

Q. Is not that cheaper than your dividend ratio?—A. Generally speaking, up to a point borrowing is cheaper than issuing equity capital but if you borrow too much then the cost of your borrowing goes up and so does the cost of your equity capital, or else you cannot sell your equity capital.

Q. So you bring it up to an equalization and that is when you start again on your capital?—A. Equalization is to try to adhere to this 40 per cent debt ratio which the Board of Transport Commissioners, after thorough investigation, has set as reasonable for our company. There are few companies having to raise as much capital as we have to raise.

Q. You are still borrowing 5¼ per cent?—A. The last issue was 5¼.

Q. I understand from the government the interest rates are going down?—A. Maybe they are going down, but we have to judge what the money market is at the time we need the money. The British Columbia Telephone Company are paying 5¾ per cent on the \$10 million they are now offering.

By Mr. Lewry:

Q. I did want to bring here the statement carried in last night's Ottawa Journal of the evidence before the Board of Transport Commissioners stating that Mr. Hirsch, from Washington, advised that the company could finance expansion projects more cheaply by bond instead of stock issues. He said the amount of company debt in bonds should be increased from 36 per cent to between 45 and 50 per cent. He also said the company could safely carry more long-term debt and this would enable it to finance at a lower cost than through stocks and said that the Bell can carry as much, if not more, long-term debt than leading electric utilities.

I believe Mr. Munnoch has partially answered it. Why does Bell not finance on bond issues in this case? With the threat—I do not mean it from Mr. Munnoch's point of view—of increasing unemployment if this bill does not go through. Could not that be overcome if, in this case, a bond issue was made to take care of this needed expansion?—A. First let me say we are not through with Mr. Hirsch yet in the rate case. Secondly, we do borrow. We raised, I think I gave you the figure, \$232 million of debt since 1947. Our debt now is \$343 million that we have raised by bonds.

By Mr. Winch:

Q. What is the average interest rate?—A. The average interest rate is about—it varies from 3¾ to 5 per cent depending on the money market at the time we raise the money.

By Mr. Smith (Battle River-Camrose):

Q. I wonder if Mr. Munnoch could tell us approximately the number of people they have employed in the construction phase of their company?—A. We will have the figure in a minute, sir.

By Mr. Grills:

Q. There has been no mention and I wonder if it does not merit consideration, of the advancement of our communication system in Canada in which the Bell Telephone has shown leadership. I wonder if it does not merit consideration in our national or civil defence and also in national economy. I wonder if it is not worthy of some consideration?—A. Well, as far as national defence is concerned of course you have got a system that extends—at least our system extending, through our territory, is connected with virtually every other telephone system in Canada and in the United States and overseas, so that you have the fastest possible means of communication available in national defence. As for the economy of Canada—well, the expenditure of \$962 million with the