

Mr. MACINNIS: The authorization applied for now will not be used as a basis for an advance in the present rate.

Mr. HAMILTON: I did say that.

Mr. JACKMAN: I wonder if I might inquire how the rates are fixed? I wonder if I could describe it as I think I understand it. Parliament simply gives you the authorization to create more capital; then, if you need money to extend your services to meet the demand, you have to apply to the Board of Transport Commissioners for permission.

Mr. HAMILTON: Yes.

Mr. JACKMAN: Do they fix the price at which you sell the stock?

Mr. HAMILTON: Yes.

Mr. JACKMAN: Do they have any control over what you use that money for? Do you have to set forth a plan before you get their permission to sell the stock?

Mr. HAMILTON: We must satisfy the board that the additional monies that we are asking for to extend our facilities are reasonable and properly required to meet the demands of the public.

Mr. JACKMAN: The rate that you are allowed to earn on the money that you spend for development equipment, that rate is fixed by the board?

Mr. HAMILTON: Yes.

Mr. JACKMAN: Is it the same as that applied to all other telephone systems in Canada? The Bell Telephone system is allowed to earn 8 per cent on plant investment?

Mr. HAMILTON: Not on plant investment, no; they are allowed to earn sufficient to meet their capital commitments.

Mr. JACKMAN: Well, is the amount or rate fixed by the Board of Transport Commissioners based on your outstanding capital or based on the cost of your plant; in other words, it makes a difference whether you borrow on bonds at 5 per cent or whether you issue stock at 7 or 8 per cent?

Mr. HAMILTON: I cannot say what the Board of Transport Commissioners are going to do on any particular application.

Mr. JACKMAN: What has been their practice in the past; do they base it on the capital or the amount of money going into the plant?

Mr. HAMILTON: I think, first of all, they assure themselves that the used and useful plant and equipment in the service of the public is reasonable, irrespective of the amount of stock and bonds, and what not, that are outstanding.

Mr. BLACK: What is the total value of the used and useful assets in the company that has been recognized by the Board of Transport Commissioners?

Mr. HAMILTON: I would say the amount of used and useful plant at any particular time that you make application would be taken into consideration.

Mr. BLACK: What is it at the present time? What I want to get at is how that compares with the capital, and so on?

Mr. HAMILTON: At the present time the value of our plant and equipment is somewhere in the neighbourhood of \$31,000,000.

Mr. BLACK: Against which there would be large write-offs?

Mr. HAMILTON: Against which we have built up a reserve for depreciation of some eight odd million dollars. That gives you a net valuation of approximately \$23,000,000. I am just answering your question in a rough and ready way. So that at all times you must have 100 per cent value in your plant represented by your bonds and outstanding capital. I take it all these factors are taken in by the various boards when considering the requirements of the company.