

will be no extension. But on the other hand, if this war goes on for a number of years and the value of the dollar is reduced to say fifty cents there might be the necessity for an increase in telephone rates as there would be in everything else, and in that case I think that the board, or whoever would authorize increased rates then, would find it necessary to look at the total capital of the company rather than to differentiate and say that part of the capital is one position and part has certain restrictions put on it by this committee.

Mr. Ross (*Souris*): Earlier this morning Mr. Ross of Calgary made a statement before this committee which I find rather difficult to understand. He said that an increase in the number of telephone services would mean an increase in rates. How would you explain that?

Hon. Mr. Howe: I think the result of general practice shows that the telephone rates of a small city or area are usually lower than are the telephone rates in a large city, for the reason that the central equipment is less involved. For instance, the rates in Toronto are higher than they are in Ottawa; and Montreal I understand is higher than Toronto. As the service to the subscriber increases there is a corresponding increase in telephone cost. Where you have to service a city of 100,000 subscribers it is a more expensive proposition because of the type of equipment involved than would be the case where you had to service a unit of 25,000 subscribers. I have been told repeatedly, and I think it is an accepted fact, that to service a city of 100,000, to provide switchboard facilities for that is much more expensive than would be the cost of providing switchboard facilities and associated equipment for the city of 25,000. Major Hamilton can correct me on that if I am wrong.

Mr. DUPUIS: Mr. Chairman, there is another factor involved there and that is the factor of revenue which increases with the increase in subscribers. Is that factor taken into consideration in the statement which Mr. Howe has just made?

Hon. Mr. Howe: Yes. I am told that the cost of servicing 100,000 'phones per 'phone is higher than the cost of servicing 25,000.

Mr. CRUICKSHANK: Do you believe that to be correct?

Hon. Mr. Howe: Yes, I believe that to be correct. You must have a more elaborate installation to service 100,000 telephones than you would require to service a smaller unit.

Mr. CRUICKSHANK: Well, might I ask a question then: Would it cost more to service a telephone system for we will say 100 farmers living within a area of one mile—am I to understand you to say that it would cost more to serve 100 farmers living in an area of one mile than it would say 100 people living in one block in this city?

Hon. Mr. Howe: You mean, compare 100 people living in say, this block, this building, with 100 people living in larger area—

Mr. CRUICKSHANK: That has nothing to do with the question at all; that is, facilities provided for a greater volume might work out the other way—with all due respect to you, sir, nobody can tell me that it is cheaper to supply 100 people spread over a great area than it would be to supply 100 people who are in just one building. I do not believe that. Nobody can tell me that that is so.

Hon. Mr. Howe: I beg leave to disagree with you.

The ACTING CHAIRMAN: Have you any other questions?

Mr. GREEN: The minister made one statement and I would like to ask him a question in connection with it. I think it cannot be denied that a very large proportion of the capital that will be expended will really be used for war purposes; in other words, it is not for the citizens of Vancouver or Victoria