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Canada. Parl. H of C. Standing
Comm.on Railways, Canals
and Telegraph Lines, 1940-42.
Minutes of proceedings and
evidence...

Canada. Parl. H of C. Standing
Comm.on Railways, Canals and
Telegraph Lines, 1940-42.

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HOUSE OF COMMONS



STANDING COMMITTEE

RAILWAYS, CANALS AND TELEGRAPH LINES

MINUTES OF PROCEEDINGS AND EVIDENCE

AND NO. 27 LETTER 52 OF THE SENATE IN ACT RESPONDING TO THE HOUSE OF COMMONS



PRINTED AND SOLD BY THE QUEEN'S PRINTER

OTTAWA, CANADA, 1911

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SESSION 1940-41
HOUSE OF COMMONS



STANDING COMMITTEE

ON

RAILWAYS, CANALS AND TELEGRAPH LINES

MINUTES OF PROCEEDINGS AND EVIDENCE

Respecting

**BILL No. 27 (LETTER B-2 OF THE SENATE) AN ACT RESPECTING
THE BRITISH COLUMBIA TELEPHONE COMPANY**

No. 1

WEDNESDAY, MAY 21, 1941
FRIDAY, MAY 23, 1941

WITNESSES:

Colonel G. A. Stairs, of Montreal, Que., Solicitor.

Mr. Gordon Farrell, President of the British Columbia Telephone Company,
of Vancouver.

Major J. L. Hamilton, Vice-President and Managing Director of the
British Columbia Telephone Company.

Victor M. David, of Vancouver.

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1941



MEMBERS OF THE COMMITTEE

(ERNEST BERTRAND, Esq., *Chairman*)

and

Messieurs

Bence,	Gregory,	McKinnon
Bertrand (<i>Laurier</i>),	Hanson (<i>Skeena</i>),	(<i>Kenora-Rainy River</i>),
Bertrand (<i>Terrebonne</i>),	Harris (<i>Danforth</i>),	McNiven,
Black (<i>Cumberland</i>),	Hatfield,	Maybank,
Bourget,	Healy,	Mills,
Breithaupt,	Howden,	Mullins,
Chevrier,	Howe,	Nicholson,
Corman,	Isnor,	Nielsen (<i>Mrs.</i>),
Coté,	Jackman,	Nixon,
Crerar,	Jaques,	O'Brien,
Damude,	Jean,	O'Neill,
Douglas (<i>Queens</i>),	LaCroix	Picard,
Dupuis,	(<i>Quebec-Montmorency</i>),	Pouliot,
Emmerson,	Little,	Roebuck,
Eudes,	Lizotte,	Ross (<i>Moose Jaw</i>),
Factor,	Lockhart,	Ross (<i>Calgary East</i>),
Farquhar,	MacInnis,	Ross (<i>Souris</i>),
Fournier (<i>Maisonneuve-</i>	MacKinnon	Shaw,
<i>Rosemont</i>),	(<i>Kootenay East</i>),	Sissons,
Fulford,	McCulloch,	Turner,
Gingues,	McIvor,	White,
		Whitman—60.

ANTONIO PLOUFFE,
Clerk of the Committee.

ORDERS OF REFERENCE

FRIDAY, November 22, 1940.

Ordered,—That the Standing Committee on Railways, Canals and Telegraph Lines be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

FRIDAY, May 16, 1941.

Ordered,—That the following Bill be referred to the said Committee:—
Bill No. 27 (Letter B-2 of the Senate), intituled: "An Act respecting British Columbia Telephone Company."

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

WEDNESDAY, May 21, 1941.

Ordered,—That the said Committee be granted leave to print from day to day 200 copies in English and 100 copies in French of the minutes of proceedings and evidence to be taken before the Committee respecting Bill No. 27 (Letter B-2 of the Senate) An Act respecting British Columbia Telephone Company; and that Standing Order 64 be suspended in relation thereto.

Ordered,—That twelve members shall constitute a quorum of the said Committee, and that Standing Order 63 (1) (b) be suspended in relation thereto.

Ordered,—That the said Committee be granted leave to sit while the House is sitting.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS TO THE HOUSE

WEDNESDAY, MAY 21, 1941.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to submit the following as a

FIRST REPORT

Your Committee recommends:—

(1) That it be granted leave to print from day to day 200 copies in English and 100 copies in French of the minutes of proceedings and evidence to be taken before the Committee respecting Bill No. 27 (Letter B2 of the Senate) An Act respecting British Columbia Telephone Company; and that Standing Order 64 be suspended in relation thereto.

(2) That twelve members shall constitute a quorum, and that Standing Order 63 (1) (b) be suspended in relation thereto.

(3) That it be granted leave to sit while the House is sitting.

All of which is respectfully submitted.

ERNEST BERTRAND,
Chairman.

MINUTES OF PROCEEDINGS

WEDNESDAY, MAY 21, 1941.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 11.30 o'clock, a.m. Mr. Ernest Bertrand (*Laurier*), the Chairman, presided.

The following members were present:—Messrs. Bence, Bertrand (*Laurier*), Black (*Cumberland*), Breithaupt, Chevrier, Emmerson, Eudes, Fulford, Gregory, Hanson (*Skeena*), Isnor, Little, Lizotte, Lockhart, MacInnis, MacKinnon (*Kootenay East*), McIvor, McNiven, Mullins, Nixon, O'Neill, Ross (*Souris*), and Turner.—23.

The Chairman read letters from Hon. T. D. Pattullo, Premier of British Columbia, to the Prime Minister of Canada and the Secretary of State respecting the British Columbia Telephone Company. On motion of Mr. Mullins this was ordered to be filed.

On motion of Mr. Ross (*Souris*), it was resolved that the Committee ask leave to print from day to day 200 copies in English and 100 copies in French of the minutes of proceedings and evidence to be taken before the Committee respecting Bill No. 27, (Letter B2 of the Senate), An Act respecting British Columbia Telephone Company.

On motion of Mr. Hanson (*Skeena*), it was resolved that the Committee request that its quorum be reduced from twenty to twelve members.

On motion of Mr. MacInnis it was resolved that the Committee ask leave to sit while the House is sitting.

On motion of Mr. Hanson, Mr. Chevrier was elected Vice-chairman.

The Committee adjourned to meet again Friday, May 23, at 9.30 o'clock, a.m.

J. P. DOYLE,

Chairman of the Committee.

FRIDAY, May 23, 1941.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 9.30 a.m. Mr. Chevrier, Vice-Chairman, presided.

Members present: Messrs. Black (*Cumberland*), Chevrier, Côté, Dupuis, Emmerson, Fournier (*Maisonneuve-Rosemont*), Fulford, Gregory, Hanson (*Skeena*), Hatfield, Healy, Howden, Howe, Jackman, Little, Lockhart, MacInnis, MacKinnon (*Kootenay-East*), McCulloch, McIvor, MacKinnon (*Kenora-Rainy River*), McNiven, Maybank, Mills, O'Brien, O'Neill, Picard, Ross, (*Moose Jaw*), Ross (*Calgary East*), Ross (*Souris*), Sissons, Turner and Whitman. (33).

Witnesses: Associated with Mr. G. Henderson, of Ottawa, Parliamentary Agent, were Colonel G. A. Stairs, of Montreal, Que., Solicitor for the British Columbia Telephone Company; Mr. Gordon Farrell, of Vancouver, President

of the British Columbia Telephone Company; Major J. H. Hamilton, of Vancouver, Vice-President and Managing Director of the British Columbia Telephone Company.

Victor M. David, Esq., of Vancouver, representing several Vancouver community associations opposing the Bill before the Committee.

In attendance: Mr. G. G. McGeer, sponsor of the Bill.

The Committee resumed its consideration of Bill No. 27 (Letter B-2 of the Senate), An Act respecting the British Columbia Telephone Company.

On motion of Mr. Howden, the Committee heard representations from Major Hamilton, Colonel Stairs and Mr. Farrell, appearing for The British Columbia Telephone Company. Mr. Victor M. David was then invited to make his statement on behalf of the Vancouver community associations. (*See list in this day's Evidence.*)

With the consent of the Committee, British Columbia members were permitted to address the Committee and question the witnesses. Messrs. Neill, Green, Cruickshank and Mayhew availed themselves of this privilege.

The Honourable C. D. Howe also addressed the Committee.

On motion of Mr. MacInnis:

Resolved,—That the letters of Premier Pattullo of British Columbia sent to the Prime Minister of Canada and to the Secretary of State for Canada, which were filed at the first meeting, be incorporated in the Minutes and Proceedings. (*See Appendix in this day's Evidence.*)

On motion of Mr. Fulford, the preamble of the Bill was adopted.

Section 1 was considered adopted.

Section 2 was allowed to stand.

Section 3. On motion of Mr. MacInnis, section 6(1) contained therein was amended by deleting "twenty" in the second last line thereof and substituting "fifteen" therefor.

Section 6 (1) was adopted as amended.

Section 6 (2) was allowed to stand.

On motion of Mr. Lockhart, the Committee adjourned at 1 o'clock until Tuesday, May 27. The time to be set by the Chairman.

ANTONIO PLOUFFE,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277,

May 23, 1941.

The Standing Committee on Railways, Canals and Telegraph Lines met at 9.30 o'clock a.m. The Acting Chairman, Mr. Lionel Chevrier, presided.

The ACTING CHAIRMAN: Gentlemen, shall we come to order? We have a quorum.

BILL No. 27, BILL B2 OF THE SENATE

An Act respecting British Columbia Telephone Company.

Whereas British Columbia Telephone Company was duly incorporated by an Act of the Parliament of Canada, chapter sixty-six of the statutes of 1916, under the name of "Western Canada Telephone Company", which name has been changed to that of "British Columbia Telephone Company" pursuant to the provisions of section fifteen of the said Act and with the approval of the Secretary of State of Canada, and

Whereas British Columbia Telephone Company has presented a petition praying that the said Act be amended so that it may be empowered to increase its capital stock and be further empowered as hereinafter set forth, and it is expedient to grant the prayer of the said petition: Therefore His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:

Is the committee prepared to hear representations?

Mr. HOWDEN: I would move that representations be heard.

Mr. LOCKHART: I would second that motion.

Motion agreed to.

Mr. HANSON: I understand the president of the telephone company is here, Mr. Gordon Farrell; also Major G. H. Hamilton, the managing director, and Mr. G. S. Stairs, K.C.

The ACTING CHAIRMAN: Is it your pleasure to hear these gentlemen?

Some Hon. MEMBERS: Yes.

G. A. STAIRS, K.C., Montreal, called:

Mr. STAIRS: Mr. Chairman and gentlemen, I am appearing for the British Columbia Telephone Company which is affected by this bill, and, as the matter is an important one, if it is agreeable to the committee I think it would be helpful if Major Hamilton, the general manager of the company, could say a few words in explanation of the necessity for this application for a grant of power to enable the company to make an increase in its capital as required.

The ACTING CHAIRMAN: Do you wish to hear him first?

Some Hon. MEMBERS: Yes.

Major GORDON H. HAMILTON, General Manager, British Columbia Telephone Company, called:

Mr. HAMILTON: Mr. Chairman and gentlemen, the growth and development of British Columbia during the past years and during the current year has been such that the company has to expand its plant and equipment to meet the

public demand for telephone services. The demand that we are having now is coming principally from the users of our residential services and business, and to some small extent is occasioned by the demand from the defence forces. The growth is particularly centered around industrial areas of British Columbia—Vancouver, Victoria and certain other areas where there is a certain amount of industrial activity. Last year we grew by 5,900, and this year we have grown up to date approximately 3,000 stations; and if the same rate of growth continues the reasonable estimate is that we will grow some 7,000 or 8,000 stations during the current year. In order to provide the plant and equipment necessary to take care of this public demand it will be necessary for us to get sums of money outside of the resources of the company at the present time to take care of them; so that in order to be in a position to take care of this public demand it is necessary that the powers of the company to finance should be increased. The application now before parliament is brought forward for this very simple reason. Anything that I might add to that would just be repeating what has been said by the company and I believe you are all familiar with that. I do not know that there is much that I can add at the present moment.

By Mr. MacInnis (to Mr. Hamilton):

Q. Mr. Chairman, Major Hamilton referred to "stations", 3,000 and 5,000—what does station mean in this connection?—A. That is a "service", a service outlet—you have a station in your home, Mr. MacInnis; any telephone outlet is a station.

Q. It is not usually referred to as a station, it is referred to as a service; that is the way it is referred to in your publication.—A. Well, I am talking particularly in the telephone man's language. We refer to them as stations or services, if you care to put it that way; they both mean the same.

By Mr. Howden:

Q. Every individual telephone is a station at that rate?—A. Yes, sir.

The ACTING CHAIRMAN: Are there any other questions from this witness, gentlemen?

By Mr. Jackman:

Q. What is the estimated cost of putting in from 7,000 to 8,000 additional stations this year?—A. The average overall cost of an additional service of station is in our particular case somewhere around in the neighbourhood of \$235 to \$240. By that I mean that all the plant and equipment, the proportionate plant and equipment, for a station overall, and I think you will find that that same average overall cost per station maintains at practically every telephone company operating in Canada including the Bell—I think they are somewhere in the neighbourhood of \$250, and in the other companies it is much along the same line.

Q. How many stations did you have at the end of 1940?—A. At the end of 1940 we had approximately, we had 132,774 stations.

Mr. LOCKHART: Have you got the figures for three or four years previous to that?

The ACTING CHAIRMAN: Mr. Jackman, did you get an answer to your question?

By Mr. Jackman:

Q. What was the total in 1940?—A. 133,766. At the end of 1939 it was 127,852; and at the end of 1938 it was 123,375; and at the end of 1937 it was 119,136. Now, we estimate for the current year a station gain based on the disbursements for the three months of the current year somewhere in the neighbourhood of 7,000 and 8,000 stations.

By Mr. Whitman:

Q. Can you indicate what percentage of those will be for the Department of National Defence?—A. Since the commencement of the war up to the end of 1940 the total number of stations added to the service for the Department of National Defence—the three services, air force, navy and army—the total number of additional stations for these services directly numbered 230.

By Mr. MacInnis:

Q. Does that include the services for the Department of Munitions and Supply?—A. No, that includes the air force, the army and the navy.

Q. Well, were there any services on account of the Department of Munitions and Supply?—A. No, I do not think the Department of Munitions and Supply have any office in British Columbia. Business services and residence services probably occasioned by the industrial activity brought about by the war may have something to do with the demand for services in our territory, in other words, because of the additional employment in British Columbia at the present time the public or the resident user and the business user is demanding more service to take care of his requirements. Now, it is difficult to say just what occasioned this demand for additional telephone facilities, it is difficult to state the direct cause of the public demand. Do I make myself clear? Does that answer your question? Now, it might interest you to know that out of our station growth for the year 1940 for the additional services demanded by the public 523 of these were for additional business services and 5,390 were for residential services. For the first three months, that is up to the end of March of the current year, the first three months, the additional services provided amounted to 1,937. I said that up to date we had gained about 3,000—approximately 3,000 services. That is up to the end of March. It is almost the end of May. We have two months to go. But for the first three months of the year we grew 342 business stations and 1,595 resident stations.

By Mr. Lockhart:

Q. Is that an abnormal increase in the resident service?—A. Yes.

Q. By reason of the growing earning power of the people, would you say?—A. Probably that is one of the conditions. I cannot tell you that. I cannot say what the reason is. The demand is there. We have to meet it.

Q. I admit that, because it is the same in other sections, and the public are asking for that.

By Mr. Harris:

Q. Did I understand Major Hamilton to say that the cost of this installation was \$240?—A. Approximately \$240, when you add all services, in the overall additional plant and equipment to provide that service; I mean, taking all your central office equipment, your outside poles and wires, your house wiring, your instruments and all that goes with it; that includes provision for long distance facilities. That grows as your stations grow.

Q. If you instal a telephone for only a short time, you must take quite a loss?—A. No, sir.

Q. The charges are not commensurate for that?—A. No sir.

By Mr. MacInnis:

Q. You do not do business in that way?—A. The facilities provided for one station are common to the area in which you are providing that service. In other words, if you put a telephone in a man's home, you are not losing all the plant and equipment that you put in there, because the facilities are in that area and are available for some one else who may want the service. The facts are these, that telephones are turning over. It may be necessary, to get

a net gain in services of say 100 stations or 100 services, to take out 400 and put in 500, in order to get that net gain. That is going on day in and day out in the business.

By Mr. Ross (Souris):

Q. What is the charge for a business phone annually and for a residence phone annually?—A. Business rates vary in the different exchanges. In Vancouver an individual residence is \$3.50.

