

*Railway Act*

priced and highly influential but in my opinion hardly objective president, has been one of complete failure in protecting the interests of the citizens of Canada. Whether you look at the failure of the regulatory commission to protect the interests of the people in respect of railway services or whether you look at its complete failure to protect the interests of the ordinary people in respect of telephone rates, it is a history and a record of complete failure.

I have said on another occasion, and I repeat it, that the office of the Board of Transport Commissioners and the office of the Canadian Transport Commission might just as well be at the head office of the CPR or Bell Telephone because that Board has never done very much to protect the interests of the ordinary people. The Board of Transport Commissioners and the Canadian Transport Commission have been given, by government legislation, the task of making sure the interest of the public are protected on matters of rates and service. They are quasi-judicial bodies, but there is no evidence at all that they have really protected the rights of the people they are supposed to protect. Unlike regulatory bodies of a comparable nature in other countries which vigorously dig out the facts regarding the financial positions of public utilities, the Canadian agencies have played the very passive role of merely assessing the information submitted to them in the hearings which they hold on very rare occasions. The result has been a most uneven contest with organizations, such as the Canadian Association of Mayors and Reeves, having to pass the hat around to collect a few tens of thousands of dollars from their already strapped budgets trying to get the expert advice needed to counter the fantastic ability of Bell of Canada and, I submit now, of CN-CP Telecommunications to hire the best people to present their case.

● (4:20 p.m.)

It should be acknowledged that as a result of reconstituting the old Board of Transport Commissioners into the new Canadian Transport Commission, the CTC is now empowered to dig out the facts in the manner traditionally adopted by the U.S. regulatory bodies. However, there is no evidence that it has in fact done anything more than the old Board of Transport Commissioners. Every year, following rulings by the former board which entitled Bell to a certain rate of profit on its investment, Bell exceeded the level of earnings permitted by the Board of Transport

Commissioners. From 1958 into the middle of the 1960's Bell's excess profits which were extracted, I submit, illegally and in violation of the Board of Transport Commissioners own rulings, amounted to some \$37 million. When you consider that this amount remained after Bell paid the 50 per cent corporation tax, it is obvious that Bell extracted in that period, I submit illegally, about \$75 million from the telephone users.

In 1964, the Board again reviewed the situation, but all it did was to permit Bell to continue legally to make the rate of profit over and above what had been permitted in the earlier rulings. This profit amounted to about 6.6 per cent, despite the earlier ruling of the Board of Transport Commissioners which permitted the Company to make a much lower rate of profit. Bell's defiance of the Board of Transport Commissioners continued into the period when parliament changed the set-up and established the Canadian Transport Commission with Mr. Pickersgill as its president. In its first full year of earnings after the 1966 ruling, Bell's profit levels were in the range of 6.7 per cent and 6.8 per cent. At that point the CTC stirred itself, and asked Bell what proposals for rate decreases it had in view of its excess earnings. Bell argued that because of the sharp rise in interest rates and increase in construction costs, their excessive profits were justified. The CTC like the Board of Transport Commissioners before it, accepted this explanation and agreed to tolerate profit levels in excess of the maximum which they had fixed in their own ruling a year earlier.

With that encouragement, Bell of Canada came back to the CTC and asked for new permissive rates of 8 or 9 per cent return on total average investment. To achieve this, Bell requested a general rate rise which would add 10 per cent or about \$83 million to their revenues. These increases would have meant 40 cents to 70 cents a month increase for home telephones and approximately \$1.30 to \$2.95 for business telephones.

The CTC seemed to reject the Bell application but in fact, using a slightly different formula, it permitted Bell increases estimated to amount to \$27 million a year. I submit, on the basis of past experience with Bell's calculations which have always erred on the side of conservatism when it suited Bell, that the rate increase which the CTC permitted, we will find, will not come to \$27 million a year but probably to something in the neighbourhood of \$35 million to \$40 million a year. In making this decision, the CTC ignored Bell's