or any other point in that territory, or in any other territory where we operate.

Q. What are your rates outside a place like Mount Forest?—A. The basis of the rural line rates is generally the business rate in the town they connect with.

Q. The business rate?—A. The business rate.

Q. The business rate is higher than the residential rate is it not?—A. Generally speaking it is; there are some cases where the rates are flat, low rates.

Q. So that as a matter of fact you charge the farmer more than you do residences in the city or town?—A. It is a question in my mind whether the farmer is not a business man. He does business.

By Mr. Macfarlane:

Q. The farmer, as I understand, Mr. McFarlane, has an extra line running out from the town or village?—A. He has in general. Each subscriber is entitled to a mile of line.

Q. So that the expense of maintaining his line and giving him a service is considerably greater than in the case of a subscriber in the village?—A. It is much greater, because a farmer's line has to be taken care of by a man who has to drive to repair the line. In addition to the ordinary expenditure there is the expense of a livery, hotel bills, and the loss of time spent upon going backwards and forwards, a much greater distance than would apply in the case of a city subscriber.

By the Chairman:

Q. I think you said yesterday that there were some towns in Ohio where there were at least four different systems competing with each other? Did I understand you to say that?—A. I am not quite positive that it applies to Ohio. I think possibly it applies to Iowa. There are such cases that I cannot recall for the moment.

Q. I was just going to ask you where they are?—A. But I think I can look them up and let you have that information if you desire.

Q. You are not able at this moment to name the places?—A. No, I cannot recall the names.

By Mr. Chrysler:

Q. You say you have 416 party lines?—A. Rural party lines.

Q. Where are those mostly to be found? You have a list of them here, have you not?—A. This list was made up very hastily, and is not complete.

Q. We do not want it to be so accurate as that. Have you a list which you could give us in which the matter could be put in a nutshell?—A. This list is a list of the rural party lines in a portion of Ontario known as the Ontario department. It gives the name of the agency and the terminal points, showing the number of subscribers on the line and the average length of the line.

Q. That is a long list?—A. It embraces nearly the whole of Ontario where we operate.

Q. And is there more than one line at any of these places?—A. Yes, sir, there is more than one line, but the way the list is made up it does not show.

Q. For instance, at Brantford there is a party line, a farmer's line. Is that the name of the place or simply meaning out into the country?—A. It means farmers' residences, houses.

Q. Three subscribers, four and a half miles long? That probably is only one?—A. One line.

Q. At Guelph there is a line to Marden with two subscribers, three miles long?—A. That would be one line.

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Q. Holstein to Dromore, one with twelve subscribers, eight and a quarter miles long?—A. It would probably be either two or three lines in that case, because we as a rule make ten the maximum number of subscribers we put on the line.

Q. I was going to ask you how many you put on the line. This information can be furnished if the committee wish it showing where all these are located?—A. Yes, sir.

Q. This particular list is for one portion of Ontario?—A. Yes, sir, west of Kingston.

Q. What do these subscribers who are mentioned in this list pay, the same rate or different rates?—A. The rates are graded in accordance with the local exchange with which they are connected. A Brantford subscriber would pay a higher rate than a Blythe subscriber.

Q. Or Blenheim? The Brantford subscriber would pay the same rates as the subscribers in Brantford, and he is connected with the Brantford exchange, is he?—A. I think there is a rate of $25 at Brantford, if I remember correctly.

Q. Well, $25 is not the business rate of Brantford is it? That is the residence rate?—A. I think the rate at one time was for a Blake service. That was the way that rate was established.

Q. How are these party lines worked; they have a bridging bell, have they?—A. Yes, sir, bridging bells, and they ring by signals.

Q. Yes, that has been described by another witness. And what is the instrument that is used?—A. In most cases it is a long-distance transmitter. In some cases I believe the Blake transmitter is still used, and in other cases the instrument is the one known as the Byng transmitter.

Q. The Blake or Byng transmitter is the instrument used in most cases?—A. Yes, sir.

Q. You have a very large number here from St. Catharines. I suppose that is the field of which we have been speaking as the Grimsby. They are included here in this list, are they?—A. Adjacent to Grimsby, they are included. St. Catharines is included.

Q. And at Winona is another line?—A. That is the same territory we were speaking about yesterday in describing the map.

Q. In the fruit district east of Hamilton. Then there are a number radiating from Windsor apparently, according to the plan?—A. Yes, sir, Windsor, Ontario.

Q. Have you a copy of that which you could furnish to the committee?—A. I can submit this copy. We would prefer to submit a corrected statement. (Exhibit No. 169.)

Q. You attach another statement; I do not know whether you wish to put it in. They are proposed party lines?—A. They are practically under construction. They refer to the lines under construction as well as lines already operated. (Exhibit No. 169*a*.)

Q. And that gives the information as to the places where construction is intended to be carried out or completed?—A. Yes, sir, where orders have been received.

Q. Which you have already referred to in your evidence?—A. Orders waiting completion, and the cases specified in the province of Quebec which include east of Kingston.

Q. You have another list for that, have you?—A. I produce a list of the rural party lines in what is known as the Eastern department—that is places east of Kingston, including the province of Quebec. (Exhibit No. 170.)

Q. And the evidence that you have already given applies to these as to rates and the method of construction?—A. Yes, sir, attached thereto is a list of the lines in the same territory under construction. (Exhibit No. 170*a*.)

By the Chairman:

Q. I understood you to say that the rates of rural telephones depended upon the

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rate at the exchange?—A. Where we furnish the rural subscriber with a service of that exchange at a flat rate.

Q. Well, take the case of Brantford. You mentioned that a person having a rural telephone connected at Brantford paid the rate going in Brantford?—A. Yes, sir.

Q. And I suppose if it was a smaller place that he was connected with he would pay the rate at that smaller place?—A. Yes, sir, that is the principle.

Q. That is the principle?—A. Yes.

Q. You have furnished the statement here, Exhibit No. 153, giving the classification of your different exchanges?—A. Yes, sir.

Q. Commencing with exchange 1, What would be the rate where the rural telephone connects with an exchange having only one instrument?—A. With a metallic circuit?

Q. Yes?—A. And long-distance transmitter? The rate would be $20.

Q. And the person having an exchange in the rural districts would pay $20?—A. $20.

Q. And supposing he had not the long distance? He would have to pay for the long-distance as well, would he not, in addition to the $20?—A. No, sir. That is practically the arrangement to-day that he pays $20. There are some cases where we had exchanges that were still working under the early conditions of a grounded line with a Blake transmitter. In those cases the subscriber would get a $15 rate, but as the company's service would be of very little use at $15 and a grounded line we do not encourage the construction of such lines to-day.

Q. Well, your lines to-day that you are constructing are metallic circuits?—A. Yes.

Q. And those would be the lines that you are putting into the rural districts?—A. Precisely.

Q. I want to get at the cost to a person having a rural telephone with the Bell Company, and I understood you to say that it depended upon the rate charged at the place where they connected at the exchange?—A. Yes, sir.

Q. Well, if the minimum rate is $20 at a place where there is only one exchange, then the rates go up from that to what?—A. In the case of Brantford, with 600 telephones, it would run up to $30; $30 for an exchange of say 600 telephones at Brantford.

By Mr. Zimmerman:

Q. I think there is a list put in of all the rates?—A. Yes, sir.

Q. But as a matter of fact all these stations with just one telephone are largely pay stations, are they not, in small towns?—A. Are you speaking of this line, Mr. Zimmerman?

Q. Yes?—A. No, sir. I understood them to be all telephones for which a rental is paid, not pay station telephones, but subscribers paying a rental.

Witness discharged.

Mr. HERBERT LAWS WEBB, M.I.E.E., of London, Eng., sworn.

By Mr. Lafleur:

Q. Mr. Webb, will you state your qualifications and experience as a telephone expert?—A. I have been engaged practically for the past twenty-five years in telegraphy and telephony first in submarine cable work, and since about 1889 exclusively in telephony. I was for a number of years with the New York Telephone Company, saw the whole telephone system of New York reconstructed twice over during that period, and on several occasions I have made long tours of investigation of telephone affairs in Europe. In that way I have visited all the principal telephone centres in Europe, most of them

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three times, during the past ten years, and at the present time I am in practice as a consulting engineer at 35 Old Queen street, Westminster. I am consulting expert to the National Telephone Company, and also to the Telephone Subscribers' Association of Paris, and to one or two other telephone concerns. In England I have given evidence at various inquiries, the telephone inquiry at Glasgow, in 1897, and at several of the local inquiries into the question of municipal telephone systems. I am a member of the institution of Electrical Engineers, and of the American Institute of Electrical Engineers.

Q. I think you gave evidence at the Hull inquiry, did you not?—A. At Hull.

Q. And Portsmouth?—A. Hull, Portsmouth and Brighton.

Q. Would you state what European countries you have visited, in the course of your inquiries?—A. Practically all of them, except Italy. I have been in Belgium, Holland, Denmark, Norway, Sweden, Russia, Hungary, Austria, Germany, Switzerland, France and Spain, practically every important country, and in the capitals of all of them, except Italy.

Q. You have recently been in Spain, have you not, and have just come back?—A. I was recently in Spain, in connection with a proposed long-distance telephone system.

Q. I think you are the author of some works on telephony?—A. A little book called 'The Telephone Hand-book,' and another little book called 'The Telephone Service.'

Q. I think you have read most of the evidence given at this inquiry?—A. I have read more particularly the evidence that touches European conditions.

Q. Yes?—A. That of the 22nd March and 18th April.

Q. With respect to that of the 22nd March, I suppose you refer to the report of Mr. Dagger and his testimony?—A. Yes. I refer more particularly to the report covering European conditions.

Q. After going into the details, what have you to say as to the information contained in that report; I mean as regards its data?—A. Well, sir, in general, it seems to me a compilation from various sources, the names of which are not given, and many of them must be considerably out of date. A great many of the statements are rather vague, there are no reasons given for the statements, and a good many of the figures are really inaccurate.

Q. Will you let me direct your attention, first to page 12 of the evidence, which deals with the subject of municipal telephony in Great Britain? Can you give the committee any facts or information as to the actual status of municipal telephony in Great Britain?—A. The actual status is this: The law which authorized the municipalities to borrow money to establish telephone systems, was passed in August of 1899. It was supposed by the promoters of the Bill that there was a considerable demand for municipal telephone systems, that is, that the municipalities were straining at the leash, so to speak, to establish municipal systems. There are several hundred municipalities in Great Britain that could have established telephone systems under the law. The law has now been in operation nearly six years, and, actually, six municipal systems have been established. One of them is now defunct, that is, it sold out after about a year of rather trying experiences.

Q. Was that the town of Tunbridge Wells?—A. Tunbridge Wells—I will give them in the order in which they were established—Glasgow, Portsmouth, Swansea, Brighton, and Hull. Hull is the latest.

Q. Have you studied each one of these systems on the spot?—A. Yes, sir, I have been in each of those towns.

Q. And you spent a considerable time investigating, did you not?—A. I have spent a considerable time investigating this subject, because I have been called as an expert in connection with these schemes, that is, in connection with the opposition to these schemes.

Q. In the paragraph on municipal telephones, there is a letter signed by Mr. A. R. Bennett, you will see it at page 12 of the evidence.—A. Yes, sir.

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Q. There is a statement towards the end of the letter, that the result of the encouragement of municipal telephony has been to place nearly all the work in the hands of British firms and to create a home trade in manufactures. Do you know if that is so?—A. That is hardly entirely so, because most of the material is bought abroad. The switch-boards on most of these systems have been made in Norway, and most of the other apparatus, of the subscribers' equipment, is made in Norway or in Germany. They are bought from firms that trade under British names, that have an agency in England with an English name, but, as a matter of fact, the apparatus comes from Norway and Germany principally.

Q. Then, on the same page, a little further down, you see a quotation from Sir Samuel Chisholm, the ex-lord provost of Glasgow, in which he says: 'I quite agree with your correspondent, that it would be well for other towns to look closely into the figures contained in the Glasgow corporation telephone accounts, as, if properly studied and understood, those figures could not but assist the extension of municipal telephones.' Have you made a special study of the Glasgow system?—A. Yes, sir, and my opinion differs entirely from that of Sir Samuel Chisholm, as quoted here. You can sum the thing up briefly by the fact that the Glasgow system has cost at least twice what it was estimated to cost, in proportion to the work done, and the gross revenue is not much more than one half the gross revenue which it was estimated to produce. So I think the figures should stand as a horrible warning.

Q. While I do not propose to go into the Glasgow system at the moment—I will reserve that to when I direct your attention to the evidence which was given by Mr. evidence. About the middle of the page there is a statement about Tunbridge Wells. Willock, contained on pages 269 to 289—I will ask you to look at page 14 of the Will you state the circumstances to which you referred a moment ago?—A. Well, briefly speaking, the trouble in Tunbridge Wells was that the business ran away with them. They imagined they could build a telephone system on the basis of all these municipal estimates for an average of £15 to £20 per subscriber's line. They extended into the country districts, built very long lines, and took on small subscribers at wholly unremunerative rates, and they found in a short time that the capital expenditure was away beyond what they had calculated upon, and that the system practically was not paying its expenses. So they were able to make an arrangement to sell out the whole business to the National Telephone Company. The suggestion made here as to the residents of Tunbridge Wells being composed of stockholders in the National Telephone Company is, I think, hardly worth paying any attention to. As a matter of fact the ex-mayor of Tunbridge Wells told me the other day that they had succeeded in reducing their rates in Tunbridge Wells by diminishing their commitments in municipal trading.

Q. Now, take the next paragraph, which refers to exchanges opened elsewhere, as in Manchester and so forth, what has been the result of these experiments, briefly speaking?—A. Well, Manchester, Salford, Stockport, Sheffield and Eastbourne, quoted in evidence here as taking up municipal telephony, are the ones that have never done anything at all. They have not opened exchanges. I think it is the fact that about 50 in round numbers out of the several hundred municipalities that might have considered the question did actually consider the question. A small proportion of those have obtained licenses, and of those which obtained licenses, as I said, six have actually started systems. The others never proceeded with the licenses, and in the past few months the Postmaster General has cancelled those which have not been acted upon.

Q. In the next paragraph it is stated: 'Municipal telephony is rapidly gaining ground in Great Britain, and there is no evidence so far to indicate that the recent action of Tunbridge Wells has in any way checked the movement.' Is that the result of your inquiries?—A. Well, I gather this report was written something like three years ago, and it might appear then to anybody reading some of the papers that municipal telephony was gaining ground. A great deal of noise was made about it, although

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very little was really done, but at the present time it is quite a wrong statement. It is not only not gaining ground but it is practically a dead issue.

Q. What has been the result of the experiment?—A. I think you could sum it up most pointedly by saying that it has wasted a great deal of money.

Q. In what way?—A. In the way of establishing telephone systems which are not worth the money they have cost. All of these municipal systems are equipped with entirely obsolete plants. They were laid out on very wrong lines from a general telephone engineering point of view. They have succeeded in duplicating a number of stations on the existing systems, but the net result of the whole five of them has been to add approximately 10,000 telephones net to the telephone systems of the country. That is, there are about 10,000 municipal telephones that are not duplicated by National telephone, and in doing that they have spent a gross amount of about half a million sterling.

Q. Would it be a convenient moment for you to refer more particularly to Glasgow now, or would you prefer to reserve that until later?—A. Well, just as you like.

Q. Let me ask you to take up Mr. Willock's evidence. You have read the evidence of Mr. Willock?—A. Yes, sir.

Q. Do you confirm his statements generally, or have you come to a different conclusion?—A. No, broadly speaking, I differ from a good many of his statements, and I find that a good many of the figures that he quoted are not accurate.

Q. You have made a special study of the Glasgow system on the spot, have you not?—A. I have examined it, the main exchanges. I have been through them with Mr. Bennett, and with the present manager, who was then assistant manager.

Q. And you spent some weeks in Glasgow, did you not?—A. I have followed the history of it, the printed descriptions and accounts, &c.

Q. Will you take the deposition of Mr. Willock, and tell me briefly on what points you differ? Take, for instance, page 270; you see the statetment in answer to Mr. Burrows there?—A. Yes.

Q. The general description of the system. Is there anything there that you want to call attention to?—A. Well, the statement of the area is correct, 143 square miles, and I think further on Mr. Willock says that the population is, in round figures, a million, the population in that area. The scheme put before the Glasgow corporation for a telephone system was an estimate for a system of 5,200 subscribers' lines at a total cost, in round figures, of £100,000, approximately £20 a line. Well, that, to begin with, was a totally wrong scheme, a totally inadequate scheme for a city with an area of 143 square miles, with a population of a million, and with a flat rate for telephone service of five guineas. The scheme was fundamentally wrong, in that it did not forecast the development that would occur from telephoning a large area with a large population at a low flat rate. The consequence of that was that it was found, as soon as they began to get to work, that the scheme was inadequate, and they had to extend and spend more money, and they have extended the scheme along wrong lines. The rate, of course, was fixed ahead of any real knowledge of the cost of the work. The rate of five guineas was totally unjustified by the actual cost of the plant or the cost of working the service, and in order to live up to that predetermined cheapness, as cheap a plant as possibly could be got was put in. They put in the five main exchanges what is known as the Law wire system, or the Call wire system, a system of working which totally disappeared from this country some ten or twelve years ago, and which has many disadvantages in working that are thoroughly well known to experienced telephone engineers.

By Mr. Chrysler:

Q. What is the name of that system?—A. It is known in this country as the Law system—L-a-w—commonly called, I think, the call-wire system. The principle of the system is that two different wires run to each subscriber. One wire is used especially in calling the exchange up and is connected permanently to the head telephone of

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the operator, the subscriber has to press a button first to put himself in communication with the operator, and he gives her the order for connection, and he has to state both the number of the subscriber he wants and his own number. As he has no signal, the operator does not know who is talking, and then at the end of the conversation he has again to call the operator and tell her to disconnect his number, and only the originating subscriber can give the order to disconnect. Well, the result of all that is a great deal of confusion in operating, a great many wrong numbers and great slowness in disconnecting, because people forget to give the order to disconnect, and very often they refuse to give the order to disconnect because the working of the system is so troublesome. You have 50 or 60 subscribers who are common to one call wire, and at a busy time of the day it results in a struggle for the survival of the fittest. There is always a number trying to call at the same time, and the man who shouts the loudest is the one who gets there. It is an extraordinary thing to me that in 1900 any concern starting a new telephone business should have put in that system in a big city. It had been used before by the National Telephone Company in Glasgow, and it was the bad service that system gave, on account of its radical defects, that caused the discontent in Glasgow with the telephone service generally; and you will find, if you look at the records of the Glasgow corporation telephone committee, that committee itself, after something less than three years' actual working, admit that they must change the system. To make an effective change involves the reconstruction of the exchanges and re-equipping of the subscribers' stations.

Q. Is that reconstruction contemplated now?—A. I do not think they know exactly how to get out of the trouble. An effective reconstruction would cost them somewhere in the neighbourhood of £100,000. Their capital account at present stands at something like £330,000. They have laid by, I notice, something like £5,000 for depreciation in three years' working. They claim to have made a success, and they cannot contemplate an effective reconstruction, on account of the great expenditure it would necessitate.

Q. What is your opinion, is the value of the plant? How would you characterize that plant?—A. The plant, on the whole, I think, has practically very little of value in it, excepting the ducts and some of the main cables. The exchange equipment and the subscribers' station equipment, taking into account the status of telephonic engineering to-day, might just as well be written off entirely. A large part of the cable plants consists of armoured cable buried solid in the ground, which is not the standard practice in telephonic work. About a third of their total cable consists of that class of work, and the cables are laid out on a wrong scheme, using a multiplicity of sizes of cables and a multiplicity of joints, which results in a short time in a very defective cable system.

Q. What is the principal objection to this peculiar cable construction?—A. Well, the principal objection to it is its inflexibility. The conditions in a large city telephonic plant are always changing. Subscribers are constantly coming on and going off in different places, and flexibility in the distributing plant is an absolute necessity.

Q. Does it provide adequately for extension and expansion?—A. No, that is the fundamental trouble. It is laid out so as to distribute the wires to fixed points in very small quantities, and in a short time that results in a tangled cable plant and is very ineffective.

Q. What objection do you think there is to burying the cables in the way they have done?—A. Well, that again is a question of flexibility. You are constantly requiring to lay larger cables, and if you have your cable buried solid, it means taking up the whole thing. It means the cost of digging it up, instead of the cost of pulling out the cable from the duct and putting in a larger one. Then again, a cable buried in the ground is more easily subject to damage than a cable in a duct, and it is universally recognized that it is not good practice, that it is not safe practice to bury a telephone cable solidly in the ground in that way. It is so well recognized that in the

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latest telephone agreement the Postmaster General specifically states that all cables must be placed in ducts. They have barred out cables buried solid.

Q. What have you to say in regard to the rates referred to here by Mr. Willock in his testimony? You will find some statements on pages 271 and 272 on the subject of rates. Are these statements accurate?—A. The five guineas for a flat rate corporation service is accurate; the £10 for the national flat-rate service is correct. In the last paragraph but one, the statement that the rate of £3 10s. is for 1,500 calls outwards is wrong; £3 10s., and a penny a call, is the correct rate, and this rate is universal all over England, there is nothing special about that, as I think Mr. Willock hinted; it is the rate that is general in all the English towns and is termed a toll rate; they pay £3 10s. a year for the maintenance of the station, and one penny for every outward message.

Q. At page 272, there is a statement there that you get an unlimited service for 2 guineas a year. Is that right?—A. No, that should be 4 guineas. I think I can let the chairman have a copy of the Glasgow advertisement of rates. This is a circular of the Corporation of Glasgow Telephone Department, the rate for unlimited service, toll service, 5 guineas for toll service; £3 10s. and 1d. each outward message, two-party lines, 4 guineas. That, of course, is 4 guineas for each subscriber. I think Mr. Willock got confused and divided that by two, making 2 guineas for each subscriber.

By the Chairman:

Q. What is the date of that?—A. I do not think it has a date. Oh, it is dated in 1904, it is something that was issued, I think, last autumn. And then there is a rate for four-party line service at 3 guineas per year. If you care to keep that copy, you may have it. (Exhibit No. 171.) That shows you that the answer of 2 guineas a year is incorrect. There is no rate so low as that in existence on the corporation system.

Q. Now, in comparing the rates of Glasgow corporation system with the rates on the National system, which operates in Glasgow as well, I suppose one has to take into account the quality of the service?—A. Undoubtedly. It is, of course, owing to the superior service that the National Company has been able to extend and to get business at a rate of £10 in the face of a corporation rate of 5 guineas. The business men of Glasgow are obliged to have the National service, that is what it amounts to.

Q. Do you know whether the National Company has been assisted or impeded by the corporation of Glasgow in its operation?—A. Well, the corporation of Glasgow has obstructed the National Company absolutely to the extent of refusing them access to the streets. Of course, that has been one of the causes of discontent with the telephone service that existed there eight or nine years ago, when the inquiry was made that was presided over by Sheriff Jamieson. Sheriff Jamieson commented very strongly upon the obstructive attitude of the corporation in his report.

Q. That prevented the National from reconstructing?—A. Yes, it made it practically out of the question to rebuild their system, with a modern plant; that could not be done satisfactorily without underground cable work.

Q. Had they laid cables before this obstruction began?—A. No, I think they have laid none, or, at any rate, a very few.

Q. I do not know if you can give us the number of subscribers to the National and to the municipal system in Glasgow, respectively?—A. I have not the exact numbers at the present time, but, in round figures, the National have about 21,000 stations, and the corporation have about 13,000.

Q. That is telephones?—A. Yes, that is each station is one telephone.

Q. Does the municipality of Glasgow allow the National to connect with its own system?—A. There is no intercommunication between the two.

Q. None?—A. No. That I think was asked Mr. Willock and the answer does not seem to me to be quite clear. There was a confusion between the trunk line connections and local intercommunication, but there is no local intercommunication.

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Q. I see that statement is made by Mr. Willock on page 276, is it not?—A. Yes.

Q. There does seem to be some confusion there?—A. There seems to be some confusion.

Q. Do you know if the National desires to get connection with the municipal system?—A. Oh, no, there has never been any question of it in Glasgow at all.

Q. There has never been any question?—A. Never been any question.

Q. Do you know what proportion of people have both telephones, what proportion of subscribers?—A. My recollection is that it is, in round figures, some 5,000 who have both.

Q. And you say that it is necessary for a business man to have the National Telephone?—A. I should say that for a man in business on any scale at all it is absolutely necessary for him to have the National system; of course it is much the larger system, and of course it is a much smarter service. The corporation service, from the method of working employed, is necessarily not as good.

Q. I suppose as a telephone man you could hardly consider it a useful duplication of plant to have these two systems working side by side in a place like Glasgow?—A. No, undoubtedly it appears to me to be a great waste of money.

Q. It follows, I suppose, that it adds to the cost that is borne by the subscriber?—A. It adds to the cost of the service to the general public, certainly. A large portion of them are paying two rates for telephone service.

Q. There is a statement contained on page 278 in answer to a question by the chairman as to the number of lines. There are some figures given there, do you know if those figures are correct?—A. Well, that comes to a point on which there has been a great deal of contention, it is the question as to the number of lines in the system. The estimate for the Glasgow system was based on the subscribers' line as a unit, the direct working subscribers' lines the estimate omitted any reference to extension stations or private line stations or to any of the miscellaneous stations that exist in a city telephone system. Afterwards when the estimate had not been worked out according to expectations the station was taken as the unit instead of the line and that is of course a totally different unit. In every telephone system you have a certain number of lines, and have a certain number of stations additional to the lines, inside extension instruments, and outside extension instruments and so forth. So that when you jump from the lines to stations you are using two different units and the technicalities of the telephone business are understood so little generally that in Glasgow the stations very soon become subscribers, which, of course, they are not. One subscriber may have and often does have several stations, so that if you analyse these statistics you will find that 11,405, the total here, is the total stations, the total instruments of all classes, and of these there are more than 2,000 which are extension stations of various kinds, instruments added on to the one line so that the actual number of lines is about 9,000, not 11,400, and the cost is per line considerably higher than the £20 6s. 6d. quoted here.

Q. There is a difference?—A. The average cost for the number of actual lines is about £34. This £20 6s. 6d. is got at first by deducting from the total capital the value of the spare plant, which is a ridiculous procedure, because you must have spare plant in any telephone system. To deduct the value of the spare plant before you calculate the value of your working lines is like saying that you do not pay rent for the spare room in your house. It is foolish. Then after deducting the spare plant, they divide by the stations which, as I have explained is a different unit from the unit on which the estimate was based and so they get that figure of £20 6s. 6d., which really does not mean anything at all. It does not represent any definite unit.

Q. No. Now, let me direct your attention to another statement on the same page, that is at page 278. He answers that parliament makes no demand for an allowance for profit and loss; 'But includes in its sinking fund such an amount for depreciation.' How can that be, has the sinking fund anything to do with depreciation?—A. No; that is for the repayment of the loan. The sinking fund must be provided by law for

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the extinguishment of the loan, and it has to be paid whether the plant depreciates quickly or slowly; or whether there be a profit or a loss it has nothing to do with the question of depreciation.

By Mr. Chrysler:

Q. That, Mr. Lafleur, is at page 278, and Mr. Willock was apparently referring some statement in connection with the expenditure and the capital account of the Glasgow municipal system, which, so far as I see, has not been put in. Mr. Webb is speaking from memory?—A. I think it is to be found in the committee's proceedings.

Q. And you are referring to the same statement are you, Mr. Webb?—A. Yes; I am quite sure you have it in your report. I think it is in here. There is a letter printed on page 283 that refers to the 1904 accounts, and I think you have the whole statements, in Appendix 'A.'

Q. There is a statement in Appendix 'A,' No. 275*a*, which is probably the one referred to?—A. It refers to the year 1904, does it not?

Q. Yes, the year ending May 31, 1904?—A. Yes, that is evidently the whole thing. If you will look at table No. 6 of that, you will see the statistics that I was just referring to, and the distribution of the 11,405 is given in detail.

Q. Yes, that is in table No. 6?—A. And that is simply the total instruments; if you total up the actual lines you will see they amount to 8,972, and the balance is extension stations and private lines.

Q. Now, you look at page 278. I find a statement there by Mr. Willock: 'We charge five guineas as our average for each line.' That is not quite correct, is it?—A. No, that is not quite correct. £5 5s. is not the average flat rate, but the highest rate. It is the highest rate they have. It can't possibly be the average, as they have lower rates, and of course the average is lower.

Q. Now a little lower down, the average life of the system, of the [illegible] cussed, and I see here that it is stated 'that the Postmaster General has recently laid down a rule that the life of a plant is 36 years.' Is that correct?—A. I think that is a most incorrect statement. It is based upon a note in the Postmaster General's report relating to the London post office, the London telephone system, and the note states that the average life of the plant is estimated at 36 years. But it is referring specifically to one plant, the London plant of the post office, which of course is a very different system from this Glasgow system, and it can in no way be taken as laying down the rule that the life of any telephone plant is 36 years, which is the sense that is given here, and that is the sense given in this statement headed 'Noteworthy points.' On page 283 it is stated there that the Postmaster General has recently laid down the rule that the life of a telephone plant is 36 years, when the Postmaster General did nothing of the sort. He simply stated in that note relating to the London post office telephone plant that they estimated the average life of plant at 36 years, the life of that particular plant.

Q. In your judgment, that would hardly apply to the Glasgow plant itself?—A. By no means.

Q. If I judge of your description of it?—A. The Glasgow corporation telephone system is of a totally different character from the plant of the London post office telephone system.

Q. When you speak of the London plant, do you mean the duct or the conduit work, or do you include other parts of the system?—A. Well, this refers to the whole plant, the greater portion of the capital expenditure, which amounts, approximately, to £2,000,000, is in ducts, which are all underground work, and cables. The post office in London have laid a very extensive system of ducts, and cables power with due allowance for future requirements, and all their exchanges are strictly modern, but the exchange equipment is a relatively small proportion of the total capital outlay, and,

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although I think that thirty-six years is perhaps an optimistic estimate, still there is that justification for it that the greater part of the capital, probably 90 per cent of the capital, is at present invested in the ducts and cables, and the ducts in London are very solidly built, there is no question about it being first-class work.

Q. That emphasizes the statement made a few moments ago, that there is no comparison between that work referred to by the Postmaster General and the Glasgow plant as a whole?—A. There is no comparison at all.

Q. And even the duct work in Glasgow is not, in your judgment, up to that standard ?—A. I do not say the duct work, but I say the cable plant as a whole. Of course, the cable plant there is largely adulterated by the large proportion of armoured cable, which, as soon as any practical telephone people take over the system will have to be replaced by ducts.

Q. Supposing any extensions are contemplated, what has to be done in order to render the cable sufficient to carry increased business?—A. You mean——

Q. In Glasgow?—A. You will have practically to rebuild that plant; you have practically to replace all armoured cable by cable in ducts, and you would have, to a large extent, to remodel the cable plant itself. The cable plant, judging by the specification that was furnished at Hull—and it was there said that the Glasgow work was carried out in the same way—the cable plant consists of some 80 odd different-sizes of cables, which, from a practical telephone point of view, is a fantastic proposition, and cables differing very slightly in size and joined together often in five, six and eight way joints, is a totally unpractical way of laying out a telephone distributing plant, and a great deal of the work will have to be redone.

Q. Here is another statement also, on page 280, to which I would like to call your attention, that is, the capital of the National Telephone system being too high, as contrasted with the Glasgow system. What, in your judgment, is the fact in regard to the capital of Glasgow municipal system?—A. I think, for the reasons that we have just been discussing, the capital is far too high. They have a capital of something over £350,000, and a very large proportion of their assets are practically worthless. According to the modern standard of telephony, practically the whole exchange equipment, the whole of the subscribers' station equipment is obsolete, and if the system were taken over by practical telephone people, it would have to be largely reconstructed. Therefore, there is a capital account of £350,000, out of which you can wipe out practically one-third right away. In other words, you would have to add about one-third of that for reconstruction.

Q. Are there any other statements in the deposition of Mr. Willock to which you would like to call the attention of the committee?—A. Well, I think there were several questions asked of Mr. Willock to which the replies are not very clear as to why it was that, at a higher rate, the National Telephone Company could obtain the larger share of the business in Glasgow. There were several questions asked on that point. Of course, the principal reason is, that they give a superior service. The service of the corporation system, necessarily, from the manner in which it is worked and the style of its equipment, is a defective service. The National system is not entirely up to date in Glasgow, but it is a system which gives direct signals, and it avoids all this complication of the call wire, and it is giving a much better service. Then, the National Company have a better organization, their employees are better trained in the telephone business, and they know both how to work the service better and how to run the business better. I think those two reasons partly account for the fact that they are increasing very rapidly, in spite of having higher rates, and that the corporation is practically standing still. The National system at Glasgow at the present time is increasing at the rate of 500 or 600 stations a month, and the corporation system is apparently increasing at the rate of about 80 or 90.

Q. I see a statement here on page 287 that the National Company are practically putting in telephones in Glasgow for nothing?—A. Well, that is not a fair statement, because that applies to public stations, which are invariably put in for nothing.

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Q. Yes?—A. That is they are not put in for a fixed rental. They are put in for the use of the general public and are paid for by the pennies of the general public.

Q. That is not an accurate statement, as they are not subscribers' telephones?—A. I would say, certainly no.

Q. Perhaps Mr. Willock might not have intended it, but it is confusing?—A. I think it is expressly barred by the license. I do not think they are allowed to give free telephones, but it is increasing. They have a very large number of pay stations in Glasgow and it is very successful. They find they get a higher average revenue from each public station now that they have a great number than when they had only 100.

Q. Will you please look at page 288? There is a statement there as to what is charged the customer for extensions. Do you know if that statement is correct?—A. On the 25s. up to £3, well, the confusion there is that it does not vary according to the instruments, but inside extensions pays 25s. a year for desk instruments and 20s. for wall instruments, and outside extensions pay the same rates for the instruments and for the line, according to the length of the outside line.

Q. Yes?—A. It may be £3; it may be more or it may be less.

Q. Then the next paragraph contains a statement which does not seem to be accurate, at least it is confusing. In answer to the Chairman about the charge for an additional bell, Mr. Willock replies: 'That will be a matter of about a guinea or 25s., if it is a switch where you can switch on.'—A. No, that is the same point again as to the rates for extension station.

Q. Yes, and down at the bottom of the page there is the same inaccuracy?—A. Yes, it is nearly the same thing, the usual charge is half a guinea a year. There was a question as to the additional bell, what is called an extension bell. The regular charge for this is one-half guinea a year.

Q. Well, unless there is something else you think should be referred to in the deposition of Mr. Willock, I will revert to Mr. Dagger's evidence. I do not know if I have given you an opportunity of covering all the ground in respect to Mr. Willock's testimony. I do not know if I brought out the question of the amount set aside for depreciation in Glasgow having regard to the nature of their plant. What is your opinion as to that, Mr. Webb?—A. The amount set aside for depreciation after three or four years' working is given in these accounts, which are printed in the minutes, and I think it amounts to £5,000. Yes, it amounts to £5,743 at the end of three years' working. That of course is an absolutely insignificant sum in comparison with capital cost of the plant and the condition of the plant.

Q. Even with a first-class plant would that be adequate in any sense?—A. No, even with a first-class plant on a capital of that size it would be wholly inadequate. It would be more like £50,000.

Q. If you have nothing to add to what you have said as to the Glasgow system I will ask you to revert to page 14 and following pages; that part of the report deals with European conditions?—A. Yes.

Q. First of all we have Norway, Holland and then Russia.—A. That part regarding Norway is not quite up to date, that municipal system of Trondhjhem was some time ago sold out to the government and is now operated by the government.

Q. It is operated by the government?—A. By the government.

Q. Now, have you any observation to make in regard to the statement concerning the system in Holland? The paragraph at the bottom of page 14, is that up to date?—A. According to the rates here I think these are correct. Of course the statement there is very greatly summarized.

Q. On the next page we have Russia—a statement that 'the municipality of St. Petersburg is at present installing a telephone system with a capacity of 34,000 lines, and that there are many other municipal telephone systems on the continent of Europe but I have no information regarding them.' Are there, as a matter of fact, any other municipal telephone systems in Europe at the present day?—A. As far as I know

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and I have been in most of the European countries, there are no others, from my own observations and collection of statistics I know of no others.

Q. You have made it your business to ascertain whether there are any other municipal systems in Europe ?—A. Yes.

Q. And there are no others, except those you have mentioned?—A. No. In St. Petersburg the municipality took over the concession some time ago and is now building a new exchange, not, however, of the size stated in the evidence.

Q. I will not ask you to go into the question of foreign rates just now. That will come up when we consider the schedule on page 21. But I will ask you to look at page 15, where the essentials for a popular telephone system are discussed. The statement of Mr. Bennett is quoted, which is said to show that the essentials of a popular service are: (1) low rates, (2) local management, and (3) good rural intercourse. What, in your opinion, is essential?—A. Well, I think it is by arguing on these lines the mistakes in the municipal telephone systems in England have been committed, that is, the low rate has been put first of all, and a low rate being made a necessity, as it were, in that way, has led to trying to do the business on too cheap a scale, and the desire to cut the coat according to preconceived ideas of cost has led to the use of these inferior plants. To my mind, and I think most telephone people would agree, the important part is the service and the development of the system. It is far more important to the community at large to have a first class service than very low rates, good service and reasonable rates that are acceptable to the people, give a result much more useful to the general public than an inferior service at a cheap rate. An inferior telephone service is more of an aggravation than an accommodation, whereas a smart telephone service, especially in a city, is of enormous value, and it is well worth paying for. The public of all cities where they have a good service are perfectly willing to pay for it. Then the development of the system, the steady increase of its size, and the reaching out for different parts of the city, is also an important feature. And these two together—good service and the high development of the system—are of infinitely greater importance than low rates. Then, I think, too, that what is generally meant by those people who always talk about low rates, is a low 'flat' rate. A low rate for unlimited service. You can make an elastic tariff by graduating rates so that the equipment and service vary according to the demand. It is not at all necessary to fix a low uniform rate for the whole public and the demand of the different classes of the public varies, and you can vary your supply, your system and your rates accordingly.

Q. In the next paragraph we have a reference to the long distance rates, and I find a statement that the charges in the United States and Canada are highest of all, being double the British rates and four times as much as the German. Are the government rates in Great Britain at all based on commercial conditions ?—A. I think that is the trouble with all these sweeping comparisons that they do not take into account the difference in the conditions. There are a good many features of the service in different countries that make the value that you get quite different. It is not always what you pay that is so important, but what you get for what you pay, and another most important point is how the rates are arrived at in the business. Of course you should try to make your rates pay your expenses and leave something over. In a government department as a rule the rate is fixed in advance and is fixed without regard to what the working expenses really are. In Great Britain it is well known that the government telegraphs and telephones do not pay. They yield a very large loss every year. Therefore, those rates are not fixed according to commercial principles.

Q. No company that intended to pay its expenses and pay a dividend, &c., could do business with these rates ?—A. No, I think not.

Q. Now, you spoke of the service. How would you compare the long-distance service in Great Britain with ours, for example ?—A. I think there is a very great

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difference. The long-distance service is not anything like so satisfactory in Great Britain as it is in this country or the United States. It is very frequently the case that you have long delays in getting a call, even a short distance, from one town to another. It is quite a common experience in the big towns for a delay at the busy times of the day to amount to an hour or two in getting connection. The other day, I spent the whole morning trying to get a call through from Brighton to London, only fifty miles. I had eventually to go out and send a telegram. It is, of course, due to the fact that the low rates make a good demand for the service, and the government only has a limited amount of money to spend in building new lines, and they don't build lines enough to cope with the demand for communication.

Q. Is it 'first come, first served,' or are there privileged classes?—A. There is a restriction in this way, that no user is allowed to use the line for more than six minutes at a time, that is, two periods—the unit period is three minutes—and you cannot use more than two consecutive periods. That, of course, is a restriction which business men would not stand in this country at all. A man very often has an important conversation, an important piece of business to discuss, and he will want to keep the line even for half an hour and he is entitled to do it. Of course it is only a government department that could make these restrictive regulations.

Q. Yes. A private company would not do business very long here if it restricted the public in that way?—A. I think not. Then you have got to take other features into account in comparing these rates. The service which is given is very much more complete in this country than it is anywhere in Europe. In Europe you have to call by number. On the long-distance even you have to call by number. If you get the number you pay whether you get the man you want to speak to or not. In this country it is the practice to call by name, and unless you get the person you want to speak to, you don't pay. This, of course is a very great accommodation to the public and it is a large element in determining the value of the service, the price that it is worth. Then on the continent of Europe the same trouble exists, that delay. The rates are very cheap but you cannot get service, there are so few lines in comparison to the traffic that practically through the busy hours of the day up to late in the afternoon the lines are blocked, and if you want a man promptly you pay what is called 'the urgent rate,' which is triple the ordinary rate, three times the ordinary rate and a very large proportion of the messages that are sent are sent as 'urgent' and the senders pay triple rates. So that the rate that is quoted does not at all represent the actual conditions.

Q. How about the charge for the time that is spent in ascertaining whether the person can be got or the number can be got? Is that charged in Great Britain—the inquiry call?—A. An inquiry call is charged for at a special rate.

Q. Whereas, here in this country we don't charge that?—A. In this country you ask for the man you want by name, and unless you get the man you ask for you don't pay.

Q. And the time counts from the time that you get him here, whereas in Great Britain you have to pay for the time occupied if the man you want is out?—A. It is charged for. I should like to be clear about that. I do not mean that the time spent in getting the man to the telephone at the other end is charged, but if you put in what is called an inquiry call to get a certain man to the telephone, the preliminary time is charged, whereas the practice in this country is to ask for the man by name and get him.

Q. Yes?—A. I mean that an inquiry call is not necessary.

Q. Well, now, in the following paragraph there are some limitations suggested. First, the government ownership and control of the long-distance line, and secondly the government control of the local system. Of course, in Great Britain the trunk lines have been acquired by the government?—A. Yes, the long-distance lines were bought by the government about nine years ago—the transfer finally took place about

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nine years ago, in 1896—and they have owned and worked them since by agreement with the company.

Q. What has been the financial result of this acquisition, this government ownership?—A. Well, it is difficult to tell the financial result of the telephones by themselves, except that you can judge in a general way by the amount of capital spent and the gross revenue. By comparing these two you can tell in a general way whether it is very profitable or not. And the Postmaster General's report gives you these figures. It gives the total revenue from trunk telephone lines, as they call the long-distance lines there, and it gives in another part the total investment, and it works out, as I recollect it, to about 11 per cent, a gross revenue of 11 per cent on the capital. To put it clearly, it does not make it a very profitable business. Then you have got a gross revenue of 11 per cent to pay all your working expenses and the capital charges, which in a technical business is insufficient by a good deal.

Q. Do I understand that the telephone and telegraph accounts are not kept separately?—A. Separate statements are given for different branches of the business, and then the whole thing is summarized under the telegraph. The total amount.

Q. And where is the money taken for reconstruction or repairs? Is it out of the general revenue?—A. Yes, the way the telegraph branch is managed—the finances of it—they get money for all their expenditures from the treasury along one channel, and all they take in is turned in along a different channel. So that there is no real comparison made of revenue and expenditure except in the annual report. That is published for each financial year. The expenditure of course as is well known, exceeds the receipts by a large amount.

Q. Can you tell us the amount approximately?—A. It is given in these accounts—(referring to document) if I can find the table. Last year, in round figures, there was a loss of some £900,000. The total expenditure in 1903 on telegraphs was £4,317,000, and the total telegraph revenue, that is including telephones, of course, was £3,723,000. That made a net deficit of £593,000.

Q. You are reading from the Blue-books?—A. This is the Postmaster General's Annual Report.

By the Chairman:

Q. That does not separate telephone and telegraph business?—A. No, sir.

Q. So it gives us no idea of the financial result of the telephone business, does it?—A. Only in this way, that it gives you a table for the trunk lines showing the revenue and it shows the capital expenditure, and it gives a table for the London Telephone system. In 1904 the telegraph revenue was £3,736,000, and the expenditure £4,719,000.

Q. Telegraph revenue?—A. That is telegraph and telephone. The whole thing make a net deficit of £973,000.

Q. You cannot separate the two, can you?—A. No, sir, you cannot separate the two for that reason, the expense of operating the trunk line service, telephone trunk line services are not given separately. The post office works three branches of telephone business. They have the trunk lines—the long-distance lines—and they have a certain number of small exchanges in provincial towns, totalling some 5,000 or 6,000 subscribers, and they have started a system in London some four or five years ago.

Q. Is there anything in these figures to enable you to swear whether the telephone system carried on by the Post Office Department is conducted with a loss or a profit?—A. No, there is nothing—well, except as regards the London service there is nothing to show expenditure compared with receipts. For the London service a table is given which shows expenditure and receipts.

By Mr. Lafleur:

Q. Have you got the 49th report there?—A. It is the 50th report.

By the Chairman:

Q. What are the figures for the London telephone?—A. The figures for the London

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telephone system—the total receipts, including value of service rendered to Government department without charge, were £90,822, and the expenditures for maintenance of system, salaries, wages, &c., were £57,307. That left a balance available for depreciation and interest of £33,515. Then a note following says :—'Estimated amount required to provide for depreciation of plant, inclusive of spare wires, is £39,921, and interest at 3 per cent on the capital expenditure of £1,514,300, £45,429, making together £85,350.' So that, you see, they have to meet £85,350, only £33,515, which is a loss of £50,000 in round figures.

By Mr. Lafleur:

Q. There is no charge for rent of buildings, is there?—A. Well, you see, these figures are very much summarized. There are only three items, three different items given. There is an item for rent, rates, fuel and light, including the estimated rental value of the premises occupied by the telephone service. In all government departments a good deal of stock and buildings and so forth, are common to the two branches.

Q. It would be very difficult to distinguish?—A. Almost impossible to distinguish the working expenses of the telephones and the working expenses of the telegraph.

Q. Now, Mr. Webb, if as you told us a moment ago, the gross revenue is turned into the Treasury and the telephone management is obliged to receive its money for expenditures from the Treasury by another channel, that would not be very satisfactory for the development of the telephone system, would it?—A. No, that, of course, is one of the troubles of Government management of a telephone system, that they are continually being blocked for want of money. Only a short time ago the development of the London system was absolutely at a standstill for want of money, and finally they got a vote from parliament of £2,000,000 sterling for further telephone development.

Q. In other words, they must turn all their revenue into the treasury and wait for a vote by parliament for all improvements?—A. That is the process. They have no control over the money.

By the Chairman :

Q. Would you just allow me. I will just read to you, if you will allow me, Mr. Webb, a portion of the speech of the Postmaster General of England in the House of Commons. This is practically in reference to the London telephone system. Speaking of it, he says : 'The capacity of the London plant provided for 40,000 subscribers.' Does that mean that they have an equipment now for 40,000?—A. I think he refers to the wire plant—the cable.

Q. That is about——.—A. As I have said, they have built for a very large demand in cables and conduits in advance of the immediate requirements.

Q. (Reads) 'They had now 15,292, or a third, and the number was increasing largely. An exchange was to be opened at Hampstead, and another was in progress at Ealing, to provide for 2,000 subscribers. In London there were 1,094 miles of underground pipes and 110,128 miles of wire in connection with the system. As to the provincial exchanges, the number of subscribers had increased from 1,259 at the end of 1889 to 5,000 at the present time. In the Central Exchange in London the receipts from March 1, 1902, to March 31 last year, had amounted to £61,000. As to the actual profits, a great deal of the capital was lying idle and waiting to be developed. There had been such a large increase since last year that he was sanguine enough to believe that in another year they would be a paying concern. The profits had jumped from £6,000 to £48,000 in one year.'—A. Yes, I remember that.

Q. Is that a correct statement as far as you can judge as to the capital expenditure that is lying idle?—A. You mean, two-thirds of the capital expenditure is lying idle. I think what you read was one-third was actually occupied.

Q. He says they have a plant for 40,000 subscribers and have now about 15,000?—

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A. Yes, of course that is the situation in the telephone business, that you can never fill up your entire plant in any city system.

Q. But when you quoted these figures a few moments ago, you said there was only £83,000 to pay some£85,000?—A. Yes.

Q. Does that correctly and fairly represent the financial result of the telephone system in London?—A. It represents the result for that year as given by the Postmaster General's annual report. Of course the revenue will probably become higher, but you have to bear this in mind also, that although they have a large spare capacity in their plant, they have to keep on extending all the time, and will have to carry, for a good many years to come, a large proportion of spare plant. London, of course, has an enormous area, a telephone area of 640 square miles, and the Postmaster General will have to spend a great many millions yet before it adequately develops that area. So that, the conditions that exist now will exist to a certain extent for a long time to come. Thus, he will be carrying for a long time to come a very large proportion of spare plant, because although they are adding subscribers all the time they are also building new plant all the time.

Q. I understand you to quote these figures as showing that this was not financially a success, the government management of the telephone in London. Do you think it is fair to form a judgment of that nature in regard to a scheme that is in its infancy from the financial results at the threshhold?—A. At the outset? No, I was not reading it in any way as a final judgment of the financial results, not at all. I simply read the actual description from the report of last year, the latest report available. Now, if you ask me if I think it will meet with financial success in the long run, I very much doubt it. They have fixed the rates too low for the size of the area. Of course, London is absolutely unique. It is a phenomenal area to telephone on a flat rate. If you are going to develop the service adequately and serve effectively that vast area of 640 square miles, which gives you lines very often within the same city 30 miles long, you have got a tremendously expensive job to do, and they have fixed the other rates, that is, messages rates, or tolls rates, as they call it, pretty low. The maintenance rate is £5 a year and the message charge is a penny for Inner London and two pence from Inner to Outer London. I very much question whether in the long run the service is going to pay at these rates, if it is going to be developed to serve the whole of that area in accordance with the needs of the population. There are many parts of London to-day that are practically without telephone service and where the people are clamouring for telephone service.

By Mr. Lafleur:

Q. I want to ask you, Mr. Webb, what in your judgment is the effect of government ownership on the development of the system generally? Does it tend to encourage initative or the reverse? I am not restricting you to Great Britain just now, but I am speaking of your experience both on the continent of Europe and in Great Britain. —A. My general view is that government control has quite the reverse effect that it tends to restrict initative and enterprise in development. It is not putting it too strongly to say that government monoply is like a blight on the telephone business all over Europe, and it has very largely restricted the development of the telephone in Europe except in one or two countries. Where companies or private enterprise has had a fairly free hand the development of the telephones in Europe generally, in proportion to the population, is insignificant compared to the development in America, and the fundamental cause is government control. As a general rule, the service has fallen into the hands of the government telegraph departments, and it has not been developed to any extent. In many cities in Europe it is almost impossible to get telephone service without waiting for a long time. In some cities development is almost blocked. I was told the other day that in Vienna people who had made applications two or three years ago for a telephone service were still unable to get supplied. In Paris you have

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got a situation very similar practically in no development, an obsolete plant giving a very bad service, and there appears to be no way of stirring up the telegraph department to improve matters. If that system were a system owned by a company it would have been reconstructed a long time ago on modern lines and it would be developed. You could not have a finer territory in the world for a telephone service than Paris; an extremely small area with a very rich and active population. But the general tendency of the government departments in Europe is to sit on the business and not to develop it.

By the Chairman:

Q. I would like to ask Mr. Webb if he is familiar with the telephone system in Sweden?—A. Yes.

Q. Do you know how many telephones—do you know the proportion of telephones to the population?—A. Yes, a great part of the development has been done by companies.

Q. What is the proportion of telephones to the population there?—A. It is very large; it is something like one to fifteen.

Q. Fourteen?—A. Something like that. I can give you the figures.

Q. The whole system is controlled by the government?—A. Not at all. The greater part of the work has been done by companies. The Stockholm General Telephone Company established the greater share of all the telephones in Stockholm, and the development there, of course, has pretty largely been owing to active competition in Stockholm. The state system there tried to stamp out the companies, as a matter of fact, but the companies held out.

Q. Evidently the state system is active there?—A. It is active, but the state is not working the whole of the telephones in Sweden by any means. The state in Stockholm has about 11,000 telephones and the company has about 34,000.

Q. Does a person have to wait three years there to get his telephone?—A. No, not at all.

By Mr. Geoffrion:

Q. Is it because the government is stimulated by the private company that they have a better service?—A. Very largely, undoubtedly.

Q. I understand that you state that the government holds how much per cent of the telephone business?—A. I said in Sweden the Stockholm General Telephone Company operates about a third of the total number of telephones in Sweden. Then in Stockholm and the surrounding districts the state system has got 11,000 stations and the company system has 34,000 or 35,000 stations.

By Mr. Lafleur:

Q. In Stockholm are the people using both systems?—A. Yes, the state system is almost entirely a duplication of the company's system. I doubt whether out of the 11,000 there are more than 2,000 or 3,000 that are state system only. The rest are duplicates of the company. I can give you, if you want them, the exact figures for all these things up to January 1st of this year.

Q. You have got the official books?—A. Yes, I have official statistics from the directors and managers of all the principal telephone concerns.

Q. Now, in comparing European rates with American rates does the comparison of wages play an important part?—A. Undoubtedly, and there are a great many modifying conditions. It is wholly unpracticable to make a simple comparison of figures without comparing all the surrounding conditions.

Q. I suppose the price of material has to be considered?—A. The price of material has to be considered.

Q. Both raw material and manufactured?—A. Not only the prices of materials

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and the rates of wages, but the difficulties of doing the work, the general conditions vary very much.

Q. And the density of the population?—A. There are innumerable factors that you have to take into account to make a fair comparison.

Q. A bald statement of the rate in one place as compared with the rate in another place is no indication.—A. It is very misleading. The value of money is different, the general cost of living is different, and there are points of a technical character which differ widely.

Q. I suppose that applies to places of the same population?—A. Yes.

Q. So many things enter into the computation?—A. Even in places in the same country you may find considerable difference in conditions.

Q. Now, Mr. Webb, have you had occasion to consider the effect of telephone legislation in both Great Britain and Europe?—A. Well, I have followed the history of the telephone in Great Britain of course with a great deal of interest and very closely. I think, I have probably read all the various reports on investigations that have taken place, and I think the same statement applies there, that legislation has been restrictive in the main, has restricted development.

Q. Restrictive of development?—A. Yes.

Q. Does that apply to the continent of Europe as well as Great Britain?—A. It applies, yes, to the continent of Europe generally. In most cases the business was started by companies under license from the government and afterwards they were absorbed by the government. The countries where there has been most freedom, where private enterprise has had the longest play, have been Norway and Sweden and Denmark, and these countries you will find are more highly developed. It is only comparatively recently that the government has interfered actively in Scandanavia.

Q. Mr. Bergeron desires to know what the charges are in Sweden, how the private rates compare with the government rates, if you have that information here?—A. Well, in Stockholm, on account of the competition the state system makes a somewhat lower rate than the company system. The state charges a lower rate for the same class of service, unlimited service, than the company charges. But it is rather an artificial condition due to the competition, because it is a lower rate than the state charges in smaller towns in other parts of Sweden they are charging a lower rate for service in a big place than they charge for service in smaller places in other parts of the country. In Norway and Denmark there is no active competition between company and state. The one place where that exists is Stockholm.

Q. Have they the same rates in Stockholm?—A. I was speaking then of Stockholm.

Q. Can you give us the exact figures, Mr. Webb?—A. I do not know. I have not got my notes on that here. I can bring them this afternoon or to-morrow.

Q. There is an article in '*Telephony*' giving the rates at that time—a year or two years since.

By Mr. Lafleur:

Q. You have the 1905 rates. You can bring them?—A. Yes, I was in Stockholm last year. I think I have information that is comparatively up to date.

Q. You will be able to tell us this afternoon whether these rates of 1903 have varied?—A. Yes.

By Mr. Bergeron:

Q. You said that the state-owned telephones in Stockholm have rates a little lower than the company's rates?—A. Yes.

Q. How do you account then for the fact that the company have 34,000 or 35,000 subscribers and the state only about 11,000 if the rates of the state are lower? What is the cause of that?—A. The state rate that is lower is the rate for an unlimited ser-

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vice. Of course, the company has a tariff covering various rates for various classes of service, measured service, party line service and so on. The state system has one rate for an unlimited service. So that, the company has a more flexible tariff to work with and they have got a great many subscribers at these various rates. It is quite an extensive table of rates to choose from.

Q. So that, on the whole, since they have more subscribers the difference in the rates does not make much difference?—A. In what way do you mean?

Q. They have so many more subscribers than the state telephone, although the rates are lower?—A. You mean it makes a better bargain for the public?

Q. I do not know—.—A. I think that is the case, that a larger system will always bring subscribers in greater number than the smaller system. It almost goes without saying. It is a more valuable service with a larger number of subscribers. I think also, broadly speaking, that a company will always beat a government department.

Q. That explains also why out of the 11,000 state subscribers there are about 9,000 who use both telephones?—A. Yes.

Witness retired.

The committee adjourned until 4 o'clock p.m.

FRIDAY, May 26, 1905.
4 o'clock p.m.

The committee met, Sir William Mulock in the chair.

The examination of Mr. Webb, resumed.

By Mr. Lafleur:

Q. I do not know if we correctly understood your statement in regard to development in Norway and Sweden. You spoke of the number of telephones being one for every fourteen or fifteen inhabitants. Did you refer there to development at Stockholm or in the whole country?—A. I was undoubtedly at the moment thinking of Stockholm and not of the whole country.

Q. Would that be true of the whole country?—A. I find that the official statistics for January 1, 1905, show 112,250 telephones in Sweden, which gives one telephone to 46·8 of the population. The other figures related to Stockholm itself.

Q. So that these figures did not apply to the whole country?—A. No, in the figures I gave this morning, I was thinking of Stockholm and not of the whole country.

Q. While we are on this subject was there not some information that the committee, I think it was the chairman, desired to get from you this afternoon and which you said you would furnish?—A. As to rates, I think.

Q. That is the rates, I think, in Norway or Sweden.—A. In Sweden there is a flat rate of the general company for what are called starred subscribers which means that they have an asterisk against their names in the directory and it indicates that they may be called free, by message rate subscribers, that is a message rate subscriber calling a starred subscriber is not charged the message fee for that call. Those subscribers pay 100 kroner a year which is equivalent to about $27. Then there is a flat rate for unstarred 80 kroner, a party line rate 60 kroner and each of those pay an entrance fee of 50 kroner. They pay part of the capital cost of establishing their lines. Then an inside extension station costs 34 kroner and an outside extension plant 40 kroner for the first 500 metres of line and so on in proportion according to the length

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of line. On this installation charge, 10 kroner, equal to $2.70, is charged. Then there is a message rate for business purposes of 45 kroner, with a kroner installation charge; residence purposes 36 kroner with the same installation charge. It is quite a usual practice on the continent of Europe, to make the subscriber pay part of the cost of establishing the line, to make him pay part of the capital cost of his installation. Each of these classes of subscribers have 100 calls per quarter for that rate and pay 2·7 cents fees for extra calls above the 100 calls per quarter. If the 100 calls are not used up in the quarter no credit is carried on. The 100 is supposed to be for that quarter and if a man only uses 50 he starts again on the next quarter.

Q. Then a subscriber loses if he does not use the quantity ?—A. Yes. Those are the principal rates of the company at Stockholm.

Q. Is the calling rate high or low in that country ?—A. It is very difficult to tell. They do not keep complete statistics of traffic. It is always a very difficult matter to get accurate information in Stockholm as to the rate of calling.

Q. The calling rate such as we have in this country with the system of charging would seem to make it rather expensive ?—A. Yes, I think as a general rule the rate of calling is much lower in all European systems than it is in this country.

Q. Will you turn to page 21, that is if you have finished your explanation in regard to the rates in Scandinavia?—A. I was trying to find the government rate in Stockholm. The government rate in Stockholm is 50 kroner, which is one-half the maximum rate of the company's system. In other towns of Sweden, which are, of course, smaller than Stockholm, the government charges higher rates, which shows that the rate of 50 kroner in Stockholm, is an artificial one, due to the competition.

Q. Will you turn to page 21 of the evidence? I would like to supplement what you have said in regard to foreign rates by asking you concerning some countries specified there. First of all take Belgium. That is obviously an error in the column headed 'Remarks,' where Brussels and Amsterdam are included. Amsterdam is there by mistake evidently ?—A. That probably should read Antwerp.

Q. Amsterdam is properly included below under Holland ?—A. Under Holland, yes.

Q. Now take the Denmark rate ? What do you say about that ?—A. I think that is not correct. Perhaps you had better first take Austria.

Q. Yes ?—A. The rate in Vienna which if course is the principal city is $40. In the smaller towns in Austria they make the subscriber pay the cost of establishing his line and then charge him a rate for maintenance and a rate for service and as a consequence they have a very small development in that country. But the rate in Vienna for unlimited service is $40. Then as to Denmark they have at Copenhagen quite an extensive tariff.

Q. It is put down here at $40.56.—A. Well, I think one thing that confuses this table a little is that apparently an effort has been made to work out the rates according to current rates of exchange. I confess I have always found that rather confusing. In working rates into American or Canadian money I have taken the even money, $5 for the pound, or 20 cents to the franc, or whatever it may be. I think that working it out by the rate of exchange gives you rather confusing figures. According to my notes which of course were made on the spot, the highest rate in Copenhagen, is for service at hotels, restaurants, cafés, and clubs, where the patrons of the building use the service free of charge, and that rate is 180 kroner, which is equivalent to $48.60 at 27 cents to the kroner. There is rather a point in comparing all these foreign rates in that the unit of money always has a distinct bearing on the price of things. The unit of money in Scandinavia generally is the kroner, which is equivalent to about 27 cents, and although the kroner is not in Scandinavia exactly the equivalent of a dollar in this country it is considerably more than the equivalent of 27 cents in this country—its purchasing power is considerably greater than the exact equivalent in American money—I think in comparing all prices in different countries you have always

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got to take into account the unit of money that rules in the country and its purchasing power. One hundred and eighty kroner represents a considerable sum in Denmark, represents considerably more than $48 does in this country. Well, the next rate for business service in Copenhagen is 120 kroner.

Q. Is this Copenhagen you are dealing with?—A. This is Copenhagen. Of course all of these figures in Mr. Dagger's table are very vague. The name of the country is given and then the rates, without specifying what towns they refer to. But I am taking Copenhagen, which is the principal town in the country. In all the Scandinavian countries you find in the smaller places numerous small concerns that do business in a variety of ways, co-perative companies that charge the subscriber for the building of his line and then charge him a rate for service and a rate for maintenance, and it is very difficult to make any comparison with those rates. But in the big cities, of course, the business is run in the regular way with regulation rates. In Copenhagen the business rate, as I said, is 120 kroner, $32.40, and the residence rate is 100 kroner, which is equivalent to $27. Those rates, as you see, are somewhat higher than Stockholm.

Q. Now, passing over Finland, take France.—A. The rate in Paris is $80, 400 francs.

Q. Not $60 as set forth in the column at page 21?—A. And as stated here the subscribers have to buy their own instruments. They not only have to buy their own instruments but they have to pay the cost of connecting the house with the cables and the sewers.

By Mr. Chrysler:

Q. That is stated here 'Paris subscribers must also buy their phones'?—A. Yes, I said that was stated and further than that they have to pay the cost of the connection to the house. The cables in Paris, the main cables, run in the sewers and the subscriber pays the cost of the branch cable from the sewer into the house, whatever that may be.

By Mr. Lafleur:

Q. Well, does the system of urgent calls or express calls prevail in Paris?—A. From public stations?

Q. Yes?—A. No, the urgent rate applies only to long-distance.

Q. To long-distance?—A. Yes, and in Paris they make no difference in a rate between a business telephone and a residence telephone, they all pay alike.

Q. Now, take the next country, Germany, the rate is stated there to be $24.30, with certain additional charges $4.86 for the first 500. Is that correctly stated?—A. That does not tell the whole story. In Germany up to five or six years ago they had a universal flat rate of 150 marks for places of all sizes. Any place throughout the country paid the same rate for an unlimited service. They found that was not a success and five or six years ago they revised their whole rate scheme and they raised the flat rate in the larger places. In Berlin they raised it to $45, 180 marks, and in Hamburg to $40, and they introduced a system of message rates based on what we call the divided message rate scheme, under which the subscriber pays a fixed rate for the maintenance of his line and station and pays a rate for each message, and the maintenance rate or the ground rate as they call it in Germany varies in accordance with the number of stations in the system. In the philosophic manner in which the Germans work out matters they attempted to make the rate vary with the cost of furnishing the service. It is well known that the large system costs more to operate than the small one.

Q. That is the German government system you are referring to?—A. Yes, throughout Germany the telephone system is operated by the Imperial post office. Of course, the larger number of telephones in Germany are still under flat rates. Although the introduction of the message rate has given them a large development, the

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greater proportion are still flat rate subscribers. In Berlin there are 30,500 flat rate subscribers to 12,700 message rate subscribers.

By Mr. Chrysler:

Q. Has the subscriber the option to determine which way he shall pay ?—A. Oh, yes.

By Mr. Lafleur:

Q. Before I leave the question of European rates, Mr. Webb, I do not know if you have fully explained the outside system of long-distance rates, that is the urgent calls or express rates which prevail.—A. We touched on that this morning. There is really not much to explain. It is simply the regulation that an urgent call which takes the head of the line so to speak is charged a triple rate.

Q. A triple rate ?—A. And the person who wants to get through quickly pays.

Q. As a matter of fact does a business man pay the urgent rate ?—A. As a matter of practice they do, a large percentage of the calls are at the urgent rates.

Q. Now, leaving that subject Mr. Webb ?—A. Before you leave Germany, I may say that I do not think the information in the table at page 21——

Q. Oh, yes, Germany.—A. Is very complete or correct. The rate system is a good deal more complicated than that and the figure of $24.30 I do not find at all in my notes.

Q. That is the annual subscription ?—A. No. The thing is so worked out that under the message rates a total of about 1,600 messages a year brings the rate up to the equivalent of the flat rate, so that a man in Berlin under the message rate would, counting the year as having 300 working days, only have about five calls a day before he would be paying as much as the flat rate at $45. So you see the message rate is not much of a saving over the flat rate to the business man.

Q. If that is all you have to say, Mr. Webb, on the subject of foreign rates for the present, I would like to ask you to give some further particulars in regard to the equipment of the municipal telephone systems in England. I gathered from what you told us that in your opinion these municipal systems in Great Britain were not built with regard to the existing state of the art at the time they were laid out. I would like you to give some instances.—A. You have got to consider that all of these municipal systems, the whole five of them, that are working at present have been built since 1900. The first that was built was begun some time in 1900, that is Glasgow, and was opened for service in the summer of 1901. At that time the common battery system was established and was very generally in use and was undoubtedly the best thing to use, but it was not adopted in Glasgow, in fact the manager of the Glasgow system reported specifically against it; and you will find if you read the report that is printed in the minutes, that the committee in 1904, after three years working, stated that they were obliged to consider converting the system, and they have announced in the Glasgow press that they are going to convert the system to lamp signalling and automatic calling and clearing, which is precisely the thing they could have had in 1900, but condemned, that is the engineer condemned it. Well, in Portsmouth and Swansea——

Q. Pardon me, before we leave Glasgow, what kind of indicators are used in that city instead of the lamp signals ?—A. The ordinary electro magnetic indicators in the small exchanges and the flat switchboards in the main exchanges which are worked on the call wire system have no indicators on the call wire system. The order is given directly by talking to the operator, the operator is supposed to be listening permanently on the line.

Q. You were going to refer to Swansea ?—A. Then at Portsmouth and Swansea there is an indicator switchboard which is operated by the subscriber pressing a button on his instrument. The whole of these municipal systems are worked on what is called the 'ring through' principle, which obliges the subscriber to ring his correspondent.

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The idea is that it saves work to the operator. The operator does not have to ring the called subscriber, but after he has got the number and made the connection says, 'You are connected, you are through,' or something of that sort, and then the calling subscriber has to put his telephone back on the hook and ring his correspondent himself. That, of course, is a very antiquated method of working and very wasteful in matter of time both for the subscriber and for the plant. It makes every connection occupy just so much more time. The method of calling by pressing a button of course involves the subscriber giving a definite signal to disconnect, which is the thing that the subscriber in a good many cases forgets to do, and in that way you have no positive disconnecting signal and the service is inferior for that reason, the lines are frequently left connected longer than they should be.

Q. While we are speaking of the 'ring through' system, how does that work on the long-distance line?—A. It has no effect on the long-distance line for the reason that the long-distance connection is always built up by the government operators as it were, and then goes back as a reverse call to the calling subscriber. But on the local trunks of course it involves a great waste of time. It involves this sort of thing: that subscribers get so much into the habit of ringing that he answers a call by ringing. When a man gets rung on the telephone in Glasgow, in six cases out of ten I suppose, he goes to the telephone and rings back because he is so accustomed to ringing, and you will find that people in calling will leave their telephone on the hook and wait until they get that ring back after they have rung the other subscriber. Well, when you have got a system of 100,000 lines with 50,000 or 60,000 calls a day the amount of waste of time that that process means in a day's work is something prodigious. Those methods of working result in having to put a collection of notices like are on this red page (witness holds up to view a book containing a coloured page) in the Glasgow corporation telephone directory with a lot of special instruction for using the telephone. Here is one with big letters headed 'Important.' 'It is unnecessary for subscribers to ring back before taking the telephone off its rest to answer a call. When one subscriber rings another he should not wait for a ring back. He should take his telephone off immediately after ringing and wait for its correspondent's voice.' That shows the class of telephone work that is done in Glasgow and the very fact that they find it necessary to insert such a red page in the directory with all these complicated instructions to the subscriber as to what not to do and what to do, in order to work the service proves its inefficiency, and that is a service that was established in the twentieth century.

Q. You have referred to Glasgow and Swansea. How is the Brighton municipal system equipped in regard to indicators? Is that one up to date?—A. Brighton and Hull are equipped with a switchboard that is a sort of pallid imitation of the common battery system, which gives automatic signalling. When a subscriber takes his telephone off the hook, the hook in rising makes an earth contact and that throws the indicator at the exchange, and that indicator is restored mechanically when the operator answers. There is another indicator connected with a cord and when the subscriber replaces his telephone the hook makes a contact in going down and throws that indicator as a disconnecting signal, and there is one of these disconnection indicators on each cord, in an attempt to reproduce and imitate the supervising signals of the common battery system. But the trouble is that the indicators are not automatic and they are thrown when the hook goes either up or down, so that the called subscriber throws his indicator when he takes the telephone off the hook to answer and there you have half a disconnecting signal, and it is necessary for the operator to restore that indicator and put it in readiness to fall again when the subscriber has really finished. If the other subscriber by accident touches his hook, or if an earth contact comes on the line as may often happen, the first subscriber's indicator falls also, and then the operator has got a disconnection signal and cuts off the subscribers. Of course any method of that sort must lead to innumerable errors in the course of the day, and as a matter of

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practice I think the operators disregard the second clearing out signal altogether, they do not take any notice of it. Any telephone man can easily see that the second indicator might just as well be painted on the board for all the use it is. In fact it would be better painted, then it would not worry the operator.

Q. Is Brighton not any more advanced as to the switchboards than as to the indicators?—A. The switchboard is practically what I have described, that is the general method of working the switchboard. Of course the plan of using mechanically restored drops is a great defect because it means that the signal can only be restored by the operator who is immediately opposite it. In the common battery switchboard the signal can be seen three or four positions away and in that manner you get the operators working as a team, and it has been calculated by a very careful test that when you have what is called team work you get about 15 per cent higher efficiency in the working of the exchange than if you have a switchboard in which team practice is not practicable. In the case of the Brighton switchboard the very fact that only the operator opposite a signal can restore it, bars out team work.

Mr. LAFLEUR.—I think that is all I have to ask Mr. Webb at present. I understood it was the intention of the committee to offer some expert evidence. In that case, if any new matters, irrespective of the questions discussed, should arise, I would ask permission to re-examine our experts if they are still here. I think, however, I have covered all the ground which I can profitably cover at present. I would like, however, to have that understanding in the event of any new points arising.

