

*Private Bills*

of transport commissioners of this government asking them for a formal announcement regarding the rate increase that the Bell Telephone was seeking, as it was stated that a hearing was about to be held. You will be very interested, Mr. Chairman, in the reply which I received from the board under date October 28, a letter signed by Mr. C. W. Rump, secretary. The upshot of this letter, which runs to three pages with appendices attached, is very interesting. Mr. Rump tells me that the Bell Telephone Company has not asked for an increase in rates. He simply says it automatically gets an increase in rates. So you can see, Mr. Chairman, that the board of transport commissioners is taking very good care of one of the organizations placed under their control. The three page letter advises us that as the number of telephones in an exchange area increases or decreases, the board of transport commissioners requires that the rates go up as the number increases in view of the increased service which becomes available, and that the rates go down in an area where the number of telephones decreases. One of the interesting statements in this letter is as follows:

The grouping of local exchange service for rate-making purposes is designed to recognize the varying value of service as between exchanges of different size and the factor of increased expenses associated with increases in the size of exchange areas. Growth of telephone service within a particular exchange area not only increases the range of calling available to customers but also increases the cost of furnishing service as a result of the necessity of interconnecting all customers within the exchange area.

You will be interested to know, Mr. Chairman, that in this letter the board has sent me, every single one of the ten applications pointed out there were now more telephones in the area concerned than there were before, and all have been authorized to move up to a higher rate grouping. Arthur, Ontario, for instance, moves up from group 2 to group 3. Cardinal, Ontario, moves up from group 2 to group 3 and Grand Remous, Quebec, from group 4 to group 5. Kitchener-Waterloo goes up from group 7 to group 8 and Victoria, Ontario, goes up from group 6 to group 7. St. Remi, Quebec, went up from group 3 to group 4. It is very interesting to note that the Bell does not even ask for a rate increase for its phone service. They have the board of transport commissioners hogtied to the point that the commissioners have established a table which gives the Bell Telephone Company the right to increase its rates every six months if a survey of the number of phones

in operation in a given area proves that the number has gone up.

You may remember, Mr. Chairman, that several members of the railway committee last July, when the Bell Telephone Company officials were before it, asked whether it was not correct that as the number of telephones went up the rate to the individual subscriber might go down, on the mistaken belief that the larger the sales the lower the unit price. We were given the very smiling answer that as the number of telephones went up, of course the rate went up because you were able to talk to more people.

When we pressed the officials of the Bell Telephone Company on that point, we were advised that the cost of servicing an increased number of telephones was astronomical. I was advised that it took one telephone line to connect one phone to another. If there are three phones it took three telephone lines, and as the number of telephones increased the cost of putting up the lines greatly increased. As reported at page 429 of the committee report for Tuesday, July 7 last, Mr. Scrivener said:

The economics of communications are such that every user must be interconnected with every other user. If you have two telephones, it takes one line to connect them.

I thanked him for the information and then he went on:

If you have three telephones, then it takes three lines to interconnect them. The more telephones you have, the more complex are the interconnections in order to permit each telephone user to speak to the other. This involves us in the complexity of a metropolitan area like Ottawa, Montreal or Toronto as opposed to a small rural community where there are a few telephones and where a simple switchboard will interconnect them. Therefore, with telephone service, the cost of providing it tends to be upward as you increase the complexity of the interconnection.

We should like to see a reference to the Supreme Court of Canada for a hearing with regard to the interconnections between the Northern Electric Company and the Bell Telephone Company, as there are many questions about the Bell Telephone Company to which the board of transport commissioners is either unwilling or unable to secure the answers. I sincerely believe that if we had as members of the increased board of directors people suggested by the hon. member for Lapointe and the hon. member for Roberval we would get some of these answers in a hurry.

In connection with the July 31, 1964 mailing of dividend cheques to the shareholders of the Bell Telephone Company they had a very nice piece of puffery regarding how