Negotiations are continuing with users for the rental of satellite capacity together with related earth station facilities. On the basis of these negotiations, the C.B.C. proposes to lease three channels, while the telecommunications carriers and Canadian National-Canadian Pacific Telecommunications propose to lease the remaining three channels. On this basis, estimated annual revenue from rentals is expected to be in the order of $18 million.

It should be noted that the satellite corporation's earnings may be subject to regulation.

The two following tables will show the costs.

Table 1

Estimated Capital Cost of Satellite System (in millions of dollars)

Space Segment	
Research and development, including contingencies	$ 22.0
Spacecraft (including $1.5 for contract incentives)	7.5
Launch costs (including $2.0 for launch vehicle modification)	7.5
Launch insurance	3.0
Total—space segment	$ 40.0
Earth Segment	
Earth Stations	
1—Main station (60′ antenna)	6.0
2—Regional type stations (40′ to 60′ antenna)	5.0
2—Arctic type stations (30′ antenna)	2.5
20—TV receive only stations (25′ antenna)	4.0
Total—earth stations	$ 17.5
Tracking, telemetry and control equipment	1.5
Administration and program management to start of operations	3.0
Total—space segment	$ 22.0
Total—Space & Earth Segment	$ 62.0

Table 2

Estimated Annual Revenue, Operating Expenses and Return (in millions of dollars)

Revenue	$ 18.0
Operations and maintenance, including salaries, office overhead, and operating expenses of earth stations	$ 2.5
Depreciation:	
Satellite and launch costs—5 years	
Earth stations—10 years	
Research and development—10 years	8.0
Total—operating expenses	$ 10.5
Interest on term debt	2.5
Total—operating expenses and interest	$ 13.0
Estimated net profit before income taxes	$ 5.0
Estimated income taxes	2.5
Estimated retained earnings	$ 2.5

Based on the foregoing assumptions in respect to capital cost, capitalization and annual revenues, the estimated annual retained earnings would represent a rate of return in the order of 8%.

Hon. Mr. Phillips (Rigaud): Would the honourable senator permit one question? I think he said that, in terms of capitalization, the equity capital would be $30 million and the funded debt would be $30 million, and in terms of profit and loss there would be $5 million net before taxes. Is the honourable senator able to reconcile that 8 per cent in terms of return would be available on $30 million equity?

Hon. Mr. Desruisseaux: Honourable senators, these figures were furnished by the department. I believe this bill will be sent to a committee, and that point could be dealt with there. My information here is that they actually make a profit, an estimated retained earnings, of $2½ million on about $62 million.

Any one of these figures—and I believe I said so at the outset—may be questioned to some extent, because we have nothing to go by. There is no precedent as far as this is concerned. As to the reconciliation between the profit and loss and the net earnings, I believe this can be quickly straightened out when the departmental officers appear before us in committee.

Is that satisfactory, for the present?

Hon. Mr. Phillips (Rigaud): Yes, subject to one question. Is there any provision in the bill where private investors who purchase equity stock are under obligation pro rata to buy part of the funded debt, or will such