The CHAIRMAN.—There will be no difficulty in giving your other witnesses a hearing. I have no doubt that after Mr. Webb is examined, after the evidence of your experts is concluded, if the committee decide to call any expert witnesses in their own behalf, ample opportunity will be given to other parties in regard to any phases that may arise as the result of such evidence put in by the committee.

Mr. CHRYSLER.—I would prefer, if it is convenient for the committee, to adjourn the cross-examination of Mr. Webb until Monday morning. A new field has been opened up by the evidence of this witness and one which has not been touched upon by any of the other witnesses.

By the Chairman :

Q. One or two matters have come to my mind and as I shall not be here on Monday, I will question Mr. Webb now in regard to them. I have in my hand an excerpt from the *Electrical Engineer* of February 3, 1905, containing a communication signed 'John Macfee, Glasgow.' Do you know Mr. John Macfee?—A. Yes, sir.

Q. What is his position?—A. He is the general manager of the corporation, of the telephone department.

Q. Is he a competent manager ?—A. I should not like to offer any opinion upon that.

Q. What are his qualifications ?—A. I have met Mr. Macfee. I believe he was at some time a local manager in the National Telephone Company. He has been with the corporation of Glasgow, the corporation telephone department, since the beginning. He was assistant manager at first.

Q. In this letter he does not appear to agree with your opinion, as expressed here to-day, at least as expressed somewhere else, as to the conditions in Glasgow. He says in the letter of January 25, 1905, as follows : 'I observe in your issue of the 20th instant a letter by Mr. H. L. Webb'—that would be you ?—A. Yes, sir.

Q. 'A letter by Mr. H. L. Webb on telephone rates in which he refers to the contemplated rearrangement of operating service in Glasgow. Permit me to state that Mr. Webb's remarks as to the necessity of rebuilding plant are entirely incorrect, as no rebuilding of plant will be necessary. His further remarks regarding the probable cost and the so-called telephone muddle, which appear to be the outcome of a prejudiced imagination, are too ridiculous for comment. (Signed) John Macfee, Glasgow,

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25th January, 1905.' Apparently he does not agree with you, Mr. Webb ?—A. Apparently he does not, at least for publication.

Q. I presume he is writing conscientiously, and with knowledge, such as it is ?—A. Well, sir, I do not know. I have been in the telephone business for sixteen years. I have seen the whole telephone system of New York rebuilt twice over, and in some cases the same exchange in that time rebuilt three times over, and I have never heard of anybody who has attempted to graft an entirely different system of working on old switchboards. It is a practical impossibility, and if it were possible it would not be worth doing.

Q. Have the companies that you have been connected with abandoned what they regard as antiquated plant ?—A. Oh, unquestionably.

Q. They have thrown out of use into the scrap heap, as it is called, switchboards that have cost large sums of money ?—A. Undoubtedly.

Q. Undoubtedly. So that it is not the municipal system only that has to abandon plant ?—A. No, sir. But the grave defect of the Glasgow system is that they put in this antiquated system long after any competent telephone engineer knew that it was antiquated and knew the fundamental defects of the system. It is too foolish that one should have to discuss such a method as that in these days. It has been discarded in Philadelphia and St. Louis, the only two places where it had been in operation to any extent on this continent ten years ago.

Q. Have what may be called the old line telephone companies made no such mistakes?—A. Oh, I do not say that at all.

Q. They have, have they?—A. You have got to consider that this Glasgow telephone business was started in 1900 and they had the whole accumulated experience of twenty years to draw upon, but they preferred to ignore it. It was a splendid opportunity to establish a first-rate up-to-date plant.

Q. That was merely an error of judgment perhaps?—A. It was undoubtedly an error of judgment.

Q. If your view is correct they committed an error of judgment?—A. Undoubtedly.

Q. And because of that error of judgment would you condemn the municipal telephone system ?—A. I have never condemned the municipal telephone idea in principle. What I have condemned is the work which has been done on the existing systems.

Q. Then all your testimony as regards Glasgow goes simply to show that in the case of that city they have made some engineering mistakes?—A. That is a gentle way of putting it. They have made engineering mistakes which undermine the value of the whole system.

Q. You expressed the opinion, I think, that public opinion in England was drifting against the municipalization of telephones?—A. I do not know about public opinion generally, I do not think public opinion generally takes much interest in the subject. I think the people that understand the business are universally against it.

Q. Well you have showed that there had been an abandonment of municipal telephone systems have you not?—A. In the case of the Tunbridge Wells and I think the others would be very glad to sell out to-day if they could get their money back.

Q. Why?—A. For the very reason they have made so many mistakes.

Q. I see. Well, there is a system installed in Brighton you say?—A. Yes.

Q. I have a paper here, the *Canadian Engineer,* which contains an article bearing on the subject which was written by Mr. Dagger, a gentleman now present, and he purports to quote, on the authority of Mr. A. R. Bennett, the result of an expression of opinion obtained from the subscribers to the Brighton system. The question as to whether they preferred the municipal system or the company system was submitted to them with the following result. Out of 447 subscribers, this statement is to the effect that 398 declared in favour of a municipal service, 5 in favour of company service, 12 were indifferent, 28 were satisfied with the municipal service but expressed no opinion about company service, and 4 were uncertain. That expression of opinion,

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APPENDIX No. 1

it is stated here, was obtained by pracically a vote taken?—A Sending out post cards and asking questions.

Q. Are you at all familiar with the feeling among the subscribers at Brighton?—A. No. I have read the original document from which that was extracted. It was done shortly after the Brighton corporation system started up and it was all quite new. It was a very small exchange and a very simple one to work and it was done at a time when the National Exchange was being reconstructed in the winter when they had a sort of breakdown and had a good deal of trouble. So of course that was a very opportune time for getting favourable answers regarding the municipal service.

Q. Can you give any explanation why it is that in many of the leading states of the Union so much more progress has been made in extending the telephone system by independent companies than by the American Bell Telephone Company? Here I have a letter just handed to me written by Mr. Wm. L. Moellering, President of the Northern Indiana Telephone Association. His letter is as follows:—

'FORT WAYNE, IND.,
May 24, 1905.

Sir WILLIAM MULOCK, K.C.M.G.,
Ottawa, Canada.

DEAR SIR,—Answering your inquiry under date of May 22, relative to telephone systems, &c., beg to say that the number of independent telephones in the State of Indiana is 175,000, the number of the Bell approximately 30,000. The Independent Company began operation in this state 10 years ago, the Bell 25 years ago.'

—A. Well, I should want to check the gentleman's figures before giving an opinion.

Q. You are not inclined to accept them?—A. I am never inclined to accept any of these sweeping statements.

Q. You have sufficient knowledge, I suppose, Mr. Webb, of the growth of the independent telephone companies in many of the states of the Union to know fairly accurately the extent of their operations?—A. From reading in the press I certainly have a very strong idea that the figures are exaggerated. I know perfectly well there has been a large growth in independent telephony, very naturally so, they have gone into fields that have been little developed, and have developed them, and in many cases they have done very well indeed.

Q. But is there not one explanation in this, that these independent companies seek to develop their systems among the rural populations, which is apparently not the policy of the old line companies?—A. I think that may be, but frankly I have not been in those parts of the country, and I do not like to express an opinion upon things I have not seen myself at all.

Q. Another question that you might tell us, was the distances from London to Berlin and London to Paris, there is telephone connection between those points, I understand?—A. No, not as from London to Berlin, London to Paris, yes, but not to Berlin, the sea distance is too great.

Q. Over what lines do you telephone from London to Brussels?—A. Over the lines of the two governments, and the cable laid jointly by the two governments.

Q. How many physical connections have to be made for the transmission of messages?—A. That is a through line from terminal to terminal.

Q. It is one through line?—A. Yes.

Q. It was stated by a witness yesterday, Mr. McFarlane I think, that you could telephone from London to Berlin. That was a mistake, was it?—A. I think that was a mistake.

Mr. MCFARLANE.—I understood you to say you could telephone?

The CHAIRMAN.—I have no knowledge, I was informed.

Mr. MCFARLANE.—I said I was not sure, I thought it might be.—A. They have made experiments and wanted to do that. But the German government will not work

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any line that passes through foreign territory, so that it necessitates a cable that goes from English to German soil, and the cable distance is too great to telephone over. The submarine cable has great retarding effect on the telephone current; but London talks to Paris, and to Brussels.

By the Chairman:

Q. My attention has been called to July, 1904, number *Telephony* containing what purports to be a statement by Mr. F. M. Adams, a writer in the *Brooklyn Eagle*; do you know that gentleman?—A. No, sir.

Q. You don't know him—well, he has been in Glasgow, and has expressed himself as follows:—

'The work of construction was begun in July, 1900, and up to the present time Glasgow has expended $1,350,000 on its telephone plant. While the city contains only 20 square miles of territory, the telephone wires reach over nearly ten times that large a district. Under the old telephone company no effort was made to reach the suburban area.'

Is that correct?—A. No, I should say it was not correct. The telephone area of Glasgow is 143 square miles.

Q. Then he says:—

'The private company catered only to the congested district, and imagined that they would lose money if they improved the service, extended the scope or lowered the rates. Under their management the average annual cost of a telephone was $60 or more. It took from 1 to 10 minutes to make a connection. London is in the same plight to-day that Glasgow found itself in four years ago. The private telephone systems of Great Britain are inefficient almost beyond belief. The Glasgow telephone service is the best I have ever inspected.'

—A. He must have had hard luck in the other places.

Q. Mr Adams continues:—

'Mr. Bennett informed me that their statistics showed that the average time required to make a connection was less than 15 seconds. I made a test on my own account and called up ten subscribers. Of the nine who responded, the average time from unhooking the receiver to answers from those addressed was 14 seconds.'

That would be pretty good time? That would be what you would call smart service?—A. Oh, yes.

Q. That will be smart service?—A. Oh, yes, that is right.

Q. He continues:

'It should be explained that the telephone booth is practically unknown in the office of a Glasgow business man. The instrument is on the edge of his desk and the receiver and transmitter are in one piece. This aluminum device is connected with a wire cord, and the customer may converse leaning back in his chair or walking about the room as he prefers. It is a most decided improvement over the clumsy and antiquated system which yet prevails in most exchanges in the United States.'

A. That is the hand telephone set, which is used very largely in Europe. But the rest of it is, of course mainly inaccurate. That is a newspaper writer and I do not think you can take that as evidence.

Q. You have no great faith in writers in the newspapers?—A. Not on technical subjects, no.

Q. But he is speaking of practical results; he tells us there of the working of the system?—A. You can make a special test of that kind on almost any system and get results when people are looking out for results. I am talking of ordinary daily working, the results from the service given from day to day.

Mr. LAFLEUR.—I am employed in the Supreme Court on Monday morning. I have the first case on the list, but there is already work for the committee on Monday morn-

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ing. Mr. Ethier will be here about the Montreal question, and if you see no objection we may say four o'clock on Monday for the continuation of Mr. Webb's examination. I shall be free then. As I have taken Mr. Webb's examination up to the present I can hardly ask another counsel to continue.

The CHAIRMAN.—That will be satisfactory, Mr. Lafleur, we can take other business in the meantime.

By Mr. Bergeron:

Q. Tell me as a matter of opinion at what distance can you talk over the telephone with advantage either on the continent or in England or anywhere in Europe?—A. Do you mean the maximum distance?

Q. Well, how far can you telephone and speak very well?—A. There is a line working from Vienna to Paris which is about 700 miles; I should say that is one of the longest distances. I doubt whether, as a general rule, you talk in Europe over as long distances as in this country, and that is mainly because the distances do not exist in most countries. Some of the international lines, like Vienna to Paris, or Vienna to Berlin, are pretty long. A line is being planned from Paris to Madrid, that would be about 800 miles, but the distances in England seldom go much above 400 or 500 miles, simply because the important towns are not much more than that distance apart.

By Mr. Lewis:

Q. You say that the gross revenue of 11% on the capital of the company is not enough to make it pay. What would be a proper or sufficient revenue?—A. I said that with regard to trunk lines, the government trunk lines.

Q. You stated I believe——A. I think I stated as regards the Glasgow system that the original estimate foreshadows a gross revenue of about 28 per cent. I can give you the exact figures. The earliest estimate gave the capital cost per line at £17, and the rate was to be £5 10s. That was a percentage of gross revenue to capital cost of 32·1. Then the estimate was changed a bit and the capital cost was brought up to nearly £19 per line, and the rate was reduced to 5 guineas instead of £5 10s.; that made the percentage of gross revenue 28 per cent on the capital cost. That was an estimate that would be very satisfactory, about 28 per cent on the capital stock. That gross revenue would give you a good margin to pay working expenses and dividends. But when the thing got to work, the average cost per line ran up to about £34, instead of the estimated £19; if you analyse that statement that you have printed in your minutes, allowing for the value of the extension stations, &c., you will find that it makes up an average of about £34 to the line, and the gross revenue is about 16 per cent on the capital. So that you see there is a very great difference in the actual results as compared with the estimate on which the business was based.

Q. You recommend highly the way the government trunk lines were built in the city of London?—A. Not the trunk line but the cable system, the cable plant of the London post office system. By trunk line we mean, in England, the long-distance line.

Q. That is the government line?—A. Yes.

Q. Your opinion is that they were put in permanently?—A. The work was very thoroughly done indeed.

Q. Are you aware that the Glasgow system was put in under government supervision?—A. No, it was not.

Q. I understand that is a fact?—A. That is not a fact, as I stated. The government attached to the license a sort of general specification which lays down general conditions to which the municipal plant shall conform, and simply specifies that all lines shall be metallic circuit and that effective disconnecting signals shall be provided and so forth. But the government never makes any inspection of the work, nor inspects the plant in detail, and in my remarks this morning I said clearly that I did not approve the practice of using a cable buried solid in the ground. I do not doubt that the actual work of building the ducts in Glasgow was well done.

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Q. Can the telephone system be operated as cheaply in Canada as it can in the United States, in your experience of both countries?—A. That I should not like to say. I have not been long enough in Canada to give an offhand opinion on a point like that.

Q. Are you employed by any company or are you just an expert, a free lance?—A. I am a free lance in the main. Of course as I stated in my qualifications, I have a retainer from the National Telephone Company as well as other companies, but I have my own office and in no way am I an officer of the company, I am entirely free to take any other business that offers.

Q. Especially if it comes from the National Telephone Company?—A. I am retained by the National Telephone Company.

Q. Is that a paying concern?—A. Oh, yes.

Q. Giving good satisfaction?—A. Oh, yes, it pays an average dividend of 5 per cent.

Q. Is it in operation in the city of London?—A. Practically in every town in the kingdom.

Q. Does it give as good satisfaction as the Bell Telephone Company in Canada?—A. As far as I know it does.

Q. You have experience in both, I suppose?—A. Well, it gives a reasonable good service, yes. The National Telephone Company throughout the country have laboured under a handicap to a great extent in working under a limited license. The license from the government expires in six years, in 1911, and although the development of the telephone business has been great it has been difficult of late years, for the National Telephone Company to raise capital sufficient to carry on that development on account of its limited tenure of business. So that to a certain extent the company has had to put the brakes on instead of developing freely, it has had to restrict its development and has had to be very careful about the expenditure of new capital. So that some of its local systems are not to-day as up to date as they might be. In London they are reconstructing at the present time the entire system with a common battery plant, and a large number of exchanges have already been converted and others are being converted steadily.

Q. In the United States, the telephone system is as complete and modern a system as it can be?—A. I think in practically all the cities in the United States to-day the telephone system is working with a modern plant.

Q. And modern 'phones too?—A. That I cannot say.

Q. Are they paying in the United States?—A. As far as I know in the main they are. I think business is fairly prosperous.

By Mr. Roche:

Q. These rates that you quoted to the committee to-day, are they existing rates? I mean in Sweden, Glasgow and other places?—A. Yes.

Q. Is there anything in that report about the government. I think one of the witnesses, Mr. Willock, gave evidence to the effect that the government were considering taking over the National system and operating it?—A. Yes.

Q. There is something in that?—A. The agreement has been concluded.

Q. Would it not seem rather odd that the government, if this present existing government system is not a success, would desire to take over the National system too?—A. I do not quite understand your question.

Q. I understand you to say that it has not been a success, financial or otherwise, the operation of the state-owned system, the trunk line system in England?—A. I say it has not been a financial success, the working of the long-distance line, certainly.

Q. Have they local systems, they have in London, for instance?—A. Yes.

Q. In London?—A. They have a system in London.

Q. You have quoted figures to show that even in London it is not a financial success?—A. Yes, at the present time it is not paying expenses.

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Q. That is the reason I asked you?—A. I see the drift of your question now. It is a matter of politics really, I mean that the government officials think they ought to control the telephone business, and they mean to control it, and that is about the end of it.

Q. Is it causing any dissatisfaction with the National system at all?—A. No, I do not think so. I think it is simply a question of government monopoly of the business; the government owns the telegraph and they want to bring the telephone service into the same relationship.

Q. Is there any popular demand for it?—A. I should not say so, no.

Q. I cannot see that there would be much politics in it then?—A. I think I might say that the agreement on the whole has been received very favourably by the press, and so far as public opinion is concerned, there has not been much criticism of it. Of course, the agreement has not yet been debated or discussed in parliament at all. A select committee is to be appointed to consider it, and the agreement is not to be ratified until it has been considered and reported on, and until parliament approves.

Q. The figures you quoted in regard to the operation of the London system did not include the service gratis, of course, to the government?—A. Yes, it did. They allow an amount for service rendered to government departments without charge.

Q. You did not quote that at all?—A. Yes, I think I stated that.

Q. I think you said including——A. It credits that.

By the Chairman:

Q. Yes, it did. I remember quite well reading that?—A. Yes, it amounts to £1,800, value of the service rendered to government departments without payment.

By Mr. Roche:

Q. While in Sweden—you said that the government-owned lines are not being developed to the same extent that the company-owned lines are?—A. In Stockholm, yes.

Q. Of course, the company lines have been in existence a much longer time, have they not?—A. Well, I am not sure about that. I rather fancy that the government system was established first.

Q. You are sure ?—A. I would not be certain about that. In any case, I do not think there is much difference between them. The General Telephone Company was founded about 1886 or something like that, and I think they had a state system at the time.

Q. In Germany they have no company-owned lines ?—A. No, there never have been any companies in Germany. The government took the monopoly there from the beginning, and never allowed a telephone company to exist.

Q. You spoke about only six municipalities in England having taken advantage of municipal ownership ?—A. Yes.

Q. Can you account for that in any way except the timidity of the public to launch on that experiment?—A. It is not a question of the public at all. It is a question of the town council. I mean, those systems have been established in response to no public demand, but simply some committee of the town council had brought the matter forward. A telephone committee has been formed, and they put the scheme through in that way. And the fact that many municipalities have considered it and have not done anything, to my mind simply shows that on investigation they did not think it was a wise thing to go in for.

Q. I presume the experience of the municipal plant has had something to do with forming that decision, in your opinion ? The experience of Glasgow, for instance ?—A. Well, I should think it has, very likely. You see, in Glasgow the scheme was put forward calling for a capital of £100,000 in round figures—£97,000 or £98,000—and they have been going only four years and they have already spent over £350,000, and have not really got very much to show for it, only about 10,000 subscribers.

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Q. The reasons you have assigned for the Glasgow system not being remunerative were largely because of the obsolete plant, the manner of laying their cable—their obsolete system—want of modern method, and so on. But, outside of that, is there any reason in your mind why municipal ownership of the plant should not pay?—A. At those rates, I think there is every reason. I think the rate is an impossible one. I do not think it is practicable to telephone a big city area like Glasgow at a rate of £5. It is not possible to give an up-to-date service and make it pay at that rate.

Q. Did the German system on these lines pay?—A. Take the Hamburg or Berlin rates to begin with. The rate is nearly double—$45. You have got a great difference there. Whether they pay or not I really cannot tell you. You cannot very well make out from government accounts whether any particular department pays or not.

Q. You have not any statistics to show?—A. No, I have none.

By the Chairman:

Q. You say the rate in Glasgow is five guineas—what we would call about $26—and that it is not in your opinion a praying rate?—A. No, sir, not for a big city.

Q. What do you think would be a paying rate—£5-5?—A. If I were establishing a new telephone system in a big town like Glasgow, I would not offer any flat rate at all. I would have a tariff of message rates, which gives a much more elastic scheme of rates. It enables one to take in the small user at a rate he is able and willing to pay, and then with the large user you get a rate commensurate with the service he uses.

Q. I suppose if the municipality establishes a municipal system the municipality as a whole is responsible for the liability?—A. Oh, yes.

Q. Although but a small percentage of the ratepayers may care to use a telephone?—A. Certainly.

Q. That being the case, isn't it possible that the apathy of municipalities in England on the telephone question arises from the fact that the great majority of the people are not concerned in regard to telephones, whether the system of a company or state, or municipal-owned one?—A. You can make all sorts of conjectures, of course, as to the reasons. But, as a matter of fact, none of these systems has been started in response to any public demand. The whole project has been brought up in the town council itself, and as a matter of fact there has been considerable opposition to the borrowing of money for telephone purposes among the ratepayers in almost all of these towns.

Q. Are you familiar with the municipal system of Guernsey?—A. Well, it is not exactly a municipal system; it does not come under the category of a municipal system. It has nothing to do with the systems started under the Act of 1899, it was established before the Act. Guernsey, as you know, has home rule entirely. It is not governed by the general laws of England.

Q. It is a state-owned system?—A. Yes, but it is not in the same sense of the word—it is not a municipal system comparable with Glasgow or Brighton or Portsmouth.

Q. Whatever it is, it has no stockholders?—A. No, it is done with money loaned by the states—what they call the States of Guernsey, that is, the local parliament.

Q. And is owned by the people?—A. Yes.

Q. Whether they are a municipality or independent sovereign power?—A. Yes. Of course you want to make a distinction between that and these municipal systems carried on under a distinct Act of Parliament.

Q. Whatever it is, it is not owned by stockholders?—A. No.

Q. And the profit or loss accruing from the system goes to the state?—A. Yes.

Q. Has that system been a success?—A. As far as one can tell from the published balance sheets it pays its way; yes. I think you will find it stated in your minutes that 10 per cent is put aside for depreciation. As a matter of fact, it is only 5 per cent.

Q. They have been in operation about eight years, I think?—A. It was started in 1898—it has been in operation really a little over six years. It was building in 1898.

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Q. I think they have issued the eight-year statement. Do you know how they stand financially to-day?—A. Well, this is the statement for 1903 (referring to document). I do not think I have the statement for 1904. I do not know. Then they had to rebuild their exchange entirely last year after having been working only five or six years.

Q. I have their statement here up to the 31st of December, 1904. That will, therefore, include the rebuilding. Can you tell me from an examination of that statement? That will include the time of rebuilding. I make out from this statement that they have their capital intact and about 20 per cent of reserve?—A. Yes, I see they carry over the year to reserve account for depreciation and sinking fund £1,200 on a capital of £27,000.

Q. You add that to what they had before to their credit?—A. You see this is nothing like 10 per cent as is stated in your evidence here.

Q. What is the result of that from an analysis of that statement? How much do you make out that they have over and above their capital?—A. It is really less than four and a half per cent.

Q. How do you make out the other side of it? Their capital is £27,000?—A. Yes, and they have got £5,000 in hand for depreciation.

Q. A little over £5,000?—A. £5,086.

Q. That is about 20 per cent—about one-fifth?—A. Yes.

Q. That is the result of six or seven years' operations, having had to rebuild last year and paying dividends?—A. I do not think that that is included. As I recollect, they issue a separate loan for the reconstruction. It does not seem to be mentioned in this statement. But there is a report. I fancy I had it in one of my scrap books in connection with the rebuilding of the exchange, and, as I recall, they were going to borrow additional money for that work.

Q. Can you tell me the population of Guernsey?—A. It is something over 40,000.

Q. The whole island?—A. It is a very small place.

Q. How many telephones does that statement show that they have?—A. 1904—it shows a total of about 1,200 instruments of all kinds—1,162 actual subscribers' lines.

Q. And you say there was quite an increase. Was there in that fiscal year?—A. An increase of 118, about 10 per cent.

Q. So that, they are how many to the telephone?—A. I can get the exact figures.

Q. Mr. Dagger informs me that the population was 35,000 in 1901?—A. I think that is under the mark. I can give you the exact figures. I was in Guernsey myself a little while ago and my recollection is that they put the population something like 42,000.

Q. Is there any talk of abandoning that system?—A. Not at all. They would be very foolish if they did. But you cannot compare a little village like Guernsey with a town on the mainland. The conditions are entirely different. It is very easy to build, simple, cheap work, like that in an agricultural district where there is nothing to interfere with any of the wires and the whole life of the place is extremely simple. The system is built with No. 19 wire, which is very fine, and which is not used in city work at all, and everything is done to make it extremely cheap. So that there is absolutely no comparison between that and a city.

Q. This statement (referring to document) represents the tariff as follows: On tariff 'A' the rate is £1 10s. and 1d. per call?—A. Yes, they have done very well. It is message rates mostly.

Q. Tariff 'B,' £2 5s. and a half-penny per call?—A. Yes, and they have a flat rate of £5—what is practically a flat rate—£5 for 3,000 calls.

Q. The people seem satisfied?—A. Yes, I think it answers their needs very well.

By Mr. Lafleur:

Q. Is it a metallic system?—A. Yes, I think it is, but it is an extremely simply constructed system.

Mr. HERBERT L. WEBB.

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By Mr. Zimmerman:

Q. What time was the National system established in Glasgow ?—A. Oh, I should say in the early eighties.

Q. 1885 ?—A. Before that, I should think, as far as I know. I have not got the exact date, but it would be some time in the eighties.

Q. The municipal system was established when, 1900 ?—A. Yes.

Q. They have practically 14,000 telephones as against 20,000 of the National ?—A. Yes, they have 13,000.

Q. Would not that indicate they have a pretty good system ?—A. No, I do not think it indicates that necessarily. They started by cutting the rate in half and naturally they got a great many people in the beginning on account of the cheapness. Mind you, Glasgow is a very large city, and even taking the two together, 13,000 and 22,000 —it is still only scratching the surface of the possibilities of telephone development there.

The company must have been very slow ?—A. As I have already explained to these gentlemen, the devlopment of the telephone throughout Great Britain has been restricted by the system of limiting the licenses. They could spend £3,000,000 or £4,000,000 sterling a year easily there in developing the telephone systems of the country. Instead of that, they have to hold down because they cannot get money to do it on account of their limited tenure of business. This has held the whole thing back for years.

Q. I see Mr. Willock's statement. He says that after paying the interest on the investment and putting by a certain sum for rent account, and another special sum, I think, for repairs, they had a balance of £3,650 after paying all expenses and putting by a certain amount to rest account, which would wipe out the cost of the whole system in thirty years.—A. Yes, they put by a sinking fund. They have to do that by law. There is no merit about that—they are obliged to pay it—and if they cannot do it out of the proceeds of the telephone business they have to pay it out of the rates. They must do it by law. That applies to any money that a corporation borrows for any purpose.

Q. That would indicate that the Glasgow system was doing very well.—A. No, sir—£3,600 for depreciation on a capital of £300,000 is absolutely trivial. It is just over 1 per cent.

Q. That is after paying the interest on the investment, and in addition to that they have enormous amounts of stock ready for new construction work. That is included in the amount they have been paying interest on ?—A. Certainly, every telephone concern has to have that. They cannot do the business without it.

Q. Yes, but they were preparing to extend their system very extensively, and they had a very large amount of material on hand to extend that system. That should not be classed as material for repairs and so forth.—A. No, it is not stock, but plant in place. It is the question of spare plant again. You never can build a telephone system exactly the size to fit the number of subscribers at the moment. You have to go far ahead of the immediate requirements. That condition exists in any telephone system. You can go to any big telephone system in the world and find 30 to 40 per cent of the plant is unoccupied. It is absolutely necessary to carry on the business to have that spare plant in order to give the flexibility to the system to take on subscribers wherever they offer. You must always have spare plant.

The committee adjourned.

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APPENDIX No. 1

TUESDAY, May 30th, 1905.

The committee met at 3 o'clock p.m.

It was unanimously resolved that Mr. Zimmerman act as Chairman of the Committee during the absence of Sir William Mulock.

Mr. ZIMMERMAN.—It is too bad that our able Chairman is compelled to be absent for perhaps three or four weeks. Business has called him away to England which will absolutely prevent him from being here. In the meantime I will do the best I can in his place. I think it will be proper to make a statement as to the position of affairs and my own views up to the present time, and a proper course to take in the future. We are now entering upon an interesting branch of this question as the evidence taken by the committee will have to be submitted to parliament and may form the basis for important legislation. It is not therefore merely a question as to the views of the committee, but it is important that for the information of parliament and the country the records should be as complete as possible.

Therefore, I think, we should have the evidence of independent experts, familiar with the conditions in United States and Canada. It is quite evident that it will not be possible to recommend any legislation this year, considering the advanced stage of the session. There are additional reasons why we should take that course. We have sent out to various European countries a circular letter asking for information. We have hardly had time to receive the replies from that important source. And we recently also, have sent communications to the heads of each municipality in Canada asking for their opinions and suggestions. I think it would be well to await the replies to these communications as no doubt they will be helpful to the committee. I think the committee should utilise the remainder of the session for the better perfecting of the work of enquiry and rounding up the evidence as fully as possible. The question before us is of such importance and the evidence so complicated, that it would be well, in my opinion, for the committee and the country to take the approaching recess to digest it so that an intelligent report can be prepared. In the meantime no harm can come by the short delay. On the other hand I believe much good will result. I think the result of the investigation so far has been of incalculable benefit to the country and no doubt a most comprehensive report is looked for from this committee. Therefore I trust all the members of the committee will continue to take the same interest in this important work during the absence of our able Chairman, Sir William Mulock.

Mr. MACLEAN.—I would just like to make a remark with reference to your statement, Mr. Chairman. It is true that the session is advanced but I do not know whether it may not last for several months yet. Such being the case there is no reason to hope, even if the Chairman is absent, that this committee is now possessed of sufficient evidence to warrant the introduction of legislation this session. I certainly have a clear cut opinion in the matter that we have now before us and think enough evidence has been elicited to justify us in recommending parliament to pass a law compelling interchange of business on the part of telephone companies. In the second place we have sufficient evidence before us to have the Railway Act so amended, if it requires an amendment, to compel all railway companies to give access to their stations and other places. So, Mr. Chairman, while I agree with you that the question is a complex one and that we ought to get the fullest information and certainly expert testimony, it does appear to me that we have quite sufficient evidence at present to recommend to parliament to pass, at this session an Act, or what may be called a temporary Act, in

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order to remove the two substantial grievances which exist to-day and which cannot be justified by any argument which has been presented to this committee, namely, the refusal to interchange business on the switch board on the part of telephone companies and the refusal of the railway companies to admit any but the Bell Company to their stations. I am quite willing to sit here and hear all the evidence and to act on your suggestion that we should get at the bottom of this matter and prepare a very full report, but I do not quite see that we are prevented from making a recommendation to parliament this session.

The CHAIRMAN.—Of course, Mr. Maclean, the matter is in the hands of the committee entirely to deal with. There is some important evidence to come yet, and it will be for the committee to say later on what course shall be taken. The suggestion thrown out was only in accordance with my own views.

Mr. MACLEAN.—I know and I pay great respect to that. I see that we will not be able to exhaust the question this session, but we can make some recommendations to parliament if we find it necessary.

The CHAIRMAN.—I may say, gentlemen, that we ought to apologize, I think, to the Bell Telephone Company, and also to several witnesses who were to have been examined yesterday morning. While in Montreal Saturday I thought that the only witness for Monday was the solicitor for the city of Montreal, and as he sent word to me that he would not be able to be here until Tuesday, I asked the secretary not to call a meeting until to-day. That is the reason why we did not hold a meeting yesterday. While on my feet I think it is only right that I should say that the Bell Telephone Company gave us a most delightful outing, which I think was enjoyed, not only by the members of the committee, but by the members of the House who were with us on Saturday. I know personally I enjoyed it very much. It was not only a source of pleasure, but also a source of very great information, more information I think than we could have received on that particular line here in a month, as far as any witness could give it to us. On behalf of the committee I think I can safely thank the Bell Telephone Company for the information and the very pleasant outing they gave us on Saturday.

Mr. L. ETHIER, Counsel for the Corporation of Montreal, being sworn made the following statement:—

I come here in my professional capacity as city attorney, and I am going to file documents laid before the city council of Montreal and make a few explanations in connection therewith, and I do not think it is necessary that I should appear in the capacity of witness. However, whichever way it is I do not object. With your kind permission then, gentlemen, I appear to-day on behalf of the city council of Montreal for the purpose of filing resolutions that have been passed by the city council lately, and also some other documents including a petition from ratepayers of Montreal and a protest from subscribers of the Bell Telephone Company in that city. In the month of October last a petition was first placed in the hands of the members of the city council making certain complaints against the Bell Telephone Company, and which petition reads as follows:—

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APPENDIX No. 1

Exhibit No. 172.

To the Council of the City of Montreal.

The petition of the undersigned ratepayers of the city of Montreal respectfully represents:—

That the Bell Telephone Company of Canada enjoys exceptional privileges in the city of Montreal, and particularly in the use of the streets for the installation of its service.

That by the terms of the company's charter, as amended in the year 1892, by the Act 55-56 Victoria, chapter 67, it was provided that the existing rates should not be increased without the consent of the Governor in Council.

That by further amendment to the company's charter, in the year 1902, it was provided that,—

'Upon the application of any person, firm or corporation within the city, town or village or other territory within which a general service is given, and where a telephone is required for any lawful purpose, the company shall, with all reasonable despatch, furnish telephones of the latest improved design then in use by the company in the locality, and telephone service for premises fronting upon any highway, street, lane or other place along, over, under or upon which the company has constructed or may hereafter construct a main, or provide telephone service or system upon tender or payment of the lawful rates, semi-annually in advance; provided that the instrument is not situated further than 200 feet from such highway, street, lane or other place.'

The same Act further provides that,—

'The rates for telephone service in any municipality may be increased or diminished by order of the Governor in Council upon the application of the company, or of any interested municipality, and thereafter the rates so ordered shall be the rates under this Act, until again similarly adjusted by the Governor in Council.'

Under the provisions of section 4,—

'The word "rates" shall apply to all rates charged for the rental or use of telephones and telephone service, and also to charges for messages from any person in one municipality to any other person in another municipality, commonly known as the long-distance messages.'

That the Bell Telephone Company of Canada has, contrary to the provisions of its said charter, gradually increased the rates for telephone service in the city of Montreal under the pretense of the introduction of improved apparatus or modifications in existing apparatus.

That more particularly the said Bell Telephone Company of Canada has unlawfully and by threats of discontinuing the service entirely compelled a number of subscribers to adopt what is known as the 'slot machine system,' whereby the subscriber is compelled to pay a monthly rate, which, in the aggregate, exceeds the lawful rate payable annually for telephone service, and, in addition thereto, the Bell Telephone Company collects a fee for each use which is made of the telephone, by means of which the annual rental is made excessive and unjust.

That it is in the interest of the ratepayers that the rates for telephone service in the city of Montreal be diminished by order of the Governor in Council, and the injustice complained of by your petitioners removed.

Wherefore your petitioners humbly pray that the Council of the city of Montreal do make application to His Excellency the Governor in Council to establish by Order in Council a tariff of rates which may be charged by the Bell Telephone Company of Canada in the city of Montreal and the adjoining municipalities, the whole in accordance with the provisions of the Acts of the parliament of Canada referring to the company.

And your petitioners, as in duty bound, will ever pray.

MONTREAL, October, 1904 (Certified true copy.)

L. O. DAVID,
City Clerk.

(294 signatures are attached to above petition.)

Mr. L. ETHIER.

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This petition, Mr. Chairman, is signed on the first page by 77 ratepayers, on the second page by 72, on the third by 74, on the fourth by 30, and on the fifth by 41. Then a protest has also been served upon the city for the purpose of having inquiry as to the complaints contained therein. That protest is very short, and reads as follows:—

Exhibit No. 173.

A PROTEST.

We, the undersigned, protest against the severe stand taken by the Bell Telephone Company in imposing, by the system of 'slot machine,' a tax on all persons wishing to make use of a telephone in public places, hotels, restaurants, drug stores, &c.

We beg to say that we are subscribers of the company; that the majority of us make use of the telephone, either at our places of business or at our private residences, and that, in cases of urgency, when we have not the time, or it is impossible for us to answer the call, we should not be obliged to pay an extra tax. By being forced to do so, the outside charges increase the amount of our subscription in an arbitrary and vexatious way.

We beg to add that,by applying the strict letter of the clause of the contract binding the subscriber to make use exclusively and only of the instrument that the company has furnished him with, the usefulness of the telephone becomes in most cases perfectly of little or no service at all.

MONTREAL, October, 1904.

(110 signatures are attached to above protest.)

By Mr. Bergeron :

Q. What is the date of that, please?—A. It is dated October last year.

Q. And it is addressed to the city council?—A. It is addressed to the city council of Montreal.

By Mr. Maclean :

Q. By how many persons?—A. This is a protest of the subscribers. The first and second page contain 87. The last contains 23.

By Mr. Bergeron :

Q. Nearly 400 altogether?—A. About 400. The ratepayers who petitioned are of course most of them subscribers, but the protest was made especially by subscribers. Their residences are given there, and I file a true copy of the original as put into the hands of the city council. We did not think it was necessary to bring any more evidence. Even supposing there are names that are not genuine, or only one or two hundred genuine, the complaint has nevertheless been laid before the city council, and they considered it their duty to act upon it.

By Mr. Maclean :

Q. What is that slot machine grievance?—A. The slot machine is now in use in Montreal, I do not know whether it is in operation anywhere else. In Montreal it is used especially in hotels, restaurants, drug stores and in large establishments of public entertainment. They are placed there for the purpose of allowing people either inside or outside, by putting in a certain amount—I think it is 5 cents—putting in 5 cents in the slot machine and then getting connection. If you do not get your connections, of course the 5 cents is lost to you.

Q. They do not deliver the goods afterwards?—A. No.

Mr. CASGRAIN.—Excuse me, Mr. Ethier, that is not quite correct.

Mr. ETHIER.—If you will allow me, I will finish my statement, and then you can correct me if you like. So far as the complaints we get from certain people in connec-

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tion with the slot machine the point is this: A subscriber will say, 'I paid $35 for a telephone in my house, and then if I am outside and want to telephone I cannot have the use of it. I think I am entitled to the use of one, because I pay so much a year for it. If I go to this slot machine, I am bound to put something into it in order to connect with my place at all. If I do not connect that amount is lost to me.' My understanding is that when you have a telephone that instrument is not only for you to connect with, but also to receive whatever messages it is possible to get from the outside place where you are. Well, in the case of the slot machine, whether it is for the outside people or for the inside people it is pretty hard to say. The reason it has been established by the Bell Telephone Company is for the purpose of getting not a yearly or a semi-yearly rate, but for the purpose of collecting a certain sum each time that you make use of the telephone. That is the complaint which these people have made so far. If you increase the number then you go much beyond the amount which would be charged under the ordinary rate. Under the statute if the company wants to increase their rates, then they have to apply to the Governor in Council or to the other authority established by law. Nevertheless since about a few months ago an increase in the rates in Montreal have been made from $30 to $35, and from $50 to $55. These increases are over and above the ordinary rate that the company has charged so far.

By Mr. Bergeron :

Q. Before you go any further, may I ask what did the city council of Montreal do when it received the petition and protest?—A. When the city council of Montreal received them they did not appoint a committee of investigation, I do not think they had the right to do so, but they inquired as to how the company was dealing with the matter, and finally the question of law was raised. In reading over, for instance, the first petition you see that they ask, 'Is the company justified in demanding $5 extra for such equipment?' The company, of course, raised a question of law in the matter. Then in the use of slot machines, they also raised a question of law. In all the questions that have been raised, numbering about five, there were three questions of law and two of fact. The questions of fact, of course, are those which the council can decide very much better than this honourable committee.

By Mr. Maclean :

Q. Has the city council any kind of contract with the Bell Telephone Company?—A. I do not think there is any more contract than the use of the telephone for the municipal buildings, and generally for the municipal service. There is no contract such as we have with the gas company, for instance, or the Montreal Street Railway.

Q. Or as they have in Toronto, where the city undertakes to make a contract with the Bell Telephone Company for certain rates?—A. No.

Q. You have no such contract?—A. No.

Q. That would be your protection and would bring all these matters within the purview of the council?—A. Yes. Surely if we had such a contract as you say, or a regular contract, it would have been quite possible to have arranged with a company that they should charge for houses a smaller rate. Instead of that we had no chance to do anything with the company, because they got their franchise from a local government, and they entered into the streets of Montreal without even consulting the city council.

Mr. MACLEAN.—They saw you were easy.

By Mr. Bergeron :

Q. One word more. Did you or anybody from the city council endeavour to meet the officials or authorities of the Bell Telephone Company to confer with them about these different matters?—A. I do not think they have done so. The question has remained pending owing to the legislation in Quebec. These questions of law were to

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be submitted to the law department, and they have remained in abeyance since. But having read in the newspapers the last notice which has been published by this honourable committee, or by order of this honourable committee, that any person or corporation or company having anything to present before the committee on this subject should do so, the council thought it was better to lay the petition and protest before the committee for their information to show what are the complaints that the public in Montreal so far have made against the company. I may say that those complaints are not very numerous, and we are not coming here to persecute the company. We are proud of the company in Montreal, we are proud of the work that they have done so far, and we are not coming here to cast any discredit upon them.

By Mr. Maclean :

Q. Is not the municipal corporation of Montreal not complaining of these matters?

Mr. BERGERON.—It could complain but it does not. The others are complaining.

Mr. ETHIER.—The municipal council is supporting the complaint of the citizens and subscribers of Montreal, especially on the question of the slot machine, and also as to the rate charged for the use of the telephone. Now, as to prices, there is also a suggestion by the Committee on Legislation which has been approved by the city council.

By Mr. Lewis :

Q. You are asking on behalf of the city of Montreal to have these grievances remedied by this committee? Is that what you ask?—A. Yes, certainly.

Mr. BERGERON.—No, he is putting before the committee some grievances that have been placed before the city of Montreal.

Mr. LEWIS.—I asked the gentleman what he is here for and received his reply.

By Mr. Monk :

Q. Is there a resolution?—A. There is a resolution which authorized the placing of the petition and protest before the committee.

Q. Have you a copy of it?—A. Yes, I am going to file the resolution now. It reads as follows:—.

Exhibit No. 174.

Extract from the Minutes of the City Council of Montreal, Special Meeting held on Monday, May 29, 1905.

On motion of Ald. Carter, seconded by Ald. Payette, it was

Resolved, That the city attorney be and is authorized to attend before the committee carrying on the investigation concerning the telephone system of Canada, and to submit the resolutions of the committee on legislation passed on the 23rd inst., and file copies of the same, together with a copy of the protest of certain citizens against the rates imposed by the Bell Telephone Company on Montreal citizens.

L. O. DAVID,
City Clerk,

(Certified.)

By Mr. Maclean :

Q. What are those rates now?—A. The rate now for residences is $35 and for business houses $55. Where the rate is over $50, special arrangements are made. Supposing an establishment requires five or six telephones, the first one would be charged full price according to an ordinary rate, and the second, third, fourth and so on might be reduced.

Q. Pardon me for a moment. Did not the council choose to avail themselves of the fact that they could present all these questions we have read here to the Governor in Council, who has charge of the rates of this company?—A. As this committee, so we

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understood at the time, are going to offer a specific report on the whole system of telephony all over Canada, we thought it proper to put before them these matters, because the legislation you are going to pass will be posterior to the present law, and will probably put an end to all these litigious questions that are being raised. Of course, the company have a right to defend themselves. They are powerful, and if a certain number of citizens make complaints or raise questions of law, the company will undoubtedly resist, because they are a rich corporation.

By Mr. Bergeron :

Q. Do you not know that some citizens in Canada have made arrangements with the company for telephone rates in their own cities?—A. Do you mean if I know of any municipality?

Q. Yes?—A. Not to my knowledge.

Q. You did not follow the evidence given here, and so you are not aware of it?—A. I did not follow the investigation at the time the witnesses came from Toronto. I simply read the arguments on this point made by Mr. Lighthall, representing the municipal corporations, and also Mr. Atwater.

Q. Did you know that the city of Hamilton, for instance, has a contract with the Bell Telephone Company about rates?—A. No, but I think it would be a very good thing if we had a contract with the company reducing the rate.

THE CHAIRMAN.—I may say that a number of agreements with several cities have been handed in. I think there are something like twenty agreements, which will give us a fair idea of the arrangements entered into.

MR. BERGERON.—It would have been a great deal easier for the city of Montreal, for the municipal council of the city of Montreal, to go to the Bell Telephone authorities and try and come to some agreement with them instead of bringing all these complaints before this committee to commence with. Now they can say that the Bell Telephone company have not refused to come to any agreement whatever on the rate question.

By the Chairman:

Q. Have you ever made the effort to come to an agreement with them?—A. Well, I have no record of anything of the kind, but I know as a personal fact that some of the members of the council who were taking an interest in this matter—because these ratepayers who have signed the protest and petition do not belong to different parts of the city, but only to one or two wards—and there were certain remarks made on account of that—were sure that the company would not reduce for 400 citizens when they charged the highest price to 16,000. So far as the city of Montreal is concerned, the population is about 300,000, and if we include the suburbs, it would be a little more, we cannot tell exactly. Well, if the population is so much, and you have got only 16,000 subscribers, is it not reasonable for the council of the city of Montreal, who are entrusted with the duty of protecting the citizens and ratepayers, to lay before this honourable committee, appointed especially to investigate thoroughly the system of telephony in all its particulars, the question of getting cheaper telephones for the city of Montreal. A telephone is not a luxury. It is the greatest possible necessity for business purposes and for social life at the present time, just the same as transportation facilities, and the cheaper you get these things the better it is for the people at large. Why should this necessity be restricted to 16,000 citizens or persons of wealth when there are so many others who want to enjoy the privilege. It is pretty hard on the company to expect them to make a voluntary reduction, but if legislation is passed on the recommendation of this committee they are bound to give a very substantial reason why they should not give a reduction in rates. Surely if it is at all practicable in order to establish harmony and good feeling between the company and the citizens, and to give the largest possible number of citizens the use of the telephone, it should be the policy of the city council to promote that result as much as possible.

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By Mr. Maclean :

Q. If the council had control of your streets as to the use of them by the telephone company, you would be in a better position to have more equitable terms from the company and better control of rates?—A. Four years ago we had some litigation with the company. We contested the right of the local government to give a franchise of that kind to a company to pass through our streets exclusively, to put underground conduits, to put poles wherever they were wanted and as many poles as they wished without consulting the city council. The meaning of that should be explained. The company said, 'If we go to the city council of Montreal or to the smaller municipalities outside of the city and we are bound to bow to these aldermen, they will refuse us entrance to the city.' That was a very good argument from their standpoint, but we must look at both sides and if we are the owners of the streets, and if we have acquired control of the street with public money, surely we should have the full control of our thoroughfare. But in spite of that they went to the local government, and they obtained these privileges without the consent of the city. The consequence is we cannot deal in any way at all, or ask any revenue from that company, or ask any conditions that will be advantageous to the citizens at large in order to get a cheaper rate or better accommodation, or have the telephone given to a larger number than enjoy it at present.

By Mr. Monk :

Q. You spoke of litigation. What was the outcome of that litigation between the city and the company?

Mr. LAFLEUR.—It was not this company.

Mr. ETHIER.—Yes, the telephone company had an action in the Superior Court. The action was contested. But there was a test case brought by the Standard Light and Power Company which went to England. In this case the question of the constitutionality of the local law was involved. The Privy Council decided that the provincial government had the right to grant the privileges conferred under the Act. The law was a special one, but it was held to be good.

By Mr. Maclean :

Q. The provincial law?—A. The provincial law was good and was not ultra vires. The consequence was that we paid costs of the Bell Telephone Company, and we asked them to go on with their work; that is all we could do. They have done it without consulting us in any way. They have excavated the streets and also put up their poles As far as the poles are concerned, we have not much trouble. The chief matter is the excavation of the streets. If we have three, or four, or five companies going into the streets of Montreal and putting their undergound conduits close to one another, surely there will not be room for the water pipes of the city. As far as the Bell Company is concerned, they have got undergound conduits, but in certain territory only. I could not say exactly the number—I had a plan the other day which I put into the hands of Mr. Atwater—but they have got a number in other quarters, several miles probably that they have built themselves without the consent of the city.

By Mr. Monk :

Q. Has there been any legislation since that in regard to the conduits in the streets?—A. No other legislation. The latest action that I know of was a certain minute that the city would build undergound conduits themselves, and oblige simultaneously all the companies that are using electricity, like the telegraph companies and so on, to put their wires under the earth. Then this company will be bound to do the same.

Q. That is the law now?—A. I think that is the local law.

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By Mr. Maclean :

Q. I think the Bell Company are contending that under their Dominion charter they can overrule anything of that kind?—A. Yes.

Mr. MONK.—But I am asking about our provincial law as it is.

Mr. CASGRAIN.—So the Privy Council decided.

Mr. ETHIER.—Of course, if they have got a federal charter that gives them more power, but as regards what they have done in the streets in the way of constructing conduits or erecting poles, any work at all, they have done it without the permission of the city directly or indirectly.

By Mr. Lewis:

Q. Did the city object?—A. We protested at the time and we fought the company in court in order to get the proper interpretation of the local law. As to the federal Act we have had no litigation in court.

By Mr. Maclean:

Q. Then so far as your instructions go you are not instructed to say to this committee that the municipality of the city of Montreal regret that they have not control over their streets in this matter? You have no resolution to that effect?—A. I think if the committee on legislation, instead of proceeding as they have done and submitting questions of law, had put the matter in the form you now mention, it would have been far better. I may say that all the aldermen are not lawyers, although they are very intelligent people, and probably they could not put it in any other form. I am their legal adviser and am always present at their meetings and I knew there was another form of dealing with the question and even prepared my questions so as to have them put before the committee exactly in the way that we want it.

Mr. MONK.—Well, you have put it very clearly I think.

Mr. MACLEAN.—You have put the matter very clearly.

By Mr. Monk:

Q. What is the date of the report of the Committee on Legislation?—A. It is dated 23rd May, 1905. It was passed before my first trip to Ottawa. When I saw it was simply the report of a committee I made it my duty to oblige them to put it before the council. I will file it. It reads as follows:

Exhibit No. 174*a*.

Extract from the minutes of a meeting of the Special Committee on Legislation, held on Tuesday, the 23rd day of May, 1905.

The question of the investigation presently held before a parliamentary committee, concerning the Bell Telephone Company of Canada, being considered,—

On motion of Alderman L. A. Lapointe, it was,

Resolved, That a delegation composed of His Worship the Mayor, Aldermen Sadler, Vallières, Robillard, Larivière, L. A. Lapointe, the Hon. L. O. David, City Clerk, and one of the city attorneys, be appointed to appear before the Telephone Committee of the House of Commons, in Ottawa, and submit the following questions:—

1. Is the long distance equipment an improvement under the terms of the company's amended charter, or is it an additional accommodation not provided for in the company's ordinary contract with its subscribers?

2. Is the company justified in demanding $5 extra for such equipment?

3. Is the use of the slot machine in contravention of the company's amended charter?

4. Can the company oblige subscribers to have slot machines attached to their telephones?

5. Is the contract which the company makes with its subscribers, in conformity with the powers of the company?

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On motion of Alderman Vallières, it was also,

Resolved, That said delegation be authorized to suggest that the following tariff of rates be established for the use of telephones.

Private houses, not more than $25 yearly.

Professional men, not more than $35 yearly.

Business establishments not more than $50 yearly.

(Certified), RENE BAUSET,
Assistant City Clerk.

(Certified) L. O DAVID,
City Clerk.

By Mr. Monk:

Q. Is that report before the council?—A. It has been before the council and a special resolution which I read was passed yesterday as authority for me to come before the committee and file these documents for information. In short I think the two questions that remain now before your committee, after this short argument, is the question of reducing the telephone rates in order to give the benefit or enjoyment of the convenience to a greater number than they have at present. Instead of 16,000 we claim that the number should be double in Montreal but with such a high rate it becomes simply the privilege of rich people or business people who have got the necessary means. A sum of $35 may be regarded as a small rental in certain quarters, but if it is a necessity for business and social life surely the greater number of people should enjoy it.

Q. You spoke of a rate of $35 a year for houses. That is where they have the new instruments?—A. Yes. That is $5 additional if they have placed since.

Q. The rental is $30 and you pay for a long-distance instrument, $5 additional?—A. I do not call that a long-distance instrument. It is simply a facility that you have Instead of ringing now the moment you take off the instrument you are connected with the exchange.

Q. Pardon me, is not that according to what the subscriber wishes? Is not the regular rate $30?—A. Yes, that is right.

Q. If he wishes a special instrument he has to pay extra?—A. Five dollars extra, $35.

Q. You spoke of a rental of $35?—A. I might say that those that are subscribers now by private arrangement are all bound to take it.

Q. Are they obliged?—A. Well, they are not obliged, but the company persuades them to take it. They are not bound to take it, but the company had a certain way, a very amiable way, of persuading them, and it makes $5 additional.

By Mr. Casgrain :

Q. Is Mr. Atwater associate counsel for the city?—A. Yes.

Q. I noticed the other day he was associated with Mr. Lighthall, and he came here to maintain the general principle that the municipalities ought to have, as far as possible, exclusive control of their own affairs, of their own streets, and their own franchises and privileges?—A. Yes.

Q. You say that Montreal is on record in favour of that?—A. Mr. Atwater came here on my own instructions, and also at the request of the chairman and the secretary of the Municipal Association of the Dominion. The association asked Montreal to be represented, and he came here with the programme of the Municipal Association, so as to protect the city as much as possible in the use of the streets, and the control of the streets, and I think he spoke exactly on that line.

Q. Was he representing the city of Montreal exclusively when he came here?—A. We are bound, in the city of Montreal, to supply the Municipal Association with all the help that we can give to them whenever there is some principle of importance to municipalities at stake either before parliament or before the courts. The Municipal Asso-

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ciation has contributed help towards the maintenance of principles affecting the rights of municipalities. The municipality of Montreal belongs to that association, and when they want help we are bound to give it to them. Well, gentlemen, I do not think I have any further remarks to offer on these questions. On this question of the Bell Telephone Company, as you see, in short, and as a short *resumé* of this argument, we are not persecuting the company at all, and we are not throwing dirt on the company, or wishing to discredit them in their operations, but, as I said at the beginning, we are most proud of them. But we understand they are making money, and probably they are in a position to reduce the rates.

By Mr. Maclean :

Q. And they might make more if they reduced the rates?—A. Surely they might increase on the one side what they are fearing to lose on the other side. Gentlemen, I thank you very much for your kind attention, and I beg to submit the resolutions and other documents which I am instructed by the city council of Montreal to place before you.

By the Chairman :

Q. These are official copies?—A. They are certified to by the city clerk, and they include everything that I have been instructed to place before you.

By Mr. Monk :

Q. Mr. Ethier gave evidence, and he also, to a certain extent, made an argument. I believe it was proper to swear him in order that he should produce those documents. But there is also a part of his evidence which is more argument, and I think it would be advisable to hear the company upon the questions which Mr. Ethier has discussed. I think there is no objection to the company asking Mr. Ethier any questions they desire?—A. As to the documents that are filed before you, our law provides that when they are signed by the city clerk with the seal of the city attached, they are accepted that way by the judiciary, and are taken cognizance of.

Mr. T. CHAS. E. CASGRAIN, K.C.—I think Mr. Ethier's remarks here were more in the nature of an argument than in the nature of evidence. I have no doubt that he himself when he was sworn, only had the intention of being sworn in order to produce the documents which he produced here from the city council of Montreal. I would ask your committee to just give me about ten minutes to answer some remarks which Mr. Ethier has made before the committee. First of all, I would call the attention of the committee to the peculiar position in which my learned friend has been placed, and next to the peculiar position which the city of Montreal takes here before this committee. As he stated, the 23rd of May instant, the Legislation Committee of the city council of Montreal met and the following resolution was adopted: On motion of Ald. L. A. Lapointe, it was resolved 'that a delegation composed of His Worship the Mayor, Ald. Sadler, Vallières, Robillard, Larivière, L. A. Lapointe, the Hon. Mr. L. O. David, city clerk, and one of the city attorneys be appointed to appear before the Telephone Committee of the House of Commons, in Ottawa, and submit the following questions:—

'1. Is the long-distance equipment an improvement under the terms of the company's amended charter, or is it an additional accommodation not provided for in the company's ordinary contract with its subscribers?

'2. Is the company justified in demanding $5 extra for such equipment?

'3. Is the use of the slot machine in contravention of the company's amended charter?

'4. Can the company oblige subscribers to have slot machines attached to their telephones?

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'5. Is the contract which the company makes with its subscribers in conformity with the powers of the company?'

These were the questions which have been propounded by the Legislation Committee of the council of Montreal to this committee. My learned friend also read the resolution moved by Ald. Vallières which says, 'That said delegation be authorized to suggest that the following tariff of rates be established for the use of the telephones:—

'Private houses not more than $25 yearly. Professional men not more than $35 yearly. Business establishments not more than $50 yearly.'

I will call attention to the fact that this is only a resolution passed by the Legislation Committee of the city council; it has come up before the council and what does the council do? The council does not adopt these resolutions or this report. Not at all. But some aldermen seem very anxious that the city of Montreal should take some steps in the matter and the resolution which my learned friend reads was passed, and, as you will see, it is very innocuous. The city council of Montreal resolved, 'that the city attorney be, and he is, authorized to attend before the committee carrying on the investigation concerning the telephone system of Canada, and to submit the resolutions of the Committee on Legislation passed on the 23rd instant, and file copies of the same together with a copy of the protest of certain citizens against the rates imposed by the Bell Telephone Company on Montreal citizens.' Now your committee will notice that the city council has not adopted at all any part of the petition by the ratepayers of Montreal, or any part of the protest from the subscribers of the Bell Telephone Company in Montreal. All that my learned friend was authorized by the city council to do was to come here and lay before this committee for the information of the committee, the petition from the citizens of Montreal, some 250 in number, and the protest from the subscribers of the Bell Telephone Company, about 100 in number, for the information of this committee. That is the mandate that my learned friend has.

Mr. MACLEAN.—And there is something more.

Mr. CASGRAIN.—What is it?

Mr. MACLEAN.—To lay before the committee the resolutions of the Legislation Committee.

Mr. CASGRAIN.—Which the city council did not adopt.

Mr. MACLEAN.—But which the city council said he was to lay before this committee.

Mr. CASGRAIN.—'That he be authorized to attend before the committee—and to submit the resolution of the Committee on Legislation.' That does not say that the city council adopted them, it is simply an instruction to submit the resolution. Another question is as to the embodying to a certain extent the protest in the petition laid before the council; if the city council, and I think I should draw your special attention to this, if the city council meant to make these resolutions its own, it would have put them in a resolution of the council, and would have come here as had been no doubt intended by the Legislation Committee in a body, with the mayor and several aldermen, as it had been at first decided on May 23. Let me say one word about this resolution submitted to you, not with any approval, but simply sent up to you for your information. This petition is addressed by the ratepayers of the city of Montreal to the city council, and my learned friend was very careful not to read the prayer of the petition. The petitioners' prayer is as follows:—

'Wherefore your petitioners humbly pray that the council of the city of Monreal do make an application to His Excellency the Governor in Council to establish by Order in Council, a tariff of rates which may be charged by the Bell Telephone Company of Canada in the city of Montreal and the adjoining municipalities, the whole in accordance with the provisions of the Act of parliament of Canada referring to the company.'

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Now, that was the request from these gentlemen to the city council, to submit the rates to the Governor in Council under the law, but whether it was because this petition was not numerously signed, or for some other reason, the city council took no action, did not address itself to the Governor in Council to have the rates fixed—or was it because the petition was not numerously signed, or was it because the complaints of the citizens were not considered seriously enough, or that the rates were not too high, I cannot tell.

Now, the city council never even approached the company, never even made any representations to the company, never said that the rates were too high. In fact, I think, as a great many of the citizens of Montreal think, that they will find that the rates are very reasonable. My learned friend spoke about rates and he spoke about the slot machines which have been introduced into certain restaurants, hotels and houses of a public nature. Now, as to the slot machines, here is what has been done. Supposing, for instance, that a man has a telephone in his saloon or in a restaurant or in a drug store. Before these slot machines were introduced everybody could go into the saloon or drug store or restaurant and telephone without any extra charge. The man who was the lessee of this instrument paid, if it was an office, $50 a year, and everybody passing along the street could simply go into his place of business and telephone. It seems to me that this was not reasonable. The company said, 'we have established a telephone system in Montreal, we have so many subscribers, and for these subscribers we have such and such an apparatus and so many employees; but if we have 16,000 subscribers in Montreal and 40,000 or 50,000 or 60,000 or 100,000 using telephones over those who pay for them, then, of course, our staff is not equal to the business, our apparatus is not equal to the business and it is not fair to make us do so much more business than we have contracted for.' And I am asking the committee whether it was fair for a saloonkeeper or proprietor of a drug store or any public place to have a telephone for which he paid $50 and invite the public to come in and make use of the telephone for which he was only paying this amount.

Mr. MACLEAN.—I think we will all admit that. You may answer this phase of it, that I gather that Mr. Ethier also claimed that if subscribers to the company they thought they had the right to go in and use other subscribers' telephones.

Mr. CASGRAIN.—It is specially provided in the contract that they cannot do it.

Mr. MACLEAN.—It was at one time provided that one subscriber had the use of another subscriber's telephone.

Mr. DEMERS.—Can you explain why it is impossible for you to reduce the rates in Montreal.

Mr. CASGRAIN.—I was coming to that in a minute. My learned friend made a little mistake in speaking of the slot machine also. It is only after you get connection with the person with whom you want to speak that you have to drop 5 cents in the machine. If you do not get the man you do not lose anything. And the lessee of the slot machine has his telephone for nothing, and he is charged nothing for an incoming call. Of course, if he has to telephone himself he has to pay 5 cents. He pays no rental and he also gets a percentage of the money which is put into the slot.

Mr. MACLEAN.—What is that percentage?

Mr. LAWRENCE MACFARLANE.—After the monthly rental amounts to a certain amount he gets a certain percentage.

Mr. CASGRAIN.—The slot machines are so popular that the company have so many demands for them that they cannot fill them all. It is a great convenience to the public and a great advantage to the lessees.

Mr. MILLER.—The man who uses a slot machine does really pay a rental for it by having deducted out of his commissions an amount equal to what would be a rental.

Mr. CASGRAIN.—It comes from what is paid for the use of the telephone by outsiders. My learned friend said also as to rates—I will divide this into two parts. First,

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he says that the rate is really $55 for a business telephone and $35 for a telephone in a residence. Now, the rates are $50 for a business 'phone, $35 for a professional man, and $30 for a residence. But if anybody in Montreal wishes to have a long-distance equipment then he pays $5 additional; $55 for a business telephone and $35 for a telephone in his house. He is not obliged to take this. It is an extra convenience which is given to him in this way. For instance, I have a Blake transmitter in my house. I have an instrument which is absolutely adequate to the service for which I wanted to put it—for local telephoning.

The CHAIRMAN.—I think Mr. Ethier's statement was that he found that according to the Act the company are bound to put in the latest improved machinery without any additional cost.

Mr. CASGRAIN.—That was one of his arguments. He went further than that. He said that the company, although they did not take a mandamus or injunction against the lessees, they forced them to take this improved instrument, if you call it so. We do not call it an improvement. We call it an extra convenience, because, when I make a contract with the company for telephoning in Montreal, I have an instrument put in my house which is adequate for the service which I want, and which I need, and for local purposes the instrument which I have is perfectly good. In fact, speaking from personal experience, I can speak from my own house through this Blake transmitter to Toronto and even Windsor, Ont., almost as well as through the most improved machine. But we have public stations in Montreal supplied with these long-distance telephones. Now, if instead of going to a public station, if instead of having the inconvenience of going out of my house to a public station, I wish to have this telephone—call it if you will an improved telephone, which I do not admit—just for the purpose of this argument or in view of the argument that I am making now—if you want to have this telephone instead of going out of the house to the public stations, then you pay $5 extra. It is just as if when I travel from Montreal to Ottawa I pay $4.85 fare, but if I want to go into the parlour car I pay 50 cents additional. I think that is a very good illustration of the argument.

Mr. MACLEAN.—Do you make the argument that a subscriber to the Bell, as a general thing, contracts for the local service, and has not in view the utilization of the long-distance service of the company.

Mr. CASGRAIN.—Yes, I do.

Mr. MACLEAN.—Then, it is high time that there is a contract between the Bell Company and its subscribers to regulate their use of the long-distance service as well.

Mr. CASGRAIN.—That is a question.

Mr. MACLEAN.—That is one of the things we ought to have straightened out.

Mr. CASGRAIN.—It is not a question I am called upon to discuss here. I do not say if I make the contract as current contracts are made, for local service, that the company is obliged to put in the improved instrument that is necessary or more valuable for telephoning at long distance.

As to the rates, they have been reduced since 1892, and reduced in a very large proportion. In 1892 the long-distance equipment was $70. Now, it is $55. Then, before 1892 there was a mileage rate. That is, one mile of line was allowed, and you had to pay a certain sum, which amounted to $20 a mile, for anything over a mile. Now, in Montreal, for all distances, the rate is the same, $55 for long-distance equipment for business and $30 for residence.

Mr. DEMERS.—Don't you consider that this rate is not reasonable, if you see the rates in the other towns? Take in the offices in Montreal. Take the People's Bank building, for instance. Every lawyer, every notary, every man there, nearly, has a telephone and pays $55 to the company. Do you think that is reasonable?

Mr. CASGRAIN.—Of course, it is a matter of opinion, I think it is, and I think the evidence here will bear me out when I say it is not an exorbitant charge.

Mr. DEMERS.—In St. Johns the rate is $20 or $25.

Mr. CASGRAIN.—Yes, but you cannot make a comparison between Montreal and a place which has only a population of 5,000.

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APPENDIX No. 1

Mr. DEMERS.—You have more subscribers in Montreal.

Mr. CASGRAIN.—Yes, but there are more employees.

Mr. DEMERS.—What is the cost of installation? You have, I suppose, in a building like the New York Life 100 subscribers. What is the cost of installation?

Mr. CASGRAIN.—In all countries in the world, the more telephone communication the higher the rates.

Mr. DEMERS.—That may be.

Mr. CASGRAIN.—The system becomes more complicated, operation is more complicated, there are more employees. Everything is higher, everything is dearer, and therefore the rates have to be more. You will find that in every city in the world.

Mr. DEMERS.—What is the price in Toronto for 'phones.

Mr. CASGRAIN.—$45 and $25.

Mr. DEMERS.—How do you explain the difference between the cost in Toronto and Montreal?

Mr. CASGRAIN.—In Montreal there are more subscribers, and, moreover, the city council of Toronto made an agreement with the Bell Company under which these charges were fixed, but the city council of Montreal have not thought fit to make an agreement.

Mr. DEMERS.—How can the city of Montreal oblige you to take a contract with them since they are not bound to give you a preference in their streets?

Mr. CASGRAIN.—I think I could devise some means of bringing that about.

Mr. DEMERS.—Mr. Ethier has not informed us. How would you do it?

Mr. CASGRAIN.—I am not retained by the city of Montreal. If they give me a good fee I will advise them. So that, at all events, the city council makes no complaint as to the rates nor the operation of the telephone system in Montreal. On the contrary, Mr. Ethier said he had nothing to say against the latter. He has not come here to complain of the slot machines or anything of the kind, but the city has simply sent their worthy city attorney here to lay before you for your information this petition which is signed by 287 people and 110 subscribers of the Bell Company.

Mr. DEMERS.—These people are complaining.

Mr. CASGRAIN.—Now, there are 110 subscribers.

Mr. MACLEAN. Montreal is here by virtue of what Mr. Atwater said to join with the municipalities in asking to have control of their own affairs in their own streets.

Mr. CASGRAIN.—You have this resolution of the city council here and there is nothing in the resolution of the council which authorizes Mr. Atwater or anybody else to complain of that state of things before the committee. Mr. Ethier says he is not authorized to do that. The city council is a member of the union of municipalities and on certain occasions they feel bound to take a part in the discussions that arise. Mr. Ethier is here to present this resolution which he has read. That is his mandate. And I say again that all he has to do is to submit this resolution which he has produced to the committee.

The CHAIRMAN.—I have a letter bearing upon this discussion which states:—

'More than that, the employees of the company absolutely refuse to accept applications for a Blake or ordinary telephone for service in the East Exchange. In Montreal, where the subscribers price for residence was formerly $30, they now require that the subscriber should take the long-distance instrument and that he should pay $35.'

Is it not a matter of fact that when the new central energy system is completed that you will compel all subscribers to put in the $35 instrument? This letter is signed by Emile Joseph.

Mr. CASGRAIN.—I am instructed to say that that letter is absolutely incorrect.

Mr. MONK.—I live in the east and never was obliged to order a long-distance from the company.

Mr. CASGRAIN.—We will take a note of that letter and bring evidence to the effect that it is not correct.

The committee adjourned.

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WEDNESDAY, May 31, 1905.

The committee met at 10 o'clock, Mr. Zimmerman in the chair.

Mr. F. A. PICKERNELL, of Newton, Mass., sworn:

By Mr. Casgrain, K.C.:

Q. Will you tell us what experience you have had in the establishment, construction, maintenance and operation of telephone systems?—A. I have been in the telephone business all my life. After graduating at the Institute of Technology in Boston, in 1885, I spent one year at that institution as assistant to Professor Lanza, in the mechanical engineering department. I then entered the service of the American Bell Telephone Company at Boston, and for a little over a year was employed in the laboratory of that company, devoting the most of my time to testing telephones and telephone apparatus and telephone supplies and materials. In 1887, I left the service of the American Bell Telephone Company and went to the American Telephone and Telegraph Company, with offices in New York. I was electrician of that company for about two years. As electrician of that company, I looked after the maintenance of the lines and equipment, designed lines, central office and substation equipment, and was concerned generally with the technical side of the business.

Q. Was that a large concern?—A. It was the starting of the present American Telephone and Telegraph Company. When I went with them they had lines between New York and Philadelphia, and between New York and New Haven, but while I was in the employ of that company its system developed so that it covered all the eastern portion of the United States, connecting between 3,000 and 4,000 offices. After perhaps two years' service as electrician of the American Telephone and Telegraph Company, I became superintendent of equipment of that company in addition, holding both positions. Perhaps, two years later, I was elected engineer of the American Telephone and Telegraph Company. By this time the company had become rather a large affair, its lines extending through New England and the Middle States and south to Washington and west into Ohio. I remained engineer of the American Telephone and Telegraph Company until shortly after that company acquired the American Bell Telephone Company.

Q. What year was that, please?—A. I do not remember the exact year, but I think it was about 1900, 1899 or 1900. It is a matter or record and can very easily be determined.

By the Chairman:

Q. Is the American Telephone and Telegraph Company what is commonly called the Bell Company in the United States?—A. Yes, sir. The working departments of the two companies were consolidated to a greater or less extent, and I became a member of the engineering committee. That committee handled the technical matters of the telephone business for the entire United States, all of the affiliated companies relying to a greater or less extent upon it. That continued until the middle of last year, when I became assistant to the president of the American Telephone and Telegraph Company.

Q. And that position you still hold?—A. That position I still hold.

Q. How do the American Telephone and Telegraph Company compare, as a business concern, with the other telephone companies of the world?—A. It is the largest company of that kind in the world, very much larger than any other.

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Q. I would like you now to say something about the difference in rates between large cities and small centres. As a general proposition where are the rates higher?—A. The rates for telephone service are always much higher in large cities than in small cities.

