

conditions, time to carry out. Projects of this nature often require from 18 to 24 months to bring to completion and put the facilities into service.

The planning of such projects necessarily involves the estimation of the probable future demand and requirements so that provision may be made for future development in carrying out the works and the benefit of the economic advantages of so doing may be had. It is therefore necessary to plan projects of this nature extending some years into the future.

In a situation of this kind, it is essential that the petitioner be in a position where it can see its way to finance such projects, because in a continuous construction program of the magnitude of that in which the petitioner is engaged, and has been engaged since the end of the war.

It is almost continuously committed to spend upwards of \$150,000,000, which involves serious risks.

Having regard to the nature of the service the petitioner furnishes and to its position with relation to the Canadian economy, in the petitioner's humble submission it is unthinkable that it should let itself, or be permitted, to run out of authorized capital required for providing and extending its essential service to the people of Canada.

While authority is sought for a substantial increase in capital stock—\$500,000,000—the construction program with which the petitioner is now faced requires substantial expenditures. In the next five years, 1958-62, the petitioner plans to spend an estimated \$962,000,000 on construction, that money is going to be spent broadly as follows:

Right of Way	\$ 1,000,000
Land and Buildings	66,000,000
Central Office Equipment	339,000,000
Station Equipment	236,000,000
Outside Plant	281,000,000
General Equipment	39,000,000
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	\$962,000,000

By years, this works out at

\$191,000,000 in 1958—	increase in telephones of 234,000
204,000,000 in 1959—	increase in telephones of 229,000
197,000,000 in 1960—	increase in telephones of 226,000
189,000,000 in 1961—	increase in telephones of 226,000
181,000,000 in 1962—	increase in telephones of 228,000

So, in that period, the number of telephones in service is expected to rise from this present 2,980,000 to something in the neighbourhood of 4,123,000 telephones in service.

This basic five-year plan is the result of estimates which are necessarily based on present views of industrial activity, business prospects and the progress of Canada during that period. This estimate of \$962,000,000 is based on continuous development studies and is the best estimate the petitioner can make in the light of those studies.

It is not intended to imply that all of this vast sum of \$962,000,000 is to be raised through the issue of capital stock. A substantial portion of it will be obtained through borrowings and other available resources of the petitioner, such as depreciation and such like, which will be used and invested in the plant to be constructed.

Taking these internal resources into account, the petitioner will require more than \$120,000,000 of new investor capital to finance its construction program for the year 1958.

Applying the 40 per cent debt ratio, which the Board of Transport Commissioners has laid down as being reasonable for the company, it means that for the year 1958 we must raise something in the neighbourhood of \$72 million by the issue of capital stock, and the rest by bonds.