

Mr. HOWDEN: The witness made a statement which to me was very interesting, namely, that the greater number of telephones the dearer the cost. I should like to have that definitely settled.

Hon. Mr. HOWE: I have been following telephone matters as the Minister of Transport for some years, and I think it is a basic fact that the larger the exchange the greater the cost for individual telephones.

Mr. McCULLOCH: That is the same thing with every telephone company?

Hon. Mr. HOWE: Yes; it is the same with every telephone company.

Mr. O'NEILL: Does it give a fair picture to say that to extend the service to 5,000 new telephones would cost \$1,200,000 more?

Hon. Mr. HOWE: I am not an expert on dollars and cents, but I was just stating a principle that I have heard expressed so often before the Board of Transport Commissioners.

Mr. HAMILTON: If I may answer your question, Mr. O'Neill, when we extend our service, say, in this current year, the existing rates and charges are supposed to take care of all operating costs and everything associated with the increased service. You were asking about an increase of 5,000 telephones. If we increased the number to 5,000 telephones, we are not just putting out a plant or facilities for 5,000 telephones unless there is a demand for the service that will give us the necessary return in the authorized rates and charges; so that any additional capital expenditure will carry itself to-day under the present rates and charges. I say to-day.

Mr. CRUICKSHANK: May I ask a question, Mr. Chairman? I would like that repeated, because I happen to be a member from British Columbia, and in case you do not know it, I am from a rural district. I pay \$4 for my telephone, but that is not the question. If I understood Major Hamilton correctly, he said the increase in capital would not and should not be considered to have any connection with rates. Am I correct in your statement, Major Hamilton?

Mr. HAMILTON: I said that at the present time, under present conditions, with the extension of our facilities to meet the public demand, the revenue derived from the rates and charges as now authorized should now be sufficient to cover all costs involved by the public demand. I say at the present time. I do not know what the conditions are going to be five years or ten years or twenty years from now.

Mr. CRUICKSHANK: I should like to ask another question. If the present rates under the present capital set-up are sufficient, I would like a clearer definition of why you say "at the present time"? If they are sufficient, as I see it now, why do you say "at the present time"?

Mr. HAMILTON: Five or ten years from now the costs of operation beyond the control of the company may be such that the rates and charges now in effect would not be sufficient to meet the costs of carrying on. Wage costs may go up; material costs may go up, and a piece of plant that you can put in to-day for \$100 might cost \$200 ten years from now. Supposing the operating cost of a particular unit to-day was \$100; for reasons beyond our control it might cost \$200 five or ten years from now. The question then is, are the current rates, under current conditions, sufficient to meet the requirements of the company?

Mr. MACINNIS: Mr. Chairman, as far as the bill now before us is concerned, I think Major Hamilton gave an undertaking in writing to the city of Vancouver that the increase in capital authorized at this time would not be used as a basis for an advance in the present rates?

Mr. HAMILTON: Yes.

Mr. MACINNIS: That is quite definite?

Mr. HAMILTON: The increase in the authorized—