Q. Is that true as a general principle throughout the world?—A. That is true throughout the world.

Q. Will you state the reasons why it is so?—A. I assume that you want me to consider this question quite generally. If it is to be taken up in detail it would occupy days of the time of this committee, and I suppose the committee is aware that that question has been discussed before very many tribunals. But some of the important points may be of interest and can be referred to without taking too much time. Let us consider a telephone exchange in a small place, a town may be of 1,500 or 2,500 inhabitants. The central office equipment is small. The number of people to be served with telephones being small, the switchboard requires a little space. Being made up of simple units it does not cost a great deal of money. In manning the exchange few employees are required at the central office, each operator being able herself to perform all the labour of establishing any particular connection.

By the Chairman:

Q. For how many 'phones?—A. That depends upon the amount of traffic per 'phone. I lead right into that point naturally. In the small town that we are now considering, the number of subscribers being few, the opportunity for each individual subscriber for making calls is few. There being relatively few people for any particular subscriber to talk to he will not make as many calls in 24 hours as he would if he was connected with a large system. It easily happens in the small exchanges that we are now considering that one operator may handle as many as 150 or 200 subscribers. I said that the central office equipment was simple. It is simple because it is very easy to so associate the different units so that one operator may easily control all. Moreover, in the small town the area is limited, the lines are short in length. We find in a small town of the kind we are now discussing very frequently that the amount of wire required for serving each subscriber may not average more than say half a mile. That is if you take the total amount of wire in any particular town of this kind and divide it by the number of subscribers you may find that perhaps not more than half a mile of wire is required for each subscriber. The methods of construction are simple. The engineering problem is simple, and the necessity for underground systems of distribution does not exist. In that small town the number of wires on any particular route and in any particular net-work is relatively few. When a telephone gets out of order it is simple for a man to locate the trouble and correct it. In this way we find the cost of giving the service is relatively small. The plant investment is similarly very small. Now, if you step into one of the larger places, a place covering a considerable area, containing several offices, the density of the population being so great and the area so great that it becomes impossible and too costly to serve more than a small proportion of the total number of people from one office, you find every element not only of cost of installation, but also in the cost of operation and maintenance enormously increased. Our switchboards have become much more complicated. Instead of so organizing the apparatus that a few hundred units only have to be put under the control of a single employee, we have in each office to organize thousands of units, hundreds of thousands in the aggregate, so organized that each operator may have access to all. The effect of that is to increase the cost enormously of the central office equipment. Now, inasmuch as we have established, and necessarily established, several offices in place of one, one operator can no longer herself unaided complete the connection for any particular subscriber. A subscriber calls the central office and wants to talk to another subscriber located in one of the other offices. In this case you now have to use the operator in the first office and a second operator in the other office.

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By Mr. Casgrain:

Q. That would be the case in Montreal?—A. That would be the case in Montreal, yes. We have then in establishing the connection for a subscriber to use two operators instead of one. We also, as a bearing on the cost of the plant, have to provide cables, trunks, to connect these two exchanges. The net work has become very large and the wire complications have become much more serious. When a wire gets out of order it is more difficult to locate the point where it is out of order. It takes more time for the man to find that trouble and correct it. He has to travel a farther distance. Instead of, as in the smaller town, finding that the amount of wire that has to be provided for each subscriber is perhaps not in excess of half a mile, we now find that we may have to provide, perhaps, on an average two and a half or three miles of wire for each subscriber. You see between that small town and the larger town we have increased the amount of wire that has to be provided five or six fold. By selecting any two towns direct comparison can readily be made by anyone, and it has been made very many times. The effect is that we have not only greatly increased our investment in plant that is necessary to give the service, but we have also increased the cost per subscriber of performing the service.

By the Chairman:

Q. You are speaking of the large centre now?—A. But we have also increased the cost per subscriber in the large centre. We have to send our men out to a considerably greater distance, which takes them a greater time not only to travel, but to find the trouble. Moreover, we now employ two operators on the connection instead of one. Of course, there are a great many connections that are still completed by one operator, but we find in some of our larger towns that as high as 80 or 85 per cent of connections employ two operators.

By Mr. Casgrain:

Q. Just before you leave this point, will you let me ask you one question? Take for instance the matter of the switchboard. Take the switchboard in Montreal and a switchboard in a town of say 5,000 inhabitants?—A. Yes.

Q. And the number of subscribers of the telephone company in the latter town is about equal in proportion to the number in Montreal?—A. Yes.

Q. What would be the difference in the cost of the switchboard in Montreal and the cost of the switchboard in a town of 5,000 inhabitants?—A. The switchboard in the town of 5,000 inhabitants can be set up and installed, complete and ready for service, for between $9 and $10 a line. That is giving a modern common battery service. In a city like Montreal, giving the same, which is the highest grade of service—it is the kind of service Montreal is getting ready at this time to put in and the kind of service they have had in Ottawa for some years—the switchboard and central office equipment alone will cost between $18 and $20 a line. The figures I am giving you, gentlemen, are the figures that apply in the United States. I am not familiar with the details of the cost in Canada.

Q. Would that be the same?—A. Relatively they would be the same.

By the Chairman:

Q. In the smaller exchanges, with 100 'phones, we will say, what would be the percentage of the cost of the switchboard per subscriber?—A. In little towns of the kind you speak of with a magneto service, a switchboard for 100 wires usually costs about $450 to $500, $4 to $5 a line.

Q. That has a very important bearing, I think, on the question of telephones in Canada, on account of the number of very small towns and the country service showing the country service can be put in very cheaply.—A. The country service can be given much more cheaply. I am speaking of the service in the small towns——

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Q. Yes ?—A. Much more cheaply than it can be in the larger towns, like Toronto or Montreal. I know that is recognized all over the world.

By Mr. Casgrain :

Q. Will you now proceed with what you were saying ?—A. I was going to say that I have shown that not only is the cost per subscriber very much less in the small town than in the large town, but the cost of operating the system is also very much less in a small town than in the large town.

By the Chairman :

Q. Will you give us the cost of the exchange ?—A. Well, in the smaller towns I have seen many first class exchanges built for $50 a subscriber. In a town like Montreal the cost will probably be at least $150 a station. That is the plant cost.

Q. Yes, exactly.—A. That is the plant cost on which interest has to be paid.

Q. Now the total operating costs are probably in about the same ratio, but local conditions come in to affect that. As an instance of that, to show you how unsafe it is to generalize on this point, if you go into a small factory town, where there is a cotton mill perhaps and there is a good demand for labour, you may have to pay your operators more than you would in some other towns that did not have mills, and conditions of that kind may affect that ratio, substantially. But I think as a rule it will be found that the operating costs and the plant costs are about the same ratio.

By Mr. Casgrain :

Q. We were told here that the new switchboard which is being constructed in Montreal will cost about $300,000. Now, supposing that in the town of 5,000 inhabitants there are 500 telephone subscribers, how much would the total cost of the switchboard be for that small place ?—A. For the town of 5,000 ?

Q. Five thousand, yes ?—A. And equipped say for 500 subscribers or something of that kind ?

Q. Yes ?—A. It would cost in the neighbourhood of $5,000.

Mr. LEWIS.—That is too many subscribers for a town of 5,000.

By Mr. Casgrain :

Q. I am putting the maximum, of course. The switchboard in Montreal only supplies a portion, there are several other switchboards besides ?—A. Yes, sir. That $300,000 only provides a switchboard for a certain portion of Montreal.

Q. One portion of Montreal ?—A. Yes.

Q. Do you know how many switchboards there are in Montreal ?—A. I could not answer that question, sir, I have not made myself familiar with the Montreal conditions.

Q. Well, we will put 250 subscribers instead of 500 in the town of 5,000 inhabitants. What would the switchboard cost then ?—A. If the service was to be a magneto service, that is the kind usually given in the small towns, that switchboard might cost $1,100 or $1,200. Those switchboards generally come out in the even hundreds, and the cost per unit is generally a little less for the even hundred than it is at some intermediate points.

Mr. CASGRAIN.—Now, Mr. Chairman, I have finished the examination of Mr. Pickernell upon these particular points. Mr. Webb is here and Mr. Chrysler also, and the cross-examination of Mr. Webb can proceed if the committee so desires.

Mr. DEMERS.—Have you finished with Mr. Pickernell ?

Mr. CASGRAIN.—I have finished for the present, and I will ask him to step down and give Mr. Webb a chance. If any members of the committee wish to question Mr. Pickernell, of course, they are at liberty to do so.

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By Mr. Demers:

Q. What difference do you make between Toronto and Montreal as to the cost of operating?—A. I would not attempt to answer that question off-hand. What I have said indicates how complicated a consideration of that kind is. In order to answer that question one would have to know infinitely more about Toronto, its size, the character of its population, the kind of business that exists there as compared with Montreal, and one would have to take into account the area, the density of the population in the two places, and, gentlemen, I know nothing about these.

Q. Then the proper thing would be to know first the area as between the two cities? —A. Yes.

Q. You would consider that first?—A. I would consider the area.

Q. If the area is greater the greater the cost?—A. You have got to take into account the density of the population in connection with the area. You know the two go hand in hand.

Q. If the population of Toronto is less than the population of Montreal, and the area is larger, is the cost increased or decreased?—A. I will have to answer that in two parts. In as much as the population is less, the area remaining fixed, the cost will be greater provided the telephone development is the same in both. In as much as the area is greater the cost will be increased. The relations of one to the other have got to be determined and figured out in each specific case if you want to get at the probable exact cost of giving services in the two places.

Q. Supposing there are the same number of offices as in Montreal?—A. Yes.

Q. And supposing there is the same area and the same density of population?—A. Yes.

Q. But Toronto has only 12,000 subscribers, whereas Montreal has 16,000.—A. Yes.

Q. Why would it cost less to operate?—A. It would cost less——

Q. Supposing they have the same area, the same density of population, tho same number of general offices, and Toronto has 12,000 subscribers and Montreal 16,000 subscribers why would it cost less?—A. You have got to assume that the labour conditions are alike, and that other conditions are equal.

Q. Well, suppose the labour conditions are the same?—A. Well, I will answer that in this way: If the area is the same, if the density of the population is the same, if the real estate conditions are the same, if the labour conditions are the same, then the cost per subscriber for giving a service, the number of offices as you state being the same in both cases, the cost of giving a service will be less in the town where the number of the subscribers is greater. I will state this, however, that I never have seen any condition even approximated to the one you have outlined, it is purely an academic discussion of the question.

Q. You do not know what is the area of Montreal compared with the area of Toronto?—A. No, sir, I do not.

Q. You do not know that?—A. No, sir.

Q. You take all that into consideration—the area, the density and the population? —A. Yes.

Q. And the number of offices?—A. The number of offices, yes.

Q. And the cost of labour?—A. The cost of labour.

Q. Those are the principal items?—A. Yes. The real estate condition is a very important matter in this question. It may easily happen that you can make a difference of 75 cents to $1 per year in the cost of giving service by the difference in the real estate conditions.

Q. In real estate what is the difference?—A. In some places real estate costs much more than it does in others. That increases the cost.

Q. You mean the installation of the stations?—A. I mean to say the fixed charges on the service.

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APPENDIX No. 1

By the Chairman:

Q. The cost of the property?—A. The cost of the property. It may cost about $100,000 for buildings in one place and $50,000 in another.

By Mr. Demers:

Q. You mean the station, that is what you mean?—A. Yes.

By Mr. Lewis:

Q. Has the company which you represent anything to do with country services?—A. Yes, sir, a great deal. We have hundreds of thousands of telephones in the country, service for farmers.

Q. For farmers?—A. Yes, sir.

Q. In what states?—A. In all of the states.

Q. In all of the states?—A. Yes, sir.

Q. Well, what is your average cost per subscriber to the farmers?—A. With the bulk of the farmers, you must understand, in the states, the lines are owned by the farmers themselves. They build the lines from the farm to the exchange, and there they make arrangements with the telephone company for switching them. The telephone company in the vast preponderance of the cases does not own the farmers' lines at all. It is only in some very densely settled sections that the telephone company builds farmers' lines, and owns, maintains and operates them.

By the Chairman:

Q. The farmers have switching privileges, do they?—A. Yes, sir. I will say a good deal more on that subject when the question comes up later.

By Mr. Lewis:

Q. While we are on the switchboard question, I want to find out if you have a switchboard in connection with the farmers?—A. We have facilities at our switchboard for handling the traffic from the farmers' lines in all instances.

Q. Have you any automatic switchboard?—A. Yes, sir.

Q. Where?—A. There are quite a number of them in different places through the states installed in an experimental way. I saw one a few weeks ago not far from St. Louis, in some small town, and there is another experimental one in Massachussetts, two in fact, I think.

Q. Is it just in the experimental stage?—A. It is really in the experimental stage. If you went to the World's Fair, at St. Louis, you might have seen one on exhibition there.

Q. Have you any in working order in your company?—A. Yes.

Q. Where?—A. If you want the exact town I will have to get it for you. The only one I have seen is near St. Louis.

Q. But you have a number?—A. We have a number, yes.

Q. How do they work?—A. Only fairly well. We cannot as yet state definitely that they are going to be a permanent part of our telephone system.

Q. What is the cost in comparison with the others?—A. The equipment cost, including the switchboard in the sub-stations, is very much greater.

Q. You said $50 in a small town and $150 in Montreal?—A. Yes, sir.

Q. How does the automatic compare with that?—A. The figures that I mentioned of $50 and $150 include the total cost, switchboard, sub-station, wires, and the whole proposition. Now the equipment cost in the automatic exchange is about in the ratio of 30 to 15. The line cost would be the same in both systems.

Q. In favour of the old?—A. The line cost would be the same both on the automatic system and the manual system, but the equipment cost——

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Q. In speaking of the manual, that is the central energy, I think?—A. It may be the central energy or the magneto. When I say manual system I mean where connections are established by hand.

By the Chairman:

Q. What system do you use, what automatic system?—A. It is a system that has been worked out by a large number of people for the most part employees in our own company. It is a matter that has been in the mill for many years, as you may realize, and we simply know it as the automatic exchange. There is no man's name associated with it.

Q. It is not the Strowger system?—A. No, sir.

Q. Do you know anything about the Strowger system?—A. Yes, sir.

Q. Is it a success?—A. In a limited way, I think it is a success.

By Dr. Roche:

Q. When you say the automatic system is only fairly successful, do you know what drawbacks there are to-day?—A. In the small towns where we have used it the principal drawbacks have been that it is costing a good deal for battery to operate it, and when it occasionally gets out of order it takes a pretty skilful man to repair it, and one cannot keep a large force of such men on hand. The telephone business is conducted on a very narrow margin at best, and it means that before the trouble is remedied the service may be interrupted. Instead of a few hours it may be interrupted for 24 hours, two days, perhaps, drawbacks of that kind.

Q. It is the question of keeping it in repair?—A. Keeping it in working order.

Q. Outside of that there would be a considerable saving in connection with labour and wages, would there not?—A. There is a saving in the small places in the operating cost. In the small places the result may prove a saving in the operating cost of giving a telephone service. That is what the system may produce. The subscriber furnishes his own labour for making his connection, instead of the company providing an operator at the central office for doing it.

Q. It is in small places the automatic has been principally located?—A. It is in small places where the automatic has been located. In fact it is limited to 100 lines and as many subscribers as you wish to place on each line. If for example you wished to put in party lines and have on the average four or five stations connected with each line, then this automatic switchboard that I have referred to would be capable of serving 400 or 500 subscribers.

By Mr. Casgrain:

Q. As to the automatic system, if it proved to be of practical utility, I suppose the telephone companies in general would have no objection to using it?—A. None whatever.

Q. On the contrary——.—A. They would only be too anxious to introduce it.

Q. I want to question you about this matter of physical connection; have you had any experience, and if so, what experience, have you had in connecting different telephone companies together?—A. I might have stated this morning when I was asked to state what my experience has been, that, while engineer of the American Telephone and Telegraph Company I was also consulting engineer for several local telephone companies, large properties, but what we call local companies, that is, companies operating over certain restricted areas. I was, for example, consulting engineer of the Southern Bell, which operates through Virginia, West Virginia, North and South Carolina, Georgia, Florida, and Alabama, also of the Bell Telephone Company of Buffalo, which operates down in the eastern part of New York State. During the past year, I have devoted a great deal of time to the Missouri-Kansas Telephone Company, which operates through Missouri, Kansas, Oklahoma and the Indian Territory.

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APPENDIX No. 1

The American Telephone and Telegraph Company has constructed long toll lines connecting various local telephone companies together. The toll line, for example, between Boston and New York, between New York and Chicago, between Chicago and New Orleans, between Omaha and Boston, and between Boston and Jacksonville, Fla. These long lines are owned and operated by the American Telephone and Telegraph Company. By means of these toll lines we make physical connections with local friendly companies; they are mostly controlled by our company, at all the different terminals. For example, the connection between New York and Chicago; the through line is owned by the American Telephone and Telegraph Company, which makes physical connection at New York with the terminals and the toll lines of the New York Telephone Company, and at Chicago it makes physical connection with the terminals and the toll lines of the Chicago Telephone Company. In other words, the operating department of the American Telephone and Telegraph Company has been engaged continuously now for twenty years in working out methods of connecting physically the various telephone properties.

By the Chairman:

Q. That is the properties of the National Company?—A. The properties of the American Telephone and Telegraph Company.

Q. Do they not connect with independent companies at all?—A. With none whatever.

Q. None whatever?—A. None whatever.

Q. But there is no difficulty in the way of connecting with independent companies, is there; no physical difficulties?—A. I think we would find enormous physical difficulties.

By Mr. Casgrain:

Q. I was just going to ask you to describe some of the difficulties which you have encountered in your experience in giving this physical connection?—A. Of course, the most troublesome part of the telephone business, from an operating standpoint, for 20 years has been in working out methods for handling these physical connections. In the first place, primarily, before you can do anything, you have to work out the business end of it. You have to have the interests of the people to be connected together, mutually satisfactory. These arrangements have to be of such a character that both companies can make money out of them; then for the purpose of having the staff to operate it efficiently it is of very great importance that the two plants that are to be physically connected shall be of substantially the same character. That does not mean that their detail must be alike, but alike on broad lines. So far as general principles go, they must be substantially of the same nature. We must have our terminals and apparatus of substantially the same character. Take the telephones and transmitters. From a purely local standpoint they might at one terminal use instruments that would be reasonably satisfactory for local service but if you are making connections to them with a man 200 miles away they might not be satisfactory. The local man who has this instrument does not lose anything, but we who haul the business over 200 miles of wire, not only lose the revenue which we should obtain because of the inability to talk through to other instruments, but we incur the expense of trying to establish the connection, and get blamed for the inadequate service.

By the Chairman:

Q. That is merely a matter of standardizing the system, is it not?—A. It is largely a matter of standardizing, largely so. But even with standard instruments at each end, we require to have co-operation, to work together. In working out this physical connection we have to work out the operating feature. It may be that one company establishes a one-minute rule, that is to say they charge so much for one minute, and

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so much for each additional minute's conversation in excess of one minute. At the other end of the line the rule of the company may be that the initial talk is five minutes. Now in working out this physical connection problem, you have to get up operating rules that will enable you to handle such irregular cases. As a matter of fact in some cases the initial period is 15 seconds. The prevailing custom, however, is, as I understand it to be here in Canada, three minutes. Then as to the system of operating, some companies have made it a rule that at the end of the initial period, the user shall be notified that three minutes have expired, so that the user may know that if he talks further he may be charged over and above the rate for three minutes. Other companies will not do that. This practice interferes with the service, and must be adjusted.

Q. But that is merely a matter of regulation?—A. It is merely a matter of regulation, but one of enormous importance.

By Mr. Casgrain:

Q. It is a matter of agreement between the companies that connect?—A. It is a matter of agreement.

Q. Is not that one of the physical conditions that have to be met?—A. The companies in the first place have to come to an agreement about all these things. The point I desired to make in describing these very difficulties, small as compared with the physical difficulties, is that there is a lack of uniformity, and I am inclined to think there will always be a lack of uniformity due to the vastly different local conditions. You have to equalize these conditions or to introduce uniformity somewhere or else one or the other of the companies will suffer, and if either company is going to suffer you are going to lose your co-operation right at the start. The result will be that the public will not get good service.

Q. Is not another condition that the plant will be well maintained, and if so what do you mean by that?—A. On this question of maintenance of plant, I take the position that the maintenance of the plants should be somewhere near a parity. It is one of the most difficult things we have had to encounter in working out physical connection, between a variety of companies. You take for example a company that is operating, maybe a small exchange located in a rural section. Perhaps one-half of the subscribers of that exchange may be farmers, and the farmers may own the lines themselves, and it may be a part of the arrangement that they keep the lines in repair. As a rule these lines are not maintained as well as it is necessary to insure good service. Supposing we make a connection to a station of that kind, with one of our toll lines, we have on the one side a plant improperly maintained with the wires out of order, and they may remain out of order for one or two days. The transmission at best may not be as good as it should be. We haul into that station a message from a point 200 miles away, and we find that the line is out of order; that thing happens perhaps a dozen times a day, and our long and expensive line has been used, and no revenue derived from it because the connecting line is out of order. This is a matter about which it is very difficult to get reasonable uniformity. We cannot expect complete uniformity, but we must get reasonable uniformity or one of the parties will suffer.

By the Chairman:

Q. You of course are aware that they are talking now from Cleveland to St. Louis and even to Kansas City over the independent lines. There must be a great many lines between those two points?—A. I am glad that you mentioned that, sir. They are not talking commercially over the independent lines between Cleveland and St. Louis or Cleveland and Kansas City.

Q. Well, a message will start over the independent line; I do not know how many lines they go over?—A. You can go into the city of Cleveland and you may make

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ten calls from the Cuyahoga Telephone Company's stations to St. Louis, and you make another ten calls from those same terminals to the Home Telephone Company to Kansas City, and see how many times you will talk successfully, or how many times you will talk commercially. You can get the president of at least one of those companies to give you testimony upon that point. I will say that the lines of the American Telephone and Telegraph Company between these points have existed for probably ten years, and we are still handling the business between these points. When a man in Cleveland wants to talk to St. Louis, even if he has the Cuyahoga telephone at his desk, or when a man in Cleveland wants to talk to Kansas City, he steps around to the Bell Telephone Company's pay station, because he knows he can talk that way, that he cannot talk over the other wire.

Q. They have only made connection with Kansas City within a month.—A. I have talked from Kansas City to Indianapolis over the Home Telephone Company's line last September, it may have been October.

Q. I understand that they have only made connection last month?—A. If you will take that particular case, you could not have mentioned a better one to illustrate exactly your point. When you try to take a number of private companies and establish a through connection physically, things are aggravated. Various attempts have been made by these independent people to consolidate and get a through line, simply to overcome these very difficulties. Of course, there is a lot of talk that they want to consolidate for other purposes, but the real underlying reason for wanting to consolidate is not for the purpose of inflating their securities, or stock, or anything of that kind, but really to give a decent through service, so that they can get some of the business that now goes to the American Telephone and Telegraph Company. There is absolutely no chance of their getting it under the present conditions, and they have not been getting it.

By Mr. Casgrain:

Q. I understand one of the other difficulties in connection with making a physical connection is the defining of the territory in which these companies shall operate, and if so why?—A. I consider that it is absolutely necessary in working out a scheme for physical connection to absolutely define the territory of the various properties that are connected. Now, the reason for this is a lengthy one. I think we had better first start with what the telephone company is and the comprehensive scope of its operations. Of course the first thing it has to do is to raise the money to build the plant. In order that it shall be able to raise money continuously, because as far as we know an operating telephone company has to raise money each year, it has got to make a reasonable profit.

Q. You say that a company has to raise money every year—why so?—A. Because the country is growing every year; as long as the country continues to grow we must raise money to keep pace with its development.

The CHAIRMAN.—They have to raise money the same as any other business where it is increasing rapidly?—A. And it will be a great many years before they will get up to the needs of the country. Take Canada for example, during the last four years there has been an enormous increase in the population. Now the telephone company having started its plant, it continuously reaches out into all sections of the adjacent country. It has to do so for the purpose of meeting the demands of its subscribers. Every time you get in a new subscriber you create a need for some other extension, into new territory. Now, in meeting the demands of your own subscribers it is necessary to extend into what you may call lean sections, that is, some of such extensions may not be particularly profitable. That is to say all parts of your plant will not be equally profitable. There will be some sections of the plant that will be profitable and some that will not be profitable. In this the telephone business does not differ from any other business. A street railway company as a whole makes money, but if it had to carry all its pas-

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sengers from one terminal to the other it would lose money. Take the post office, two cents is charged for carrying a letter, and they get a certain deficit under existing circumstances, but if every two cent letter had to be carried across this whole country the deficit would be greater. The telephone business is exactly like any other business in that respect; the grocery man makes quite a profit on some lines of goods, but does not make much money on some other lines, such as sugar, perhaps. Now in the extension of the telephone plant we meet with the same conditions. If we are going to make a physical connection with the existing telephone companies we define the limit within which that company should operate, so that it will confine its efforts to that particular district, and not work back and duplicate plants that may already be occupied. If in a particular town where two exchanges are competing for business, the condition will be this: The town may be one of the places where we have been making only a reasonable profit. We have supplemented that service by extending our toll lines and reaching out to the small towns, located in lean territory, territory where we make, perhaps, no profit at all, just managing to exist. A competitor comes in at that point and only attempts to give service in that certain restricted district where he can make a reasonable profit if he gets the business. Now, if we make connection with a property of that kind it would, without the expenditure of money, get connection to this lean district. Not having to carry the burden of that expenditure in the outlaying district they might manage to exist at a rate perhaps slightly lower than that offered by the original exchange. It is not fair to compel a connection of that kind. It is like giving me a concession to do the mail business in Montreal. If I had the mail business from Ottawa, Montreal, Toronto and Quebec there would not be much revenue left for the Post Office Department. In other words, you would be compelling the company to use its capital, to use its facilities for strengthening a competitor at the point where it is making only a reasonable profit. It is unfair. It is not a fair way to treat any invested capital. You cannot have a uniform telephone throughout the country or over a broad extent of territory—why? Because you cannot get the money to make it. There has never been a time that a telephone company could get all the money they could advantageously spend. It is a tremendous problem to raise the capital for investment that is necessary to serve an energetic people such as exists here and in the United States.

By the Chairman:

Q. Just on that point, do you not think that it would be a good thing if connection could be made. Now with the trunk line running through Ontario, and in many places in Ontario they have just one telephone instrument in a small town. Now if the people in that surrounding country form themselves into a little company, form a little company extending say 10 miles out in each direction from that town—that is the point we would like to get at—that is why we would like to get connection?—A. That is exactly where the telephone company wants to meet you, I was just getting up to that point. Exactly. Now, in that section, where the existing telephone company has made no development, they haven't any local stations, and where it may be two or three years before the conditions will be such that it will be able to get money to extend into these sections, if a local crowd, good citizens, get together and build a new plant, run it up to the office of the Bell Telephone Company, they have not got to go up and demand connection. The Bell Company is up there inviting them to connect, they want them to connect. But there are certain restrictions as to the physical condition of the plant that must be made, such as the character of the telephones and the transmitters, because you can readily understand that the Bell Telephone Company has to protect its customers up to the line, and its own toll service, against bad service.

Q. That is quite natural?—A. Another point to be remembered is that in doing that we must limit the area of any particular company. Why? Because these people will perhaps connect with a third company that may be competing with us at one of those points where we are getting a reasonable profit and that is one of those propositions that would not be fair. Now there is another thing that comes up there.

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Supposing there is a little group of farmers that come into one of these toll stations and ask for a connection. We hope to get revenue from these people when they use our wires. If you are going to extend credit to a man you must find out first whether he is a good citizen and will pay his bill. If you find out that these people are good citizens and pay their bills you extend credit to them, and if their plant is satisfactory you connect with them. When they make a call, say for Montreal, and run up a bill of 50 cents or two or three dollars, you know you are going to get your money. Another point bearing on this question is that when a little company which has perhaps $200 invested, makes connection with the Bell Telephone Company, they are using for the time-being, borrowing, if you please, the Bell Telephone Company's plant that may readily run into a value of $50,000 or $100,000—we establish every day connections over long distance where people are using $300,000 worth of property. Now they have to use that according to our rules, and here is another very difficult matter to adjust in considering a question of this kind. You know that sometimes our wires are slightly out of order; we give people a connection over this line which is slightly out of order; it is better to give them that than to give them nothing. When a man gets through with his business he finds that he has been talking five minutes, whereas if the wire had been in good condition he could have transacted his business in the three-minute limit. Here is immediately a question as to the charge and if the wire has been 'noisy,' under such circumstances the company gives him the benefit of the two minutes extra time consumed by reason of the defect in the line.

Q. I had that experience over the line on last Friday night between here and Toronto. I paid the bill however and did not get any rebate, but I was willing to do it, because I had obtained the information I wanted.—A. If the company is satisfied that the line has been used unnecessarily long because of the defects in it they give you a rebate. That is the very thing that happened to me last week. If we were compelled to give connection with a little line that was in such physical condition that it was noisy all the time, we would not get paid for more than about the half of the use of our line. Then there is the other question of adjusting the revenue between the two companies. Supposing you are compelled to connect with a little line, say 50 miles long, and you connect with our long line and there is to be a division of the profits, how are you going to divide?

Q. That is a matter of arrangement.—A. It is more than that.

Mr. CASGRAIN.—That is a matter of agreement between the two companies, but supposing you could not get that agreement.

The CHAIRMAN.—Well then you would not get the connection.

Mr. CASGRAIN.—That is just it. Supposing the Bell Telephone Company in Canada is forced by law to connect with any company at all, without any agreement, what would be the result?—A. The public would get no service whatever. There is absolutely no question about that, you cannot drive men to do things to their disadvantage. There is another point that bears upon this that shows what a lot of detail there is. Supposing that this little line wanted to connect with the Bell Company line, 500 miles long, what part of the revenue are they to get? Say they had a line of 50 miles long and they are using the Bell line for 500 miles. You would say they should get 50-550 of the revenue. That 500 miles of the Bell Telephone Company's circuit is of very heavy copper wire, while the local company has 50 miles we will say of ordinary iron wire. The construction of the Bell Telephone Company's circuit would probably cost five times what the construction of the local company costs.

Mr. CHRYSLER.—Five times per mile. And that would have to be adjusted.

By Mr. Casgrain:

Q. Bring this now to a concrete example in regard to the question in connection with competitors. Supposing a little town out of Ottawa here has a telephone plant, and in the same place the Bell Telephone Company has a plant also?—A. Yes.

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Q. Connecting here with Ottawa?—A. Yes.

Q. And from Ottawa to Montreal?—A. Yes.

Q. Supposing the Bell Telephone Company were obliged to give connection to this competitor, in this small town, what would be the result to the Bell Telephone Company and its business?—A. There will be a whole lot of things to think of. In the first place a law of that kind would compel the Bell Company to go out and raise money to build lines in order to serve its competitors. The Bell Telephone Company is not building any more lines between that little town and this city than is necessary to handle their own business. But as a matter of fact when the 'phones increase in this little town the total number of messages between the two towns will increase. If the local company can force the Bell Telephone Company to give connections for all its messages, the Bell Company will have to raise money to build additional lines to handle it. Who is to guarantee the Bell Company's ability to raise this money, and assure it of a satisfactory return on its investment?

Q. What bearing will it have on the trunk lines between Ottawa and Montreal?—A. There will be to a lesser extent, of course, the necessity for providing additional facilities, which, in that particular case might be great. Another question would be how is the Bell Telephone Company to get its revenue for performing that service?

By the Chairman:

Q. But there is one point there regarding that connection from a small town to Ottawa, the Bell Telephone Company would look upon it as a punishment to take business from that company, evidently from your statement?—A. Naturally, it is not fair treatment.

Q. They are paying for it?

Mr. CHRYSLER.—It will depend upon whether they are paying enough for it?—A. The tolls will not pay for it. They will not begin to pay for it. The point we may bear in mind is this, that we have an exchange in there, and it forms part of the system, and the company as a whole must pay 8 per cent; I think it has for the last few years.

Mr. CASGRAIN.—7 per cent.

Mr. CHRYSLER.—8 per cent.

A. It is very possible they have been able to pay that amount, and they have been able to raise money to keep pace with the growth in this new country; they have got that exchange in this little town, and it is fair to suppose that it is making a fair profit. The Bell Telephone Company has spent several million dollars in building up its toll service, which fits into its system. Now, this little company has started into competition with the Bell Telephone Company at a profitable point. They have not any lean section to support, they have not put it up, and nobody can compel them to do it. They can come in and have physical connection, if there were compulsion, and require the Bell Telephone Company to give them access to all points, and they get all the benefit that the Bell Telephone Company gets from its expenditure without having to pay their portion of the cost. It is not fair.

By Mr. Casgrain:

Q. They get the benefit of the long-distance line of the Bell Telephone Company?—A. It is not decent treatment, it is confiscation of property. If a private individual did business like that he would be run out of town.

By Mr. Miller:

Q. As to the question of physical connection, Mr. Pickernell, throughout the Dominion of Canada, and particularly throughout the province of Ontario there are, no doubt, a large number of places where farmers would like to be encouraged to put up local systems for their own accommodation?—A. Yes.

Q. In the evidence that has been given, it has been shown, I think, by the admission of the Bell Telephone people, that where the farmers did that upon the co-operative

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system, they could do so more cheaply than the Bell Telephone Company could do it. They contributed poles, and put them up themselves; that is a field which the Bell Telephone Company will not care to cover, because they say they cannot do so profitably. Perhaps it would assist that little local company in a territory or small village, where the Bell Telephone Company may often have one, two or three instruments, do you think it would be at all impossible that some central power for instance, the Dominion government, should fix the basis, making regulations as to the standard equipment to be used by the local companies and also as to the business arrangements between that local company and the Bell Telephone Company, arrange for the physical connections with possibly some little company in a very small town where the Bell Telephone Company had not more than a certain number of instruments, that the smaller company would have to purchase their property in that village. Would there be anything unfair about fixing the basis upon which they would be compelled to make connection with the local company?—A. I have an enormous staff of people who have been working on that probably for 20 years, and I cannot honestly see that any generalisation can be made that would assist in the matter at all. Now, the way I should say that all these cases you refer to should be handled would be for the two companies to get together. If the Bell Company had two or three stations in a town, and the local company is organized by local people, why, I would sell that exchange, I should not hesitate for a moment to do that. It would be better for the public and better for the Bell Telephone Company. There is one thing I want to emphasize right here- that every time you do something for the public, improve the value of the service to the public, there is immediately a response and the whole system is benefited. I do not know any public service that is more quickly responsive to improvements.

Q. It seems to me that that little local company being able to connect with the Bell Telephone Company, and having the advantage of the use of the Bell Telephone Company's long distance lines, would be able to give to their patrons much greater advantages than they would otherwise be able to do; on the other hand the Bell Telephone Company would be able to give to their company increased advantages by being able to give them connection conversationally with the farmers that they would not otherwise reach?—A. Undoubtedly, but you let the two companies get together and make that agreement. Do not try to drive either one of them into it; they will make a fair agreement and the public will get better service.

Q. I think you are perfectly right as to that, but then you insist upon an agreement being made in every instance. Now, would it not be possible with perfect fairness to both, to the large companies and to the small companies, for the government, perhaps after hearing representatives from the Bell Telephone Company and also from the other company, would it not be possible to lay down a basis that would be perfectly fair and applicable in every instance, and so save any such trouble, delay, and uncertainty and make a specific agreement which would be applicable to all cases?—A. I am certain you could not do it, and further than that I am certain if you attempted to do it as you say, it will take more time for the Government officials to pass on that than it will for the companies to get together and make an agreement.

By Mr. Boyce

Q. You say it is not possible to lay down a standard for such an agreement?—A. Absolutely.

Q. Why?—A. It has failed in so many ways. The companies I have been associated with must have several thousand arrangements of that kind, and they are coming in very rapidly. We are encouraging it, and the more business we can get in that way, the better. It improves the value of our service as a whole to the public, and that is what we want. Not only do these people get the advantage of talking to our subscribers, but our subscribers are enabled to talk to those they could never talk with before. Our interest is undoubtedly to get together and make an agreement and give the public service.

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Q. It seems to me that one of the great advantages in fixing a basis of agreement as I have suggested that would be absolute in every case would be this, that a group of farmers desiring to form a company would know beforehand exactly what they would have to do, and upon what basis they would have to meet the other company, and certainly that knowledge would encourage the farmers to form such local companies, many of which would never be formed if they had first to negotiate upon these points? —A. Gentlemen, let me point out in a simple way one of the difficulties in making that standard you have in mind, that is, a physical standard. Think of the absurdity of making a single standard for construction. A standard that would be perfectly good and suitable for Winnipeg might be absolutely useless in Quebec.

Q. Why would a system that would work well in Winnipeg not be likely to work well in Quebec? Is it because of climatic conditions?—A. Climatic conditions, and from the fact that in some sections of Canada, if you want to set a pole you have to haul it 1,200 miles. It is clearly to the advantage of the man who has to haul it that distance, it is to his advantage to haul a light pole, whereas in this district where cedar grows freely he might haul a much larger pole. It is the same with reference to the character of the wire. I noticed in the cross examination this morning you referred to the specification prepared by the Postmaster General of Great Britain, and I noticed that you had to have something in the end, 'or its equivalent approved of by the Postmaster General.' Of course, when you have a proviso like that you really have not anything definite.

Q. That might be arranged by dividing the country into sections or districts, and making one regulation apply to one district or territory, and another regulation to another territory. There may be possibly some little detail that you cannot fix in your regulations. But cannot there be some official such as the post office inspector, or the railway commission, that might be appointed to deal with those matters?—A. You must realize if you have had as much experience as I have had, and I have had considerable, that when you get details of that kind to deal with, and you sit down around a table to pass on them, details that will be applicable to the whole of this country, you will find that the difficulties accumulate on your hands, and that you will sit up nights trying to figure out some scheme that will prevent them coming to you. I have spent all my life making detail specifications and think I can qualify as an expert, and I do not hesitate to state that there is no possibility of the government, or the Post Office Department or any other department preparing specifications that will be in any way fair, equitable and just in their application in a country of the magnitude of Canada.

Q. I think the Bell Telephone Company has had in their employ a person who straightens out difficulties between them and their customers, and Mr. Chrysler properly termed him a diplomat. It seems to me that a diplomat might straighten out the difficulties between the large and small companies in these cases?—A. These difficulties in the first place are of infrequent occurrence between fair minded business men. I would emphasize that you would not do business with a man and give him credit unless you found out who he was, if he paid his bills, and is a good citizen. You take two good citizens and put them together, and they may be the Bell Company's manager in a small town and another company's agent in a small town; they are both good citizens and we do not have much trouble. The greatest difficulty we have is to get the local company to keep their line in as good condition as it should be. But that is easily adjusted. There is no difficulty in that.

The committee then adjourned until 3 o'clock in the afternoon.

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APPENDIX No. 1

Cross-examination of Mr. HERBERT LAWS WEBB:

By Mr. Lafleur:

Q. If you will permit me before Mr. Webb's cross-examination begins, I would like to ask him to produce for the information of the committee, copies of the 'Journal Telegraphique,' published by the International Bureau of Telegraph Administrations as containing official authentic information as to foreign rates?—A. I produce a complete collection of the 'Journal Telegraphique' for 1904, which is the official journal of the International Bureau of Telegraph Administrations, and which collects official information regarding telegraph and telephone affairs. It contains a complete statement of the telephone rates in the principal countries in Europe, with all the modifying conditions and figures. That is an official publication.

By Mr. Chrysler:

Q. You have indicated on the cover the pages on which the information is given?—A. Yes, sir, they are marked.

Q. I want to direct your attention first, Mr. Webb, to the general conditions in Great Britain. Your examination the other day was rather directed to special questions. What systems are in use in Great Britain? We understand that there is a government system and the national system, are there other companies operating either in small or large areas?—A. No, sir, there is no other company.

Q. There is no other company than the National Telephone Company and the government system?—A. There is no other company than the National Telephone Company. If you would like me to describe the systems there is the National Telephone Company which operates practically throughout the Kingdom, which has an exchange in every town and city throughout the Kingdom. The Post Office Telegraph Department operates an exchange in London; that is a system consisting of a number of exchanges, and they operate in some of the provincial towns, small exchanges. The largest of them is some 400 or 500 lines in Newcastle-on-Tyne. In addition to those you have the five municipal systems which have been described.

Q. Which were mentioned the other day, yes. And the long-distance lines are entirely operated by the government?—A. Yes, sir.

Q. How long has that condition prevailed? How long is it since the government took over the long-distance line?—A. The actual transfer was effected in 1896.

Q. The government had already been operating the telegraph line, had it not?—A. Yes, since——

Q. For how long?—A. Since 1870.

Q. And was the government system a monopoly from 1870 of the telegraphs?—A. Of the telegraphs, yes.

Q. Then, up to 1896 who was operating the long-distance lines of telephone?—A. The telephone companies. At that time there was more than one telephone company. The companies in various parts of the country finally amalgamated into one, but in the early days——

Q. When did that amalgamation take place?—A. It was a gradual process; I could not give you from memory the exact date when the final amalgamation took place, but in the early days there was a number of companies.

Q. Operating in different parts?—A. Operating in different parts of the country, and they had trunk lines, as they are called in England; long-distance lines the term is

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here. The policy of taking over the long-distance lines by the government was laid down about 1892. There is a Treasury minute which I think is among your exhibits dealing with the policy, but the final transfer of the lines did not take place until 1896.

Q. And the transfer was accomplished by the government purchasing from the National Telephone Company its trunk lines?—A. Yes, sir.

Q. The National Telephone Company, of course, had a system established in London in 1896?—A. Yes.

Q. What was done with that?—A. The local system?

Q. Yes, the local system?—A. That is still being operated.

Q. The government did not acquire that?—A. No, the government acquired no local systems at all, only the long-distance lines.

Q. Do they not operate a local system in London?—A. Yes, that is running practically side by side with the system of the National Telephone Company.

Q. When did they inaugurate that?—A. About 1900 to 1901. That is, they started building at that time. I think they actually began giving a service, perhaps in 1902.

Q. Are the two systems operated, then, in opposition to one another in London?—A. They are practically operated by agreement at the same rates, and the general plan is that each system develops a different part of London.

Q. I was going to ask you if they had agreed as to rates and what the areas are. They avoid duplicating?—A. Yes, that is more of a sort of understanding, I think. In a good many parts of London they do duplicate, they do overlap areas. They have got post office exchanges practically right alongside National exchanges.

Q. The local system in London is called a post office exchange, is it?—A. Well, it is both. The post office has an exchange and the National Company has an exchange.

Q. Well, I meant the local government system. Where are the offices? Are the public offices branches of the post office?—A. I do not quite understand you. It is operated by the telegraph branch of the post office.

Q. Is it operated in common with the telegraph system? Are the offices the same as the telegraph office?—A. The head offices are, yes.

Q. The branch offices are not?—A. The branch offices? In some cases the telephone exchanges are in post offices, and in others they are in separate buildings.

Q. Then, is the rate in London established by some understanding; have we here the tariff of rates that is in force? Has it been given?—A. I do not know whether you have.

Q. Can you give it to us?—A. I can give it to you if you like. I think I have a spare copy of it, that is the post office subscriber's contract; it gives the tariff in full.

(Exhibit No. 175.)

TARIFF RATES FOR THE LONDON AREA.

	£.	s.	d.
I.—Ordinary Message-rate Service—			
(a) Charges for connection with any exchange in the county of London within two miles of the subscriber's premises.			
Annual subscription....	5	0	0
Message Fees—			
One penny for each call to a subscriber on any exchange in the county of London.			
Two pence for each call to a subscriber on any exchange outside the county of London.			
(b) Charges for connection with any exchange outside the county of London within two miles of the subscriber's premises.			

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I.—Ordinary Message-rate Service—Continued.

	£	s.	d.
Annual subscription	4	0	0
Message Fees—			
One penny for each call to a subscriber on the same exchange.			
Two pence for each call to a subscriber on any other exchange.			
The minimum yearly amount payable by each subscriber for message fees is	1	10	0

II.—Party-line Message-rate Service—

Annual Subscriptions:

(*a*) For connection with any exchange except the Central Exchange by means of a line used by not more than two subscribers	3	0	0
(*b*) For connection with any exchange outside the county of London by means of a line used by more than two and not more than ten subscribers	2	0	0

Subscriptions at party-line rates cannot be accepted from subscribers on the Central Exchange, or at the lower party-line rate from subscribers on any exchange in the county of London.

The above charges have reference to cases where the main circuit of a party line does not exceed two miles, and the spur circuit to each subscriber does not exceed 220 yards in length, otherwise there are additional charges mentioned under IV. below.

Message fees for calls originated by party-line subscribers will be the same as for calls by subscribers at the ordinary message rate, but the minimum yearly amount payable for message fees by each party-line subscriber is	3	0	0

III.—Unlimited Service—

Annual subscription for connection with any exchange within two miles of the subscriber's premises, together with an unlimited number of calls—			
(*a*) For the first line	17	0	0
(*b*) For each additional line connecting any premises of the same subscriber with an exchange	14	0	0

IV.—Additional Annual Charges—

(*a*) Where the premises of any subscriber at the ordinary message rate or at the unlimited service rate are more than two miles from the exchange, for every additional quarter of a mile or part thereof	1	5	0
(*b*) Where the main circuit of a party line exceeds two miles in length, for each additional quarter of a mile or part thereof in respect of each subscriber whose spur circuit issues from the main circuit at a point more than two miles from the exchange	0	10	0
(*c*) Where the spur circuit of a party line exceeds 220 yards in length, for each additional quarter of a mile, or part thereof	1	5	0

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V.—Extension Lines.	£	s.	d.
(*a*) For each extension line connecting two parts of the same premises of a subscriber, where the line is not more than 110 yards in length	1	10	0
(*b*) For each additional 110 yards of such a line	0	10	0
(*c*) For each extension line connecting separate premises of the same subscriber, and not more than a quarter of a mile in length	3	10	0
(*d*) For each additional quarter of a mile of such line	1	5	0
Extension lines are not provided in connection with party lines.			
VI.—Call Offices—			
For each period of three minutes' conversation	0	0	2

Mr. WEBB.—It might be interesting to you to know that Mr. Hanbury's committee of 1898 advocated practically a cut-throat competition between the post office and the National Telephone Company. That was the policy laid down by that committee.

Q. In a report to Parliament?—A. In a report to Parliament. But when the thing got into the hands of practical people they determined that that was not a wise policy and they came to an agreement to charge the same rates and not to compete in that manner. So the post office adopted the rates of the National Telephone Company for London.

Q. The rates previously in force?—A. They were the rates previously in force. That is the flat rate. The message rates that you see there were new.

Q. Now, just to get this on the evidence. There are two of the charges here which I think will be sufficient for our purpose. The first one is an ordinary message rate service in connection with any exchange in the county of London within two miles of the subscriber's premises. That is a limited service, apparently £5. That is the rate, is it?—A. That is £5 for the line and station.

Q. For the line?—A. And every message is paid for.

Q. Yes, I was coming to that. That is the annual subscription merely, and in addition message fees are paid, one penny for each call to subscriber at any exchange in the county of London, two pence per call to each subscriber at any exchange outside the county of London The third class, the unlimited service, is an annual subscription for connection with any exchange within two miles of the subscriber's premises, an unlimited number of calls, £17?—A. Yes.

Q. For the first line, and for each additional line connecting the premises of the subscriber with the exchange, £14. On the first class of subscription, the limited service, every message is paid for? There is no allowance of a limited number of messages?—A. No, each and every message is paid for.

Q. From the beginning. A. And you will see there that a guarantee is required to be paid in advance. A subscriber has to establish a credit for messages. I think it is stated there.

Q. That is by making a deposit?—A. Making a deposit.

Q. And when his credit is exhausted, I suppose he has to repeat the deposit?—A. He has to renew the deposit, exactly.

Q. So that is the way in which they insure the collection?—A. Yes.

Q. Of message fees?—A. Exactly.

Q. Then those charges prevail also in the case of the subscribers of the National Telephone Company of London?—A. Yes, sir; the rates are uniform.

Q. What are the arrangements, then, for making connection between these two local systems in London and the through lines?—A. And the long-distance lines?

Q. Yes?—A. The long-distance lines centre in London in a long-distance exchange, a trunk exchange, as it is called. If you want to make a long-distance call in London

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you simply ask for 'trunk,' and you are switched through to that long-distance exchange from either system.

Q. From either system? That is the question I was going to ask. The subscriber to either of the local systems in London can obtain connection with the trunk line and through the trunk line with any point with which the trunk line connects?—A. Yes.

Q. What is the rate for long-distance messages?—A. That varies with the distance.

Q. What is it based upon? Do you know the rate per mile?—A. As I recollect, it is based approximately upon a shilling per hundred miles for three minutes' conversation.

Q. But is there a fixed tariff between different points?—A. Yes, sir.

Q. That basis may underlie it?—A. That is the general basis, but of course there is a fixed tariff between the different points.

Q. Then, as to the efficiency of these? How are these two local systems in London equipped?—A. The post office exchanges have all been built within the last four years, and all of the larger exchanges are practically modern in equipment, having the common battery equipment throughout.

Q. The common battery is what some of the witnesses have been calling the central energy?—A. Yes. It is described, unfortunately, by a number of different terms, but they all mean the same thing in general principle.

Q. That is the system we have in Ottawa, I suppose?—A. I believe it is; it is practically exactly the same.

Q. That applies to the government exchanges in London?—A. That applies to the larger exchanges. Some of the smaller exchanges, which were not expected to reach more than 400 or 500 subscribers, were equipped with a different system, a system which gives automatic signalling, but gives local battery talking. It is not strictly the common battery. Those are small exchanges along the valley of the Thames which they did not expect to increase beyond certain limits.

Q. Within the London area?—A. Within the London area, yes.

Q. But at outlying points?—A. At outlying points where a large increase was not expected. As a matter of fact, they are getting the increase there, and they will shortly have to rebuild those exchanges.

Q. Are those cheaper to equip and install than the common battery system?—A. Yes. It is a cheaper equipment in first cost.

Q. And suitable for a small exchange?—A. It was held to be suitable for small exchanges. Then in the National system in London the large exchanges are also on the common battery system, and they are carrying out a process of steady conversion of all their large exchanges.

Q. What was in use before in the exchanges of the National Telephone Company?—A. The Magneto system.

Q. What was it converted from?—A. The Magneto.

Q. With the Blake transmitter?—A. Generally with granular transmitters, although there might be a few Blake transmitters about. The granular transmitter and magneto calling and clearing.

Q. The granular is the instrument that is in use here, is it not?—A. Well, the principle of the instrument is the same, although mechanical details vary in different types of instrument.

Q. Can you tell us the number of telephones in London in use in these two systems?—A. It is approximately 80,000. I am not sure if I have the complete figures up to January of this year. If I have the figures with me I can give it to you exactly. (After making search.) I have not got it, but I can put it in. I can give you the exact figures up to January 1 of this year.

Q. Can you tell us what the number is in each of the systems, the government system and the National system, I mean when looking it up?—A. Yes, I can give you both those.

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Q. Then you say that the National Telephone Company, or the other companies which were all I suppose ultimately absorbed by the National Telephone Company have local exchanges in all the cities and towns?—A. Yes.

Q. Prior to 1896. Is the use of the telephone in the other cities and towns outside of London extensive?—A. Generally speaking, yes.

Q. Do you know of any of these places—have you the statistics as to the proportion of telephones to population in any of the large cities outside of London?—A. I do not think that that has been worked out very much. Of course, as a general thing, you can see that the development of the telephone in Great Britain is not nearly so great as it is in America.

Q. Well, I was about to lead up to that. That is really what I wanted to ascertain in a general way. You would say that in regard to towns of the same relative size and importance?—A. Yes.

Q. Then with regard to the country. Are there lines installed in the rural districts in Great Britain?—A. To a very small extent.

Q. The use of the telephone, even before the government acquired it, was very largely confined to the cities and towns?—A. The government has not acquired it.

Q. The government has acquired the long distance through lines, I mean?—A. Yes. Of course that has nothing to do with the development of the local service.

Q. You think it has nothing to do with it. It does not retard or advance it?—A. It naturally would have an indirect bearing.

Q. What bearing has it?—A. I mean, if you have a very good long distance service it would tend to increase the development in the towns.

Q. Would not the fact that the government had acquired the through lines give advantage to the subscribers of the local exchanges which would extend the use of the telephone?—A. Certainly I agree in a general way. If you have a good, well developed long distance service it tends to develop the local service.

Q. On the question I asked you at first, you are not able to say that there has been in fact, any great increase, or any great effect?—A. Well, I put it in this way, that there could have been a great deal greater increase had the opportunity for developing the system been greater. The trouble with telephone development in Great Britain generally is that it has been repressed by the government monopoly, by the limited license which makes it practically impossible to keep up with the public demands.

Q. That is quite a different thing from the acquisition of the long-distance?—A. The greater includes the less. The development has not been nearly so great as it might have been under normal circumstances.

Q. Well, is there any occasion to find fault with the service of the long-distance line provided by the government?—A. Oh, in my experience there are very great occasions.

Q. What is the difficulty?—A. The main difficulty is the lack of accommodation; it is the delay during the busy hours of the day.

Q. Is that due to the number of lines not being sufficient?—A. It is no doubt due principally to that.

Q. So that if the lines were increased to meet the demands, is there any other difficulty in working the system of local exchanges owned by the company and the through lines operated by the government?—A. Well, I think that there is always a difficulty in working such a complicated service under two separate administrations. That is no doubt the great difficulty and the continuous difficulty.

Q. I want to ask you about the license system. What is meant by that? I understand from the legislation that we have heard of that every company, as well as every municipality, has to obtain a license from the government?—A. Yes.

Q. To operate a telephone system at all?—A. Yes.

Q. Has that always been the law with regard to these companies?—A. It has always been the case since the decision of 1880, which established that the telephone was a telegraph within the meaning of the Telegraph Act.

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Q. And it is therefore subject——?—A. Therefore subject to the government monopoly.

Q. And the license arises out of that government monopoly, the license is really the granting of an exception to the government Act?—A. The license grants the right to the licensee to operate a telephone business for a period of years.

Q. Notwithstanding the rights which the government has for telegraphing—that is the meaning.

A. Yes, the right to license flows from the monopoly of the telegraph.

Q. Well, then, what is the nature of the license given as to time?—A. The original licenses were for 31 years, dating from 1880. The original licenses expire in 1911.

Q. That is the way we get to the date 1911?—A. Yes.

Q. Have companies which have been organized since been limited to the same date?—A. Yes.

Q. Always 31 years from 1880?—A. The licenses of all companies were made to expire on December 31, 1911.

Q. Did that apply also—when was it that the local municipalities acquired the statutory rights—I suppose, it was to go into the telephone business?—A. They acquired the right to borrow money for telephone purposes under the Public Health Act by the Telegraph Act of 1899.

Q. You say, to borrow money. Was it understood to be the law in England that they could invest money in telephone services if they could do so without borrowing it?—A. No, I think the trouble, as far as I understand, the real obstacle to the municipalities engaging in the telephone business prior to the Act of 1899 was that they had not power to borrow money for that purpose. I am not familiar with all the local details, but I have always understood that that was the real obstacle. There were one or two that were always agitating for it, but they found they could not do——

Q. That was in 1899?—A. It was previous to 1899 when what was known as the Telegraph Act of 1899 was passed, and I think you have the Act in the minutes. That gave the municipality power to borrow for telephone purposes under the Public Health Act.

Q. Then the municipalities as well had to apply to the government and obtain a license?—A. Oh, yes.

Q. Now, the license in the case of each municipality is also limited to year 1911?—A. No, the terms vary. The terms of the municipal licenses vary really according to the desires of the municipality who makes the application.

Q. Do you know what is the difference?—A. The longest of them expires in 1926.

Q. Which one is that?—A. I think that Portsmouth and Swansea or Portsmouth and Brighton. There are different terms, and the longest expires in 1926.

Q. Was the National Telephone Company in existence in 1880?—A. I am not sure.

Q. Well, the companies prior to 1880 were operated without a license?—A. Yes, prior to 1880 they were operating without government license.

Q. And the National Telephone, as well as the other companies, were obliged after 1880 to take licenses?—A. Yes.

Q. Well, what effect did that have, if any, upon the development of the business? You said that it had an effect, and I wanted to know just what the effects were?—A. You mean the limited licenses?

Q. Yes?—A. The limiting of the license has this effect upon retarding the development of the business: As the life of the license gets shorter it becomes practically impossible to raise money to develop the business, to raise new capital.

Q. I understood from something here that the licenses expire in 1911, and there is also a power to acquire the whole system of the National Telephone Company by the government?—A. Yes, an agreement has actually been made between the Post Office and the National Company which regulates the situation. That agreement, of course, is of quite recent date.

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Q. It is stated here that the Postmaster General will take over the whole business and carry it on. I am looking at No. 278*g* of Appendix 'A'?—A. Is the memorandum dated February 14, 1905?

Q. Yes?—A. That is the one.

Q. What is meant by this statement: 'An agreement on similar lines has now been made in relation to the whole country. On December 31, 1911, the Postmaster General will take over the whole business carried on up to that date by the company, and will acquire the plant of the company on "tramway terms." No payment will be made in respect of goodwill or profits, except in the case of the private wire business of the company (which can be carried on without the Postmaster General's license) and in the very few cases where the company licenses has under the provisions of the Telegraph Act, 1899, been extended beyond 1911. The termination is the same date. Is that an absolute order, or is it merely an option on the part of the government?—A. No, that is the end and aim of the whole agreement, the purchase of the company's plants.

Q. There is no question about it, that will be carried out under the arrangement now made?—A. That is what is intended now.

Q. Unless the policy is reversed. And if I understand this sentence correctly, it means in respect of goodwill and profits from private lines they will be paid for?—A. That means private wires not connected with the exchange. A private wire can be run without the Postmaster General's license.

Q. Therefore they propose to pay for the good-will in connection with it?—A. By that clause that is evidently the intention.

Q. Then in respect to the work that you said was being gone into very extensively in London for the government, the laying of conduits; is that for the carrying on of the business in connection with the local exchanges?—A. Yes.

Q. Largely?—A. Practically entirely.

Q. And is the National Telephone Company carrying on work of that kind in London?—A. The National Company does very little underground work in London.

Q. Why?—A. Because they cannot get the power to do it.

Q. What limits their power?—A. The London county council and the corporation of London.

Q. What are the restrictions. Have they in each case to obtain leave by special agreement for the placing of plant in the streets?—A. Yes.

Q. There is no general leave or agreement giving them leave?—A. No, the Postmaster General has statutory powers for opening streets; the company has not.

Q. How is it in the case of Glasgow. Mr. Willock told us that Glasgow had expended a large amount of money in conduit work, and I think said that the National Telephone Company had not completed their system of underground work?—A. No, they have not.

Q. What is the reason for that?—A. Simply that the corporation blocked them.

Q. In what way?—A. Refused them the permission to lay underground cable.

Q. They have the right to do so; they have the right to refuse permission to the company?—A. The corporation of Glasgow?

Q. Yes?—A. You can tell from what Mr. Willock said himself here that they regard the streets as their own property.

Q. Then, how are the wires being carried from any subscriber to the exchange in Glasgow?—A. They are carried partly by underground cables laid in the railway tunnels, &c., and partly by overhead cables.—Q. Are they not carried through the streets?—A. Carried over the house tops.

Q. Well, you have no right to cross the streets, I suppose, with a cable?—A. I believe they cannot be prevented from doing that.

Q. Do they arrange with private owners for permission to carry the cables and wires over the buildings?—A. Yes.

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APPENDIX No. 1

Mr. BERGERON.—If I remember well, the testimony of Mr. Willock was that the city of Glasgow itself built the conduits on the streets, that is, the city is the owner of them.

Mr. CHRYSLER.—Yes, but there is another company. I am asking about the wires of that company, how they get along.

Mr. BERGERON.—The testimony of Mr. Willock was that these conduits were built by the corporation, and the companies, whether it is the municipal or a private company, have put their wires through these tunnels.

By Mr. Chrysler :

Q. I do not think so. Has the National Telephone Company been allowed by the municipality of Glasgow to use the conduits which they have laid on the streets?—A. No, not as far as I know.

Q. The municipal conduits are reserved for the wires of the Glasgow municipal system?—A. Yes. I would say further, there is no general municipal conduit system. Each department of the municipality has its own pipes and cables.

Q. In Glasgow?—A. Yes.

Q. What other department of the municipality do you refer to—the electric lighting?—A. Electric lighting, yes, and I imagine the electric tramway system also has some underground work.

Q. There is no common system of conduits for the whole of the municipal departments?—A. No, as far as I have always understood, each department has its own separate plant entirely.

Q. Has the National Telephone Company in Glasgow any underground cable work there?—A. Oh, as I said just now, they have some in the railway tunnels, and then in the Glasgow area, the Glasgow telephone area, there are several outside municipalities —some municipalities outside Glasgow proper—they give the National company underground privileges, and they have underground cables there.

Q. What are these armoured cables that you referred to in your evidence the other day? What is meant by armoured cables?—A. What is meant by an armoured cable is that the lead covering of the cable (in which the insulating material is paper) has an additional covering, usually of steel tape, laid on. That is supposed to give a little further protection against mechanical injuries.

Q. And the armoured cable is, I suppose, a suitable equipment if placed in ducts? —A. If it is placed in ducts it is not worth while to armour it at all, nor is it usual to armour it.

Q. Well, then, what was your criticism of the placing of armoured cabling in the streets of Glasgow?—A. Well, it is not sound telephone engineering work.

Q. How is it laid there? I understand it is just put in the street and buried there like we put down a gas pipe?—A. Practically in that way, except that they put down over the cable a couple of battens of creosoted wood to serve as a protection, or rather to serve as a warning that there is really something there, because wood is really no protection against a pick. The objections to the practice of burying a cable solid in that way—really, it does not matter whether it is armoured or not. It is not worth while armouring it. As a matter of fact, it is an additional expense. The objections against burying a cable solid in that way are, first, that the cable is much more liable to be damaged than if it is in a duct, and secondly that it is inflexible.

Q. You mean inflexible from the point of view of being able to take it out and introduce more wires or make connections?—A. Yes, precisely. If you want to do that with a cable buried solid it means taking up the whole thing.

Q. Then, is not all that work required to be done with the approval of the Postmaster General under the terms of the specification? I suppose that specification applies to all licensed companies?—A. Yes, there is a general specification attached to

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the license, but it does not go into the details of the manner in which the work shall be carried out. It just lays down certain broad requirements.

Q. It provides that:

'All underground cables other than those in subways or tunnels shall be efficiently protected by pipes or ducts of approved material, or by such other means as the Postmaster General may have approved before the cables are laid.'

Do you know whether the laying of the cables in that manner in the streets of Glasgow was approved under that clause?—A. I do not know. I do not think that these provisions are carried out very stringently. I do not think there is any inspection made in detail of these municipal systems by the post office officials.

Q. Have you any idea of the relative proportion of the cable which is laid in ducts in Glasgow by the municipality and that which is laid in armoured cable?—A. Well, according to the statistics, which you have on your minutes, the armoured cable is about a third of the total.

Q. And you have no other information?—A. I have none other than the printed statistics as to the quantity, no. I would like to call your attention to the fact, since you are dealing with armoured cable and as you have this on your minutes, that this agreement of the Postmaster General specifically states that all cables must be laid in ducts.

Q. That is, in the new agreement?—A. That is the specification attached to the new agreement. That goes to show that the post office engineers do not themselves approve of that class of work.

Q. I find in the third schedule included in No. 278*g* of Appendix 'A'—is that what you referred to?—A. Yes.

Q. This new agreement, which is to take effect, provides that:

'All buried cables shall be efficiently protected by iron pipes or by ducts of glazed earthenware laid in concrete or by cement blocks thoroughly matured or by such other means as the Postmaster General may approve before the cable is laid.'

That is the same hole that we came out of before, apparently.

By the Chairman:

Q. This only applies to the National. It does not apply to the municipality itself? A. Oh, yes, to all others, that the Postmaster General may take over. All municipal plants hope to sell out to the post office.

By Mr. Chrysler:

Q. That will only apply to the National. But, after all, when you look at it, it is very little more stringent than other Acts. It does allow the Postmaster General to approve of other means?—A. Yes, the last sentence does do that, but the general meaning of it is pretty specific.

Q. I suppose something equally efficient?—A. He means to specify ducts, and it is the universal practice all over the world to use ducts.

By the Chairman:

Q. As a matter of fact, at the present time, the government have supervision over all work by the National Company?—A. According to this agreement they will have over all new work.

Q. Until the line is taken over?—A. Yes.

By Mr. Chrysler:

Q. That only arises from the agreement?—A. The agreement made in February of this year and will continue until the purchase takes place in 1911? Yes.

Q. Do you know, or can you tell us, the amount of the capitalization of the National Bell Company compared with the number of subscribers, what the cost of its plant is?—A. The National Telephone Company?

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APPENDIX No. 1

Q. Yes?—A. I have not got any of its statements with me. In round figures their capital stands to-day at £10,000,000.

Q. How many subscribers have they?—A. In round figures they have about 300,000 stations in the whole country.

Q. That would work out about what?—A. About £30 each.

By Mr. Bergeron:

Q. Are you talking of the National?—A. Yes.

Q. In England?—A. Yes.

Q. I suppose that is the same company called the National in Glasgow?—A. It is not a Bell Company in any sense of the word.

Q. You are speaking of the company in England?—A. It is the National Telephone Company, Limited, which is not connected with any Bell Company.

Q. Although it is named 'National,' it is a private company?—A. Oh, yes.

Q. Like the Bell Company here?—A. Yes, the National is the name.

Q. And when you say they have about 300,000 stations you mean all over England?—A. All over the United Kingdom.

By Mr. Chrysler :

Q. With a capital of £10,000,000?—A. Yes.

Q. Can you tell us what their rates are, what their total exchanges amount to per annum?—A. The total revenue now is something over £2,000,000.

Q. And what is that per annum for each subscriber—it is a very high figure?—A. It is an average of a little over £6 a station, I think.

Q. Yes, it is £6 13s. 4d. on that basis?—A. Yes.

Q. Does the National Telephone Company operate in Ireland?—A. Yes.

Q. And it is the only company there?—A. Yes, there is no other system in Ireland.

Q. Does this agreement extend to Ireland as well?—A. Yes.

Q. Oh, yes, I see it does. Well, now, I just wanted to ask you about the system of France, Mr. Webb. It is a government system?—A. Yes.

Q. Entirely?—A. Entirely.

Q. It is a monopoly?—A. Entirely.

Q. Do you know—I think you said the other day what the prevailing rate was for telephones. Is it a flat rate throughout France or is it graduated?—A. No, it is not a flat rate throughout France. It is a flat rate in the large cities and a message rate in the small places.

Q. And what is the flat rate in the large cities?—A. The flat rate in Paris is 400 francs and in Lyons it is 300 francs.

Q. I am referring to a note here, to a statement that the French government have passed a law reducing the rate in Paris from $80 to $60 per annum?—A. They made an announcement about four years ago that in 1903 they did propose to reduce the rate, but 1903 came and went and they announced then that it was impossible to reduce the rate. The rate to-day remains as it always has been.

Q. Four hundred francs?—A. Yes.

Q. That is, roughly, $80?—A. $80.

By Mr. Bergeron :

Q. What system is that, a private company?—A. It is a government monopoly throughout France.

Q. It belongs to the government?—A. Yes, worked by the telegraph administration.

By Mr. Chrysler :

Q. With regard to the system adopted in Glasgow in 1900, which you said was not up to date at the time, what is the system that you would suggest should have been adopted at that time?—A. The common battery system.

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Q. The same one as has been spoken of as being installed in London?—A. Yes.

Q. How long since the common battery system was applied in the exchanges in London?—A. There were some exchanges working on the common battery system in London at that time.

Q. In 1899?—A. There were also some in other parts of England, and the post office system, which began to be built at that time, was also arranged on the common battery system.

Q. Were they common at that date in Canada or the United States—six years ago? —A. In the United States they were becoming general, in Canada I do not know. In New York at that time almost the entire system had been rebuilt on the common battery system.

Q. In what year was that rebuilt, when was the common battery system adopted in New York?—A. It was started in 1898 and finished in 1901 for about 60,000 stations.

Q. It was not completed until after the Glasgow system was built?—A. The conversion of the whole group of exchanges was not, but a number of exchanges had been working a couple of years at the time the Glasgow exchange was built.

Q. Are there many common battery exchanges in England to-day outside London? —A. Not many, no.

Q. How many do you think?—A. Five or six perhaps.

Q. I think that is all I have to ask you in that regard. I wanted to ask you your opinion with regard to the system of charging for telephone service, as to the relative merits of a flat rate and a system such as we have in that first paragraph respecting the operations in London. Which would tend to stimulate the use of the telephone? Is there any difference as far as the company is concerned?—A. In what way do you mean any difference between?

Q. Between the different rates. Now, I understand the principle that underlies the operations in London is that you pay £5, which provides, I suppose, for the subscriber's proportion of the cost of construction and maintenance?—A. That is the maintenance rate.

Q. Then you pay afterwards for the service?—A. Then you pay afterwards for each individual message.

Q. Well, one can see, of course, that it works out, if the subscriber has a large number of messages you will take the highest flat rate, giving him the unlimited service?—A. Take the flat rate?

Q. Yes?—A. I would hardly call it the 'high' flat rate.

Q. It is high in comparison with the other. What is it? £14?—A. £17.

Q. In practice where the choice is offered, do you know whether any large proportion of the subscribers applied to the government system in London or to the National Company at the smaller price per subscriber?—A. Oh, yes.

Q. They pay £5 and a penny a message?—A. The post office officials have announced at various times that about 90 per cent of their subscribers are on the message rate.

Q. And that will include a class of business people, I suppose, and residences; those who are large users?—A. Presumably that will include the smaller users.

Q. It does not cut the line like we do it here, the distinction between residences and business houses?—A. No, they don't distinguish the rate between residences and business houses at all, except as far as their second rate of £14 is concerned. That would presumably apply; a man having a business service at the rate of £17 could have a flat rate telephone for £14 at his house.

Q. He would not be a subscriber at £17 unless he had a business or some occupation, at all events, which required a very large use of the telephone?—A. Well, I think you will find if you work it out that it does not require a very large use at a penny a call to bring it up to £17.

Q. What is the difference?—A. The difference is £12 between the £5 maintenance rate and the £17 flat rate, and that would give you about 3,000 calls at a penny a call.

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A good many of your calls would be two pence, so that you could take it on the average it would give you about 2,000 calls, which is not a large number.

Q. Well, it would seem from experience that 90 per cent of the subscribers prefer it?—A. Oh, well, you see the post office system is an entirely new system, and of course they have been sending out canvassers to get subscribers, and they naturally work along the line of least resistance, and offer the cheaper rate.

Q. A question I wanted to ask in connection with that is, in London do the two systems exchange messages?—A. Oh, yes.

Q. And there is no practical difficulty in doing that where two systems exist?—A. There are considerable practical difficulties in a city the size of London. London, as I told you the other day, covers an area of 640 square miles. You have got in that area some 60 odd exchanges of the National Company, and at the present time perhaps 17 of the post office. Well, it is a matter of very considerable practical difficulty to arrange efficient intercommunication between such a large group of exchanges.

Q. Is there much delay?—A. At times, there is. I think that there is a fair amount of delay in that service.

Q. I suppose it would be better if there was only one system?—A. It would undoubtedly be better. Of course, the newer system duplicates the other to a certain extent. And then, you have the same difficulty of two different administrations, and it does make it a practical telephone difficulty of very great magnitude to provide local trunk lines between such an enormous group of exchanges serving such a large area.

Q. Well, of course, that is a special difficulty in London. What I was asking about had reference rather to the possibility of working two local companies in one town. I suppose the difficulties multiply in such cities in proportion?—A. Yes, the practical difficulties.

Q. But in the towns of moderate size it would not be any more difficult for two companies to exchange business than for one company to use two exchanges?—A. Except for those difficulties that always come up when you have two separate administrations working together.

Mr. LEWIS.—Mr. Chrysler, in that interchange in London, do they talk with each other or just exchange messages?

By Mr. Chrysler:

Q. They are connected by wire, are they not? Where the subscriber of the National Company communicates with the subscriber of the government system in London, they are connected directly by wire?—A. Certainly.

