That also involves the installation of new automatic exchanges to replace hand exchanges. The report goes on:

All areas have been affected by this growth which has required extensive program for local outside plant and long distance facilities.

The rural areas of British Columbia have also shown a very marked growth. With the taking over of the Government Telephone and Telegraph Service, the expansion of facilities has been necessary in a widespread territory. This has required considerable additions to outside plant and the provision of new central offices, as well as the extension of existing ones.

The company's program to meet the demands for service requires heavy capital expenditures and the 1957 gross expenditure involves more than $40 million and represents the largest construction year in its history. The construction projects planned for the three years ending 1959 will amount to approximately $150 million . . .

It will be noted that there remains a margin of $13,500,000—

That is on the allowance of capital that was voted by this Parliament the last time.

—between the company's issued capital and the limit of capital stock presently authorized by the company's charter and amendments thereto.

In view of the expansion program which the company is about to undertake in the next few years, this margin will be quickly taken up—

I suspected that it would have been taken up already.

—and further issues of capital stock will have to be made in order to keep the overall capital structure of the company in balance. It has, therefore, become evident that the present limit of $75 million must be increased, and in view of the continuing expanding economy in British Columbia with which the British Columbia Telephone Company must keep abreast, the Parliament of Canada is requested to increase the authorized capital stock of the company to $250 million.

Honourable senators, I should point out that all the money is not raised by the issue of stock. There are two classifications, with which honourable senators are familiar, by which money is raised. First, what is called the equity, which is the investment in shares; and, second, the debt, which is met by bonds. It is necessary to keep a reasonable balance between the two. If I may repeat myself, the present balance, I think, is a little out of bounds. The equity today is 46.3, and the debt ratio is 53.7. If the requested increase in capital or some of it is not authorized the company will not be able to borrow another dollar, because the debt ratio here already is more than 50 per cent, in fact, quite a bit more.

Honourable senators, to the best of my ability I have expressed to you the requirements of this company. I speak not only for the company, but more earnestly for the citizens of the province of British Columbia. In modern times no progress can be made in industry, farming or any other field without a first-class telephone service. There has been criticism of this company in the past, and some of it was justified; some of it arose by reason of the fact that there are always some people who like to find fault. However, that has died down considerably, and I think that the British Columbia Telephone Company is giving as good a service as any company in Canada. Its ambition at this time is to march hand in hand with others in the great prosperity looked for in the future of this country.

Hon. Mr. Méthot: Am I to understand that if a contract or agreement is made for the sale of stock it would have to be approved by the Board of Transport Commissioners?

Hon. Mr. Farris: I think I read the section, did I not?

Hon. Mr. Méthot: I was only wondering if any agreement for the sale of the stock must be approved, just the same as any other operation.

Hon. Mr. Farris: Section 2 of the bill says:

The company shall not have power to make any issue, sale or other disposition of its capital stock, or any part thereof, without first obtaining the approval of the Board of Transport Commissioners for Canada . . .

Hon. Mr. Lambert: Am I also correct in assuming that the rates and charges of the telephone company are subject to the approval of the Board of Transport Commissioners?

Hon. Mr. Farris: They certainly are.

Hon. Mr. Connolly (Ottawa West): Honourable senators, perhaps this question might remain for the committee, but I did not catch it, or was not paying attention and missed it. I would like to know if the honourable gentleman can say where the equity is held now. Is this stock held in Canada?

Hon. Mr. Farris: I cannot give my friend the details, but the whole policy of the company recently has been to sell its stock in Canada, and that has very materially changed the relationship of Canada and the United States in that connection. Whether or not we have the entire majority at this time, I do not know, but that has been the policy, and as far as I know it will be continued.

Hon. Mr. Isnor: May I ask a further question? I understand the Bell Telephone Company and perhaps other Canadian companies have associations with the American Telephone and Telegraph Company for overseas service. Has any similar arrangement been made with the British Columbia Telephone Company for overseas service?

Hon. Mr. Farris: I am sorry I cannot answer that question; I do not know.

The motion was agreed to, and the bill was read the second time.