

Public Ownership of Telephones in Canada

In a very interesting paper given before the Natural Independent Telephone Association of America, Mr. Francis Dagger explained the conditions which brought about Government Ownership of the telephone systems in the three Prairie Provinces of Manitoba, Saskatchewan and Alberta. The paper partially reads as follows:

Government ownership of the telephone service in Canada is, so far, restricted to the three prairie provinces of Manitoba, Saskatchewan and Alberta. Moreover, the governments of these provinces have not hitherto insisted upon an absolute monopoly, as the following table will show:

	Saskatchewan		
	Manitoba	ewan	Alberta
Municipal	7	5	1
			(Edmonton)
Stock companies	5	304	1
Co-operative	14	42	...
Partnerships	1
Individual	7	9	...
Total systems	34	360	2
Number of stations	2,857	8,930	8,382

In order to quote accurate data and to enable fair comparisons to be made, I have been compelled to use the figures for 1913 as at this early period of the year those for 1914 are not available. I do not think, however, these later figures would have any effect upon the opinions you may form from the material I may place before you.

In order to better understand the motives which led these western provinces to adopt government ownership, it is necessary to explain the conditions which existed prior to the adoption of that policy. When the movement for government ownership started, the population of the three provinces was approximately 600,000. The telephone service outside of the cities was practically undeveloped, the Bell Telephone Company having less than 7,000 telephones, of which 4,000 were in Winnipeg. Immigration was pouring in, and business was booming, as is evidenced by the fact that the 1911 census shows a combined population of 1,324,000.

Conditions Which Brought About Government Ownership.

What more favorable conditions could exist under which to inaugurate government ownership? Here we have a new country rapidly filling up and the ground only scratched in the matter of telephone development. What more opportune moment for three progressive governments to close their door to private monopoly can be conceived? Further than this, there existed the necessity for rapid development of the service to keep pace with the growth of the country—a development which private interests were not ready to take up, for private capital had much more remunerative fields to attract it, if rates were to be kept within reasonable limits. I think, therefore, it will be admitted that these provinces did the right thing at the right time, and the results have justified that policy. The older provinces of Canada have vastly different conditions to meet and for that reason I am satisfied that the same policy would not produce the same results in their case.

Creation of the Manitoba System.

It was in January, 1906, on the motion of the late Hon. Colin H. Campbell, then attorney general, that the Manitoba legislature appointed a committee to inquire into and report regarding the various telephone systems in Manitoba and elsewhere, and to consider what changes were advisable in respect to the methods in force for furnishing telephone service to the public. They examined many official representatives of telephone systems and visited several cities in the United States. As a result of the committee's recommendation, the legislature decided that:

1. The telephone is such a public utility that it should be owned and operated as a government and municipal undertaking to serve the people as a whole and at cost.
2. That the government construct long distance lines.
3. That the local systems should be owned preferably by the municipalities.
4. That the government should build and operate the systems in Winnipeg, Brandon and Portage-la-Prairie, if those municipalities did not desire to operate their own services.

Legislation was passed giving effect to these recommendations, providing for the appointment of a commission and for the taking of a vote at the municipal elections on the question: "Shall this municipality own and operate

its own telephone?" Where this question was answered in the affirmative by 60 per cent. of the ratepayers voting, the municipality was empowered to build its own system or expropriate any locally-owned system which might be in existence, the government to guarantee the debentures issued for that purpose. The legislation further provided that where the municipality neglected to establish a local system, the residents could organize a company for that purpose.

The three months' campaign preceding the municipal elections at which this vote was taken, is a matter of history. The aggregate vote showed a majority in favor of the government's policy. In Winnipeg, the Bell stronghold, the vote carried by three to one. Accepting this verdict as a mandate from the people, the government proceeded to carry out its policy of government ownership. Contracts were let for the erection of a main central office building and the construction of an underground system in Winnipeg as a preliminary to the erection of a comprehensive long distance service throughout the province. A number of municipalities also proceeded to establish local and rural systems.

As the time approached for the completion of the Winnipeg system, the Bell company, which had hitherto refused to consider the sale of its plant, began to realize that the government was in earnest, and being confronted with a competitive war and the certainty of defeat, entered into negotiations with the government which resulted in the sale of the Bell system to the province in December, 1907, for the sum of \$3,400,000, or \$237 per telephone.

There is no doubt whatever that if the Federal Government had given the province the power to expropriate the Bell system considerably more than a million dollars would have been saved. But, having been denied that right, the government had either to buy out the Bell at the latter's own price or duplicate that system and enter upon a war of extermination which would have been costly to the province and disastrous for the Bell shareholders. It has been said that the government was too generous to the Bell company. One thing, however, may be said. It is that the action of the Manitoba government provided the speediest means of evicting private monopoly from the province, and rendered the acquisition of the Bell system in Alberta and Saskatchewan, a comparatively easy task.

Establishment of the Alberta System.

In 1905 the Bell Company had less than 850 telephones in Alberta, more than half that number being in Calgary, which among cities of equal importance held the distinction of having the most obsolete and inefficient service in Canada. In the city of Edmonton, the seat of the government, the only long distance connection was with one telephone in a public toll station, which served as the terminus of the Calgary-Edmonton line, the company refusing connection to the 400 subscribers on the municipally-owned system.

This condition of affairs prompted the Alberta government in 1906 to vote \$25,000 for the construction of a toll line from Calgary to Banff, a distance of ninety miles. This followed, in 1907, by lines from Edmonton to Lloydminster, the Saskatchewan boundary (208 miles), Wetaskawin to Daysland (68 miles), and Lacombe to Stettler (62 miles). Exchanges were also established at Vegreville, Vermillion, Lloydminster, Camrose, Daysland, Stettler and other points.

By this time the Bell company had voluntarily opened up negotiations for the sale of its plant to the province. They were finally concluded in May, 1908, by the transfer of that system in Alberta for the sum of \$675,000, or \$245.50 per telephone; this amount, as in the case of Manitoba, being very much in excess of its value.

Saskatchewan Enters Telephone Business.

Saskatchewan was the last of the three prairie provinces to take up the telephone question, but having once made up its mind, the government lost no time in putting its policy into action. In 1908 a report upon telephone conditions was submitted to the legislature and the following acts were passed:

1. The Railway and Telephone Department Act providing for the organization of a Department of Railways, Telegraphs and Telephones, with power to construct and operate telephone and telegraph systems, to acquire existing systems, and to issue 40-year debentures for that purpose, bearing interest not exceeding 4 per cent.
2. The Municipal Telephone Act, since repealed owing