Q. And converse directly?—A. Certainly.

By Mr. Lafleur:

Q. Mr. Webb, some surprise was expressed by a member of this committee that the government should contemplate the acquisition of the National system in 1911, in view of the fact that the government does not operate on a commercial basis? Can you give us any figures sustaining your statement that they do not operate their system on commercial lines?—A. Relating to telegraphs and telephones?

Q. Yes?—A. Yes. I think I have a return here that shows that very succinctly regarding the post office telegraphs, and I think it does make it rather surprising that the post office would want to take over the whole telephone business of the country as well. In 1870 the idea was that the whole telegraph system of the country would cost about £5,000,000 sterling, and when later they came to make up the total capital account they found it had cost over £10,000,000 sterling. They closed the capital account in 1876, I think it was. They hoped to pay interest on the capital and to establish a sinking fund to extinguish the capital created for the purchase of the telegraph. After the first two years of government working they failed to meet the interest out of the proceeds, and since 1884 there has been a deficit on the actual working expenses almost

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every year, with the exception of two or three years in the middle, where there was a small excess of receipts over expenditures. This return, which I will hand in, is dated February 12, 1904. (Exhibit No. 176.) It shows the state telegraph accounts up to March 31, 1903. It is the annual return, but I have been unable to get the copy for this year——I do not know whether the story is getting so horrible that they don't like to repeat it—but it shows that up to March 31, 1903, they had accumulated a total deficit to meet interest and working expenses of £10.831,000 on the working of the telegraphs and telephones. That is the record of thirty-three years of state control of the telegraph. And, as bearing on the fact that the telephone business does not yield a profit either, you will see that the deficiency each year increased during the period for which they have controlled the trunk telephone lines.

Q. Now, Mr. Webb, I want to ask you one question about the Glasgow situation? I understood you to say that the National Company had been obstructed by the municipality. That is to say, they were refused permission to go in the streets. Did that obstruction exist before the installation of the municipal telephones, and did it have anything to do with the service of the National Company, which I understand was complained of at times?—A. Oh, yes, it existed for a long time before. The record is full of it. The record of the inquiry of 1897 makes repeated references to the obstruction by the municipality. Finally, they point blank refused, after negotiations lasting several years, they point blank refused the application of the company to lay underground works, and that refusal, and the obstruction of the corporation, and the evidence of that and their general attitude towards their streets, were very severly commented upon by the sheriff in his reports. The report is part of the exhibits of the committee, and can be referred to. That attitude of the corporation of Glasgow undoubtedly increased the discontent with the telephone service furnished by the National Company in Glasgow, because as long as there was any hope of getting underground work and rebuilding their system upon proper and sound lines, they kept the old system going, and afterwards did not rebuild until they had given up hope of doing it the right way by means of an underground system; then they obtained leave for underground work from the railways. They go through their tunnels, and in the other municipalities in the area, which do not take the same attitude as the corporation of Glasgow takes, and in Glasgow proper they rebuilt by means of overhead cables, which of course has been largely improved of late years. It has been asked why the company did not rebuild with overhead cables in 1897 or 1898. At that time it would have been an extreme thing to do. Of course, the telephone cables had not been developed at this time to the point where it was practicable to build a large system in a city with overhead cables. There is no question that the attitude of the corporation of Glasgow largely determined the unsatisfactory telephone system that existed fo. a number of years.

Q. Before Glasgow had municipal telephones?—A. Before they established their own system. There is just one other point. The figures relating to the two systems of Glasgow have been quoted variously here, and I have got the official figures up to May 15, 1905. At that time the corporation system had 12,364 stations. It had been variously given as 13,000, and I think by Mr. Willock even up to 14,000. But it is 12,364, and the National system is 21,412.

By Mr. Grant:

Q. Where do you take these figures from?—A. These are from a report from Glasgow, which I received since I came to Canada.

By the Chairman:

Q. Their annual statement should be out now.—A. Their annual statement is made up on 31st May. Their financial year ends then, but the statement is not usually published until some time in August.

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By Mr. Lewis:

Q. I believe you said you had experience in using the telephone in Norway and France and Germany and other continental countries. How does their service in these countries compare with that in England by the National?—A. In some parts it is better and in some parts it is not so good. Of course, I have never been on the continent a large user of the service. You can readily understand that a traveller does not have much opportunity to use the telephone service.

Q. You were there to inspect them?—A. I have generally seen the thing from the inside, rather than the point of view of the subscriber. Wherever I could, I made test calls. Of course, when I am on the continent I would not use the telephone much owing to the difficulties of language and then I would have really nobody to call.

Q. You have been inspecting them to look into the working of the different telephone services?—A. Yes.

Q. Now, how would the National in England compare with the German system in the service rendered to the public.—A. With regard to the German system it compares very favourably indeed. The German method of working a telephone service is rather cumbersome. They work it in a very peculiar way there. They make you work your own way through. I mean, in a city with a number of exchanges that after you call the exchange to which you are connected primarily, then you ask for the exchange with which the subscriber you want is connected. When you get the second operator you have to tell her the number of the subscriber you want, and so forth, and that is a more cumbersome way than the usual way, which is to get the first operator to call the subscriber to whom you want to speak.

Q. You have had experience in the United States and Canada with telephones?—A. In the United States, yes, a good deal in the cities.

Q. Well, how does the long distance telephone in England compare with that in the United States?—A. I think I said the other day that the service in the United States was very much superior.

By Mr. Grant:

Q. Europe is behind in telephony?—A. Broadly speaking, very much.

Q. Is that not due, however, to the cheapness of the telegraph?—A. I do not think so.

Q. As regards Germany and France?—A. I do not think so. I do not think statistics for telegraph service show that the use per capita of the telegraph is as high there as it is in the United States. It is higher in England. I think it is about double in England what it is in the United States, but I do not think it is in the rest of Europe.

By the Chairman:

Q. What is your opinion as to the reason of the telephone being so far behind in England in comparison with the United States?—A. Well, broadly speaking the fundamental reason is government monopoly. In Europe generally the telegraph is a government monopoly, and when the telephone came in it was looked upon as a sort of natural appendage of the telegraph.

Q. Yes, but we are speaking of England more particularly. Let us have England. I do not think there is any worse place than England for a telephone system?—A. I am sorry you have had that experience.

Q. That has been my experience?—A. Well, you can trace it to the same fundamental cause.

Q. They have a monopoly there?—A. Yes, the government monopoly there has imposed artificial restrictions on the development of the business.

Q. What do you mean by government monopoly?—They have not had a monopoly in regard to building telephone lines?—A. They established a rigid monopoly in the business. No one can establish a telephone system without a license from the Post-

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master General, and the Postmaster General will only issue a license for a limited period. He charges an annual royalty of 10 per cent of the gross receipts which is a tax on the telephone user. To my mind, the whole point is the limited license. No company with a limited license can properly develop a business which requires a continuous expenditure of new capital like the telephone business does. In England no company can develop the business because of the restraints upon it, nor even keep pace with the demands of the public, to a large extent it cannot meet the demand. They have had absolutely for a number of years past to sit on the business and restrict it.

By Mr. Roche:

Q. Is there any particular object in doing that?—A. The object is that they cannot find the money. You cannot raise money to carry on a business that is going to expire—the right to do the business is going to expire in seven or eight years and exists on totally uncertain conditions.

Q. Then, so far as the companies are concerned, was there any object in adopting these restrictions by the government?—A. You, mean, object in limiting the licenses?

Q. Yes?—A. I cannot tell you what the object was, only the government adopted these methods, that is all.

By the Chairman:

Q. I understand that a government inquiry was caused by the poor service of the National Company?—A. Which inquiry do you mean?

Q. I have reference to the inquiry as to the government taking over the system, and which——A. There have been so many inquiries. There was one in 1895, a Parliamentary Select Committee. I think the reference was broadly to inquire into the conduct of the telephone service and its development, and so forth. That committee never reported. It was presided over by Mr. Arnold Morley, Postmaster General at the time, and the government went out before the committee had time to report. Then there was the Glasgow inquiry of 1897, and it was practically provoked by the attitude of the corporation towards the telephone business; and then Mr. Hanbury's committee of 1898, which instituted this policy of government competition, and municipal competition.

Witness discharged.

Committee adjourned till 3 o'clock.

Wednesday, May 31st, 3 o'clock p.m.

The Committee met, Mr. Zimmerman in the Chair.

Mr. HERBERT LAWS WEBB recalled and further cross-examined.

By Mr. Boyce:

Q. You referred, I believe, to the fact that the telephone business in England had been run at a loss, Mr. Webb?—A. The government branch of it.

Q. The government branch of it. That loss amounted to how much, according to the last report of the Postmaster General?—A. The Postmaster General's report summarises the telegraph and the telephone business together. The telephone business is run by the Telegraph Branch and the figures are not separated in the summary. This is the 50th report of the Postmaster General. It is the last that is issued, and it deals with the year ending March 31st, 1904. Although the financial year finishes March 31st, this annual report is usually not in the hands of the public until about August, so that the report for the current year is not yet out. This is the latest report available.

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Exhibit No. 177.

EXCERPT FROM THE FIFTIETH REPORT OF THE POSTMASTER GENERAL OF THE UNITED KINGDOM, 1904.

TELEPHONES.

On the 31st March last the number of post office trunk wire centres was 396, an increase of 41 in the year. The total number of trunk circuits in use was 1,418, as compared with 1,309 in the preceding year. The number of new circuits opened for traffic during the year was therefore 109. The total length of the trunk circuits in use was 51,400 miles, containing about 102,800 miles of wire. The capital expenditure on the purchase and development of the trunk wire system up to the 31st March last was 2,200,024*l.*, including an expenditure during the year of 108,607*l.* The Telegraph (Money) Act of this session authorised the raising of a further sum of 3,000,000*l.* on the development of the telephone system of the country. Of this sum about 1,300,000*l.* will be required for the extension of the trunk wire system, and about 1,700,000*l.* for the development of the exchange system in London and the provinces.

The total number of trunk line conversations during the year was 13,467,975. The corresponding number for the preceding year was 11,574,229; and the increase in the year was thus 1,893,746, which is at the rate of 16·3 per cent. The gross revenue from this service was 325,525*l.*, as compared with 274,835*l.*, the increase being at the rate of 18·4 per cent. The average value of each conversation was 5·8d. Seven years ago the average value was 5·02*d.* This increase corresponds with a greater use of the trunk lines between more distant towns.

Telephonic communication between London and Brussels was established on the 8th June, 1903, and the service was extended to certain provincial centres in England and Belgium on the 1st October, 1903. The charge is 8*s.* for a conversation of three minutes. Two telephone circuits have been provided between London and Brussels, and are working in a satisfactory manner.

The extension of the Anglo-French telephone service to the principal provincial towns in England and France, which had been arranged for in the year under review, was carried out on the 11th April, 1904. The service is limited solely by the electrical conditions, and it will be extended as they are improved.

An arrangement has been made whereby conversations over the Anglo-French and Anglo-Belgian circuits can be obtained between the hours of 9 p.m. and 7 a.m. for double periods of six minutes at the same rates as for conversations of three minutes during the day, by callers who contract for one or more calls each night for a period of at least one month.

Experiments have been conducted during the year with a view to the establishment of telephonic communication between London and Holland. The results were such as to show that it is not at present practicable to construct a cable at reasonable cost which will enable direct telephonic communication to be established and maintained satisfactorily.

Post Office exchanges in connection with the trunk line system were opened during the year at the following places:—

Aberstwyth.	Brigg.	Hatch End.
Ammanford.	Castleton.	Hayes.
Antrim.	Clutton.	Hillingdon.
Atherstone.	Cranleigh.	Horley.
Auchtermuchty.	Daventry.	Innellan.
Ballymena.	Easington.	Kells (Antrim).
Barnard Castle.	Ebchester.	Kenfig Hill.
Beaufort.	Farndon.	Kingskettle.
Blaengwynfi.	Frinton-on-Sea.	Llandilo.
Bognor.	Garnant.	Llanidloes.
Bourne.	Halstead.	Machynlleth.

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Memsie.	Pontyclun.	Strichen.
Montgomery.	Richmond (Yorkshire).	Torksey.
Mostyn.	Rickmansworth.	Treorchy.
New Pitsligo.	Ross (Hereford).	Upper Brynamman.
Newtown (Mont.)	Royston.	Walton-on-the-Naze.
Northwood.	Sandbach.	.Waunllwyd.
Pentewan.	Scunthorpe.	Welshpool.
Peterston-super-Ely.	Seaton Sluice.	Wooler.
Pinner.	Sible Hedingham.	Yiewsley.
Ponteland.	St. Athan.	Ynysybwl.

At nearly all of these places there was previously no telephone service. Numerous other exchanges are in course of construction.

The telephone trunk system was also extended, under guarantees given by the National Telephone Company, to Naas and West Kilbride.

The sum received as rentals of post office provincial telephone exchange circuits and of private wires was 206,786*l.*, as compared with 194,429*l.* for the previous year.

The total number of subscribers to the post office provincial telephone exchanges on the 31st March was 5,253; and the number of telephones rented increased in the year from 5,218 to 6,874.

The experiment has been tried of establishing a telephone call office system in rural districts with the aid of the public telegraph circuits, with a view to ascertain what demand there is for telephonic facilities between market towns and the surrounding villages. The places selected for the experiment were Oakham in England, Fraserburgh in Scotland, and Cavan in Ireland; but the system has been little used by the public up to the present, and the receipts have not covered the cost of attendance and maintenance.

The number of telephones in connection with the post office London telephone system increased during the year from 9,122 to 15,632; and the additional subscribers are being connected at the rate of from 100 to 200 a week. Three new exchanges have been opened during the year.

The following table shows the number of subscribers' telephones working on the 31st March:—

Name of Exchange.	Date of Opening.	Subscribers' Telephones Working.	
		On March 31, 1904.	On March 31, 1903.
Central	1st March, 1902	10,541	7,054
Chiswick	3rd June, 1903	208	
Croydon	26th January, 1904	62	
Kingston	20th May, 1902	339	233
Mayfair	20th October, 1903	1,057	
Putney	20th May, 1902	382	240
Richmond	7th November, 1902	289	163
Victoria	12th August, 1902	1,169	618
Western	5th August, 1902	1,330	651
Wimbledon	6th August, 1902	255	163
	Total	15,632	9,122

The accommodation at the central exchange will be nearly exhausted in the course of the financial year 1904-5; and the construction of a second exchange with a maximum capacity of 18,000 lines is in progress.

The trunk wire exchange in London was transferred in February last from the central telegraph office to the general post office (south), where the central exchange is

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situated. An entirely new switchboard was designed for the trunk wire exchange; and the working of the trunk system has been materially improved by the modifications introduced.

The length of the undergryound pipes which had been laid in the London area on the 31st March last was 1,146 miles, and cables containing 125,717 miles of wire have been provided, including 32,248 miles provided for the use of the National Telephone Company on rental terms pending the transfer of the company's system to the post office. The lines of the present subscribers and the junction lines between exchanges have absorbed 43,335 miles; and 50,134 miles of wire remained available for the further development of the London service.

On an average each circuit directly connected with an exchange has involved the provision of 1½ miles of double wire, if allowance be made for the junction lines between exchanges. This is an increase on the average length given in my predecessor's report (1·35 miles), the greater length being due to the greater average distance of subscribers' premises from exchanges, as well as to the increasing number of junction lines required for calls between subscribers of different exchanges. Owing to the great extent of the London exchange area, and the number of its local exchanges, the proportion of junction lines required is probably greater than in any other local exchange system in the world; and this fact will always make the cost of the service comparatively high. The average cost of construction has increased since the last report from 18*l.* 11*s.* 4*d.* per mile of double wire to 18*l.* 16*s.* 10*d.* Including the cost of installation of telephone instruments and of exchange apparatus, the total cost of each subscriber's line has increased from 38*l.* 6*s.* 3*d.* to 41*l.* 9*s.* 8*d.* This does not include the cost of the spare wires which are necessary for the maintenance of an exchange system in an efficient state, or of the ducts, cables and exchange plant intended to provide for the future development of the system and not yet brought into use.

An account of the receipts and expenditure relating to the London service for the year ending 31st March, 1904, is printed in Appendix O, on page 91. It shows a balance of 33,515*l.* available for meeting the charge for interest on capital and for making provision for depreciation of plant. The capital expenditure to the 31st March last was 1,514,300*l.* It must, however, be remembered that a large part of the plant which has been constructed, has not yet been brought into use, and is earning no revenue. This must happen in all cases where large underground systems are provided to meet future requirements; and the great extent of the London system makes it more noticeable in London than elsewhere. The proportion of revenue available, after paying working expenses, for the payment of interest on capital and as a sinking fund ought, however, to increase each year.

I have not granted any licenses during the year for the establishment of municipal exchange systems; but exchanges have been opened by the corporations of Brighton and Swansea in virtue of licenses previously granted, and considerable extensions have been made in the exchange systems of the corporations of Glasgow and Portsmouth.

The amount of royalty received during the year from the National Telephone Company was 169,853*l.*, and the amount from other licensees was 6,206*l.*

ERBERT L. WEBB.

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TELEPHONE TRUNK LINES.

STATEMENT showing the Number of Circuits, Miles of Wire, and Calls, together with the Capital Expenditure and the Revenue in each Year since the Trunk Lines of the National Telephone Company were acquired by the State.

Year.	Circuits.	Increase.	Miles of Wire.	Increase.	Capital Expenditure	Increase.	Calls.	Increase.	Revenue.	Increase.
					£	£			£	£
1897-98.....	877	73	55,721	7,866	1,185,518	137,611	5,888,247	643,416	134,066	30,710
1898-99....	953	76	63,109	7,388	1,327,297	141,779	7,066,609	1,178,362	168,614	4,548
1899-1900.	1,029	76	69,713	6,604	1,500,610	173,313	8,091,631	1,025,022	193,071	24,457
1900-01.....	1,116	87	76,831	7,118	1,652,780	152,170	8,980,733	889,102	214,545	21,474
1901-02.....	1,165	49	83,302	6,471	1,866,431	213,651	10,080,716	1,099,983	240,656	26,111
1902-03.....	1,309	144	93,473	10,171	2,091,417	224,986	11,574,229	1,493,513	274,835	34,179
1903-04.....	1,418	109	102,799	9,326	2,200,024	108,607	13,467,975	1,893,746	325,525	50,690

STATEMENT showing the NUMBER of CONTRACTS, MILES of WIRE and INSTRUMENTS, and the RENTALS in each of the last Ten Years.

Year.	Contracts.	Increase.	Miles of Wire.	Increase.	Instruments.	Increase.	Rentals.*	Increase.
							£	£
1894-95....	3,709	Inc. 4	23,209	106	10,341	107	140,088	1,319
1895-96....	3,831	122	21,581	Dec. 1,628	10,385	44	†134,312	Dec. 5,776
1896-97....	3,821	Dec. 10	22,380	Inc. 799	10,401	16	135,379	Inc. 1,067
1897-98....	3,913	Inc. 92	27,114	4,734	10,825	424	‡130,109	Dec. 5,270
1898-99....	4,038	125	30,198	3,084	11,396	571	142,602	Inc. 12,493
1899-1900..	4,152	114	32,096	1,898	12,020	624	148,250	5,648
1900-01...	4,541	389	34,356	2,260	13,037	1,017	§155,694	7,444
1901-02....	6,151	1,610	41,207	6,851	15,432	2,395	182,143	26,449
1902-03....	7,383	1,232	43,953	2,746	17,645	2,213	194,429	12,286
1903-04....	8,584	1,201	49,210	5,257	20,377	2,732	206,786	12,357

* These amounts include rentals for certain lines leased to Cable Companies.

† The decrease is due to certain lines leased by Cable Companies having been given up, and to the receipts for Telephone Trunk Lines being no longer brought to account as rental.

‡ The rates for Private Wires and Telephone Exchange Wires were reduced in 1897 and existing rentals were reduced accordingly.

§ The rates for Exchange Wires were reduced in 1900, and Subscribers were given the option of renting their circuits at Inclusive or Toll Rates.

Mr. HERBERT L. WEBB.

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Dr. GENERAL CAPITAL ACCOUNT to 31st March, 1904. Cr.

	£	s.	d.
Capital authorized by Parliament, viz. :—			
Telegraph Acts, 1892-98	2,300,000	0	0
Telegraph Act, 1899	2,000,000	0	0
Telegraph Act, 1904	3,000,000	0	0
Total £	7,300,000	0	0

	£	s.	d.	£	s.	d.
Purchase of Telephone Trunk Lines from the National Telephone Co.				459,114	3	7
Construction of Telephone Trunk Lines by the Post Office :—						
To 31st March, 1903	1,632,303	0	7¾			
Year ended 31st March, 1904	108,606	13	9¾			
				1,740,909	14	5½
Telephone (Exchange and Private Wire) Construction in London :—						
To 31st March, 1903	1,043,473	5	1			
Year ended 31st March, 1904	408,254	9	10¾			
				1,451,727	14	11¾
Expenditure on Sites and Buildings in London :—						
To 31st March, 1903	52,512	0	9			
Year ended 31st March, 1904	15,523	5	9			
				68,035	6	6
Telephone (Exchange and Private Wire) Construction in the Provinces :—						
To 31st March, 1903	212.897	14	8¾			
Year ended 31st March, 1904	56,821	2	2¼			
				269,718	16	11
Miscellaneous Expenditure charged to Capital Account ;—						
To 31st March, 1903	9,622	3	4¾			
Year ended 31st March, 1904	2.427	5	7¾			
				12,049	9	0½
Stores purchased and remaining unused on 31st March, 1904				240,809	19	8½
Balance not expended on 31st March, 1904				3,057,634	14	9¾
Total £				7,300,000	0	0

The amount of the capital advanced by the Treasury to 31st March, 1904, was £4,300,000. Repayment by the Post Office is effected by means of Terminable Annuities charged against Subhead B of the Telegraph Vote. The amount so charged up to the 31st March, 1904 was £1,105,722 7s., being £788,723 3s. 4d. in repayment of capital, and £316,999 3s. 8d. for interest.

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Receipts.		Expenditure.	
Subscribers' Rentals—		Maintenance of system	£ 26,216
Proportion of subscriptions paid in 1902-3 but proper to 1903-4	£ 31,934	Salaries, wages, &c. of staff, including provision for pensions of established staff	22,495
Paid in the year 1903-4;		Rent, rates, fuel and light, including estimated rental value of premises already belonging to the Department	6,546
At flat rates £ 20,645		Miscellaneous expenses (stationery, travelling, &c.)	2,050
At toll rates 79,695		Balance available towards meeting depreciation, interest, &c. (*vide* notes)	33,515
100,340			
Less proportion proper to 1904-5 53,522			
	46,818		
Message fees, in addition to fixed minimum of £1 10s. per subscriber	5,117		
Call office fees	1,580		
Rentals of wires leased to National Telephone Co.	3,132		
Miscellaneous receipts	421		
Value of services rendered to Government Departments without payment	1,820		
	£ 90,822		£ 90,822

Notes—1. The estimated amount required to provide for depreciation of plant, inclusive of spare wires, is £39,921, and interest at 3 per cent. on the capital expenditure of £1,514,300 is £45,429, making together £85,350.

2. Terminable annuities have been created, payable from the vote for the Telegraph Service, to provide for the repayment, with interest at 3 per cent. of capital raised for telephone purposes under the Telegraph Act of 1899. The proportions proper to the London Telephone Service of the annuity payments already made are as follows: Payment on April 1, 1901, £24,406 2s. 6d.; payment on April 1, 1902, £57,772 14s.; payment on April 1, 1903, £95,001 15s. 2d.

3. The annuities provide for the repayment of the capital in 12-15 years, while the estimated life of the plant averages 36 years. The annuity required for interest and sinking fund on a capital expenditure of £1,514,300, repayable in 30 years with interest at 3 per cent., would be £77,259.

By Mr. Boyce:

Q. The telephone account is under the Postal Department?—A. Yes, sir.

Q. Can you extract the balance?—A. The expenses are not given separately. The telegraph branch as a whole, including the telephone, had for this year a revenue of £3,736,115, and an expenditure of £4,719,796, making a net deficit of £983,681.

Q. That is for the year?—A. That is for the year.

Q. Then the telegraph and telephone departments have a deficit?—A. That is the whole thing, £983,000, and there is this further note:—'If allowance be made for interest on capital £10,867,644—created for the purchase of the telegraphs, the telegraph deficit on the year is raised to £1,282,560.'

Q. That is if they paid interest on the capital?—A. As a matter of fact, the interest on the capital, as shown by the return which I handed in this morning, has not been met by the receipts from the service since 1872, since the second year of government operation.

Q. Is it possible to extract from that report any figures which would lead you to a conclusion as to the result of the year's operation of the telephone systems?—A. Of the telephone proper?

Q. The telephone proper?—A. Only in this indirect way, and I should like to correct a figure that I gave the other day from memory. The report does give a table for telephone trunk wires, that is, the long-distance system, and it shows there that the total capital expenditure up to 1903-4 was £2,200,024, and the total revenue for the year was £325,525. That is a gross revenue of 14·8 per cent on the capital.

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APPENDIX No. 1

Q. Yes?—A. I stated from memory the other day that it was about 11 per cent. I found that I was referring to the previous year.

Q. The trunk lines had been built in what year, Mr. Webb?—A. 1896.

Q. What was the result of the telephone account for the year preceding that?—A. That will be shown by the statement I handed in this morning if it is available—(Exhibit No. 176),—and which gives the results each year since the acquisition of the telegraphs by the government.

Q. Will you give me, from the report, the result of the year preceding the acquisition of the trunk telephone lines by the government?—A. In 1895 the deficiency was £144,637.

Q. The deficiency of the——?—A. Of the telegraph branch.

Q. Of the telegraph, yes. Now, the next year have you got that and subsequent years?—A. Yes, it goes up and down. The next year the deficiency dropped from £141,000 to £40,547.

Q. It dropped £100,000?—A. Then the following year it goes up to £144,456; in 1898, £307,118; in 1899, £221,869; in 1900, £288,591; in 1901, £337,641; in 1902, £651,-880; in 1903, £601,711. The year 1904 I have just given you, so you see there is a steady increase in the deficiency.

Q. There is a steady increase in the deficiency. Was there an increase in the deficiency in the telegraph branch prior to the acquisition of the long-distance trunk line?—A. Well, sir, it varies. The first year in which there was an actual deficiency of revenue to meet working expenses was in 1884. The government management of the telegraphs began in 1870. Up to 1884, which is a period of 14 years, they had met expenses, although in the second year they had failed to meet interest on the capital. In 1884 they began with a deficiency of actual revenue over expenditure.

Q. That was the year of the six-penny rate, was it not?—A. I think it was. The deficiency that year was £19,697. The next year it was £36,350, then £45,137, then £145,-472, then it dropped to £6,083. Then there are two or three years in which they met expenses and had a small surplus.

Q. Then it would not be possible for you, by a consideration of the figures before and after the acquisition by the government of the trunk telephone lines, to determine whether the increase in the deficit was attributable to the telephones or else to decreased revenue?—A. No, not solely, there are so many factors that come in. Of course there was a decrease of the telegraph rate from a shilling to sixpence for twelve words That had an effect for the time. Then you have got to take into account that since 1876, I think it is, they have had no capital account. They have closed the capital account and all extensions have been paid for without interest as it were. They have been provided by the Treasury without any interest and those are added into the current expenditures of the year. There is a table in this report, which I will hand in as an exhibit, which shows the distribution of the expenditure among operating expenses and maintenance and extension.

Q. Were you familiar with the telephonic conditions in England at the time of the acquisition by the government of the trunk lines?—A. Generally speaking, yes. I was not living in England at the time, but I made a number of visits there to inquire into telephonic conditions.

Q. You were then in the telephone business?—A. I was in the telephone business in New York.

Q. And have you watched the system ever since, under government control?—A. Broadly speaking, yes. I have visited England at intervals in the ten years and have lived there the last three years.

Q. Have you been kept so closely in touch with the conditions under which the long-distance lines have been operated by the government as to be enabled to form an opinion as to whether they are operated profitably or not?—A. As to whether they are operated profitably, one can really only judge by these published accounts.

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Q. And the published accounts give you no accurate information upon the subject?—A. Except in this way. This table shows the percentage of gross revenue to capital expended to be less than 15. That is, the gross revenue is less than 15 per cent of the capital expenditure on the trunk line service.

Q. There is some information given by the Postmaster General in presenting that report is there not?—A. There is a brief commentary on it in the beginning of the report.

The WITNESS.—The only way in which you can judge of the profitableness or otherwise of the long-distance business in England is by comparing the gross revenue with the capital cost of the system, and that percentage of gross revenue is insufficient for commerical purposes.

Q. Do you think that the long-distance lines, the trunk lines, in England, if operated or controlled by the government, could be more successfully operated if separated from the telegraph?—A. I think the whole telephone business could be more successfully operated if it were entirely separated.

Q. Even though the trunk lines were still under government control?—A. Even so.

Q. Have you studied the working of the telephone system, in connection with the telegraph system, there?—A. Well, one must do so for the reason that the two are indissolubly bound up together, they are worked by one department.

Q. Would you consider that would be the inevitable result of the acquisition by the government of the control of trunk lines in Canada? For instance, that it must be bound up with the telegraph, and that the acquisition of the telegraph would follow as a natural consequence?—A. I am sure you will find that it is so in other countries where the telephones are taken over by the government; they become part of the Telegraph Branch and they undoubtedly suffer from that very thing.

Q. Then would you agree to this proposition which is contained on page 16 of Mr. Dagger's evidence: 'I do not believe the purchase of long-distance telephone lines is a practicable proposition unless the telegraph system is acquired at the same time, as the telegraph companies would undoubtedly enter the telephone business in competition with the government.'?—A. Well, sir, I have not studied the Canadian conditions very much, but broadly speaking I should think it would be difficult to take one thing and leave the other.

Q. You think then that if there was such a thing as government ownership of trunk lines, that that should be associated with government ownership of telegraphs, as in England.—A. I think the difficulty would be this: I think it would be difficult for the government to own either branch of the business without constituting for itself a monopoly that would cover the whole business. Otherwise, if you leave the field open for competition you will surely have it, and a government department cannot stand competition. ...

Q. I think your evidence was to the effect that you would beat any government, you would undertake to beat any government monopoly of telephones or telegraphs.—A. On fairly equal terms, yes.

Q. On fairly equal terms. You say you are not familiar with the local conditions existing in Canada?—A. No, sir, I confess that I am not.

Q. Does the sparsely settled nature of the country, and the long distances between large settlements, have any weight in your mind with regard to the comparison of conditions in Canada and in England?—A. I think that creates a very broad difference in conditions, yes. I do not think that the two countries are on all fours at all for that very reason.

Q. For the reason that there are greater distances between thickly settled communities?—A. Exactly.

Q. In England they are all together.—A. Yes, England is a very closely populated country.

Q. It requires a shorter distance of trunk line to bring together very large areas of population?—A. Precisely, and you will find a statement bearing on that point in

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the Postmaster General's report. He states that the average rate paid for long distance messages is a trifle over 5 pence, a trifle over 10 cents, which shows that the vast majority of trunk messages, of long-distance messages, are extremely short-distance messages really. The minimum charge is 3 pence, 6 cents, and the average rate per message——it is stated there and I forget the exact figure——is under six pence. It is 5 pence point something which shows clearly that the average message must be really a short distance message, what would be called in this country a toll message.

Q. Would there be any difficulties according to your theory, failing the acquisition of the long distance lines, in a compulsory connection being imposed between the long distance and the local and independent companies? If so what would those difficulties be?—A. Well, the principal practical difficulties relate to the difference in equipment and the difference in management of the various systems.

Q. Yes. I think the previous witness, who was under examination concurrently, stated that it would be impossible to fix a standard for that connection.—A. Yes, I should say, practically it would be impossible to fix a uniform standard that should apply to everybody.

Q. How long have you been familiar with the telephone conditions in England, Mr. Webb?—A. Well, in an intimate way I should say since 1894.

Q. That is in a professional manner?—A. Of course, I have been in telegraph work practically since I have done any work at all, and have been familiar with the general conditions and have been on familiar terms with the post office officials all my life. But I have only actually taken up a close study of the telephone business generally in England since 1894.

Q. Since 1894 and during that time you have studied it minutely, have you?—A. I have followed it at first hand on a number of different occasions and have followed the history of the subject in all the official reports and other literature.

Q. You have studied it from both points of view, have you, from the public ownership point of view?—A. Yes, sir, I have. Studying the matter as I have done in all the different countries of Europe, I have formed conclusions as an onlooker, as a member of the public, as apart from the technical men.

Q. Your association with the telephone has also been of a practical nature?—A. Yes.

Q. Have you been largely associated with corporations in connection with expert telephony?—A. Meaning with companies?

Q. Yes?—A. Yes, sir.

Q. Before you formed the views which you have expressed to the committee were you associated with any corporation or interested in a telephone business?—A. My work has practically been entirely with companies.

Q. Now, with regard to the conditions in Great Britain. We will take Glasgow first. Where were the switchboards in Glasgow manufactured?—A. The majority of them, to the best of my knowledge, were manufactured in England.

Q. That would be in Cheshire, I suppose; some company in Cheshire?—A. I think the company is now known as the British Insulated and Helsby Cable Ltd.?

Q. Yes?—A. Some of the later switchboards I believe have been manufactured in Norway.

Q. Are you aware, I do not know that this point has been covered; how much of the underground cable work the National Telephone Company has in Glasgow?—A. No sir, I am not. I have no statistics on that point.

Q. You do not know the relative amount of the underground work of the National Company and of the municipal telephone system?—A. No, sir.

Q. Do you know that the municipal system comprises more underground work than any other two, outside of Glasgow?—A. I believe that is not true. I believe there are several other systems, among them Liverpool, and one or two other places in England which have larger underground systems than that of the Glasgow Telephone Corporation Department. The statement your refer to, was made and it was formally con-

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tradicted by engineers of the National Telephone Company in open discussion at the Institution of Electric Engineers.

Q. The Glasgow corporation has recently made a recommendation with regard to the superseding of the call wire system by automatic calling?—A. They embodied that recommendation in their report a year ago, their report for the year ending May 31, 1904.

Q. You are also aware of the action of the Coventry Council committee on telephones with regard to the present high rates of the National Telephone Company?—A. No, I cannot say that I am.

Q. Well, I will read you the article which appears in the *Electrical Engineer* of February 2 this year: 'The following report was submitted by the General Purposes Committee of the City Council on Tuesday: "Having considered a letter from the Coventry Chamber of Commerce with reference to the present high charges of the National Telephone Company to their subscribers, the establishment of a municipal telephone exchange, and the undesirability of the government purchasing the undertaking of the National Telephone Company on terms which would prevent a lowering of the rates now charged by that company, the committee resolved that it was undesirable that the government should purchase the undertaking of the National Telephone Company on such terms as would prevent a lowering of the telephone rates now charged by that company to its subscribers."' That would be in accord with your view?—A. I think there have been several of such resolutions passed by chambers of commerce and trade and such bodies in England, opposing this agreement which has been made between the Postmaster General and the National Telephone Company.

Q. And opposing the acquisition?—A. Opposing the acquisition of the telephones by the state.

Q. Upon what grounds?—A. I think usually the ground taken is that expressed in the extract you have just read. The idea is that if the telephone system of the country is purchased at its fair value the present rates will be preserved, and in some quarters those rates are considered high.

Q. You think, then, that the acquisition by the government of the trunk lines, or their control of the trunk lines, would not result in any material lowering of the rates?—A. This refers to the acquisition of the local systems. The trunk lines they already have.

Q. I am speaking now in regard to Canada in analogy to this?—A. Oh, I see. It is difficult, of course, to answer that question. The rates under government administrations are not, as a rule, made with regard to commercial considerations. They are fixed, as a general rule, without any analysis of the working cost, without regard really to the cost of working the service, and, speaking broadly, there is very little relation between government rates for telegraph or telephone service and the real cost of furnishing the service. It is perfectly clear as regards Great Britain, by these figures, what has been the result of the working of the post office telegraphs and telephones.

Q. From the observations that you have made, and from the experience that you have had, would you state concisely the objections that you see to interference by the government in the actual operation of telephone systems, either trunk lines or local telephones?—A. I think the chief objection is that when you have government control and ownership, the management is no longer commercial. The ultimate management of the concern is governed by considerations that are foreign to the real business considerations that ought to govern the operation of the business. That is, the rates may be fixed in response to an uneducated public opinion, or to political pressure, or to whatever it may be. But as a general rule the policy of the business is governed by considerations that are foreign to the practical considerations of the business. Then there is another very broad objection, that when once you get government money or municipal money invested in a business the tendency of those in control is to oppose any improvement, to oppose any change that would tend to supersede that investment.

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APPENDIX No. 1

You find that very often in connection both with government enterprises and with municipal enterprises.

Q. Do you consider those conditions are contributed to by the telephone system being encumbered or associated with the telegraphs?—A. Very much so.

Q. Go on, Mr. Webb?—A. An illustration of that same tendency is afforded by the electrical business in England, by the electric lighting business. When electric lighting sprang up there were a number of municipalities in England which owned gas plants and they were immediately alarmed for the safety of their investments in those plants. Some of these municipalities banded together and they procured the passage of the Electric Lighting Act of 1882, which put a damper on the whole electrical business in Great Britain. The broad effect of it was to enable town councils to buy up electric lighting systems established by companies after 21 years of operation. That made it unprofitable to go into the electric lighting business, and it put the brakes on electrical manufacturing throughout Great Britain and prevented the establishment there of the electrical manufacturing business on a broad scale. That Act was repealed in 1888 and superseded by a fresh Act. But that is the general tendency. A government-owned or municipal system has to resist improvement, to resist the supersession of what exists by something better, because it means the abandonment of an investment and the spending of new money.

Q. Those are the experiences which in your judgment apply to England?—A. I think they apply to government control generally in the telephone business. Throughout Europe you will find the same thing.

Q. Have you experienced the same thing in other parts of Europe?—A. Unquestionably. You will find government departments struggling along with antiquated apparatus either because they do not want to find the money or because those in power will not provide the money for rebuilding or furnishing new equipment, and although companies to a certain extent are not fond of spending money unnecessarily, they are practically driven to keep their plant up to date.

Q. Would you say that that would be the universal result of government ownership or control with regard to telephones?—A. I should say, broadly speaking, that is one of the great objections. That it represses improvement, it represses initiative and the improvement of plant and systems, in accordance with invention and with the rise in the state of the art.

Q. Since you have been in Canada, Mr. Webb, have any other conditions unfavourable to government ownership or control, peculiar to this country, suggested themselves to you?—A. No, sir, I cannot say that they have. I think that the same conditions are practically universal, more or less modified by local circumstances. I think that there is one other objection to government management of business, and that is the relative lack of efficiency and economy. The government employee is not as efficient as the company employee. The government employee is there as a fixture, and he has not the same incentive to work and give full value for his pay as the company employee has, and he does not do it either. This is certainly my observation all over the world, and I think no matter what the country or no matter what the local conditions—the local conditions and the local circumstances of course have their influence—those three broad objections will obtain.

Q. You think, then, that the prospect of dividends is the essential necessity to a profitable undertaking, to an efficient working of the telephone system?—A. I certainly think, sir, that that is the proper test to apply to every business, that it should pay its way.

Q. Cannot you imagine, Mr. Webb, how those conditions could be met with and overcome by an exclusive management in the interests of the public on commercial conditions, although by the government?—A. I confess it would be very difficult to imagine, knowing what I know and having seen what I have seen of government man-

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agement, of methods of administration and of the routine that exists in a government department, I confess it would be very difficult to imagine.

Q. Is that a conclusion reached after long years of experience and study of conditions?—A. It has been reached after ten or eleven years pretty continuous study of the subject.

Q. You stated in your examination that in your experience government control had tended to restrict development?—A. In Europe unquestionably.

Q. In Europe? Have you stated the reasons upon which you laid down that proposition?—A. I stated the reasons as applied to Great Britain. The government control there resulted in the limited license and the limited license has resulted necessarily in restricting the development of the system. Up till quite lately, up to the issue of this agreement of last February, the telephone business of Great Britain was in a wholly uncertain condition. All that was known was that the licenses expired in 1911, and after that moment the companies ceased to have the right to do any telephone business at all, and it was not known what would become of their plant or what arrangements would be made to carry on the service. Under these conditions it becomes practically impossible to raise money to develop the service. On the continent of Europe of course the service in almost every country is now an exclusive government monopoly, operated by the government, and there we get the difficulties that I have touched on, the fact that the ultimate management of the business does not depend upon the considerations peculiar to the business. The money may be needed for war ships, or may be needed for something else, and it may not be convenient to provide it for the telephone service, and in a great many countries you will find the development of the service practically blocked because money is not provided for the development of it.

Q. You spoke of there being six municipal systems only in England, I think?—A. I said that six had been started and five only existed at the present time.

Q. Do you know of any towns or cities in England that have decided recently in favour of the control of telephones by the municipality?—A. No.

Q. I am told that Sheffield has made a recommendation?—A. Well, there might have been.

Q. Pardon me, Manchester, Salford, and Stockport?—A. Recently?

Q. Lancashire towns?—A. I certainly was not aware of it. Manchester has always been a sort of hotbed of telephonic agitation, so to speak, and there is a semi-defunct telephone company there which keeps up a sort of agitation. It is a company called, I think, the Mutual Company. It has never done any actual business and it is still hanging on.

Q. Is it in actual operation now?—A. No, sir, it has never been in operation. It started up some years ago with the object of doing a telephone business with the approval of the municipality and nothing ever came of it. They spent a good deal of money in a sort of promotion scheme, and they are hanging on now in the hope of getting the money back from the municipality.

Q. There appears to be a desire in those cities for competition with the National Telephone Company, does there not?—A. As far as you can judge from paragraphs of that kind. But I think they are mainly put out by this Mutual Telephone Company, which has never been an actually operating company.

Q. You are aware, Mr. Webb, are you not, that many of the towns and cities in the United Kingdom own and operate their own electrical plants?—A. Yes.

Q. Lighting, gas, and water plants?—A. Certainly.

Q. Those plants are operated to advantage and profit?—A. I should not be prepared to assent to that, as a broad proposition. I have no doubt some of them are profitable, but it is very difficult to me to reconcile the statement that many of these municipal trading undertakings are remunerative, with the fact that the municipal debt is continually on the increase and the rates are continually on the increase practically oll over Great Britain.

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Q. We have instances, for example, in Canada, where municipalities operate successfully electric railway, electric lighting, and water plants?—A. Yes.

Q. What line do you draw between the profitable working of those utilities and the profitable working of the telephone system?—A. There is nothing inherently impossible in a municipality operating a business profitably. All that I have said with respect to the existing telephone system in England has nothing to do with the principle of a municipality operating a telephone system as with the actual facts of the existing system.

Q. Would you carry that principle as far as governmental control? The same principle that is applicable to municipal control, would you carry that as far as government ownership and control? If not, why not?—A. That is hardly a question to put to an expert, it is a question for one's own private opinion really. I think, however, that municipal control is more manageable than government control.

Q. There are the same difficulties that you have pointed out?—A. I think a good many of the same difficulties do come in.

Q. Within a smaller area?—A. On a relatively smaller scale, but I think the general principle is much the same.

Q. I am trying to get at the points of difference, the main points of difference, from your point of view, between municipal ownership and government ownership of telephones?—A. Well, I should be very sorry to lay down off-hand, in answer to a question, any such proposition. It is rather a big subject, and one to which I can hardly claim to have a great deal of expert knowledge, the question of municipal trading in general.

Q. Would you say that the objections, in the main, are common to both?—A. Yes, I should say that in the main the objections are common to both.

Q. More easily overcome in the municipalities or more easily overcome in the government?—A. No, if anything I should say they were more easily overcome in the municipality.

By the Chairman:

Q. You really have had no experience in connection with these matters, have you?—A. Of course, as an observer I have watched some of them pretty closely.

Q. It is only an opinion you are giving?—A. Exactly. It is just what I was trying to explain to Mr. Boyce. It is not a question of expert knowledge, it can only be a question of opinion.

Q. As a matter of fact, you have no expert knowledge of——?—A. Of municipal trading in general. No, I do not claim to have that.

Witness was then discharged.

Examination by Mr. PICKERNELL resumed.

By Mr. Casgrain:

Q. Supposing this condition of affairs existed? A competing company has a plant upon which $10,000 has been expended and another company with which it is competing has a plant worth $10,000,000, what would be the result of a competition in such a case to the larger company?—A. I assume that the small company, with an investment of $10,000 is to have access to the plant of the large company with an investment of $10,000,000.

Q. Exactly?—A. The small company would of course have the advantage of the larger investment which they took no part in the creation of. They would not care,

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in making use of the $10,000,000 worth of plant, whether they used it with complete economy or not. It would make no difference to them whether their operating rules were the same as those of the large company, if, in establishing connection with this big plant, the operating rules were such that they used the circuit five minutes when possibly only one minute was necessary. It would make no difference to them, but it would entail a big loss to the $10,000,000 company. There would not be that incentive to the small company to make its methods such as to use the large property economically. The only way you can get at that is by having a preliminary agreement and certain understandings to meet each specific case. And they are varied; no two cases would be alike in the defining of these conditions.

Q. I understand from your evidence this morning, and you have just repeated it now, that in your opinion no uniform set of rules for the conduct of an interchange of business can be devised. But assuming that such a system was tried and physical connection was in force, would competing companies be able to operate unfairly to each other?—A. Most assuredly they would. If those rules were devised, and they were uniform, and if one company competing with another desired to take an advantage of its competitor, it could do so. It could utilize its lines and things of that kind, and create confusion which would be disastrous to the other company. It would cost much money, and it would be very difficult indeed, perhaps impossible, to detect. Those things have got to be handled as a matter of good faith.

Q. In other words, I suppose you say, that on the larger company's lines the time would be wasted, the operation of the line would be delayed?—A. Most assuredly.

Q. Could such waste be avoided? Do you know of any way by which the waste could be avoided?—A. I know of no way of avoiding that waste entirely. Under the most friendly relations there is more or less waste, but if you get an antagonism of interest at all that waste would become so great as to absolutely tie up the plant and prevent the getting connections through for any considerable distance. It is simply that lack of uniformity of interest that brings about the relationship I referred to this morning where, as a matter of fact, it is commercially impossible to talk over the independent system from Cleveland to Kansas City or from Cleveland to St. Louis.

By the Chairman :

Q. I received a letter this morning from a gentleman stating that he had talked over the line from Cleveland to Kansas City?—A. I am willing to concede that, under certain test conditions and after elaborate preparations and experiments, it could be done. The wires are there. But I make this as a statement of fact : If you go to telephone in Kansas City and try to talk to Cleveland, or if you go to telephone in St. Louis and try to talk to Cleveland—I have not been in Cleveland and endeavoured to talk from there, so I am putting it in that way, but I suppose it is the same as in the other direction—you will not be able to get what we call a commercial talk between these points.

Q. Of course, that is just a bald statement of your own?—A. Well, I am making a flat-footed statement, and I am going to give you the evidence to corroborate it. The business of the American Telephone and Telegraph Company between these points has increased continuously since its lines have been in operation, and there has been no diminution of business since the independent lines commenced to operate. On the contrary, the business in this western country has increased in greater proportion, on the average, since those lines were opened.

Q. Yes, but the independent lines in Ohio have increased 1,500 per cent since 1896?—A. That may be true, but I am telling you of the business that we are speaking about, between Cleveland and St. Louis and between Cleveland and Kansas City.

Q. Does that not indicate there is generally a large increase all along the line in the telephone business?—A. It is a fact that there is an immense increase in telephones all along the line. There has been an increase in independent lines, as you have stated,

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but I would not say, unless you went back a great many years, that the increase has been 1,500 per cent.

Q. That is the evidence we have got here?—A. I do not know for how many years back there has been a big increase, but there has not been that increase in telephone business between Cleveland and St. Louis and Cleveland and Kansas City. The business between those points has not increased to that extent.

Q. I presume connections have been made only within the last few years between those different points?—A. I think we opened up a line in 1892, that would be 13 years since.

By Mr. Casgrain :

Q. While you are on that subject, can you account for the large increase in telephone business in such states as Ohio and Indiana, or how do you account for the increase in the telephone business in those states?—A. In those states and all through the west there has been a tremendous increase in the telephone business. The great stimulating factor has been the introduction of the so-called farmers' lines or rural service. The introduction of large groups of farmers' lines has made the exchange service in smaller towns more popular also. Now, the telephone companies have not furnished the capital for building those farmers' lines.

By Mr. Miller :

Q. You are speaking of what territory?—A. Ohio, Indiana, and up through the western states generally.

By Mr. Roche:

Q. Did they give connection with those farmers' lines?—A. Yes. I will get to that later. The farmers, as I have said, built their own lines. There are exceptions to this, however. There are many ways of trading which I could tell you of if you were interested. But the farmers, as I say, built their own lines, furnished their own telephones, and kept them in order. They built a line up to the exchange in a small town. They made their own arrangements with the telephone company for switching, that is for connecting their line with the local exchange or connecting their line with the toll system. Now it has been the enormous number of farmers' stations constructed with their own money that has created this tremendous expansion in the business. That has occurred especially in the thickly settled sections. You will remember that Indiana and Ohio are thickly settled.

By the Chairman:

Q. Yes?—A. The old half sections and quarter sections divided up into eighties and forties, and you do not have to go very far to find a farmhouse through those sections. That density of population, and the enormous number of small farms, have brought about this large increase in telephone development. And in those thickly settled sections where the companies are competing, in some cases there will be fighting rates in force and the companies build the lines and give the farmer his service for nothing. It is a regular war of rates.

By Mr. Casgrain:

Q. Then the conditions, I understand, in Ohio and Indiana are very different from the conditions in this country as to the size of the farms, for instance, and as to the density of their population?—A. That of course is true. The statistics on those points are very easily obtainable. But still there are certain sections in Canada that are very densely populated, where the farms are sub-divided to a very considerable extent. But as a whole the density is very much less.

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By the Chairman:

Q. But as a matter of fact the statements you make convince me that competition has created, if I might so express it, a want, has it not?—A. Now, gentlemen, I am going to tell you what in my judgment has created that farmer's line development. It is not that the farmers in Ohio and Indiana are so much better and more vigorous than they are in Canada, but it is owing to this. There are a good many independent manufacturers, men who are manufacturing telephones, transmitters, bells, and all kinds of telephone supplies, that started out and thought they were going to do a big business in supplying the cities with telephone exchanges. They did do a substantial business. They established these plants and commenced making more apparatus than they could sell. So they opened agencies all through those sections and had men go out in peddlar's wagons with telephone sets endeavouring to sell them to the farmers very much in the way that tin peddlars, years ago, went around and sold tinware, taking his pay in old rags. Well, these telephone wagons would go through that country in the same way selling telephone equipment to the farmers. That is where the superior energy and enterprise of the American farmer came in. He was well drummed up by people who sold him telephone supplies.

Q. Well, even at that he would not buy a telephone if he had no use for it?—A. I do not know about that. Men buy gold bricks when they do not need them. However, it is a good thing for the farmer. Do not let me be misunderstood; I think it is one of the most useful things the farmer could have, because it keeps him in touch with the local markets. In that section of the country a man never goes to market with his products. They are all sold by telephone before he sets out. The telephone also puts him in touch with his neighbours and with the centres of intelligence. Gentlemen, I repeat that I do not want to be misunderstood; I think the telephone is a most excellent thing for the American farmer.

Q. From what you say there is no independent telephone company could take care of this business, a company like the National in England or the Bell Company in Canada?—A. Well, I do not think the Canadian government, with all its resources, could furnish the money that is necessary.

Q. Our credit is good?—A. And so is the credit of the United States, but I do not believe the United States government either could furnish the money to put in the telephone development that is necessary. I have seen the estimate, I did not make it myself, but I give it to you because it came to me from a reliable source, that to put in the telephone plant which the farmers themselves have created and to which other companies have contributed, in the states of Ohio, Indiana and Illinois, would require an expenditure in excess of $50,000,000.

Q. Now, in all this development in the states of which you have just spoken, how was the connection made with the companies on trunk lines? Was it made by agreement or was it compulsory?—A. The first thing that happens under these conditions is that a farmer, representing his neighbours and himself, goes to a telephone company and makes a connecting line contract with a company for the service. The company assures itself that the man is really a representative of the people, as he claims to be, that they are a proper kind of people, that they have got a proper kind of equipment, and in return the company agrees to furnish a service for a certain consideration very much in the same way as the Canadian Bell Telephone Company have done in some instances.

Q. It is done by agreement?—A. Yes, the Canadian company does it, and I see that evidence to that effect was presented here.

Q. Something was said about the possible extension of the automatic board. Is the manual switchboard capable of extension just as an automatic board is?—A. Just exactly the same way. If we have a manual switchboard which we put in to-day with an equipment of 1,000 lines, and that becomes filled up, no spare lines, why, next week, we will add 100, next month we will add another 100, and so on. In very large boards,

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we generally add 300 or 400 at a time. It is a mere matter of convenience. The board starts in a very small board, and increases from year to year until we attain the ultimate, just the same as with an automatic. I think you must have noticed last Saturday in Montreal the old switchboard had been added to from time to time.

Q. The reason why the switchboard in Montreal is being changed is not because it could not be added to?—A. Not at all.

Q. What is the reason?—A. It has not been changed because it cannot be added to, nor because it is worn out. Certain portions of that board have only been in a year or two and are practically as good as new. It is being changed because the Bell Telephone Company is attempting to give the people of Montreal a modern common battery telephone service, and that to do that it is necessary to put in a new switchboard. And that switchboard will start in with a certain equipment and will be added to from year to year until the art may change again.

Q. What would be the gross returns of a long-distance telephone system as a paying concern? It was said here by a witness that 12 per cent is sufficient?—A. I heard those figures given. Twelve per cent of the gross returns on a telephone plant is absolutely insufficient to bring in any return on the capital invested or even to operate and maintain the plant itself. The amount of gross return to capital invested will vary, of course, with the character of the plant, but in most instances one has to obtain a gross return of about 25 per cent or else you are not sure of earning 6 per cent.

Q. You heard Mr. Webb state that in England the gross returns are 12 per cent?—A. Something of that kind. That of course is entirely inadequate, or would be in this country, to support a telephone plant.

Q. What percentage of spare plant should a well organized telephone company keep on hand?—A. A well organized telephone plant, one that has been properly engineered, will have on an average from 30 to 35 per cent of its plant spare all the time. That condition is brought about in this way: When a cable has to be put in to supply one section of the city, we have to look ahead for 12 or 15 months, and when we put that cable in to-day perhaps not over 25 per cent of the wires are in use—probably 80 per cent of it is not used. Then we immediately make provision for further extensions, and by the time the further extensions are provided for the cable is filled up. The same way with a pole line, which represents another type of telephone property. If we are going to build a line between Ottawa and Montreal we would put in poles that are capable of carrying perhaps 20 circuits. It would be foolish to put in all these circuits to-day because they are not needed. We would start off with one or two circuits. Now, that pole line has a capacity for 20 circuits. We only install, say four. Therefore, 80 per cent is idle. Now, that is constantly the condition of things in a telephone plant. You never can have your plant filled. Some of it will be completely filled and some of it will be used to but a very slight extent, and in making up statistics of that kind, which we make up every year, showing the comparison of plant in use and not in use, I think the figures will indicate that there is between 30 and 35 per cent of the plant idle all the time, and necessarily so.

Q. You heard Mr. Webb's statement that the government system in London has 15,000 subscribers and their system has prepared for 40,000 lines. Do you think that is at all out of the way, or is it a reasonable service?—A. Why, of course a telephone engineer in America would look upon a plant for 40,000 telephones in a city of the size of London as being absolutely absurd. If we planned an American city on that basis a good deal of our engineering, a good deal of the work performed, would have to be thrown away, because we would have to do it over again in a few years. Instead of getting a life of 20 years, we would only get a life of a few years.

Q. What number of 'phones are there in New York?—A. At this time I think there are 140,000 in New York city. That does not include the greater New York. I do not know what the figures are now, but something of that kind.

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By Mr. Casgrain:

Q. You heard Mr. Webb speak of the way the cables are laid in Glasgow, and you heard the opinion that he expressed upon the way in which the cables are laid. Do you agree with him?—A. Absolutely. I agree most heartily with what Mr. Webb says in that respect. I might say further that the system that they use in Glasgow——

Q. The system of burying cables?—A. The system of burying cables was put in use first in Washington, D.C., and Pittsburg, and that must have been in the year 1883, and we learned inside of two years that it was a failure, a waste of money, to put in a plant of that kind, and nothing of that kind has been done since.

Q. Is there any other objection to the way they lay cables in Glasgow?—A. They use the so-called paper system of putting in the underground plant in Glasgow. It is a system which starts out with the idea of putting in a big cable and dropping off a few wires in one place and then a few more in another place, and so on. We found that a system of that kind could not be worked. Yankees are bad guessers, and no man can sit down and figure what kind of a building is going to be put up in a certain block in a few years. A plant put in that way has to be entirely remodelled in a few years. In the city of Glasgow a modern telephone engineer would probably not use more than eight or ten different sizes of cable in putting in a complete plant. I think in Glasgow they use 70 or 80 different kinds. I have seen the wire plans for Glasgow, and it is some large number of that kind.

Q. Let us come now to the question of depreciation. What should be a proper percentage laid aside for depreciation?—A. Well, it is a pretty broad question. The amount that is to be laid aside for depreciation, of course, depends upon the life of the plant. If you are putting in a terra cotta subway and laying it in concrete the depreciation is very slight indeed.

Q. But, speaking in a general way. Some witnesses came here and said they had laid aside 2½ per cent, others 10 per cent and others 12 per cent?—A. On the highest grade of underground conduit 2½ per cent is high. On an average pole line through the country—the lighter kinds of line such as is built for these rural works—I should say that 15 per cent would be a fair figure. You take a steel wire, which so many of these rural lines are constructed of, if it is out on the prairie where there is no salt air, no sulphur smoke from the cities to get at it, that wire would probably last for ten or twelve years. Put the same wire down on the coast, and it will not last more than three or four years. There are certain cities in the United States where copper wire would not last more than three or four years, because of the fumes from the smoke, but I have run copperwire through the country, and barring accidents, we don't know what the life is. We know it is good for 20 years if properly put up.

By the Chairman:

Q. That is hard drawn, is it?—A. Hard drawn, yes, sir. But you have telephone plants far and wide, and with the class of construction that has prevailed up to the present time probably an average depreciation is 10 per cent per year. With a modern cable plant, modern underground plant and modern switchboard apparatus such as you see going in Montreal, we hope that depreciation will be less; how much less we cannot tell at the present time.

Q. I see in the balance sheet of the Bell Company for the year ending December 31, 1904, on page 453 of the minutes of the evidence, that there is a contingent fund for 1903 of $1,316,170.24. From your knowledge of the affairs of the Bell Company in Canada, what have you to say to that contingent fund? Is it too large or too small.

Mr. CHRYSLER.—Give him the 1904 figures, the same as we have been using for other examinations.

By Mr. Casgrain:

Q. Adding the premiums on stock, $479,240, and the addition from revenue account of $50,000, you have $1,845,410.24. What is your opinion, from your experience,

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as to the fund in question?—A. Taking into account the origin of that fund and the other factors into consideration, it seems to me that the contingent fund should amount to about that, which is about 18 or 19 per cent on the plant account. That is, to be sure that you will maintain your stock as having back of it 100 cents on each dollar of capital issued. There is a great deal of misunderstanding as to that fund, what its uses are, and how it originates. I think the easier way to get at that is to consider a small proposition, to see what actually might happen. Supposing we built a little line out here a few miles long, to cost exactly $1,000. Let us assume, so as to make the case easy, that the plant has a life of exactly ten years, and exactly at the end of ten years as the clock strikes twelve, it disappears. Now, it is quite evident that during that ten years we have got to provide for the time when that plant will disappear, and we have to provide one-tenth each year, or $100. Now, the day when the plant starts off we open up a set of books for it and we capitalize it. We would have:—Assets—plant, $1,000. Liabilities—capital stock, $1,000. They balance. Now, at the end of the first year we have to take out of our earnings from that plant $100. At the end of that year our trial balance will be: Assets—plant, $1,000; cash, $100. Our liabilities will be—capital stock, $1,000; maintenance, reserve or contingent, $100. The two sides balance. Just before the bell strikes at the end of ten years the trial balance will be: Assets—plant, $1,000; cash, $1,000. Liabilities——capital stock, $1,000; contingent, $1,000. And the clock strikes 12, the plant disappears, so does your reserve, and your statement is: Assets—cash, $1,000. Liabilities—capital stock, $1,000. And the capital stock is worth 100 cents on the dollar. Now, in a complicated property like that you have to do the same thing. If your stock is to be at all times safe, you have to have sound assets at the back of it.

By the Chairman:

Q. Thes are very unusual conditions?—A. What?

Q. The conditions that you have just stated.—A. They are the usual conditions, only I made it simple in that way.

Q. There are more assets at the end of ten years than the $1,000 in cash that you have put away during the ten years.—A. What are they?

Q. The plant.—A. Well, I took the case there so as to make it simply a plan to illustrate, with 100 per cent of efficiency up to the last moment and then disappearing. In practice, what would happen would be this, when you set apart $100 each year, you would occasionally put in a new pole or something of that kind, and at the end of the year you will have a plant.

Q. Exactly. Is that not a necessary condition in connection with a telephone, something that has to be done?—A. Let us assume what is the case. At the end of ten years our trial balance might have been: Assets—plant, $1,000; cash, $500. Liabilities: capital stock, $1,000; contingent, $500. That is, half that appropriation has been expended in keeping it up. But the point I want to make is this, that the minute a telephone plant is started and a pole is put in the ground, it commences to rot. Now, if a telephone plant was constructed, an equal amount added each year, then after a certain initial period you would not need any contingent fund to take care of replacing of plant. But if you go through this capital account you will find it has not been added to by an equal amount each year; the last few years the increase has been very considerable, and they can go ahead providing for the future on the basis of a small plant as in the past, and when it comes to the replacing of the big expenditures, when their life is near expiration, the capital stock will not become impaired. That is the universal practice in every business. The only question is whether it is too much. Last year a very large part was made from the premiums received on the stock, that is, voluntary contributions by the shareholders.

Q. On the other side there has been a very considerable permanent work done, such as conduits put in?—A. That is all capitalized; that is all paid for out of capital.

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Q. Not all. A good portion of it is paid out of revenue.—A. I should question that very much. I never knew it.

The CHAIRMAN.—I understand that from Mr. Sise's evidence.

Mr. LAWRENCE MACFARLANE.—The conduits themselves are paid for out of capital, but the amount written off, that is, the pole line wihch is taken down, is paid for out of the revenue, so that the only thing which is charged to c pital is the increased value given the plant.

By Mr. Casgrain :

Q. That was explained by Mr. Sise very fully.—A. If you have a pole line running down the street here and one share of stock issued against it, and then if you put down a subway on the same street and have a share of stock issued against it, and then a few months later you take that pole line down, if you do not look out you will have to carry a share of stock against that pole line which does not exist. That is what this contingent fund is for.

Q. I hold in my hand here a report of the telephone investigation committee in the General Assembly of Tennessee the session of 1905. I am going to read an extract and ask you whether you agree, as a general proposition, to the conclusions which the committee have arrived at. The report says : ' We find from the proof that a telephone company, in order to be useful and successful, must maintain its property up to a high standard; and in order to be able to furnish telephone facilities for each new subscriber must raise additional funds from time to time, for the reason that the telephone business is different from other kinds of business in that the plant must continue to expand with each new customer, and this can only be done by getting new capital to build new lines and furnish the equipment necessary to supply the wants of new patrons, and connect them with old patrons. It is a well known fact that in installation of each new telephone to serve each new patron means the expenditure of new capital by the company, for the reason that lines of wire must be run from the central exchange to the new subscriber, and a telephone must be installed for each new subscribers' use; and your committee deems it unfair for the company to charge the patrons a sufficient amount to create a fund with which to build these new lines, but they should be built with new capital derived from the sale of new stock. Your committee has ascertained from the proof that it is not feasible to raise this new capital from time to time by the issuance of bonds, because after the second or third mortgage has been placed upon the property new bonds could not be sold on the markets of the country, and the only practical way of raising new money from time to time is by the issuance of new stock, and unless the dividends upon the stock are sufficient to attract new capital, new stock cannot be sold. And, therefore, your committee is of the opinion that it is to the benefit and interest of the people of Tennesee, as well as to the telephone companies, to permit them to charge subscribers an amount which will, after paying all expenses, allow such a dividend as will enable the stock to be sold at par from time to time, in sufficient amount as to thus secure money to meet the public demands for the development and expansion of the business.'—A. I think that is an absolutely fair presentation of the true facts of the case.

Q. And as a general proposition that applies as well to the telephone business in this country as it does to Tennessee for instance, or any other country?—A. Yes, it has a universal application.

By the Chairman:

Q. I do not think the Bell Company would have very much difficulty in selling stock at par to-day.

Mr. CASGRAIN.—No, because it has been managed so well.

The WITNESS.—It has been a well managed property, there is no question about that, and I think they can sell their stock at par.

The CHAIRMAN.—It was selling at 140, I think.

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APPENDIX No. 1

By Mr. Casgrain:

Q. I forgot to ask a question about the balance sheet. On page 453 it says: 'Unearned rental reserve, $397,087.86.'—A. This company makes it a practice to collect rentals for its service twice a year. Now, this statement means that on December 31, 1904, the Bell Telephone Company had collected from its subscribers $397,087.86, and that they had not as yet performed the service for these subscribers to the extent represented by that amount of money. This is a liability, for this reason, that before they can get any more money from these subscribers they have got to pay out a large proportion of that $397,087.86 in giving this service which they have not yet performed.

By the Chairman:

Q. Well, but they have got the money in their hands?—A. They have got to spend the money.

Q. They have got it to spend. Most of us spend money very often that we have not got?—A. Quite true.

Q. Therefore they do not have to go and borrow the money, they have got the cash?—A. Allow me to suggest—suppose you were to buy that property to-morrow.

Q. I will give you a case in point. If I sell out my business to-day, I receive the balance that is due on the insurance premiums that are to run yet. It would apply just the same to this?—A. Supposing, for example, that you bought this property. You would have to perform during the next six months service to the extent of $397,000.

Q. Certainly, and if I bought it I would buy it with that much of a reduction?—A. What reduction?

Q. The amount that you have there.—A. Well, it would depend upon what you mean by reduction.

Q. If I bought it I would deduct that from the amount I would pay for it, because I would have to perform that service and it was money which you had received? A. Certainly, that is the proposition. It is a liability.

Q. It cannot be a liability.

Mr. CASGRAIN.—It is a liability, in a way, because you have to perform the service.

The CHAIRMAN.—You have got the money in the bank to do it with.

Mr. CHRYSLER.—That will appear on the other side.

By Mr. Casgrain:

Q. Just go on and explain that?—A. They had cash in the bank, $575,702.52. There is the other side of that. Your method would be to wipe that out both ways.

By the Chairman:

Q. I would not do that?—A. How would you keep it?

Q. I think I would keep it very much the same as the company does?—A. And that is the way 25 years of experience has proven to be the best way to keep the books. All the expert accountants have said it is the best way to do it.

By Mr. Casgrain:

Q. Now, Mr. Pickernell, in general practice, how are these rents collected? Are they collected as the Bell does here, in advance? Collected for six months or every month?—A. The practice varies greatly.

Q. But in the majority of cases?—A. I may make this general statement, that probably in 99 cases out of 100, they collect in advance. In some cases they collect monthly, as in New York. In Boston they collect quarterly. In Montreal they collect semi-annually, and in certain classes of service and in certain companies they collect annually.

Q. But in the majority of cases?—A. It is either quarterly or monthly.

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By the Chairman :

Q. Returning to that account; here is the way the Glasgow people keep their accounts. Their receipts are £70,594 12s. 5d. Deducting the portion of rentals applicable to 1904-5, they have carried to suspense account £27,798 9s. 5d.?—A. I will have to study this. I am not familiar with it.

Q. It is a matter of very little importance?—A. The only thing was that we could understand what is meant by that. We have had numerous conferences between expert accountants and they are generally pretty keen individuals, and that form that the Canadian Bell Telephone report is upon is the standard form, and is in use by all the telephone companies of the United States—that same form.

Q. What were the general terms upon which farmers mutual companies, for instance, get connection with the trunk lines—on what conditions and terms?—A. Why, the nature of the terms are these : They get the exchange companies connection for from 25 cents to 50 cents a month for switching service.

By Mr. Chrysler :

Q. For each subscriber?—A. For each subscriber. That is $3 to $6 a year, depending a good deal on the size of the exchange. Sometimes an arrangement of this kind is made: They will pay so much a year, say $12 a year for the line, and $1 a year for the station. You will see that will figure out about the same money. And in other cases the farmer pays for the line which the telephone company has provided within the exchange. In some instances he even pays for the switchboard.

By the Chairman :

Q. If the farmer pays for the line in his exchange, what do you charge him for connection with the trunk lines?—A. The usual toll charge, whatever it is, depending on whether he wants to talk ten miles or a hundred miles. We treat him just the same as the public.

Q. What does he pay to connect with the exchange in the town?—A. That is the charge I have been talking about. He gets the same rates exactly over the toll lines that any other citizen does.

Q. I think in connection with this investigation that this is really one of the main features of the inquiry, to ascertain how we can benefit the farmers?—A. Yes; it seems to me from what little I have seen and heard the Bell Company has met about all the different kinds of trade that was offered. Possibly not as many as in the states, but the territory is not so densely settled.

By Mr. Lewis:

Q. What are the charges for the farmers' 'phones in the United States?—A. Where the farmer owns his plant, the switching plant is 25 to 50 cents a month.

Q. What does that give him?—A. Unlimited service with the exchange.

Q. No slot business about it?—A. No. If he wants to talk out of town and the toll charge is 25 cents, say the place is 25 miles away, we charge that up to him and he pays it the next time he comes in town.

Q. Your main line connects with a good many farmer's 'phones?—A. The farmers' lines connect with our exchanges and our main line connects with these exchanges. It is perfectly possible for a farmer in Virginia to talk with a farmer in Ohio by means of the trunk lines of the American Telephone and Telegraph Company. That is, the exchanges to which these two farmers enter are connected with the trunk lines of this company.

Q. Which is it easier for a main telephone company to have a man come into the pay station and pay the rate for telephoning or to have him telephone through a farmer's line from a point, say 15 miles away; which is easier for your line, providing you get the same pay?—A. If the farmer's line is acceptable to us so that the service is

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satisfactory, the only difference is that in one case we get the money right away and in the other case we wait until the farmer comes in and pays it. As far as the connection goes there is not very much difference.

Q. Is there any difference in the work of the operator?—A. Practically no difference.

Q. Then by having connection with a farmer's line which runs 15 miles away into the country, you may get 10 to 20 farmers on it and you will be increasing your business?—A. There is one other point. You were talking of a farmer's line with 10 or 20 stations.

Q. Yes.—A. That is increasing the difficulties of operating somewhat.

Q. Still you are getting the business?—A. Yes, the more we have of these people connected with our switchboard the better. We want all we can get.

Q. There is one thing I could not quite understand. You say that a farmer's line connecting may be 50 miles long and yours is 500 miles long, but that the pay you receive is not on the proportion of 50 to 500, and at the same time your own line would be heavy copper and the farmer's line would be iron wire. Can these two connect to give a good service?—A. The engineering limit that we use in those cases is 30 miles of No. 10 iron wire—iron wire weighing 250 pounds to the mile. With such a wire we could give a perfectly satisfactory service to a point 500 miles beyond that, provided the remaining circuit is of No. 8 copper wire, that is, copper wire weighing 435 pounds to the mile. That is an everyday service and it has no doubt been done a dozen times while we are talking here.

Q. Would it be any interference with your line to have in connection with it—would it militate against your patrons' use of your line to have a farmer's line connected with ten stations on it?—A. Not if the farmer's line is properly equipped, properly constructed. We want those connections.