Q. A month?—A. Yes. The two-party residence phone is \$2.50 and the business phone is \$7.50.

By Mr. Fulford:

Q. May I ask from whom you get this equipment that you use?—A. We obtain our equipment from all different supply houses in Canada or England or wherever it is practical to buy it.

Q. You are not sewed up to the one company like the Bell Telephone?—A. No.

Q. I mean, you do not use exclusively Northern Electric equipment?—A. No, sir.

By Mr. MacInnis:

Q. What other equipment do you use? What other companies do you purchase from?—A. Well, we purchase all our poles, for our buildings and everything else—that is purchased locally in Vancouver. The cables and wire and everything else is purchased in Canada. It may be purchased from any one of half a dozen firms.

Q. What I had in mind particularly was this. What other electric companies are you associated with or which are part, for business purposes, of the B.C. Telephone Company—such as the Phillips Electric Company of Brockville, Ontario?—A. Yes. We purchase a lot of our cable and equipment from them.

Q. What is the relation between the Phillips Electric Company and the B.C. Telephone Company?—A. There is no relation between Phillips Electric Company and the B.C. Telephone Company.

By Mr. Hatfield:

Q. Where do you buy your telephones?—A. We buy our telephones—Phillips Electric Company are manufacturing our telephones at the present time. Northern Electric—

Q. What connection do they have with the Western Electric Company of New York?—A. I am afraid I cannot answer that question.

By Mr. MacInnis:

Q. Are not both the B.C. Telephone Company and the Phillips Electric Works Limited subsidiaries of Associated Telephone and Telegraph Company, with head office at Kansas City?—A. Yes.

Q. There is a definite relationship in that way, is there not?—A. There is probably some corporate relationship, yes. I personally have no knowledge of the relationship.

Mr. LOCKHART: Mr. Chairman, is there any one associated with the witness who has that information or who could tell us just what is the connection between these companies?

Mr. FARRELL: I think I could answer that question. The Phillips Electric Company is owned by the Associated Telephone and Telegraph Company of Chicago and Kansas City; that is, the major interest is owned by them. There is a public interest in it as well. The control of British Columbia telephone is held by the Anglo-Canadian Telephone Company.

Mr. MACINNIS: Where is it situated?

Mr. FARRELL: Montreal; which company is in turn controlled by the Associated Telephone and Telegraph. Is that clear?

Mr. MACINNIS: Who owns the common stock of the British Columbia Telephone Company?

Mr. FARRELL: Anglo-Canadian Telephone Company.

Mr. BLACK: It owns it exclusively?

Mr. FARRELL: There are a few shares, a very few, out: I think five or six. That is all.

Mr. BLACK: Just qualifying shares.

Mr. MACINNIS: Anglo-Canadian is, like British Columbia Telephone, a subsidiary of the Associated Telephone and Telegraph Company?

Mr. FARRELL: Yes. No. The B.C. is not a subsidiary. To get that perfectly straight, it is indirectly a subsidiary of the Associated, through the Anglo-Canadian.

Mr. MACINNIS: There is the Anglo-Canadian. It is a subsidiary first of the Anglo-Canadian Company and then the Anglo-American Company—possibly I am not using the correct names. The Anglo-Canadian Telephone is a subsidiary of the Associated Telephone and Telegraph?

Mr. FARRELL: Yes.

Mr. MACINNIS: And with respect to the directors, any one of these may be, and in some cases is, a director of the other?

Mr. FARRELL: The odd one or two, yes.

Mr. JACKMAN: Does Associated Telephone and Telegraph Company, through its subsidiaries or companies in which it has an interest, operate in many countries throughout the world?

Mr. FARRELL: It operates in the Philippine Islands and also in Porto Rico.

Mr. JACKMAN: Does it not have manufacturing companies elsewhere?

Mr. FARRELL: It has a manufacturing company in Belgium and also a large manufacturing establishment in Chicago.

Mr. JACKMAN: Does it provide equipment for the telephone system in Great Britain?

Mr. FARRELL: They used to have an interest in a company in Great Britain. They no longer have that interest.

Mr. JACKMAN: Does the company compete with the subsidiaries of the American Telephone and Telegraph where possible, particularly in providing installations? For instance, if the government here were putting in their private exchange system, might your company compete with, let us say, Northern Electric of Canada for the installation of that system?

Mr. FARRELL: Absolutely. They are doing a lot of work for the government now, I believe—special field telephones.

Mr. FULFORD: Your equipment cannot be used where the outlet is through the Bell Telephone Company. Is that not right? I mean, if you put a private exchange in these buildings and the buildings are connected in turn with the outside exchange controlled by the Bell Telephone Company, your equipment could not be used. The Bell Telephone Company uses only equipment of their subsidiary, the Northern Electric, if there is an outlet.

Mr. FARRELL: I am not familiar with that.

Mr. HAMILTON: No, that is not so. Generally speaking, telephone equipment, if it meets the standard specifications, whether it is manufactured by

Northern Electric or any other individual, can be used without any interference with the service qualities of the equipment. Does that answer your question?

Mr. FULFORD: Yes, it does; because I was under the wrong impression, that your equipment could not be used.

Mr. HAMILTON: No.

Mr. FULFORD: I thought Bell Telephone required Northern Electric equipment.

Mr. HAMILTON: No. You could put Siemens of England or Automatic Electric of Liverpool or Automatic Electric Company of the United States or equipment manufactured by the Eugene Phillips Company or Northern Electric Company into this building and provide all the services and connect through to the other system of the Bell Company without any interference to the service as far as the quality of the service or transmission is concerned. There are certain standards.

Mr. JACKMAN: I think Mr. Fulford is referring more to the legal possibility than to the physical possibility.

Mr. HAMILTON: There are none that I know of.

Mr. JACKMAN: I think that the Bell contract calls for use of their equipment. You cannot put in your own private receiving set.

Mr. FARRELL: That does not pertain in British Columbia. We have nothing to do with the Bell Telephone Company in British Columbia.

Mr. MACINNIS: I wonder if Mr. Farrell could tell the committee of the connection between Phillips Electric Company and the British Columbia Telephone Company?

Mr. FARRELL: I do not quite understand your question, Mr. MacInnis.

Mr. MACINNIS: What is the relation between the Phillips Electric Company and the British Columbia Telephone Company?

Mr. FARRELL: They are in the same position as any other supplier. They compete for the business like anybody else does.

Mr. HAMILTON: We pay no higher price, if that is what you are talking about. The price that we pay for equipment from the Phillips Electric Company is the same as is being paid by any other user of their services or their equipment. It is a standard. They have got standard prices and that is what you pay.

Mr. HATFIELD: Are Phillips Electric Company a subsidiary of Western Electric?

Mr. FARRELL: As far as I know they have nothing to do with it. I stated that the control of that was in the hands of Associated Telephone and Telegraph of Chicago and Kansas City.

Mr. HATFIELD: They are all linked together.

Mr. FARRELL: I do not think so.

Mr. ROSS (*Souris*): Major Hamilton gave us the phone rates for the city of Vancouver. Would you say what the phone rates were, on the average, for the rural parts of British Columbia?

Mr. HAMILTON: I have the exact rates; but if I am correct I think it is something like \$3 or \$4 for a business phone and I believe it is \$3—\$2 for an individual residence phone and \$1.50 for a party line phone; that is for a two-party line within a mile radius of the rural office and not beyond six parties on a line, stretching up to five miles. Over that, there is a standard mileage charge applied common to all companies.

Mr. HAMILTON: I do not know what equipment you have, Mr. Neill.

The ACTING CHAIRMAN: I do not want to interrupt you, Mr. Neill, but does the committee consent to Mr. Neill asking questions? Mr. Neill is not a member of the committee. Has the committee any objection?

Mr. LOCKHART: No. Mr. Neill is a man who knows his own province very well, and I should think he should be allowed to ask questions.

The ACTING CHAIRMAN: Very well. Will you carry on, Mr. Neill?

Mr. MACINNIS: If the committee has no objections, Mr. Chairman, I would suggest that within reasonable limits the British Columbia members who are interested in this matter be allowed to ask questions; that is, under the control of the chair.

The ACTING CHAIRMAN: Is it the wish of the committee that the British Columbia members who are here present but not members of the committee be allowed to ask questions?

Carried.

Mr. ROSS (*Souris*): Is your telephone a rural telephone, Mr. Neill?

Mr. NEILL: Yes. It is a city telephone, but it is rural as far as it being outside is concerned.

Mr. HAMILTON: You are talking of Alberni?

Mr. NEILL: My office.

Mr. HAMILTON: I am sorry; I have not got our tariffs on rates for all the different exchanges.

Mr. NEILL: I think you mentioned \$3 to this gentleman.

Mr. ROSS (*Souris*): Yes; he said \$3 for an office telephone.

Mr. HAMILTON: I said that in some of the exchanges, depending on the size of the exchange, I think the rate for a residence phone is \$2, and for a two-party line within a one-mile radius it is \$1.50. I am not sure whether it is \$3 or \$4 for a business phone in Alberni. I cannot tell you. You could not call Alberni a rural exchange. Alberni has something over 2,000 telephones within a radius of three or four miles of the exchange.

Mr. NEILL: Would that make it dearer because there were two or three thousand phones attached to that particular exchange?

Mr. HAMILTON: Generally speaking, rates are based on the number of services attached to an exchange.

Mr. NEILL: It does not get dearer as the number increases.

Mr. HAMILTON: Yes.

Mr. NEILL: The more phones attached to an exchange the dearer the cost?

Mr. HAMILTON: Yes, sir.

Mr. ROSS (*Souris*): You do not follow this policy, do you, of servicing the rural parts of B.C. at a loss and making up the difference on the city phones?

Mr. NEILL: No.

Mr. HAMILTON: No. I do not know that there is any telephone company operating to-day that is not servicing the rural areas within the confines of the territory in which they operate which is making any large return on the capital involved in giving those services.

Mr. ROSS (*Souris*): Do you give service to the rural parts of the country at a slight loss and make up the difference from the city phones; I am not advocating that at all; I was just wondering if you had any such policy?

Mr. HAMILTON: These rental fees that we charge have all been developed over years of usage and custom and have the complete approval of the authorities.

Mr. ROSS (*Souris*): Based on the same policy throughout the province?

Mr. HAMILTON: Yes.

Mr. HOWDEN: The witness made a statement which to me was very interesting, namely, that the greater number of telephones the dearer the cost. I should like to have that definitely settled.

Hon. Mr. HOWE: I have been following telephone matters as the Minister of Transport for some years, and I think it is a basic fact that the larger the exchange the greater the cost for individual telephones.

Mr. McCULLOCH: That is the same thing with every telephone company?

Hon. Mr. HOWE: Yes; it is the same with every telephone company.

Mr. O'NEILL: Does it give a fair picture to say that to extend the service to 5,000 new telephones would cost \$1,200,000 more?

Hon. Mr. HOWE: I am not an expert on dollars and cents, but I was just stating a principle that I have heard expressed so often before the Board of Transport Commissioners.

Mr. HAMILTON: If I may answer your question, Mr. O'Neill, when we extend our service, say, in this current year, the existing rates and charges are supposed to take care of all operating costs and everything associated with the increased service. You were asking about an increase of 5,000 telephones. If we increased the number to 5,000 telephones, we are not just putting out a plant or facilities for 5,000 telephones unless there is a demand for the service that will give us the necessary return in the authorized rates and charges; so that any additional capital expenditure will carry itself to-day under the present rates and charges. I say to-day.

Mr. CRUICKSHANK: May I ask a question, Mr. Chairman? I would like that repeated, because I happen to be a member from British Columbia, and in case you do not know it, I am from a rural district. I pay \$4 for my telephone, but that is not the question. If I understood Major Hamilton correctly, he said the increase in capital would not and should not be considered to have any connection with rates. Am I correct in your statement, Major Hamilton?

Mr. HAMILTON: I said that at the present time, under present conditions, with the extension of our facilities to meet the public demand, the revenue derived from the rates and charges as now authorized should now be sufficient to cover all costs involved by the public demand. I say at the present time. I do not know what the conditions are going to be five years or ten years or twenty years from now.

Mr. CRUICKSHANK: I should like to ask another question. If the present rates under the present capital set-up are sufficient, I would like a clearer definition of why you say "at the present time"? If they are sufficient, as I see it now, why do you say "at the present time"?

Mr. HAMILTON: Five or ten years from now the costs of operation beyond the control of the company may be such that the rates and charges now in effect would not be sufficient to meet the costs of carrying on. Wage costs may go up; material costs may go up, and a piece of plant that you can put in to-day for \$100 might cost \$200 ten years from now. Supposing the operating cost of a particular unit to-day was \$100; for reasons beyond our control it might cost \$200 five or ten years from now. The question then is, are the current rates, under current conditions, sufficient to meet the requirements of the company?

Mr. MACINNIS: Mr. Chairman, as far as the bill now before us is concerned, I think Major Hamilton gave an undertaking in writing to the city of Vancouver that the increase in capital authorized at this time would not be used as a basis for an advance in the present rates?

Mr. HAMILTON: Yes.

Mr. MACINNIS: That is quite definite?

Mr. HAMILTON: The increase in the authorized—

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.

The ACTING CHAIRMAN: Well, gentlemen, we have had a fairly full discussion from these two witnesses. Are there any further representations to the committee?

Mr. GREEN: I wonder if I might ask a question.

The CHAIRMAN: Yes.

By Mr. Green (to Major Hamilton):

Q. Major Hamilton, you gave this undertaking in writing to the mayor and council of the city of Vancouver, the undertaking which Mr. MacInnis previously mentioned, did you not?—A. Yes.

Q. You gave an undertaking as vice-president and general manager of the company?—A. Yes.

Q. Was it in these words? I am quoting from the Vancouver Daily Province.

DEAR SIR: Replying to your request that I put in writing my verbal statement regarding the company's application to increase its authorized capital in so far as it may affect telephone rates, the company undertake that the authorization now applied for by this company to the dominion parliament will not in any way be used or advanced by the company as a reason for altering in any way telephone rates and charges in force by authority of the Board of Transport Commissioners for Canada.

A. Yes.

Q. Is that the undertaking that you gave?—A. That is the undertaking that I gave.

Q. The first paragraph of this article reads as follows:—

A written pledge from B.C. Telephone Company never to use the \$10,000,000 increase in capitalization, for which it is seeking parliamentary authority, as an argument for higher telephone rates in Vancouver, was received by Mayor Cornett to-day.

A. Yes.

Q. Just how far do you think that undertaking goes and in just what way does it bind the company?—A. I was dealing with the authorized capital only.

Q. In other words you were dealing with authorized capital as distinct from issued capital?—A. Yes, sir, and that is what I was asked for and that was entirely understood. Unfortunately there is four hours' difference in time between here and Vancouver. I could get that understanding with the city council and with the Province newspaper or people who wanted to make that clear in the minds of the public. I will be very pleased to communicate immediately and confirm what I say that that was the distinct understanding.

Q. Of course, Major, would not that mean that the letter is not worth the paper it is written on, because if it meant only the authorized capital that is authorized by parliament and not meant to cover the issued capital what possible protection is there for the people?—A. First of all we have to get authorization. Then after we get authorization we have to get permission and we have to establish the necessity and to have the facts of the case before we get the permission. We have undertaken to notify both the city of Vancouver and the Union of B.C. Municipalities who are representatives of all duly elected public representatives in British Columbia, before we make any application to the Board of Transport Commissioners for permission to issue any of this authorized capital, when full facts and everything in connection with the application will be placed before them, and if they are not satisfied they have the right to make their representations, oppose or otherwise approve of our application to the board to be allowed to get outside capital into the company to provide services and facilities for public service.

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.

Mr. DUPUIS: They would have double the income.

Mr. ROSS: (*Calgary East*): We know that it costs more to service 2,000 customers, to give the customers in excess of 2,000 phones, than to give them 1,000 phones. It costs quite a lot more.

Mr. GREEN: I do not know whether you were here at the time Major Hamilton said that at the present time under present conditions the existing phone charges will carry any extension of facilities.

Mr. ROSS: (*Calgary East*): No, I was not here.

Mr. GREEN: He has already told us that the existing rate would carry the extension of facilities.

Mr. MACINNIS: Will Major Hamilton answer the question I have asked with regard to the undertaking on one not applying to the other?

Mr. HAMILTON: Well, I will put it this way, or answer you this way, Mr. MacInnis: under the present conditions, so far as extensions to our plant and equipment are concerned the revenues produced from this additional service, produced by this additional expenditure, are to-day reasonably sufficient to carry on the company's commitments on wages, maintenance and so forth and pay a reasonable return on the money invested. But do you think it is a reasonable proposition to say that five years or ten years or fifteen years from now. With conditions beyond the control of the company—probably within the control of this legislature—being such that the operating costs of the company go up beyond their ability to cover all these reasonable requirements of the company, that full consideration should not be given to all factors involved at that particular time and reasonable consideration given by the regulatory authorities? I think that is a fair answer to the question.

