

Mr. WINCH: Might I direct another question to Mr. Farrell. We all appreciate the great expansion which has to be undertaken in the immediate future in British Columbia. I take it as being an established fact that within that expansion the company wants to be able to do it at as reasonable a price as possible. I was intrigued by Mr. Farrell's statement that the Anglo-Canadian Company have a wholly owned subsidiary and that subsidiary is the purchasing agent of the British Columbia Telephone Company. That intrigues me, and I would like to know if that is a normal procedure and if by going through another company such as the Anglo-Canadian, which owns a big share of the British Columbia Telephone Company, does that not bring up the cost of equipment when it reaches your company. I assume this subsidiary buys on the wholesale market and is not selling to you at the same price and therefore there is an intermediary which must increase the cost of the material you have to purchase. Would you explain and clarify that situation and tell us why that system is followed and why you do not buy direct or through your own agent in your own company. On the same point, when a telephone of the British Columbia Telephone Company is taken out of a house does it go back to the British Columbia Telephone Company or does it go back to the subsidiary or sold to the subsidiary and resold to your company and if so on what basis?

Mr. FARRELL: I would be very pleased to answer it, but Mr. Pipes perhaps is in a better position to answer it. However, you have asked a lot of questions there.

Mr. WINCH: It boils down to only two and it is a clarification of a unique situation.

Mr. FARRELL: It is not unique at all; it is very practical.

Mr. PIPES: The Canadian British Columbia Telephone Company was formed many years ago when there were five associated companies in British Columbia. Three of those have since been acquired by British Columbia Telephone Company and the company serves the purpose of purchasing agent of materials for these various companies, does the installation of our central office equipment and also the repair work on our central office equipment. They act as our agents and receive a small commission for their services. The prices of the purchases are the prices charged by the manufacturer of the product to us. There is no added price. They are just a purchasing agent for us.

Mr. WINCH: Is there a commission on the cost of the material they purchase and install for you?

Mr. PIPES: The commission runs from three-quarters of 1 per cent to three-eighths of 1 per cent, depending on the equipment. If it is a completely automatic installation in a large office the rate is three-eighths of 1 per cent, and for other types of equipment it is three-quarters of 1 per cent. They buy in the order of \$30 million worth of material. I am guessing at that figure. In the order of \$9 million comes from what you might say is an associated manufacturing firm, the Automatic Electric. The balance of the equipment is purchased from other various telephone manufacturers in Canada, and other types of equipment, such as poles and hardware which represents some 60 odd per cent, comes from other sources. They act as our purchasing agent and they obtain the best price for us. For that service they get three-quarters of 1 per cent. It is not an unusual practice. You will find it is not an exceptionally high charge.

Mr. WINCH: Do you sell back that equipment?