Q. It was said in evidence here the other day by one of the experts that that would militate against your own line; that it was better for a man to go into a pay station and pay there, because then he was a patron of your own line. Otherwise you would be serving your competitors?—A. Gentlemen, all I can say is that all my experience and my efforts have been directed towards getting these farmers' lines connected with our switchboard so that they would not have to come in to a pay station and talk. If they have a telephone in their houses they will use it. That is what I stand for.

By the Chairman:

Q. That is just what we would like the Bell to stand for in Canada?—A. It seems to me that they are doing that.

By Mr. Lewis:

Q. In proportion there are a great many more farmers' lines in the United States than in Canada. Do you know the difference?—A. My information about that in respect to Canadian territory is rather limited.

Q. Have you read the evidence here?—A. Yes. The evidence has drawn me to the conclusion—and this agrees with what I have heard before—that where the Bell Company own and construct and maintain and run the telephone, the whole shooting match, that the price varies according to local conditions from $15 to $25 a year. Those rates are about what we get in the United States, from $18 to $30.

Q. From whom?—A. From those farmers who prefer to have us build the whole line and maintain it and operate it. But the bulk of the farmers build and maintain their own line. I understand also that the Canadian Bell Company have in one instance that I remember at least, and and probably they have got a great many more, where the farmer built his own line and connected with the Bell. They charge him $5 a year, which comes in between $3 and $6 per year that we commonly charge in the United States.

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By Mr. Casgrain:

Q. So that the 50 cents you are alluding to is in the case where the farmer builds and maintains his own line?—A. Absolutely, yes, sir.

By Mr. Lewis:

Q. Does that pay you?—A. We come out about even on that for our operating expenses. You see, we have no interest to pay on the capital investment. The farmer has provided for that. We have no maintenance. When the company builds a line, it has to hire a team to haul the poles out there. The farmer does not do that, he uses his own team and perhaps cuts his poles from his own lot. When a line is broken, if one wire breaks down, if a branch of a tree falls on the line, or the line gets out of order, he gets on horseback, goes out and takes the branch of the tree off, or twists the wire and fixes it up again. The telephone company if it owns the wire has to hire a rig and send a man perhaps ten miles into the country. But when you relieve the company of these expenditures they simply have to pay for the operation of connecting the farmers with the other subscribers. They are glad if they can get their operating expenses back in full. I feel pretty well satisfied, because I hope as you gentlemen said, to get the toll business out of the farmers, for they can talk from their farms rather than drive ten or twelve miles to the town or to a pay station.

Q. You said a great many of these telephones were put in by gentlemen on the same principle as those selling lightning rods or something of that kind?—A. Yes.

Q. From your experience as a business man, irrespective of telephones, is it a necessity or a good thing for the farmers to have these lines?—A. Absolutely, yes, sir. I think the farming business is vastly improved by having a telephone.

Q. You are aware that a great many farmers have been putting up their own lines in Canada during the last few years?—A. Yes.

Q. Without any solicitation from agents?—A. Yes, I have noticed it. I came clear across Canada in the day time the other day and I have been between here and Boston several times. I have seen quite a few farmers' lines—you can tell them—and I rather think the lightning rod man was getting his work in here. It is a good thing for the country. That is my judgment.

Q. They are hearing a whisper from the other side. I don't think the lightning rod gentleman has been around very much?—A. That is my judgment about it. I have been speaking as I see it, the more farmers you get the better.

Q. You enumerated several objections to granting connections between the Bell and independent companies. Mr. Casgrain instanced a town that is some distance from Ottawa. These objections were the advantages they were deriving from an expenditure which they did not undertake. These objections would also hold good in connection with granting connections in Ohio, where you say you have granted connections. Would they not be intensified by the knowledge of the fact that the population was very much more dense there?—A. Not at all. A group of farmers get together and build a line to an exchange. They then come to the telephone company and they agree to observe the rules and regulations of the telephone company, provided the company will switch them. Now, that line terminates in the switchboard of the telephone company. That farmer cannot hold up this 500 mile line if he wants to. When he makes his call for the 500 mile line there is an operator in there who controls that line and who can cut him off if he violates the rules and regulations, just the same as she can any subscriber of her own company. She is there to protect our property as against those farmers, or any exchange subscriber, as far as that goes.

Q. Could not a similar arrangement be made for connection here in Canada?—A. If you had a company connected in through our nearest switch station, and it was a compulsory connection, we would have to put them on that line and maintain the connection until they got through with it.

Mr. F. A. PICKERNELL.

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By Mr. Casgrain :

Q. Are the farmers that you are speaking of competitors of the telephone company ?—A. Clearly not. The farmers of the kind you speak about co-operate with the telephone company, and we get our benefit both ways. Our own subscribers in our exchanges get the benefit of talking to the farmers and the farmers get the benefit of talking to them.

By Mr. Roche :

Q. This concession is only given to those companies who do not enter the same field ?—A. Exactly. I tried to make it clear this morning that in case of competition we would not connect with them. It was not a fair proposition. It was unfair trading to compel our connection with them. And then I said there should be an arrangement for designation and definition of territory. If we did not define the territory within which a company is going to work, they could build into another town, connect with our competitor, and bring in probably the lines of our competitor over which we would have absolutely no control.

Q. Do you know if the arrangements made by the independent telephone lines in the United States with these farmers' lines are similar? Do they insist on no competition in the same territory that the independent lines are in ?—A. I have not had enough experience to speak of that generally. I could give you the names of three places where they have had to make exactly the same kind of provision. But you see this is not so important to them, because most of them simply operate in one, or at most two, little exchanges, and in these little places, I have dealt with them, one of the independent companies had 18 or 20 exchanges, and they had an agreement between them that they would not connect with competing exchanges in nearby towns. Human nature is the same everywhere. The independent people have to run the business the same way as we do.

By Mr. Chrysler :

Q. I did not hear the commencement of your examination, but I have understood from what you have said since I came in that you are the consulting engineer for the American Telephone and Telegraph Company ?—A. No, sir, my present position is that of assistant to the president of the American Telephone and Telegraph Company.

Q. Did you tell us what the sphere of the operations of the company is ? Is the company operating both through lines and local exchanges ?—A. The American Telephone and Telegraph Company—the only telephone property it owns is in the United States, and it has these long trunk lines that extend half-way across the continent running from Boston to Omaha, from Boston down to Jacksonville, Florida, and down the Mississippi Valley; from Chicago to New Orleans, and half a dozen lines across the country.

Q. And you own and control telegraph lines as well ?—A. No, sir.

Q. No telegraph line ?—A. No telegraph lines.

Q. Only long-distance telephone business ?—A. Long-distance telephone business. Now, in order that there may be no misunderstanding about that, we lease a great many lines to bankers and brokers, and these lines are used telegraphically. They are used with Morse instruments, and they are used simultaneously for the telephone.

Q. That is profitable, is it ?—A. Oh, yes. The American Telephone and Telegraph Company does not provide these telegraph operators and does not handle these messages in any way whatever. Its connection with the use of the line telegraphically is confined to the handling and leasing of the telegraph lines.

Q. Then you do not operate any local telephone exchanges at all?—A. No, sir—I think we do operate one little exchange down in Georgia, an exchange of about 150 subscribers or something like that, or at least we did the last time I was down there.

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Q. What is the largest telephone system in the United States? What is the name of the company?—A. My guess is that the company operating the largest number of telephones in the United States is probably the New York Telephone Company with its associated company, the New York and New Jersey Telephone Company.

Q. Operating principally where?—A. In New York and in New Jersey.

Q. In New York state and New Jersey state?—A. A large portion of New York state. I am not sure whether that company or the Pacific Telephone Company is operating the largest number of telephones.

Q. There are a large number of local telephone companies in different parts of the United States connected with the American Bell Company?—A. You mean the American Telephone and Telegraph Company.

Q. That is what it is now?—A. Yes.

Q. As the American Bell Telephone Company ceased to exist?—A. No, sir, but it is owned entirely by the American Telephone and Telegraph Company.

Q. The American Bell Telephone Company is not a company operating local exchanges now?—A. No, sir, and it never did.

Q. In the evidence that you were giving about operating farmers' lines, you are not interested in local exchange business, your company I mean?—A. No, sir, I stated this morning that the experience upon which I was basing this testimony was obtained by me when I was consulting engineer of the Southern Bell and the Buffalo companies, and during the past year I was actively interested and connected with the Missouri-Kansas Company.

Q. So that the evidence that you were given for the last hour or so was from a standpoint the same as the Bell Telephone Company of Canada?—A. Yes.

Q. A company which had local exchanges and which would be competing with your local systems?—A. Yes, sir.

Q. Then apart from the question of the sufficiency or the efficiency of the instruments and equipment, and the question of competition, and genral result of your evidence is that you think it would be a benefit to encourage the formation of these local companies to be connected with the exchanges of any company such as the Bell Telephone Company of Canada operating a long-distance line?—A. Yes, sir, that is my opinion, providing these lines are properly constructed and are extended into our exchanges in a satisfactory manner.

Q. There was a point that Dr. Roche was asking you about a moment ago. That, I think, was not fully explained. Mr. Sise said that his objection to such a company connecting with the long-distance lines of the Bell Telephone Company was that it would be possible for one of the local subscribers of one of these connecting companies to hold up the line, he says. He gave us an instance, of a supposed subscriber on a small company fifteen or twenty miles from Ottawa who was connected with Montreal, and he could not cut him off. You seem to have the same thing in your mind that he did. I did not understand why you would not have the same control over him as if he was your own subscriber?—A. He would if he was connected in a proper manner. I showed this morning that a farmers' line should terminate in one of our switchboards and then we would control the connection.

By the Chairman:

Q. The Bell or any other company would not accept him on any other condition? —A. We would not, no, sir.

By Mr. Chrysler:

Q. Supposing he was a subscriber of a local company—for instance, here is one of the cases mentioned in the evidence, referring to Neepawa. Now, Neepawa has a municipal system organized and owned and operated by the town council. They have a local exchange there and the Bell Telephone Company have an exchange in the same

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town; I am not speaking now of the question of terms, but there is an objection, there is some objection there to giving that local system a connection with the Bell Telephone Company's long-distance line, because the Bell Telephone Company have a few subscribers at the same place. Would it not be practicable to give to all the subscribers of the Neepawa municipal system connection through the two exchanges with the long-distance lines of the Bell Telephone Company?—A. To answer that question you have to take my whole position on the matter, that is, that two people cannot do business together unless they first arrange the terms on which they are going to do that business. If you could work out an agreement of that kind that is mutually satisfactory to both parties, a working arrangement might be arrived at.

Q. What I had in my mind as a possible solution was what you have been speaking about as being practical with farmers' lines. In the municipal system at Neepawa the people have provided their own system, in their own way, much as the farmers' line would be. Well then, would it not be reasonable that they should without additional payment have connection with the Bell system. Would it not be practicable to fix some price, say the same as for farmers, of $5 a year, which will give every subscriber the right to be connected through his exchange with the Bell system?—A. That is a matter of business arrangement that would have to be worked out by somebody who knows a good deal more about it than I do.

Q. But as a matter of practical operation of telephony, can it be done?—A. I have no doubt that if the fundamental plan was laid out right a working system might be evolved. I would like to say, if you will allow me, to touch on it, what some of these gentlemen have had in mind about compulsory physical connection. It is a case I have run into half a dozen times myself. My company has a line, as I have said before, extending for several thousand miles, copper wires running all over the country. There are lots of our farmers would like to run their wires from their houses and connect with our through copper wires running past them; but perhaps those wires are our New York and Chicago circuit. If they did get that connection they could absolutely hold up the whole circuit. That is the kind of case that I think Mr. Sise was speaking of. There are lots of farmers who would like to do that, and if they were allowed to do it they would be able to hear all that is going on on the New York and Chicago circuit. It might be very entertaining to them, but we would not allow it.

By the Chairman:

Q. That proposition would not be entertained for one moment?—A. I am serious about that, Mr. Chairman, there are lots of farmers who would like to do that. Because the wires go in front of their houses they think they ought to be able to connect.

By Mr. Chrysler:

Q. I think I have read Mr. Wade's evidence, and he appeared to think so, that he should be allowed to connect with the nearest line which runs past his house. You say that it is an essential point that a man's line must be carried to the nearest exchange?—A. Certainly. I must say that in order to encourage them we are very glad to allow the farmers to string their wires on our poles where we have them and where the poles will carry them, so that he does not have to set his poles up. That is quite a common thing throughout the United States.

Q. That is something, that you may allow a farmer to use your poles in order to reach the nearest exchange?—A. That is provided he makes the attachments according to our own regulations, we are very glad to get a little additional revenue out of our existing facilities.

Q. In reference to the farmers' lines, you have distinguished them into two broad classes. You said there are a large number of possible arrangements to be made; some farmers supply their own lines and equipment and maintain them. You would

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apply a very different scale of charges for them to what you would require if the company had to build the line and maintain it?—A. A very, very different scale of charges.

Q. And the facilities which they desire can be afforded them at a much earlier date, I suppose, than under ordinary circumstances in the course of business?—A. Exactly.

Q. Can you tell us, are there any figures extant as to the average cost of furnishing a local exchange service, per line, or per subscriber, in the United States? What would be a fair computation of the average capital required?—A. Oh, you cannot make a specific statement in regard to that because of the varying conditions.

Q. They vary very much, do they?—A. The variation is enormous, and the figures that I gave this morning indicate something along that line. I stated there that in a little town you might build a plant for $50 per station, whereas in the city of Montreal it will cost $150.

Q. I took notice of your figures, but I thought you were speaking then of the cost of the central office equipment only?—A. No, I was speaking of more than that, I was speaking of everything.

Q. The stations of the subscribers, as well as the equipments and connections, you say, can be built for $50 per subscriber in a small town of the size you have named?—A. Yes, I have built a good many exchanges for that.

Q. Then in larger places it will run up higher?—A. I said that in Montreal—I am leaving out the building, but just the telephone plant—I said, it may cost $150 per station, or even more.

Q. That does not take into account the real estate?—A. No, not the real estate.

By the Chairman:

Q. The switchboard charges are $20, $10 and $5 for the different size switchboards?—A. Yes.

By Mr. Chrysler:

Q. That is the capital account per subscriber?—A. Yes.

Q. That is what I understood?—A. That is the capital account for switchboard, that part of the capital account due to the switchboard.

Q. That is what I understood?—A. Yes, sir.

Q. Have you said anything as to the comparison of rates between cities of the same size in Canada and in the United States?—A. I have said nothing about that, no. I do not think I can say very much about that. I will say this much, I have been in pretty fair touch with the Canadian situation for a good many years, and the rates in Canada have always been relatively low—they are to-day.

By Mr. Casgrain:

Q. Including the rates in the city of Montreal?—A. Yes, sir, I think Montreal rates are indeed very low to-day. I think the top rate of $55 is very low for a city of the size of Montreal. I think they ought to be able to work out some arrangement by which those rates can be raised. That is my judgment in the matter.

By Mr. Roche:

Q. Are the rates of the two companies the same there?—A. Where?

Q. In Montreal?—A. I do not know what the other company's rates are. I simply know that they cannot be the same as the Bell's, because theirs is such a small exchange and they have so little to offer that the people would not pay it.

By Mr. Miller:

Q. What are the Bell Company's rates in Montreal?—A. $50 for the Blake equip-

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ment or $55 with the long-distance equipment, that is for business, and $30 and $35 for residences, I think.

By Mr. Casgrain:

Q. You stated in answer to a question put to you by Mr. Lewis just now that there would be practically no difference between allowing a farmer to talk over your long-distance line from your pay station and allowing him to have a physical connection between the Bell Telephone Company's system and his line; I suppose that when you made that statement you meant that it was in case there was an agreement between you and the farmer?—A. Yes.

Q. Not a compulsory connection?—A. I think he misunderstood me a little there. What I had in mind was this, that if a particular farmers' line containing ten or twenty subscribers, as our friend mentioned, had made an agreement with us, had put in the proper kind of plant and agreed to pay our toll charges and whatever our switching charges were, that I would just as soon have him connect with our toll line through our exchange as have him to drive ten miles from his house into the town and walk into the pay station in order to talk over the long-distance. We would have the same control over him in either case.

By the Chairman:

Q. You would have absolute control over him?—A. Yes.

By Mr. Miller:

Q. In Ohio and Indiana where you encourage that farmers' line business and quite a number of these small farmers' lines connect with your long-distance line, you encourage that kind of business?—A. Yes.

Q. And you are making agreements right along with companies of that kind?—A. Thousands of them.

Q. Large numbers of them?—A. Large numbers of them.

Q. I suppose that in making agreements with these companies you have a regular form of agreement that you use?—A. We try to have a regular one, but there are almost as many different kinds of agreements as there are farmers. It is a trading proposition, you know, and sometimes there is a little right of way mixing in, or something of that kind.

Q. You do not make your agreement in that case with the individual farmer, do you?—A. As a rule, yes; although there are a great many mutual companies that are organized and incorporated.

Q. And then you make agreements with individual companies?—A. With individual companies, yes.

Q. When you do that you make an agreement in each case with, I will say, the executive officer of one of these mutual companies and with some one else for another company, but the agreement you would execute would be practically the same in each case?—A. Along very broad lines, it is the same.

Q. There might be some little difference in detail?—A. That is, the amount to be paid for switching is generally the same, for the same character of exchange. As I say, it varies from $3 to $6 per year.

Q. In using the long-distance lines it is the same?—A. It is the same, there can be no question about that. And as to the character of the construction there is generally a tremendous amount of detail gone into when the whole contract is worked out, because they have lines that are not built according to any particular specification.

Q. Could there not be a form of specification of a standard line be prepared, and could you not insist upon them living up to it?—A. If such a form were prepared it would have to be of the most general type, because you cannot make a specification

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that will meet all cases. If you make a specification that is fairly decent and fair for Indiana, it would not do for Western Kansas at all.

Q. If you make an agreement with one company, and there are other companies want to make an agreement, why should you not do it? If they should pass legislation, I do not know whether they will or not, compelling you to do business with other small companies in the same or neighbouring states on the same basis on which you are now doing that business by agreement with other companies, you would not consider that a hardship?—A. I rather think it would make a difference between two men doing business, because they are doing it by agreement, but if you go to compel them, then you will arouse opposition. Human nature is the same all the world over, you cannot force men.

Q. That may be, but it would not make any difference to the dollars and cents end of the business, would it?—A. I think it would make all the difference in the world. Under the one system, the agreement, you have control, but under the compulsory system, a man might use the line for six minutes and only pay for three minutes, and he would come pretty near beating you every time for the reason that by the time you get up to the legislature or the Railway Commission, or whoever you put it in the hands of, it will cost you, ten to one, more than the amount to collect it, and you would therefore have in practice no control over your own business.

Q. I will go back then, if you make an agreement with Tom, voluntarily, and make exactly the same agreement with Dick because you are compelled to, I cannot see why it will not be equally favourable to you in both cases under the same circumstances?—A. In the one case we make a mutual agreement under which Tom, as you call him, agrees to do certain things, and if he does not do them we will cut him off, that is, if he uses obscene language over the telephone we disconnect him, that is common to all telephone contracts.

Q. It would be a reasonable thing to make provision by regulation, which would cover your objections, and which regulation could be enforced?—A. No, in case you are compelled to give the connection, it would be a case of an individual up against a corporation on the matter involving 25 or 50 cents, and we have no rights practically; that is the way I look at it.

Q. If you are doing business between your trunk line company and a small company it would be a case of one incorporated company collecting from another, would not that be right?—A. It would be more practical. It is only a question of degree, but judging from many of these mutual companies, I do not think there would be any difference.

Q. Why?—A. Because these companies have no tangible assets back of them.

Q. Part of the arrangement would be, I should think, that you should be secured in some way from the mutual collection of your accounts monthly?—A. Your idea is that in passing this compulsory legislation the legislature might say that if they got the connection they should give bonds securing the connecting companies.

Q. Yes.—A. Nothing of that kind has ever been attempted that I have seen or heard of.

Q. There seems to be no tangible reason why it should not work out?—A. All the reason in the world.

By the Chairman:

Q. It is done between the railway companies?—A. This giving of bonds?

Q. No, interchange of traffic and physical connection.—A. No, I think you will find that two railroads get together and make this agreement which we have been talking about. Under those conditions they interchange cars.

Q. But they are compelled to by law?—A. I do not know about the Canadian law, but they are compelled to accept freight when delivered at their freight sheds, that is the law with us. As I understand it, a railway company cannot refuse to accept freight, provided it is brought to their freight sheds.

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By Mr. Roche:

Q. But in the case of two railways running across each other at right angles, by law, they must establish a connection?—A. I do not know what the law is in this country, but physical connection between railways is not compelled in the United States.

Q. If one company applies for connection, the other must give it?—A. Do you mean to say that if you and I own a railroad in Canada we can compel the Canadian Pacific Railway to allow us to run our cars over its road?

Q. If one of the companies make an application to the Railway Commission it will be inquired into?—A. Do I have the right to run my trains over the Canadian Pacific Railway?

By Mr. Chrysler:

Q. They exchange cars, they haul them?—A. Under an agreement?

By Mr. Casgrain:

Q. But they would have to run in that instance under the rules and on the schedule of the Canadian Pacific Railway and be hauled by the engines of the Canadian Pacific Railway?—A. All I am asking for, and standing out for, is this, that you people should get together and agree on this thing to do business between you, and I want to see them do business. I think that is a good thing for the public, a mighty good thing for the Bell Telephone Company, and in the interests of that company.

By Mr. Miller:

Q. Where you have to depend upon a mutual agreement the larger company would, as a matter of fact, and using a common expression, be 'boss' of the situation?—A. If anybody should be 'boss' it would be the larger company, I think.

Q. In most cases they are?—A. In some cases they are, and in others they are not. It is like the minority stockholder. You know he has lawful rights that have to be respected.

Q. So far as the matter of making collections is concerned, all I know is, all the evidence that we have had has gone to show that where the larger company and the smaller company interchanged business in that way, at the end of the month, or whatever period for settlement is made, there is not much money changes hands, it pretty well balances.—A. With reference to the amount of money that is passing, in the bulk of these cases where the farmers' line connects, the amount of money that passes is small, because the farmer performs the bulk of the service himself. When he wants to talk with his neighbor on the same line he does his own operating, he rings his neighbour, and he does his own repairing, and it is only the slight switching charge and the toll on an occasional long-distance message that he sends that he has to pay cash for.

Q. In the States of Indiana and Ohio, where you do a large amount of business and give connections to a large number of small companies, if the legislatures of those states were to pass laws obliging you to give connections to other companies with which you do not now connect, you would not go out of business?—A. I think we would probably struggle along, but I think it would be an injury to all hands. I think the next thing that would happen would be—we would have to resist it and fight against it—would be that a farmer living out twenty miles, say, on our New York and Chicago line, would say: 'It is a hardship to build a line to the nearest exchange. Cannot I hitch on to this New York and Chicago wire and I will get splendid service?' That is what it comes to, and that is what the farmer would like to do to-day. He would like to hitch right on to the Bell Telephone Company's through circuit between here and Montreal to save him stringing his wires to the nearest exchange.

Q. There is nothing in the legislation to provide for that?—A. That is one of

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the phases of this compulsory connection you would have to look out for. That is one thing the farmer wants; he usually wants everything he can get.

By the Chairman :

Q. That is unreasonable ?—A. There are a good many things the farmer wants that are unreasonable and he cannot get.

By Mr. Miller :

Q. It is not supposed that the legislation will give the farmer everything he wants ?—A. I have not had much experience in Canada, but he comes pretty near to getting what he wants in some of the states of the United States.

Q. I should think it is a matter of doing simple justice between two fellows, each of whom wants to get as much as he can ?—A. I have talked to you, gentlemen, freely, just as I have seen it and lived with it.

By Mr. Casgrain :

Q. When you establish physical connection with a company or with a farmer, when a subscriber on your line speaks, it is practically a surrender of your line, is it not, for the time being ?—A. For the time he is connected we have to surrender it, but if he has got it under an agreement we can cut him off.

By the Chairman:

Q. Why should you ? The farmer has paid for it ?—A. If he is connected up under our agreement, and if he is not using it according to our agreement, then we can cut him off.

By Mr. Casgrain :

Q. But if you are compelled to connect without any agreement, what then ?—A. I think they would arrest our employees if we cut him off.

Witness discharged.

Mr. LAWRENCE MACFARLANE.—Mr. Chairman, the committee asked recently for a copy of the agreement made between the Bell Company and Doctors Bascom and Forrest. I now hand it in.

Exhibit No. 178.

THIS INDENTURE, made the twenty-third day of December, A.D. nineteen hundred and two,

Between

THE BELL TELEPHONE COMPANY OF CANADA, LIMITED.

Hereinafter called 'The Bell Company,'

of the first part.

and

DOCTOR HORACE BASCOM AND DOCTOR FRANK FORREST,

of the town of Uxbridge, in the county of Ontario, province of Ontario, hereinafter called 'Drs. Bascom and Forrest,'

of the second part.

WHEREAS, Drs. Bacom and Forrest, the parties of the second part, are the owners of and are operating a telephone line connecting the office of Dr. Bascom in Uxbridge with the villages of Bethesda, Marsh Hill and Victoria Corners, in the township of

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Reach, and the villages of Roseville and Siloam in the township of Uxbridge, and the villages of Leaskdale, in the township of Scott, county of Ontario, in the province of Ontario, and have requested the Bell Company to make connection with their telephone system in the manner and subject to such terms as hereinafter set forth.

NOW THIS AGREEMENT WITNESSETH, that in consideration of the stipulations and agreements made and entered into by Drs. Bascom and Forrest, as hereinafter set forth :—

The Bell Company agrees as follows, that is to say :—

1. The Bell Company will erect and maintain during the term of this agreement one telephone line on its own poles from its office to the office of Dr. Bascom, in the town of Uxbridge, there to connect with the telephone line of Drs. Bascom and Forrest, and connections between the lines of the Bell Company and the lines of Drs. Bascom and Forrest shall be made at Dr. Bascom's office as hereinafter provided for.

2. The Bell Company will supply and install at the office of Dr. Bascom in the town of Uxbridge a toll jack and three extension bells, and the Bell Company will maintain the same at their own expense during the term of this contract.

3. The Bell Company will permit and provide at its office in the town of Uxbridge for an interchange of telephone conversations and messages between the telephone systems of Drs. Bascom and Forrest and the telephone system of the Bell Company under the general rules and regulations of the Bell Company and at the charges hereinafter provided for.

Drs. Bascom & Forrest agree with the Bell Company as follows, that is to say:

4. That they will maintain their telephone lines and telephone instruments and apparatus connected therewith (except the toll jack and extension bells provided for in clause two of this agreement) in good working order at their own expense.

5. That they will run a second wire on their present poles westerly from Dr. Bascom's office in Uxbridge to the junction of their line running northward to Leaskdale, connecting it at that point with the line to Leaskdale, removing the connection from the line to Siloam and Roseville.

6. That they will not extend their lines beyond the limits hereinbefore mentioned during the term of this agreement without the consent in writing of the Bell Company.

7. That they will not, during the term of this agreement, connect their lines with the telephone lines of any company, person or persons other than the Bell Company. That they will not accept messages or conversations from, or transfer messages or conversations to, the lines of any other telephone company, person or persons.

That they will not allow any telephone instrument to remain or be connected with their lines in the same house, store, office or other premises in which may be located the telephone instrument of any other company, person or persons without the consent in writing of the Bell Company, except in the case of Epsom, where there is another private instrument in the same house.

8. That, except their own business, they will not receive or transmit any messages or conversations over their system to or from parties in the village of Uxbridge, but all such business shall be done by the Bell Company on the terms provided for in clause nine of this agreement.

And it is mutually agreed by and between the parties as follows, that is to say:—

9. That the charge for messages and conversations which may be transmitted over the lines of both the parties hereto shall be the regular established rates of the Bell Company and fifteen cents additional for each message or conversation as a charge for the service over Drs. Bascom & Forrest's system, each party receiving the amount of its own tolls. That the charge for business to or from the village of Uxbridge to points on Drs. Bascom & Forrest's system shall be fifteen cents for three minutes and a proportionate charge for each additional minute, and that this charge shall be equally divided between the Bell Company and Drs. Bascom & Forrest.

10. That each party of this agreement shall be entitled to charge reasonable messenger service for the delivery of messages to non-subscribers or for calling non-sub-

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scribers to the telephone, and no division of this charge shall be made and no commission shall be payable on such messenger service.

11. Neither party shall have the right to transmit business free over the lines of the other party. It is agreed, however, that Drs. Bascom & Forrest shall have the right to transmit their own business and receive calls from all parts of their system to any other station on their system on their own business without charge.

12. That all business to and from Drs. Bacom & Forrest's system shall be checked at Uxbridge; that the offices of Bethesda, Marsh Hill, Victoria Corners, Roseville, Siloam and Leaskdale on Drs. Bascom & Forrest's system shall be considered sub-stations of the Bell Company's office at Uxbridge, and that all tolls charged to the above named offices shall be remitted promptly on the first day of each month to the agent of the Bell Company at Uxbridge.

13. That regular monthly statements of account shall be furnished by the Bell Company to Drs. Bascom and Forrest not later than the fifteenth day of each month, together with a remittance of the amount shown to be due them.

14. It is contemplated that Drs. Bascom & Forrest may extend their line to the village of Sandford by the construction of a loop from their existing line to Leaksdale, in which case all the provisions of this agreement shall apply to that connection the same as to the other connections named herein.

15. Neither party shall be liable to the other for any error in sending messages or for the failure of any conversation whether it be the fault of any operator, agent or other person or from interruptions to the service through any line or instrument being out of order or from any other cause.

16. The Bell Company reserves the right to refuse to allow or accept any calls or business to or from any office or subscriber on Drs. Bascom & Forrest's system whose telephone equipment in the estimation of the Bell Company is not in proper order to give satisfactory service or if Drs. Bascom & Forrest's line is in such estimation not maintained in an efficient condition to give good talking results. The Bell Company also reserves the right to refuse to accept business from any station on Drs. Bascom & Forrest's system that fails to make prompt remittance of the tolls due as provided for in clause twelve of this agreement.

17. This agreement shall not be transferable by either party without the consent in writing of the other party hereto.

18. This agreement shall continue for a term of five years from the first day of January, nineteen hundred and three.

In Witness Whereof the Bell Telephone Company of Canada has caused its corporate seal to be hereunto affixed under the hands of the proper officers thereof, and the party hereto of the second part has hereunto set and affixed their hand and seal the day and year first above written.

THE BELL TELEPHONE COMPANY OF CANADA, LTD.

The Corporate Seal of the Bell Telephone Company was hereunto affixed in the presence of:

CHAS. P. SCLATER,
Secy.-Treas.

The Bell Telephone Company of Canada, Ltd.

C. F. SISE,
President.
(SEAL.)

Signed, Sealed and Delivered by the party hereto of the second part in the presence of:—

ADDA HARMAN.

R. F. FORREST,
(SEAL)

H. BASCOM.
(SEAL)

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APPENDIX No. 1

THURSDAY, June 29, 1905.

The Committee met at 11 o'clock, Mr. Zimmerman in the Chair.

Mr. A. A. BRUNEAU, M.P., sworn.

By the Chairman :

Q. I believe, Mr. Bruneau, you are connected with a telephone system in Quebec. Will you kindly give us a statement of the facts with respect to that system, as far as you are acquainted with them ?—A. Yes. About ten years ago the business men in Sorel, being displeased with the Bell Telephone Company, signed an agreement with the St. Lawrence Telephone Company to have that company's plant installed in the town. The rates of the Bell Telephone Company were at the time $25 or $30 a year, if I remember right, for each instrument.

Q. Twenty-five dollars for house instruments and $30 for business instruments, I presume?—A. Yes, if I remember well. We had the promise of the St. Lawrence Telephone Company to have a connection with Montreal, and at the request of Mr. Beaubien, the manager or the agent of the St. Lawrence Company in Sorel, I wrote to Mr. Wainwright, of the Grand Trunk Company, to obtain permission for the St. Lawrence Company to place a cable on the Victoria bridge. The answer of Mr. Wainwright was, that it was impossible for the Grand Trunk Company to give such permission, because the company had a contract with the Bell Telephone Company prohibiting it. I gave this letter to Mr. Beaubien in Sorel. I have with me a solemn declaration by Mr. Beaubien, who was at the time the agent of the St. Lawrence Company, which reads as follows :—

Exhibit No. 179.

'I, J. E. Beaubien, agent, of Sorel, do solemnly declare that in November, 1894, Mr. C. F. Beauchemin, the owner of the St. Lawrence Telephone Company, which operates in the counties of Richelieu, Yamaska and Nicolet, tried with our member, Mr. A. A. Bruneau, to obtain from Mr. Wainwright, of the Grand Trunk Railway, permission to pass the St. Lawrence Telephone cable on the Victoria bridge, to be connected with the Merchants Telephone Company in Montreal, but was refused by the Grand Trunk Railway in a letter written by Mr. Wainwright to our member, Mr. Bruneau, on account of a contract they had with the Bell Telephone Company that not a single other telephone company could swing, lay, or pass their wires or cables on their bridge (Victoria bridge).

'Our engagement towards our customers was to furnish them with free connection with the counties Richelieu, Yamaska and Nicolet, also a connection with Montreal at the rate of $15, or two instruments for $25 a year. Owing to not having succeeded in getting the permission from the Grand Trunk Railway to pass through our wires on Victoria bridge, we lost three-quarters of our customers, as we had over 80 customers in the city of Sorel, and came down below 15, not including all the other customers lost in the other villages in the counties of Yamaska and Nicolet, consequently the owner, Mr. C. F. Beauchemin, sold his company (St. Lawrence Telephone) with loss, otherwise the St. Lawrence Telephone Company would have been one of the best paying telephone companies in Canada, except the Bell.

And I make this solemn declaration conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath and by virtue of the Canada Evidence Act, 1893.

J. E. BEAUBIEN,
Agent St. Lawrence Telephone Company.

Declared before me at Sorel the 25th day of June, 1905.

N. F. PATENAUD,
J.P.D.R.

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That is all I know, Mr. Chairman, about this question.

Q. Do you know whether there has been any further effort made to get a connection or permission to cross ?—A. No, I do not know personally.

By Mr. Bergeron:

Q. That is all you know about the whole thing ?—A. Yes. I remember very well that I received such a letter from Mr. Wainwright.

By Mr. Geoffrion:

Q. The answer of Mr. Wainwright, if I understand aright, was that according to their contract with the Bell Telephone Company, they could not give permission to any other company to cross over ?—A. Yes.

Witness discharged.

Dr. Cash, M.P., was called and made affirmation.

By the Chairman:

Q. I understand you have some evidence, Dr. Cash, that you wish to give before this committee. You might simply state in as concise a way as possible the facts which you desire to submit to us.—A. I would rather be questioned. I have nothing special to state. This is not a voluntary appearance on my part, I was asked to come.

Q. What company are you connected with, or are you connected with any company ?—A. Yes, with the Yorkton Telephone Company.

Q. The Yorkton Telephone Company ?—A. I think that is the name.

Q. In what capacity are you connected with the company ?—A. I am a stockholder.

The CHAIRMAN.—Perhaps Mr. Geoffrion will question this witness, being possibly more competent to do so than I am.

The WITNESS.—You have some evidence, I think, from the president of the company or the manager, Mr. Thomas Paul at Yorkton. I think the way my name same to be connected with this matter was through the evidence of Mr. Thomas Paul, the manager of the Yorkton Telephone Company.

Q. I do not think we had any evidence.—A. Yes, I can show it to you.

Q. We had a letter, No. 32, page 50, of Appendix A. Will you give us a statement of the cost of operating and the cost of installing the plant at Yorkton ?—A. I cannot give you that, you have that from Mr. Paul.

Q. We have that on record ?—A. You have that. This is a copy of the letter which he sent to the Postmaster General upon request.

By Mr. Bergeron:

Q. Did you offer to come here yourself, Dr. Cash, or were you asked to come by the committee ?—A. I was asked by the committee.

Q. Do I understand that you can give us any more information than we had from Mr. Paul ?—A. I think not. The only evidence that I could give would be corroborative of Mr. Paul's letter.

By the Chairman:

Q. There is only one company at Yorkton ?—A. There is only one company.

Q. How many 'phones have you there ?—A. I should think about 150.

Q. What is the population of Yorkton ?—A. The population of Yorkton is about 1,200. We have country 'phones as well.

Q. You have country 'phones also ?—A. I think they have somewhere in the neighbourhood of 150 miles of wire.

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Q. And have you many 'phones on the country lines?—A. I think there are two lines, about 60 miles each, that would average about 30 or 40 'phones each.

Q. About 30 or 40 'phones?—A. For each line.

Q. About one to every mile and a half?—A. Yes, something like that.

Q. I do not know that we need question you any further, Mr. Cash. You simply corroborate the information contained in Mr. Paul's letter?—A. Yes.

Witness discharged.

Committee adjourned.

WEDNESDAY, July 12, 1905.

The Committee met at 11 o'clock, Mr. Zimmerman in the chair.

Mr. EDWARD M. TROWERN, of Toronto, sworn.

The CHAIRMAN.—Mr. Trowern, we will be glad if you will state your case.

By Mr. Maclean :

Q. Whom do you represent, Mr. Trowern?—A. The Retail Merchants' Association of Canada; I am secretary of it.

Q. With headquarters where?—A. In Toronto.

Q. How long have you been organized?—A. About six years.

By the Chairman :

Q. What is the membership of your association?—A. Over 5,000.

Q. Over 5,000?—A. In Ontario alone.

Q. In Ontario alone over 5,000?—A. Yes.

Q. What particular evidence do you wish to give, Mr. Trowern?—A. Well, the principal evidence that I would like to lay before the committee is that the retail merchants are in this peculiar position, that while they can reach the wholesale houses and manufacturers, the manufacturers and wholesalers having 'phones, they are in the unfortunate position that they cannot reach their customers, because so few of them have got telephones. That is a real grievance.

By Mr. Maclean :

Q. In other words, you are complaining of the high rates?—A. That is exactly what it is, the rates are so high. Now, if you take a butcher, or a grocer, or a fruit man, they are very necessary in the home. A woman with five or six children and not able to go out, probably she should be able to reach the grocer or the butcher or the baker with the telephone. That is what we think, and under present conditions she cannot do that, simply because the rates are too high.

Q. Can you give us some instances of what you consider too high rates?—A. Well, all we can do with regard to that is—just let me explain to the committee in my own way how we reached up to it. Some two years ago the Bell Company asked our druggists to put into their stores slot machines, and they notified us that if any of our customers were to use our telephones that they would take our telephones out, and in future they were going to adopt the slot machines. Well, we met together and opposed that altogether, because the difficulty, the chief difficulty, was that with the slot machine the merchants would in nine cases out of ten have to pay the amount. If a good customer comes into your store and asks, 'Can I use the 'phone?', well a man does not want to say, 'Yes, but it will cost you five cents.' If he is a good customer you will say, 'Certainly,' and pay the five cents yourself, or whatever they may charge. We feel also that when we pay for the machine we should have the right to allow whoever wanted to use it, and we would have sense enough not to have it used all the time, because we would want to get our own business over it.

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Q. Was this proposed rule of the Bell Company applied only to one place or to all the druggists in your association?—A. To all the druggists in our association.

Q. No matter where situated?—A. No matter where situated. We opposed that and out of that committee we appointed another one from the general executive board that is from all classes of merchants, to look into the telephone system as far as we could.

Q. Yes?—A. And we got rates from various places and we got a proposition laid in front of us, when the agitation was on, that we could have 'phones put into our houses at $6 a year and a cent a call up to $18. That would be the flat rate, the maximum, and pay $36 in business places which would also be the maximum. In the one case we would pay $6 and one cent for every time it was used but would not go beyond the $18, or in the other case $36.

Q. Where was that applied? In any town or city in Canada?—A. That company came to us.

Q. What company?—A. The Stark Company.

Q. Oh, well, you did not say that?—A. They came to us and made us that offer. Well the committee felt that as the matter was largely an experiment they would wait until it got into operation and we have been waiting. Last week they called us out. We went out to the Junction where the telephone is in operation and went through the establishment and we were perfectly satisfied with the testimony we got from the merchants using their 'phones and our own observation that the new 'phone system is working splendidly, but the difficulty that we have to contend with in Toronto is, we went before our Board of Control in Toronto to ask them to, if possible, adopt that or any system that would give us those rates, and we were immediately told that being a local service, it would not operate well, because we could not get long-distance service with outside places. The way that we thought of getting over that was in this manner: That the Government should own the poles and everything else in connection with long-distance and fit them up for half a dozen companies if necessary. We all unanimously thought that was the best thing—it is only a suggestion of ours.

Q. Yes, do you say that is the opinion of the executive of the Retail Merchants' Association?—A. Yes.

Q. Representing 5,000 members?—A. 5,000 members in the province.

Q. The province of Ontario?—A. Yes.

Q. That the government should own the trunk lines and give facilities to as many companies as needed them?—A. That is our view of it.

By the Chairman:

Q Has your association passed any resolutions of any kind?—A. Oh yes, we have.

By Mr. Maclean:

Q. Have you a copy of those resolutions with you?—A. I did not bring them with me, I could send them.

By Mr. Boyce:

Q. When was it passed?—A. We passed it when we took this matter up first; when the Bell people wanted to hold our druggists up over the slot machines. We appointed a telephone committee, and I am sorry to tell you that Mr. Gibbard, who is our chairman of that committee, had to undergo an operation on his eyesight to-day with the doctor or he would have been here.

Q. That was about two years ago; you have not had any resolutions since?—A. Well, there was no——

Q. I mean you have not passed any resolution embodying these grievances since?—A. Well, we embodied them all in those resolutions.

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Q. In those resolutions?—A. Yes, and we were waiting, you understand, for the two years in order to see what developments were taking place with this company. That is the only company who made us an offer.

By Mr. Maclean :

Q. For a good many years you have held your position now?—A. Yes, ever since—

Q. It is a big association?—A. Yes.

Q. And it is doing a great deal for the interests of the retailers?—A. Yes.

Q. Of Ontario?—A. Yes.

Q. And you say, after all your experience and conversation with the members of your association, that they, the members, regard cheap telephones as a great adjunct to their trade?—A. Oh, yes.

Q. And a great convenience to their customers?—A. Yes.

Q. And they would like to see some provision made whereby telephones could be had cheaper?—A. Yes. Now, I might make another statement just in order to show you the necessity of it. You take a grocer who is dealing with a person, say 12 or 15 miles out in the country, and he wants to get butter or he wants to get an extra supply of milk. Some of these grocers handle milk, and the great difficulty they find is in not being able to reach one of their customers. They want to tell that man, not write to him, but be able to 'phone him, 'Send me down this afternoon so many gallons of milk, or so many pounds of butter,' and in that way it would be better for the farmer and better for the merchant. But the price we have to pay at the present time almost prohibits that.

Q. And you investigated whether there was any better telephone arrangements in other places outside of Canada bearing on the point you have raised?—A. Well, I have not found anything better than we have got at the present time.

Q. You have not investigated the condition of affairs in the western states on that point?—A. No, I have not gone into that.

By Mr. Lewis :

Q. The Stark Company, to which you referred, it is only in Toronto?—A. Well, you mean the offer that was made?

Q. Yes?—A. No, they made that same offer to Brantford and they made that same offer to Ottawa here, and a number of other places, and when the matter came up, of course my being the secretary they sent for me out to these points, and I got the opinions, of course, of the merchants out there.

Q. Are you doing business in any other town?—A. In these other places they appointed committees to ask the council to do nothing until they found out how this new 'phone developed, or rather how the Stark Company developed. Being business men they did not want to commit themselves to anything until they saw how it worked out.

Q. You say you appointed a committee, or at least the Retailers' Association, to look into the telephone matter?—A. Yes.

Q. Did that committee make a report?—A. Well, I stated we had this offer made to us, and at our meeting we decided—we had a number of meetings, of course—that we would take no action until we saw how this company—it was the Stark Company made us the offer—how it worked out, and it was only last week that they told us they were ready for us to go out and look the matter over. So we have not put our report in since going out there.

Q. Have you had any negotiations with the Bell Company?—A. Well, no.

Q. In reference to the lowering of the rates?—A. No, we have not had any negotiations with them because the difficulty with them, as far as we can see and find out, is that the tendency has been to increase the rate from $45, on the old Blake transmitter that we had, up to $50. A large number of complaints have been made by our mer-

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chants in Toronto, where they have been asked constantly to take out these old machines and put a new machine in. I know myself I strongly objected, because I found that the Bell people were charging any one who would ring me up from the outside. They would always ring me up at my office on my Blake 'phone, and they would tell me that Mr. Jones or Mr. Smith wanted to speak to me, but if I wanted to speak to Smith or Jones they would tell me. 'You have got an old-style 'phone, and you have got to come down to the long-distance telephone to talk to Smith or Jones.' Well, it struck me if Jones could talk into my telephone, I ought to be able to talk to him on it also.

By Mr. Maclean :

Q. And you say the company compelled you to get a Blake transmitter in?—A. They forced me. I was in the position that I had to put my Blake 'phone out, I think last month or the month before, and take the long-distance, because I did not want to be tramping over to the head office on Temperance street.

By Mr. Lewis:

Q. Is there any difference in the service given by the old Blake system and that given by the new? Is it not any better? Can you hear any better?—A. If anything, I would prefer my old Blake 'phone to the other one. There is some sort of rattling noise in it now that I did not hear in the other one.

Q. Do you mean to say that they refused to let you talk directly?—A. Yes.

Q. To any one you wanted from your own place of business?—A. Yes.

Q. On the Blake transmitter they would not allow you to do so, but only on the new one?—A. Oh, certainly, I can talk to any one on my new 'phone.

Q. But if you wanted to talk to any one outside of Toronto, you would have to go down to the central?—A. Yes.

Q. There is no question about that?—A. No question at all.

Q. Have other people had the same trouble with your knowledge?—A. Well, I could not tell you that, I can only speak for my 'phone. I know that the men employed in the office would all have to do that, and they made such a fuss I had the old one taken out. They did not want to be running over to the central all the time.

By Mr. Boyce :

Q. How long ago is this?—A. I think, a couple of months.

Q. A couple of months ago?—A. Yes.

Q. And what was the reason assigned for asking you to put in another transmitter? —A. That I had the old-style 'phone, and that it was not a long-distance service, and that if I wanted to speak to any one on the outside, I would have to have it.

By Mr. Johnston (Cape Breton) :

Q. What do you mean by the outside?—A. Other cities and towns.

Q. You answered Mr. Lewis a few minutes ago that if you wanted to speak to North Toronto, for instance?—A. That is outside of Toronto.

Q. You have to leave your office and go to the head office on Temperance street?— A. Yes.

By Mr. Boyce :

Q. That suggestion was made for the betterment of your service, was it not, so that you could speak with better facility?—A. Well, the objection I take to it is that if they had told me that I could not receive any message from outside towns at all over my 'phone I would not have minded. But when my men on the outside or merchants on the outside 'phone into me they would charge them at the other end to talk to me, and then give me the account and make me pay for it, or they would pay for it. Then

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when the thing was reversed and you could not converse at one end although you could at the other, it struck me as a very funny proceeding.

Q. Did you ever have that explained to you?—A. I do not know that I have had.

Q. Did you ever discuss it with the Bell Telephone Company's manager?—A. Only over the 'phone.

Q. That is, you made objection over the 'phone?—A. Yes, over the 'phone, and they told me that I would have to have a long-distance 'phone if I wanted to do any 'phoning to outside points.

By Mr. Maclean:

Q. You finally surrendered and paid the $5 extra?—A. Yes.

By Mr. Boyce:

Q. You understood the reason, did you not, before you paid the $5?—A. Oh, I understood their reason.

Q. Their reason was not solely that they wanted you to pay the $5, was it, as far as given to you?—A. I should say so. Yes, as far as I could find out, and I think Mr. Moyer, who is here, will give the same testimony, that the old 'phone gave us just as good a service, in fact, if anything I would sooner have the service over the old 'phone than over the new one.

Q. Do you understand the technical operation of telephony?—A. No.

Q. So that you do not know any scientific reason if there was any?—A. Oh, I have just heard that it costs less to make this than it does the other one and the old 'phone cost more money to keep in operation but when we were guaranteed that service it strikes me that the Bell telephone people should give me that service.

By Mr. Maclean:

Q. Was there not another reason for it? When you got this Blake transmitter for how long a period did you sign the contract?—A. Well, I did that some years ago.

Q. But when you agreed to put in a Blake in the place of the others?—A. The Blake is the old one.

Q. I know that, but when you put the long-distance in to take the place of the Blake, what sort of contract did you sign as to the time? Was it for one, two or three years?—A. Well now, I have that contract but I would not like to say. I am inclined to think that it was three years.

Q. The real object of it to my mind is to get a new contract with the customer?—A. For three years.

Q. There was a yearly contract up to that date and the new one was for three years, and it therefore helped the company to entrench its position?—A. Yes.

By Mr. Boyce:

Q. That is a suggestion, is it a fact?—A. I can say this: that complaint——

Q. I mean in your particular case?—A. In my particular case I would not like to say whether my contract is three years or one, but I will look it up when I go back.

Q. When you say you thought that was the idea it certainly was not the idea in your case?—A. No, I would not like to say in my case, but I think—at least complaints have come into the office that that is what they are doing it for, making them sign a three years' contract.

By Mr. A. Johnston:

Q. What is your ground for that assumption, for it is merely an assumption?—A. Oh no, it is not an assumption.

Q. Do you know it as a matter of fact?—A. I know it as a matter of fact. In our office complaints of that kind are centered there.

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Q. How is it you can explain what happened in connection with other people and do not know it in connection with your own particular case?—A. Well, I signed that contract and I think the reason that I might give you is this: When the contract was laid down to me I said: 'Is that a three year or a one year contract,' and I am inclined to think, I won't be positive in the matter, but I am inclined to think they said 'a one year contract.' You must remember that we have been opposing this thing, this three year term, not only to the Bell people but before our city council. The Bell Company wanted to pay $20,000 to the city if they would give them an exclusive franchise, and we were objecting to it. We were certainly justified in objecting to it, for they were simply robbing the subscribers.

Q. But ordinarily would you not think that a person who was strenuously objecting to a certain contract——?—A. Yes.

Q. When he goes to sign that contract would have a fair idea as to what that contract is?—A. I have a very clear idea as to what it is, but when they want me to swear positively that it is a three year or one year contract, I want to look at my contract. I am almost certain that it is a year, but I would not like to swear to it until I refer to the contract itself. I will get it when I go back to my office.

Q. These have been provisions of the Bell Telephone Company for the last two or three years?—A. Yes.

Q. During that time resolutions have been passed by your retailers association?—A. Yes.

Q. With reference to alleged grievances? Have you at any time, by sub-committee of the retailers association or in any other manner, met the Bell Telephone Company?—A. Yes.

Q. Or any of its managers and discussed them?—A. Yes.

Q. On what occasions did you do that?—A. As soon as the matter was first stirred up by the Bell Company wanting the druggists to put in slot machines.

Q. Yes?—A. We appointed a committee and we waited on the managers.

Q. Was it partly with regard to slot machines?—A. Partly with regard to the slot machines.

Q. You did not discuss this other grievance about the transmitter?—A. No.

Q. And what was the result of your discussion as to the slot machine?—A. Well a very long conversation with Mr. Dunstan, explaining the advantage from his standpoint that the druggist is going to have by adopting the slot machine.

Q. Do you see anything unreasonable in the position of the company with regard to the use of your telephone by outside people?—A. Well, you must remember that they made a stipulation that no one but the merchants should use the 'phone.

Q. Is that unreasonable, in your opinion?—A. Yes.

Q. It is?—A. Yes.

Q. Then how far would you go with regard to the use of your telephone?—A. I would leave that entirely to the judgment of the man who pays for it. If there was a good customer of mine and he said 'Can I use your 'phone,' I think, as I am keeping that 'phone in my place and paying for it, I have a right to say whether that man shall use it or not.

Q. You are not looking at it with reference to the company's position, having regard to the probable number of calls that that telephone would have for the rate charged, you are not looking at it from that point of view?—A. I am just looking at it from the standpoint of the merchant who has contracted for the 'phone and wants the service.

Q. That is your opinion on the whole thing?—A. Yes.

Q. That merchant does not make a contract with anybody else? He merely makes a contract for the use of the 'phone by himself?—A. Yes.

Q. There is absolutely nothing in this contract to indicate that the 'phone is to be open for any other than personal service?—A. If there was anything put in the contract that no one could use the 'phone but the merchant, the 'phones of half of the retail

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merchants would be thrown out, because we would not stand for it, and will not stand for it.

Q. What is the evidence in support of that?—A. Because, in the first place, if a man makes a contract for a 'phone and he wants to speak over it, and there is no time limit, there is no contract made that you shall only use it so many times a day. We should be allowed to use it for any purpose desired.

Q. Yes?—A. And as long as we have that in our contract we want the company or whoever it is to live up to it. Had the Bell Company reversed the position and said: 'We will charge you so much for installing that 'phone and so much per call' and we agreed to that that would be then business. But to make a contract with us and to have our 'phones put in and have nothing in the contract and then come along afterwards and tell us 'you must not do this or that or something else,' you or no one else would stand for it and we will not stand for it.

Q. I would have to abide by the contract?—A. Oh yes, we want to live by the contract, but not by that additional clause that they wanted to insert. We were told distinctly by Mr. Dunstan he would prefer very much to deal with us individually and he did not want to deal with us as a body. That is the reason we have taken it up as a body.

By Mr. Boyce:

Q. Do you think the contract between you and the Bell Company should include your neighbours or anybody to whom you choose to give permission?—A. If the Bell Company did not stipulate that a neighbour next door should not use it, yes.

Q. But the contract is with you, and you are the lessee of that telephone and you have no right to sublet it?—A. If you went by the strict letter of the law that might be true, but if you take it as it is and deal with a man who pays for a 'phone and has got 25 clerks, everyone of those clerks had a perfect right to use the 'phone and the Bell people themselves do not say you must not.

Q. There was never any objection by the Bell Telephone Company to your clerks or your family using the 'phone?—A. No.

Q. It was the outside public who were strangers to the contract that they objected to using their 'phones?—A. Yes, and I consider that by the rate we pay we think we are entitled to the full use of that 'phone either for our friends or ourselves.

Q. At that rate one telephone would do for the whole street, would it not, and the interest of the company would suffer in consequence. Is that your idea?—A. Well, even if it did, the company would soon look after themselves.

Q. Is that your idea?—A. If the company did not make any provision in the contract at the time I signed it, yes.

Q. Was that the position of the retailers association?—A. Yes.

Q. They came to that conclusion?—A. Yes.

Q. That there should be no restriction as to who should use the 'phone?—A. Yes, if nothing is put in the contract.

Q. And is that on record in the Retail Merchants' Association?—A. Yes.

By Mr. Bergeron:

Q. Do you keep a store?—A. Yes, I am an old retail merchant.

Q. In a store where there are 25 clerks it is very well understood that the merchant and all the clerks can have access to the telephone?—A. Yes.

Q. Supposing there is a customer who comes in and says, 'I want to use the telephone,' can that not be done to-day?—A. Oh, yes, but if they do not want that customer to use the telephone that merchant can tell him so.

Q. But, as a matter of fact, because it is done in Montreal, do not the customers of a store who have a telephone in their office or private residence use the 'phone?—A. Yes.

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By Mr. Maclean :

Q. On that point I would just like to interject this: That it is an abuse that the company ought to be protected against—the indiscriminate use of their 'phones. But there is a thing which really protects the company, and that is this: If you as a grocer or business man allow people to come in and use your 'phone you are losing business?—A. Yes.

Q. Somebody is going to call you up to give an order and you lose that order. The rule at my office is that any employee who uses the 'phone for his own private needs is limiting my business, and he must only use it in necessary cases. We do a large business with the telephone, and have got, I think, ten connections in the office, and any unnecessary use of a telephone by an employee or by a customer who happens to come in is damaging the business because we get a lot of our news over the 'phone. Thus, the person using the telephone is using it to the disadvantage of the Bell Telephone Company, and also to my disadvantage?—A. That is why I say if that matter is left to the judgment of the merchant he will soon regulate it himself.

By Mr. Bergeron :

Q. Let us understand one another. I understand from the answer you gave a moment ago that you think it is perfectly correct for customers to use a telephone. I suppose if a man on the street ran into the store and said, 'I want to use your telephone,' you would permit him? Do you think it is proper that you should let a person from the street go and use the telephone? —A. No, I do not think that it is a right thing to allow the telephones to be indiscriminately used by anybody who is passing on the street. I certainly do not think so for the simple reason that if you did that you would be carrying out what Mr. Maclean said, and you would have the 'phone in use all the time.

Q. But as a matter of fact, I have not seen the contracts, but I want to know is it thought right that the merchants should let any person from the street come in and use the telephone, that telephone being the private property of the company and of the man who pays for it?—A. Yes, if it is not specified in the contract. That was the point I was trying to make a moment ago; they do not put that in the contract, but they come to us afterwards and try to make it a part of the contract. If that were put in the contract, specifically stated, of course we would know what we were doing.

Q. Do you mean to say that if it was specified in the contract it would make any difference, and you would not subscribe or deal with the company? Is that what you mean?—A. If they intended not to allow any customer to use the 'phone and to harness us up to that, we certainly would not accept. We think now that we are paying too large a price for the use that we have of the 'phone.

Q. But they do not harness you from the fact that they do not forbid your customers? It is understood customers have the right to use it, and do use it. Now, the thing I am asking you is if the company did put it in the contract not to let people passing on the street use the 'phones, would you not deal with them?—A. We would certainly want the telephone at a lower rate than we are paying now.

By Mr. Maclean :

Q. You think the price you are paying now gives you the right?—A. That is exactly the position.

By Mr. Lewis :

Q. I would like to get explained a matter in reference to the difference in the telephone. There is a Blake transmitter and there is a horn telephone for long-distance that you ring the bell. Is that the one they ask $5 extra for or is it the one that works automatically when you take the receiver off the hook?—A. The one I have is the one that you take the receiver off the hook.

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Q. Is that the one they are asking the extra $5 for?—A. Yes.

Q. Not the long-distance horn?—A. It is the long-distance one where you tak. the receiver off the hook.

By Mr. Lafleur:

Q. Our experience in Montreal is that we have received messages from subscribers, retail merchants, who would tell us 'for heaven's sake cut this person off. This person has been at our telephone for 35 minutes.' It is naturally a matter of delicacy and difficulty for the retailer to turn his customer away if he be a regular customer from the store. But this shows the extent to which this abuse is carried?—A. Still for one person who does that it would not be right to take the privilege away from the retailer.

Q. I understand you are arguing not in favour of the general public but for your own customers?—A. We are more interested in the public than any other class, because we want to give the woman with five or six children, who cannot get out in the morning, an opportunity so that she can 'phone to the store for what she needs.

Q. You are interested in the public who are your customers or who may become your customers? Those are the ones to whom you want to extend the privileges of 'phoning?—A. They are the largest part of the public.

Q. The contracts you have referred to are in the ordinary form?—A. Yes.

Q. There is no special contract?—A. No.

Q. Have you received a copy of a contract to be found at page 481 of the records of the Committee: 'The service furnished hereunder is for the exclusive use of a subscriber, his employees, and members of the family. He shall not extend the use of his telephone to other individuals except his servants upon his business; nor shall it be used for any tolls or consideration to be paid by any person other than the subscriber?'—A. Is that part of the contract?

Q. That is part of the contract?—A. Of course I want to see my contract first.

Q. Will you file your contract?—A. Yes I will.

Q. Assuming your contract is in the ordinary form of the Bell contract that clearly prohibits the use of your telephone by anybody but your own employees and your family?—A. If that is in it, yes.

Q. There is no ambiguity about that?—A. No.

By Mr. Johnston:

Q. You have never examined the contract sufficiently carefully to enable you to say?—A. No I have not, I admit that.

Q. Then you will admit it was not a matter of serious discontent with yourself or those associated with you?—A. I never thought it was a serious thing because we have made up our minds in Toronto, I may as well be frank with you on this point, that we think it is advisable to have a competitive system in that city.

Q. You are representing your organization?—A. Yes.

Q. You are here as secretary of your association?—A. Yes.

Q. You say your association has been resisting the contract of the Bell Telephone Company, and you come before this committee and you do not know really what that contract states that you are resisting? Is that not a fact?—A. No, it is not the fact.

Q. I think it is dangerously near it?—A. We have been resisting the prices we have been paying, although paying it.

Q. You have been resisting the contract, as I understand it?—A. No, how can we help ourselves? They have got us any way. There is only one company in Toronto and I told them to send their contract in and I accepted it. This is the point I make now: It is of very little difference whether you sign a contract or not. I wanted the 'phone and if I did not sign the contract I could not have it. That is the unfortunate position we are in in Toronto.

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By Mr. Maclean:

Q. What you want is a 'phone under better conditions?—A. We want the 'phone under better conditions.

Q. If possible?—A. If possible at lower rates than we are now paying.

By Mr. Boyce:

Q. Are you a member of any telephone company?—A. No, sir.

By the Chairman:

Q. To show the importance of your having 'phones, perhaps you could give us an idea of the number of branches you have throughout the various cities and towns in Ontario?—A. We have got 81 branches in Ontario.

Q. You have got 81 branches in Ontario?—A. Yes.

Q. With a membership of 5,000?—A. With a membership of 5,000.

Q. The members of most of these branches, I presume, have telephones, have they?—A. Yes.

Witness discharged.

Mr. J. A. BEAUDRY, secretary of the Federation of the Retail Dealers of the City of Montreal, sworn:

By the Chairman :

Q. Whom do you represent?—A. The Federation of the Retail Dealers of the City of Montreal.

Q. How many do they number?—A. We have one thousand merchants in the City of Montreal.

By Mr. Maclean :

Q. Have they any members in the province?—A. No, only in the city of Montreal.

By the Chairman :

Q. What is the special evidence you wish to give before the committee?—A. The principal evidence we wish to give is as to the feeling of the retail merchants on account of the telephones. It has been discussed many times, and they want a service that will cost them less money—not so much less money as to get a larger number of connections with their customers. They have now to employ men to take orders. When there is a telephone in the customer's private house, it is simple enough then to ring them over the telephone. At the present time private families are paying $35.

By Mr. Maclean :

Q. How much does it cost private families?—A. $35.

By the Chairman :

Q. What do you think it ought to be?—A. It is a matter that ought to be discussed. We have a company that charges a less price, but we cannot get a long-distance connection with it.

Q. What are your views as to the long-distance?—A. As the telephone is now getting on to be a necessity and not a matter of luxury, as we used to call it, we think that the government should make some provision that the people of the country would be given easier connection over the 'phones.

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APPENDIX No. 1

Q. Long-distance telephones?—A. Long-distance telephones, yes. As it was suggested that if the government owned the long-distance 'phones and gave to just as many companies as they liked the privilege to use long-distance connection, I know that we could in the cities have local services which would give satisfaction, and this at a cheaper rate.

Q. You have two companies in Montreal?—A. Yes, we have the Bell and we have also the Merchants' Telephone Company.

Q. The Merchants' gives a cheaper rate than the Bell Company?—A. Yes, $25, I think, in business places. I know that was the price last year.

Q. Do you contend that they are not so good?—A. They have not got so many subscribers, because they cannot get long-distance connection. It is a local affair; however, they have been carrying on business for five or six years.

By Mr. Miller:

Q. The other local company that you have in Montreal you say gives a service not so good as the Bell Company, because they have not so many subscribers. But can you hear just as distinctly? Is the instrument as good as the Bell?—A. A great many merchants are using the other, and I never heard of any complaint.

Q. Do you consider the service is just as good as it is for the Bell, with this exception, that they have not as many subscribers and no long-distance connection?—A. The question is a very hard one for me to answer. I cannot tell you if one line is better organized than the other.

Q. Have you frequently talked over the Merchants' line?—A. Very often.

Q. Was it perfectly satisfactory?—A. I was satisfied with the service.

By the Chairman:

Q. Then your idea is that you should have a cheaper 'phone and connection with the long-distance?—A. Yes.

Q. Have you any ideas as to how the long-distance should be operated; by the government, or that some arrangement should be made with the present companies?—A. All that is wanted is that a cheaper long-distance service be organized for the people of the country and for the merchants. That is what we want. In fact, the position we are in now is to make use of the Bell Company or have no long-distance telephone at all.

Q. The Bell telephone gives a satisfactory service in the city of Montreal?—A. Yes.

Q. You think the rates are too high?—A. Well, I do not say that we believe the rates are too high for the merchants. I say the opinion of the retail merchants is this: If the rate was lower the customers would have the telephones in their houses, and this would be of the greatest usefulness for the merchants. At the present time customers and private families are not making use of the 'phones because they are too expensive, and the results are that the retail merchants cannot easily reach their customers.

Q. Is there any other special evidence that you wish to give?—A. There is something concerning the slot machines. There is a serious complaint. It seems to be, for instance take a merchant who is out on the street: He has to use a slot machine and put in five cents, even if he is a subscriber, and I do not see why he cannot reach his own 'phone. The complaint is that when he makes use of the slot machine, someone will answer his call and he has to pay his five cents, and the party he wants may not be there. He will have to ring five minutes later and then be compelled to pay another five cents, and in this way a subscriber is compelled to pay the value of another service on the street. Many merchants are going from one place to another and they have to speak with their places of business quite often during the day.

Q. You say you are charged double rates if you do not get the customer the first time you ring?—A. I do not think I made myself clear enough. My statement is this: suppose I am a subscriber and that I have three telephones in my office. Suppose that I am out on business and want to telephone to my office and I go into one place where

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they use a slot machine. I have to go somewhere and if I am not known to the merchant he says, there is the slot machine. I am not going to ask him to let me use his private telephone. I must use the slot machine, consequently central tells me, 'Drop your money.' I drop in my nickel and if the party I want happens not to be there I have paid my five cents for nothing.

By Mr. Boyce:

Q. That is not the way the slot machine works, is it? Do you pay whether you get connection with the person or not?—A. I say this, we pay five cents to get a connection. When we get no connection we do not pay. But suppose I get the connection and the right party is not there. I have paid and if I want to reach him later I have to pay five cents again.

Q. But do you not ask for that party and when you have got that party on the 'phone central tells you, 'Put your nickel in the slot'??—A. I tell you this, as a matter of fact, that the central does not ask anyone for the name of the party. My telephone number is East 3333 and if I am out I ask for this number, central will tell me when she gets an answer from 3333, 'Drop your money.' She will not ask me for the name of the party that I want.

Q. But if you ask central for Mr. Jones at East 3333 she gives you him. As a matter of fact does it not depend upon your own vigilance?—A. That can be done, probably, but as a matter of fact, I am speaking the fact here, and it is done as I say.

Q. If you want to, you can get that person or not get that person without paying any money?—A. I do not say we could not do it.

Q. It depends upon yourself, does it not?—A. It depends upon 'central,' because 'central' should ask you for the name. She asks you to put in the money and she knows the fact or the company should give her instructions.

By the Chairman:

Q. Well, I understand from the Bell Company that you go to a slot machine and call up an office and want to speak to an individual and if the individual is not there central will tell you so and you pay nothing, but if the individual is there and you wish to speak you put the five cents in the slot and get the connection; that is as I understand the question?—A. I know it can be done, but as a matter of fact it is never done and I have experienced the fact myself very often.

By Mr. Johnston:

Q. You said your association was in favour of obtaining another telephone line?—A. Yes, sir. I said that was the feeling of our members.

Q. They would rather have two, three, four or five companies operating in the same field?—A. They do not care so much about having so many companies if they could have the rates so fixed that telephones would be subscribed for by a larger number of private families. They would be satisfied. They believe that if there was more than one company the rate would be cheaper, and that is their feeling.

Q. Yes, and three or four would be cheaper still?—A. Probably it would.

Q. The retailers would prefer that state of affairs?—A. If it was going to bring about this result I think they would.

Q. If there were in Montreal three or four telephone companies in operation, have your merchants ever considered the position they would be in? They would have to have each of those companies in their office in order to reach their customers. One would have the Merchants, and another the Bell and another the Consumers' company?—A. That is in existence aready, and the merchalnts, a great many of them have adopted the system of the two companies.

Q. Do they regard that as a lowering of the price of the service?—A. No. As a matter of fact it is making it more expensive. But you must look at this fact. The

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merchants are reaching with the Merchants telephone a class of people that they cannot reach with the Bell Company, because this one is too expensive, so they do have to pay two rates but they also reach a large number of people that they would not reach otherwise.

Q. Does it not follow, however, that by virtue of having two companies they are paying a higher rate than if they had one?—A. If we had only one company we would reach only the one company's subscribers.

Q. You are paying a higher rate?—A. But the merchants are reaching two classes of people.

Q. I quite appreciate that, but the truth is the net result is that the rates are higher as a result of having two companies?—A. Well, now, would you tell me, starting from that statement, that the people would be better to have only one company and pay a higher rate?

Q. Everything depends on what they pay. All we want to get from you is whether your merchants, by reason of having the Merchants' and the Bell Companies, are paying more than they would if the Bell Company had the exclusive use of the city of Montreal?—A. I can answer you this, all the people would be pleased and would like better to have only one company provided that the rate was one that would permit private families to have a 'phone.

Q. Well, you will appreciate that there are always a large number of families not in a position to have telephones in their houses in a great city like Montreal and in other communities?—A. Certainly, that's a sure thing.

Q. But after all do you not agree with me that if the rates are at all reasonable it will not be an advantage to have more than one company in each community?—A. I fully agree on this point, provided the rates are such that the majority of other families will not be debarred from having 'phones. All we want is to have a rate that is satisfactory and a service that is also satisfactory.

Q. Yes, what do you call a satisfactory service?—A. One that will induce more families to make use of the telephone.

Q. All families?—A. Not all families, but a larger number.

Q. You could hardly bring about a state of affairs that would produce that, could you—all families?—A. No, certainly not. It is not in my mind.

Q. But after all, do you not agree with me when I say that the retail merchants of Montreal are paying to-day a higher rate by reason of having two companies in operation in Montreal?—A. I do not say so. I do not agree with you on this point.

Q. Another question, would you tell me—your statement would go this far, then, if you believe this. If the Merchants was not operating you would be charged more?—A. If the Bell Company had no competition in Montreal?

Q. No, I do not think so?—A. Well then, in answer to your statement I will tell you that——

Q. My statement does not bear that construction at all. I make the statement that the Bell rates would remain the same. I am proceeding on that assumption, and you are not prepared to show any evidence that the rates would not remain the same. Well, now, another question. Are there any of the merchants in Montreal who have the two telephones?—A. A great many have the two.

Q. Well, now, are they not paying more than if they had one company?—A. This is a very simple matter. Of course they are paying two rates, but you must take into consideration that they are reaching another class of people that they would not reach with only the Bell Company in Montreal.

Q. I am asking whether they are paying a higher rate?—A. Would the Bell reduce the rate if they were alone? I would admit it would be better if they wanted to reduce their rate. I understand the people that have two telephones are paying two rates, consequently they pay more money.

Q. That is the question?—A. But you must provide also that by paying more money they have two services and are reaching two classes of people. I have two Bell

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telephones in my office, so I am paying more money that I would for one, but I think that my business compels me to do it, and I am doing it and I am reaching with the two 'phones one class of people only.

Q. And have you got the Merchants?—A. No, I have not got it.

Q. Why?—A. Because in my district it is of no use to me.

By Mr. Lewis:

Q. You are secretary of The Federation of the Retail Dealers of Montreal?—A. Yes.

Q. Did you appoint any committee to look into this matter?—A. No, we have not.

Q. Have you had any public meetings of your association?—A. We have our regular meetings, and it has been brought before our regular meetings.

Q. Have you any report or any complaints made?—A. I have laid before you some of the complaints that were made.

Q. Those complaints are chiefly in reference to the charge?—A. The main complaints are that a man who is a subscriber, has to pay five cents to reach his office when he is out of his office.

Q. You object to the slot machine?—A. Well, in one way I do.

Q. Have you made any complaint to the city council at Montreal?—A. No, we have not done so.

Q. Have you any correspondence as a body with the Bell?—A. No, we have not done so. I do not want to make any special complaint against the Bell or any other company.