Mr. MACINNIS: No, Mr. Chairman, it is not an answer at all because we are dealing with quite different things.

By Mr. MacInnis: (to Mr. Hamilton)

Q. Let me put it this way. The city council of the city of Vancouver is concerned with the telephone rates which are paid in the city of Vancouver.—A. Yes.

Q. The British Columbia Telephone Company came before this parliament for an increase in its authorized capital.—A. Yes.

Q. The city of Vancouver was concerned in that and the company appeared before the city council to explain to the council the implications of that increase in capital. Now, remember that the city of Vancouver are not interested in the authorized capital but in the effect that this authorized capital would have on rates when issued, and in order to be assured on the point they asked the British Columbia Telephone Company to give them an assurance that in the event that the telephone company had that new stock under this newly authorized capital that Major Hamilton would undertake for the company that it would not be used as a basis for asking for an increase in rates. Now then, it seems to me that when the city council asked for that assurance they were thinking of the authorized capital when it was issued, and as Major Hamilton must have understood, that was what was in the minds of the members of council, and that is the way it appears here; what happens fifteen or twenty years hence does not apply here, all that is implied here is that the company shall not make this issue of capital the basis for asking for increased rates.—A. Well, I can only say you are now saying that that is what city council had in mind that my letter covered—that is what you say, Mr. MacInnis.

Mr. MACINNIS: Yes.

Mr. HAMILTON: Yes. Now, I do not think city council had that in mind and I will be quite pleased to get in touch with the city council because I

am definitely positive that they did not interpret it that way; and I would go further than that and if you or Mr. Green representing the city of Vancouver would care to talk to these people, I think that could be done.

Mr. CRUICKSHANK: Might I ask Major Hamilton if the city council would not understand it that way? Provision was to be made that no application for an increase of rate on account of this additional capital would be made, according to Hansard at page 3124, where it says:

Provision to be made that no application for an increase of rate to be based upon any increase of the capital stock authorized.

Now, that was given to us by the sponsor of the bill. Surely that is plain English. I want to make that perfectly clear. There is no question about what city council understood or did not understand—provision to be made that no application for an increase of rate to be based upon any increase of the capital stock authorized. I think that is quite clear plain English and should be sufficient for anyone. Was that not the undertaking given?

Hon. Mr. HOWE: Perhaps the provision is not quite clear—

Mr. CRUICKSHANK: Pardon me, Mr. Chairman, am I not entitled to an answer?

Hon. Mr. HOWE: Yes, but I just wanted to sum it up; I mean, I have not been following this very closely, but the position I think is this: a telephone company is a natural monopoly. It is to the benefit of the citizens of Vancouver that there be one telephone company serving Vancouver instead of two. Being a natural monopoly this company is regulated by the Board of Transport Commissioners to make sure that its duties are carried out and it has duties as well as privileges through being a natural monopoly; its duty is to give service to the citizens of Vancouver. If there is a large increase in the volume of business the company, as I see it, is bound to give adequate service to those people. This suggested expansion is an important factor in the extension of the telephone service. There are no telephone services to the Department of Munitions and Supply in Vancouver directly, nevertheless, big plants are being built in Vancouver and they are being operated for us by industrial companies, and these plants are served by telephone and it is important to us that they be served by telephone. Some of the new fortifications along the coast need telephone service, and I think it is important that this service should be available, and I think obviously the extension of these services will be incidental to the change in the war status. The point at issue seems to be whether capital raised as a result of this authorization will be any different from any other capital that the firm has. In the first place, this authorization merely allows the company to go to the Board of Transport Commissioners and make a case for being allowed to put additional capital into the business by the sale of stock, and it is the duty of the Board of Transport Commissioners to make sure that any capital put into the business in that way is used wisely. Now, the point at issue I think is this: I think Major Hamilton has the right to say that the authorization of stock would not be used as a rate factor, and logically it could not be used in that way; the only increase in rate that would be granted by the Board of Transport Commissioners would be based on the actual money used in the business; but I think that it is going to be difficult to distinguish the money used in this business as a result of this bill from money that has been put in the business previously in a similar way through the sale of stock. It is my understanding that the suggestion of Mr. MacInnis is that this money put in as a result of the sale of this stock be ear-marked and excluded in the case of any further adjustment of rates. I think if things go on as they are and if it all remains stable and Major Hamilton's statement is correct that the extensions now being put in will be covered by the rates now being charged and there

will be no extension. But on the other hand, if this war goes on for a number of years and the value of the dollar is reduced to say fifty cents there might be the necessity for an increase in telephone rates as there would be in everything else, and in that case I think that the board, or whoever would authorize increased rates then, would find it necessary to look at the total capital of the company rather than to differentiate and say that part of the capital is one position and part has certain restrictions put on it by this committee.

Mr. Ross (*Souris*): Earlier this morning Mr. Ross of Calgary made a statement before this committee which I find rather difficult to understand. He said that an increase in the number of telephone services would mean an increase in rates. How would you explain that?

Hon. Mr. Howe: I think the result of general practice shows that the telephone rates of a small city or area are usually lower than are the telephone rates in a large city, for the reason that the central equipment is less involved. For instance, the rates in Toronto are higher than they are in Ottawa; and Montreal I understand is higher than Toronto. As the service to the subscriber increases there is a corresponding increase in telephone cost. Where you have to service a city of 100,000 subscribers it is a more expensive proposition because of the type of equipment involved than would be the case where you had to service a unit of 25,000 subscribers. I have been told repeatedly, and I think it is an accepted fact, that to service a city of 100,000, to provide switchboard facilities for that is much more expensive than would be the cost of providing switchboard facilities and associated equipment for the city of 25,000. Major Hamilton can correct me on that if I am wrong.

Mr. DUPUIS: Mr. Chairman, there is another factor involved there and that is the factor of revenue which increases with the increase in subscribers. Is that factor taken into consideration in the statement which Mr. Howe has just made?

Hon. Mr. Howe: Yes. I am told that the cost of servicing 100,000 'phones per 'phone is higher than the cost of servicing 25,000.

Mr. CRUICKSHANK: Do you believe that to be correct?

Hon. Mr. Howe: Yes, I believe that to be correct. You must have a more elaborate installation to service 100,000 telephones than you would require to service a smaller unit.

Mr. CRUICKSHANK: Well, might I ask a question then: Would it cost more to service a telephone system for we will say 100 farmers living within a area of one mile—am I to understand you to say that it would cost more to serve 100 farmers living in an area of one mile than it would say 100 people living in one block in this city?

Hon. Mr. Howe: You mean, compare 100 people living in say, this block, this building, with 100 people living in larger area—

Mr. CRUICKSHANK: That has nothing to do with the question at all; that is, facilities provided for a greater volume might work out the other way—with all due respect to you, sir, nobody can tell me that it is cheaper to supply 100 people spread over a great area than it would be to supply 100 people who are in just one building. I do not believe that. Nobody can tell me that that is so.

Hon. Mr. Howe: I beg leave to disagree with you.

The ACTING CHAIRMAN: Have you any other questions?

Mr. GREEN: The minister made one statement and I would like to ask him a question in connection with it. I think it cannot be denied that a very large proportion of the capital that will be expended will really be used for war purposes; in other words, it is not for the citizens of Vancouver or Victoria

or other parts of British Columbia, it is for war services, and yet that would be useless after the war; and within five or six years, after the war, the company may come along and ask for an increase in their telephone rates in order to keep up their payments of 8 per cent interest on the capital issued. Does the minister think that that is a fair situation, that the ordinary telephone users like Major Hamilton and myself who happen to live in Vancouver should pay the return on a service, or be charged for payment of the interest on capital expended for war purposes. I do suggest to the minister that that is a burden which should be carried by the government, that it should not be expected from the subscribers or of the man who buys the capital stock of the company. As I see it that makes quite a difference, when we come to consider the distinction between this request for increase in capitalization and an ordinary increase in capital. The minister himself said at page 2136 of *Hansard*:

The telephone companies are being called upon to expand to meet war requirements.

One expansion in which I know this company is involved is in the matter of ship to shore telephones. A good deal of expansion has taken place there, and the burden of long distance calls arising out of the war do call for extensive additional facilities.

We are asking that the capital spent on war purposes should not be a charge against the rates, should not be used to increase rates.

Hon. Mr. HOWE: We have been considering that previously. For instance, we had a very large expansion of telephone services in 1929 and in 1933 the telephone companies cut their dividends—at least, I know the Bell did—for the reason that their earnings dropped, and there was no increase in the rates on that account, and we all know that the normal growth of this country picks up these situations in the long run. I spoke of ship to shore telephones. Of course, that is more necessary in war time than it is in peace time, but it is a peace time development as well as a war time development. We were installing it on the Great Lakes before the war came on. We had a considerable installation and we have extended it since. It is more necessary perhaps in war time than in peace time, but I merely mention that as one service the telephone company has been called upon to perform, to expand to meet day to day requirements. It is quite possible that all the telephone companies in this country will suffer a reduction in revenue after the war. I do not think any of us can say positively whether they will or will not; but we do know that our industrial cities such as Vancouver, Hamilton, Toronto and Montreal are expanding rapidly and as a consequence a very considerable expansion of telephone facilities is demanded. I do not suppose it would surprise the telephone company if they had a drop in revenue after the war; nor do I think it would follow that they would immediately seek to increase their rates.

Mr. GREEN: I do not think it is fair that they should be able to base their argument for an increase in rates on increased capital.

Hon. Mr. HOWE: I do not expect they will. I imagine they will take their punishment and wait for a firmer growth of the area to restore their earnings. In any event, I do not see how you are going to distinguish between two types of money within the company's financial structure. You say they should only be allowed to pay dividends on the money already in the company, but not on the money which would be put into the company as a result of this authorization of increased capital. I do not see how they are going to distinguish between those two types of capital say ten, twenty or thirty years from now when they apply to the Board of Transport Commissioners, let us say, asking for an increase in revenue due to higher operating costs. I do not

see how you can distinguish between the money already in the company and the \$5,000,000 odd which may come into the company in the period between 1941 and 1946. I would suggest that it could not be regarded as money that was not entitled to earn a return.

Mr. LOCKHART: Before you complete that, Mr. Howe, may I say that I am guided largely by your experience in many of these matters. This company is asking for an increase of capital structure or authorization, at least, that will ultimately result in the issuing of stock of this company. It is recognized, I think, in Canada that an abnormal situation has arisen; I take that from Mr. Howe's statement. After the recession comes—or at least when this abnormal condition ceases, would it be fair to put on the established users of the telephone in any section of the country the cost of an increased capitalization and issued capital? Would it not be fair to issue—as this company has recently done, I am informed—short term bonds to meet a situation of this kind and retire those bonds out of the present increased revenue and not load them upon the established customers in any telephone community? I am just asking if that is not a reasonable thing to do in a situation of this kind. Would your experience not lead you to say that would be reasonable?

Hon. Mr. HOWE: I might say that all telephone companies apply to parliament from time to time for increases in capitalization; and all the companies, I think, are enlarging their investments to meet the present day conditions. It just so happens that this company happened to enter the war without anything in reserve for authorized expansion of capital. As I said before, I do not think it follows that if they extend their services to meet war needs, those charges will be put back on the customers. I was pointing to 1929 when there was a very great expansion in business in this country. All the telephone companies raised additional money to provide facilities to meet the expansion of that day; and as I said, in 1933 and 1934 they all cut their dividends because their earnings would not carry the investment they had at that time. Since then business has built up again and the dividends have been restored. I think that may happen after the war, but I do not think that a drop in business would be a reason for the Board of Transport Commissioners to authorize an increase in rates. I do not think that would be recognized as a reason to increase rates.

Mr. LOCKHART: May I follow that up and complete it, Mr. Howe, dovetailing into my desire for information? Is it not true, Mr. Hamilton, that your company issued some short term bonds at four and a half per cent? I am so informed by people living out there; I have close relatives in your city. Was that not done within recent years? And then could that not be done now to meet this present situation without loading an issue of capital back on the subscribers that may be two or three years hence?

Mr. HAMILTON: In a company such as this, you must have a reasonably balanced structure. In other words, you cannot issue bonds beyond a certain reasonable limit.

Mr. LOCKHART: Have you retired any of the previous recent issue?

Mr. HAMILTON: We had retired other issues because we got a better deal for the company on current issues. We took advantage of that for the past number of years because we found that we could get cheaper money to the advantage of the company.

Mr. LOCKHART: You could still get cheaper money now, could you not?

Mr. HAMILTON: We probably could get cheaper money now, yes.

Mr. LOCKHART: Do you not consider that would be a feasible way of financing this situation? Would you answer that?

Mr. HAMILTON: You cannot issue bonds and mortgage your property beyond a certain point.

Mr. LOCKHART: Have you not reduced that?

Mr. HAMILTON: No. Our bond issues to-day are equal to about 55 per cent of our total investments.

Mr. BLACK: What is the amount of the bond issue?

Mr. HAMILTON: Twelve and a half millions. These are not short term bonds. These bonds are not redeemable until 1961.

Mr. JACKMAN: They do not mature until then?

Mr. HAMILTON: They do not mature until 1961.

Mr. JACKMAN: Is there a special rate charged for ship-to-shore phones?

Mr. HAMILTON: Yes.

Mr. JACKMAN: A sufficient rate, perhaps, to amortize that equipment?

Mr. HAMILTON: Yes.

Mr. JACKMAN: Would it be possible, in connection with these war industries and with the people who are working in the war industries, to have a higher rate per station for them than there would be for the general population? Could you have two different rates for labourers, one working in the war industry and one working in a peace-time industry?

Mr. HAMILTON: I think I have already pointed out that the actual development to meet these conditions is not arising directly from the war industries. It is indirectly, because of the demand from the general public. I have already stated that our growth—

Mr. JACKMAN: Would you please answer my question directly? It would seem to me to be utterly impossible to have a rate for Tom Jones here and John Smith there, if one happened to be engaged in a war industry and the other in some different industry.

Mr. HAMILTON: Yes.

Mr. JACKMAN: You cannot have different rates for the same class of service. You must have a uniform rate there. I have never heard, certainly in the House of Commons, any request from the members for the different provinces other than those from Ontario and Quebec not to have war industries. I do not see how they can expect to have war industries without some of their attendant objections—the bitter with the sweet. There are certain objections perhaps to having war industries and one of the objections is raised by the cost of providing telephone service. You have got to provide a supply there which may be only of a temporary character; but you must weigh the whole thing as to whether or not it is beneficial to the province to have a new industry start there now and which may create extra costs. So I do not see how you can differentiate between telephones which would supply war industries and those which might possibly be just for peace industries.

Then I should like to see if we could not reconcile Mr. Cruickshank's statement with Mr. Howe's statement. Mr. Cruickshank stated that he did not believe, no matter how much extra evidence was adduced, that one hundred telephones in a close area could not be serviced more cheaply than one hundred telephones in an extended rural area. I think that is possibly so. But Mr. Cruickshank must bear in mind that with one hundred telephones added to a large system, the hundreds become thousands—and here there are eight thousand telephones to be added in this area during 1941—it does add to the central cost; because where you have a large area of 50,000 or 100,000 telephones, everybody can connect with every other person without any toll charge, so that your overhead costs go up all the time and the inter-connecting costs rise. It is what they call in economics, if I remember correctly, the law of increasing costs or diminishing returns. But there is a point, I should think where a small system of only a few hundred telephones might be more costly

per unit. Then you arrive at a point where 2,000 or 3,000 telephones connected can give the cheapest possible unit cost service; but as soon as you start increasing beyond that, your costs per unit start going up. So I do not think there is any necessary difference of opinion arising out of Mr. Cruickshank's statement and Mr. Howe's statement.

Might I also point out or ask this question; is it not customary, as the business has grown up, that practically 80 per cent or perhaps 90 per cent of the telephones on this continent are operated by companies which have subsidiaries which manufacture their own equipment? For instance, we have the Bell Telephone Company which owns the Northern Electric Company, which supplies, I suppose, the bulk of its equipment. In the United States, under the American Telephone and Telegraph system, which owns or controls all the local Bell companies, they have the Westinghouse Electric.

Mr. FULFORD: The Western Electric.

Mr. JACKMAN: Yes, the Western Electric, which provides them with all their equipment, and there is an inter-locking between the A.T. & T. and the Bell Telephone Company. In other words, the relationship between Associated Telegraph and Telephone Company and its subsidiary in British Columbia and its subsidiary the Phillips Electric Company is similar in character. While we may not like that relationship, nevertheless it is a type of relationship which has grown up in the telephone industry on this continent and perhaps elsewhere as far as I know. There is nothing unusual or unique in the picture about the relationship of the B.C. Telephone and the Phillips Electric Company any more than there is between the Bell Telephone Company and the Northern Electric Company in Canada. Is that so?

