

see how you can distinguish between the money already in the company and the \$5,000,000 odd which may come into the company in the period between 1941 and 1946. I would suggest that it could not be regarded as money that was not entitled to earn a return.

Mr. LOCKHART: Before you complete that, Mr. Howe, may I say that I am guided largely by your experience in many of these matters. This company is asking for an increase of capital structure or authorization, at least, that will ultimately result in the issuing of stock of this company. It is recognized, I think, in Canada that an abnormal situation has arisen; I take that from Mr. Howe's statement. After the recession comes—or at least when this abnormal condition ceases, would it be fair to put on the established users of the telephone in any section of the country the cost of an increased capitalization and issued capital? Would it not be fair to issue—as this company has recently done, I am informed—short term bonds to meet a situation of this kind and retire those bonds out of the present increased revenue and not load them upon the established customers in any telephone community? I am just asking if that is not a reasonable thing to do in a situation of this kind. Would your experience not lead you to say that would be reasonable?

Hon. Mr. HOWE: I might say that all telephone companies apply to parliament from time to time for increases in capitalization; and all the companies, I think, are enlarging their investments to meet the present day conditions. It just so happens that this company happened to enter the war without anything in reserve for authorized expansion of capital. As I said before, I do not think it follows that if they extend their services to meet war needs, those charges will be put back on the customers. I was pointing to 1929 when there was a very great expansion in business in this country. All the telephone companies raised additional money to provide facilities to meet the expansion of that day; and as I said, in 1933 and 1934 they all cut their dividends because their earnings would not carry the investment they had at that time. Since then business has built up again and the dividends have been restored. I think that may happen after the war, but I do not think that a drop in business would be a reason for the Board of Transport Commissioners to authorize an increase in rates. I do not think that would be recognized as a reason to increase rates.

Mr. LOCKHART: May I follow that up and complete it, Mr. Howe, dovetailing into my desire for information? Is it not true, Mr. Hamilton, that your company issued some short term bonds at four and a half per cent? I am so informed by people living out there; I have close relatives in your city. Was that not done within recent years? And then could that not be done now to meet this present situation without loading an issue of capital back on the subscribers that may be two or three years hence?

Mr. HAMILTON: In a company such as this, you must have a reasonably balanced structure. In other words, you cannot issue bonds beyond a certain reasonable limit.

Mr. LOCKHART: Have you retired any of the previous recent issue?

Mr. HAMILTON: We had retired other issues because we got a better deal for the company on current issues. We took advantage of that for the past number of years because we found that we could get cheaper money to the advantage of the company.

Mr. LOCKHART: You could still get cheaper money now, could you not?

Mr. HAMILTON: We probably could get cheaper money now, yes.

Mr. LOCKHART: Do you not consider that would be a feasible way of financing this situation? Would you answer that?

Mr. HAMILTON: You cannot issue bonds and mortgage your property beyond a certain point.