

held at Ottawa in 1905 by a special committee of the House of Commons, the matter of cost of maintenance received considerable attention and much expert evidence was tendered on this point. Mr. L. D. McFarlane, General Manager of the Bell Telephone Co. of Canada, placed the yearly depreciation at 10 per cent., while the lowest estimate, that of Mr. Mouton of the Twin City Co., was 5 per cent. The method followed by the telephone companies is, in place of allowing for depreciation in the accounts to spend out of the earnings an amount on maintenance equal to the estimated depreciation, with a reserve or contingent fund to meet special emergencies.

It is worth noting in this connection that the Bell Telephone Co., with a capital of \$12,500,000, and a bond issue of \$3,649,000, making a total capitalization of \$16,149,000, has a contingent fund amounting to \$2,150,000, and a reserve for maintenance amounting to \$982,148, or a total of \$3,132,148. This is from the last available statement, covering the year 1905.

Taking the lowest estimate of depreciation, five per cent., the Manitoba government should, in the year 1908, have expended 5 per cent. of the capital invested, or \$208,000 on maintenance. They actually expended only \$104,000, or two and a half per cent., in the year 1909, the maintenance amounting to \$173,124, which, on the capitalization of \$5,102,978 is 3.39 per cent. At five per cent., the minimum possible depreciation, the outlay for maintenance would have been \$256,250, or \$88,126 more than was actually paid out. This, which is the most favorable possible showing, shows that at least \$187,000 of the money deflected from the telephone system into the provincial treasury to be spent as ordinary revenue, should have been put back into the system to keep it up-to-date.

The actual experience of the Bell Telephone Co. indicates that the estimate of five per cent. depreciation is too low. The figures supplied the Dominion telephone committee by the Bell Telephone company showed that during the five years from 1900 to 1904, it spent on maintenance \$4,131,380 out of a total revenue of \$11,006,859, or thirty-seven and a half per cent. of the receipts. The total receipts of the Manitoba Telephone system during 1908 and 1909 amounted to \$1,537,612. If the same proportion of these receipts were devoted to maintenance as the actual experience of the Bell Telephone Co. has shown to be necessary, the outlay on this score would have been \$576,370, whereas the actual outlay was only \$273,000, or \$300,000 less than should have properly been expended on the system. These figures indicate that the system is either being allowed to deteriorate or is being maintained and the maintenance charged improperly to capital.

It is clear that the deflection of \$273,000 of telephone money into the current revenues of the province was a totally unwarranted proceeding. The money was needed for the maintenance of the system, or if not so need-