Q. You simply think you should get the telephone service cheaper?—A. Cheaper, yes.

Q. And that is about your complaint?—A. Certainly.

Q. Have you any complaint in reference to the service?—A. We have a pretty good service in Montreal with the Bell Company.

By Mr. Grant:

Q. Perhaps you stated it before, but what is the membership of your association?—A. I think over 1,000 in the Federation of the Retail Dealers Association of Montreal.

By Mr. Miller:

Q. One would naturally sooner have a telephone service at $20 than $35. I can understand that. But have you any reason to believe that the Bell Company could with any reasonable profit to themselves, give you a cheaper service than they do?—A. No, I have no special reason, because they are alone. We cannot make any comparison with any other company because they are the only one. Other companies are only local ones, and you cannot compare a local company with a long-distance company.

Q. If the Bell say they would like to give you a service at $20 but could not do so, what answer would you make to them?—A. I would have to take their statement.

Q. You would have no argument to advance?—A. I would have to take their word, because I could not go any further.

Q. I think that perhaps you base your belief that they could give you a cheaper service still with profit to themselves on the action of the Merchants', that you would reason in this way, that if the Merchants can give the service for $25 the Bell can do so. Would that be a proper argument?—A. I think that would not be the proper statement, because they are not on the same footing; one has the expenditure of its long-distance, and the other is only a local concern.

Witness discharged.

Mr. J. A. BEAUDRY.

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APPENDIX No. 1

The CHAIRMAN.—We have with us Mr. Moyer, representing the Grocers' Association of Toronto. Mr. Moyer, would you kindly take the stand.

Mr. MOSES MOYER sworn.

By the Chairman :

Q. Whom do you represent, Mr. Moyer?—A. Well, I am asked by the Retail Merchants' Association to be here to-day.

Q. What is the nature of your evidence which you wish to give? Will you kindly state——?—A. It is something on the lines——

Q. Will you kindly make your own statement of any complaints or anything that you wish to lay before the committee?—A. It is the general feeling in the city of Toronto that our telephone expenses are too high. Of course, if there is no chance of getting anything cheaper we would have to be satisfied with that, but when there are other companies that are offering to give the service cheaper and their service is satisfactory, I think there should be a way provided that they could do so. I understand that the Bell Company have privileges that other companies have not got, and it is my feeling, at least, that other companies that are making progress in these things and are getting up systems that they can run cheaper, more economically, I think the people should have the benefit of these inventions. The telephone business is not only a luxury, but it has become a necessity also, and in our business, the retail grocery business, we find a great many of our customers are put to inconvenience in not being able to telephone their orders if they have not got a 'phone, because it costs too much.

By Mr. Miller:

Q. I would like to ask the same question that I asked the other witness. While you think their rates are too high, have you any knowledge of your own that the company with any reasonable profit to themselves could give a service at a lower rate?—A. I do not know that the Bell Telephone Company could, but other companies with up-to-date appliances could. For instance, the Stark Company operates without the centrals. They have an automatic system that if I want to call up a customer I look up the number and call up that number and get the customer direct, and thereby save a good deal of expense, and besides that they have also over the same circuit light, heat and power, which all reduces the cost. If I am in the grocery business and fall behind the times, and others are starting up business and can supply the goods cheaper than I can, I find my customers will not stick to me if I am not able to supply the goods as cheap on account of not being up with the times.

Q. Have you a fair knowledge of the working of the Stark system?—A. I was in Toronto Junction where it is in operation now, and I tested quite a number of their 'phones. They are just as good as the other, so far as I could see; they are no better.

Q. The matter of calling up is quite difficult?—A. Not difficult. All you have to do—there is a dial there, and if you want to call up, say 643, you bring an arrangement down even with the figures 6, 4 and 3, one after the other and the connection is made automatically, and you get your customer at once.

Q. So that there is really less delay than in calling up central?—A. Less delay, I think, as far as I know. You don't have to wait for the central as you have to do in the city very often where there are so many connections and you often have to wait quite awhile.

By Mr. Lewis :

Q. Supposing somebody else is using that 'phone—A. I press a button and that gives me to understand at once if the line is in use.

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By Mr. Johnston:

Q. If the line is in use you have to wait the same as in any other case?—A. Yes.

Q. The delay is the same thing?—A. Only I can get the number quicker than by calling up central. I think there is a little gain there.

By Mr. Lewis:

Q. What do they charge?—A. They have just now an offer before the council in Toronto at $18 and $36, a flat rate, or I think, $20 and $40, the outside limit. The instrument costs $6, and then you pay one cent for every call—if you use your 'phone to exceed $20 or $40, as the case may be, you don't pay any more; that is the limit. That is what Mr. Stark told me. I went to see him personally yesterday, hearing that I had to come here, especially to know what they would charge.

Q. How many are there in the association?—A. In Toronto?

Q. In your whole association?—A. Mr. Trowern is secretary and he said about 5,000.

Q. How many in Toronto?—A. Over 1,000, I think.

Mr. TROWERN.—Fifteen hundred.

By Mr. Grant:

Q. The association includes places outside of Toronto?—A. Oh, yes.

By Mr. Lewis:

Q. I think he was speaking with reference to the retail merchants and you with reference to the grocers.—A. The retail merchants. We are all part of one association. We have different sections, grocers, butchers, and so on.

Q. Is that the same system, the Stark, that they are inaugurating in Peterborough?—A. I do not know whether they are in Peterborough or not.

By Mr. Johnston:

Q. You say that an up-to-date telephone company would be able to give you lower rates in Toronto than you are receiving now and that the Stark Company, an up-to-date company, is prepared to do business cheaper than the Bell. Do you regard that company as being more up-to-date than the Bell Telephone Company?—A. Well, I just take it from this, that they can afford to do it cheaper on account of saving the expenses at the central and also because it is sending power and light and heat over the same circuit. They must be in a position to do it cheaper than another company could do it, which has a separate circuit for power and another one for the telephone, which would be more costly.

Q. Have you any extensive knowledge yourself of telephony, of the method of conducting a telephone company?—A. No, I am a grocer and we use a 'phone in our store.

Q. You do not speak from your own knowledge when you say that the Bell is not equally up-to-date?—A. No, I make the comparison with other business. The Stark Company is a new company and no doubt there must be an improvement on the Bell in some respects any way or they would not be able to do it cheaper. I take it for granted that they would have a newer invention of some kind.

Q. You don't know anything about it yourself?—A. No more, than I saw, this automatic connection. I know it is a fact that they have no central.

By Mr. Grant:

Q. Can you tell me how many retail merchants there are in Toronto?—A. Perhaps Mr. Trowern can tell you?

Mr. TROWERN.—Two thousand eight hundred.

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Q. I want to find out if possible the proportion of retail merchants who are telephone users to-day in Toronto; do you know ?—A. Well, I know that a great many of the smaller stores do not use them, but all large stores use one; some use two and even three with the same company.

Q. You could not be any more definite than that in your reply ?—A. No.

Q. That a large number of the smaller stores do not have them ?—A. Yes. I have nothing more definite.

The CHAIRMAN.—Mr. Trowern made the statement that there are about 5,000 retail merchants, the members extending over Ontario, and the great majority of them have 'phones. That is the nearest we can get to it.

Mr. GRANT.—That is covering the province.

The CHAIRMAN.—The province, yes.

WITNESS.—The general feeling with regard to the long-distance telephone is that it should be controlled by the government. At the same time, it might perhaps be just as well for each line to have their own long-distance, provided they have the privilege, but I understand the Bell monopolises that privilege.

The CHAIRMAN.—Not at all.

By Mr. Grant:

Q. When you say each line, what do you mean ?—A. Each company.

By the Chairman:

Q. Your idea is that the independent companies should have the privilege of connections with the long-distance line at the nearest point ?—A. Not with the existing line. If they want to run a line separate—if the Stark Company, for instance, would wish to connect with other companies out of the city of Toronto or any place in Ontario they would have the privilege of doing so, which I understand they would have——

The CHAIRMAN.—Certainly they have the privilege the same as any other company.

By Mr. Johnston:

Q. What do you mean by saying that the Bell has a monopoly ?—A. I understand that the Bell Telephone Company can put up their poles in any town without even consulting the town, and no other company can do that. Is that correct ? I was told so.

The CHAIRMAN.—Their charter gives them that privilege of entering any city or town.

Witness discharged.

The Committee then adjourned.

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COMMITTEE ROOM,

THURSDAY, July 13, 1905.

The Committee met at 10 o'clock a.m., Mr. Zimmerman in the chair.

The CHAIRMAN.—Gentlemen, I am very pleased to say that we have with us this morning some gentlemen who have come from the United States to give evidence as to independent companies. Up to the present time we have had a good deal of information from the independent companies in Canada and also from the old line company, the Bell Telephone Company. In addition, we have had a great deal of information from Europe by correspondence, and we have also had evidence given by a representative of the old line companies in the United States, who was brought here by the Bell Company. I refer to Mr. Pickernell, a very able man, and who gave us some very valuable information. Now we desire to secure the evidence of the independent companies in the United States, who have made such wonderful progress in telephony, and I am happy to say that we have two gentlemen with us from the United States this morning. I have two letters of introduction from the president of the American Electric Telephone Company of Chicago, Mr. P. C. Burns, and they read as follows:—

'This will introduce to you Mr. A. L. Têtu, an old Canadian boy, and whom I consider one of the best telephone experts in the United States. He will undoubtedly be of service in your committee. I regret very much that I cannot be with you at this time and hope to have the pleasure of meeting you at no distant day.'

This is another letter of introduction from the same gentleman :—

'This will introduce to you Mr. J. B. Ware, who is connected with the Citizens' Telephone Company of Grand Rapids, Michigan, and has wide knowledge of the independent telephone movement throughout the country. Mr. Ware, I am sure, will cheerfully grant you any assistance in your investigation.'

I will now call upon Mr. Têtu.

Mr. A. L. TETU, of Nashville, Tenn., sworn.

By the Chairman :

Q. Mr. Têtu, I understand you are connected with the Independent Telephone System in America ?—A. I am, sir.

Q. I would like very much if you would give in your own way as detailed a statement of the organization and progress that has been made by the independent companies on the other side as you can, and also any connections you may have with the Bell or the old line companies ?—A. Do you mean by connection with the old line companies, my personal or electrical connections?

Q. Yes.—A. Well, gentlemen, I have been in the telephone business during two different intervals, one from 1892 to 1898, and the other in the independent cause from 1902 to the present time. It may not be out of place for me to give you a little of my experience on both sides in order that my later statement may have corresponding

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weight and be more amenable to your judgment. From 1892 to 1895, I was in charge of the operating department of the Chicago Telephone Company with particular reference to the care of operating in the city districts only. In 1895 I was transferred to the Central Union Telephone Company, with headquarters at Chicago, which company was then operating in the four states of Ohio, Indiana, Illinois and Iowa.

By Mr. Maclean :

Q. Mr. Chairman, may I ask the witness when he mentions any of these companies, will he say whether they were leased by the Bell system ?—A. This is a Bell service that I am talking of now, Mr. Maclean. Some few years after my first connection with the Central Union they gave up the state of Iowa to the Iowa Telephone Company. I remained with them in the capacity of toll traffic manager nominally, but really as a special agent having more directly to do with the retardation, if possible, of the independent movement through that territory, and was later made assistant superintendent of the State of Illinois, having among other duties in charge the retardation of the independent movement. I gave up my position with the Central Union Company in November, 1898, I think it was, to accept a position in another line of business, having, as I supposed at that time, about reached the limit of my earning capacity in the telephone field, and remained out of the business until 1902, when I was approached by the Independent people of Louisville, Kentucky, to take charge of the management of both companies. There were, and are, two companies operating under practically the same auspices. One, the Louisville Home Telephone Company, was entirely a local concern, local as to operating conditions, I mean. The other was the Independent Long-Distance Telephone and Telegraph Company of the state of Kentucky. I remained in active management of these companies until April 11 of this year, when I assumed charge of the Nashville Home Telephone Company, of Nashville, Tennessee. This company, by the way, is not yet in operating existence, nor has it yet secured its franchise, but we hope to do that later on. I am also secretary, recently elected, of the National Inter-State Telephone Association of the United States.

By Mr. Maclean :

Q. Representing, roughly, how many companies or telephones ?—A. Representing conservatively, I should say, without knowing the absolute figures, about 2,000,000 telephones. I think that is right, Mr. Ware ?

Mr. WARE.—That is about right.

By the Chairman :

Q. How many companies did that represent, Mr. Têtu ?—A. Equally conservatively I should say 5,000 different companies. That is, gentlemen, briefly my experience as to time in the telephone business. Coming more directly to your question as to the existence or possibility of existence of connection between the Bell and the Independent companies, I want to say that it is my understanding, without having any visible evidence of it, that the Bell Telephone Company, particularly its licensee, the Central Union, is and has been, making overtures to the independent companies, or some of them, in the State of Ohio, for the purpose of inducing these companies to allow the Central Union or American Telephone and Telegraph Company to connect up their long-distance lines to the independent exchanges. With what success they are meeting I am not advised, but I do know that it is a radical departure from what had hitherto been their custom. It is a well known and indisputable religious belief on the part of the Bell employees that there should be no affiliation between them and the independent companies.

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By the Chairman :

Q. What is the cause of their change in that respect ?—A. Dollars and cents undoubtedly. They are beginning to realize that the independent people are making inroads not only in a local way, but also, so far as it pertains, to long-distance service, and they are willing to go to almost any extremity now to get away from or divorce the existing independent conditions.

By Mr. Maclean :

Q. In other words, you would say that they are ready to make a treaty for an interchange of business ?—A. I say they are making those overtures now in the State of Ohio. I got that from indisputable and unquestionable authority.

By Mr. Johnston :

Q. With whom ?—A. With the independent companies.

Q. Give us the names of the several companies ?—A. I cannot give you the names of the companies, unfortunately.

By Mr. Boyce :

Q. You have no personal knowledge ?—A. As I said, a while ago, I have no visible evidence.

Q. Mere rumour ?—A. Rumour, well founded.

By Mr. Johnston :

Q. But you have no knowledge of it at all ?—A. No personal knowledge, no, sir.

Q. There is absolutely nothing upon which to found any reasonable belief ?—A. Except the reliability of my informant.

By the Chairman :

Q. Please go on, excuse me for interrupting you ?—A. I do know that in the State of Kentucky there has been a rather close and strange relationship formed between the Bell Company located in Cincinnati and an independent company located in Cynthiana, Kentucky. This statement too, gentlemen, by the way, is not from visible evidence, but reliable information. I understand that the relative switchboards are side by side in the same operating room.

By Mr. Boyce :

Q. Where is that ?—A. Cynthiana, Kentucky. I do not know of any other advances being made in that particular direction. You perhaps, Mr. Chairman, may get more directly and more quickly to the root of this information if you would suggest some questions that I might more directly answer.

By Mr. Maclean :

Q. I would like to ask you what opportunities you have had of comparing the relative equipment and efficiency of the Bell and the independent companies and with what results ?—A. By my experience in the operating department of the Bell Telephone Company and the same department in the independent field.

Q. Well, what is your view as to the relative equipment of these two classes of companies ?—A. I consider that the equipment as manufactured by the leading independent factories of the United States as being fully equal—I won't say superior—but fully equal—to that manufactured by the Bell or the Western Electric Company. That is borne out by the results in service.

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APPENDIX No. 1

Q. And it is as up to date, as modern, and as serviceable to the subscriber and is as much entitled to an interchange of business as is the Bell ?—A. Fully so, in my opinion.

Q. Do you regard the telephone company as a common carrier ?—A. It is generally so regarded, yes.

Q. It is the law in the United States, I believe, and being common carriers they ought to interchange business and treat every one in an equitable way ?—A. That would seem to be the ideal condition from the public standpoint.

Q. The ideal condition would be for telephone companies to be treated as common carriers and compelled to treat everybody equitably ?—A. As far as the service to the public is concerned.

Q. Yes, so far as their service to the public is concerned. Have you any ideas as to government control of trunk lines ?—A. I do not think the time has arrived when the government should assume under normal conditions the control of anything in the shape of public enterprises of that kind, telephone or telegraph. I believe that governmental restrictions are good things. I believe that where franchises are granted there should be a clause inserted which would forbid the consolidation of competing companies under penalty of forfeiture of their rights.

Q. And insuring an interchange of traffic?—A. That should be left, I believe, to the companies themselves.

Q. Have you any ideas in regard to municipalities owning their own local systems, and if so what ideas ?—A. I have never given any thought to that subject for the reason we have been too busy in other channels.

Q. What in your opinion would be the best means of insuring an ample and continuous long-distance service to independent companies now operating in Canada or to those which may hereafter be organized ?—A. By the introduction of just such features into their franchise as would forbid the consolidation of competing companies and the importation of outside capital, under proper encouragement, to invest in the construction of independent long-distance lines as is being done in the United States.

Q. You would encourage long-distance lines to be constructed ?—A. Yes, sir, under reasonable governmental restrictions apart from governmental ownership.

Q. Well, would not one of these conditions be in the franchise of a long-distance company that it should serve every company asking for connection ?—A. I would make it every company interested in the same cause.

Q. Make them common carriers and that settles it ?—A. To that extent.

Q. Yes.—A. After all we would get back to the question of mutuality of contract, of course, as between the contracting parties.

Q. What do you know about the plans and methods of the Bell Company to head off or retard the independent telephone movement that has developed in the United States and that has become so extensive ?—A. Their methods are varied. Their first plan is that of discouraging capital against investing in independent companies.

By Mr. Johnston :

Q. You are speaking now of the American Bell Telephone Company ?—A. Or their licensees.

By Mr. Maclean :

Q. As far as he knows ?—A. You understand the territory is subdivided.

By Mr. Johnston :

Q. In the United States ?—A. Yes.

Q. You have no reference whatever to the Canadian Bell Telephone Company?—A. None whatever. What I have to say is entirely peculiar to the United States. They have gone so far in that particular direction as to cause representatives of the inde-

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pendent people to be followed from door to door, and they call upon the same people that the independent representative may have called upon.

By Mr. Bergeron :

Q. That shows that they are very enterprising in their business methods over there, they are fighting for the same business ?—A. They are undoubtedly fighting for it.

Q. The object of this Committee is to find out as far as we can and remedy what some people called 'evils' here. You said a moment ago that all the companies who used the long-distance telephone are common carriers, or something of that kind. What we want to find out, for example, is this : When a private company spends, say a million dollars, to build a long-distance line and has standardized instruments in first-class condition, would you suggest that all the little companies which have different kinds of instruments, more or less good, which have merely lines on little posts that they pay 25 or 50 cents for, should get connection with the company which has made so large an expenditure ? What would you suggest in that way ?—A. I do not believe you could, or ought, to undertake to force the company having improved conditions to accept or exchange service with companies having out of date apparatus. I believe that the way to regulate that would be to compel, if you had in view the idea of establishing an interchange of communication, these smaller companies to improve their operating conditions to that standard.

By Mr. Maclean :

Q. Standardize the situation ?—A. Yes, standardize the situation. The apparatus is available, it costs very little more than this antiquated stuff, I understand is in use on the lines of most of these rural companies. Neither you nor I, nor any one, wants to talk over impoverished systems. We want the best obtainable, and it is not reasonable to suppose that the independent company or the Bell would care to so tie up the use of their trunk lines by rendering what could not help but be inefficient service over the smaller companies' lines. I believe that the ideal condition is that which would admit of an entire interchange of communication. That cannot be brought about until the equipment has been standardized.

Q. I want to learn a little more about the methods adopted by the Bell Company in the United States to head off independent companies ?—A. In some parts of the United States there have been efforts more or less successful at buying up companies, local and so-called long-distance companies between middle points, so to speak, the idea being to disturb the continuity of circuits so as to destroy the possibility of sending messages through to either extreme of already existing circuits. In other words, we will suppose we had a line between Montreal and Toronto touching at Ottawa, and at all three places there were independent exchanges. A parallel case would be the efforts of the Bell Company, successful if you please, to buy up the exchange at Ottawa, which would mean that the co-relationship between Montreal, Ottawa and Toronto would be so disturbed as to make it impossible to continue the direct service between Montreal and Toronto.

Q. There would be a cut-off in the middle, so to speak ?—A. It would break the chain in the middle.

Q. What else have they done ?—A. Along that same line, I want to show that in Mobile, Alabama, they made the attempt some few months ago to buy the local company there and succeeded so far as to obtain an option on the plant. Among other conditions demanded in the terms of sale was one which called upon the various officers of this named company to testify, or to contract, to the fact that not only would they discourage any attempt at the formation of independent companies for some twenty years in the future, but that they would also petition or assert to the city authorities that the rates under which they were operating were so low as to make them

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unremunerative, and cause them to go out of business, and to further say that they considered the rates of $5 for business and $3 for residences as being ample, and would recommend to the council that these rates be allowed to the Bell Telephone Company. I have the papers with me, copies of the original papers which will testify to this.

By Mr. Boyce :

Q. Are the rates of $5 and $3 the rates per month?—A. The rates per month—yes, sir.

By Mr. Maclean :

Q. What else?—A. I think that is about all the more important points I can think of.

Q. What have they done in the way of competition, to kill off competition? Have they resorted to giving free 'phones or cheaper 'phones?—A. Yes, sir. Within my own experience and under my own authority while with the Bell Telephone Company I have offered free services at points where there has been competition. Under the authority of those above me, I have reduced the rates at given points 50 per cent below what they have been and below the new rates of the opposition.

By Mr. Bergeron :

Q. Have you had anything to do with the Bell Telephone Company in the United States?—A. Yes, sir, for five years.

Q. You stayed with them?—A. Yes, sir.

By Mr. Maclean :

Q. To your knowledge, had they a big dead-head list?—A. I would not answer that.

Q. Why?—Because I could not say positively now.

Mr. BERGERON.—What was the question, Mr. Maclean?

Mr. MACLEAN.—I asked the witness whether the Bell Telephone Company had a big dead-head list?—A. When we talk of the Bell Company, I want it understood that I am referring to the licensee companies with which I have had experience. I do not mean the Bell Company.

Q. Have you had any experience of cities or towns or counties or districts that have two systems within their limits, the Bell and the Independent Company, and was it considered a nuisance or not?—A. It is only regarded as a nuisance from one point of view, as fas as I have been able to ascertain, and that is from the standpoint of the Bell Company. I have yet to find, within my experience, any expression contrary to the advantages of the dual telephone system. The benefits are clearly discernable from the fact that not only do you acquire a large and improved service but you will secure a more extended list of subscribers.

Q. Then you think that with two companies you would do more business?—A. You would do more business because you would reach a greater number of people.

Q. Still you would have to pay two rentals?—A. The cost will not be greatly in excess of the original cost of the Bell 'phone.

Q. And it will give you an increase of business?—A. An increase of business and an improved service.

By the Chairman :

Q. Can you give us any special cases in illustration of that, Mr. Têtu?—A. Take the case of Louisville, Kentucky. Prior to the advent of the Louisville Home Telephone Company, which came into operating existence in June, 1902, the Cumberland Telephone Company, as the licensee of the Bell, were operating in the city of Louisville between three and four thousand telephones, at rates varying from $8 per month

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down to, I think, $2 or $2.50, the latter being on party lines and for residences. When the Louisville Home Telephone Company commenced to give service at rates from $4 down to $2 on independent lines within the city limits, the Cumberland Company immediately proceeded to install telephones on trial, sixty and ninety days free of charge, and introduced an extensive party line system.

Q. Is the Cumberland line a Bell line ?—A. Yes, in that particular territory. In its extensive party line system they improved their service and increased their lines with the result that while accepting service at home at any rate, they could get, up to and including their original maximum, which, by the way, they enforced where it was absolutely necessary for the subscriber to have their telephone, until to-day the relative strength of both companies is about at a par and on a basis of about 7,500 telephones in the city of Louisville for each company, or 15,000 in all.

By Mr. Maclean :

Q. Are both companies paying, as far as you know ?—A. Both companies are paying, as far as I know.

By Mr. Bergeron :

Q. Who owns the long-distance telephone there ?—A. Which one ?

Q. Any one ?—A. There are two long-distance companies operating in the State of Kentucky, and the Cumberland Company itself is operating a system of toll lines owned by that company.

Q. In what you say are you talking of the State of Kentucky or generally of the United States ?—A. This particular reference was to the State of Kentucky.

By Mr. Maclean :

Q. The long-distance lines, to whom do they belong ?—A. The American Telephone and Telegraph Company controls the system of long-distance lines running from the eastern coast of the United States to some point this side of the Rocky Mountains.

By the Chairman :

Q. Is that a purely independent company ?—A. No, that is the American Telephone and Telegraph Company, that is the Bell.

Q. They operate in connection with cities and other lines ?—A. Yes, sir.

Q. Is there an independent company which is operating a long-distance line in the United States ?—A. There is no single independent company, there are a series of independent companies which are operating long-distance lines.

By Mr. Bergeron :

Q. Which are combined to operate within certain lines ?—A. They are combined for the reason that there are some parts of the territory which are connected up to New York and are not connected with Ohio.

Q. They pay so much for the line, do they, or how do they do it ?—A. They construct their own lines.

Q. Well, if there is only one long-distance company besides the American you spoke of ?—A. The American is the one big company. Then there are a number of smaller independent companies.

Q. Through lines too ?—A. With through lines, yes.

Q. Do they connect with the American line ?—A. No.

By Mr. Maclean :

Q. It is one state with another state ?—A. One state with another state. For instance, there are a series of companies between Pittsburg on the east and Kansas City on the west. Now there are within that territory six long-distance companies.

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By Mr. Bergeron :

Q. Sixty ?—A. No, six different long-distance companies. And it is possible to connect up circuits in each one of these companies so as to form a continuous loop from Pittsburg to Topeka, Kansas.

Q. It is a matter of mutual arrangement between themselves ?—A. Yes, mutual arrangement.

Q. They make up a long-distance line out of many different lines ?—A. Yes, sir.

By Mr. Maclean :

Q. That is quite capable of being easily done ?—A. Physically and electrically, sir.

By Mr. Bergeron :

Q. That is done by arrangement ?—A. By contract.

Q. Where there is simply a passing from one to the other, to their satisfaction ?—A. Yes.

By Mr. Maclean:

Q. Do you know any case of the Bell Company connecting up their lines to independent exchanges, using independent equipments ?—A. I cannot recall any special exchange, but generally speaking, if you will refer to my opening remarks, I speak of it as being applicable to the state of Ohio.

Q. Will you tell us whether there should be any extra charge for a solid back long-distance transmitter as against the Blake ?—A. I cannot imagine why there should, Mr. Maclean, for the reason that manufacturers have told me, and manufacturers are in a position to know, that the solid back long-distance transmitter costs less to manufacture than does the Blake. The prices given me by a very prominent manufacturer were in the ratio of $2 to $1 in favour of the cost of solid back transmitter.

Q. Well, now, as the telephone system under conditions existing in the United States has been largely developed and extended to farmers, will you tell us what in your opinion you think in an ordinary farming country, similar to Illinois and Ohio, a farmers' telephone system can be established for, per telephone ?—A. If you refer now to——

Q. I will put it in another way. The farmers are largely availing themselves of telephones in the states ?—A. Yes, sir. I could not answer you as to the actual cost of the exchange, but I can give you the prices thy are being charged for services in the states.

Q. Will you give us some instances of what the farmers pay for telephones in the states. They do largely use telephones in the states ?—A. To a very great extent.

Q. And on the average what will they pay, what does the ordinary farmer pay for an ordinary 'phone, and what kind of 'phone is it ?—A. As a rule he uses what is known as the Bridging telephone.

Q. Yes ?—A. This telephone, I believe, costs the farmers somewhere in the neighbourhood of $13.50 apiece for the instrument alone.

By Mr. Bergeron :

Q. Thirteen dollars and fifty cents ?—A. Yes, sir, the construction of the line in many cases is left to the farmer.

Q. Yes ?—A. Primarily, so far as it pertains to the construction of that portion of the line leading from his house to the main line passing on the thoroughfare. In some states it is different. In Michigan, I believe, Mr. Ware will tell you, they construct a line in its entirety and charge the farmer $15 a year for service on a party line. In other parts of the country——

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By Mr. Maclean :

Q. From your experience, would you say that would be profitable to a company or to the farmer himself at that price ?—A. It would depend upon the number of telephones on the line, of course. But it would seem to me that a rate of $15 a year would be a good rate for a rural telephone service.

Q. And would give the farmer a good service ?—A. Yes, sir. In some parts of the country the farmer pays for the cost of the line plus so much per year for switching charges varying from $3 to $6.

By the Chairman :

Q. What would you consider as a fair service, Mr. Têtu ? What distance and how many 'phones would it cover ?—A. How many 'phones on a given line or how many 'phones it might reach ?

Q. How many 'phones it might reach, yes, at the flat rate ?—A. I think that the ordinary farmer's telephone circuit should be limited in number to ten telephones on a metallic circuit. I think that the talking conditions, conservatively, of 200 miles, would amply meet the requirements of the ordinary farmer, and I think it is equally possible for the ordinary ten-party bridging lines.

Q. You mean to say there should be no extra charge for speaking 200 miles ?—A. I do not say that. I mean interchange of communications should be free, so far as these lines terminate at the same exchange, but beyond the jurisdiction of that given exchange there should be the usual charge.

By Mr. Maclean :

Q. Then the farmer with his party line running into a local switchboard can get connected from one party line to another on the switchboard, and not pay extra rates ?—A. And not pay extra rates.

Q. That would be what you would call a local service ?—A. A local service.

Q. And if he went out of that on to some other line he should pay toll ?—A. He would be expected to pay tolls.

Q. Give us an average instance of a line like that in your experience in the states ?—A. I can call to mind one line 28 miles in length upon which there are ten telephones.

Q. How many of these party lines will there be in the central office ?—A. It would depend of course upon the territory in which the central office was located. I imagine that within the jurisdiction of an exchange the size of the one in the city of Ottawa, and without knowing, but assuming, that your farmer population is about the same as it may be in central Illinois, and taking a radius of twenty-five miles, you ought to have from twenty-five to fifty party lines, varying from four to 10 people on a line.

Q. And you would give a farmer within that radius a service for about $10 ?—A. About $15.

By Mr. Bergeron :

Q. For $15 you would connect him with these various rural lines and give him the use of a city service as well ?—A. Yes, sir.

Q. I want you to state whether, in your opinion, in a fairly representative portion of the county with a good business centre all the farmers in the vicinity of that town could be given a service between the different party lines and the service in the local centre ?—A. I believe they could, assuming you worked a party line up to the capacity that I have mentioned, of ten telephones per line.

Q. What do you think would be a fair price, a fair rental, for the citizens of that centre to pay for their service which would also give them a connection with the farmer ?—A. The citizens would have the same privilege of exchange communication with the farmers as the farmers would have with the citizens.

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By Mr. Boyce :

Q. And at what price ?—A. At the standard rates.

By Mr. Maclean :

Q. Would the citizens pay more for the privilege ?—A. He should. He would use his telephone more, and using it more there is a greater necessity for connection, besides he does not have ten on his line.

Q. In a city of from 5,000 to 25,000 population, what should the average cost be to the citizen ?—A. I think $30 and $18 a year is allowable.

Q. Thirty dollars for business and $18 for residence 'phones ?—A. On an independent metallic line with long-distance equipment.

Q. And there are any number of instances of companies giving such a service among the independent companies in the United States and making money out of it. —A. I will cite you one particular case in the city of New Albany, Indiana, a town of 20,000 people, where the rates are $2.50 and $1.50 per month for independent lines, and $2 and $1 a month for party lines. They are making money there.

Q. But you have not any doubt that can be done under equal circumstances ?—A. Under equal circumstances it should and can be done in my opinion.

Q. We have had some trouble here in the way of the Bell Company getting control of the railway station. Have you had any trouble in connecting the independent with other companies ? Have you had any experience of that ?—A. Not so far as the contractual conditions obtained.

Q. In other words, you say they have never made a contract ?—A. Not to my knowledge.

Q. What other knowledge have you ?—A. They have attempted to persuade the railroad and express companies in different parts of the United States to exclude the independent service, and we have had at times very great trouble in securing the introduction of our services through some of the railroads, but by constant public pressure in the hands of the officers we finally brought the railroads to a proper appreciation of the situation.

Q. You say the business men there have the enterprise and activity enough to go to the railroad companies and say : 'Here, you must allow the independent lines in' ? —A. Yes, sir, they have notably done so in the case of the city of Louisville.

Q. Well, tell us the facts of that case, what happened there ?—A. You want the full history of that ?

Q. In short, just give us an idea of the facts.—A. Shortly after the Louisville company came into existence, we had been trying to secure more telephones in railroad offices and had been successful to an extent, but not enough so as to include the entire list of railway companies operating in Louisville. It happened that an effort was made to bring about just such an exclusive condition as you described. But before it could be brought to any head, we immediately started solicitors out on the street with petitions among the business men, and called upon the necessary members of our directorate for them to wait upon the business men individually, with the idea of having these business men either write or go personally to the different railroads. We had gotten to the point at that time of offering our services free of charge. Before we could bring that proposition to a head and as the result of that petition of the business men, we had a telephone message from the leading railroad in Louisville to send our contracting agent out. He went down and secured a contract for nine different telephones, the result of which was that my overtures to other railroad companies to install telephones free of charge were cancelled, and these same railroad companies gave us paid contracts for the service. Now, in offering a service to the railroads free of charge, we were simply doing that for the benefit of our subscribers and incidentally to our own advantage of course. But we knew we had to have the railroads, and our subscribers

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were sufficiently interested in our cause by reason of the superior service we were giving, to call upon this railroad.

Q. In your opinion it is rather high-handed on the part of a railway company to say that the people who are clients of theirs shall not have telephone connection ?—A. I do not think it is business.

Q. It is not business, no.—A. I do not think it is business.

Q. In fact there is no such agent for facilitating and promoting business as the telephone ?—A. I believe that any one who has goods of equal merit should receive a hearing, and should be given an opportunity to display his wares.

Q. So there is very little of that now, as far as you know in the states ? There is no case of railway companies making a contract excluding companies ?—A. I have not heard of any, Mr. Maclean.

Q. And now the general policy of the railways is to facilitate the independent telephone business by admitting their instruments to the stations and public offices ?—A. I would not say that generally.

Q. But to what extent ?—A. It is so where the plants are already in existence, but I imagine that any future plant that comes in will have to hoe the same row as we did down in Louisville.

By the Chairman :

Q. How about the independent and the main line companies having the right to cross bridges; for instance, from Cincinnati across the river ?—A. Well, I cannot tell you anything about Cincinnati, Mr. Zimmerman, except from hearsay, but I can tell you about Louisville. We crossed the Kentucky and Indiana railway bridge with a 60-pair cable and we paid them a rental of $300 per year.

Q. I have reference more particularly to railway bridges ?—A. That is a railway bridge.

Q. Yes, but do railway companies give the independent companies the same privilege as the old line companies ?—A. Yes, we have had no difficulty there.

By Mr. Maclean :

Q. Has there ever been any trouble in regard to a big company collecting its tolls from a small company for interchange business ?—A. Not within my experience.

Q. It is easy to make provision ?—A. Yes, sir.

Q. In other words, you can ask the local company to make an advanced deposit of $5, $10, $20, or $30 to guarantee the amount. It is not difficult to work out the security for the interchange business. The interchange business is largely one balance against the other, is it not ?—A. There is always more money coming into the large point than there is going out of it telephonically.

Q. In other words, the big company gets more from the local ?—A. Yes, sir, proportionately, I mean.

Q. And the little company generally has something to pay to the larger company ?—A. Yes.

Q. There is a counter account in each case, and the balance is generally in favour of the larger company ?—A. The contract is based upon so much for originating the message.

Q. There has been no trouble in working all that out in a fair adjustment ?—A. None whatever, the standard contract as adopted by the long-distance companies provides for that.

By Mr. Miller :

Q. Have you lived in Canada at all ?—A. I beg your pardon ?

Q. Have you lived in Canada or travelled through it extensively ?—A. I was born in Canada and lived here until I was thirteen years of age, since which time my visits have only been intermittent.

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APPENDIX No. 1

Q. Do you know anything of the Canadian Bell system ?—A. No, sir, not enough to warrant my speaking about it.

Q. I was going to ask you whether or not you considered the Bell Telephone system in Canada to be well and thoroughly equipped with up to date apparatus ?—A. I could not answer that, I am not sufficiently informed on the situation.

Q. We have here what is called the Stark system, which is an automatic system, doing away with the necessity of a central office and making it possible for the subscriber to make his own connection. Have you any acquaintance with any such system as that ?—A. Only the automatic system of Chicago, and its representative will be able to discuss that later. Mr. Ware is more familiar with the subject than I am.

Q. He would have some knowledge of it ?—A. Some knowledge, yes.

Q. Have you found that automatic system to be practical and satisfactory ?—A. So far as it has gone I understand it is eminently satisfactory.

Q. And more economical than the present system ?—A. Undoubtedly, from the standpoint of operation.

By Mr. Maclean :

Q. Will that automatic system suit the farmers' line ?—A. Oh, yes. I do not know this particular system that I described, but a system has been devised.

Q. It is likely to be devised ?—A. Yes, sir.

Q. And the automatic system means a service for every hour in the day and every hour in the year, whereas the switchboard service is dependent upon personal attendance ?—A. Yes, sir.

Q. That to me appears to be the great merit of the automatic system.—A. You do away with the matter of human agency, necessarily so, and constantly have it at your service continuously.

By Mr. Miller :

Q. You will understand that here we have but the one series of long-distance lines, that owned by the Bell Company, and that farmers in many instances would desire to form local farmers' companies and that in some of the smaller villages where they have no Bell system they may wish to form a local company to do a local business, or that in a larger municipality they may consider that they are not being fairly used as to rates by the Bell Company and may wish to inaugurate a rival company. The inconvenience and trouble is that they cannot make long-distance connections, not having their own long-distance lines. Now, would there be anything mechanically impossible or morally wrong in adopting some fair and reasonable method by which the Bell Company might be compelled to afford accommodation and to give connection to the various local companies, provided of course that these smaller independent local companies were compelled to have their system, as Mr. Maclean has said, standardized? —A. There would be no physical, mechanical or electrical impossibility about such a condition as that at all, but as to the question of commercial value or wisdom, I am hardly prepared to answer.

Q. Of course it would have to be understood that the financial part of it would be arranged fairly, so that in that respect there would be no imposition upon the Bell. That being done, can you think of any reasonable objection to the Bell Company being compelled, in return for the privilege that they have, to give such connections ?—A. Provided that the same territory is not developed by the Bell. You have said that they are not occupying that territory now ?

Q. Supposing they are occupying the territory, some parts of the territory ?—A. Then I do not think that they ought to encourage competition against themselves to the extent of compelling them to give another competing company the use of their line. That, in my judgment, would be poor business.

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Q. Well then, would there be any injustice or anything impossible, or could you conceive of any valid objection, to compelling the Bell to give accommodation over their long-distance lines to farmers' companies, it being the case that the Bell Company are not themselves giving accommodation to farmers in the farming district ?—A.—I take it you mean exchange communications ?

Q. Yes ?—A. You do not mean attaching it to long-distance circuits for the purpose of reaching a terminus ?

Q. Making connections ?—A. At some central point ?

Q. Yes, at reasonable rates ?—A. I believe ordinary business wisdom would induce them to do that.

By Mr. Maclean :

Q. It would be most profitable ?—A. I cannot see anything to the contrary.

Q. A denial of that privilege would be in the interest of creating a monopoly ?—A. Yes, sir.

Q. As a monopoly there might be reasons against it, but as a business proposition it is good business ?—A. It is good business in my opinion.

By Mr. Miller :

Q. Now, the various independent lines established in the different parts of the United States of which you have had experience has resulted in a general lowering of rates ?—A. There is no question about that.

Q. No question about that ?—A. No.

Q. That being the case, has the telephone business, as it exists to-day in the districts of which you have knowledge, proved remunerative to the Bell Company, in so far as you know, and to the various independent companies that are competing with them ?—A. I have heard nothing to the contrary so far as it affects either interest.

Q. They are paying dividends and reasonable profits as far as you know ?—A. I understand so with the exception of the Central Union Telegraph Company, which has not paid dividends, I understand, since 1896.

Q. Where is that company operating ?—A. In Iowa, Indiana and Illinois.

By Mr. Bergeron :

Q. What is the cause of that ?—A. Opposition, I reckon.

Q. Then when there is so much competition would the company pay the dividends ?—A. As a general proposition, no. So far as it pertains to conditions in that territory, I believe their system of warfare has done more to reduce the possibility of dividends than has the actual loss of earnings.

By Mr. Miller :

Q. This is the only instance that you know of where the competition that exists has made it impossible for a company to pay dividends ?—A. I believe that the Michigan Bell Telephone Company defaulted some years ago on its bonds. Is that right, Mr. Ware ?

Mr. WARE.—Yes, sir.

The WITNESS.—May I call upon Mr. Ware for corroboration ?

By Mr. Miller :

Q. Those are the two instances ?—A. The two instances.

Q. And the only two instances you know of ?—A. The only two instances.

Q. Were there in either or both of these two cases special reasons for bringing about that result that do not commonly exist ?—A. As to the State of Michigan, I do not know. As to the territory controlled by the Central Union, I can only answer

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from hearsay, and my information obtained in this way is that they spent so much money in fighting opposition by buying out independent plants——

Q. That was simply a matter of unbusinesslike and unwise business management?—A. Yes, sir, it is my opinion. It is generally regarded as being bad management by those in the independent field.

Q. Have you found farmers universally anxious to get farmers' lines?—A. Not if they can get the service from the already existing company.

Q. At reasonable rates?—A. At reasonable rates. The development of farmers' lines in the last ten years has been almost a hundred per cent. Prior to ten years ago such a thing as a telephone in a farmer's house was an unknown quantity.

By the Chairman:

Q. You say ten years ago?—A. About ten years ago in the States and this entire development has been superinduced by the advent of the independent movement, there is no question about it.

Q. The system has been that of a series of independent lines, none owning long-distance lines throughout the whole territory, but each mutually agreeing to connect with the other?—A. Yes, sir.

Q. There is that friendly feeling existing among the several independent lines?—A. Yes, sir.

Q. And all united together in antagonism to the Bell?—A. Yes, sir.

Q. That is the state of things?—A. Yes, sir.

Q. Just one other question. I think you stated you did not consider it would be wise at the present time for the government to undertake the control of the long-distance lines? What objection do you entertain or why do you think it would not be expedient or wise for the government of the Dominion of Canada to take over long-distance lines, paying a proper amount for it of course, and affording, at proper rates, connection over the long-distance line to any company, large or small, that might wish to use the line?—A. My particular objection to governmental ownership applied to the question of local exchanges. There can be, in my opinion, no very great improvement made in the construction or operation of long-distance lines, so that it would come entirely within the province, it seems to me, of a government to either own, or at least supervise, the ownership or operation of those lines. But the condition of the art, so far as it pertains to local telephony, to local operating, is not sufficiently permanent as to warrant any government in assuming it at this time. I believe that any such tendency on the part of a government would go far towards dwarfing the efforts of inventors.

Q. There would not be the same enterprise?—A. There would not be the same field. Here we have any number of manufacturers in the independent field, all of whom are looking for new ideas, new inventions.

Q. To surpass their rivals?—A. Yes. But if you adopt this policy of public ownership the probability is that the government would patronize a single manufacturer and in that way, in my opinion, the efforts of inventors would be dwarfed or nullified.

Q. What you mean is that if the trunk lines are left in the hands of a private company it will afford a better service?—A. Yes, sir.

Q. That is the long-distance line itself?—A. I refer more especially to the local lines, the local exchanges. The long-distance lines are about as perfect as they ever will be.

Q. That being so, if the government takes over the long-distance lines only, and affords connection for the independent companies, is there not still left the same room for enterprise and the same desire and object to improve on the part of the local companies?—A. That was the purport of my answer to your last question, that the encouraging conditions will still be there so far as they pertain to the local plants, but

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that would not be required in long-distance construction for the reason that that is as nearly perfect as it is possible to make it.

Q. Then you cannot see any objection, I take it, to the government taking over the long-distance lines and affording connection to the local lines from time to time?—A. Conscientiously, no, except in so far as it would take its earning power away from the telephone company itself.

Q. But other than that you can see no objection?—A. No, sir.

By Mr. Maclean :

Q. And you think that local enterprise would give the best local service?—A. Yes.

By the Chairman :

Q. While on the subject of the long-distance system, let me say that Mr. Rutherford, who has had considerable experience with the long-distance equipment at Cleveland, in answering a letter from me, said :—

'There is connection by the independent system from Cleveland as far east as Syracuse, as far north as Grand Rapids, and southeast to Charleston and Wheeling, Va.; southwest to St. Louis, and to Kansas City, although the Kansas City line is not yet in complete operation, but up to the present time conversations have been had between Cleveland and Kansas City.'

Mr. Pickernell, in his evidence, referred to conversations over long-distance independent lines. This question was put to him :—

'Q. You of course are aware that they are talking now from Cleveland to St. Louis and even to Kansas City over the independent line. There must be a great many lines between those two points?'

That was the question. And Mr. Pickernell's reply was :—

'I am glad that you mentioned that, sir. They are not talking commercially over the independent line between Cleveland and St. Louis or Cleveland and Kansas City.'

Q. Do you know anything about that?—A. I do not understand that they are talking commercially between Cleveland and Kansas City, but I am told that they are between Cleveland and St. Louis. I know that they are talking between Louisville and Kansas City. They have to go over that same portion of the circuit between Cleveland and St. Louis and Kansas City as exist between Terre Haute and St. Louis.

Q. Mr. Rutherford states in his letter that it is not yet on a commercial basis?—A. No, it is not commercially open.

Q. Then Mr. Pickernell went on to say :—

'You can go into the city of Cleveland and you may make ten calls from the Cuyahoga Telephone Company's station to St. Louis and you make another ten calls from those same terminals to the Home Telephone Company at Kansas City, and see how many times you will talk successfully or how many times you will talk commercially. You can get the president of at least one of those companies to give you testimony upon that point. I will say that the lines of the American Telegraph and Telephone Company between these points have existed for probably ten years, and we are still handling the business between these points. When a man in Cleveland wants to talk with St. Louis, even if he has the Cuyahoga telephone at his desk, or when a man in Cleveland wants to talk to Kansas City, he steps around to the Bell Telephone Company's pay station because he knows he can talk that way, that he cannot talk over the other lines.'

A. What is the date of that testimony?

Q. May 31.—A. Then I think perhaps that was true so far as it pertains to Kansas City and Cleveland talking at that time.

Q. Of course Mr. Rutherford claimed nothing for Kansas City.—A. But I do not know that it is absolutely true so far as Cleveland and St. Louis business is con-

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cerned. Mr. Pickernell may have had in mind the fact that there are moments of interruption to the Bell circuits as there are to independent circuits, in which case either one would have to go to the pay station of the other.

By Mr. Maclean :

Q. There is no advantage there. What the Bell Company can do the independent companies can do ?—A. None whatever. They put up the same wires, put up the same instruments and switchboard, and you have just as much advantage.

Q. There is no doubt the Bell Company have a better long-distance service ?—A. The Bell Telephone Company have the best patents and they have the best engineers in the world.

Q. But the ideal system would be one system under governmental control ?—A. If you could get the same conditions throughout as exist in the dual service with regard to stability, improved efficiency of service, and low cost.

By Mr. Johnston :

Q. Do you think as good a service could be had if it were under the control of the government ? If the service were owned by the government would you look forward to any improvement in it as against the improvements that would be inaugurated by the Bell Telephone Company or by any other great industry ?—A. To which service do you now refer, the long-distance or the local ?

Q. I mean the service generally. You have got to consider the service as a whole. You cannot very well separate local and long-distance services. They are so intimately associated that you cannot separate them.—A. They are intimately associated from the commercial standpoint, from the electrical standpoint they are entirely divorced.

Q. But must not the commercial standpoint ever be kept in view ?—A. It is the paramount issue of course.

Q. What I want to know is, what is your judgment as to whether a service owned by the government would be any better or more efficient than a service owned and controlled by a great industrial company like the Bell Company ?—A. I can see no reason why it should improve under governmental ownership.

By Mr. Maclean :

Q. But it would be a more equitable service given to all kinds of companies ?—A. Yes, so far as sufficient service is concerned.

Q. There would be no denial of the use of the line ?—A. That is purely a physical condition. Mr. Johnston asked me about the improvement in efficiency of service.

By Mr. Johnston :

Q. I am speaking entirely about the improvement in the efficiency of the service ?—A. I cannot conceive why it should be better under governmental control than under private control, where you are trying to do the best you can with the apparatus at your disposal.

By Mr. Maclean :

Q. But a better service would be given to the different companies ?—A. So far as the service is concerned.

Q. The government would not refuse the business ?—A. No.

Q. But there would be a better service to all local companies ?—A. Looking at it from that point of view.

Q. You would not be debarred, thrown out or bought out ?—A. No.

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By Mr. Lewis :

Q. What is the cost of the Blake transmitter?—A. As given to me it was estimated at $2.

Q. That is the instrument ?—A. The transmitter alone.

Q. I mean the instrument put in ?—A. I have no knowledge.

Q. Is there any difference in the cost now, and the cost formerly, of the telephone instrument ?—A. I am no manufacturer , but my understanding is that the instrument of to-day costs less to produce than did the original Blake in its entirety.

Q. Then the present Blake costs less than the original Blake ?—A. I will not say that.

Q. They are so cheap that a farmer could get an instrument at $13.50, I believe that is what you stated?—A. That is my estimate of the cost.

Q. That is less than formerly?—A. I believe it is.

Q. Then you also stated that the solid back transmitter can be produced for half the cost of the Blake ?—A. For one dollar.

Q. For half the cost of the Blake ?—A. Yes, sir.

Q. So that it would cost one-half of $13.50 to the farmer ?—A. Not necessarily. There are other parts to be considered as well as the transmitter. My reference as to cost was purely in reference to the transmitter and no other parts of the telephone.

Q. Are there many farmers taking the telephone now of their own motion ?—A. In my experience the demand is hard to fill.

Q. What is the cause of that ? We have had witnesses here who spoke of lightning-rod men going through the country ?—A. The cause is their desire to get into touch with the markets.

Q. It is a good thing for the farmers ?—A. Absolutely so.

Q. It is not because these men are going through the country and selling the farmers something they do not want ?—A. The agents are going through the country at the invitation of the farmers themselves.

Q. We have had before us other witnesses, and it has been argued on behalf of the Bell that it would not be proper to allow a farmers' line with ten or fifteen on it—I think fifteen in most instances—to connect with their central, that they preferred to have men come in and telephone from pay stations. Is there any difference in the operation whether a man goes into the pay station or whether he sends a message from an outside line ?—A. There is this difference: that in talking from a pay station he is talking over what we have to presume is an absolutely up-to-date apparatus.

Q. Yes ?—A. And there is cut off. in that conversation, the length of line between the pay station and his house, which in itself materially increases the efficiency of the talking circuit.

Q. It is merely for the benefit or non-benefit of the men using it ?—A. Entirely so.

Q. But providing the company gets the same pay, would there be any difference in any man's line ?—A. Assuming the condition of that line was perfect there would be no difference.

Q. No difference ?—A. No. But if that line was in an imperfect condition it would necessarily lengthen the conversation, without a correspondingly increased remuneration. Then you could readily see the circuit would have to be given up to an unnecessary length of talking.

Q. They pay by the minute ?—A. But they sometimes take five minutes to say something which on a good line would only take three.

Q. That would be to the detriment of the user ?—A. To the detriment of the company.

Q. To the detriment of the man who has to——.—A. The man who has to give the service, for the reason that the payee would claim the line was not working right.

Q. Then if the small line is perfect there is no difference ?—A. None whatever. When I say that I mean with due regard to the distance over which you want to talk.

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You cannot talk from a farmers' ordinary telephone in central Illinois to Boston, but for all ordinary commercial purposes and assuming that the market centres with which the farmer has to deal are not too remote, it is perfectly within the range of possibility to talk on farmers' lines.

By the Chairman :

Q. What distance would that be ?—A. Two hundred miles with the use of the Blake transmitter.

By Mr. Lewis :

Q. What are the rates for a farmer to connect with other farmers not over his own line ?—A. As I said, they vary in different parts of the country. In some places the charge is $3 a year for switching service.

Q. What do they get for that ?—A. The services of the operator at the central office and communication with other parties.

Q. Do independent companies desire to be connected with farmers' lines ?—A. Those companies are encouraging the farmers' development.

Q. Which pays the best, the local line in towns of from 5,000 up to 10,000 population, or the long-distance line ?—A. I could not answer that for the reason I have not gone into the subject sufficiently.

Q. Which is the most expensive to build ?—A. Of what size ?

Q. Take the trunk lines and the local lines, from which is the most revenue got ?—A. They get the most revenue out of the long-distance line.

Q. In comparison with the cost ?—A. Yes.

Q. Then the long-distance lines pay the best ?—A. Yes, in proportion to its cost.

Q. You have had considerable experience, have you not ?—A. No, sir.

Q. Do you know anything about it ?—A. Not enough to testify.

Q. Do you know what they charge ?—A. With reference to service ?

Q. With reference to service ?—A. Yes, sir.

Q. Have you any knowledge that would lead you to suppose that a local line could be put into a town of 5,000 to 10,000 and give a service of from 100 to 300 for $1 a month ?—A. I am not competent to answer that question.

Q. Not counting connection with the trunk lines ?—A. An exchange of 300 subscribers ?

Q. From 100 to 300 in a town of from 5,000 to 10,000 people ?—A. For a dollar a month ?

Q. Without counting the trunk line ?—A. I would not undertake to answer that question.

Q. Do you know if it has been done ?—A. I could not say.

Q. Because it has been reported that such things have been done and have succeeded.—A. From personal experience I would not undertake to say I would care to try it.

By Mr. Boyce :

Q. Your experience in telephony is practically confined to the four states of the union you have mentioned ?—A. Indiana, Ohio, Iowa, Illinois, Kentucky and Tennessee.

Q. Those are six of the largest states in the union, are they not, as far as telephony is concerned ?—A. Four of them are.

Q. And the population there is pretty dense ?—A. Quite dense.

Q. And the telephone areas are of course in the densest part of the state ?—A. Yes, sir.

Q. And the denser the population, of course, the cheaper you can give telephone rates ?—A. The cheaper the construction so far as meeting the demand is concerned.

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Q. And consequently the cheaper the service ?—A. Not necessarily so. You are referring now to density of population, which is applicable to large cities, we will assume.

Q. I want to get the relation of the two. We will take both ways. Take first a dense population as applicable to large cities, and second a dense population as applicable to rural communities.—A. In large cities——

Q. Take it first with regard to cities ?—A. In large cities the density of population would necessarily bring about a reduced average length of line.

Q. To what extent ? To such an extent as to affect the rates ?—A. So far as the construction of the line is concerned. It would not affect the rates. It is very much like a newspaper, the larger the circulation the more it will charge you for advertising and the more benefits you would secure.

Q. Will the same conditions apply to rural communities ?—A. I think they do.

Q. The greater the population that can be served by telephone the more valuable it is to a subscriber ?—A. Naturally so.

Q. Your experience is confined entirely to the United States ?—A. My telephone experience.

Q. You have not studied the conditions in Europe or in other parts of the world ? —A. No, sir.

Q. We had here a gentleman who had given a great deal of study to telephonic conditions for twenty-five years in different parts of the world, a gentleman called Mr. Herbert L. Webb, and I am going to quote now from his evidence with regard to governmental control to show how far you can agree with him. At page 923 he was asked : 'From the observations that you have made, and from the experience that you have had, would you state concisely the objections that you see to interference by the government in the actual operation of telephone systems, either trunk lines or local telephones ?—A. I think the chief objection is that when you have government control and ownership, the management is no longer commercial. The ultimate management of the concern is governed by considerations that are foreign to the real business considerations that ought to govern the operation of the business. That is, the rates may be fixed in response to an uneducated public opinion, or to political pressure, or to whatever it may be. But as a general rule the policy of the business is governed by considerations that are foreign to the practical considerations of the business. Then there is another very broad objection that when once you get government money or municipal money invested in a business the tendency of those in control is to oppose any improvement, to oppose any change that would tend to supersede that investment. You find that very often in connection both with government enterprises and with municipal enterprises.'—A. That in effect expresses my views.

Q. That is, you agree with that ?—A. With regard to the dwarfing of inventive enterprise.

Q. More closely connected with that view of yours, I will quote again from Mr. Webb, on page 929, 'Q. Would you say that would be the universal result of government ownership or control with regard to telephones ?—A. I should say, broadly speaking, that is one of the great objections. That it represses improvement, it represses initiative and the improvement of plant and systems, in accordance with invention and with the rise in the state of the art.'

A. Those are my views exactly. I have never set eyes on any similar testimony.

Q. Then you are generally, and upon principle, and for the reasons which you have broadly outlined, opposed to government ownership or control ?—A. Of local plants. I still mantain that so far as the existing perfection of long-distance circuits is concerned that the government could with very good results take control.

Q. Has that been considered seriously in the United States, the acquisition by the state of the long-distance line ?—A. I do not think I ever heard of it being discussed.

Q. The general current of opinion is opposed to that ?—A. I have no impression one way or the other.

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Q. Have you considered it yourself in those states with which you are familiar ?—A. I have not.

Q. How would it work there ?—A. I do not believe it would work, for the reason that the relation between the states is not as familiar and friendly as it is between the provinces of Canada.

Q. Would not the conditions with regard to government ownership or control of long-distance lines outlined by Mr. Webb, with which you agree, be exactly the same as with regard to the acquisition of local telephones ?—A. I think not.

Q. You think it would not repress initiative and retard development ?—A. For the reason that I have already stated, I believe that the long-distance construction conditions are about as near perfect as they can ever hope to be.

Q. You do not think improvements would be retarded ?—A. I cannot think of any possible way in which there can be further improvements.

Q. Would not the service be better by a company endeavouring to make dividends than by a government ?—A. The service would necessarily have to be handled through the private companies operating through the different cities because you have to reach them through the local exchanges, and the operation of the lines would be under the immediate supervision of the local exchanges, subject to such government restrictions as might be made.

Q. Then, with regard to connections with local or rural companies, that is a matter which requires a great deal of care, does it not, Mr. Têtu ?—A. Care, so far as physical and electrical conditions are concerned.

Q. I must confess that I started out with the view that there would be no objection to giving connections with rural companies, but isn't it a detriment to the long-distance line to give connection to a rural company of inferior construction ?—A. Of inferior construction, yes.

Q. This would reflect upon the line where the message originates ?—A. Yes, you are judged by the company you keep.

Q. And consequently, if connection were made there would have to be some restriction with regard to having the local system up to the standard ?—A. Yes, it must be brought up to the standard.

By Mr. Maclean :

Q. Do you know anything about government ownership, have you looked into it in Europe ?—A. No, I have not, Mr. Maclean.

Q. Would you be surprised to learn that the cheapest telephone system in the world is a government system ?—A. In Sweden ?

Q. Yes.—A. I have heard that said.

Q. Do you know that in regard to the cognate business of telegraphy that government ownership in Great Britain doubled the number of words in a message, cut the price in two and extended the offices from 3,000 to 10,000 ?—A. Have they made money out of it ?

Q. It has not made anything, it has made a small deficit. Did you know of that ?—A. No, I did not.

By Mr. Boyce :

Q. Do you know the conditions in Sweden ?—A. No.

Q. You know it is generally the cheapest country in the world ?—A. Yes, I know it is regarded as having the greatest telephone development in the world.

Q. Do you know the cost of telephony in Sweden is proportionately lower than the cost of any other matter or thing used by the individual in Sweden ?—A. I do not know that.

By the Chairman :

Q. We are trying to arrive at the cost per station. Mr. Sise stated that in Cleveland one company puts its equipment and capital under this heading at $349 per

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subscriber, one at Pittsburg, $360, one at Kansas City, the Kansas City Home Telephone Company, gives the cost at $380 per subscriber, the Home Telephone Company of Louisville—these are independent companies I am giving.—A. Yes.

Q. The Home Telephone Company of Louisville puts the cost at $301, and the Bell Telephone Company of Canada at $141 per subscriber?—A. Does he go any further and describe the character of construction or the territory over which it is spread?

Q. No, he just gives the cost.—A. You must understand that these figures, so far as they pertain to the independent companies, cover city construction only, which is necessarily more costly than rural construction, by reason of the interference of water and sewer and gas pipes, and the difference between soil and pavements.

Q. His comparison in Louisville, for instance, is $301, as against in a city like Montreal, $141.—A. There is a nigger in the wood-pile somewhere, Mr. Chairman, as to these figures of the Bell. There certainly is not the same relative difference between the cost in Montreal and the cost in Louisville. The physical conditions of both cities being so near alike and somewhat rocky. I cannot understand and will not admit the statement that their expenditure was $141——

Q. As against $301?—A. Yes.

By Mr. Maclean :

Q. What is the name of that local company identified with the Bell with which you were first connected?—A. The Chicago Telephone Company was my first Bell experience.

Q. Do you know anything about the capitalization of that company?—A. No, I was engaged in the operating department only.

By the Chairman :

Q. Is there such a thing as an independent long-distance system in the United States—what I mean by that is a purely long-distance system, not a system, for instance, starting with Ottawa as its foundation or head office and operating outward—but purely a system that would pass through Ottawa?—A. There are several.

Q. Long-distance systems that have no connection further than a physical connection with the independent companies?—A. There are several of them. We will take the United States Telephone Company, headquarters Cleveland, Ohio, which operates entirely through Ohio. There is the New Long-Distance Company in Indiana, operating in that portion of Indiana north of the Baltimore, Ohio and South Western Railway Company's tracks. We have the Independent Long-Distance Telephone and Telegraph Company, which has a territory in southern Indiana and Kentucky and such other territory south as it may care to develop. West of that is the Kinloch Telephone Company, operating in Missouri and through Illinois, and connecting with the Indiana company at Terre Haute and west of the Kinloch is the Kansas City Telephone Company.

Q. A statement has been made that it would be impossible to operate an independent long-distance toll line.—A. Upon what theory?

Q. On the theory that the rural lines are associated together so closely.—A. That would have nothing whatever to do with the operation of the long-distance circuit, so far as it would pertain to a man in Cleveland wanting to talk to a man in Kansas City. It is perfectly possible, mechanically and electrically, and in all other ways, to talk over independent lines from Cleveland to Kansas City or from New York or to San Francisco for that matter, if the lines were there. It has been suggested that because there are so many different interests that the talking conditions are impaired thereby. That is not the fact. It is just as possible to talk from Cleveland to Kansas City over several different companies as if it were over one line owned by one company. The theoretical objection is this, that the man at Cleveland will have his message relayed. Indianapolis may have two or three people waiting to take the same lines. Theoreti-

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cally the net result would be that before you had got through to the other lines the Indianapolis central might put her three people through before you. Mr. Pickernell, I believe, undertakes to say that the appointment of a conference committee was brought about for the purpose of bettering the physical conditions of the line between the two points or among the several companies.. That is perhaps true to a certain extent, but the real reason was to so harmonize the operating conditions as to permit a man at Cleveland to get connections in the same way as a man at Indianapolis.

By Mr. Lewis :

Q. Do these companies which are absolutely long-distance companies pay ?—A. Yes, sir.

Q. What is the proportion between these and the local companies ?—A. As to what ?

Q. As to pay, as to profits. Which pay the best ?—A. I cannot answer definitely as to that. I believe the long-distance company is paying 6 per cent, and I understand the local company is paying about the same.

By Mr. Maclean :

Q. Do you know anything about the Central Energy system ? Suppose it is substituted for the ordinary system, that would entail some cost on the company making the substitution ?—A. Naturally so.

Q. Would it bring about any saving ?—A. It would result in reduced cost of operation.

Q. So that company could not plead that the change would be a justification for the advance in rates ?—A. On the contrary, because of the reduced cost of operation it would be a good argument for the reduction of rates, if such a thing were thought necessary. An operator can do more work on a Central Energy board than on a drop board, and therefore can handle more subscribers. Consequently the number of operators is reduced.

By Mr. Lewis :

Q. Probably the witness can tell us something that we may have omitted to ask. We are here for the purpose of seeing whether we can reduce the cost to the ordinary people.

By Mr. Macfarlane :

Q. You stated that the different independent companies were physically connected with each other ?—A. Yes, sir, some of them.

Q. They always have a mutual arrangement, I understand ?—A. Yes, sir.

Q. I suppose these companies have some system of operating rules ?—A. They have recently adopted a standard set of rules and regulations.

Q. With the object of saving time, I suppose ?—A. Yes, sir.

Q. Saving time is the very essence of the commercial value of this business, I suppose ?—A. More especially as it pertains to the long-distance service.

Q. You stated that the exchange of business should be left to the companies themselves rather than that it should be forced on them by the government. Is there any enforced physical connection in the United States ?—A. No, sir. If there is I do not know of it.

Q. Yes. Before making connection with these companies——.—A. I beg your pardon. Recently a decision was given by the State Court of Kentucky in the case of The Campbellsville Telephone Company vs. the Louisville, Lexington and Lebanon Company, the points of which are these : The Louisville, Lexington and Lebanon Company was originally an independent company, but subsequently it was acquired by the Cumberland Telephone Company. Prior to this acquisition it had a contract with

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the Campbellsville Telephone Company covering an exchange of service and a division of ownership, I believe, of toll lines between the two points. There was no period of time contained in this contract, but when the independent long-distance company wanted to construct a line to Campbellsville in the territorial division of which it was entitled to exchange to Lebanon, the Cumberland Company refused service and the case was taken to the courts, and they decided in favour of the Campbellsville Company. The Cumberland Company, or more properly, the Lebanon Company, in this case, carried it to the Court of Appeals, and they decided that inasmuch as there were no terms specified in the contract it must remain perpetual, or at least until one of these parties had gone out of existence.

Q. So that it was on the interpretation of your contract ?—A. Yes, it was on the interpretation of the contract. I believe they are going further with that appeal. It is still before the court. It was not taken up on the government's behalf, but was simply a suit between the two parties.

Q. On the interpretation of a contract ?—A. Yes, sir.

Q. If two connecting companies were connected physically, I mean if they had an enforced physical connection, would it not be possible for one line to waste the lines of the other company to a considerable extent ?—A. It would be possible for one company to kill the service for the other, or for each of them to kill the other's service.

Q. One line has such control over the line of the other company when it is physically connected as to leave it open——.—A. Hardly in that sequence. What I mean by 'kill' the service is this : If you had connection for a point on my line you might so impair the condition of your line as to throw the burden of the proof upon me.

Q. Would it not be possible to fix the point of delay ?—A. It would be almost impossible to locate the blame.

Q. When you make connections with other companies, I suppose you look into their financial responsibility as well as their physical condition ?—A. Naturally.

Q. Exactly like a merchant selling his goods ?—A. Exactly.

Q. When you stated that the long-distance lines paid better than the local lines, I suppose that statement would bear this qualification, that the operation of long-distance lines depends very much upon the territory which they cover ?—A. Well, we are assuming now that no one will construct through a territory that is not going to be remunerative. Of course long-distance lines cost more in some places than in others for construction, owing to the conditions of the soil, but the cost of operation remains the same.

Q. Yes. As a matter of fact, a company which happens to be a long-distance line connecting two cities a considerable distance apart, is it not very often obliged to build through unremunerative territory ?—A. Yes. Often there are territories which are absolutely devoid of remuneration. But naturally they will take a route through the country which will give them the most feeders.

Q. A telephone system operated by one company is a homogeneous whole, is it not ?—A. It is becoming so in certain territories. I do not know whether it is so in all companies, but it is in the Cumberland.

Q. I think you said in answer to a question by Mr. Boyce that the telephone development was in direct ratio to the density of the population. Is that true ?—A. I say, I stated that the cost of the plant would be based upon the density of the population and the area.

Q. In addition to that, is it not a fact that the telephone development is greater as a rule in thickly settled countries ?—A. That naturally follows, assuming that it has been operated in this particular community for some time. There are rural districts that do not know that there is such a thing as a telephone.

Q. And where the population is dense is it not more remunerative than in a sparsely settled country ?—A. That naturally follows.

Q. On the question of rates, I want to ask a couple of questions there. The rates are based on the local conditions, I presume, are they not ? I mean on the cost of

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construction, the area of the connection and other things of that nature ?—A. Yes, and on the labour.

Q. On the labour, so the rates vary in different territories ?—A. There is not much variation in the independent companies in the United States.

Q. Take cities of the same size, is it not quite reasonable that the rates should be different in cities of the same population but not of the same area ?—A. Looking at it from the standpoint of population only, I should say that it is not unreasonable.

Q. Take a city on a rocky soil, where construction is expensive and take another where the soil is more workable, and if these two cities have a very considerable difference in area, would not the city with the rocky substructure, or the rocky area, naturally call for high cost of construction ?—A. It would call for a higher cost of construction. But looking at it from the standpoint of the extent of the service and from the standpoint of the public interest, there is no moral reason why I in Kansas City should pay more than you do in Louisville.

Q. Looking at it from a reasonable standpoint, and if they have a large investment at a local point and the cost of operation is greater, isn't it reasonable that the rates should be higher ?—A. Assuming that you want to have some return on your money, yes.

Q. That is what all companies are in business for ?—A. Naturally.

Q. We are talking about the cost of a Blake transmitter. Do you buy the Blake transmitter for your company ?—A. No, we would not buy them if we could.

Q. You do not use them ?—A. No.

Q. So that your statement about the cost is heresay, in a measure ?—A. It was given to me by a manufacturer who ought to know.

Q. When you speak of a dollar for a transmitter proper——.—A. I mean $2.

Q. You mean the transmitter proper ?—A. Yes.

Q. That is, the mouthpiece of the instrument ?—A. And what gives the transmitting qualities.

Q. In the instrument as a whole ?—A. I think I said so.

Q. I did not know that was quite clear. I suppose the same difference in rates would apply to farmers' lines as to local conditions, that is, the cost of construction and the other conditions of that kind would apply ?—A. Yes. I would not build farmers' lines and rent them and maintain them for less than $15 a year.

Q. And also the relative density of population ?—A. I said that my estimate as to revenue was based on the possibility of securing ten subscribers to the mile within a radius of twenty-five miles.

By Mr. Maclean :

Q. Speaking about killing the service between two lines, is it your experience—you have seen a great deal of connection between different companies?—A. No, I have not.

Q. Companies that did not compete, but different companies ?—A. Yes.

Q. And there is no reason why the interest should not be mutual, there is a good profit for both companies ?—A. I should think so, but the natural desire of one man to whip another——

Q. You say there may have been an instance of the court insisting on the contracts of a company being carried out. I have here the opinion of the Attorney General of Wisconsin. He shows that telephones are common carriers, and the courts confirm that—they would insist on a company giving physical connection.—A. They might so decide, but I would not undertake to say whether they would give a full and perfect service.

Q. You might insist on physical connection ?—A. Yes.

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By Mr. Macfarlane :

Q. The successful operation of an interchange of business is dependent on a community of interests ?—A. Yes.

Q. Based on friendly relations between the companies ?—A. Yes, entirely so.

By Mr. Maclean :

Q. It can be based on government insistence upon it?—A. As far as connections, yes, but with government insistence you are throwing trouble in the path of these companies.

By Mr. Macfarlane :

Q. In your opinion, the only way in which physical connections can be successful is where there is a community of interest?—A. There must be agreement to secure a successful commercial result.

By Mr. Lewis :

Q. Have you had knowledge of states interfering with the rates, controlling the rates; do you know anything about that ?—A. None within my immediate experience and no knowledge of it except that it has been handed down to me as a matter of history that the government undertook to do it in Indiana some years ago and it worked such disastrous results that it was subsequently repealed.

Q. Why did it work disastrously ?—A. I do not know. It was before I came into the telephone business. It was handed down to me as history.

Q. Would there be any reason where one company competes with another and lowers the rate and both companies pay a dividend, in the adjoining state there is only one company, but it has a high rate. Is there any objection to the state coming in and lowering the rates ?—A. From a personal standpoint I should say no.

Q. From a business standpoint ?—A. From a business standpoint, I should say not, if I was a man who was looking to get into the locality. If I was already in I would object.

