

Railway Act—Telephone Tolls

years ago. However, the Bell Telephone Company insists on maintaining the same limits as they established when first they started to operate in our community. In certain spots the area of local calls barely covers the town. We are asking the company not to court bankruptcy, but to arrange the service according to present needs. We want the company to extend their local rates in a more reasonable way, and more particularly, to include in that local district the small surrounding farming and industrial communities.

The case was submitted to and heard by the board of railway commissioners in January, 1937, but that did not alter the situation. The commissioners arrived at the conclusion that the "establishment, the splitting up or readjustment of telephone exchanges were matters of internal economy for the company with which the board could not properly interfere." However, Mr. Garceau, a member of the board, while concurring in the decision, submitted that the board had a right to interfere when there was clear evidence that unreasonable or unfair rates were charged on account of such splitting up or readjustment.

Seeing that the board disagreed, there was only one way left, and that was to amend the Railway Act as regards the telephone rates. At the very beginning of the 1937 session I introduced the bill in order to give the board of railway commissioners the necessary powers. The bill seemed at first to be welcome, but unfortunately it did not meet with the support we hoped for. That was perhaps to be expected; but I did not give up the struggle, and I have come back with the bill.

Quebec is not the only city which is suffering from the treatment meted out by the telephone trust. Montreal is in exactly the same position. A great number of subscribers in the outskirts of the metropolis never could see why they had to pay long distance rates to call Montreal when the company was piling up profits. When the case was heard before the board of railway commissioners the representatives of the company stated, "The expenditures that you want to force upon us are too heavy, and our company is not able to bear them." They talk about expenditures, but we are dealing now with decreasing profits. Let us see whether the company is unable to make a very small sacrifice for the benefit of its subscribers in the outskirts of large cities.

I have before me the financial statement of the Bell Telephone Company for 1936. It shows that the net profits amounted to \$8,929,000 and that business was improving

(Mr. Lacroix.)

throughout the country. But that is not enough to enable one to grasp actual conditions. As I have already said, I suggest that part of what might be called "operating expenses" is handed out to the Northern Electric, a subsidiary of the Bell Telephone Company, including but very few shareholders. They hide their profits; they dare not distribute them to the Bell Telephone Company and its shareholders. It is a manoeuvre to hide actual dividends from the public, and the people are thus prevented from sharing in the profits piled up by the company. That is a social injustice, but it is the way the trust is acting.

"Labor" of Washington, on December 29, 1936, gave out some interesting details about the company's unjustifiable methods. The Federal Board of Transportation, it says, investigated the Bell company and another manufacturing company which is one of the latter's subsidiaries, the Western Electric Company. The investigators found that about \$500,000,000 of the Bell company's equipment value was sheer "water." Cyrus G. Hill, chief engineer of the board, explained how the American Telephone and Telegraph Company made enormous profits. The Bell company, Mr. Hill stated, purchases ninety-two per cent of its equipment from the Western Electric, thus precluding any competition and enabling the Western Electric to charge whatever prices they want. The money is simply transferred from one to another of the company's coffers.

In the same article something is said about the appliance commonly called the French telephone. As a result of additional charges the company made a further profit of \$24,000,000. The additional charges were levied on the ground that it entailed a further expenditure for the company. Such a claim is groundless, said Mr. Hill. As a matter of fact, the new telephones mean a great saving as they eliminate wire manufacturing costs and other expenditures, amounting to more than \$85,000,000. Thus are things done in the United States.

The part played by the Western Electric Company, Incorporated, in its relations with the American Telephone and Telegraph Company, is similar to the part played in this country by the Northern Electric Company in connection with the Bell Telephone Company of Canada. I have before me a document which shows clearly how the Northern Electric is controlled by the Bell Telephone Company. I succeeded in obtaining the list of the Northern Electric Company's shareholders. Here it is—a very short one indeed. It shows that there are just two large share-