

But this is not the whole story. The Company's long distance lines are overcrowded with messages. In 1939, its long distance lines carried an average of 60,000 long distance calls daily. Now they are required to carry some 165,000 long distance calls per day. Its local and long distance lines now have to carry 8,662,000 calls daily. The Company has not been able to provide adequate facilities to properly carry this increased load.

To provide the telephone facilities required to meet this heavy demand is not simply a matter of producing telephone instruments and stringing connecting wires. The telephones and wires are useless without the switchboard and central office equipment necessary to make them function. Switchboards and central office equipment are most complicated pieces of apparatus. They cannot be obtained ready-made, but must be designed and manufactured for the precise place in which they are intended to function. Then it cannot install switchboards and central office equipment without having proper building in which to house them. These buildings and additions to buildings must be designed and erected. It will be appreciated that the planning, designing, manufacturing and erection of switchboards, central office equipment and buildings all involve projects which must be planned and designed well in advance and require, under present conditions, time to carry into effect. It will also be appreciated that in the planning and designing of plant and buildings it is necessary that the Company be in a position where it can see its way to finance such projects.

The planning of extensions, additions and betterments to the Company's system also involves the estimation of the probable future demand so that provision may be made for future development in carrying out the works and the Company may have the benefit of the economic advantages of so doing. It is therefore necessary to plan projects and the financing of them on a physical and financial forecast extending years into the future.

The Company is seeking authority for a substantial increase of capital—\$350,000,000—but the construction program which it must now undertake calls for substantial expenditures. Its program for the next 5 years calls for an estimated gross expenditure of some \$360,000,000 of capital money, the principal items being:

Right of Way	\$ 1,000,000
Land and Buildings	42,000,000
Central Office Equipment	97,000,000
Station Equipment	95,000,000
Exchange Lines	86,000,000
Toll Lines	26,000,000
General Equipment	15,000,000
Total Gross Construction	<u>\$ 362,000,000</u>

This gross construction figure of \$362,000,000 broken down on an estimated yearly basis means a gross construction of about \$74,000,000, in 1948; \$76,000,000 in 1949; \$71,000,000 in each of the years 1950 and 1951 and \$70,000,000 in 1952. These estimates were made in the early fall of 1947. The latest view is that these figures will have to be increased by about 10 per cent and that the current five-year total gross construction will amount to \$394,000,000.

In addition to this, it is the Company's considered opinion that it may be faced with a construction program of like magnitude in the succeeding five years—that is, in the years 1953-57. This is expected to run to something in the neighbourhood of \$70,000,000 per year over this period.

It is apparent then from these projected estimates that the Company will have to make very substantial capital expenditures during the next decade or so.

It is a very difficult thing to estimate with accuracy in advance for the next decade the amount of money which will be involved in the construction program for a large telephone system such as your Petitioner operates. The