Mr. HAMILTON: That is so.

Mr. MACINNIS: Mr. Chairman, I think I should make my position clear on this. I am not opposing this bill just merely for the matter of opposing it. The company introduced a bill that met with opposition in the House. Later on the sponsor of the bill, I think, met with the members who were opposed to the bill, and we came to a certain understanding that if there were certain amendments made we would facilitate or would not oppose the passage of the bill. I want to put myself on record as being in agreement with that understanding; if we get an assurance that the amendments mean what they say, then I am prepared to facilitate the passage of the bill. The question of the assurance given by Major Hamilton on the authorized capital to the city of Vancouver has been discussed. If the authorized capital can have no effect on the rates, then they might just as well have been \$100,000,000 as \$10,000,000, because that did not come into the picture until it was issued. That is the point. This letter to the city of Vancouver, the council of Vancouver, must have meant something or it does not mean anything. To the mayor of Vancouver it certainly did mean something. I am quoting from a news item in the Vancouver Daily Province of May 14:—

A written pledge from the B.C. Telephone Company never to use the \$10,000,000 increase in capitalization, for which it is seeking parliamentary authority, as an argument for higher telephone rates in Vancouver, was received by Mayor Cornett to-day.

This is quoting the mayor's statement. The mayor said:—

I believe it will properly safeguard the interests of our citizens. The mayor certainly had in mind that when any capital was issued, the interests of the telephone users in Vancouver were safeguarded by the letter received from Major Hamilton, namely, that there would be no increase asked for in rates.

With regard to the point raised by the Minister of Munitions and Supply, Mr. Howe, that we try to differentiate between capital subscribed at two different times, may I say that obviously that would be impossible. There can be no such differentiation, and really it is a matter of time. When Major Hamilton gave this undertaking, he could not give an undertaking over a long period of years, for the next 25 years or so, but he did give an undertaking for a certain time—I would take it to be for possibly a year, although it might not be that. In any case reasonable people will have to deal with things as they develop and if there are unforeseen circumstances that would unduly increase the cost, then we will be compelled to take those factors into consideration. I should like to know exactly what is meant by this letter. If it does not mean that the authorized capital would not be used as a basis for asking for an increase in rates, it does not mean a thing, it does not mean anything; and Major Hamilton knew that when he wrote the letter. If it means something, then it means that when that capital is issued in whole or in part, it will not be used as a basis for asking for increased rates.

The ACTING CHAIRMAN: Major Hamilton has answered that question. He may not have answered it to your satisfaction, but I think you asked it in two different ways and he has answered it.

Mr. CRUICKSHANK: Mr. Chairman, might I have an answer to my question?

The ACTING CHAIRMAN: The minister has answered your question.

Mr. CRUICKSHANK: I beg your pardon, Mr. Chairman, I asked Major Hamilton the question.

Mr. MACINNIS: Would Major Hamilton give this answer again?

Mr. HAMILTON: I think that Mr. MacInnis in his statement now said that three or four, five or ten years from now, if there is such a drastic change in conditions, reasonable consideration should be given to the company to carry on its operations, and that any plant and equipment used and useful in the service of the public should be given reasonable consideration in a return to the company as at that time. Did you make that statement?

Mr. MACINNIS: Yes. I am opposed in principle to private ownership of such businesses as the B. C. telephone, but as long as we allow such ownership, reasonable means of operation must be allowed.

Mr. HAMILTON: If that is your understanding of what the undertaking was that was given by the sponsor of the bill, then that is also my understanding.

Mr. MACINNIS: Yes, but what was the meaning of this letter? What did it mean in the matter of rates? What assurance does it give in the matter of rates? Did it give any?

Mr. HAMILTON: When I discussed that with the city authorities I asked them, "What type of letter do you want?" I drafted up the letter and sent the letter up to the city for them to alter it in any way in so far as their understanding of this question was. That is the letter that was approved by the council or by the city, and also the other party who is raising the question, the *Vancouver Daily Province*. Now, I did ask them this question: Do you interpret that to mean that any additional moneys put into this company to meet public demand—properly put in under existing tariffs, and so forth, and after permission and approval of the city and other authorities who have full knowledge of what has been done—that such additional capital should not be given fair consideration when conditions over which the company has no control arise, such as the devaluation of your dollar, as the minister put it, from a dollar to fifty cents; that any consideration to be given by the regulatory authorities should not be taken into consideration? And they said, "Not by any means, no; that is not the understanding". And that is exactly in line with the statement that was made by Mr. MacInnis.

Now, taking Mr. Green's proposition, Mr. Green, as I take it, is only concerned with any capital extensions that this company may be called upon to provide because of our abnormal war situation; that if after this war we are left with a bunch of plant and equipment on our hands that is not useable or useful to provide the services under normal conditions, then because that was done by the company to take care of an abnormal situation that the costs of that should not be saddled on the subscribers or the telephone users. Am I stating your statement correctly, Mr. Green?

Mr. DUPUIS: If I understand you correctly, you do not give a guarantee that the rate will not increase, but that if it does increase the capital will not enter as a factor in increasing the rate?

Mr. HAMILTON: No; the factors in increasing the rate would be factors beyond the control of the company.

Mr. DUPUIS: Yes, factors other than the increase of capital.

Mr. HAMILTON: Yes.

Mr. FULFORD: As I understand it, stock will only be issued on the authority of the Board of Transport Commissioners when it is proven to them that increased services warrant the increase in capital.

Mr. HAMILTON: Yes.

Mr. FULFORD: In other words, you increase the number of your units, so that you can spread out your costs over a larger number of stations; therefore the pro rata rate will remain constant; it makes no difference how much material you have as long as you have more units to furnish the returns on the capital invested?

Mr. HAMILTON: Yes.

Mr. CRUICKSHANK: Mr. Chairman, may I have my question answered?

The ACTING CHAIRMAN: Colonel Stairs will answer your question Mr. Cruickshank.

Mr. STAIRS: Mr. Chairman and gentlemen, I understand that Mr. Cruickshank is reading from *Hansard*?

Mr. CRUICKSHANK: Yes.

Mr. STAIRS: He has asked for an explanation of part of the statement. I think we would make more progress, gentlemen—it is not for me to attempt to direct your deliberations, of course—but this is to be the subject of an amendment to a section, and would it not be better to suspend discussion of this until we reach that section?

The ACTING CHAIRMAN: That is what I was going to suggest. I was going to suggest a moment ago when Mr. MacInnis asked the question following upon what Mr. Green had said that perhaps we might hear any additional discussion, if there is any, and then meet with the point that you have raised in this suggested amendment to which Colonel Stairs refers. If that is agreeable to the committee perhaps we might proceed. We have already been almost two hours hearing representations from these two gentlemen. Of course, I am in the hands of the committee.

Mr. LOCKHART: Are there any further representations?

The ACTING CHAIRMAN: Yes, I understand there are further representations to be made.

Mr. NEILL: I would like to ask just two questions.

The ACTING CHAIRMAN: All right.

Mr. CRUICKSHANK: Mr. Chairman, I have received several wires and it may be necessary to bring some people here from the province of British Columbia. I think I can say, although I am not speaking officially, that I am acting for more municipalities than any member from British Columbia.

I wired them and spent a lot of time and money, as a matter of fact, giving them an assurance as quoted in *Hansard*. I assured these Boards of Trades and other organizations that wired me that their worry was overcome by an assurance which I quoted from *Hansard*. Now, it may be necessary for me to contact these people again to-day, and, frankly, I have not got at my disposal the telephone services. I have asked for an answer to my question, Mr. Chairman, in order that I can answer these people from British Columbia to-day by wire.

The ACTING CHAIRMAN: With reference to the undertaking, Mr. Cruickshank, both Major Hamilton and Mr. Farrell have attempted to answer it. What I was suggesting was this; that your point will be discussed again under one of the sections of the bill and I wondered if the committee would not consent to hearing additional representations so that we might dispose of the witnesses at this stage. Is the committee agreeable to that?

Mr. LOCKHART: Mr. Chairman, Major Hamilton has not answered that question. I believe under a charter they are permitted up to 75 per cent of the first mortgage bonds. In your charter I believe that is stipulated?

Mr. STAIRS: Yes.

Mr. LOCKHART: I think your statement was that you had only issued 55 per cent. Is it not possible to answer that question? Is it not possible to issue further first mortgage bonds to meet this abnormal situation rather than ask for an increase in capitalization. That is one of the points on which I would like a definite answer?

Mr. STAIRS: Mr. Chairman, I can answer that. As a matter of fact, I happened to be the man who drew the mortgage, with the help of other people. The mortgage is in more or less standard form. It permits a certain amount of bonds to be issued in the first place.

Mr. LOCKHART: 75 per cent?

Mr. STAIRS: No, there is no limitation of that kind. There were so many bonds issued; I do not remember at the moment just what it was. Those were applied in redeeming other bonds. The 75 per cent clause does not mean 75 per cent of the total amount of the property, or 75 per cent of anything like that. It is simply that, if new additions are made, bonds up to 75 per cent of the amount of those additions can be issued, which necessitates finding the other 25 per cent of the cost of the additions in other ways, by new capital or savings of the company or in some other way.

Then there is another condition on the issued bonds, that the earnings of the company must bear a certain proportion to the total amount of the bond interest. Speaking from memory, I think it is two and one half times. So that the rate of earnings comes in there. What Major Hamilton was referring to in speaking of 55 per cent was simply the ratio of bonds to capital, which has nothing to do with the legal conditions imposed by the trustee, but relates to business conditions and your ability to sell the bonds as a sound security. The two are quite different things. The fact of the matter is that the company is now getting to the point where it will be necessary to have some of the additional capital necessary to cover expansions invested in the form of stock, otherwise the bonds and stock would begin to get out of balance.

Mr. LOCKHART: You said definitely, then, that the condition of the company is that you could not issue more bonds to meet this abnormal condition?

Mr. STAIRS: Oh, no, I did not say that at all.

Mr. LOCKHART: I thought that was a reasonable solution, and I am asking you whether you consider it to be reasonable?

Mr. STAIRS: The company has the legal right to issue the bonds; whether it could sell them is another question.

Mr. LOCKHART: What is the reason you prefer to do it this way rather than the other way?

Mr. STAIRS: Because the time is approaching when it will be necessary, as I say, to—you might say—sweeten the capital with a little more—

Mr. LOCKHART: That is a good term?

Mr. STAIRS: —money in the form of share capital as distinguished from bonds to keep the thing in balance. It would be possible to find possibly some additional capital now by the sale of bonds; of course, not at the present time, because there is no intention of issuing any capital in any form at the moment, and an undertaking is to be given that none of this stock will be issued until after September.

Mr. CRUICKSHANK: Mr. Chairman, may I not have an answer to my question? One question has been answered. I admit I am not a member of this committee, but I was permitted to ask questions by several of the committee, and I would like to have an answer. Am I to be refused an answer?

The ACTING CHAIRMAN: You are not to be refused an answer. My understanding of your question was this; that it had to do with a proposed amendment to the bill, and I wondered whether you would not wait until then. If you insist upon an answer now—

Mr. CRUICKSHANK: I am not opposed to this bill; as a matter of fact, I am in favour of this company, but I represent certain people and I have to contact them in Vancouver or British Columbia.

The ACTING CHAIRMAN: Will you put the question again?

Mr. CRUICKSHANK: Does the company agree with the undertaking and guarantee given to the parliament of the Dominion of Canada representing the people of the entire dominion by the sponsor of the bill as set out on page 3124 of *Hansard* dated May 16, 1941, as follows:

Provision to be made that no application for an increase of rates to be based upon any increase of the issue of the capital stock authorized.

The ACTING CHAIRMAN: Mr. Cruickshank, I do not want to be unfair to you but my understanding is that this question has been answered.

Mr. CRUICKSHANK: Mr. Chairman, as I say, I am not a member of this committee, but I would like an answer to the question. I admit I am in the hands of the committee.

The ACTING CHAIRMAN: The point is that you may not have received an answer to your satisfaction?

Mr. CRUICKSHANK: I have had no answer.

The ACTING CHAIRMAN: I think the witness has attempted to answer that question on two occasions. It was raised indirectly by Mr. MacInnis and again by Mr. Green.

Mr. CRUICKSHANK: In this case I have asked for a direct answer. All it requires is Yes or No. I admit that I have no authority here, I am here on suffrance, but I am surely entitled to an answer. It is a plain question, but it must be an embarrassing one or they would answer it.

The ACTING CHAIRMAN: I do not know that it is embarrassing and I do not know whether that remark is in order.

Mr. CRUICKSHANK: I will withdraw the remark.

Mr. McIVOR: I think that those who are in charge could give a positive Yes or No.

The ACTING CHAIRMAN: I should like to hear the question read.

(Reporter read:—

“Mr. Cruickshank: Does the company agree with the undertaking and guarantee given to the parliament of the Dominion of Canada representing the people of the entire dominion by the sponsor of the bill as set out on page 3124 of *Hansard* dated May 16, 1941, as follows:—

Provision to be made that no application for an increase of rates to be based upon any increase of the issue of the capital stock authorized.)

Mr. STAIRS: Is the question simply: do we agree that that undertaking as given in parliament was given on behalf of the company?

Mr. CRUICKSHANK: Absolutely.

Mr. STAIRS: Of course it was given on behalf of the company. Mr. McGeer had authority to give that undertaking, and the company stands behind it.

Mr. CRUICKSHANK: I am satisfied. If the company stands behind that, I am satisfied.

Mr. STAIRS: But I should add, of course, that it is implied that the statement that “The wording of this clause to be worked out in the committee” refers to a clause to be put into the bill. That is the whole undertaking.

Mr. CRUICKSHANK: I understand now, Mr. Chairman.—I want to be fair about this—that this gentleman—I do not know his name—is definitely saying that the company stands behind it, as far as the Fraser Valley Reeves' Association is concerned.

Mr. STAIRS: I am not talking about the interpretation of it, Mr. Cruickshank.

The ACTING CHAIRMAN: The answer, Mr. Cruickshank, has been taken down by the reporter.

Mr. FULFORD: I would like to move, Mr. Chairman, that if no further representations are to be made, we proceed to examine the bill clause by clause.

Mr. NEILL: Mr. Chairman, I wanted to ask two questions, and I will be very brief. I would like to ask this question of Major Hamilton. He made the statement in answer, I think, to Mr. O'Neill, that the present capitalization—we will not quibble about the exact wording—or set-up was sufficient for a number of years hence; also that the present rates were sufficient, but that the day might come when they would not be sufficient. He visualized a condition where equipment might go up in price.

Certain articles of physical assets would be dearer to buy, and so on, and therefore he wants to reserve the right to change his rates. Looking back over my experience through the years, I would make this suggestion—I would not be opposed if I were positive that mechanical parts would go up. It is much more likely that they will come down. If we look at the improvements which have been made in mechanization during the last fifteen or twenty years, if the improved processes of mechanization are as much as one could reasonably expect, the result would be that it is far more likely that they will be cheaper rather than dearer. In view of the statement by Major Hamilton that he does not anticipate any advance in the immediate future, within five or ten years, is it really essential that this company should ask for an immediate increase in capital? That is one question. My second is, he said and he has repeated, and his associates have repeated, a statement that seems incredible to me; that the more business you do the dearer it is, that if you have 100,000 telephones it is going to cost you more to run them than if you only have fifteen. I was in business at one time in a much more modest way than that, and when the depression came along I found my income cut down. I investigated to ascertain the reason and I found that my overhead could only be cut down to a certain

extent and that my loss was in fact due to climatic conditions which affected particularly that one year and which the next year disappeared. As a result of my observations I found that clearly the overhead does not increase, rather the overhead remains more or less stationary and the more business you do the better. Now, if that is so, and I will take his word for it that it is cheaper to run a company of 50,000 subscribers than it is to run one of 100,000, hadn't we better authorize the starting of another company in Vancouver and then we would have two companies with 50,000 telephones each—or 5,000 telephones each—and then they would be able to run it much more profitably. That is the second question.

Next I want to reiterate my approval of the remarks of Mr. MacInnis when he said that he had nothing against this company, that he looked at the bill in an impersonal way, the same as myself; he said he wanted to see the committee carry out the terms very definitely stated in the House of Commons, that they should be inserted in the bill. He said I want the amendments inserted in the bill that were definitely promised on the floor of the House of Commons, and it appears to me that a very genuine attempt is being made now to avoid that point.

The ACTING CHAIRMAN: Just a moment, will you answer the question by Mr. Neill?

