

*B.C. Telephone and Telegraph System*

appraisal been based on depreciated value of capital invested instead of on replacement value, the figure would have been very much lower, in all probability lower than the offer which has been accepted.

It is the policy of the government to provide service such as this in isolated areas until such time as private initiative or private enterprise can take them over. That time, it appeared to the government, had arrived, and we had before us a joint bid or joint offer from these two companies. But that joint offer must be considered in relation to the operation of the government facilities. By that I mean the financial operation, whether or not there was a profit or a loss, and over the years the financial operation has not been a good one. Having regard to that as well as to the large capital expenditures required in the very near future to place these facilities in a better operating condition, and also having regard to the increasing traffic, particularly in the northwest part of the province, we had to give serious consideration to this offer.

Let me bring this to the attention of the committee. The cost of operating the government telephone and telegraph system in British Columbia for the year 1952-53 was practically \$1 million. The exact figure is \$997,881. For the first six months of the current fiscal year operating costs amounted to \$638,381, an increase of \$41,573 over the corresponding period of last year. I have here the financial results of these facilities for the last three years. For 1950-51 operating expenditures were \$863,000—I will give round figures—earnings were \$599,000, and the deficit was \$264,000. For 1951-52 operating expenditures were \$935,000, earnings were \$787,000, and the deficit was \$148,000. For 1952-53 operating expenditures were, as I have already indicated, \$997,000, earnings were \$858,000 and the deficit was \$139,000.

I referred to capital expenditure for the future. We had before us a report prepared by the departmental officials indicating a capital expenditure of approximately \$3 million over the next four years. That was required to renovate and to expand the existing system which is now heavily overloaded. During a portion of this period there would be an operating deficit now estimated at about \$300,000 provided leased circuit demands anticipated at the present time actually materialize.

In the face of these circumstances and having been presented with these offers, we came to the conclusion that we should accept. I should say that in the case of Canadian National Telegraphs the offer for their part of the facilities was from the outset \$750,000.

However, the offer of the British Columbia Telephone Company was not that at the outset because when that company had completed its survey and had made a complete valuation of the facilities it felt that the amount of expenditure required on the line was such that it could not offer a great deal, and they were told that if that was the position the government would not consider a sale.

Having regard to that, the company first decided to offer \$110,700. This was turned down. Then the company increased its offer to \$400,000, which was also refused. Finally, it raised its offer to \$750,000. When the offers were submitted to the government the government felt, having regard to all the circumstances, having regard to the expenditure of money which was required, that they were fair offers and did accept, namely, a total of \$1,500,000.

Having disposed of that, the next step was to enter into negotiations to ascertain the conditions upon which the transfer would be effected. When the government had made its decision to accept the offer it was indicated to these purchasing companies that we proposed to include in the agreement for sale certain conditions that would protect not only the employees but also those who were receiving services in the area concerned. Here are some of the conditions that we indicated to the purchasers we proposed to include in the agreement for sale:

1. As of the date of the sale, the federal government will no longer operate its telegraph and telephone service west of the Rocky mountains. The said service will not again operate in that area nor will the federal government be in any way responsible for the provision of such services.
2. The B.C. Telephone Company . . . will give, or cause to be given, telephone service to all places and communities now served by the above-mentioned facilities—such service at all times to be at least equivalent to the service heretofore given by the government telegraph and telephone service.
3. The Canadian National Telegraphs will give or cause to be given telegraph service to all places and communities now served by the above-mentioned facilities—such service at all times to be at least equivalent to the service heretofore given by the government telegraph and telephone service.
4. The new owners will promptly and efficiently and without undue delay augment and increase their telecommunication facilities so as to supply adequate service as required from time to time by the development of the above described area.

There is set out as an annex the areas where these facilities exist.

5. The new owners will employ—

This is the matter to which the hon. member has given attention.

—all personnel now on the payroll of the government telegraph and telephone service who meet their employment requirements and who are desirous of being so employed and will give such employees every reasonable consideration for employment in other parts of their systems.