Corporation Finance

Bell Telephone Company is Making Application for Higher Rates—New Schedule, if it Comes Into Force, will Affect Business Houses Chiefly—Company will be Strongly Opposed from that End—Wage Increase for Montreal Tramways Employees—Lake Superior Corporation had Satisfactory Year

Montreal Tramways Co.—The strike which has been threatening the company for the past two weeks is definitely off. On August 15th, employees, by a majority of 1,152, decided to accept the award of the Board of Conciliation. The new contract is until June 30th, 1921, and is retroactive to July 1st, 1920. It is quite clear that the union will make a further demand for increases toward the close of the present year's contract. They will now receive 45, 50 and 55 cents an hour for the first, second and third year men, respectively.

The increase to the men means an additional $800,000 added to the wage bill of the Montreal Tramways Co., which will in consequence within a short time make application to the Montreal Tramways Commission for an increase in fares so that this additional amount may be met.

Twin City Rapid Transit Co.—A comparative income statement of the company for June, 1920, shows the following results:—

	1920.	1919.
Total railway operating income	$996,120	$923,672
Total railway operating expenses and taxes	768,547	680,019
Operating income	$227,573	$243,653
Total non-operating income	2,643	1,181
Gross income	$230,216	$244,834
Interest on funded debt, etc.	90,453	91,906
Net income	$139,763	$152,929

Lake Superior Corporation.—At a meeting of the board of directors of the corporation in New York on August 14th, annual operating reports of subsidiary companies were submitted and approved. The directors declared the payment of 5 per cent. interest on the outstanding income bonds of the company.

Commenting on the past year's operation, President Cunningham said that a full detailed report would shortly be published and forwarded to the stockholders, showing a most satisfactory operation of the steel plants under the very trying conditions that existed throughout the year. The steel company's earnings, after all interest charges, but before reserve for general depreciation, were $2,591,183, the net balance carried forward amounting to $1,570,314, making the total surplus at close of year $2,793,444, subject to taxes. The future held out encouraging outlook for steel operations during the present year. Coal and ore receipts to carry over winter months' operations were substantially assured by heavy arrivals in the past and present months.

Bell Telephone Co. of Canada.—Particulars of the application it is making to the Dominion Board of Railway Commissioners have been announced by the company. The company asks, if its application is endorsed by the board, that the new schedule of tolls be effective from September 16th, 1920. In a statement issued by the company it is shown that the estimated annual revenue will be increased by $4,571,815. Although an increase of 10 per cent. was granted by the Railway Commissioners on May 19th, 1919, on all tolls, rates and charges for exchange service, it has been found that the cost of labor and materials have advanced so rapidly that the additional revenue made possible at that time is not now sufficient for the company to carry on its business. In a statement based on the months of May and June, it is claimed that the annual revenue from all sources is $16,583,367, while the expenses of operation, maintenance, depreciation and taxes total $16,468,450. The net telephone revenue of $113,916, when compared with the valuation of the company's property of $55,025,342, is a rate of return of but .207 per cent. annually. The cost of materials is shown to have increased by 16.53 per cent.

The company, in presenting its case, states:—

"Owing to the increasing demand for telephone service in the territory served by the applicant it is essential, in order to maintain the service, that the applicant provide additional facilities and extend its present plant from time to time. In order to provide for this the applicant must arrange for further financing upon a large scale.

"The necessary moneys to meet this expenditure and for the applicant's operations cannot be raised unless the applicant is authorized to charge rates sufficient to provide a reasonable return upon the applicant's investment. In view of the cost of raising the necessary additional capital for the extension of the applicant's business in order to meet the continually growing demands for telephone service, the applicant submits that reasonable rates for telephone service should be such as to provide a return of at least 8 per cent. upon the value of the telephone property used in the service.

"The applicant has given careful consideration to the method by which the necessary additional revenue should be secured, and has revised its present rate for exchange telephone service and charges incidental thereto and its long distance and other tolls in such a manner as fairly to distribute the rates among the users of the applicant's service, as well as to permit a wider distribution of service by providing additional classes of service. The applicant has also endeavored in revising its rates to conform to the opinions expressed by the board upon the previous hearing by removing the discrimination in rates between different exchange areas which was the subject of criticism at the previous hearing. The applicant submits for the approval of the board changes in the following:—

(a) The tariff of rates for exchange service.

(b) The tariff of tolls for long distance service.

(c) The tariff of tolls for miscellaneous equipment and services.

(d) The tariff of tolls for private branch exchange service, and

(e) A charge to be known as 'Service Connection Charge.'"

The New Schedule

The company requests that the schedule of tolls for exchange service be changed so that the tolls be assessed according to the population of the various municipalities in which the stations are located. These are divided into seven classes, which, with the corresponding rates, are as follows:—

Group 1—Comprising stations having in excess of 70,000 stations and 400,000 population. The charge per individual phone for 100 messages per month to be $5 and each additional message to be charged 4 cents. The flat rate for residences would be $4 per month for individual lines and $3 for two-party lines.

Group 2 comprises 10,000 to 35,000 stations, and 100,000 to 150,000 population. This is made up of Ottawa, Hamilton and Quebec, and the business monthly rate (100 messages) are $4.50, with 3 cents for additional messages; and residence, $3.50 and $2.75.

Group 3, 5,000 to 9,000 stations and 40,000 to 60,000 population, includes London and Windsor, with flat rates for business phones $4.75 and $4, and residence $3 and $2.50. Group 4 includes 2,000 to 5,000 stations, 15,000 to 35,000 population, with rates at $4 and $3.25, and $2.75 and $2.25; Group 5, 900 to 2,000 stations, 8,000 to 25,000 population, with rates $3.50 and $2.75, and $2.50 and $2; Group 6, 400 to 900 stations, 3,500 to 18,000 population, at $3 and $2.50, and $2.25 and $1.75; Group 7, generally less than 400 sta-