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taken every two or three years, owing to growth and extensions making different arrangements desirable.

With regard to apparatus, depreciation is also heavy, owing to its becoming obsolete. While instruments at present in service may be very satisfactory, the moment a new instrument is introduced, every one wants it, resulting either in friction with subscribers, or in acceding to their wishes as far as possible, resulting in a large amount of older apparatus being taken out of service.

Outside of Charlottetown, we have very little demand for residence telephones, the people seeming to consider the telephone an expensive luxury, although we consider our rates are reasonable.

Regarding farmers' lines, we have canvassed the most promising sections of the country, without results.

Last fall, we canvassed the 'New London' district. This district (one of the best in Prince Edward Island) is without railway facilities. We offered a circuit, consisting of three branches, totalling about 25 miles of line; also, connection with 'Kensington,' the shipping point, a place with a population of nearly 1,000 people. We also offered to provide connection with railway station, post office, doctors and any other subscribers we might get there; also, our usual discount of 20 per cent on all long-distance business sent by them, or by any one whom they might let use their telephones. They would also save all 'messenger service' charges, which they now pay when being sent for.

We were unable to close a single contract in all this territory, though some four or five people said they might take an instrument, if we got enough. Our rates quoted were \$15 per annum (best bridging 'phones, with 2,500 ohm ringers, solid back transmitters and bi-polar receivers), and we wished to secure 20 subscribers, exclusive of Kensington.

We do not find the \$15 rate profitable in rural districts. We usually have to pay a considerable amount for switching, and telephones have to be inspected three times per annum, besides when in trouble; necessitating travelling expenses, horse-hire and man's time. We sometimes have to send a man 100 miles on one trouble.

If we could get subscribers so closely located that we could afford to keep one man and an expert operator within a reasonable district, it would be better; but we have been unable to interest the rural residents so far, on our present rates basis, though we have been assured we might get a fair number at \$5 per annum.

However, every one desires to have a toll office nearby, and although we already have about 100 toll offices on Prince Edward Island, we are frequently in receipt of requests for extensions. When sufficient business can be obtained to make it pay, such offices are established. Otherwise, we cannot be expected to provide service, unless, as in the case of some points, we receive some assistance from the provincial government. We have quite a number of such toll offices, which were strongly agitated for, which only take in from \$2 to \$25 gross receipts per annum.

We inclose herewith a small map (to scale) of Prince Edward Island, showing all our toll offices and exchanges (exclusive of rural subscribers). You will note by this that Prince Edward Island is well covered by lines, many toll offices being five miles, or less, apart.

A company cannot be expected to give as cheap a service as by co-operation, for in the latter case a subscriber will do his own repairing, when he can, and put up with inconveniences and poor service, which quite naturally he will not tolerate from a company which undertakes to keep his instrument in operation.

Travelling expenses are a large item, and usually cost companies who, as the people express it, 'are well able to stand it,' high.

But there is no doubt that a company can, in the long run, give a far superior service to that which can be provided by individuals, especially when, as always occurs sooner or later, troubles crop up, or sleet, lightning, or such like things, damage the lines and instruments.