Mr. HAMILTON: Judging by the statements made by both Mr. Neill and Mr. MacInnis I find myself somewhat—I am in line with your general idea as to what safeguards should be put in this bill. I repeat this, could we put anything in this bill, or should we, or is it fair to put anything in this bill that will preclude the company from getting relief when conditions arise over which they have no control? Now both Mr. MacInnis and I think very seriously yourself, Mr. Neill, agree that that should not be. I also made the statement that under conditions as they exist to-day that any extension of our services under our existing rates and tariffs should be carried and can be carried with our existing authorized rates, but if the time should come when the value of the dollar is only fifty cents as against a dollar to-day, then should we carry on under those conditions?

Mr. NEILL: Yes, you might be able to buy at cheaper rates.

Mr. FULFORD: Not if it is inflation.

Mr. HAMILTON: Now I think Mr. MacInnis has agreed that conditions as at that time should be given fair consideration.

Mr. NEILL: When they arise.

Mr. HAMILTON: When they arise, that is exactly it. When they arise. Now, I cannot say what is going to arise five years or ten years or fifteen years from now. I sincerely hope that the situation will be that instead of increasing rates we will be able to decrease rates.

Mr. DUPUIS: But at any rate if you found it necessary to increase rates because of the value of the dollar you would have to apply to the Board of Transport Commissioners?

Mr. HAMILTON: And all the conditions and everything else will be taken into consideration at any hearing to arrive at a decision when those conditions arise.

By Mr. Ross (Calgary) (to Mr. Hamilton):

Q. Isn't it true that the Board of Transport Commissioners allow you to charge rates ranging up to 8 per cent of the common stock?—A. Yes.

Q. Is it allowing you to do that?—A. Yes.

Q. Have your rates been up before this board recently?—A. Yes, three years ago.

Q. Three years ago?—A. Yes.

Q. It looks to me like a very high rate for a company of this kind—8 per cent on common stock. I could quite understand it on commercial companies, but on these public utility companies which are monopolistic in character; the board should allow them to make a fair return on their money, but to me 8 per cent is a very high rate. I cannot understand allowing it to be that high.—

A. That may be true, but you are only looking at one item. If you will look over the average that is paid by the company, over the whole average, it amounts to something around $5\frac{1}{2}$ per cent. When you take your bonds at $4\frac{1}{2}$ per cent, your preferred at 6 per cent and your common at 8, and you take an average of that the average cost to the company is somewhere in the neighbourhood of 5 or $5\frac{1}{2}$ per cent.

Mr. ROSS (Calgary): That is a very high percentage.

Mr. NEILL: They have 8 per cent.

Mr. HAMILTON: It is fair to say that the average cost of the money is $5\frac{1}{2}$ per cent.

By Mr. Jackman: (to Mr. Hamilton)

Q. Does the Board of Transport Commissioners not set the price at which you issue common stock?—A. They do.

Q. Is it at par?—A. At par, in this instance.

Q. They would have to approve before you could issue any of your common stock at a premium?—A. Oh, yes.

Mr. STAIRS: The company has not hitherto been under the Board of Transport Commissioners in relation to the issue of stock. The clause in this bill will place it under the jurisdiction of the board for that purpose. Hitherto the board has had no control over the issue of the capital stock of this company, but a clause of that kind was put into the bill, the charter, some years ago, and as a matter of course when this bill was prepared a similar clause was inserted.

Mr. JACKMAN: The Bell Telephone Company I think issued stock which bears 7 per cent, but the company usually receive far more than \$100 per share for the stock when the public subscribe to it.

Mr. FARRELL: That would depend on the market at the time the board authorized us to go ahead and sell our stock.

Mr. JACKMAN: I think the committee should have some idea as to the price at which this stock will be offered to the public. It is an 8 per cent stock and very likely it will sell at around \$130 or \$140 and the return to the investor will be around $5\frac{1}{2}$ per cent.

Mr. STAIRS: That is a matter for the board.

By Mr. MacInnis:

Q. What is the market price of C.B. telephone stock now?—A. Perhaps Mr. Farrell could give you the answer to that.

Mr. FARRELL: I think I should say that the common stock of our company is held by the Anglo-Canadian Telephone Company.

Mr. NEILL: The stock of which is owned by an American company.

Mr. JACKMAN: Is it expected when you sell this common stock that it will be a public offering or will it be covered by Anglo-Canadian?

Mr. FARRELL: The directors would have to decide that at the time. We have not discussed that yet. The chances are that the Anglo-Canadian Telephone Company would be asked if they would like to buy the stock.

Mr. HATFIELD: I would like to have a more definite answer to Mr. Lockhart's question as to why this company should be authorized to sell stock

bearing 8 per cent when they are selling bonds which carry only around 5 per cent. Why do you have to have an authorization to go out and sell stock returning 8 per cent to the subscriber when you can get money for your extensions at 4 or 5 per cent by selling bonds?

Mr. FARRELL: We have already answered that by saying that we can only issue bonds up to a reasonable commercial percentage of the total. You see, you finally get to the point where you have all your stock used up and your right to sell bonds exhausted and new commitments facing you and you have nothing to carry on with.

Mr. JACKMAN: What is the limit to your authorization to sell bonds?

Mr. FARRELL: That is gauged by the commercial aspect of the market.

The Acting CHAIRMAN: Well, are there any further representations?

By Mr. Green (to Mr. Hamilton):

Q. I would like to ask a further question: Major Hamilton, you have been stressing the fact that if conditions do get worse for the company in ensuing years that you won't be able to go to the Board of Transport Commissioners for an increase in rates; is it not a fact that you would be free to go to the Board of Transport Commissioners and raise any argument you wished—change in the value of the dollar, increase in prices, anything you wished—except that you could not ask for your 8 per cent issue of new capital that it is proposed to bring in under this amendment? You would not be hampered in any other way would you if the proposal that has been discussed here is carried out, if this new capital issue for which you seek authority now is under a special clause?—A. I cannot see how that is possible.

Mr. FARRELL: Let me answer that.

Mr. GREEN: I want Mr. Hamilton to answer that. He is the one who made the statement about the possibility of getting relief.

Mr. HAMILTON: If you could show me how we could differentiate—how could you differentiate, Mr. Green, in a situation like that? I have taken from your previous remarks that your particular concern is that we will use some of these moneys that we are permitted to do by authority of the board to make extensions to our plant and equipment for war purposes that might in the future be saddled on the telephone users. That is your concern, is it?

Mr. GREEN: That is one of them.

Mr. HAMILTON: That is what you have stated. Now with regard to this undertaking of the company as quoted by Mr. Cruickshank from *Hansard*, if it is your understanding that if in the future conditions beyond the control of the company are such that the company requires to apply to the Board of Transport Commissioners for relief that all factors should be reasonably considered by the Board of Transport Commissioners as at that time.

Mr. GREEN: Except this proviso, except this undertaking given in the house that no application for increase in rates is to be based upon any increase in the capital stock authorized. In other words, you could not ask for an increase in rates based on the fact you have issued 2,000,000 or 5,000,000 more shares or whatever the figure may be, covered by this bill.

Mr. HAMILTON: You say that under any conditions irrespective of what might happen in the future?

Mr. GREEN: That is the only restriction.

Mr. HAMILTON: That a certain portion of the company's capital is estopped from any consideration other than the present rates in force. That is exactly what you say.

Mr. GREEN: In essence, yes.

Mr. HAMILTON: Would not that have a serious effect on the sale of the company's securities to meet public demands?

Mr. GREEN: That may be, but it is going back on your bargain. Is it not a fact that the only restriction that you would have on going to the Board of Transport Commissioners would be that you could not ask them to provide you with interest on the capital issued in this bill. What other restriction would there be if you carried out that bargain?

Mr. MAYHEW: I am not a member of the committee but I should like to say a few words.

Mr. GREEN: I should like an answer to that question if I can get it.

Mr. HAMILTON: I do not think I can add anything more to the answer already given.

The ACTING CHAIRMAN: Mr. Mayhew.

Mr. MAYHEW: Thank you, Mr. Chairman. I think I represent possibly one of the fastest growing parts of British Columbia, at the present time. Our population has increased very rapidly in the last two or three years. I think it is most important that these people who are moving there for whatever reason they are coming, should have some protection or at least some assurance that adequate service is going to be supplied. I do not see how the company can be expected to guarantee that they will not use their capital structure in conjunction with other arguments to secure sufficient money to carry on its undertaking. I do not think that Mr. Green and the others who are arguing care to guarantee to the B.C. company that labour costs in connection with the operation of the company will not increase during the next five or ten years. If that labour increases a matter of 20 per cent, we will say, the company would then either have to refuse to pay or not be able to pay their interest charges on their bonds or their preferred stock, let alone their common stock. Leave their common stock to one side. If they reach a position where they cannot pay interest of any kind their usefulness in the community will be impaired. They will not be able to get any further capital to go on and take care of the growth of the province. So far as 8 per cent common stock is concerned I should like to point out this: you all recognize, I am sure, that it is common stock and it must rank at the tail end of all its earnings. In other words, they must take care of all their bonds, interest on preferred and preference shares and if there is anything left over the common stock may go as far as 8 per cent. I think most of us would prefer—at least I would—a preferred stock over an 8 per cent common stock. While 8 per cent is very large at the present time, I do not think that that should stand in our way.

When this company makes an application to the transport board, I have sufficient confidence in that transport board that before it grants permission to this company to earn 8 per cent on the common stock it will take into consideration all the factors. It is quite true the cost of raw material, as Mr. Neill says, might come down. After the war the price of copper may fall to a very low level. But who is going to say that? Who can guarantee that? The transport board must and will I am sure take all other factors into consideration when it grants any application that this company makes. I think the population of British Columbia is amply taken care of and they do not need particularly all this interest that is taken in them at the present time to look after their welfare. I think it is better in the hands of men who have no axe to grind and only wish to see that the public gets the right deal.

Mr. DUPUIS: Following that argument, may I say, Mr. Chairman, that I should like to thank the member who just gave us some information as to his own views but that brings to my mind a contrary argument. For instance, suppose the cost of administration decreases is there anything in the bill to prevent the public asking for a decrease of rate? There is nothing in the bill to prevent that, is there?

Mr. HAMILTON: You are right, sir, there is nothing in the bill to prevent that.

Mr. NEILL: Is it essential to get \$10,000,000 more?

Mr. MAYBANK: Order.

Mr. NEILL: Is it essential to get \$10,000,000 now?

Mr. MacINNIS: They are asking for \$5,000,000.

Mr. NEILL: \$10,000,000.

Mr. HAMILTON: I would say a company such as ours, a public utility company, does not come to parliament every year or every two or three years for authorization of increase in capitalization. It comes for a reasonable amount to allow it to carry on for a reasonable time.

Mr. NEILL: It came in 1934.

Mr. HAMILTON: The Bell Telephone Company of Canada came here and they asked for an increase from \$75,000,000 to \$150,000,000 with the restriction that any issues they make or any portion of it which is issued has to have a duly authorized regulatory body approve of it. Now, taking into consideration—from my experience—the growth of British Columbia and the future developments, I would say that an authorization of \$10,000,000 may carry us for fifteen years.

Mr. NEILL: Is it essential now?

Mr. HAMILTON: \$10,000,000 is not essential now.

Mr. NEILL: Thank you.

Mr. HAMILTON: The total of \$10,000,000 is not essential now. Somebody suggested we make that \$5,000,000. Well, we can make it \$5,000,000 and probably we will have to come back to parliament in a shorter space of time for an additional authorization. Does that answer your question?

Mr. LOCKHART: How long ago is it since you were here before?

Mr. MAYBANK: 1934.

Mr. NEILL: And it was withdrawn in four days.

Mr. CRUICKSHANK: May I say one thing in fairness to B.C. members who are not members of the committee? An insinuation has been made that they have an axe to grind. The people of my riding and of the ridings in other parts of the province are just as much entitled to oppose this bill as anybody else. We have never questioned the sincerity of anybody. I am speaking on behalf of other B.C. members here, when I say that, as well as on behalf of every member of the committee. We are trying to do our duty as we see it. We may be wrong, but we have no axe to grind. I want to assure the member for Victoria that I certainly have an axe to grind on behalf of my constituencies to see that they are protected in this regard to the very best of my ability. I have not questioned the sincerity of anyone here and I want to say that in so far as the member from Fraser Valley is concerned and the other B.C. members, parliament to us is supreme. All I have said and all I ask for is a guarantee given to me that the interest of my constituents will be protected; and I resent strenuously any member of the Canadian Manufacturers Association questioning my sincerity in looking after the interests of my constituency.

The CHAIRMAN: I do not think, Mr. Cruickshank, there was any intention on the part of any member, whether he be a member of this committee or not, to cast any reflection on any other member. I think the chair has attempted to—

Mr. CRUICKSHANK: I was not questioning the chair.

The CHAIRMAN: I know you were not. I have tried and the committee has attempted to give every latitude for discussion, as has been shown by the consent of the committee to hear other members from British Columbia who are not members of the committee.

Mr. MACINNIS: Mr. Chairman, before Mr. Mayhew replies may I say personally my impression of what Mr. Mayhew said amounts to this. If we accept his point of view, what will happen is that parliament will disband and we will go home and leave the welfare of the people of Canada or the people of British Columbia in the hands of the Board of Transport Commissioners and the B.C. Telephone Company.

Some Hon. MEMBERS: Hear, hear.

Mr. GREEN: I really do not believe that Mr. Mayhew meant what he said about axes to grind. At any rate, it is certainly not applicable in the case of any of us from British Columbia, and I think in fairness to us he should withdraw that remark.

Mr. MAYHEW: Mr. Chairman, I assure you that I did not have in mind, in the slightest way, any of the members more than my own self when I said we might have axes to grind. I have a particular interest at the present time to see that the B.C. Telephone Company develops so that it will be able to serve my district. The Board of Transport Commissioners, under which this will come, have no interest particularly in my riding or in the people, but they have an interest in the whole of British Columbia. If I made any inference of the kind suggested, I would certainly withdraw it, because I have not that opinion of the members from British Columbia.

The ACTING CHAIRMAN: Thank you Mr. Mayhew.

Mr. HATFIELD: I should like to ask a question about the stock. I should like to know if it is going to be offered to the public, or will the B.C. Telephone Company have the first option on it? Is it going to be offered to the public of British Columbia or the people of Canada?

Mr. FARRELL: Common stock is usually offered to the existing shareholders.

Mr. HATFIELD: Why should that be?

Mr. FARRELL: That is the usual custom, I understand.

Mr. HATFIELD: Why should the subscribers in British Columbia not have a chance to purchase this stock and secure 8 per cent on their money?

Mr. FARRELL: That would be a matter for the directors to decide which is in the best interests of the company. The price has to be set by the board. Undoubtedly they will get the best price they can for the stock.

Mr. HATFIELD: Then this stock is not going to be issued to the public?

Mr. FARRELL: I cannot give you an assurance on that. I say it would be the usual custom for the shareholders to be offered additional shares of common stock of a company.

Mr. LOCKHART: The Anglo-American Company head office is in Chicago.

Mr. FARRELL: The Anglo-Canadian Telephone Company is a Montreal company.

Mr. MAYBANK: I wanted to ask Major Hamilton a couple of questions.

Mr. LOCKHART: Associated Telephone and Telegraph Company has its head office in Chicago?

Mr. FARRELL: Yes.

Mr. MAYBANK: I just wanted to ask a couple of questions of Major Hamilton to clear up things that have been told to me. The money or perhaps I should say—as it is not money exactly you are being paid—the right to increase your capital and thus get money is wanted in part for the purpose of retiring by way of stock certain outstanding shares. Is that not right?

Mr. STAIRS: No, that is not correct.

Mr. MAYBANK: Is it not so that you desire to recall the stock, unless that has been wiped out by agreement? I have not the bill in front of me, but is there not something there to indicate the recall of stock?

Mr. STAIRS: In the undertaking given in the House, provisions in regard to preference stock are to be revised, if the committee accepts the amendment, excluding any reference to already existing stock, so that the provision of the bill would only apply to new stock, if, as and when, issued.

Mr. MAYBANK: You had stock issued, had you not, where you had a call provision in it?

Mr. STAIRS: Yes.

Mr. MAYBANK: But still, in spite of that, they have regarded your stock as being non-callable owing to the fact that what had been written into the agreement giving you that right was *ultra vires*; you did not have the power to make it and therefore they regarded it as non-callable stock. Is that a correct statement?

Mr. STAIRS: That I do not think is correct. But is it necessary in this committee to discuss what is a legal point about that stock?

Mr. MAYBANK: I do not know whether it is necessary, but I think, generally, you will find that in a committee you may discuss anything from soup to nuts or even some thing broader than that.

