

Mr. JOHNSON: At the moment I could not give you any real answer without looking up the record and seeing what the program for the company is.

Mr. POULIOT: Would you please take a note of my request and write me a letter. I hope the answer will be favourable.

Mr. JOHNSON: You will hear from me, sir.

Mr. POULIOT: There is something else, coming back to the questions put by Mr. Hartt. Is the telephone company rate uniform throughout the system?

Mr. JOHNSON: The rate charged by our company is uniform.

Mr. POULIOT: The subscription rate?

Mr. JOHNSON: The monthly rate or the monthly charge for service is uniform within the particular section to which the rate applies. As Mr. Munnoch said, our territory is divided into eight rate groups and the rate is based according to the size of the group. Within each group the rate is uniform. There is no subscriber able to have service at a lower rate than that laid down by the Board of Transport Commissioners.

Mr. POULIOT: Yes, but how do you arrive at the rate for each group? Do you put together all expenses, the capital expenditure—

Mr. JOHNSON: Not the capital expenditure.

Mr. POULIOT: The capital expenditure for the purchase of the instruments?

Mr. JOHNSON: Not in establishing the rates by each group. The last time that we appeared before the Board of Transport Commissioners we went there showing the amount of annual revenue we would have to receive in order to meet our operating expenses, our taxes, the cost of borrowed money, and the amount required to provide a balance which would represent a reasonable return to the shareholders.

Mr. POULIOT: Within the area?

Mr. JOHNSON: Within the entire company. Having arrived at that total amount, the amount was then divided out over these various groups and these rate schedules were arrived at. Eventually the result was a \$7 rate for a business telephone in Montreal a \$3 rate for a residence telephone in Montreal, reaching down to the lowest rate in the rural areas; as low as \$1.50 and \$1.75. The aggregation of those rates equal the total amount of revenue the company had to have at that particular time in order to meet its operating expenses, its depreciation on plants, its maintenance of plants; it is taxes; it is cost of borrowed capital; and the amount which was considered to be necessary as a return to the shareholders in the way of profit for that \$8 dividend.

Mr. POULIOT: Therefore, Mr. Johnson, each group is an independent and a self-supporting unit?

Mr. JOHNSON: Not necessarily.

Mr. POULIOT: I was under the impression that you were calculating the total of operating expenditures and that you were dividing it by the number of subscribers in each group.

Mr. JOHNSON: That was merely in the over-all group in order to bring out an answer to a question as to the amount of capital expenditure which was needed to cover the company expansion, the average number of telephones that were going to come in in that year.

Mr. POULIOT: And you divided your whole operating expenditure by the number of telephones?

Mr. JOHNSON: Not the operating expenditure. There are two different features; one is the amount of capital that we require in order to pay for the construction of new plants and in order to satisfy the question that was asked we divided the expected expenditures for this year by the expected increase in telephones to arrive at the average for each telephone, which worked out to \$500