

39. Then in the £2,583 have you included interest?—Yes, at $7\frac{1}{2}$ per cent. on a capital absorbed of £12,423.

40. I want to know if an estimate of £25 17s. 6d. each would cover everything till the end of the first year?—Yes; and you would have value for £20 17s. 6d. at the end of the year.

41. For which we get, how much?—£17 10s.

42. And that leaves still unpaid at the end of the first year £8 7s. 6d.?—Yes.

43. What do you charge after the first year?—£12 a year.

44. Then by the end of the second year all outlay whatever up to then would be recouped?—Yes, very nearly.

45. Then £25 17s. 6d. to the end of the first year covers the first cost, keeping in repair, and so on?—No; that is not what it actually costs. That is what we estimate it would cost a private company.

46. *Mr. Fish.*] Will you tell us, without divulging any particulars, what is the actual cost to the Government of the telephones and their erection?—The cost would average about £14 each.

47. *Hon. Mr. Dick.*] That is the actual cost to the Government?—About £14.

48. Then the expense of keeping them going and in order is about £5 a year?—Yes.

49. That makes £19, for which we get £17 10s.; that leaves £1 10s. Next year it costs us £5. That makes £6 10s.?—Yes; that £5 will not diminish. The charge for salaries will increase to some extent.

50. Suppose a man gives up his telephone, does it cost much to remove it, and take down the wires?—We take down the wire, and do not often use it again. Of course the instrument can be used again. Sometimes the wire may remain, and be continued on to another subscriber in the same direction.

51. Would the $7\frac{1}{2}$ per cent. put down for wear and tear cover the cost involved by those throwing up the connection?—Yes; I daresay it would, with what we would get for the sale of the old material.

52. Have many thrown it up so far?—Speaking roughly, perhaps half a dozen at the outside. It has been going now about eighteen months.

53. *Mr. H. Thomson.*] The first total cost being £14, two years' interest on that would be £2 2s., at $7\frac{1}{2}$ per cent. The cost of maintenance and working for the two years would be £10; that would be a total of £26 2s. You are paid for the first year £17 10s., and for the second, £12; a total of £29 10s., for what has cost you £26 2s.—a profit of £3 8s.?—Yes.

54. *Mr. Peacock.*] But I understand that you are calculating your estimates of all costs just as if it were a private individual who was doing it?—Precisely.

55. *Mr. Barron.*] I understand that to May 31, with 514 subscribers, the total cost was £12,423, say, £12,500?—Yes.

56. Well, if you were to get 25 per cent. yearly return on that outlay would that be sufficient to cover the cost of construction and working, interest, depreciation, and every other charge you could bring to bear. Would not that be a very ample return. I gather that you do not make out that to be the necessary return on your outlay?—No; 25 per cent. would just about clear our expenses. It would leave just a trifle on the right side.

57. It would be sufficient to cover the interest on first cost, depreciation, and working expenses, and all other charges, and leave a margin?—Twenty-five per cent. would leave us just about £500 a year.

58. What you may call a trade profit of £500?—Yes; that is to say, we should pay out all except about £500.

59. I am assuming £12,500 to be the total outlay, though there was not that outlay by the Government; but, taking it to be so, and making a liberal allowance for everything, 25 per cent. on that would cover all charges and leave a profit?—We put ourselves in the position of a company. A company would not do it. The Oriental Company only declared a dividend recently of 15 per cent. on the whole of its transactions.

60. In addition to the profit you have already estimated on that basis you have an additional profit of £500 if you get 25 per cent.?—Yes, I think so, according to those figures.

61. Then if you charged £7 10s. the first year you would have £4,500; that would give you 35 per cent. the first year to the number of subscribers you have?—You must recollect that as the system extends it will become more costly. Directly we get private-house subscribers they will cost far more money than commercial houses in actual outlay. In many cases we should have to carry poles and lines just to one man's door.

62. This 35 per cent., I assume to give you over 35 per cent. the first year, ought to be enough to cover any extra outlay of that kind. If you get 35 per cent. the first year you will have a very ample margin to form a reserve fund for any extra contingency such as you have mentioned. And if you got £5 the second and subsequent years you will have 25 per cent. on the cost of the system and leave you a profit?—No; I do not think so. You must understand that this £5 a year put down for maintenance is for maintenance, office rent, and all other current charges. The only thing you can throw out is rent, which would reduce the total by £400 for the four towns.

63. Well, take it another way. You said the total first cost of each was £14, and maintenance for the first year £5—that is £19?—Yes.

64. Say £20 each, and you got £5 the first year, that is 25 per cent.?—No; because you must look upon our capital as so much dead capital, and £5 a year is all we are earning, and we are spending it, and at the end of the year we are in the position of having nothing.

65. *Mr. Fish.*] You consider yourself entitled to fair interest on the actual cost and maintenance?—Yes.

66. *Mr. Barron.*] Well, you must get that £5 for maintenance back, and then, if you got £3 10s. as a return on your £14, would not that be an ample profit? That is 25 per cent.