Mr. STAIRS: As a matter of legal opinion, the stock was issued containing conditions which entitled the company to redeem it at a premium, both issues. The original charter of the company gives the company power to issue preference stock, with a qualified provision. There is not any doubt in my mind as a lawyer, on the authorities, that if that stock were redeemed otherwise than out of capital, so that it did not involve a reduction of capital, the stock could be redeemed, and the shareholders would be bound to surrender.

Mr. MAYBANK: As long as they did it out of profits?

Mr. STAIRS: Yes. As far as the matter of contract between the shareholders and the company is concerned, the stock is redeemable. If the capital was reduced, the shareholders' stock could be cancelled by redemption. But in the case of a company of this kind, the provisions of the Companies Act in part 1 applying to a patent company do not apply.

Mr. MAYBANK: Dominion companies?

Mr. STAIRS: Well, special act companies. They are all dominion companies. There is no machinery in the act for cancelling stock if it were redeemed; also it would not be clear whether the stock could be re-issued. In a company of this kind I do not think that stock would ever be called, except for what in financial slang we call "refunding". I think it is quite evident from the discussion that has gone on that this company would never accumulate a reserve of undistributed profits sufficient to retire five and a half million of stock at a premium. I mean, that is academic. That is just a legal technicality. It is the legal position. As far as the shareholders are concerned, likewise it could not be retired as a straight reduction of capital, just paying out five and a half million dollars and not replacing it. So the only conceivable circumstances under which this stock could be redeemed would be in what we call "refunding"; in other words issuing another amount of stock at a lower rate. Well, we all know what financial conditions are now, that there is no prospect of anything of that kind being considered for a moment; though it was considered desirable when this bill was before parliament to include in its provisions something that would straighten out that thing and make it clear that we could re-issue the stock. As there was objection to that, rather than prolong the discussion on it when it was not a practical consideration, the company decided to withdraw that feature of the bill and just let it relate to future stock.

Mr. MAYBANK: I did not know that. I have not been able to be at this committee, and I was spoken to, as a matter of fact, by some of your friends or some of the friends of the bill, if I might put it that way. What I have

really done now is to lead you into what might be termed a bootless discussion, because the stock that is already issued is no longer the subject in any way of this bill.

Mr. STAIRS: That is perfectly correct.

Mr. MAYBANK: All right. I should apologize for having got you started.

The WITNESS: There are several provisions of the bill which it is proposed to ask for an amendment in respect to. One of course is—

Mr. MAYBANK: I hear Mr. Cruickshank say it is still in the bill.

Mr. STAIRS: It will be taken out by this committee, I expect.

Mr. MAYBANK: But it is understood it gets wiped out in this committee?

Mr. STAIRS: Yes.

Mr. MAYBANK: So that your statement is correct?

Mr. STAIRS: The bill has not been amended in the House. The bill will, I understand, be amended by this committee.

Mr. CRUICKSHANK: But an assurance was given in the house.

Mr. MACINNIS: Is there any reason why members of the committee could not have typewritten copies of the proposed amendments? I have seen some, although I have not got one, of what purported to be typewritten copies of these amendments, which some members have.

The ACTING CHAIRMAN: I am afraid, Mr. MacInnis, that before we dispose of that we should consider the preamble and decide whether that will be carried or not. I think when we come to the sections we should take them up one after the other, and then the amendments, if any. I understand that is the custom.

Mr. STAIRS: As a matter of fact, if you will excuse me, Mr. Chairman—I did not mean to interrupt you—the amendments are all described in *Hansard* of May 16. The only one that is not there is the provision to be settled in committee in regard to this point about capital.

Mr. HATFIELD: May I ask about the bonds that are offered to the public, the bonds outstanding at four and a half per cent. They are four and a half per cent bonds, are they?

Mr. FARRELL: Yes.

Mr. HATFIELD: The subscribers have a right to purchase bonds paying four and a half per cent but they have no right to purchase stock paying eight per cent. Is that right?

Mr. FARRELL: It is not a question of right. It is a matter of trying to run the company in the most economical and efficient manner.

Mr. ROSS (*Edmonton*): Are the common shares on the market at all?

Mr. FARRELL: The preferred shares are held by the public. We have about 3,000.

Mr. ROSS (*Edmonton*): What about the common shares?

Mr. FARRELL: I have already stated the common shares are all held by the Anglo-Canadian Telephone Company.

Mr. HATFIELD: They get eight per cent.

The ACTING CHAIRMAN: Are there any other representations?

Mr. GREEN: Might I ask Col. Stairs one other question? He was answering Mr. Cruickshank with reference to this extract from *Hansard* "Provision to be made that no application for an increase of rates to be based upon any increase of the issue of the capital stock authorized." When he was discussing that he said that it was a question of how that was interpreted.

Mr. STAIRS: Yes.

Mr. GREEN: May I ask him how he interprets that; and before he answers that may I say with regard to the proposed amendments, Mr. Chairman, that it would help a great deal if the company will let us know just what amendments they do propose. It is a little unusual, I admit. They made these offers in the House. It would help to facilitate the consideration of the bill if they would let us have copies of the amendments.

The ACTING CHAIRMAN: Do you not think, Mr. Green, we should proceed first of all with the passing of the preamble and then consider the amendments and have the company give them out? I understand from the legal officers that that is the usual procedure.

Mr. GREEN: It is a matter for the company. They said they are going to have this bill amended. I think we ought to know what they propose at the earliest possible moment.

Mr. STAIRS: I said just now that the amendments are all in *Hansard* already.

Mr. GREEN: It is only what was in that?

Mr. STAIRS: "With regard to section 2, to delete paragraph (c)"—I could give you a piece of paper and say we are going to delete paragraph (c) but here it is in the proceedings of the House—"and the words 'or which are to be'" and so on.

Mr. CRUICKSHANK: Are those amendments in *Hansard* the ones being submitted? ?

Mr. STAIRS: Yes.

Mr. CRUICKSHANK: I am correct in that one I asked and that Mr. Green just asked, that that is going to be submitted by the company—"Provision to be made that no application for an increase of rates to be based upon any increase of the issue of the capital stock authorized." That is an amendment, according to your statement?

Mr. STAIRS: Your question was, as I understood it, whether the company gave authorization to Mr. McGeer to make that undertaking in the House. I said "yes".

Mr. CRUICKSHANK: Pardon me. I am sorry I have not the name, but the speaker just said a moment ago that the amendments are as in *Hansard*. I am sure that is on the record.

Mr. STAIRS: I said with the exception of this particular point.

Mr. CRUICKSHANK: Oh, with that exception.

Mr. GREEN: What is your amendment on that point?

The ACTING CHAIRMAN: Mr. Green, I am afraid that I will have to rule that we dispose of the preamble before we can consider any of the sections or any of the amendments. I do not want to be unfair to you, but I understand that is the procedure. I wonder whether we could not dispose of the preamble and then go on with the sections. I think there will not be any objection to giving the amendments to those sections to you and the members of the committee.

Mr. GREEN: Col. Stairs did not answer my question.

The ACTING CHAIRMAN: Oh yes. Would you do that?

Mr. STAIRS: What was your question?

Mr. GREEN: How do you interpret those words—"Provision to be made that no application for an increase of rates to be authorized upon any increase of the issue of the capital stock authorized"?

Mr. STAIRS: I would like to say what I said before, that if we are going to deal with the amendments in full, that can be discussed then in connection with the amendments. They are all intimately related.

Mr. GREEN: I think you should tell us how you interpret that undertaking.

Mr. LOCKHART: Yes, as a matter of general information.

Mr. HANSON: I think that should be taken up when we arrive at that section.

Mr. McCULLOCH: I think that should be taken up when we arrive at that section.

Mr. STAIRS: It is really a vital point. It is really the vital point in the whole section and it is awfully hard to take a thing out of its context.

Mr. GREEN: I wanted to know how you interpret that.

Mr. MAYBANK: I would like to interpose an objection to that, and, in fact, raise a point of order, Mr. Chairman. I think we should proceed according to your ruling. The trouble about what Mr. Green asks is that if we get these amendments thrown out now and we start discussing them we will not proceed in an orderly way. If we do it in the usual way of proceeding with this bill section by section, we will have all the opportunity in the world to raise any objections we like when the time comes. After all, the only benefit that could be obtained by handing out a sheaf of objections now would be that they would be in the hands of members for, say, the noon period, or something like that. There is no very great benefit to be obtained by it, and it is certainly going to take us a lot longer.

I should like to move that we proceed to dispose of the preamble of this bill.

Mr. MACINNIS: Mr. Chairman, before you do that, I understand that there is another person here who wants to say something on the bill, Mr. Victor David, the chairman of the Vancouver Communities Council.

The ACTING CHAIRMAN: Is it the wish of the committee to hear Mr. David?

Mr. MAYBANK: What I meant, Mr. Chairman, was to proceed with the preamble if there were no further witnesses.

The ACTING CHAIRMAN: Yes. We shall hear Mr. David.

Mr. VICTOR DAVID, representative of the Vancouver Communities Council, called.

The ACTING CHAIRMAN: Mr. David, before you proceed, will you please state your exact position in connection with the representations which you have to make.

Mr. DAVID: I have been delegated, Mr. Chairman and gentlemen, by 18 officers representing 9 community associations in the city of Vancouver. They are widespread throughout the city of Vancouver. They took the position, the city of Vancouver being the largest subscriber to the telephone in British Columbia and our organizations being widespread throughout the city, that they would like to put their views before this committee showing the reasons why they opposed the bill.

Mr. MCKINNON (Kenora-Rainy River): Are they elected or self-appointed?

Mr. DAVID: The officers are elected from the floor at each individual association, and each association appoints two delegates to represent them in a central body called the Vancouver Communities Councils.

Mr. MCKINNON (Kenora-Rainy River): What is the general purpose of the organization?

Mr. DAVID: The general purpose of the organization is for the welfare of the taxpayers and citizens at large.

Mr. DUPUIS: Would you give the committee a list of these associations?

Mr. DAVID: A list of the names, sir?

Mr. DUPUIS: Yes.

Mr. DAVID:

West End—English Bay Merchants' Association, Mr. Kennedy, President; West End Merchants' Chamber of Commerce, Mr. Newman, Secretary.

Dunbar-West Pt. Gray—Mrs. Gibson, President; Mr. V. David, Vice-president.

Kitsilano—Kitsilano Chamber of Commerce, H. F. Woodman, President; D. Cameron, D. Lovely, T. Spencer.

Renfrew—Jack Price, Mrs. Quinn.

Grandview—Grandview Community Association, Milton Weber, President; Nickols, Secretary. Grandview Chamber of Commerce, Mr. Higgins, S. G. Brown and A. E. Hughes.

Hastings East—Hastings East Community Association, H. Lock, C. E. Rumball.

Windmere—Mr. Paton, K. Copeland.

Southern Slope—Southern Slope Community Center Association, Mrs. D. M. McDonald.

Mr. MAYBANK: From the sound of some of these names I would infer that they are non-political and non-sectarian; is that so, or is there any political flavour to these associations?

Mr. DAVID: I cannot say I know of one having any political ties. It has been told me several times that this organization would like to keep absolutely free from politics.

By Mr. Maybank:

Q. Am I to understand that there are eighteen associations or two officers from each? What is it, eighteen officers or eighteen associations?—A. There are eighteen officers and nine associations.

Q. Nine associations?—A. Yes.

Q. These officers instructed you, and do you know whether they gave the instructions to you which they did give by reason of them first being instructed by their associations, or did they just act as officers?—A. I believe that they had special meetings regarding opposing this bill.

Q. You do not know for certain whether it is the instruction of the association or whether it is a case of the officers presuming, honestly, no doubt, to speak for the association?—A. I can say—

Mr. MACINNIS: Mr. Chairman—

Mr. MAYBANK: Excuse me, just a moment. On a point of order, Mr. Chairman.

Mr. MACINNIS: Mr. Chairman, I have raised—

Mr. MAYBANK: Mr. Chairman, I raised a point of order, and I think the hon. member should wait until I have stated the point of order. My point of order is simply this; that I have the right to ask questions and if I have not that right I will submit to a ruling of the Chair to the contrary. Until my question is answered, if I have the right to ask it, the hon. member should be silent. I do not wish to shut him off and I do not wish to interrupt him. On the other hand, I do not wish him to interrupt me.

The ACTING CHAIRMAN: Does the hon. member wish to speak to the point of order?

Mr. MACINNIS: I wish to raise a point or order, Mr. Chairman, in objecting to Mr. Maybank's question. I was not trying to shut him off, but I think it is quite unfair to ask the witness if he knows whether he is representing all the members of all the locals making up the Communities Council in the presentation he is making here today. He is here with credentials from a certain organization, and we should no more question his right to speak here than we should question the representatives of the British Columbia Telephone Company

as to whether they are stating the position for all the shareholders of the British Columbia Telephone Company.

Let us deal fairly with these people.

Mr. DUPUIS: Mr. Chairman, on a point of order, following the line of Mr. Maybank's statement, I think the matter could be settled in a simple way. In my opinion Mr. Maybank is right, but we could settle it this way: If the witness can produce resolutions from each of these associations to that effect, I think the question will be solved. I move that the witness produce resolutions from each of these associations, otherwise, it would not be legal.

Mr. MAYBANK: Mr. Chairman, speaking to the point of order, I quite agree with Mr. MacInnis, that we have no more right to ask this witness questions of the kind I asked than we have the right to ask the representatives of the telephone company. Where I differ from that is that I feel a body hearing representations has the right to question the propriety of the representations that the telephone company are making. I think we have a perfect right to ask them all sorts of questions, and the same of this witness; but I do not wish to be understood that when I was asking these questions I was endeavouring to imply that this witness was not properly authorized. I just wanted to get at the facts. I do not go even as far as Mr. Dupuis who asks for the production of resolutions; I am quite content to take what the gentleman says. I only wanted him to state his position, that is all, and I do wish Mr. David would understand that I am not trying to suggest for a moment that he is not properly authorized. I just wanted it on the record.

The ACTING CHAIRMAN: I think any witness giving evidence should state his position. If that was not asked of the witnesses who have given evidence already, perhaps it was the fault of the Chair. In any event, I asked the witness to state his position which I think he did in a general way. I think members have the right, too, to amplify that, but I do not think they should go into it unduly so as to find out each and every association, and what political, religious or sectarian flavour it may have.

Mr. MACINNIS: Hear, hear.

The ACTING CHAIRMAN: And perhaps we can get along without going into that unduly.

Mr. MAYBANK: I did not propose to follow it any further, except that I wanted to know from the witness whether he was aware of this point, whether these officers just presumed, honestly no doubt, to speak for their association or whether he knew if the associations had first specifically instructed him.

The ACTING CHAIRMAN: Can you answer that?

Mr. DAVID: I was told in two definite instances that they had called a special meeting for the purpose of selecting a delegate to represent these bodies opposing the B. C. Telephone Company bill. I understand in these two instances that all the members voted unanimously in opposition to the bill. One was the Renfrew Community Association, which was signed by Jack Price and Mrs. Quinn. The other was the Dunbar-West, Point Grey Community Association, where I attended the meeting. Mrs. Gibson signed as president and I signed as vice-president.

Mr. DUPUIS: Would you read the document you have?

The ACTING CHAIRMAN: That has been filed, Mr. Dupuis. Does that answer your question, Mr. Maybank?

Mr. MAYBANK: Yes.

The ACTING CHAIRMAN: Will you proceed, Mr. David.

Mr. HANSON: Mr. Chairman, we have been sitting here for three hours and we should have a chance to get lunch. It is half past twelve.

The ACTING CHAIRMAN: Mr. Hanson says that we have been sitting here for three hours. Is it the wish of the committee that we adjourn or that we should continue to hear representations from Mr. David.

Mr. MACINNIS: How long would it take Mr. David to finish?

The ACTING CHAIRMAN: Can you finish in half an hour, Mr. David?

Mr. DAVID: Yes.

The ACTING CHAIRMAN: Mr. David says he can finish in half an hour. While I am anxious to get away I would rather wait and get it disposed of now.

Mr. MACINNIS: Very well.

Mr. DAVID: With your permission, Mr. Chairman, I would like to read from figures that have been handed me.

The ACTING CHAIRMAN: The witness now says he is reading from figures that were handed to him.

Mr. DAVID: The heading of this reads that I, Victor David, am delegated to explain the reasons for opposing the B. C. Telephone company's application for an increase of capital. We are of the belief that if such an authorization were granted at this time it would seriously injure our war effort in British Columbia, mainly because it is well known that the prospective investors consider that B.C. telephone stock is a gilt-edged investment and although it has been suggested that if this authorization is granted that the stock will only be issued in small blocks as and when required, this method alone will tend to tempt the investors to withhold their cash, awaiting the opportunity to purchase good, negotiable stock with a guaranteed dividend of 6 per cent and 8 per cent instead of buying war bonds at 3 per cent interest.