Q. Would it not tend to increase the number of telephones if you lowered the rates?—A. Naturally so.

Q. That would be better for the company ?—A. Up to a certain extent it might. The larger the number of telephones the greater the cost of operating, and then you get to a point some day that it will not pay.

Q. The company receives more money ?—A. The greater the income the greater the expenditure, and so the net revenue is correspondingly reduced. That has been proven time and again, not only in independent fields but in the Bell.

Q. Long distance or local companies?—A. Local offices.

By Mr. Maclean :

Q. The bigger the city the tendency is to increase the rate ?—A. Yes.

Q. It is dearer in New York than in Toronto ?—A. Yes. If you had a $4 rate in Toronto you might so increase the number of subscribers as to render it impossible to make money at that rate.

By Mr. Lewis :

Q. Your contention is that it is a benefit to the farmer and to the people in small districts to have telephones. The more they have the better for them ?—A. From every point of view, both from the standpoint of the farmer and the company.

A. And where there is competition the rates are lower and both companies pay. That is your opinion?—A. It depends on the rates. Of course, there may be some points——

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Q. Where there is competition ?—A. Yes.
Q. From your knowledge ?—A. Yes.

By the Chairman :

Q. The object largely of this committee is to see if some practical system cannot be adopted whereby the farming interests can be served efficiently and cheaply. Now one of the marvellous things that has cropped up in this investigation is the enormous difference in the number of telephones used in the United States as compared with Canada. Can you give us any idea as to what is the cause of this ? Are the conditions so much superior over there to what they are here ?—A. I do not know what the conditions are here in Canada with reference to the density of population. In the rural districts the farmers may be so far apart as to make it enormously expensive to operate or for the companies to construct their lines. It may be that the farmers have been discouraged from building their line. But it seems to me that the establishment of exchanges in the smaller towns and the building of lines by the farmers themselves would be the means of developing a rural business.

Q. To what do you attribute the great development of telephones in the United States within the past ten years ?—A. To the advent of the independent telephone. There was seemingly no effort on the part of the Bell Company in the territory with which I am familiar to encourage these farmers' systems. On the contrary, when I was connected with the Bell Company I often went out with authority to turn down business.

By Mr. Maclean :

Q. Would the advent of the independent companies and the willingness of the independent companies to work one with the other account for the development ?—A. Yes, sir. The Bell companies in my territories and in the territories with which I am familiar, are very glad to get the farmers' trade, they are reaching out for it now in all directions.

Q. As a matter of fact, has your experience not been largely in the larger centres ? —A. Yes, sir.

Q. Not in the rural ones ?—A. Not so much as in the larger centres, I have had experience in the rural districts of Illinois and some in Kentucky.

By Mr. Macfarlane :

Q. The development of the farmers' systems in the United States is quite recent, is it not ?—A. Yes, in the last ten years.

Q. Is it not natural that the development should take place in the larger centres first ?—A. In Indiana the development started in the smaller centres and extended to the larger ones later.

Q. As a rule, though, it starts in the large centres first ?—A. That naturally follows. There are, however, more farmers within the immediate radius of smaller towns than in the city of Indianapolis, consequently the development around the smaller towns would be the first to take place.

Q. The farmers' lines are not confined to any one territory ?—A. They are spread out all over the state.

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Mr. J. B. WARE, of Grand Rapids, Mich., called and sworn :

By the Chairman :

Q. I understand you have had considerable experience with the automatic telephone system in Grand Rapids, Michigan, and as it is practically new to us in Canada we are not prepared to question you very much on that system. We would prefer rather if you would give us a general statement in your own way.—A. Yes.

Q. You might start with a statement of your own experience with the telephone companies.—A. It might save time if I gave you a brief history of our company, leading up to the time when we adopted the automatic switchboard eighteen months ago. Would that be satisfactory ?

The CHAIRMAN.—Yes.

By Mr. Maclean :

Q. Give your own experience first.—A. At Grand Rapids in 1895, owing to the poor service and the high rates of the Bell Company, the citizens undertook to provide themselves with a telephone service, although knowing nothing about the business. I was selected as the manager and for five years had charge of the business interests of the company. I had had no previous telephone experience whatever, and this was true in regard to all the other officers, directors and shareholders of the company at that time. The Bell Telephone Company had on their exchange in Grand Rapids at that time 1,471 telephones, and their rates were $48 for business and $36 for residence telephones, being a reduction of $2 on business telephones and $4 on residence telephones, as compared with what the rates had been the year previous, when the franchise was granted to our local company. We had no intention of going beyond our city limits at the time we began construction, our object being to secure a good local service, and at more reasonable rates, if possible. We only capitalized for $100,000. We expected that $75,000 would be sufficient to care for our construction and to put in perhaps 1,500 or 1,600 telephones on a common return system. We began to give telephone service on July 1, 1896. There were then about 1,000 subscribers, and by January 1, 1897, we had 1800 in our service. It was the first independent company in the United States to have over 600 subscribers in service; also to have 2,500 telephones.

By Mr. Maclean :

Q. What are your rates?—A. We began with $30 for business and $20 for residence telephones. We hoped to have 1,600 to 1,800, but we never expected to exceed 2,500 telephones. We had a constant growth from the day w started up to the present time. Each month showed a net gain. We reached eventually 5,000 telephones, which we operated upon our original transfer switchboards, manufactured by the American Electric Telephone Company, Chicago, Ill.

Q. What is the population of the city ?—A. Our present population is 95,000. We had 87,556 in 1900 and 64,000 in 1890, so it was probably about 75,000 at the time we commenced construction. Our growth was far beyond our expectations, and our plant, of course, gradually increased in cost, *i.e.*, the average cost per telephone increased as the plant enlarged, owing to the increased length of the lines and the fact that instead of having an entire aerial or pole construction, we were compelled to put in underground cables. We started with the common return system and gradually changed to a metallic, largely cable, system. Having reached 5,000 telephones on our transfer board—I understand nowhere had there ever been 3,000 on such a board before—we were compelled to put in new boards having larger capacity. Not only the cost of the boards and telephones, but the cost of operation and maintenance, of course, was of vast importance to us. A rigid investigation of approximately ten months

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demonstrated that the automatic would give the best service, and be cheapest to operate, and we adopted and installed it in our city, being that manufactured by the Automatic Electric Company of Chicago, Ill., under the Strowger patents, so-called. We began to give service with the automatic board on January 9, 1904, eighteen months ago, with 5,100 telephones. The change from the old to the new service was affected with exceedingly little inconvenience to the subscribers, and without any interruption to the business community. We have had a growth of over 1,500 telephones during the last eighteen months. We had a net growth of 1,028 telephones for the year ending June 30, 1905. We had on July 1 of this year in service at Grand Rapids 6,632 telephones directly connected with our automatic exchange, besides having, over the toll and long-distance lines, connection with about 70,000 other independent telephones in Michigan.

By Mr. Maclean :

Q. What is the percentage of the business and the residence telephones ?—A. During our early years the business telephones were most numerous. We now have 3,104 business and 3,528 residence telephones in service.

By Mr. Boyce :

Q. How many Bell Telephones were there at the same date in Grand Rapids ?—A. About 2,700 at the same date, as near as we can tell.

Q. How many were there in your own company ?—A. Six thousand six hundred and thirty-two, and there are about 2,700 Bell telephones, taking their directory for the basis. We check each Bell directory numerically, so as to know how many telephones there are on each line and the total number of telephones. They do not announce the actual number of telephones in service; we think that 2,700 is a fair estimate.

By Mr. Lewis :

Q. What are your rates now ?—A. At the present time $24 for residence telephones and $36 for business telephones. As the exchange grew larger our expenses naturally increased somewhat, because the lines were longer, &c. And as the exchange grew larger our average income per telephone decreased. I trust you will remember the words I am using now. The average income per telephone decreased, by reason of the fact that the growth was very much larger among the residence than among the business telephones. Of the first 3,000 telephones that we had, probably 2,000 of them were business and 1,000 residence. But of the next 3,000, perhaps two-thirds of them were residence and one-third business, as a proportion. So that at the present time the residence telephones exceed the business telephones, and the average income is slightly lower. Therefore, with a slightly increased average cost of maintenance, by reason of the long lines requiring more care and greater expense for repairs, and with increased operation expense, at the same time our average income per telephone has decreased. Thus, an expert operator can only make 1,200 or 1,600 contacts a day She can care for more subscribers on a small exchange than on a large one. On half of our Grand Rapids switchboards the average was only fifty subscribers to an operator, and the increased cost of operation was very perceptible. This item alone might not have effected the results materially, but as our exchange grew larger the net profits were reduced by reason of the lesser average income and the greater expense of operation and maintenance. These facts are not readily understood, and that is why I have gone into the details.

By Mr. Lewis :

Q. What can you tell us about the Bell ?—A. Just a moment. We therefore increased our rates (on April 1, 1904) as soon as we found that the automatic service

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was so rapid, accurate, secret, and entirely satisfactory, from $20 to $24 for residence telephones, and from $30 to $36 for business telephones, being the limit under the franchise under which we are operating.

By Mr. Maclean :

Q. It is a franchise granted by the municipality ?—A. Yes, by the municipality. When we began to give service in 1896 and it was found that the exchange could actually give service successfully, the Bell Company, after we had given service three months (in October, 1896), brought in expert solicitors from the outside and with local solicitors of political and social influence, made a very heavy canvass of our city. They reduced the rates upon business 'phones to $24 a year and upon residence telephones they gave a free service, under a contract which called for free service for one quarter. Owing to our severe competition, however, that free residence service was continued for two years.

By Mr. Lewis :

Q. One quarter—that is three months ?—A. Yes, we in Michigan collect our rentals, both Bell and Independents, three months in advance—theoretically, and practically in the great majority of cases. By this free service, continued for two years to residences and the $6 less rate to business places, the Bell Company increased its exchange (formerly 1,471, but which had been reduced down to about 750 by reason of our competition) to about 4,400 telephones. They installed a central energy switchboard, and only by the most careful effort on our part and the having of the most competent men procurable, were we able to secure to our subscribers on our transfer magneto system, a service which was sufficiently satisfactory to the community to enable us to compete with the central energy. We did have a steady gain in telephones, however, which indicates the degree of our success. After securing a large increase in subscribers by reason of its free service, the Bell increased its rates to $12 for residence telephones, doing away with free service. Our residence rate remained at $20 and business rate at $30. We did not change our rates, as we recognized that the main object of the Bell Company in making a free service was to force a reduction of our rates, and thus compel us to retire from the business because we could not give service at less than cost. When the Bell changed from free service to a $12 residence rate they lost a very large number of telephones, and had perhaps 2,500 left when we increased our rates to $24 and $36 on April 1, 1904, as stated.

By Mr. Maclean :

Q. Was that with the automatic ?—A. Yes. We increased our rates, as before stated, three months after the automatic was installed, at which time the Bell increased their rates to $18 for residence telephones and $30 for business telephones, so that their rates for both business and residence service at the present time are $6 less per telephone than our rates. We believe that the tendency is for the Bell telephones to decrease in numbers. They are keeping constantly in the field several solicitors and there are a good many changes being continually made in their list of subscribers. We have had for nearly two years but one man who goes to see parties who desire to have telephones put in. He is our only solicitor, and except one man for a few weeks we have had none other in Grand Rapids during the ten years in which we have been doing business. It may interest you to know that at the time that we increased our rates by $4 for residence and $6 for business 'phones (in April, 1904), out of about 5,400 'phones working at that time we lost 52 subscribers during April, and had a gain of 64. So that we had twelve more telephones in service at the end of April, after increasing our rates, than we had at the beginning of the month. We had a net gain of 113 telephones installed during the three months after we raised the rates. There was not one item in the newspapers criticising us, nor one letter of complaint

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written us, by reason of the change of the rates. The people realized that the rates were reasonable and that the quality of the service was far superior to that of a central energy plant, or any other, and they were willing to pay the new rates. We have found that as a rule the people of our section of the state have had no complaints to make in regard to the Independent rates that have been asked from time to time—because there have been a few places where other changes were made by reason of the growth—because of the good quality of the service furnished and satisfaction given in reasonable rates established.

By Mr. Lewis :

Q. Are there any special reasons why they kept your telephones at $20 and did not take the Bell telephones at nothing, when each company had about the same number of subscribers ?—A. I am glad that you mentioned this, because I want to give you the facts. There are two reasons that will appeal to you as "special." One is that our company was organized, as I stated, for the purpose of securing at reasonable rates good service to ourselves—the business men of the community. When our rates were established at $20 and $30, as stated, we did not know whether they would make a profit or not. Inasmuch as we had no prospective profit, which it would be necessary to have to sell stock to the average investor, to secure funds for the building of our lines, we took small subscriptions for stock from the citizens at large. Thus we had 264 stockholders for the first $75,000 of subscription. We have no bonds issued upon our property. We have sold our own stock, and always at par, to the citizens of Grand Rapids and western Michigan, without paying any commission to brokers or trust companies, and no man has any of our stock who has not paid 100 cents on the dollar in cash for it. This is true of the original officers of the company, as well as the directors and those who have taken stock more recently. We extended our lines from Grand Rapids to the other communities, as necessity required, and undertook to develop territory that was commercially tributory to Grand Rapids, which is the metropolis of western Michigan. By reason of that development, we have now some 65 exchanges, having fifteen or more telephones each, the largest being the Grand Rapids exchange (6,650). Thus we own the exchange at Lansing (1,800), one at Traverse City (1,300), one at Battle Creek((600), and one at Jackson (2,750), and sixteen others having 200 to 800 telephones each. We also own a comprehensive toll line system in western Michigan covering over 10,000 square miles, having about 1,400 miles of poles, 6,000 miles of wire and over 22,000 telephones.

By Mr. Maclean :

Q. Just a moment; will you tell us how your capital increased from the origin of your company up to the present point ?—A. As the exchange at Grand Rapids grew and we were compelled to build toll lines to these smaller municipalities and exchanges therein, we had to increase our capital from time to time. We increased it to $200,000, to $500,000, to $1,000,000, and then to $2,000,000. Our stock issue of the present time is about $1,890,000, which is the actual cash that we received for our property.

By Mr. Lewis :

Q. Who holds it ?—A. It is held very largely in Grand Rapids, between perhaps 1,200 and 1,300 stockholders. We have a total of perhaps 1,550 stockholders.

By Mr. Bergeron :

Q. Is the stock on the market for anybody to buy ?—A. It is sold by the company to anybody who may want it. We have no board of trade in which there is a quotation of the stock or anything of that kind. We have never sent our stock into any other city to be sold.

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Q. Anybody can buy it ?—A. Yes, with one restriction. At the time the Detroit company was sold out (1900), the Bell Company making the purchase, said Bell Company tried to purchase our property. We refused to sell. The Bell undertook to force us to sell out by buying our stock from our stockholders at $115 to $125. At that time we had only $394,000 of stock issued. We called a meeting of our stockholders and presented to them a pooling agreement which provided, among other things, that those entering into the pool relation gave to the trustees, three in number, and to the other members of the pool, an option to purchase, at such price as they could get from anyone else for their stock, in case they desired to sell. That was made a legal option, cash payment being made to each member of the pool for that option. Since that date, in order to prevent the control of the company from getting into the hands of the Bell Company, who might want to force us out of the market, because ours is the chief company in Michigan (having now over 22,000 telephones), we have asked all of those who desired to become stockholders to deposit their stock under the pooling agreement. I think with a single exception they have all been very willing to do this, because the trustees have not power to sell or mortgage the property. They simply vote as the majority of the pool may direct from time to time at the stockholders' meeting. The property cannot be changed or sold without a meeting of the pool stockholders being called, and notice must be served properly stating the object of such meeting. We feel that with 1,500 stockholders we are very much more safe from a sale to the Bell under that pooling agreement than we would be if the company was owned by half a dozen average citizens.

By Mr. Lewis :

Q. Will you tell us how it is to-day ?—A. We were very much surprised at the end of the first year—and my board of directors questioned the accuracy of my figures—to find that we had a profit. During the next three months, my books were all checked up and it was then demonstrated that the figures were absolutely correct. So, in fifteen months after beginning to operate—we only had $100,000 capital at that time—we declared a 20 per cent stock dividend to absorb a major portion of the profits that had gone back into the business, during such period, and then began to pay a 2 per cent quarterly dividend, out of our net earnings.

By Mr. Maclean :

Q. On $120,000 ?—A. On our actual stock issued.

Q. Would that be $120,000 ?—A. Yes. One item of the company's expense is the tax to the state of 3 per cent on our gross income—which goes into the public school fund—being the only telephone tax we have in Michigan. After paying operation and maintenance expenses, repairs, reconstruction, and the state tax mentioned, we have had sufficient net profits to pay, and have paid continually 2 per cent quarterly cash dividends. The dividend which we pay on the 20th day of this month (July) will be our thirty-second dividend. In other words, for eight years we will have paid annually 8 per cent cash dividends. In addition to that we have kept our property in strictly first class condition. Last year, ending June 30, 1904, our income exceeded expenses and taxes by 11½ per cent of our capital, upon which we paid 8 per cent (2 per cent quarterly) dividends, and had 3½ per cent remaining.

Q. Have you any reserve fund ?—A. We have on our books a $55,000 surplus. After the dividends, the balance of the profits have gone back into the property each year, to properly care for depreciation, if there is any beyond our repairs and reconstruction. We want to know that that property is good from year to year, and undertake to be liberal in our repairs.

By Mr. Lewis :

Q. Did you have any bonus from the city?—A. Not a dollar.

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Q. And have as much profit now as you had when your prices were very much less ?—A. We pay the same dividend as we have always paid, and had 3⅓ per cent left last year, as stated.

By Mr. Maclean :

Q. You are paying on $2,000,000 ?—A. We are now paying on $1,890,000—the stock issued at par.

Q. You changed over from one system to another, is that the cause of your increase in capital ?—A. No, sir, we have increased our capital six times to provide for new business. We had authorized the increase to $2,000,000 before we made the change from one system to the other. We had to have a new switchboard because the demand for telephones was beyond our switchboard capacity; the old board had reached its limit, and we had over 500 orders for telephones which could not be cared for until a new board was put in.

By Mr. Lewis :

Q. Where did you get the money ?—A. We have sold from time to time as the business has required, stock at par to our citizens and neighbours, and all the stock outstanding, approximately $1,890,000, represents that much of the cash which has been used in the development of our business in the various parts of western Michigan, including this change of apparatus. As in the other states, there has been a large growth in telephones in Michigan during this past ten years, because of our good service and reasonable rates.

By Mr. Maclean :

Q. You may tell us about the development of the system, when you began expanding outside of Grand Rapids.

By Mr. Lewis :

Q. At the time you paid 20 per cent on your stock, fifteen months after you started, how many stockholders did you have ?—A. About 300. I regret that I have not the exact figures. As showing the growth of our Grand Rapids exchange, I introduce the first page of our February, 1905, directory, which contains a table showing the number of subscribers' names, number of telephones in Grand Rapids, and number reached by our toll and long-distance lines, as shown in each of our issues of directories, which number seventeen in all. The table is as follows:—

This exchange began to give city service July 1, 1896. Its growth and also that of its toll line connections is indicated in the following :—

Directory.	Date Issued.	Subscribers' Names.	Telephone in City Exchange.	State Line Telephone.	Total Telephones.
First	June 1, 1896	1,600	400	None	400
Second	Sept. 1, 1896	1,750	1,460	951	2,411
Third	Jan. 1, 1897	2,000	1,776	1,628	3,404
Fourth	May 10, 1897	2,200	1,919	1,848	3,767
Fifth	Oct. 20, 1897	2,359	2,074	2,028	4,102
Sixth	Apl. 22, 1898	2,650	2,326	4,382	6,708
Seventh	Nov. 1, 1898	2,900	2,488	5,677	8,165
Eighth	May 1, 1899	3,280	2,841	19,043	21,884
Ninth	Nov. 1, 1899	3,500	3,064	20,000	23,064
Tenth	May 8, 1900	3,800	3,306	21,888	25,194
Eleventh	Nov. 1, 1900	3,940	3,428	22,000	25,428
Twelfth	May 6, 1901	4,130	3,559	24,050	27,609
Thirteenth	Jan. 27, 1902	4,570	4,121	24,155	28,276
Fourteenth	Sept. 10, 1902	5,230	4,768	29,450	34,218
Fifteenth	May 9, 1903	5,760	5,194	33,069	38,173
Sixteenth	Dec. 29, 1903	5,940	5,277	39,335	44,602
Seventeenth	July 29, 1904	6,336	5,633	49,658	55,291
Eighteenth	Jan. 24, 1905.	6,971	6,237	59,725	65,972

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On January 1, six months after we started in business, we had 1,776 telephones, according to above report; we grew constantly, so that after the first fifteen months of operation (October 1, 1897) we had 2,050 telephones. We were in debt for about $30,000, at the time we made our stock dividend. We had $26,400 net earnings, as I remember the figures, so that we declared a $20,000 stock dividend and $6,400 was charged to operation and maintenance as a depreciation for the first fifteen months, being about 6 per cent. You will permit me to state this, however, as explaining these very flattering figures, that we were then operating a plant entirely of aerial construction, and the majority of our telephones were in business places, centrally located. Our system was at that time a common return system, and not a metallic or two-wire system. The first wire which I purchased for the company cost $1.90 per hundred pounds, whereas now it would cost over $4 per hundred. The cedar pole territory of Michigan was only from 100 to 150 miles from Grand Rapids. We paid 65 cents for 25 feet 6 in. top cedar poles in Grand Rapids, when to-day they would cost from $1.40 to $1.45.

By Mr. Lewis :

Q. They do not average $1.40 ?—A. Yes, to-day for 25 ft. 6 in. poles. Our 60-foot poles (and we had to have a large number of them), cost $8, delivered at Grand Rapids, at that time, which is less than one-half the cost to-day. I got a few 65-foot poles at $9, and several 70-foot poles, with 7 and 8-inch tops, at $10 apiece, less than half present prices. Thus the cost of construction for labour and material was not so much per telephone during the first few years, as it has been since. It has also somewhat increased, as we have had to build in the outlying districts of our city. So that when you come to figure that we had $26,000 profits on fifteen months business at the $20 and $30 rates, on a capital of $100,000, you must remember that our service ten years ago was given under different conditions and a different and less expensive character of construction, and a service which to-day, after having had the automatic, would not be satisfactory to our people. It was, however, equal to the service which the Bell Company was giving, and I believe a large majority of our patrons found it better than the Bell service.

Mr. Bergeron :

Q. How much did that new switchboard cost you ?—A. The automatic boards for one switch and one telephone, with the central office equipment installed, costs $32.50 in the market to-day, and that is the lowest price at which it can be secured, I understand making the cost approximately $162,500.

Q. That is for how many subscribers ?—A. Thirty-two dollars and fifty cents is for one subscriber's switch and telephone, with the switch in the central office and the central office equipment complete. In an exchange of several thousand telephones it will cost you the same price—$32.50 per telephone.

Q. Cannot you give us the lump sum for the office equipment and the telephone in the subscriber's premises ? Your switchboard cost you how much for so many subscribers ?—A. We established 5,000 switches for 5,000 subscribers' lines.

Q. How much would they cost, 5,000 switches ?—A. Five thousand times $32.50 (for 5,000 switches and telephones), being $162,500.

Q. That is for 5,000 ?—A. Yes, for 5,000 individual subscribers' central office equipment and telephones—single lines. Party lines average less per telephone.

Q. And for 10,000 it would be double ?—A. Just double. These are put in 100 at a time. The switches being mounted 100 on a frame, you can increase your exchange 100 at a time. The increased cost would be the same, $32.50 for each switch, or $3,250 for each 100 subscribers' exchange equipment and telephones. It does not increase like the Central Energy board, where the larger the exchange and the more telephones

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you have, the greater each switchboard connection costs. Thus the cost per line for 10,000 central energy switchboard is double the cost per line for 1,000.

Q. What did you do with the old switchboard and telephones?—A. We varnished the boxes of the telephones and made any repairs that were necessary. When we installed our automatic we took out 5,000 telephones at Grand Rapids and we have already distributed over half of them through our territory. They talk just as well as any other telephone, a majority being American Electric Company telephones, many put in eight years ago. They are the granular carbon transmitter, as are the Bells long-distance telephones. We are building farmers' lines and all our exchanges are growing beyond our original expectations. We have used in our other exchanges about 3,000 of these original 5,000 telephones during the one and a half years that have elapsed since we took them out of Grand Rapids. Our old switchboard had been pretty well used up and while we have used part of it, most of it was of little value. The original cost on the cars at Grand Rapids was only $3.25 a line, so that now after having nearly nine years use of it we can well afford to throw it away.

Q. Now, as a matter of fact, half of these switchboards are thrown away. They are usually destroyed?—A. If we put a new switchboard in an exchange—for instance our Lansing board has about reached its limit, about 1,800, and we have soon to change it—the old board will be taken apart, in 100-line sections and used wherever we can use small switchboards.

By Mr. Maclean:

Q. Does it not go on the junk heap then?—A. We lose perhaps $2 by depreciation. We offer it at about $2 less than the original cost, per drop, same as we do our telephones.

Q. So that you are still a dollar in?—A. No, the original cost was $9.90 for each telephone.

Q. No, the switchboard?—A. Oh, the switchboard. As a matter of fact the Grand Rapids switchboard had very little value itself. I would not say whether it would average a dollar per line or not. We did not consider it of any value. We were taking it out and we considered it junk.

Q. What Mr. Bergeron says is true, then. Practically the switchboard goes on the junk heap?—A. No, that is not true of all switchboards, especially those taken out of small exchanges, being replaced by larger boards. The old ones can be used in exchanges requiring that size of board. Our Grand Rapids board was a good magneto transfer board, built for 3,000 telephones. Mr. Charles L. Boyce, electrician for the Michigan Telephone Company, said it was absolutely impossible under any conditions to so manipulate our old board as to have over 3,500 'phones working on it. We put in jacks—where the connections are made with the plugs on the board—all up along the sides of the board and along the top, and just simply cut that board anywhere and everywhere to temporarily care for our growth, and so actually reached 5,100 'phones instead of 3,500. That board was so badly cut up that we called it junk, but ordinarily that would not be true. That was the result of the congested condition of our Grand Rapids business. But when we take the board out of Lansing it will be in a condition to use elsewhere. We will take it out because it is not large enough to care for the business offered. It is an American Electric Company's magneto 'Express' board.

By Mr. Bergeron:

Q. What is the intrinsic value of a board?—A. The magneto switchboard in a small exchange of 100 to 500 costs in the neighbourhood of $3 to $3.50 installed ready for service.

Q. I want to know the intrinsic value of a board?—A. In speaking of $3.25 or $3.50, I speak of the line or the jack, the connections on the board. A 100-subscriber magneto switchboard would cost about $325. Is that what you mean?

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Q. I will tell you my idea. I am under the impression that the cost of a switchboard is in the making of it, in the construction of it, in the amount of money paid for putting it in position. When the switchboard is in operation it has cost a great deal more for putting it in operation than the intrinsic value of it when you undo that board, that is, if you use it somewhere else. What is the intrinsic value of that board that is changed ?—A. I will try and see if I can give the information you want.

Q. You understand what I mean ?—A. I think so.

Q. We have been told here that when a switchboard is replaced it is actually of no value.—A. Let me occupy just a little of your time in a general talk about that subject. There are magneto, central energy and automatic switchboards used by telephone companies. The magneto board is the one where you turn the crank on the telephone. These boards are used very largely in the small exchanges by both the Bell and independent companies, and used, until within the past two or three years, almost exclusively by the independents, because the patents had not expired upon the central energy board. So that, it is only recently in large cities, as a rule, that you find any central energy board. Now, the magneto board is easier to operate than the central energy board. It is cheaper to install and repair and does not require as good outside construction as does the central energy. The central energy system must have two wires. The battery for the current is located in the central exchange. the current goes out on one wire and comes back on the other, so that there must be a full metallic or two wires for the use of each central energy telephone. The wires must not come in contact with any limbs of trees or anything which would create a 'ground' in telephone parlance, because the current would escape from the wire and make a continuous signal on the switchboard in the main office. The character of the construction of the magneto system is different. It may be common return or metallic. You can often talk over a magneto system even though there is a 'ground,' and carry on a conversation, because the battery is located in the subscribers telephone. The cost of maintaining the central energy telephone, as to battery, is less than the magneto. The cost of construction outside is less with the magneto system than with the central energy. The character of the service secured over a magneto as to its talking qualities is better than the service secured over a central energy, with same construction, by reason of the fact that a little carelessness in putting up the wires through the trees does not so materially affect the quality of the service as with central energy. Now, inasmuch as the independent companies could not use the central energy system, and the automatic was undeveloped, and inasmuch as the movement of the Independents was almost entirely located in the small communities, you can readily see that the magneto board is the kind that is in service in most places. To a limited extent, the magneto can be enlarged, section by section, as necessity arises. That is all right for normal and nominal growth, but a time comes when you must put in a large board and then you put in an automatic without operators, or a central energy system, which is 'multipled'—each operator can reach every subscriber in the exchange. The fact that the operator can reach or ring each subscriber makes it more expensive, and the result is that a multiple exchange equipment of one thousand subscribers would cost $12 per line, or $12,000. A magneto board in the same exchange would cost approximately one-third that amount. Now, then, when a magneto board is taken out and replaced by a central energy, by reason of the growth, these magneto boards are not as a rule thrown away. The board itself is used in some other place. The labour of installing and the labour of taking out is lost on these old boards, and there is a very perceptible amount of depreciation. Whether it is quite half, on a magneto board, I cannot say, but approximately I would say it is, on the average, about one-half upon a magneto board, by reason of the labour lost in installing and removing.

By Mr. Maclean:

Q. You can put them somewhere else. That is your opinion, is it not ?—A. That is my opinion.

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By Mr. Bergeron :

Q. Well, now, supposing there were a $300,000 switchboard which had been put in use ten years ago and was being replaced to-day by a $350,000 switchboard, with something new about it, with some new improvements. When the new switchboard is installed and the old one is unmade, how much is that worth, I mean the old one ?—A. Well there is not a $300,000 switchboard in Canada to-day.

Q. Yes there is, we have seen one.—A. There is not a switchboard in Canada to-day which would cost $300,000 on the market.

Q. That does not make any difference. Suppose I am making that condition. I will change my expression. Say a $100,000 switchboard, which is to be put aside and abandoned for a new one which costs $200,000, and the old one is being taken away, undone, unmade, how much is it worth to the company ? I think that is plain ?—A. Yes. I was not intending to dodge the question. I apologize for appearing to have avoided an answer. I do not want to avoid any question. Any board of that character would be a central energy board. There is no magneto board made, which costs such a large sum of money. The magneto boards, as just explained, are, as a rule, used in smaller exchanges. We have not taken out any central energy board, but I think the board itself could be used elsewhere as far as the board proper is concerned. The charging machines and the distributing frames, and so forth, can be used for the same kind of apparatus wherever it may be put in. So that it is a question of what will be the loss by reason of the labour in installing and the labour in removing. It is very largely a question of that. I do not know what percentage that would be on a central energy board, not having ever taken any out.

By the Chairman :

Q. I think Mr. Bergeron's question was this : What would be the loss on a magneto board which is being replaced now. The original magneto board cost $100,000, the present central energy board to cost $200,000. Of course, we have nothing to do with the cost of the central energy. What we want to know is what will be the loss on the old magneto board that is being taken out and that is to be replaced ?

By Mr. Lewis :

Q. We know the cost of the board in Montreal which the Bell Company is removing, and which they say is useless.—A. Is that a magneto board ?

Q. Yes, I think so.—A. How many 'phones have they in service ?

By Mr. Macfarlane :

Q. About 16,000.—A. On one board ?

Q. No.—A. What is the capacity of that board ?

Q. About 10,000.—A. I never knew of a case of the Bell Telephone Company having more than 5,500 on any board, until quite recently.

By Mr. W. S. Allan (Boston) :

Q. It is about 6,000, a multiple magneto board.—A. I have never seen a large board of that character. My judgment is that ordinarily a switchboard can be used elsewhere in smaller places.

By Mr. Bergeron :

Q. Then we do not quite understand you. You take that instrument. That switchboard would fill up a room just as large as this one, and it appears like a solid mass of machinery. It may be made in sections, yes. I imagined that the board mentioned was made like that, at first, and I understand it had to be destroyed in some way, unless as you say—and this is something new—it can be taken by sections and

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brought somewhere else and used somewhere else ?—A. I want to explain something right there. There are very few magneto boards that are multiple. There is only one such magento board in Michigan, as far as I know, that being for 1,200 lines, I think. A board that is a multiple would have to be used in its entirety up to whatever point it is used. If it is made for 6,000 and only used for 4,000, the remaining 2,000 would be of little or no value, because it is a multiple. The multiple has to go back to build from number one, for each subscriber, and go down the entire board. If they only use two-thirds of its length, use it for 4,000 or less, there would be a very much larger percentage of loss than if it was a transfer board. There is no question about that.

By Mr. Maclean :

Q. There is the loss and depreciation ?—A. I do not doubt that. I will say this for the Bell Company——

By Mr. Bergeron :

Q. I am not talking for the Bell. I am here as a member of the Committee. I am asking for information. We have had some reports from them, and I want to make up my mind as to whether what they say is correct.—A. I will say that if it is a 6,000 multiple magneto board, it is an antiquated board, and in all probability that board will be destroyed and not set up again.

Q. And if they have sworn to that you will believe them ?—A. Yes, I will believe them. I am perfectly willing to say that is so, with a 6,000 magneto multiple board involved.

By Mr. Lewis :

Q. Here is what Mr. Sise said : 'That switchboard represents $200,000 on our books, but because of the growth it is absolutely obsolete to-day, and in the same building you will see a new board being constructed at a cost price of $300,000, and the old board goes to the scrap heap'—A. I would like to suggest that the question of the cost of Bell boards is of peculiar interest, owing to the fact that each licensee Bell company is under perpetual contract to purchase its switchboards of the Western Electric Company, Chicago, a majority of the stock of said company being owned by the Bell Company, Boston. I would like to tell you one or two things about that later.

The Committee adjourned, to meet again at 3 o'clock in the afternoon.

The Committee met again at 3 p.m., and Mr. J. B. WARE continued his evidence, as follows :—

I stated this morning, in answer to Mr. Lewis' question, to explain as to special reasons why the Grand Rapids exchange was popular. Do you wish me to continue along the same line?

By Mr. Bergeron :

Q. Did you finish explaining the answer to the question I had put about whether an old switchboard which was laid aside when the new one with new 'phones and new instruments is to be put up; whether that old board is worth any more than scrap iron, or is it worth anything at all?

By the Chairman :

Q. I think Mr. Ware answered that.—A. As far as a large multiple magneto board is concerned, I think such a board of little or no value. Other magneto boards, however, can as a rule, be used again.

Q. That was a multiple magneto board in Montreal, I think, was it not?

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Mr. BERGERON.—Yes, that is the one I had in mind.

By Mr. Maclean :

Q. You have some of your own multiple magneto boards ?—A. Yes, there is one in Michigan, a multiple magneto, and that is in operation and is giving satisfaction. It is a small board of about 1,200 jacks, or lines.

Q. But in your experience, at least, there is no depreciation afterwards ?—A. Yes, as a rule. However, few magneto boards have worn out, as yet, but are replaced by larger boards as a rule.

By the Chairman :

Q. I understand you have a system of telephones, I do not know whether it is the same company or not, but running out from Grand Rapids; in Michigan.

By Mr. Maclean :

Q. But your company is, I understand, operating a number of exchange toll lines, and a rural system in the State of Michigan. Will you tell the Committee about this system in your own way, how the systems are operated and the rates that are charged and how far the system has been successful when operating with exchange toll lines or farmers' systems, and all about the development of your system. And will you tell us at what stage after the development of the local system you have taken up the extensions ?—A. The question was asked this morning, why the local exchanges should have grown so rapidly and whether there were not some special reasons or conditions for that, and I would like briefly to answer that, and I will only take a few moments.

By the Chairman :

Q. I applied that question to the whole of the United States and not merely to Grand Rapids ?—A. I suppose that so far as our company is concerned the fact that we had a number of stockholders in Grand Rapids, would explain—would be one reason why the system was popular. Another reason was that the service we furnished was superior to the service that had been furnished formerly, which is true of every independent company, as a rule. And still another reason was the fact that being a locally-owned system we developed the territory in every direction from our city, so that at the end of three or four years we had reached 254 post offices within fifty miles of Grand Rapids, while the Bell Telephone Company in the same territory had reached only 129 post offices. Now if the business men in Grand Rapids can get not only the business men within a fifty-mile radius but also can get all the important farmers within a fifty-mile radius, you can readily see why the business men prefer the 'Citizens' '—that is the name of our company—rather than have a Bell telephone, if they did not want to keep both. We have continued the developing of the rural and smaller communities, and that has been the aim of the independent movement throughout the United States, to develop the smaller towns and the rural communities and gradually work into the larger cities among these communities. The Bell Telephone Company has worked on the other plan of developing the larger cities and taking the benefit of the profitable toll line business between such cities, but not developing the smaller towns and the rural communities. There is a radical difference between the two companies as fas as the general policy and plan of development is concerned.

By Mr. Maclean :

Q. And therefore the business men asked to be connected with your system, rather than that you asked them for support ?—A. Yes, and we have had, as I said, no solicitors in the field during the ten years that we have been operating except temporarily the two I spoke of, and but one of these at present.

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By the Chairman :

Q. What is the difference in rates ?—A. We are now giving service in Grand Rapids at rates which are $6 higher than the Bell, as I explained this morning.

Q. Is that in the city ?—A. Yes, sir.

Q. Are the rural charges the same as those in the city ?—A. Oh, no, sir. The rural charges are less, being $12 and $15.

By Mr. Maclean :

Q. Tell us now what was the first system that you developed after you got your local system going ?—A. Before we got our local exchanges in actual operation, on July 1, 1896, I had become convinced that it was necessary for us to have outside connection with the smaller towns. There was an independent exchange at Holland, twenty miles away, and so I personally decided to build a toll line to Holland, and did so, because our board of directors had decided not to build outside the city limits. On July 4, four days after beginning the exchange service, we brought in the first toll line—about twenty-five miles long—and that was the beginning of the development of outside lines and exchanges. We then built a toll line to Cadillac, 100 miles, and in each town through which we passed we placed a toll station. In seven are exchanges, each having over 100 telephones. The Bell had no exchanges in any of the towns except one between Grand Rapids and Cadillac, and they have none to-day except that one. We have developed seven of these towns with small exchanges. Between Grand Rapids and Charlotte, near Lansing, a distance of sixty-five miles by rail, the Bell had but one exchange. That was Hastings, on the Michigan Central Railway. We went into Hastings in connection with our regular building and put in an exchange. To-day we have over five hundred telephones there and the Bell Telephone Company have practically abandoned Hastings and have only five telephones left. As a rule, in all the smaller villages and cities the independents have exchanges, while many of them have Bell toll stations only. Where there is competition in said villages and smaller cities, the Bell, as a rule, have a lesser number than the independents. We found that not only was it a great advantage to the jobbing interests, and the business community generally, at Grand Rapids, to have connection with the outside towns and villages and the rural communities, but the toll lines proved to be somewhat more profitable than our local exchanges. We kept a separate account for each one of our toll line properties, and the profit on these lines ranged from 12 to 22 per cent. The income exceeds the operating expenses and the cost of repairs and maintenance by 12 to 22 per cent of the cost of the property. That is not taking into consideration any depreciation which may occur upon these lines. The toll line profit, as stated, is greater than on the average city or village exchange.

By Mr. Maclean :

Q. What price do you charge on the toll line business ? Tell us in a few words about that. You went out to a town. say fifteen miles distant. Was there a pay station in the post office or something like that?—A. In all towns of any size in western Michigan, we have built up local exchanges. There are few towns of a thousand or more population, in fact 500 or so, that have not local exchanges connecting with the independents. Where there were no exchanges we always established toll line telephones or stations. The toll rates in Michigan are on the basis of about one-half cent per mile. The independents in Ohio and Indiana have adopted the six-tenths of a cent per mile rate as the toll line basis. Thus, for a hundred-mile haul the toll fee would be sixty cents in Ohio, or fifty cents in Michigan.

Q. That would be for a three-minute conversation ?—A. Yes, for a three-minute conversation.

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By the Chairman :

Q. Was that taken as a direct line or as the actual distance across ?—A. Our toll lines as a rule follow the railways, but the rates are made on the basis of air line land distances between points.

Q. Not on the actual distance of the line ?—A. No.

By Mr. Maclean :

Q. I think that is the universal practice in the United States ?—A. It is in the United States. I do not know how it is here.

Q. It is in the United States, on your lines at least ?—A. Yes, the air line basis is used by the independents in New York, Ohio, Indiana, Michigan, and I think in other states also. We established, originally, a five-minute basis for conversation, but we found that on an average conversation, taking a hundred messages, 90 per cent of them would run below three minutes. We afterwards adopted a three-minute basis, and the rates in the states named are now based on a three-minute conversation.

Q. And at about a half a cent per mile ?—A. Yes, and on this, our half a cent per mile basis, we made a profit to the extent that I indicated—12 to 22 per cent.

Q. Well, then, what about the farmers' line ?—A. That is all I have to say about those lines, unless you prefer that I should say more.

Q. What do you charge to local exchanges in the small towns? Say you went to a town with a population of 1,000 and got about twelve or fifteen lines, what would you charge those people, for a local service, I mean ?—A. In a number of cases—I mean in the local cases—the people were desirous of having small exchanges built. I remember distinctly one case at Middleville, where they promised forty telephones if we would build to that town. Our toll line ran through that town and a majority of the subscribers were located along the line. The cost of construction would run not to exceed $35 per telephone. We made a $12 rate, and it produced a very fair return upon our investment.

Q. What did you give for that $12 ?—A. We gave the service among themselves in that town and they paid a toll rate or fee to each of the other exchanges. Wherever we expect that the number of 'phones would exceed one hundred, we establish a $12 and an $18 rate—$12 for residents and $18 for business telephones—and this produces a very fair return upon the investments, after paying operating expenses, as long as the number of 'phones remained normal and did not exceed the number we had expected to put in. But in a great many of these towns, owing to good service and low prices, there was a very large increase in the number of telephones, and instead of having one or two hundred, as we had expected, they have grown to five hundred and six hundred, or even more. This growth compelled us to run our lines a greater distance to get telephones than we expected to goin the first place, thus increasing the average cost per telephone. In such cases the rates originally established were not sufficient to warrant the paying of an eight per cent dividend, and we slightly increased the rates. As the exchanges grew larger the cost of construction and operation increased, for which reason we have had to increase the rates in a few instances, as before stated.

By the Chairman :

Q. Do you find much demand among the farmers for telephones along your line? —A. Around each one of our exchanges there were located a large number of farmers, who desired to reach the railway station, and the business men who were purchasing the farmers' supplies. There was a tremendous demand for our company to build lines into the farmers' districts. We early determined to do that and have done it around each of our exchanges. As a rule, wherever there would be four farmer subscribers to the mile we were willing to build on the basis originally of $12 a year, there being eight telephones on the line as a rule.

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Q. What service would that give ?—A. That would give a service to the local exchanges from one to three hundred, whatever there might be. When the farmers desired to talk to some of the other exchanges there was a toll rate or fee paid of ten, fifteen or twenty-five cents, according to the distance to the other exchange. We have a very large volume of ten and fifteen-cent business. At a ten-cent rate a great many men will do business by telephone rather than by mail. As a result of low rates, good service and good toll line facilities, the exchanges which ordinarily would have been particularly small, have increased. Take the city of Hastings, a city of 3,100 population. The Bell Telephone Company had seventy-six telephones in Hastings. We not only secured one hundred when we commenced, but to-day we have over five hundred telephones in Hastings—the Bell now having but five telephones there.

By Mr. Lewis :

Q. In that one village of 3,100 people ?—A. Yes, in Hastings and among the farmers immediately adjacent.

By the Chairman :

Q. That can almost be called a farmers' system ?—A. No, sir, for in this instance the percentage of farmers' telephones is much less than those within the village. In a few exchanges our rural subscribers outnumber those in the villages.

By Mr. Lewis :

Q. How many of the 500 are in Hastings ?—A. I think that the percentage of farmers' 'phones in Hastings is comparatively small, but just east of Hastings there is a station as to which I can give you more interesting figures, as to farmers' telephones. Take Vermontville. We only secured about thirty 'phones in Vermontville originally. This is a village which had 684 population in 1900. By reason of the desire of the farmers to secure telephone connection, we ran lines about five miles in all directions. We had in Vermontville a year ago 342 telephones connected with that exchange, of which I would think three-quarters were probably farmers' telephones.

By Mr. Maclean :

Q. On party lines ?—A. On party lines, usually eight farmers on one line. There were 347 telephones on January 1 of this year in Vermontville, the town of 684 population.

By the Chairman :

Q. That is enormous ?—A. At Lowell, with a population of 1,736 in 1900, we have an exchange which had on January 1, 362 telephones. The Bell exchange of 156 has been crowded out of the town, and there are now but five telephones left. I presume that fully one-third of the Lowell telephones are farmers'. Middleville had 229 telephones on January 1, with a population of 829 in 1900; and I presume that 150 of these telephones are in farm-houses. I have picked out those exchanges which predominate as to farmers' telephones, as far as I could, and for your information. Now, in our exchanges of two to four hundred telephones, we endeavour to get $12 and $24 rates. If they exceed 400 we want $18 and $24 rates. Those are good average rates in our state for exchanges of 400 to 800, in fact there are few places in Michigan where the business rate exceeds $24, being only in cities having over 25,000 population. Now farm lines, as we construct with 32 25-feet 6-inch top poles to a mile, 10-pin 10-foot cross-arms, No. 12 BB. iron wire, metallic circuit, long-distance telephones, bridged on the line. This enables a farmer on our lines to talk from his residence (through the exchange on to the copper toll circuits) with Grand Rapids, or Cleveland, or any of those towns in Michigan and other states which can be reached over our lines.

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APPENDIX No. 1

By Mr. Lewis :

Q. At Cleveland you say you get your long-distance. You do not run to Cleveland, do you ?—A. The United States Telephone Company covers the State of Ohio in a very comprehensive toll or long-distance system. It also has toll lines running from Toledo up through Jackson and Lansing to Saginaw, and by means of their copper circuit connected with our exchanges at Jackson, Lansing and other points. We get direct connection to Toledo, to Cleveland, and to Ohio points generally.

Q. How far is Cleveland from Grand Rapids ?—A. Toledo is about 175 miles from Grand Rapids. The distance between Cleveland and Toledo is 113 miles further. From Grand Rapids to Cleveland is almost 300 miles altogether. We can talk from Grand Rapids to Cleveland without difficulty, but the number of circuits upon the long-distance toll lines are not adequate to the volume of business which has offered, so that there is a delay in securing service between Grand Rapids and Cleveland. Commercially there are not sufficient facilities to rapidly handle the business that could ordinarily be handled. But the talking quality of the circuits we think is equal in efficiency to that of the best long-distance lines. And you will find in your consideration of the conditions existing between Cleveland and St. Louis and Kansas City exactly the same relative condition. You make a connection at Indianapolis with St. Louis. You can talk with St. Louis with just as much ease over the independent line from Cleveland as you can over the Bell long-distance, but where the independents may as yet have between Cleveland and St. Louis but one or two circuits which can be connected up that way, the Bell may have six or possibly more such circuits. And right here I would like to explain one other matter in connection with Mr. Pickernell's tesaimony on this subject, to which my attention has been called. Mr. Pickernell said that ten years ago or more they had a service with St. Louis and Kansas City. Was that not his statement ?

By the Chairman :

Q. Yes, sir.—A. The first toll line between Chicago and St. Louis was built and placed in operation for the purpose of handling a report of the National Republican convention, held in St. Louis in 1896, which nominated the late William McKinley for President of the United States. Previous to the summer of 1896 there was no long-distance telephone communication between the east and St. Louis or points west. I cannot give you the date when the lines were put through to Kansas City, but it was a very considerable length of time after the summer of 1896 before those lines were in service, and I think after 1900. In other words, ten years ago the Bell long-distance lines west of Indiana were not in as good condition as are the independent long-distance lines to-day throughout the entire country.

Q. That was after twenty-five years' operation of the Bell ?—A. After twenty years' operation of the Bell. Now, one reason for the slow development of the independent long-distance line as compared with the exchange development—because the exchanges have developed, you see, manifold over what the Bell have, considering the time they have been in service—is simply this: the longer our toll lines became, the more we were impressed with the fact that the largest volume of business was to those towns which were located nearest to our city of Grand Rapids. A man will ordinarily talk ten times on a ten or fifteen-cent rate, where he will talk once on a rate of 25 cents or more. As a rule, the average man will talk more than ten times on a 25-cent a message rate, where he will only talk once over a 50-cent rate, or more. Now, we found that the very large majority of our business comes on the short haul. I make the positive statement which I think Bell representatives will admit, that from the average exchange, over 90 per cent of the messages carried over toll lines originate within a hundred miles of the point of delivery. Now, gentlemen, if we can take care of 90 per cent of all the messages that would go over toll lines to or from Grand Rapids in our territory—or let me put it the other way: if we can take care of 90 per

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cent of all the messages in our territory, we are doing very much better are we not than if we early used the same amount of money to develop the long-distance lines to Indianapolis, and Chicago, and Detroit, or other points? If we can handle 90 per cent of our business within a hundred miles of Grand Rapids, you can readily see why it was that we and other independent companies develop local territory first. That is exactly what the other cities have done in the United States. Indianapolis has a new long-distance telephone company, so-called, which has developed commercial territory around Indianapolis in a most wonderful way, and are carrying probably 90 per cent of all the toll business that will be offered in that territory. But there is a limited toll business in Indianapolis territory going to New York, once in a while a message to Boston, or to Minneapolis, but the percentage of the business so going is exceedingly small, so that it would not affect them financially. The only disadvantage, is that it enables the Bell Company to say: 'We can talk to New Orleans, and to Minneapolis, and to New York, while the Indianapolis people can only talk in the state or the adjoining state.' But the great volume of the business is done within a small radius, within a hundred miles, as I have stated. I do not know much about Canada, and I find it is a good deal bigger country than I had any idea of, but I believe that for the city of Ottawa, outside of your governmental business, 90 per cent of messages that come over the toll lines, originates, if you have anything like adequate telephone development, in towns within a radius of 100 miles, the merchant in such territory having a telephone and is doing business with his metropolis. The long-distance business is a profitable business, and is an advantage to the company owning the lines, but it is necessary to put an exceeding small proportion of the telephone subscribers in any community. And I will make this statement in a general way, not knowing the exact facts of the case, but to the best of my experience, that not five per cent of the telephone users in Grand Rapids on the Bell exchange ever talk outside of the state; that not five per cent of the Bell subscribers in Montreal have ever talked over a distance of 150 miles.

By Mr. Lewis:

Q. What is that?—A. I say that not five per cent of the Bell Telephone subscribers in Grand Rapids ever talk outside of the state, and Grand Rapids is only 100 miles from the state line. In other words, gentlemen, the long-distance business is done by a comparatively few in each community. That explains why it is the independent companies, local in character, have so successfully built up their local exchanges and the toll line interests are taken care of in the immediate neighbourhood rather than over long-distance lines to distant cities.

By Mr. Maclean:

Q. There is no reason why they eventually should not give a long-distance service.—A. Our poles are up and there are independent telephone companies all over Michigan, Ohio and Indiana, who have their lines connected up. It is simply a question of expending enough money to buy No. 8 copper circuits, and to string them over these pole lines now up and give a long-distance service. And the reason we do not do it is because our exchanges are growing so rapidly. In Grand Rapids the growth is at the rate of 100 telephones per month, according to the figures I gave you this morning. This is taking the money that otherwise would go into a long-distance business. We are trying to reach the condition where the local business man is properly taken care of first, and then we will be able to look after the 5 per cent or 10 per cent which is left.

Q. If you had long-distance lines and have a greater number of local 'phones, you think there would be a much better long-distance service because you would have more people?—A. There is no question about it—it would be as suggested.

Q. So the independent companies will eventually have the best long-distance service?—A. Yes, I think within two years, or three at most. Ten years ago in the State

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of Michigan there were 15,000 Bell telephones, and that is all there were. To-day the Independents in the state of Michigan have 75,000 telephones, and the Bell Telephone Company has about 70,000. The Bell had 66,342 telephones on the 1st day of January this year, according to the report filed with the state. There are over 145,000 telephones in the State of Michigan to-day, whereas ten years ago there were but 15,000. There has been a development of 1,000 per cent, is it not ? Tenfold.

By the Chairman :

Q. Have the rates fallen in or have they increased ?—A. They have decreased very materially. The lowest business Bell rate in the State of Michigan ten years ago, no matter whether it was in an exchange of ten 'phones or a thousand, outside the city of Detroit, was $50 for business telephones within half a mile of the exchange and $40 for residences. With the incoming of the independents those rates have been gradually lowered and lowered, as competition has forced it, until to-day the Bell rates in Michigan are as low as $6 for residences in some towns where the independents are successful, for the Bell is anxious to retain a footing. In other towns their residence rates are $10 or $12, and the conditions were very appalling to the Bell, resulting eventually in the defaulting of its bond interest, and the going into the hands of a receiver. I refer to the Michigan Telephone Company (Bell). Its property was sold under foreclosure in 1903. It wasc then reorganized in 1904 into what is known as the Michigan State Telephone Company. At the time of the failure and foreclosure a large majority of the stock of the Michigan Bell Company in question was owned by Bell interests in Boston, the exact amount being $3,687,300, out of an entire stock issue of $5,000,000. In other words, at the time of the foreclosure and financial failure of the Michigan Telephone Company, the Bell interests in Boston owned more than two-thirds of the stock of the said Michigan Bell Company. As far as we can see, the Bell Company does not hold stock in the reorganized corporation, although two-thirds of the stock is held by an individual in Chicago whom we suspect holds it in the Bell's interest. But whether this is so or not, we do not positively know. The reorganized company is, however, a licensee of the Bell, the American Telegraph and Telephone Company.

By Mr. Lewis :

Q. You say that 90 per cent of the messages come from people within the state ? —A. Yes, I think that 90 per cent come within the 100 miles, on general principles.

Q. Or 95 per cent?—A. Ninety-five per cent comes from people within the state.

Q. Can you make any comparison of the 95 per cent divided between people who have farmers' 'phones and use the long-distance, and the business people in the towns ?—A. The volume of toll business from the farmers is small as to percentage.

Q. In connection with ?—A. In connection with long-distance or toll calls.

Q. There would be more long-distance calls from the towns and villages ?—A. Oh, yes. You see that would be naturally so.

Q. The total left is only five per cent. Of course you have the experience. Now, the last witness stated that the long-distance traffic alone does better than the local alone. What is your experience in the matter ?—A. He said the toll or long-distance line pays better than an exchange or local line. This is correct.

Q. What do you understand by the words 'trunk line,' or 'long-distance' ? What do you understand by that expression ?—A. By long-distance ? The words 'long-distance' and 'toll line,' are synonymous, as the independents use them. We speak of the local subscribers' lines as exchange lines, while the Bell call them the subscribers' circuits or subscribers' stations. The lines between towns, for which a fee is charged for each message are called toll lines, or long-distance toll lines. Now the profit upon the toll lines, the long-distance lines, is greater for the actual cash invested than the profit upon the exchange for the cash invested. I do not think there is any question about that.

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Q. Why don't you use your money in the long-distance line in preference to the exchanges ?—A. As I explained a few moments ago, comparatively few of the subscribers in an exchange were toll line users for distances over 100 miles. We care for the most important part of the business first. There is no question but what if we would use our money for toll line purposes and stop developing our exchanges that we would get a larger return upon our investment. But we started out to develop the territory immediately tributary to Grand Rapids, and other centres, just as nearly all independent companies have done, and are developing local territory. When there are fifty telephones wanted in town the local manager is being importuned every day to put in those telephones. They are profitable, and we recognize that the larger the exchange, and the better toll facilities we have the better it is for us and our patrons. We are taking care of our 90 per cent of business rather than undertaking to spend the money that we need for local exchanges in building long-distance or toll lines for the handling of the remaining 10 per cent of the business, even though it is very often more profitable, than our exchange investments.

Q. In other words, the business men of Grand Rapids are investing their money in these local telephones, connecting them with surrounding towns and villages and in that way getting more business and making more money ?—A. Yes, sir.

Q. Is that what you mean ?—A. Yes, sir, and they are the owners of the independent companies. The development of a territory—the farmers having telephones, and the villages having telephones—does make more business for the business men. They do not require as many travelling men to represent a concern as would be otherwise necessary. There is in many cases a certain volume of business obtained by telephoning to many towns equal to that which would be secured by having men on the road.

Q. Has it materially affected the increase of population otherwise than in Grand Rapids ?—A. In 1890, Grand Rapids had 64,000 population, and in 1900 it had 87,000 population. In our state census, taken last summer, we had 96,000 population. I cannot say that the growth is to be attributed to the development of the telephone business; I do say, however, that the people of Grand Rapids and all the other cities and towns in Michigan, and in Ohio, and in Indiana, are brought closer together by reason of the telephonic development.

By Mr. Maclean :

Q. Is this not a fact, Mr. Ware, that a good local system of telephones makes the whole surrounding country tributary to the centre ?—A. That is so true that you cannot fully realize its truth and force unless you talked with some of these farmers that have telephones. Now, I would like to tell you briefly a little experience we had twelve miles north of Holland. Holland is on Lake Michigan. There was a gentleman named Fellows, a farmer, who had no railroad facilities and who was very anxious to get a telephone. He promised that if we would put a line up to his house that he would get enough orders from the farmers in that immediate neighbourhood to build up an exchange of twenty telephones. We were not expecting to go up in that section of territory, but he importuned us so frequently, that following the scriptural injunction, we granted his request and put in a small switchboard, which we denominated as 'Fellows' station.' To-day there are fifty-four telephones in that little exchange, twelve miles from Holland, being an advantage to our company, a great convenience to our subscribers and an untold blessing and benefit to the farmers themselves, who get service at $12 a piece, eight on a line, and pay a toll fee to the Holland exchange. We pay a commission on the receipts to Mr. Fellows for handling the exchange calls, &c. They get the election returns if it is desired, or they can telephone and find out if the wind-mill has arrived at the freight sheds, or anything of that kind. They say that that telephone outlay has been worth more to them than anything that ever happened in that section of the country. They are twelve miles out in the country being beyond the convenience of civilization, if it were not for

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that little exchange. The telephone is more valuable to them than the rural free delivery, which is extended to the farmers in a large part of the state and nation.

By the Chairman :

Q. You find that opinion is general ?—A. Without exception.

By Mr. Maclean :

Q. And my point was that a telephone line running out from a town, say the county town or the centre of the county—there is no doubt a good telephone system makes all the district tributary to that centre in a business way.—A. It certainly does. I will show you proof of that so completely that there is no question. At Lowell, the Bell had 156 telephones, none of them farmers'. In order to keep us out of the town they made a residence rate of $6. We could not make a residence rate of less than $10. They made a business rate of $12. We could not make it less than $18 and have an income sufficient to pay operating expenses and a fair profit. How could we build to Lowell or other towns if we could not pay dividends? We have to earn dividends in each one of our exchanges. Lowell was quite necessary to our Grand Rapids exchange from the fact that it lies twenty miles to the east and is the centre of a thrifty farming community. There is a little manufacturing there, but not much. There was another reason why it was pretty important for us to succeed. The Bell said we could not, because they had given Lowell a full development and that no power on earth could make the Citizens' succeed in Lowell.

By Mr. Lewis ·

Q. What is its population ?—A. It had 1,736 in 1900. We went to Lowell, I personally canvassed the business men of the town and secured thirty-four contracts for telephone services—the Bell had 156 telephones. That was a very poor beginning, but We persuaded our directors that inasmuch as we had succeeded elsewhere that they should permit us to at least try to succeed at Lowell, and while they were skeptical they permitted the effort to be made. We put up poles, cross-arms, &c., to accommodate about 300 telephones ultimately in the town. It was an interesting situation. When the men got the poles and wires up for these thirty-four subscribers instead of stopping there, we built a line southeast six miles into the country, and brought in perhaps twenty farmers. And I noticed that one groceryman who would not at first have our telephone under any circumstances, and did not want us to build into the town, was one of the very first to put in a Citizens' telephone after that farmers' line got in, because not only were there good customers out there, but he also had a relative there. We built southwest and northward about the same distance, and brought these different farmers living in a six-mile radius of the town into telephone connection with their friends and the business men. The result is, the Bell had about half a dozen telephones on January 1, and we had 362 telephones.

By Mr. Lewis :

Q. You ought to be called the Bell instead of the Citizens. You are turning it around.—A. Thank you. The company that gives the best telephone service at reasonable rates will secure the business. The service of the independent companies to-day is far superior to anything which the Bell gave previously to ten years ago, and as a rule, is to-day equal to the Bell almost throughout the country. The service which we are giving with the automatic system, is just as far ahead of the Bell central energy service, as the central energy is ahead of the old common return system. The Bell does not have an automatic system. Their exhibit of so-called automatic at St. Louis, was not only limited to 100 lines, but was so slow and cumbersome as to be impracticable. The Bell has no automatic exchange in service with the possible exception of one, with less than 100 lines, where they are experimenting, and Mr. Pickernell can well testify that his company has found the automatic unsatisfactory.

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The independents have a great advantage over the Bell in having a perfectly successful automatic.

By the Chairman :

Q. In speaking this morning of the automatic system, I hardly understood you. You said it took one operator to operate fifty telephones ?—A. No——

Q. I understood so.—A. I went back to the manual service and was explaining the three different kinds of switchboards, and said that as the exchanges grew larger a girl who could handle 100 subscribers would be compelled to handle less. Many girls handled under our old system at Grand Rapids, an average of fifty telephones each. As the exchange grew larger the number of messages were greater from each 'phone. We do not have operators for the local or city exchange in connection with the automatic. Each subscriber makes his own connection more rapidly than can an operator on a manual system.

By Mr. Lewis :

Q. Why do you get more calls from each telephone as the exchange grows larger? —A. Supposing in this town, you had two telephones, connected from your house to your office. You would use these telephones possibly two or three times a day, and that is about all. But if you had one running to your partner's residence, you would use your telephones oftener. As the number of telephones increase around the town you call from your residence or office to more people, so that with 100 'phones in town there will be many more messages by telephone than with only five 'phones.

Q. More places to connect with ?—A. Yes. The Bell gives that as the reason, as the exchange grows larger, that the expense increases. That is not the main reason, because the expense does not increase in proportion to the number of messages. The necessity for increasing the rate is because the average income grows less with increased residences, as I explained this morning, while construction and operation cost increases per telephone.

By Mr. Maclean :

Q. Have you many of these automatic systems ?—A. There are only three in Michigan. The Grand Rapids exchange has 6,600, the exchange at Battle Creek, recently installed, has 600, and Pentwater, a small exchange of about 80 'phones.

Q. Will you gradually come to the automatic for the local systems ?—A. I think that will be the result. My judgment is that time will demonstrate that, especially in the larger exchanges—those over 600 telephones, and certainly in large cities.

By the Chairman :

Q. Do they operate as well on the long-distance?—Yes, in every way this dial (show a dial, an automatic telephone dial) rests on the face of the telephone just below the bells. For a long-distance call it is marked 'long-distance' here (indicating). They pull the dial down as far as those words, to the last hole, remove the finger and the dial rapidly reverts to its normal position. It takes, not to exceed two seconds, to ring the long-distance office. You tell the operator on the toll board what you want, and she notifies you exactly as in a manual exchange, when she secures your toll connection. When you want a subscriber—here are the ten digits (indicating on dial). You call whatever combination of figures—any number you want, and have your conversation promptly. It is a matter of three seconds' time to ring the person with whom you want to speak. Where there is a desk telephone, and if answered promptly, which is more liable to be the rule with automatic subscribers, you can be talking within five seconds of the time that you commenced to operate the dial. Six seconds is of common occurrence. There are no subscribers in Grand Rapids that object to turning the dial or operating our telephones. You can turn it much quicker than an operator will answer your telephone, as a rule, and when you do get an answer it is not from the

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APPENDIX No. 1

operator, but from the subscriber himself. If the party wanted is busy, the 'buzz' on the line indicates that fact the instant the receiver is placed to the ear, thus saving the provoking delay common to a manual board, in waiting to find if the party is busy. The telephones are connected automatically and nobody can interrupt you. There is no shock to the ear, or noise from defective cords. There is no interruption from the time that you take the receiver off the hook and turn your dial. You control your line, nobody can get in on it, and when you commence talking it is a clear conversation, without interruption, a secret conversation, and when you are through and hang up your receiver, or pull the hook down, it is automatically disconnected instantly, thus saving the time and annoyance of the necessarily slow disconnection on any manual system.

By Mr. Lewis :

Q. How many have you ?—A. Six thousand six hundred and thirty-two in Grand Rapids.

Q. In operation ?—A. Yes, sir.

Q. All your 'phones are these ?—A. In Grand Rapids and Battle Creek, yes. We have 22,000 'phones in the state, nearly 12,000 being the old style, magneto telephones, and 3,000 central energy.

By Mr. Boyce :

Q. Are there any in operation in any other state that you know of ?—A. Oh, yes, at Lincoln, Neb., there are nearly 4,000 in operation; in Chicago, Illinois, there are some 8,500; Dayton, O., about 4,000; Fall River, Mass., 1,400; Auburn, N.Y., 1,600; and quite a number of smaller exchanges.

Q. How long have yours been in operation ?—A. Eighteen months on the 9th July. Another reason why it is popular, not only does it save time and annoyance, but there are certain troubles occurring in a telephone exchange which with an automatic system are indicated mechanically.

Q. You can locate the trouble ?—A. We can locate certain troubles mechanically. Thus, if a fuse burns out, or a wire breaks, it is signalled immediately and we fix it before the subscriber knows about it. The result is that many subscribers say, 'since the automatic has been established we never have any trouble.' While we do have troubles, as a matter of fact the percentage of trouble is slightly less, per telephone, on the automatic than we had on the other system. The time it takes to repair them is very much less, and we are very much pleased indeed with the automatic, not only from the standpoint of economy in operation, but from the unequalled service furnished our patrons.

By the Chairman :

Q. Do you have any trouble with the railway and express companies—transportation companies, at all ?—A. We found when we first started that what we call the 'trunk line' companies—the Michigan Central, Grand Trunk and the Lake Shore, and later the Père Marquette railroads—had exclusive contracts with the Michigan Bell Company, by the terms of which it was claimed to be impossible to permit our telephones to be located on railway property. The business men of the city had, many of them, thrown out the Bell Company's telephones, and they were very much in need of the railways, and the railroads soon found they could not afford to be without telephone service with said business interests. The mutual interest was so great and possibly the large number of stockholders in our Grand Rapids Company had an influence, anyway the railway companies did put our telephones in, and we are being paid for our telephones by all the railway companies in Grand Rapids.

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By Mr. Maclean :

Q. Did the Bell Company collect any damages from these companies for throwing them out ?—A. No, at least I have never heard of it, and I do not believe there was any. The contract, I think, is restriction of trade; you can't do that legally in the states, as I understand it.

Q. Do you mean that would be restriction of trade ?—A. Yes, I am confident it is. I am not an attorney, that is probably why I give so prompt an opinion ! The express companies, soon after we were established, and growing, and were assured of success, said to us they were getting free 'phones from the Bell. So each of the four companies notified us that on a certain 1st day of June unless we would furnish free service to each, beginning the 1st day of July, that we would have to remove our telephones from their offices. I promptly wrote them that we regretted exceedingly the loss of the telephones, that we could not maintain ourselves by free services, and while we felt that the express companies could well afford to pay for telephone service, the same as did other business interests, that we would remove the telephones as requested on July 1, unless we heard to the contrary. That is about all that was done about it at the time. As the 1st of July approached, the agents became somewhat anxious over the situation (word had been passed around from our directors, who were all business men in Grand Rapids) and they wrote, stating that until some one of their absent officials in the east had returned they would leave the telephones on the wall.

Q. Was this a joint letter ?—A. Each company sent a letter, prepared in the office of the American Express Company, and a copy of which was sent by each of the other agents and signed by them. So the telephones were allowed to remain after July 1, and we thought we were out of the trouble. Very early in September we received another notice from each express company, worded exactly as was the first. That I referred to our board of directors, and they authorized a reply to be be made in about the same language as was the one sent originally. And soon after that our business men began notifying the drivers of the express wagons that after October 1 they need not call at their establishments, so that by the time that October 1 arrived there was a good deal of trouble in our community over the express situation. On the morning of October 1 we removed the telephone from the American Express Company's office promptly at seven o'clock. The others were allowed to remain in until later. About eight o'clock the companies refused to accept telephone calls over our lines and disconnected the telephones. We rented desk room in an office nicely situated near the four express companies and placed two of our best operators therein, giving them each a telephone circuit, and had all calls that came from the express companies switched to these two telephones. We instructed the operators to notify the party who wanted the express companies that the said companies had taken our telephones out and refused to pay for them; that we would take the message down and deliver it to the express company and get a receipt for it, so that the wagon could be sent up. These messages were hastily written out by the operators, who were very tactful and pleasant to the subscribers. They were given two messenger boys, who promptly delivered the orders to the proper office—the express agent in each case putting his 'O.K.' and the hour of the delivery and his initials on the order. The first day it went along fairly well. There was no great excitement. On the second day we had trouble. A large furniture company, among others, notified me that something would have to be done; that the wagon had not called for the express to go on the five o'clock train, as they had ordered through our operators, and the company claimed it had not gotten the notice. I told them that we had taken the precaution to get a receipt on each notice delivered, and I would send them the receipt, showing that the agent had received the notice. I sent the receipt. It was but a few hours afterward before the express companies were communicating with their general manager, and a day or two later, when a business meeting had been called by the merchants, to dis-

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cuss the situation, the general manager of the United States Express Company came into the city and sent an attorney to the meeting, who stated that he was very sorry that there had been any misunderstanding about the matter, and he saw no reason why the express company should not use the Citizens' telephone and pay for it just the same as the business men did. That if we would call around next morning he would sign our contract for a telephone and communicate with the other companies, and he had no doubt they would also take the service, although he was not authorized to represent them. I knew how close the affiliation was between the companies and knew there would not be any question about getting them to consent to the arrangement promptly. From that day to this the express companies have paid for our telephone at the same rates as other people, and seem to be pleased with our service. They are receiving the Bell telephones free, so I understand.

Q. There is nothing so conducive to their business as the use of the telephone between them and their clients ?—A. They cannot do without telephones. The adjustment of the differences in Grand Rapids prevented similar occurrences in other parts of our territory.

Q. Have they any exclusive contract with the Bell people to your knowledge ?—A. Not to my knowledge.

Q. To exclude you ?—A. Not to my knowledge. We supposed it was a deal on the part of the Bell to force us to give free service. Similar action was taken by the express companies in other states, I am told, by telephone officials of companies operating outside of Michigan. We realized that if we could not maintain a $12 and $20 rate we could not maintain any other rate. Just the moment we commenced to lower our rates, just at that moment we would start on the toboggan slide. We never weakened, and when the time came to increase our rates we increased, without reference to what rates the Bell had or might establish.

By Mr. Maclean :

Q. Why did the Bell Telephone Company object to the connection with the independent companies ?—A. To answer that properly, I would like to go very briefly into an explanation. According to Mr. Pickernell's testimony, I think he states that the parent Bell Company is still in existence, although it is owned by the American Telephone and Telegraph Company, which now is the only parent Bell Company, and has control of the various licensee companies. According to the original contracts which are perpetual contracts, the licensees and the sub-licensees of the American Bell Telephone Company in the United States, must use only Bell apparatus and must pay a royalty, based upon every instrument, that is, each transmitter and receiver. Thus their report as to instruments is double the number of telephones in operation, because it takes one transmitter and one receiver for a complete telephone. If the total number of instruments reported be divided by two, the result will indicate the number of telephones which have been manufactured and outstanding, although they do not show the number of exchange subscribers. According to this perpetual contract in the United States, a royalty has to be paid on each Bell Telephone. Originally the royalty for the Michigan Bell Company, as I understand it, and I think that is unquestioned, was $14 per telephone per year, at the time of the making of the contract. I understand that the Wisconsin Company was asked $20 per year. What the amount was, finally, when written up, I do not know. Every licensee Bell company in the states, per its Bell contract, must pay a royalty upon each instrument, that is as far as the transmitter and receiver are concerned. At the present time the royalty is four and a-half per cent on the gross income.

