

Bell Canada

after its present authorization has run out, than the present charter will permit.

The Bell Canada group of companies employs some 80,000 people. Among these are 48,000 employees who operate the Bell system proper, the telephone system, in virtually all the communities of central Canada. A further 24,000 employees work for Northern Telecom, a subsidiary of Bell Canada. This company is the largest manufacturer of telecommunications equipment in Canada; it is a manufacturing company. A further 1,800 highly trained, skilled and scientific personnel work for a combination of Bell and Northern Telecom, a company known as Bell Northern Research Limited, which is Canada's largest industrial research and development organization.

These two companies which combine in the research and development organization have taken Canada to the forefront of the world in telecommunications technology. The integration of research with the manufacturing and the operational service section of the Bell family makes this an industrial organization which is one of the strongest in Canada. It is a model of industrial organization, and in turn it helps the telephone company to provide its telephone subscribers with economical and high-quality services.

Bell Canada's special act, which we are now proposing to amend by the bill before us, has been amended 12 times in almost 100 years by private bills not unlike that which is before us. These amendments have authorized additional share capital for the company's operations, and have kept the company's powers up to date. This bill is another in that series. In addition to those purposes, the bill proposes an alternative method for altering the company's powers, objects and share capital in the future.

As hon. members know, Bell Canada is subject to regulation by a regulatory commission which we know as the CRTC, with respect to the rates it charges its subscribers and the issuance of its capital stock.

The first objective of the bill—and there are four to which I would like to refer—is to increase the present ceiling on share capital, a ceiling provided by specific, special legislation of parliament. The ceiling was set at \$1.75 billion share capital. This bill would increase that level to \$5 billion. The request for an increase is prompted by the need to finance part of the huge capital expenditures program facing Bell. This program is expected to cost \$15 billion over the next decade in order to expand services and facilities. The company provides its capital expenditures through three basic sources: internally-generated revenues, borrowings on the debt market through bonds and, finally, the method that is subject to approval by this House, namely, issuing common shares to tens of thousands of Canadians who invest in the company.

The second principal objective of the bill is to provide greater financial flexibility to this company in keeping with changes in the economy and in capital markets. I will not spend much time on those changes, but I might just say that presently, through this special act—which is subject to our decisions—the company can issue common shares at the par

[Mr. O'Connell.]

value of only \$25. It cannot split its shares—splitting shares is a common practice as the value of shares rises, in order to enable companies to reach more shareholders with smaller amounts to invest—nor can it borrow under the authority of a general borrowing by-law. I do not think these are controversial provisions, but I am bold enough to suggest that they will not be in the charter unless we put them there. I simply will draw them to the attention of my colleagues and suggest they are in there for greater flexibility. Among the amendments included in the flexibility ones is a set to which I would draw your attention, for provision to enable Bell Canada in the future, if we approve, to issue stock without the prior approval of the CRTC, the regulatory commission. Currently we authorize the ceiling of, say, \$5 billion in shares and then when the company wishes a share issue of \$100 million, say, it must go to the CRTC and it must do this with respect to each issue. There is a certain irrelevance in respect of that today, as I outlined in my speech to the House on January 27 this year.

● (1712)

There is also the question of timing of a share issue and the difficulties faced by underwriters if they are going to make a commitment to underwrite the shares and then be delayed by a hearing.

The third aim of the bill is to modernize the corporate powers of the company. This is an important section, incorporating into its charter Section 16 of the Canada Corporations Act. The amendment, as proposed, would achieve the object of clarifying the existing, ancillary and incidental powers of Bell Canada and of broadening the existing, ancillary and incidental powers. For example, if adopted it would allow the company to invest in other companies having objectives in whole or in part similar to those of Bell Canada. It would also enable Bell Canada to implement government policy regarding provision of computer services by communication carriers through separate, arm's length affiliates.

The application of Section 16 to the company would place it on the same level as most other companies which can carry out their objectives in the most appropriate manner without being hampered by the constraints which presently preclude Bell Canada, except in limited instances, from incorporating or acquiring subsidiaries to perform activities it could undertake itself.

The last purpose of the bill is to authorize the company to alter its objectives, its power and its share capital in the future by applying for letters patent, that is to say, by making an application to the Minister of Consumer and Corporate Affairs (Mr. Allmand), who is the registrar general for patent purposes. Such a request would be holding the company still in parliament through a different technique than a private bill, in that the letters patent, if granted by the registrar general, would be subject to being nullified by either House of parliament during a period of 30 sitting days following their tabling in parliament. This is known as the negative resolution procedure found in the Telesat Canada Act and found in another version in the income tax conventions legislation.