We believe that if the bill is passed and such gilt-edged stock were offered to the investing public, it would tend to nullify our war effort in B. C. where practically every citizen, church, club and organization are trying to sell war bonds at 3 per cent.

We were told by the sponsor of the bill at his Vancouver meeting that the only reason he sponsored the bill was because the B.C. Telephone Company required additional capital to finance new 'phone installations and said he would be pleased to know how the company could pay for the new 'phone installations without issuing new stock for sale. In our opinion the company does not require to issue new stock at this time in order to obtain additional capital. According to the company's own financial statement it has sufficient capital available for any reasonable expansion over—over \$1,000,000 in liquid assets, including \$308,000 in close maturing negotiable bonds of the North West Telephone Company of the city of Vancouver. It was stated by the company's manager that they could sell first mortgage bonds up to 75 per cent of their fixed assets, that being the procedure followed by them in 1938, when we were not at war and to use the manager's own words, "to put cash in the till" to pay for new telephone installations at that time. Now, in 1941 we are at war; we maintain that the same avenue as that chosen in 1938 should be followed to "put cash in the till" to pay for the expansion of their business. A similar application was made in 1934 which was withdrawn shortly afterwards, the company saying that it was their intention to use available capital to finance this installation. They went on from 1934 to 1938 installing more than 20,000 telephones without selling any stock with which to pay for these telephone installations.

Mr. NEILL: How many telephones did you say?

Mr. DAVID: Approximately 20,000. If I might, Mr. Chairman, I would like to use round figures; if anyone questions them I can give the exact figures.

The Acting CHAIRMAN: Carry on.

Mr. DAVID: In 1938 we saw a need to issue first mortgage bonds which sold on the market at $4\frac{1}{2}$ per cent according to the record. We presume they paid for all the 'phone installations up to that time. According to the company's report approximately \$1,000,000 was taken from the operating revenue for depreciation reserve as well as paying \$90,000,000 on the common shares, which represents 2 per cent more than the preferred in 1940. The standing depreciation reserve account alone totals \$8,522,321. The company is in a much better financial condition now to sell first mortgage bonds—assets have increased \$4,000,000 above that of 1938, now totalling \$31,000,000—deducting the \$8,500,000 depreciation reserve which leaves a balance of \$22,500,000 of fixed assets. Seventy-five per cent of that figure is \$17,000,000—deduct the total amount of bonds now issued, \$12,500,000, it gives them the privilege of now selling according to their own figures \$4,500,000 worth of bonds at $4\frac{1}{2}$ per cent or less. Even after these avenues have been exhausted the company still has the privilege according to the manager's statement to float a second mortgage bond issue which we calculate from figures given to us, could run into several millions of dollars in saleable second mortgage bonds, allowing them to carry on for several years without applying for a new stock issue.

British Columbia is lagging behind in its war effort already. I quote you in part from a letter from the war savings committee of April 29th—I have that letter here somewhere, Mr. Chairman, I do not seem to be able to put my hand on it at the moment, perhaps you will allow me to come back to it later on. I have it here somewhere. The fact is that British Columbia is lagging behind in its war effort.

By Mr. Green (to Mr. David):

Q. That is, in connection with war savings certificates?—A. Yes, in connection with war saving certificates and bonds. We are asked by the government as individuals to refrain from buying luxuries and to save our rags, paper, scrap and bones, but this utility company continues to pay 8 per cent on its common shares amounting to \$90,000 per year over the preferred shares. It has withdrawn from its operating revenue in 1940 the sum of \$1,000,000 of which they claim the most of this amount went to pay for telephone poles and equipment. We venture to say that if a careful check were made on the depreciated equipment a good deal of it could remain in use and be of good service for several years to come, thereby giving the company more capital to pay for the new 'phone installations, and by so doing that would mean that much less opposition to our war effort.

It has been suggested that the company now agree according to their amended application if the bill is passed, not to issue any new stock for sale until after September. Then in that case they could sell some of the first mortgage bonds in the interval at 4 per cent or less and not be setting up such serious opposition to our war effort. We believe that there was no justification for their making application for a new stock issue at this time, and repeat that if they desire to wait until after September they could refrain from tempting the investing public with any stock issue at all this year and if it was found necessary, application could be made for authorization to issue stock at the next session of parliament or it could be held over until after the war. Without going into figures for instance say they did the same as they did in 1938 or 1939, there must have been a margin then where they could have sold more bonds. Then, in that case, there is a still larger margin now because the assets have increased by \$4,000,000. We also strenuously oppose the bill on the grounds that if the company should be granted the amendment to its charter it would not only enjoy a professional franchise on telephone equipment, which it now has, but it will also enjoy a professional franchise on any other patented equipment of a similar nature now in existence, "whether now in existence or which may be discovered or developed in the future." We maintain

that it would be unfair to grant the telephone company such a monopoly on equipment which they do not now deal in, but which in our opinion should be open competitively to other companies, especially during war time.

I must say here in answer to Colonel Stair's statement that the company would be out of balance financially if the other \$4,500,000 of first mortgage bonds were issued and sold at this time, that I note according to the statements here that they must have expected to go out of balance in case of emergency, because in the trust deed it gives them that privilege to sell first mortgage bonds up to 75 per cent of their fixed assets less depreciation.

Mr. MACINNIS: Would you read that paragraph?

Mr. DAVID: Yes.

Additional first mortgage bonds may be issued up to the cost or fair value, whichever is less, of additional property (which may include capital securities of other companies) as defined and limited in the trust deed, acquired or constructed by the company after December 1, 1930, and made subject to the lien of the trust deed, unless the amount of bonds outstanding, including any bonds proposed to be issued, shall exceed the amount of the paid up stock of the company, in which event additional bonds in excess of such paid up capital stock shall be issued only to the extent of 75 per cent of such cost or fair value; provided, however, that no bonds may be issued unless the net earnings of the company, as defined in the trust deed, after reasonable and customary depreciation, for any period of twelve consecutive months out of the fifteen months immediately preceding the request for certification of such bonds, shall be not less than $1\frac{3}{4}$ times the annual interest on all bonds then outstanding and those proposed to be issued.

That is the alternative to the 75 per cent, and that works out according to the figures that have been handed to me to something, in the nature of \$4,500,000 available to be sold at this time.

This is part of the war savings letter which I would like to quote. This was mailed to me by the general chairman:—

DEAR SIR,—The war is entering its increasingly serious stages and war savings becomes a more and more important factor in the Canadian national economy.

There is a very interesting story to be told both behind the scenes at Ottawa and involving also the basic underlying reasons why widespread voluntary curtailment of spending is essential for winning the war.

And the other part of the letter which relates to this subject is:—

We are sorry to say that B.C. has fallen down from her high position as a leader in the sale of war savings certificates. But as our quota is 10 per cent, so far, we have only subscribed $7\frac{1}{2}$ per cent of the national total. To bring us back to our proper place requires the full co-operation of every employer and employee in British Columbia.

Speaking for the organizations in Vancouver whom I represent the feeling is general that the issue of such gilt-edged stock at this time would tempt the investing public and tend to hold up our war effort in British Columbia. Our main reason for opposing this bill is because we think these figures show that the company does not require extra capital at this time.

By Mr. McNiven:

Q. Why was the bill withdrawn in 1934?—A. I cannot speak from my own knowledge on that, but I am told it was due to the slump. As a matter of fact, I believe Major Hamilton made that statement to me.

The ACTING CHAIRMAN: Thank you.

Witness retired.

The ACTING CHAIRMAN: Shall the preamble carry?

Preamble agreed to.

Mr. MACINNIS: Mr. Chairman, when the committee met on the first day—I have just forgotten what date that was—there was some letter or letters from Premier Pattullo and at that time it was suggested that it be made part of the record. We were not making a record at that time but I wonder if these letters could not be included as part of the records of this committee?

The ACTING CHAIRMAN: Will you make a motion to that effect?

Mr. MACINNIS: I will make a motion that the letters from the Premier of British Columbia be included as part of the record.

Motion agreed to.

On section 1.

Section 1 agreed to.

On section 2: I understand there was an amendment to be made to that section.

The ACTING CHAIRMAN: Yes.

Mr. MACINNIS: There was to be a change in the wording "or which are to be"; and that was at the bottom of page 1.

The ACTING CHAIRMAN: Section 2 I understand is to be amended by deleting the words "or which are to be" in the fourth and fifth lines of subsection 3 of section 5 of the bill.

Mr. GREEN: The second and third lines.

The ACTING CHAIRMAN: Yes, the second and third lines. I think that requires a motion.

Mr. GREEN: There were other amendments to that section?

The ACTING CHAIRMAN: Oh, yes, several.

Mr. GREEN: Can we know what they are?

The CHAIRMAN: Mr. Green asks if he can have the amendments to this section.

Mr. MAYBANK: That is section 2 of the bill, is it?

The ACTING CHAIRMAN: Section 2 of the bill.

Mr. MAYBANK: Referring to section 3 of the Act?

The ACTING CHAIRMAN: Right. Section 2 to be amended by striking out the words "or which are to be" in the second and third line. I think a motion should be in order before the amendment is carried.

Mr. GREEN: Are other changes proposed in that section?

Mr. STAIRS: Strike out paragraph (c).

Mr. GREEN: I do not know if I am allowed to say anything but in Mr. McGeer's statement in the house he mentioned two amendments, and also said this: "These deletions eliminate reference to preferred and preference shares already issued". There may be some question even with these amendments fitted into the bill as to whether they should be taken as applying to preference shares that have already been issued or not. It is obviously the intention that they should not apply at all. If the new subsection 3 should not apply to the shares already issued I would suggest that a paragraph be added to the end of the subsection reading something like this.

The CHAIRMAN: Subsection 3?

Mr. GREEN: Yes. It should read like this: This subsection shall only apply to the preferred or preference shares issued after May 31, 1941. That would

make it absolutely clear beyond any question that the rights that have already been applied—

Mr. McGEER: I should like to point out to the committee on that point that it has never been the idea of anybody acting for the company that the preference shares were not redeemable. The only thing that I stated on the floor of the house was that there was no violation of the practical rights existing between the present shareholders and the company. If what you suggest is done you are fastening the 6 per cent preferred shares for all time to come on the company. The remarks which I made place the preferred shareholders in status quo. To add the suggestion made by Mr. Green is to add something which would make a very very great change in the position of the preference shareholders and the company and certainly I do not think Mr. Green wants to establish by an Act of parliament perpetual 6 per cent shares on the people of British Columbia.

Mr. BLACK: It is the only stock they have. Why should not they be protected? All other shares are held outside the province.

Mr. McGEER: It is a question of perpetual right, and you are giving them something they never had.

Mr. JACKMAN: May I ask if those preference shares were redeemable out of some certain funds, profits and was there some restriction within the assets which should be used to redeem them?

Mr. McGEER: No, there was not. They were just straight redeemable shares under the terms of the resolution passed by the company and also under the terms of the share certificates issued.

Mr. JACKMAN: Did they differ in any respect from the ordinary redeemable preference shares which the company can call in at certain times and do away with or was not there some reference to a type of fund which could be used to redeem them?

Mr. McGEER: No, they were straight redeemable shares. As Colonel Stairs pointed out this morning, there is no question of redeeming them and then having to reduce the share capital of the company.

Mr. GREEN: There was a discussion in the house and Mr. Maybank referred to it again this morning. There was a question about the unfairness of affecting any rights that the holders of preference shares have by legislation now. The undertaking given by Mr. McGeer in the house definitely deals with that when he says, "This deletion eliminated reference to preferred and preference shares already issued." We are asking that that be made absolutely clear by this amendment.

Mr. JACKMAN: I make that motion, if it is in order.

Mr. STAIRS: May I say a few words, Mr. Chairman: the intention is that the status of these shares should not be changed at all by the legislation one way or the other. Anything giving us any additional power over them is to be eliminated, of course, but at the same time I do not think that the bill should affect the position of them at all. I should like time to consider this clause. It seems to me that it is objectionable from that point of view, but it is rather short notice to give a snap judgment on it. I think it should be allowed to stand over. Obviously, consideration of this bill will have to be adjourned. If we can take it up later we should like to do so.

Mr. GREEN: You are not trying to put in a section that has no effect whatever on the preferred shares already issued?

Mr. STAIRS: That is the point. We do not want to affect them one way or the other.

Mr. GREEN: In no way at all.

Mr. STAIRS: In no way at all. If we can exercise the power to redeem the shares as the legislation stands we want to be able to do it.

Mr. GREEN: I do not think anyone wants to interfere with the rights you have now. What we want to make sure is that you should not take any rights over the shares that have been already issued.

Mr. STAIRS: That is the understanding.

Mr. GREEN: That is why I think this would make it quite clear.

Mr. STAIRS: As I say, I think the clause is objectionable from that point of view. I should like to have further time to discuss it.

Mr. BLACK: You get authority to issue common stock outside of British Columbia and the proceeds of the sale of that stock may be used to retire the preferred shares already issued.

Mr. STAIRS: That would depend, of course, upon the Board of Transport Commissioners, whether they gave us permission to do it or not; but we have that power—

Mr. BLACK: One of the representatives of the company made a statement a short time ago that the company had no money other than earnings, reserves, out of which they could retire preferred shares. It appears to me they might get this additional money by the sale of junior shares outside of British Columbia.

Mr. STAIRS: Of course, as a matter of business that would not really be practical because you could not get junior money at a lower rate.

Mr. BLACK: No, but it might still be an attractive rate.

Mr. MCGEER: As a matter of fact, I think that right now exists. If you can issue bonds you could do it if you wanted to do it, but that would only be done for the benefit of the company and the people in British Columbia, who would get the benefit by redemption of them for one or two reasons. One is to reduce the cost of financing the company by paying them off, and the other is to reduce the cost of financing the company by calling them in and issuing other shares at a lower rate of exchange.

May I put on the record a clause in the certificate which states: "The company shall have the right to redeem cumulative preference shares at a premium of 10 per cent on any dividend day and giving three months' previous notice by registered mail addressed to the address of the holder last known to the company." That is a standard clause in a preferred share. What we have done here as I see it is to eliminate the provisions in the bill which may be retroactive and to let it stand as it is. There is nothing in this bill which is retroactive at all with reference to preference shares. If the company has any rights then they are not taken away or not destroyed.

Mr. GREEN: They would not be destroyed by the proposal I suggest.

The CHAIRMAN: Shall subsection 3 stand in that event?

Mr. MACINNIS: There is another amendment to other subsections of paragraphs in subsection 3. Shall that stand also?

The CHAIRMAN: Yes. The whole of subsection 3 stands. Section 2, subsection 3 of the bill stands. Then, shall paragraph (a) of section 2 carry?

Mr. NEILL: If you leave out subsection 3 there is nothing left of section 2.

Mr. MACINNIS: Mr. Chairman, if we are going to let subsection 3 stand then I think the whole of the subsection should stand because they have a bearing on subsection 3.

The CHAIRMAN: I think Mr. MacInnis' contention is perhaps the correct one and the whole of section 2 will therefore stand. Shall section 3 carry?

Mr. MACINNIS: What is that section?

The CHAIRMAN: Increase of capital stock.

Mr. MACINNIS: There is an amendment to that section, is there not?

The CHAIRMAN: This is the amendment:

Amend section 3 of the bill as follows:—

(a) Delete "twenty" and substitute "fifteen" on the 11th line of subsection (1) of section 6 of the Act as amended by section 3 of the bill.

Mr. GREEN: What other amendments are there?

The CHAIRMAN: That is the only amendment to that section.

Mr. MACINNIS: I move that amendment.

Mr. GREEN: I wonder if we could have all the amendments to that section before you deal with that. This is the key section.

The CHAIRMAN: I do not think there will be any difficulty in getting these now, Mr. Green. There is a motion before the committee. Mr. MacInnis moves that the word "twenty" be deleted, and the word "fifteen" be substituted therefor on the 11th line of subsection (1) of section 6. Shall the section as amended carry?

Section agreed to.

Mr. MACINNIS: There should be another amendment here, I believe, according to the understanding arrived at that no application for increase in rates be based upon any increase of the issue of capital stock. The memorandum that I have here says the wording of this clause would be worked out in committee.

The CHAIRMAN: I understand that is really a contentious point and perhaps this would be the proper juncture at which to break off.

Mr. MACINNIS: If that would be the case, why not let us take it that section 3 stands without adoption of the amendment that I moved?

The ACTING CHAIRMAN: It is carried, and I have initialled it, Mr. MacInnis.

Mr. NEILL: Could we have the amendments?

Mr. MACINNIS: Has the wording of that clause been worked out?

Mr. DUPUIS: Perhaps section 3 could stand as amended.