By Mr. Boyce :

Q. Those are facts out of your own personal knowledge ?—A. Yes, sir, they are as far as facts can be secured from the officers of the Bell Company, and I feel confident there is no Bell official who will deny what I state.

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Q. That is what you have been informed by the president of the American Bell Company, Mr. Fish ?—A. I do not make these contracts, but it is from actual knowledge, as far as we can get it, without actually performing the operation. For the first five years of the Citizens' Company—the largest and oldest independent company in Michigan—it fell to my lot to publish considerable telephone data, because of my relations with the company. I tried to be exceptionally careful during the past ten years in my statements. As far as I know, no man, either Bell or independent, has disputed any figures or facts that I have given, and I think I will be able to substantiate each.

By Mr. Lewis :

Q. Have not those royalties lapsed ?—A. The patents have lapsed, but the contracts are perpetual. Now the royalties have gradually been reduced as conditions made it necessary to reduce them, in order to enable the Bell licensees to maintain their business under competition; so that the royalties paid to-day under the old contract are not at the figures prescribed in the contracts, but they have been voluntarily reduced by the Bell Telephone Company of Boston, now the American Telephone and Telegraph Company, from time to time. I think within the past two years the basis of the royalty has been changed so that the amount which they collect from the licensee companies is four and a-half per cent upon the gross income. In that statement I am speaking of the licensee companies in the United States, and do not think this statement as to the amount of the royalty will be disputed by any Bell official. This is in the United States. I do not know what it is in Canada.

Q. Have you any knowledge as to the patents or as to the contracts of the Bell Telephone Company in Canada ?—A. All I know is this: In Canada your patents, as I understand, expire in fourteen years. In the United States they expire in seventeen years, and I believe every fundamental Bell telephone patent has expired in Canada, including the Berliner over which was the hardest suit the independents had to fight. We carried to the highest United States court, the Berliner patent litigation, at an expense of about $30,000 to the independent companies, and won the suit, thus settling the patent question.

Q. That is the Citizens' Company ?—A. No, the independent telephone companies of the United States. I was the secretary of the national organization during the year that the final payments were made in connection with the patent litigation named. The expense of suits was paid by funds contributed, and the suit was won in one court after another until the suit was finally settled. To-day one does not hear anything about the patents preventing any telephone development from going ahead. When we started, patents were held over our heads all the time. They were going to drive us out of existence by the patents. To-day as good instruments and apparatus as are made, can be bought in the open market, and entirely free from patents of annoying nature.

By Mr. Maclean:

Q. Why have they refused business ?—A. Every licensee company in the United States must use the Bell transmitter and receiver, and pay a royalty which at the present time is nearly five per cent, as I have told you. You can readily see how it is that equally good apparatus operates in equally satisfactory manner electrically. They will not connect it to the Bell lines because the independents pay no royalty and never will pay royalty. There is the secret of it. The question was asked this morning of Mr. Têtu if he could name any place in the United States where the Bell Company were connected with independent apparatus. Unfortunately he could not name any. I can name places in Michigan from my personal knowledge where independent apparatus is receiving connection with the Bell Company, but under the sub-companies' contracts. It is not reported to the American Telephone and Telegraph officials. They do not want to know about these matters, as I firmly believe. As far as any electrical

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reason is concerned, there is no objection to connecting with the major portion of the independent lines or apparatus. Very soon after the Detroit was sold out five years ago to the Michigan Bell Telephone Company, an arrangement was made by the Michigan Bell Company with the Tecumseh Telephone Company, which had about 300 telephones, and was using independent apparatus, to connect with the Bell toll lines, &c. From that day to this the Bell lines have connected with the Tecumseh exchange, and the service has been continued between the Tecumseh Company, using independent apparatus and telephones and the Bell toll lines. The reason for this arrangement is that all the larger of the independent companies in the state are gradually connecting together. The Bell Company aim to prevent this result and to break down the independent movement, by breaking their connections in various sections in the state.

Q. The Boston company cannot claim any royalty on that ?—A. They cannot claim a royalty on what they do not furnish. The Boston company will not make an arrangement with a company that will not enter into a contract to use Bell apparatus, but when they are crowded to the wall locally and have to get out of the difficulty, a licensee company will arrange for a connection to be made temporarily, or on a short term contract for three, five or ten years, with independent companies. They do make these connections and the service is just as good from independent apparatus as if they were using the Bell apparatus. That is one point I am trying to make clear to you, gentlemen. At Caro, Michigan, there are two counties covered by a former independent company, and its independent apparatus has for five years connected with Bell lines. The Caro company had 500 telephones. It made a ten-year contract with the Michigan Company at about the same time as the Tecumseh Company did, and had permission to increase the number of its 'phones up to 800, but above that it had to use Bell apparatus and pay a royalty on it, the same as sub-licensee companies.

Q. We have had something like that here ?—A. At Schoolcraft, Michigan, a town of 859 population and about 100 telephones, with independent apparatus, to-day is connected with the Bell toll line and will continue to be connected until its contract with the Michigan Bell expires. At Three Rivers, Michigan, identically the same conditions exist. At Cheboygan, Michigan, the same conditions exist. When the Bell bought out Grand Ledge at the time they did Detroit, on the new state system, they took their lines immediately over to the Grand Ledge exchange without changing the transmitter or receiver, and gave just as good service over those lines as they are giving to-day with Bell transmitter and receiver. Bemton Harbour has within the past year, with 1,200 telephones or thereabouts, entered into a contract with the Bell Company for toll line connection, and they are getting service to-day and are using telephones and switchboards manufactured by the American Electric Company of Chicago, and get exactly as good service as though using Bell instruments.

Q. The Boston men get no royalties ?—A. No, except for any new telephones put in. They are under contract to use Bell telephones for new business. All I undertake to show is that the independent apparatus is all right, electrically. It will talk just as well and the physical connection can be made just as readily from one exchange as from the other—the Bell. It is a question of royalty, not of physical connection at all. If you will read Mr. Pickernell's testimony, you will notice when he refers to physical connections, he goes off on some theory, but he has not squarely answered your question as to whether physical connection could be made, as far as I have read the testimony.

By the Chairman :

Q. I think so, I think he answered that very clearly. He stated that they were cultivating independent business.—A. I would like to talk to you about it a little later. The Kibbie Telephone Company covers an area of perhaps sixty miles north and south in the western part of Michigan, with 1,000 telephones. It is not good construction,

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and yet their farmer exchanges are connected directly with the Bell toll line and they are used for toll purposes. The Lake Odessa Company was recently purchased by the Bell at a price greater than we could afford to pay for it. We are building a new exchange there with a much better construction than if we purchased the old construction. Chelsea is made up almost entirely with farmers' telephones, of poor construction, and yet the Bell toll lines connect with Chelsea. This list can be increased if you desire. I am satisfied I can get a larger list in Ohio and Indiana and in some other western states, if you desire evidence that the Bell Company connects with independent telephones.

By Mr. Maclean :

Q. You limit your extension ?—A. We limit our extension.

Q. Your future development ?—A. Yes, to present territory occupied, probably.

By Mr. Lewis :

Q. You have been speaking with reference to farmers' lines, built by yourself or your company. Have you connected with any farmers' lines which have been built by the farmers themselves ?—A. Oh, yes, the independent companies as a rule connect with the farmer or rural companies. Occasionally we find companies where the construction is so exceedingly poor, the ground line system, &c., that we do not connect with them, but we simply say: 'We would be very glad to connect if you will make some improvements and put the line in good condition, so that you could connect with our toll lines.' They don't want to talk to New York; $4.50 as a toll fee would paralyze the average farmer. They want to talk to nearby towns.

Q. Within 100 miles ?—A. Yes, and they can in some cases talk 100 miles over their country lines, where construction is fairly good.

Q. Can you tell us how many farmers' separate 'phones that you have connection with that you don't own—oh, anywhere approximately—500 or 1,000 ?—A. I think 1,000, possibly more than that, directly to our exchanges; and through other exchanges we connect with, perhaps 6,000.

Q. What do you charge for them ?—A. We charge according to conditions. The most common rule is $3 a year for switching their business at the exchange with which they connect. At Jackson, Michigan, where we now have over 2,700 'phones, the Bell had 1,800 on their central energy system—ours is central energy also. The Bell now have about 1,400 to our 2,700. We there connect with several farmers' lines and charge them $3 a year for each telephone.

Q. Besides the 2,700 telephones ?—A. Yes, besides the 2,700 telephones which we own and operate in the city of Jackson. They come in ten or fifteen on a line and pay $3 a year each for switching accommodation.

Q. What do they get for that $3 ?—A. They get service into Jackson. They build the lines themselves.

Q. What do they get for the $3 ?—A. They build the line themselves to the limits of Jackson. They had it built in most cases when we built the exchange. We carried the line into our Jackson exchange and tax them $3 apiece; ten on a line makes $30. We give them connection free with each one of our 2,700 subscribers in Jackson.

Q. Anything else ?—A. That is all. If they telephone to any other town they pay the regular toll rate.

Q. The same rate as any other man would pay ?—A. Yes, sir, the same.

By Mr. Boyce :

Q. They construct their own line ?—A. Yes, sir. If we built it we would charge them originally $12. We now charge $15, because we find $12 does not enable us to pay eight per cent dividends and have a profit for depreciation. They build the line to get the service with Jackson. They use their own native poles and did much of the labour themselves.

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Q. They pay all the cost of construction and maintenance ?—A. Yes, sir. We have no expense of construction or the maintenance of their lines—simply connect them with our exchange and switch their business.

Q. And you give connection with this town and charge $3 a year ?—A. Yes, just sufficient to pay our switching expenses.

By Mr. Maclean :

Q. It is a feeder for your toll lines ?—A. Yes, it anchors down our exchange in Jackson and secures to us 2,700 subscribers where otherwise we probably would not have been able to have a larger exchange than the Bell in Jackson. It gives every man in Jackson an opportunity to telephone to all these farmers. In Jackson county there are over 5,000 independent telephones, farmers and all, and less than 1,800 Bell telephones.

By Mr. Lewis :

Q. What is the residence rate in Jackson ?—A. It is $18, and $30 for business.

Q. The farmer gets for $3 what the man in Jackson gets for $18 who has a telephone in his residence?—A. In Jackson the $18 rate for residences is for a single telephone on a metallic line. These farmers come in ten or more on one circuit or line, and pay $30 or more for their line.

Q. If you had five on a line you would make the same rate ?—A. We require at least eight on a line. If there is more than that we get $3 apiece. We get at least $24 out of each circuit in that department of service.

Q. It has been argued here between counsel for the Bell company that its objection to having an independent farmers' line connected with the exchange in a city is that the operator is switching an opponent of the main company when she is switching an independent company ?—A. That objection is promptly removed when the royalty is paid, in the states, as I have endeavoured to show the Committee.

Q. Is there any difference in the operating expenses or inconvenience or convenience to have a farmer come to the pay office and pay there his 25 cents, or to be connected with the exchange over an independent line?—A. There is no more expense for the exchange to connect up a farmer on the farmers' line for a long-distance call, than there is if that farmer comes into the central office to talk.

By Mr. Maclean :

Q. Isn't it more convenient for the telephone company to give him a connection on the switchboard than to have the door open and shut and the company put to the inconvenience of all that ?—A. Yes, except we are always glad to see money coming in. We are there to see people come in and pay money in if they want to. We would sooner have a man talk from his own residence or business office than go to the central office. If the exchange is properly constructed the man should receive just as good service from his residence or office telephone as if he came to the central office. If he does not get as good service he is not getting what he is paying for, as a rule.

By Mr. Lewis :

Q. Have you any slot machines?—A. We have them only in our booths for toll purposes.

Q. Central pay offices ?—A. Yes, we put a booth in a hotel or in some business place, or in some office building, where we think it would be convenient for the public to reach for toll purposes. We charge five cents for the local exchange service, because it connects with the toll board, and not the local switchboard. It usually takes nearly as much time to switch a local call from a booth as it would for the adjacent cities and towns.

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Q. Do they all pay that additional five cents ?—A. No. We have unlimited service in Michigan, outside of Detroit, where the Bell has some slot machines, except a few booths for toll purposes, as explained. We do not have nickel-in-the-slot machines in drug stores, business places or residences. The rest of Michigan, and it is true of Indiana, Ohio and other states, where as a rule unlimited service prevails, they pay so much a year for a telephone. Practically there is little difference—but theoretically it makes a lot of difference. Neighbours often use the telephone, and if there is much of it, it becomes annoying to the subscriber, who does not want his telephone used unreasonably. We do not object to neighbours using the automatic, for it does not make any direct difference to the company. When we put an automatic telephone in, the man who uses it makes his own connections with the subscriber he wants to call, and it makes very little difference to the company whether the calls are ten or twenty or fifty a day. There is only an unlimited exchange service in Michigan and that is true of independent companies as a rule all over the country, with a possible exception of a few large cities, such as Philadelphia, St. Louis, &c.

By Mr. Miller :

Q. Is there not this objection in the interests of the 'phone companies ? I have known an instance or two myself where a neighbour will contribute a part annually of the rental of the telephone to a subscriber to be permitted to use it when he desires to do so ?—A. These are exceptional cases. But as a rule a man who is able to pay for his telephone ordinarily prefers to have a telephone of his own which he can go to when he wants to talk. It is a perfect nuisance to go out to another house to talk. That is why we get so many telephones. The burden of use other than the subscribers using them, does not cut any figure practically, except in extremely large cities. Of course that is more a matter of theory, as far as large cities are concerned, because ours is only 100,000. But in that sized city we know there is no perceptible burden on the telephone company; it is purely a matter of theory, as to the uses mentioned.

By Mr. Lewis :

Q. Give us the cost of putting in 'phones ?—A. I scarcely understand—what do you want in particular ?

Q. What does it cost to put in a man's 'phone in a town of say 5,000 or 10,000 or farmers' 'phones per mile, and the construction. Take farmers first?—A. The construction which I consider proper, 25-foot poles, 6 inches at the top, 10-pin 10-foot cross-arms, 2 wires or metallic circuit, having at least four subscribers to the mile, a farm line can be built for $60 to $70 each, as we build them. Now, the farmers themselves get the poles out of their own woods and put up their own construction, and it actually costs little or nothing. For a company in the business for commercial purposes, putting up the lines which shall be maintained permanently, it will require an average in our state at least of $63 or $64 per telephone.

Q. What does that include ? Double wires ?—A. Yes, I think I said that. The subscribers' telephone would have a granular carbon transmitter (long-distance telephone) two wires (metallic circuits), and would give a service that would enable them to talk out of the state just as successfully as if it were living in town.

Q. That would be $15 apiece—four to the mile ?—A. No, I mean that the average cost per telephone would be $60. Four would cost about $250, if a territory was covered for say six miles around an exchange.

Q. That would include the instrument ?—A. Yes, instrument and all complete—wire, poles, everything.

By Mr. Miller :

Q. That is where you have the full number of subscribers to the mile ?—A. We require at least three to the mile and would not build a line that would not show at

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least three. If we were to build three miles of line we would have to have at least nine subscribers and prefer to try to get twelve. When buying the telephones the farmers pay approximately the amount named by Mr. Têtu, which is graded from $12 to $13.50 per 'phone, according to the quality for a first class bridged telephone. There are some that are sold at less prices than that. These figures are in the States. I do not understand the tariff duties and cannot name Canadian prices.

By Mr. Lewis :

Q. I have heard that they get them at lower prices and that they send to somewhere near Chicago for their instruments. There is a company there, is there not ?—A. There are several good factories in Chicago and other cities. The instrument which I have referred to would be known as the bridging telephone, and would enable one using that kind of instrument to talk over the toll lines. A series telephone is cut into the line without high resistance in the ringers. As the number used increases the service gets poor until one cannot talk satisfactorily. This 'phone can be bought from $7 upwards. If two farmers wanted to string a wire between their houses they could get an instrument for $7.50 to $8 and could talk successfully, but if they put several more on the line and then run to an exchange they have to use high resistance, or bridging telephone, which will cost from $12 to $13 approximately.

By Mr. Maclean :

Q. Yours would be standard construction ?—A. I say the average cost for our farm subscribers' telephones is about $65 apiece to us, on what we consider standard construction.

Q. Capital invested ?—A. Is $60 to $65 for farmers' telephones each. That includes poles, wires and all.

Q. Yours is a standard well-equipped company, in your estimation ?—A. Yes.

Q. It covers a portion of the state, representing city, urban and farmers' telephones ?—A. Yes.

Q. And you have how many 'phones in your system to-day ?—A. Over 20,000.

Q. Representing a capital invested of what ?—A. Two million dollars, approximately.

Q. So that your capital invested per 'phone is—that includes poles, lines, the whole system ?—A. Yes. Toll lines and all.

Q. Well, that is $100 capital investment ?—A. Yes, on the average. I am just giving it approximately and for the entire system. Until within the last year it but slightly exceeded that amount by reason of such solid construction in Grand Rapids, which has cost us $130 per telephone. The farmers' lines cost us $65 per telephone, as stated.

Q. Here is a community or state adjoining Ontario, made up of cities, towns, villages, and farmers lines, where the capital invested per 'phone averages about $100 ? —A. Yes.

Q. And on that you are paying eight per cent ?—A. Yes.

By the Chairman :

Q. What proportion of that is toll line ?—A. About one-sixth is toll line construction.

Q. That is a small proportion ?—A. Why is it small ?

Q. No—that is right.—A. We have about 1,200 miles of pole line for toll line purposes.

By Mr. Maclean :

Q. One more question. At the time when your capital was a little over $100,000, you say the Bell Company tried to purchase some of it ?—A. When our capital was $394,000, they so endeavoured.

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Q. Say $400,000 ?—A. The Bell undertook to force us to sell out to them by buying up our stock.

Q. And canvassed your subscribers ?—A. They canvassed our stockholders and acquired $44,400 of our stock. Then, when we pooled our stock, as I explained this morning, and later on through the Michigan Trust Company, the only trust company in Grand Rapids, we were offered a portion of that stock, and promptly bought it, and have purchased all that has been offered until the Bell Company now own only $10,000 of our stock.

Q. They ceased buying when the pool prevented it ?—A. They never bought a share of stock after the announcement that we had a majority of our stock in the pool. Under Michigan law the minority stockholder or any stockholder can cumulate his stock for voting for directors, so that with $44,000 worth of stock the Bell Company could have elected one of our twelve directors (out of the $394,000 stock issue) by cumulating the stock. In order to prevent them doing that, I prepared amended Articles of Incorporation reducing the number of directors to six and allowing the four officers to be outside the board of directors, and filed those amended articles the afternoon before the annual election. When the attorney came up from Detroit for the Bell Company, he found there were only six directors to be elected, and naturally as he could not elect one he did not go contrary to the rest of us, so the election was unanimous and six old directors and four officers were re-elected, and we were all naturally happy.

Q. Still you had to fight for it ?—A. There never has been a success to our company but we have had to fight for it, so that continued success has meant much warfare, unfortunately.

By the Chairman :

Q. Have you formed any opinion as to the practicability of government ownership ?—A. I have given some thought to the matter, and I have been expecting that eventually the Bell long-distance line would pass into the hands of our government should they lose many of their exchange connections. It looked to me as though they would be glad to unload their property, and I had rather anticipated that would eventually be done. I see no objection personally, why the government could not operate the long-distance lines successfully. It has demonstrated in our country, the same as it has here, that it is able to operate the postal service at rates so low that we did not believe it was possible to do it successfully. I have faith in our government, and in its honesty, and in our people being able to elect honest representatives and officials. A good deal has happened in our country, the same as in your country, that is unfortunate, and we know where the trouble lies. We are trying to get at it. I do not know why there should not be honesty in the management of government affairs, and if there is, I do not know any reason why the government could not successfully handle the telephone toll lines. That is solely an opinion from the standpoint of the community, and my own interest as a plain citizen of the United States, that does not have a million dollars, and one acquainted with the independent telephone movement. I see no reason why the government could not either own or control the toll line or the toll line companies.

By Mr. Maclean :

Q. And maintain them more efficiently ?—A. If the government owned the lines in Michigan they would be able to put up more lines, and to better advantage. The toll lines are only about one-sixth of our investment, and yet we are getting very much more complete facilities for handling toll business than heretofore in the state. It does not take any large amount of capital to build toll lines, not when you are voting $200,000 or $500,000 every little while in your House here in Canada. With sufficient capital to build the lines and with honest management, I know of no reason why the

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lines could not be taken over and connect with exchanges, under fair regulations, and run just as the independent companies are doing to-day. We are connecting toll lies with fifty or more companies and getting good service. If we had the power to say to our connecting companies : 'You must make your line so and so, before you can connect with us,' as the government would do, it does seem we ought to be able to furnish an even better service, as we have to make an arrangement with them to keep them from going over to the Bell. I know of no reason why government ownership or control is not feasible, although I would be condemned, of course, by a good many for making any such statement as that. But that is my opinion, just the same.

By the Chairman :

Q. Your opinion is that as far as toll lines are concerned, it would be feasible for the government to own and operate them ?—A. It is. I see no serious difficulty, although numerous objections.

Q. What about the municipal services, are you in favour of municipal operation ?

By Mr. Maclean :

Q. Do you know of any case ?—A. There is none in our country, of municipal ownership of telephones, I am confident.

By the Chairman :

Q. Consequently you have had no experience ?—A. We have had no experience.

Q. You cannot speak, then, from any knowledge ?—A. Nobody has anything but pure theory in regard to that matter, in our country. There is no case where it has been done. Of course, there is a great deal more trouble in connection wth the management of an exchange than with the management of toll lines. It is less difficult to manage toll lines successfully than it would be to manage local exchanges all over a state, being managed by a foreign interest—where the main office is foreign to the locality in which the operation is performed. The great success of the independents is partly owing to the fact that the people largely own the exchange, and they demand and secure better results than would be secured from any gentlemen residing in Boston or Chicago, who were simply interested in our dollars. So that, it seems to me an ideal condition to be created would be for the long-distance line to be so managed that any company with proper construction might connect with them. The matter of regulation of them is just as easy to do as to regulate anything else as far as I see, and I cannot conceive, except the one question of royalty, why the Bell Company forces toll line construction in the States and are going to force it in this country, when the toll line business is profitable, except that their investments are so much larger in exchanges than in the toll lines, and they desire to extend exchange competition because they get royalties from their apparatus. We have beaten them over a considerable portion of Michigan. We had 34,000 messages last month in and out of Grand Rapids, compared with 31,000 the preceding one.

By Mr. Maclean :

Q. If the Bell Company could get rid of the Boston octopus ?—A. If the licensees could manage their own business themselves—I do not know what the royalty of the parent Bell is on your company here in Canada, but if your company could be loosened from its relationship to the Boston Company, or if the Michigan Company could get rid of their perpetual contract under which they can buy from no one except the Western Electrical Company, it would be to its advantage, in my opinion, as to cost, and also as to freedom in fixing a policy for government.

Q. Wire and cable, and so on ?—A. Wire and cable can be bought in the open market. There is no difference in their wire and cables from ours. Their poles grow

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for them as they grow for us. There is no mystery in connection with the telephone business. It is a question of royalty and management. If the licensees were relieved possibly Bell stock would not be worth much. We do not connect with them, largely for reasons given.

Q. Or rather, why they do not connect with you ?—A. Yes, that is better.

Q. You belong to the Michigan Independent Association ?—A. Yes, sir.

Q. You are secretary of it ?—A. Yes. In 1897, we organized, and I was its president for four years.

Q. It is practically for mutual protection ?—A. Yes, sir.

Q. But the independent telephone companies have another association which provides for working traffic ?—A. We call that a traffic association, which established rules for the interchange of business, and making the tariffs are based upon the air line distance, and the one-half cent per mile.

Q. It is a matter easily settled and reached ?—A. We get very satisfactory results, indeed. During the past ten years the conditions have improved each year. It has taken time to work out this arrangement.

Q. You have standard construction ?—A. Yes, to a considerable extent. We have a little trouble occasionally with some of the smaller companies, but in nearly every case we have worked the matter out satisfactorily. I do not know that there is any more trouble in telephony than in any other line of business.

Q. You have a working arrangement with independent companies ?—A. Yes, sir; a twenty-five-year contract for interchange of business, &c.

By Mr. Miller :

Q. Supposing the government took in hand the long-distance lines and some of your local exchanges were operated by the automatic system and others by other systems, could they all work satisfactorily and do business over the trunk line ?—A. Yes, we are doing it. We connect the automatic at Grand Rapids with the central energy at Jackson and with the magneto at many other places. There is no physical or electrical reason why an independent telephone should not be connected with the long-distance owned by the Bell, or the government, or anybody else, if honestly operated. Only one good objection has been raised, and that is on the part of those gentlemen who don't want to give service. They can make us a good deal of trouble.

By Mr. Maclean :

Q. What is that word we had this morning—oh, yes, there is no 'killing the business' among the independent companies ?—A. I have not heard of anything of that kind being done, and until I read Mr. Pickernell's testimony I never heard of a pedlar's wagon passing through the state selling telephones as sewing machines are sold. I do not believe that ever has occurred, at least in Michigan. He must have been joking. I do not think it is reasonable.

By Mr. Lewis :

Q. No, he was not joking. He meant they were selling it at so much.—A. I understood that he said they were peddling. I never knew of such a case. I do not believe it is being done. The different manufacturers have representatives in the states. There are probably five telephone companies with each a representative in Michigan. If a farmer writes in and wants to know what it would cost to buy fifty telephones, they send a man out to see him, but if he only wants to buy four or five they arrange it by correspondence. No peddling is done in our state. If any is done in Mr. Pickernell's territory, there must be a different state of affairs. There are over 75,000 independent 'phones in our state, and less than 70,000 Bell to-day.

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APPENDIX No. 1

By Mr. Maclean :

Q. Do you know what is the law applied to common carriers ?—A. Yes, in a general way.

Q. Do you consider a telephone company a common carrier ?—A. Well, sir, I am not able satisfactorily to answer that question. When I was living in Buffalo about two years ago, I started to look that matter up. Perhaps you have already found the case, the Postal Telegraph Company against the Hudson River Company.

Q. They are all collected in that opinion, given by the Attorney General of Wisconsin.—A. I have not seen that. I am not clear on the question of whether they are common carriers or not. I do not know any reason why they could not be made so. They are treated as such as far as the laws of taxation and everything of that kind is concerned.

By Mr. Miller :

Q. I have copies of some evidence where the Bell has brought actions for damages against other companies because they have strung their wires too near the wires of the Bell Company. Now, our country roads are, most of them, sixty-six feet wide. Is there any reason why the wires of one company being strung on one side of that road, could interfere with the wires of another company on the other side of that road ?—A. None whatever, and if the wires are four feet apart on the same side they would work all right on a metallic circuit.

Q. One would not interfere with the other ?—A. The only objection would be if you got wires so close as to touch. In cities there are thousands of cases where the wires of one company are within four feet of the wires of others. In many places in Michigan I have seen the Bell Company have a pole line five feet higher than the independent line and the wires within four feet, and often within three feet of other companies' wires.

Q. And no trouble ?—A. Absolutely none. If the wires drag or swing together there would be trouble, of course.

Q. I remember seeing in an American farm paper that the farmers in their endeavour to install very cheap rural telephone systems, were stringing the top wire on the wire fence along the road in such a manner as to convey their telephonic messages.—A. Why can't they——

Q. Is that being done ?—A. It is not done in our country, but it is in Kansas and other western states. There is no objection except that the wires are more liable to get broken if the wire is located close to the ground, than if it is twenty feet or more from the ground. We want to get a wire out of the way of its being interfered with or broken, that is all. In Kansas and in the western states the farmers, and even the Bell Telephone Company put their wires on 20-foot poles, because poles are expensive, and they are getting just as good service as on thirty and forty-foot poles. The only object is to see that teams and wagons will not run against them. I do not know any reason why a fence wire could not be made into a telephone line and used between farmers, but you could not use it for toll lines. By putting up BB. iron wire it would give good results if metallic. Why should not they be allowed to do it ?

Q. Would there be any danger to a person coming in contact with it ?—A. None whatever, no danger from contact, as far as the electrical current is concerned. In fact, if in building fences, farmers would about each 100 feet put up a post two or more feet higher than the regular fence posts, they could with very little expense string two BB. No. 12 iron wires and secure good telephone service, for exchange or toll lines. Of course, at gates and road crossings 25-foot poles would be necessary.

By Mr. Macfarlane :

Q. In answer to Mr. Lewis, you made some statement about the difference between a farmer going to a toll office and asking to speak over the long-distance lines,

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and a farmer bringing in his line for physical connection and asking for connection with the long-distance line. I understand you to say there is no difference in the trouble ?—A. I say as far as the expense is concerned, there is no difference, there is absolutely no difference, after the farmer's line is once connected.

Q. Is it so where the telephone companies were under an agreement ?—A. I do not know that I can answer.

Q. As far as the waste of the line and the success of the operation is concerned? —A. As far as the expense of operation is concerned, there is no difference whether there is an agreement or not.

Q. Would it not depend upon whether the parties were in agreement or not?—A. No, the line could not be connected into the exchange unless there were some understanding, whether written or verbal, it would make no difference. You run a line into a man's house, and if he does not pay the tolls or exchange rentals, you do not give the service. If the subscriber does not pay, you take the service off. The same rule could be and would be followed.

Q. You connect with other companies ?—A. Oh, yes, that is characteristic of all independent companies.

Q. You have agreements with the companies ?—A. Yes, sir, as a rule, with all the larger companies, especially.

Q. You insist on a certain standard class of instruments ?—A. We have a general clause in the agreement. It is something like this : 'That the construction shall be of such character as will give a satisfactory service,' some general expression of that character.

Q. To cover proper maintenance of lines ?—A. Yes, it is quite to their interest to give good service; and they can get good apparatus and telephones at a cost very little more than the poorer.

Q. Have you any system of operating rules that you use in connection with these companies, signals, for instance ?—A. Every exchange has it distinctive toll line signal. In the telephone, as in telegraph business, the signal between offices is done by the operator in the toll line exchange. A subscriber simply rings to the toll board. He does not make the connection; he rings the operator, and she makes the connection communicating with the other exchange. She uses a signal with the object of saving time. That is the only way we can let them know that we want them, to signal.

Q. They use signals to save time ?—A. They use one or two or three rings the same as the Bell.

Q. Apart from that do they not use a code of signals, or something of that kind, to save time as much as possible ?—A. Yes, that is true as far as the operators in the larger exchanges are concerned.

Q. That is in the essence of the successful commercial operation of state connections, in order that time should be saved ?—A. It is not only the essence, it is the custom. We all wear hats. It is the essence of civilization to wear hats.

Q. Time is the essence of value in the long-distance line ?—A. Yes, sir. You are correct.

Q. Would you consider that companies which had antagonistic interests with other companies, which were competing companies, for instance, at a certain point, could successfully connect with one another physically, in that way ? I mean to say would it be a reasonable and feasible arrangement ?—A. There is no electrical or physical reason why it should not be done.

Q. No, I am not asking you that exactly.—A. I will state it this way, that it would be very questionable whether, if one of the parties was the Bell Company, another could get satisfactory service over the Bell lines, or over the lines of a company antagonistic to it.

Q. Certainly, and would it not be the same with any other two companies. Take two independent companies, having no connection, or two companies without any friendly relations, two companies which compete at a point. Suppose they were

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obliged by law to give physical connection. Would there not be insuperable difficulties and a waste of the lines?—A. There is no question but what there would be difficulties, unless there were some regulations between them. Order is nature's first law, and applies to the telephone business, as to others.

Q. You heard Mr. Têtu's evidence on that point this morning. Would you agree with him on that point?—A. No, sir, not just as he stated his views.

Q. That there would be opportunities for wasting the line, do you not agree with that statement?—A. Oh, yes. And it would be difficult if not impossible to absolutely find out where the trouble occurred, if one of the parties said he would not do it. It is hard to do business when one of the parties is unwilling.

Q. It would be practically impossible, I understand from you, to find out where the trouble arises?—A. I would not agree with that statement. As I stated a moment ago, there is no mystery about the telephone business. It has been public ignorance in the past that has enabled the Bell Company to do certain things and to give a poor service. Certain definite relations give very certain conditions. There may be noise on the line, and complaints may be made that they get the noise off the other line, but he does not know where it comes from. You cannot get noise off a line if you do not connect with it.

Q. Are you speaking of any particular case? Give us a particular instance where this is done? I am sorry that so many references have been made to the American Bell Company, because, as a matter of fact, my clients have no relations with them, but I feel that they should in some way be protected?—A. I do not believe I can cite a definite case of that kind at this time. But I think, if it is desirable, that possibly I could find instances in the city of Detroit.

Q. You do not know of any?—A. I was simply making a general statement. I would not want to make any charge of anything that I could not prove. I am simply making a statement that it can be done. I believe it has been done, but I am not prepared to prove it at this time.

Q. I do not think you said anything when you were first examined about your connection with the telephone business, before you became connected with the present Citizens' Company?—A. I had no acquaintance with the telephone business preceding my relations with the Citizens' Company. I was never connected with the Bell Company in any way.

Q. You had no telephone experience previous to 1895?—A. No, none whatever.

Q. Your whole experience has been with the Citizens' Company only?—A. Yes, sir, from June, 1895, to March, 1901, and director continuously since 1901-2 I was in Detroit; 1903 in Buffalo with independent companies.

Q. When you referred to the statement made by Mr. Pickernell, and which was also referred to by Mr. Têtu, about speaking commercially between Cleveland and St. Louis, you attributed that to the smallness in number of the lines. Were you speaking from personal knowledge or from an inference which you drew?—A. I have been a constant attendant upon the different meetings of the National Association since it was organized, and I have been connected with it in one capacity and another since its organization. I was secretary of it at one time. I have personal acquaintance with nearly all its officers, and the various companies, and have kept in touch with the development of the long-distance lines. I have seen the diagrams in the Cleveland Company's office, of the United States Telephone Company's toll lines, and have seen a diagram in the Indianapolis office of the New Long-Distance Company's circuits, and my knowledge is as definite as anyone can have, not an officer of the companies mentioned, or anyone who does not have charge of the circuits.

Q. So that you infer that the small number of lines is the reason for the comparatively poor connection?—A. That is the reason for the slow service; the quality is good when the connections are once made.

Q. Did you ever speak over the lines yourself, Mr. Ware?—A. I never tried to talk with St. Louis from Cleveland, no, sir.

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Q. So that you cannot say from your own knowledge whether there is any speaking over the independent lines or not?—A. Only that I was in Cleveland a few weeks ago and visited with Mr. Hoge, who has large telephone interests there, and is president of the National Association. He said that a gentleman was calling upon him the other day and was very much surprised when Mr. Hoge talked with Buffalo and St. Louis and Pittsburg during the time that the gentleman was present. He spoke of it as showing the development of the long-distance lines, and as an everyday occurrence, as I believe it is. I have talked with Cleveland and Columbus over the long-distance lines from Grand Rapids, and with Indianapolis from Cleveland, but never with St. Louis. There is no question in my mind that I could talk with St. Louis from Cleveland at the present time.

Q. That is as far as your knowledge goes on that particular point?—A. Yes, as far as one can go who does not operate the line.

Q. It is an expression of opinion?—A. It is simply an expression of my own opinion, based on the knowledge of conditions, as I have explained.

Q. Now, you referred to the toll line, the general question of toll lines? You said that you considered them more remunerative than the exchange lines?—A. I have said that they are more remunerative.

Q. And you gave the figures—is that a computation from the results in your own company?—A. Yes, sir, I gave the figures from my own company.

Q. You gave the percentages?—A. Yes, sir.

Q. How do you distinguish between the operating cost on the long-distance lines and the operating cost on the local lines? What I mean briefly is this: in the use of long-distance lines, the local exchanges, do they not come into play, are they not used?—A. Yes, for the subscribers' line, in service.

Q. The long-distance lines could not be used except for the local exchanges?—A. No, not successfully; that is peculiar to our business that the telephone exchanges in different cities are connected together by the toll or long-distance wires.

Q. How do you distinguish between the cost and the operating expenses of the long-distance lines and the local exchanges?—A. Well, so far as the local exchange itself is concerned, it is able to distinguish the cost by reason of this: there are separate operators for the toll lines or long-distance business, as a rule.

Q. But how do you distinguish long-distance lines from any portion of the local exchange expenses?—A. Each is separate, and can be easily distinguished. The local exchange is allowed in Michigan, and most of the independent companies allow throughout the United States a twenty-five per cent commission on originating business to cover the expense of operation to the exchange originating the toll business.

Q. That is not exactly what I mean, though. Do I understand from that that you charge toll lines with twenty-five per cent of the cost of operation of your local exchange?—A. You did not understand me to say that, did you?

Q. No, that is what I thought.—A. I did not say that.

Q. That is what I want to get at. Then what portion of your cost—I want to find cut whether you charge for your toll lines any particular portion of the cost of maintenance and operation of your local exchange?—A. We never have charged to the operation and maintenance of our toll lines any part of the expense attached to the operating of our local exchange.

Q. None whatever? So you admit that a portion of your exchange is used in the operation of the toll line?—A. I did not admit that. I said that a toll line terminating in the exchange should take separate operators, and we allow twenty-five per cent commission on all the business that originates there, for taking care of the business. I do not believe that we should charge any part of the exchange maintenance. It is not your opinion we should do that, is it?

Q. I am not giving any opinion upon the matter.—A. I give my opinion that it ought not to be done, based upon ten years' experience. It is not done either by the Bell Company or by independents in any instance.

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APPENDIX No. 1

Q. You mentioned about the Bell contract. Have you read the evidence given by Mr. Sise, the president of the Canadian Bell Telephone Company ?—A. No, sir, I have not seen it.

Q. Have you noticed in his evidence that the company pays no royalty whatever? —A. What company is that ?

Q. I mean the Canadian company, the Bell Telephone Company of Canada ?—A. May I ask you one question just for my own information ?

Q. Certainly.—A. Does the American Bell Telephone Company own any of the stock of the Canadian company ?

Q. Certainly it does.—A. It is not necessary to pay royalty then ?

Q. You will find all that in the books.—A. I will be very glad to look it up.

Q. I want to ask you another question. You said that the licensee companies in the United States paid royalty to the American Bell Company, or to the American Telephone and Telegraph Company ?—A. I said, as Mr. Têtu said, and as Mr. Pickernell stated, the American, the original Bell Telephone Company, was absorbed by the American Telephone and Telegraph Company some years ago, and the Bell Company, as we speak of it to-day, is the American Telegraph and Telephone Company.

Q. Correct.—A. Now the contracts originally made with the Bell Telephone Company, the licensee contracts, were perpetual, and required annual royalty.

Q. What contracts do you refer to, with what particular companies, for instance? —A. The licensee Bell Telephone Company contracts with the parent Bell Company were perpetual, and did provide for royalties in every instance in our country.

Q. Now, on that point, did you ever see one of those contracts ?—A. I did.

Q. Did you ever have any dealings with the Bell Telephone Company, the American Bell Telephone Company, in connection with these contracts ?—A. No, I did not.

Q. When did you see this contract you speak of ?—A. About a year before the Michigan Bell Telephone Company went into the hands of the receiver.

Q. Yes, about what time was that, do you know ?—A. In December, 1903, the United States court confirmed the sale of the property. I would say that in 1903 they went into the hands of the receiver. Well now, just preceding that time, our company was invited to purchase a controlling interest in the Michigan Telephone Company's stock, and the inducement was offered that it would enable us to control the entire business by securing control of the Michigan Company, that where the rates were not properly made they could be readjusted without doing injustice to the communities. Inasmuch as it would do away with competition, which is always annoying to an extent, even though it does have its beneficial results, our board of directors thought it would be wise that a committee should investigate the matter and consider the proposition to purchase that controlling interest in the Michigan stock. A committee of three was appointed, of which I was one, and the committee met with a committee from the Michigan Telephone Company. We found that all the papers we desired and the books of the company were in Boston, and it seemed advisable for some one to go to Boston and look into the matter. My committee selected me to represent them and go to Boston. I did so with a director of the Michigan Bell Company, and a mutual friend—there were three of us went down. At that time I saw a copy of the contract. I talked with the officers of the company, and I do not think there is any question as to the accuracy of any statement I have made regarding those matters, as I found them at that time.

Q. Do you know what that royalty represents ?—A. It represents the price which the licensee companies pay annually for the use of the transmitter and receiver—not for the switchboard—but for the use of a transmitter and receiver. They own the rest of the telephone.

Q. So it would be properly termed a rental for the instruments—that is, the transmitter and receiver. They are owned by the company which obtains the rental ? Is not that right?—A. The transmitter and receiver are owned by the parent Bell Com-

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pany. You can call it rental. There is, I think, a difference of names only. We call it royalty, the Bell people call it rental. By rental we mean what the subscriber pays for his exchange service. The royalty is not what is paid for service, but it is the annual amount paid for the privilege of using something at a price much higher than it is worth in the open market. We call it royalty.

Q. I mean they get the actual use of the object ?—A. They get the actual use of the object for which they pay the royalty. The royalty is the same on the long-distance transmitter as it is on the Blake transmitter in every instance in all the licensee contracts in our country, as I understand and believe.

Q. Do you know that personally, Mr. Ware ?—A. Only from the source I have explained.

Q. Was that told you distinctly ?—A. Yes, sir, I understand that it is not a disputed fact.

Q. I wanted to know if it was told you distinctly ?—A. I think you will find I am correct. That is my understanding of it, and I was pretty careful in the matter. I do not think there is any question about it, as to the United States.

Q. Do I understand you to say that your company, in building its farmers' lines insists that there shall be at least four farmers to the line ?—A. No, I said as a rule we desired four farmers to the mile, but if there was a prospect of that many later, we had built with three to the mile.

Q. But you would consider that as the lowest guarantee to a proper return for the expenditure ? Is that right ?—A. I would consider at the rates which I have been naming here, $12 and $15, that there ought to be three farmers to the mile, and if it averages less than that, why the rates ought to be increased, for a commercial investment.

Q. Then, as a matter of fact you easily obtained four ?—A. We endeavoured so to do, and in many places more than that.

Q. With reference to this contract between the American Bell Company and the various companies as to the use of instruments, you have given us a number of cases where the former company apparently does not insist upon that ?—A. No, I said in each case that I understood that the American Bell Telephone Company never has made a formal contract of that character, but that the licensee companies make the arrangement, and it is permitted to stand by reason of conditions existing.

Q. That is merely your inference from the facts, as an outsider would see them ? —A. Well, no, it is my inference from the facts that I have gathered from the inside.

Q. But you do not know positively what reasons may be actuating the company ? —A. Well, Mr. Fish himself, if you desire to know, told me that they had no official notice of any such instance of that kind, and he did not want one. That is my authority, and that is why I have the inference I have regarding the matter, although I regret being compelled to make this statement.

Q. Do you know that as a matter of fact there are no existing Canadian patents covering essential features of the telephone ?—A. I do not know, except, as I stated that I have understood the patent laws in Canada require a patent to expire in fourteen years and the patent laws in the United States seventeen, and I have never heard any question raised about patents in connection with Canada; otherwise I know nothing about it. I do not believe there is any patent claimed in Canada on telephones that would prevent the independents doing business.

Q. As a matter of fact, that field is absolutely open ?—A. Yes, sir, it is, as I understand it.

Q. And as a matter of fact do you know that the field has been open since 1887 ? —A. No, it has not in our country.

Q. Well, I mean to say that the essential patents expired in Canada about 1887-1889 ?—A. I did not know that, I supposed they had expired later. I supposed they had expired about 1893.

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APPENDIX No. 1

Q. Your company goes into active competition, I presume, at different points with other companies ?—A. No, it is only one company we compete with.

Q. Only one company ?—A. That is all, the Michigan Bell Telephone Company.

Q. There are no local municipal exchanges in your territory at all ?—A. I do not think there is a municipal exchange in the United States. There may be, but I do not recall of having heard of one.

Q. In that question of depreciation, how would you care for depreciation in your company ? In the case of reconstruction in an existing exchange, for instance, how is the property destroyed in such reconstruction taken care of ?—A. I think I stated this morning, and if I did not I will state it now, that all of our company's reconstruction has been carried in a reconstruction account during the year.

Q. Is that met out of revenue, or is it charged partly to capital ?—A. As we reconstruct any of our lines or exchanges during the year ?

Q. Yes ?—A. We keep that in what is known as the reconstruction account and at the end of the year we charge it off to operation and maintenance. We have done that every year since we have been in business.

Q. Is it taken care of by revenue or is it charged to capital ?—A. We charge it to our expense of operation and maintenance, and not to capital.

Q. I mean of maintenance and operation. That is the revenue. Is that correct ?—A. Out of our revenue we deduct our expenses to show the profit, and one of the items of expenses each year has been all the reconstruction that has been done during the year. Another item is taxes, another item is labour, for operators and other employees, another item is postage, &c., &c. Our reconstruction has always been charged up to operation and maintenance, deducted from our income each year, before there was any profit.

Q. Yes, to take a concrete case. Supposing you have in existence a board at a local exchange which has to be taken out. The inside value of that board stands on your books to-day at $100,000. The board will be worth say $25,000 when taken out and has to be replaced by a board of $150,000. What would your book-keeping entries be to take care of a replacement of that kind ?—A. We never had a case of that kind, and I do not believe I want to offhand answer that question, which is a purely theoretical question and not a practical one, as to my actual experience.

Q. Absolutely ?—A. And I am desirous of giving you facts and figures based on experience. I never had experience of anything of that kind.

Q. Just give an example of the way expenditure is taken care of ?—A. In our own city, for instance, we put up poles originally even in the downtown districts. We found that we had to have more facilities for carrying our wire into the exchanges, as it grew larger. We had to put in underground construction, and of course after putting the cable through the underground the poles had to come down. The labour of taking down those poles and everything in connection with it was charged off—it was lost. It was a part of reconstruction and charged to operation and maintenance at the end of the year. We aim to charge construction with that which increases our revenue.

Q. That as a general rule increased the earning capacity ?—A. Yes, sir.

Q. What would you take off the value of the poles ? What would become of the original cost of the poles, would that be written off or would they be used otherwise ?—A. Why those would be inventoried at whatever their value was. If they had been 30-foot poles we could call them 25, if they were in good condition, and the probabilities are they would be.

Q. And what would the capital be charged with in a case like that ?—A. It would not be charged anything.

Q. Would it be charged with the actual cost of the new construction ?—A. No, it would not be the whole cost; you would have to make allowance for the difference in value.

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Q. What difference would you allow?—A. That depends upon conditions. Now, you are getting into a theory again. I do not care to enter into that.

Q. I just want to find out how you deal with your depreciation, it has been much discussed before the Committee?—A. I will repeat what I said this morning about our depreciation. After having kept up all our repairs and charged to operation and maintenance, and after having charged up all our reconstruction, operation and maintenance, believing that thus the properties then were all right and worth all they cost, we have still charged off each year the remaining profits, over 8 per cent, which averaged about three and a third per cent, as a depreciation item—excepting that we carry on the books $55,000 as a surplus account. But other than that, it has all been charged off to depreciation in addition to the reconstruction and repairs. So I think that our properties are worth all the books show they have cost, and perhaps a little more.

Q. Did you ever estimate how much you charge off every year for reconstruction? —A. No, I have never figured out that result and cannot give you the accurate figures.

Q. So you cannot tell what the depreciation in your telephone plant is year by year, I mean what percentage it depreciates year by year?—A. I suppose what you mean is I cannot tell what amount we have charged off for depreciation.

Q. That is what I mean. You have charged it off in the way of reconstruction, I understand largely?—A. In reconstruction, and in that 3½ per cent or whatever it is that goes back in at the end of the year, and it will run pretty close to five per cent,

Q. And does it run to five per cent?—A. Yes.

Q. Altogether?—A. Yes, I do not think it will run much over that per cent.

Q. Including 3½ it would only be 5 per cent altogether?—A. I suppose it would run something over that. I do not know whether it would be just that or not. But the depreciation could hardly run to five per cent per year.

Q. You think it would?—A. No, I do not think it would after making the repairs.

Q. Has your company any connection or is your company interested in the manufacture of automatic telephones at all? Is it a manufacturing company?—A. Neither directly nor indirectly is the company interested in the automatic. There is no stock held by any of our people; we are in no way interested in the automatic stock or bonds.

Q. Has the automatic any stock in your company?—A. The Automatic Company has never received anything from our company except cash. We have never issued a dollar of stock to the company, and no one connected with the Automatic Company owns one dollar's worth of our stock, and no one of them has ever owned one dollar's worth of stock.

Q. You spoke of an automatic signal which operates to indicate trouble in connection with an automatic system, I understand?—A. Yes, sir, I did mention it.

Q. Do you know as a matter of fact that there is the same system, or a similar signal system, in connection with the common battery?—A. I never happened to see one; but there may be one. There is none in Michigan.

Q. Have you had any considerable experience with other systems, I mean the common battery system or the magneto system?—A. We have sixty odd exchanges with the magneto. Those are the smaller ones.

Q. Are those the extension magneto? I think that is the term?—A. The what?

Q. The transfer, I believe it is?—A. These are ordinary magneto switchboards in a number of our exchanges.

Q. Those are not multiple boards, I mean?—A. There is only one multiple magneto board in Michigan. That is in Muskegon, one multiple magneto. We have a third interest in that company.

Q. You have no common battery boards, I understand?—A. Our exchange at Jackson is the central energy common battery board with 2,700 telephones working there. In Marshall we have about 400 central energy telephones.

Q. You have a very large number of stockholders in proportion to the amount of your stock, have you not?—A. I intended to state we have about 1,550 stockholders in all, and about nearly $1,900,000 of stock issued.

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Q. Very largely held in Grand Rapids, I understand?—A. Between 1,200 and 1,300, I think, live in Grand Rapids. It is a Grand Rapids concern.

Q. So the company is almost a mutual concern?—A. A Grand Rapids concern. It has 1,200 people. It is that much towards it. We have always sold stock to any citizens that wanted to purchase, under conditions before stated.

By the Chairman:

Q. Is there any further evidence you wanted to give, Mr. Ware?—A. I have here a map, that is two years old, of the state of Ohio, showing the Independent toll lines that existed at that time. The section of country around Marion has been entirely developed since that time and other lines have been run in other portions of the state which are not here shown. However, the map gives a very good impression as to the development of the state of Ohio, as to the independent telephone development in that state.

Q. Can you leave that map with us, Mr. Ware?—A. Yes. (*Map fyled and marked Exhibit 180. See after page 1047.*

There are in Ohio at the present time over 200,000 independent telephones and about 110,000 Bell telephones. There are in Indiana over 165,000 Independent telephones and about 40,000 Bell telephones. Similar conditions exist in some of the other states. Here is a list of the five largest independent companies in Michigan, their capitalization, the number of telephones, and the dividends which they have been paying during the past years which may interest you. I also submit our company's annual report for the year ending June 30, 1905:—

Exhibit No. 181.

Company.	Main office.	No. of Phones.	Dividends.	Time paid.
Citizens Tel. Co.,	Grand Rapids	22,000	2 per cent quarterly	7½ years.
Valley Tel. Co.,	Saginew	4,000	2 per cent quarterly	6½ years.
Union Tel Co. ,	Alma	5,000	4 per cent semi-an'l.	6 years.
Citizens Tel. Co.,	Muskegon	1,500	4 per cent semi-an'l.	6 years.
Adrian Tel. Co,.	Adrian	1,200	4 per cent semi-an'l.	6 years.

Exhibit No. 182.

ANNUAL REPORT OF THE SECRETARY OF THE CITIZENS' TELEPHONE COMPANY, OF GRAND RAPIDS, MICH., FOR THE YEAR ENDING JUNE 30, 1905.

To the Stockholders of the Citizens' Telephone Company:

The ninth full year of operation of your company closed with June 30, and has been one of the most satisfactory years in the history of the corporation. The statistics of growth are embodied in the following table:—

	July 1, 1904.	July 1, 1905.
Grand Rapids	5,605	6,633
Allegan	..	370
Alto	60	64
Athens	25	99
Amble	..	3
Bailey	..	30
Baldwin	38	33
Bellevue	89	102
Belding	267	359
Big Rapids	8	10
Byron Centre	..	80
Cadillac	628	853
Caledonia	180	172
Cannonsburg	15	18

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	July 1, 1904.	July 1, 1905
Cascade Springs	46	49
Casnovia	29	10
Cedar City	15	21
Cedar Springs	141	173
Clarksville	122	164
Coral	14	36
Dimondale	198	202
Dutton	..	54
Evart	110	180
Empire	17	13
Fellows	56	48
Freeport	131	131
Fremont	149	180
Grattan	19	42
Grawn	5	7
Grant	..	41
Greenville	504	562
Harrietta	..	10
Harvard	..	6
Hastings	478	538
Hersey	12	21
Holland	684	779
Hopkins Station	..	38
Hudsonville	10	18
Ionia	545	606
Jamestown	..	3
Jenison	15	30
Kalamo	6	6
Kent City	19	15
Kingsley	48	111
Lake Odessa	..	62
Lansing	1,843	1,791
Leland	9	10
Lowell	354	364
Luther	..	46
Manton	86	105
Marion	..	37
Mason	232	294
Mesick	..	22
Middleville	227	256
Morley	..	12
McBain	23	38
Moline	90	123
Maple City	15	15
Nashville	265	278
Newaygo	54	56
Northport	23	25
Omena	..	5
Old Mission	32	47
Paris	..	3
Portland	474	540
Potterville	157	158
Provemont	..	5
Rockford	236	292

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	July 1, 1904.	July 1, 1905
Sand Lake	52	56
Sherman	..	25
Sparta	34	30
Suttons Bay	31	29
Traverse City	1,171	1,343
Trufant	11	28
Tustin	34	53
Vermontville	342	347
White Cloud	..	21
Wexford	..	10
Zeeland	104	138
Zutphen	8	8
Leelanau Co. (toll stations)	13	12
Toll Stations	130	138
	16,338	19,742

A study of this table discloses that the net growth of the system during the year was 3,404 'phones, which may be compared with 2,357, the net growth of the fiscal year ending June 30, 1904. It will be seen, too, in examining the table of statistics of the several exchanges that the number of exchanges has been considerably increased during the year. Allegan, Amble, Bailey, Byron Centre, Dutton, Grant, Harrietta, Harvard, Hopkins Station, Jamestown, Lake Odessa, Marion, Mesick, Morley, Omena, Paris, Provemont, Sherman, White Cloud and Wexford having been added during the twelve months, and these exchanges represent 883 telephones. A net growth of 3,404 telephones, on a base of 16,338, will be found on investigation to be almost precisely 21 per cent, which should be compared with the almost 17 per cent of net increase reported to you a year ago. A net increase of 4 per cent upon a larger base is certainly very gratifying.

Last year you were informed that the net growth of the city exchange during the preceding twelve months was 440 telephones; this year, as the table shows you, the net growth of the city exchange was 1,028 telephones. This remarkable increase proves that the new automatic service is giving satisfaction to its users. This will become more apparent to you when it is stated that the net addition to the city exchange during the last six months of the fiscal year was 591 telephones, as compared with the 437 of net growth in the first six months of the year; and this large growth, it should be remembered, is at prices for service which are $6 per annum higher for both business and residence 'phones than the prices charged by our competitor in Grand Rapids. The growth during the month of July just closed has been at nearly the average ratio of the entire year, 1905, thus far, which is also most significant because July has usually been a month of very slow growth. A computation shows that the net increase of the city exchange was at the rate of about 18 per cent, and the increase in the balance of the system outside Grand Rapids is almost precisely 23 per cent.

A closer examination of the statistical table will give you a good idea not only of the additions to the system in exchanges at new points, but will also present a pleasing view of the growth of a number of individual exchanges, as to some of which conditions have been and are quite remarkable. You will note, for example, that at Cadillac the increase was 225 telephones, and that there are 853 telephones in a community which had less than 7,000 population, as reported by the state census last year, so that there is a telephone for every eight of the population of that city. This growth has occurred in the face of most strenuous efforts to induce your patrons at Cadillac to desert your system, or at least to share their patronage with your competitors. The size of the Cadillac exchange, when compared with the population, suggests the

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thought that if the prosperous communities of western Michigan are going to require and use telephones for every eight or ten of the population—in several of them the figures justify this supposition—one might almost call it a prophecy, then the 20,000 telephones in the immediate system of the Citizens' Company will ere long be succeeded by exchanges with larger figures than above given, and preparations accordingly will have to be made by the company. And these facts show why more money has been needed and why sales of stock must continue.

The growth of your long-distance business during the same time has been even greater relatively. The long-distance lines have been increased by purchase and construction, almost wholly in the latter manner, by about 25 per cent, as there were added during the year 236½ miles of poles, 477 miles of copper circuits, and 78 miles of iron circuits, so that the long-distance system owned by the Citizens' Telephone Company on July 1 was:—

One thousand three hundred and fifty-two miles of poles.

One thousand nine hundred and forty-eight miles of copper circuits.

One thousand and sixty miles of iron circuits.

This makes a total of 3,008 miles of long-distance circuits, or 6,016 miles of wire used on such lines. You will note that, as in the more recent past, the growth in your long-distance system has been very much larger in copper circuits than in iron; iron for means of construction in long-distance lines is a thing of the past so far as the Citizens' Telephone Company is concerned; and the copper wire used is never smaller than No. 10 guage. In this increase, facilities for long-distance service for your company have been greatly improved. Two new pairs of copper wire between this city and Lansing, one of which is a through circuit with no stations using it between this city and Lansing, have been put into commission during the year. This through circuit greatly facilitates the interchange of business between the western part of the state and the capital and points east thereof. A new copper line from Hastings to Battle Creek has been completed, providing thus a new line to Jackson, much improving the service to Battle Creek, Marshall, Jackson, Ann Arbor, Adrian, Toledo and Ohio and Indiana points; and a new copper circuit has been built from Battle Creek to Athens, increasing the facilities for southern Michigan and northern Indiana points. South from Athens the Southern Michigan Telephone Company, incited by the construction of copper to that point, is preparing to install as much copper as may be necessary to take care of the through business from your system to points in southern Michigan and northern Indiana. New long-distance lines locally have been built in southern Barry county, improving the service and reaching stations not heretofore served in that region. New lines have also been built out of Cadillac to Boon, Harrietta, Sherman and to Lake City. All of these lines have been very busy from the moment service was established over them and have proved very popular with the patrons. Still another copper circuit is building from this city north to Cadillac, and will relieve the congested condition of long-distance service in that region.

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The tabulation of the statistics as given a year ago is retained in the report this year, and brought down to July 1, 1905, in the same form that was then given :—

—	Capital Stock Issued.	City Telephones in Service.	Telephones in Entire System.	Toll Line Pole Mileage.	Toll Line Circuits Mileage.	Toll Points Citizens System.	Gross Earnings.	Dividends Paid.
1896	$ 47,600	832	.....	.....	.....	.....	.....	.....
1897	86,735	1976	.....	.....	.....	.....	$ 43,742.05	.....
1898	129,960	2339	.....	.....	.....	.....	57,524.50	$ 7,737.00
1899	205,850	2915	.....	260	400	.....	72,832.56	13,493.43
1900	391,125	3347	5459	400	900	84	104,173.81	22,971.68
1901	571,380	3588	6960	774	1660	88	147,557.64	39,544.32
1902	847,065	4523	10496	858	1917	105	198,110.98	56,255.75
1903	1,212,880	5165	13981	1020	2164	107	274,313.79	82,777.73
1904	1,609,280	5605	16388	1116	2453	130	343,392.43	112,150.16
1905	1,910,985	6633	19742	1352	3008	138	418,441.27	139,551.63

These figures present compactly very pleasing facts. You will note that the gross earnings of the company in the year just closed were $75,048.84 larger than for the year 1904, or an increase of almost precisely 22 per cent, which is slightly greater than the increase in the number of telephones in service. In this same direction it may be stated further that at the close of the fiscal year, 1904, the yearly income from the telephones in the city exchange was at the rate of $145,642, while the annual income of the city exchange from the 6,633 telephones in service on June 30 last, was at the rate of $170,000. This is a gain in gross annual revenue in the Grand Rapids exchange of $24,378 in the year. This condition and tendency will certainly be appreciated by every stockholder in the company; for besides the increase in revenue the larger service is much more useful to every patron. The revenues of your system outside the city are also improved materially, and the more than 13,000 telephones in such exchanges are earning nearly 50 cents per annum each more now than they did a year ago.

A sumation of the dividend payments thus far in the history of the company gives the large total of $474,488.70, moneys earned and paid to the stockholders of this company, more than 90 per cent of which is disbursed to the residents of Michigan, and nearly 70 per cent of which is paid to residents of Grand Rapids.

A tabulation of statistics of the year's business, like that presented last year, is here given :—

Earnings.

Exchange rentals	$321,535 18	
Tolls	84,078 29	
Other income	12,827 80	
		$418,441 27

Expenses.

Operating	$105,124 95	
Maintenance, reconstruction and depreciation	101,881 78	
General expense, interest, taxes, &c.	47,114 39	
Dividends	139,551 63	
Carried to surplus	24,768 52	
		$418,441 27

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The addition to surplus above indicated makes the total of that fund $80,000.

In considering the growth of the Citizens' Telephone Company's system in the table above given no account is taken of the fact that the Marshall exchange has been bought since your last annual meeting, and because a separate organization is maintained for the property under the name of the Citizens' Telephone Company of Marshall, although your company owns all but about 2 per cent of the investment, its statistics are not embodied in the figures heretofore given. The Marshall exchange had on the 1st of July 412 telephones. One might say then fairly that the net growth of the Citizens' system for the year was 3,816 telephones, instead of 3,404 telephones, which would increase the figures of growth and emphasize the increase as compared with 2,357 reported to you a year ago. The situation at Marshall since your company secured that property has steadily improved in the face of the competition of free service, and the exchange is larger and better than when purchased. As it is located between the exchanges at Battle Creek and Jackson, which your company controls, and on long-distance lines, which your company owns, the desirability, in fact the necessity, of the purchase of the Marshall exchange is apparent.

As heretofore stated in the annual reports, the Citizens' Telephone Company owns a controlling interest in the Citizens' Telephone Company of Jackson. Directors of your company are directors of that company, and officers of this company are officers and managers of that property. Almost three-fourths of the outstanding stock of that company is owned by your company. Its statistics, hence, are of interest to you, and are briefly epitomized in this report. The Jackson system includes 2,444 telephones owned by that company, of which 2,316 are in the Jackson city exchange, 108 are at Napoleon, 15 at Norvell and 5 at Clark's Lake. There are connected with the Jackson system and paying rentals to that company, so that they are for practical purposes a part of it, although not an element of the property, 191 other telephones, of which 143 get service with the Jackson city exchange, 7 at Napoleon and 41 at Norvell, making a total of 2,635 telephones securing service in the Jackson Citizens' Company's system. The plant is growing steadily and its condition is quite satisfactory to the management.

The Citizens' Telephone Company of Battle Creek is another of the properties which your company controls, having a very large majority of the capital stock outstanding, a greater per cent even than of the Jackson company. The preferred stock of that company is getting its regular quarterly dividends, and your investment in it accounts for part of the revenue denominated 'other income' in the table above given. After the automatic service in your exchange in Grand Rapids had proved so satisfactory it was decided to install similar service in Battle Creek, and the automatic switches were first put in operation just after last Christmas. Previous to that time the service given in that exchange was not all that could be desired, hence the growth of the Battle Creek system was not flattering; but the new service is proving exceedingly satisfactory, the growth is now sure and steady, the service is evidently winning its way, and with each month the number of telephones ordered grows larger and larger; while there will soon be connected a considerable number of other telephones paying rentals like the service just above mentioned as to Jackson.

Your interest in the Muskegon system remains unchanged in amount. That property has also made substantial growth during the past twelve months, and now includes in the Muskegon city exchange, in Coopersville, Ravenna, Conklin, &c., &c., 1,584 telephones. It is ably managed and prosperous. It is earning good profits and paying semi-annual dividends of 4 per cent in cash, and the revenue from your investment in that company is another element of 'other income' previously quoted. At the last meeting of the board of directors of that company it was found necessary to purchase another section of switchboard and to provide more cable to meet the immediate demands for expansion, and another copper circuit is about completed connecting this city with Coopersville, providing improved additional facilities for the large and growing business to and from this city. Copper lines have been built north from

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Muskegon the past year, increasing and improving the service to Oceana county and points beyond in direct connection with your system.

In the immediate system owned by the Citizens' Telephone Company and the systems in which it has a large or controlling interest, there are to-day in excess of 25,000 telephones in service. Surely this is a wonderful growth of an enterprise which began in such modest and unpretentious manner but ten years ago, and which has provided service but a month more than nine years. The elements of this service outside of your immediate corporation have each and all grown because of its example, one might almost say from it. At the time when your company began service, July 1, 1896, there were in the entire State of Michigan but few more than 13,000 telephones in operation. A consideration of these figures conduces to a just pride in the work accomplished, and more especially when it is remembérd that many points now have service which had none then, many other points have exchange service which had nothing but long-distance service then, and the character and quality of both exchange and long-distance service have been improved in almost equal ratio with the increase in service indicated; and still the demand for service throughout the region identified with this movement seems to be growing rather than lessening, and once the telephone is established in business or residence service it is not often dismissed.

Aside from the introduction of the automatic service in Battle Creek, already mentioned, semi-automatic service has been installed at a considerable expense at Traverse City and Cadillac, very greatly increasing the capacities of the switchboards in these towns, and materially bettering the service. In a considerable degree the innovation of such service is due to the ability and inventive genius of Mr. Edmund Land and Mr. C. E. Tarte, of this company, and may be said in a way to mark an epoch in the art of telephony in this country.

Just before your meeting a year ago the purchase of another thousand, the sixth, of automatic switches for your Grand Rapids exchange had been made, and that thousand switches was received a little after your meeting, was promptly installed, and now is substantially all in service. So rapid has been the growth of the Grand Rapids exchange that still another thousand, the seventh, of switches has been bought, delivered, and the installation is nearly completed. This development and expansion of your Grand Rapids exchange is one of the salient facts in the explanation of the necessity for the continued selling of the stock of the company, and tells why still more money is and will be needed. You should visit the switchboard room and examine the visible evidences of this expansion.

A year ago the total amount of stock outstanding on the 1st of July, as above stated, was $1,609,280, while the amount outstanding on the 1st of July, last, was $1,910,985, a net increase of $301,705 during the year. The sales in July have been considerable, and there is now but little more than $60,000 treasury stock remaining unsold; and with the growth of the system continuing quite as rapid and considerable as at any time in the history of the company, as the facts already stated show, it is evident that still another, the seventh increase of the authorized capital stock must be made. Your directors have already, after consideration of this subject, decided to recommend that suitable action be taken without unnecessary delay, and the formal steps thereto will be announced soon.

You will be interested in knowing the number of stockholders and the location as at present known. In giving you these figures as to stockholders, the total number of persons actually investors in your company is not actually shown, for in cases of joint or collective ownership of a certificate of stock, and such cases are numerous in your corporation, the holding is considered as representing but one stockholder. The total figures of persons immediately interested are undoubtedly more than two hundred larger than the statistics present. Of the total of 1,605 stockholders, 1,068 are residents of this city, 409 are residents of Michigan, outside of Grand Rapids, and 128 are residents of thirty-three states and countries other than Michigan. Of the stock now outstanding in round figures $1,330,000 is owned by Grand Rapids peo-

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ple, $420,000 is owned outside of Grand Rapids in Michigan, and $185,000 is owned by stockholders outside of this state. It is very evident that the total number of stockholders steadily increases and this is an element of great strength and importance to the company. The number of new stockholders added during the year just closed (and in this mention is made in the popular rather than in the statistical sense as above explained) is 297.

In February last the term of your 'pooling agreement' expired. It was deemed best by your board of directors to secure an extension of the agreement for the second and further term of five years. Such signatures have been secured and a very large majority of the stock is already again formally included in the pool, while more signatures both of old stockholders and of all who buy stock are being received from day to day.

The total of Grand Rapids' connections in your long-distance service in the fiscal year of 1904 was 328,168. This year the total is 354,415, an increase of 26,247 messages. The month of June last, the closing month of your fiscal year, was much the largest in the history of the company in this particular. The total of Grand Rapids connections having been 34,637. The largest preceding month was 30,724. It will be seen that the month of June averaged over 1,150 conversations per day, Sundays and all, between people in this city and people out of Grand Rapids, over your long-distance system.

The general conditions of the Independent Telephone movement in the State of Michigan continue quite as satisfactory on the whole as when you met a year ago. Nearly all the companies report a considerable growth of business and expansion of service, and they are earning and the larger companies are paying dividends; except two or three relatively unimportant exchanges, all have remained independent, so that the opportunities for business of your company throughout the state have increased and are increasing, and prospects are encouraging. This is particularly true as to long-distance service to and from Detroit, where arrangements have but recently been perfected for the installation of several more copper circuits connecting with your system and other independent interests in Michigan, work upon which is now in progress.

As to conditions outside of the state, at the annual meeting of the National Association, held in Chicago in June, it was reported that the movement has made greater progress and has been more generally prosperous the past year than ever before. This induces greater confidence on the part of officers and managers of independent companies, and they are securing larger and still larger percentages of the business, so that in several states the independent service is already much the larger telephone service. Indiana, as an example, our nearest neighbour, has more than 160,000 independent telephones as compared with less than 50,000 in the other system, and in Ohio the independent companies have double the telephones that their competitor has.

The zeal and energy of the employees of your company, like the company itself, increase with the growing demands upon them. They seem endowed with the energy and progress which characterize the independent telephone movement, and strive faithfully to make the service rendered by your company as nearly perfect as possible.

E. B. FISHER,
Secretary.

GRAND RAPIDS, August 1, 1905.

The CHAIRMAN.—That is very good information.

By Mr. Macfarlane:

Q. Can you tell the Committee the source of your information as to the number of Bell telephones and the number of Independent telephones in the different states?—

Mr. J. B. WARE.

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A. In Indiana the source is the annual reports which are filed with the state by the telephone companies.

Q. Have you got access to these reports?—A. Those were made up by the Hon. S. P. Sheerin, of Indianapolis, and announced as the official statement of the Indiana telephone stations, and I have accepted his figures as correct, which I understand have never been disputed.

Mr. W. S. ALLAN—The Bell figures are wrong?—A. Less than 40,000 in Indiana? How many are there?

By Mr. Macfarlane:

Q. You say that is a state report as far as the independent companies are concerned? Is that correct?—A. Yes, sir; the Bell also makes a report there.

Q. And can you swear as a matter of fact that the number of telephones you have just given are taken from the official state report to which you had access or of which you have seen a copy?—A. No, sir; I have not seen an official report. Those figures have been published in the electrical journals over Mr. Sheerin's signature, and I thought them correct. My memory may be wrong as to the Bell Company's, but I think it is right. How many do you claim there not for record, but for information? I will accept the number suggested, 50,000 for Indiana Bell.

Q. Have you got a copy of the electrical journal or any official statement that you show?—A. I will send to the Committee a statement issued by the Indianapolis company containing that information, and if the accuracy of these figures is questioned I will procure officially a statement from the proper state officials as to the number of telephones there. I hope the figures are correct, but if they are in error, I will be very glad to correct them, because I do not want to make any mis-statement.

Q. I just wanted to be sure?—A. The figures in regard to Michigan are official figures. I took from the record at Lansing, 66,342. Those are the figures of the Bell company and the number of telephones on January 1, 1905, and the figures for the other states are figures which are supposed to be correct by the people who have collected them, and which I have believed to be correct. I will hereafter use any figures which the Bell Company will furnish as to the number of telephones they have in any one of these states. We have always been glad to accept them, if you know them and are willing to tell me. It is difficult to obtain the figures as to Bell telephones in service.

Q. I know nothing about it.

Witness was then discharged.

And the Committee then adjourned.

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