

the slightest manner. We are only providing that all amounts that we receive shall remain in the Post Office, and that when we pay out wages and other expenses we will pay them out of the Post Office. That will naturally leave with the Post Office the surplus, if any. There will then be the amount that we have to set aside for interest, and we will pay that to the Treasury; and there will be the amount that we will have to set aside for depreciation, which we will not pay to the Treasury. In the past the amount set aside for depreciation went to the Treasury for the simple reason that we paid over all receipts to them, and only got back our outgoings. Now, with this altered system, we will pay in all the money that we receive, and pay out from our own banking account all that we have to pay out. It follows naturally that the Depreciation Account will stay in the Post Office. Our object is to set aside regularly a Depreciation Account. It has never been set aside up to date, except on paper. Now, the whole object of the Bill is only that—to provide that we will keep our own Depreciation Account, and enable us to use it in renewing our buildings and plant. I have had graphs taken out which will largely explain the position [graphs shown to the Committee]. Owing to the rapid growth of telephony our expenditure has reached a huge amount, and, as everybody knows, the life of a telephone-line is only approximately fifteen years. By that time the poles rot, and the lines have to be rebuilt. That means that up to about fifteen years the cost of renewals is going to be small, but after that period the cost for renewals is going to be huge. We must therefore set aside a percentage for depreciation. We must set aside a proper Depreciation Account, such as any business firm would do, and get ready for these big renewals.

What you propose is to set aside a sufficient amount for fifteen years to provide for those renewals?—Yes. It is proposed to set aside a proper amount for depreciation. That is the whole object of the Bill—to make us secure for the future. Whereas to-day, in 1927, our depreciation charges only amount to about £129,000, in 1940 they will be about £1,960,000 owing to the huge increase in business. Owing to the system in operation to-day the Depreciation Account stays in the Treasury, whereas it should stay in our own accounts. A simple illustration could be given in this way: This year I had to borrow from the Public Works Department £750,000 for telegraph extensions. Now, most of that is used up in renewals of plant built fifteen years ago. Had I had my Depreciation Account in the bank, which roughly runs to about £400,000, we would have had to borrow only £350,000. You will see the point when I tell you that we have to pay interest on the £750,000—and I am sorry to say that the Treasury has not been giving us interest on the £400,000.

*Mr. D. Jones.*] There is nothing like having a good Treasury?—I am not complaining about the Treasury. The Treasury has treated us handsomely in this matter. It is just the old system of imprest accounts which has been retained, and that was of no importance up to the past few years. But owing to the huge growth in our telephone business it is essential that we should set aside a proper Depreciation Account; and not merely to set it aside on paper, but to have it, so as to get rid of depreciated plant.

*Mr. Sullivan.*] You will have to make an adjustment with the Treasury?—Yes.

*Right Hon. Sir Joseph Ward.*] It will be a very interesting adjustment when it comes about?—Yes, but we are quite ready for it. I would like to make it quite clear to the Committee that I am not complaining about the Treasury at all. This is something that has only developed because of the expansion of our telephone work. You will see the huge expansion that has taken place by these diagrams [diagrams shown to Committee and explained]. Our expenditure in 1907 was £91,000, and our expenditure in 1926 was £1,025,000. It is running up so rapidly. I have also prepared a graph showing our present renewals compared with what they will be in 1940 [graph shown to Committee and explained]. The renewals in 1940 will be that huge amount [indicating].

Do you get interest upon the accumulated amount for depreciation that you have already?—Not so far.

You are supposed to get it under this Bill?—By this Bill we will retain the money, and, of course, we can then place it at interest. I think the interest on that amount to-day, if we were drawing interest upon it, would amount to something like £60,000 a year.

*Mr. A. Hamilton* (referring to diagram).] Your costs will have increased considerably during the last twenty years?—Yes. The telephone-lines run to probably 200 per cent. increased cost for copper wire, and labour has increased from 9s. to 15s. per day—roughly, 50 per cent.

There has been a great expansion in that business?—Yes. Fifteen years ago a farmer had no telephone; now every farmer wants a telephone, and every business man wants a telephone. We put in more telephones last year than we did in the previous three years combined. I may say that there has been a huge loss on the telegraphs.

Has there been a loss on the rural telephones?—Yes. None of the rural telephones are paying their way.

Was the increase cost of 200 per cent. you referred to only on the copper wire?—Yes.

What would be the increased cost on the whole lot combined?—It would be hard to say.

Would it be 100 per cent.?—More than 100 per cent.

*Mr. D. Jones.*] Copper has not been cheap for a very long time, and poles are increasing in price?—Poles will always increase in price. There has been such a huge demand for poles, not only for posts and telegraphs and telephones, but also for Power Boards.

Have you tried concrete poles?—Yes; we would not use them again.

*Right Hon. Sir Joseph Ward.*] Have you had any experiments with steel poles?—Yes, but steel poles are too expensive, and they require a tremendous amount of painting, otherwise they go at the ground-line. Wooden poles are the best of the lot. We have a lot of concrete poles in stock; we would like to sell them.

*Mr. D. Jones.*] What is the objection?—They are too expensive, and they will not bear any strain at all. They snap when the snow comes.