

Q. Yes. But as I understand it the authorized capital may be any figure.—
A. Yes.

Q. Whatever portion of that capital is not issued would have no effect whatever in the setting of rates; it simply does not enter into the picture at all?—A. It does not.

Q. So the fact this parliament authorized you to increase your capital by \$5,000,000 or \$10,000,000 does not affect the Board of Transport Commissioners' rates at all except in so far as that capital is issued?—A. Exactly.

Q. So that if your undertaking to the city only covered what this parliament might authorize by way of increase in capital that could not possibly enter into the picture so far as the setting of rates is concerned?—A. No, it could not.

Q. That is right. So the letter does not help the city at all; but you can see from the first paragraph that the public at any rate—I do not know about the city council—took it that there is an undertaking that there will be no increase in the rate because of any of this capital that is issued as distinct from authorized. Is not that the case?—A. Issued capital and authorized capital are two entirely different propositions and the public had in their mind that we were going out to issue \$10,000,000 and we had the right to earn on that \$10,000,000.

Q. Yes. If this undertaking is no good then you are free to go to the Board of Transport Commissioners, and when an increase in your issued capital is authorized and you actually issue those shares then you are entitled to earn up to 8 per cent on the common shares, are you not?—A. Yes.

Q. Then you say this undertaking would not bind you at all and would not help the public at all in that case. Is that correct?

Mr. MACINNIS: Before Major Hamilton answers that question may I be permitted to put it another way? Possibly I am handicapped by not having a legal mind, but it may be just the other way.

By Mr. MacInnis:

Q. There can be no issued capital unless there is authorized capital?—
A. That is correct.

Q. Does not the undertaking given in regard to the authorized capital apply to that capital when it is issued? If that is not the case then surely when you gave an undertaking in regard to authorized capital you must have had your tongue in your cheek?—A. No, sir.

Q. I am not saying you had, but if it did not apply to the issued capital it would appear to me that way because there could be no issued capital until it was authorized. What applies to the authorized capital would apply in whole or in part to the whole or to the part of the issued capital, otherwise it has no sense whatsoever.

Mr. Ross (*Calgary East*): I was not in at the beginning, Mr. Chairman, so I should like to get some facts and to get some of these matters cleared up. If this company extends its services by expending \$5,000,000 more in giving additional telephones to the present users it is going to cost some more to service them than what the original number cost. Suppose they give 1,000 additional telephones to the present users. It is going to cost them extra to do that, and are they not going to have the right to raise the rates in order to give this additional service? That is the way the telephone works out. Let me put it this way: suppose at the present time there are 1,000 telephone customers of the telephone company in Vancouver. If they are going to increase that to 2,000 customers then the existing telephone customers are going to get double the service they have had in the past. If they get that they must expect to pay more. I am just trying to get at the facts of this thing. I would think they would have to raise the rates to give that double service.