The ACTING CHAIRMAN: Yes. That is what I intended to convey to Mr. MacInnis, that section 3 as amended should stand. The amendment deleting the 20 and substituting the 15 has been carried.

Mr. MACINNIS: Sub-section 1 of section (b) carries but all the rest of section 3 stands?

The ACTING CHAIRMAN: Right. Carried as amended.

Mr. MACINNIS: Section 1 carried as amended? And the rest of section 3 stands?

The ACTING CHAIRMAN: Right.

Mr. GREEN: Could we know what clause is proposed in this second section, what we are to consider?

The ACTING CHAIRMAN: Mr. Green, I have here a number of copies including all the amendments which you and the other members of the committee may have.

Mr. GREEN: We can get a copy?

Mr. STAIRS: Yes, including the proposals.

Mr. LOCKHART: Would it not be a good time to adjourn and give us an opportunity to consider them?

The ACTING CHAIRMAN: I think it would. We have had a good session.

Mr. LOCKHART: That would give us an opportunity of seeing them and probably coming to a decision.

The ACTING CHAIRMAN: Yes, I think that is a good suggestion.

Mr. LOCKHART: In our sitting on Tuesday?

The ACTING CHAIRMAN: Suppose we leave it that we meet at the call of the Chair.

Mr. LOCKHART: You would know what was developing in other ways?

The ACTING CHAIRMAN: I presume I will.

Mr. LOCKHART: I would be quite willing.

Mr. HANSON: It would not be before Tuesday?

The ACTING CHAIRMAN: No. It is moved by Mr. Lockhart, seconded by Mr. Hanson—

Mr. LOCKHART: That we meet on Tuesday, the hour to be set by the Chair.

The ACTING CHAIRMAN:—that we meet on Tuesday, the hour to be set by the Chair. The motion is carried. Just before you leave, gentlemen, may I say that it has been suggested to me that there are not sufficient copies of the bill, so members perhaps had better bring their copies along at the next meeting.

The committee adjourned at 1 p.m. to meet on Tuesday, April 27th, at an hour to be set by the Chair.

APPENDIX

PRIME MINISTER—PROVINCE OF BRITISH COLUMBIA

VICTORIA, 25 February, 1941.

Rt. Honourable W. L. MACKENZIE KING,
Prime Minister of Canada,
Ottawa, Ont.

DEAR MR. PRIME MINISTER,

I understand that the B.C. Telephone Company are asking the Ottawa authorities to authorize increase of capital stock from \$10,000,000 to \$20,000,000.

Our Province is very much interested in this proposal. Many years ago the Telephone Company was declared a work for the general advantage of Canada, as a consequence of which the Telephone Company has been exempt from control by Provincial authority.

Our Government would not like to hamper the efficient operation of the Company in any way, but on the other hand, the doubling of capitalization would create very grave dissatisfaction in the Province unless it is justified beyond peradventure.

We have here a Public Utilities Board. I am going to suggest to the Telephone Company that they should voluntarily submit their argument for increase of capitalization to the Board before pressing for the measure at Ottawa.

I would be obliged if you would kindly see that the matter is placed before the proper department in your Government, so that the petition of the Telephone Company may not be granted without first having received full consideration and representation by Provincial authority.

I beg to remain,

Very faithfully yours,

(Sgd.) T. D. PATTULLO.

PRIME MINISTER—PROVINCE OF BRITISH COLUMBIA

VICTORIA, March 19, 1941.

DEAR MR. SECRETARY,

On February 25th I wrote to the Right Honourable W. L. Mackenzie King, Prime Minister, with reference to application of the B.C. Telephone Company for authorization to increase its capital stock, and in the last paragraph of the letter I stated as follows:—

I would be obliged if you would kindly see that the matter is placed before the proper department in your Government, so that the petition of the Telephone Company may not be granted without first having received full consideration and representation by Provincial authority.

It appears that the B.C. Telephone Company has many ramifications in its operations and in view of the fact that our Public Utility Board has no jurisdiction over the operations of the Company, I do not wish my letter to the Prime Minister to act in any way as an estoppel to the Company proceeding with its application.

The public is of course vitally interested in the operations of the Company, but I understand that the Dominion Board of Transport Commissioners has appropriate jurisdiction for the protection of the public interest.

I beg to remain,

Very faithfully yours,

(Sgd.) T. D. PATTULLO.

SESSION 1940-41
HOUSE OF COMMONS



STANDING COMMITTEE
ON
RAILWAYS, CANALS AND TELEGRAPH LINES

MINUTES OF PROCEEDINGS AND EVIDENCE
Respecting
**BILL No. 27 (LETTER B2 OF THE SENATE) AN ACT RESPECTING
BRITISH COLUMBIA TELEPHONE COMPANY**
No. 2

TUESDAY, MAY 27, 1941
WEDNESDAY, MAY 28, 1941

WITNESS:
Colonel G. S. Stairs, of Montreal, Que., Solicitor

UNITED STATES
DEPARTMENT OF COMMERCE

STANDING COMMITTEE

ON

RAILWAY CANALS AND TOLLWAYS

REPORT OF THE COMMITTEE ON THE RAILWAY CANALS AND TOLLWAYS

1890

PRINTED BY THE GOVERNMENT PRINTING OFFICE

WASHINGTON: 1890

1890

COMMISSIONER OF COMMERCE
WASHINGTON

1890

REPORT OF THE COMMISSIONER OF COMMERCE

1890

REPORT OF THE COMMISSIONER OF COMMERCE

ORDER OF REFERENCE

WEDNESDAY, May 28, 1941.

Ordered,—That the order of reference of May 21, 1941, empowering the said Committee to print from day to day 200 copies in English and 100 copies in French of the Minutes of Proceedings and Evidence respecting Bill No. 27 (Letter B2 of the Senate), intituled: "An Act respecting British Columbia Telephone Company," be enlarged to permit of the printing of 250 copies in English of the said Minutes of Proceedings and Evidence, and that Standing Order 64 be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS TO THE HOUSE

WEDNESDAY, May 28, 1941.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as its

SECOND REPORT

On May 21, 1941, your Committee was empowered to print from day to day 200 copies in English and 100 copies in French of the Minutes of Proceedings and Evidence respecting Bill No. 27 (Letter B2 of the Senate) An Act respecting British Columbia Telephone Company.

Your Committee recommends that the order of reference be enlarged to permit of the printing of 250 copies in English and that Standing Order 64 be suspended in relation thereto.

All of which is respectfully submitted.

LIONEL CHEVRIER,
Vice-Chairman.

WEDNESDAY, May 28, 1941.

The Standing Committee on Railways, Canals and Telegraph Lines begs leave to present the following as its

THIRD REPORT

Your Committee has considered Bill No. 27 (Letter B2 of the Senate) An Act respecting British Columbia Telephone Company and has agreed to report the said bill with amendments.

Your Committee has ordered a reprint of the said bill as amended.

A copy of the evidence taken is tabled herewith.

All of which is respectfully submitted.

LIONEL CHEVRIER,
Vice-Chairman.

MINUTES OF PROCEEDINGS

TUESDAY, May 27, 1941.

The Standing Committee on Railways, Canals and Telegraph Lines was called to meet at 11 a.m. to-day.

At that hour, the following members were present: Messrs. Chevrier, Vice-Chairman, Harris (*Danforth*), Jackman, Mullins and Turner.

It was agreed, at the suggestion of the Vice-Chairman, that the Committee would meet on Wednesday, May 28, at 11 a.m.

ANTONIO PLOUFFE,
Clerk of the Committee.

WEDNESDAY, May 28, 1941.

The Standing Committee on Railways, Canals and Telegraph Lines met this day at 11 o'clock. Mr. Chevrier, the Vice-Chairman, presided.

Members present: Messrs. Bence, Breithaupt, Chevrier, Corman, Côté, Damude, Emmerson, Eudes, Farquhar, Fulford, Gregory, Hanson (*Skeena*), Hatfield, Healy, Jackman, LaCroix (*Quebec-Montmorency*), Lockhart, MacInnis, MacKinnon (*Kootenay East*), McCulloch, McNiven, Maybank, Mullins, Nixon, O'Neill, Ross (*Calgary East*), Ross (*Souris*), and Whitman.—28.

Witness: Colonel G. S. Stairs, K.C., of Montreal, Solicitor for the promoters of the Bill before the Committee.

In attendance: Associated with Mr. G. Henderson, of Ottawa, Parliamentary Agent, were Mr. Gordon Farrel, President of the British Columbia Telephone Company; Major James Hamilton, Vice-President and General Manager of the British Columbia Telephone Company. Mr. Victor M. David, of Vancouver, also attended the meeting. Mr. G. G. McGeer, sponsor of the Bill was in attendance.

The Committee resumed consideration of Bill No. 27 (B2 of the Senate), An Act respecting British Columbia Telephone Company.

On motion of Mr. MacInnis, it was resolved that leave should be asked to increase to 250 the number of printed English copies of proceedings and evidence.

Mr. G. S. Stairs, brought to the attention of the Committee the proposed amendments to the bill.

By permission, Messrs. O'Neill, Green and Mayhew, members for British Columbia who are not members of the Committee addressed the Committee.

On motion of Mr. Maybank, the Committee proceeded to the consideration of the bill clause by clause.

Section 2

On motion of Mr. MacInnis,—

Resolved,—That on page 1, line 32, after the word “may” the words “after the 31st day of May, 1941” be inserted.

On motion of Mr. MacInnis,—

Resolved,—That commencing on page 1, line 32, the words “or which are to be” be deleted.

On motion of Mr. Hanson (*Skeena*):

Resolved,—That on page 2, line 2, the words “provided that” be deleted and the words “and in respect to such shares the following provisions shall apply” be substituted therefor.

On motion of Mr. Maybank,—

Resolved,—That paragraph (c) as contained on page 2, be deleted.

Section 2, as amended, was adopted.

Section 3

The Committee reverted to section 6 (1) as contained in section 3 and, on motion of Mr. MacInnis,—

Resolved,—That on page 2, line 44, the word after “exceed” be deleted and the word “eleven” be substituted therefor.

Mr. MacInnis moved that the following be inserted as subsection (3):—No application for an increase of rates shall be based on any increase of the issued stock of the Company as authorized by the amendment of this Act in 1941 but this provision shall not apply to or limit the power of the Board of Transport Commissioners for Canada (or any successors to their powers) to fix just and reasonable rates upon application by the Company for increased rates based on other grounds.

Mr. Lockhart moved in amendment thereto that all the words after the figures “1941” in the proposed amendment be deleted.

The question being put on the amendment to the amendment, it was resolved in the negative on the following recorded division:

Yeas: Messrs. Bourget, Hatfield, Lockhart and Ross (*Souris*).—4.

Nays: Messrs. Breithaupt, Chevrier, Corman, Côté, Eudes, Farquhar, Fulford, Gregory, Healy, LaCroix (*Quebec-Montmorency*), MacInnis, MacKinnon (*Kootenay East*), McNiven, Maybank, Mullins, O'Neill, Ross (*Calgary East*) and Whitman.—18.

The question being put on the amendment, it was resolved in the affirmative.

Section 3, as amended, was adopted.

Section 4 was adopted.

Section 5

On motion of Mr. McNiven,—

Resolved,—That section 5 be deleted.

Section 6

On motion of Mr. McCulloch,—

Resolved,—That on page 3, line 35, the word “services”, where it first appears, be deleted and that the word “systems” be substituted therefor.

On motion of Mr. MacInnis,—

Resolved,—That the word “services”, where it appears for the second time in line 35, be deleted and that the words “provide service facilities” be substituted therefor.

On motion of Mr. Hanson (*Skeena*):

Resolved,—That commencing on line 36, the words “by means of any device, apparatus, system or method of whatsoever nature whether now in existence or which may be discovered or developed in the future” be deleted.

Section 6, as amended, was adopted.

On motion of Mr. MacInnis,—

Resolved,—That this bill, as amended, be reprinted.

Ordered,—To report the bill as amended.

The Committee adjourned to meet at the call of the Chair.

ANTONIO PLOUFFE,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277,

May 28th, 1941.

The Standing Committee on Railways, Canals and Telegraph Lines met at 11 o'clock a.m. The Vice-Chairman, Mr. Lionel Chevrier, presided.

The VICE-CHAIRMAN: Order, please; we have a quorum, gentlemen, and perhaps we can proceed.

It has been brought to my attention that in the motion made previously in connection with the printing of 200 copies in English of our proceedings there might not be enough for all members and it has been suggested that perhaps it might be advisable to increase the number to 250 or more if it is the wish of the committee so to do.

Mr. MACINNIS: I would move that authority be secured to print an additional 50 copies in English of the reports of our proceedings.

Mr. LOCKHART: I will be pleased to second that motion.

Motion agreed to.

The VICE-CHAIRMAN: At the last sittings, gentlemen, we disposed of the preamble of the bill with respect to the British Columbia Telephone Company; section 1 and section 6 of subsection 1 thereto. Section 2 was allowed to stand and I think we should begin this morning with section 2 of the bill: shall section 2 carry?

Mr. MACINNIS: Just a moment, Mr. Chairman: I think the bill is so radically amended that what we require now is possibly a statement from those directly sponsoring it. I think it might facilitate the proceedings of the committee if the representatives of the British Columbia Telephone Company were to make a statement of the amendments agreed on at a conference between the members for British Columbia who are mostly interested in this bill and representatives of the telephone company at which certain conclusions were come to. That might facilitate the passage of the bill, if a statement were made in that regard.

The VICE-CHAIRMAN: Well, do either of you gentlemen wish to make a statement?

Mr. STAIRS: Yes, Mr. Chairman.

Mr. G. S. STAIRS, K.C., Montreal, recalled.

The WITNESS: I was prepared to make a brief statement of that kind and I can elaborate it in discussing the amendments. During the adjournment representatives of the petitioner conferred with certain honourable members who opposed the bill. Agreement has been reached as to the subject matter of the amendments which it was agreed in the House of Commons would be made in the bill. Another clause in regard to rates has been left for amendment in committee. Copies of these amendments have been prepared and handed to the chairman and they are available for distribution. Furthermore the amendments to the new bill by the company reduce to \$1,000,000 the amount of the authorized increase of capital, as it is believed that such increase will be sufficient for the company's capital stock requirements during this unsettled period, and that it is wiser to wait for things to come back to normal before dealing with the company's long-term requirements.

Mr. HANSON: Are copies of these amendments available for the members?

The WITNESS: Mr. McGeer, have you copies of the amendments?

Mr. McGEER: I have some copies here, but I doubt if there are enough for everyone.

The VICE-CHAIRMAN: Have all members received copies of the amendments?

Some Hon. MEMBERS: No.

The VICE-CHAIRMAN: I understand that there are only a limited number of copies available.

The WITNESS: Mr. Chairman: the first amendments are those to be made to section 2 of the bill which inserts a new subsection 3 to section 5 of the Act. At the meeting of the committee last Friday it was suggested that a clause be added saying that the amendments should not apply to stock previously issued. That is to be covered by making the introductory part of the third section read as follows: "Subject to the provisions of this Act the company may", then, after "may" insert "after the 31st day of May, 1941, issue preference or preferred shares which are", and omit the words "or which are to be"; making it read, "which are at the option of the company, liable to be redeemed"; then, delete the words "provided that", and substitute the words "and in respect to such shares the following provisions shall apply":—the other amendment is to delete paragraph (c)—that is the amendment that was proposed in the house which necessitates in the following paragraph which has been designated by the letter (d) that it be designated by the letter (c).

Do I understand, Mr. Chairman, that you prefer me to read through all the amendments?

The VICE-CHAIRMAN: I think that is the wish of the committee. Is that what you had in mind, Mr. MacInnis?

Mr. MACINNIS: I thought it might be satisfactory if we just had a statement to the effect that we had conferred—I mean, the British Columbia members—and that we deal with the amendments as they arise and as we read them. I think that should be satisfactory. And for the members other than British Columbia members I may say that the following members met with representatives of the company: Mr. Neill, Mr. O'Neill, Mr. Green, Mr. Cruickshank, Mr. McGeer and myself. And I think we are all in substantial agreement with the amendments as now proposed. That is my understanding, and I think that explanation should be made for the members of the committee from outside of British Columbia.

Mr. GREEN: Shall we have them read all the amendments?

Mr. MACINNIS: Mr. Green says it would be better to have the amendments all read. That would be agreeable to me.

The VICE-CHAIRMAN: Then it can be taken for granted that by virtue of the agreement arrived at between the British Columbia members who had certain opposition to certain of these sections, and the company, an agreement has been reached whereby these amendments are satisfactory to those members—am I stating it correctly?

Mr. MACINNIS: I think that is satisfactory.

Mr. O'NEILL: Mr. Chairman, at our previous meeting I endeavoured to get the floor on several occasions but it was impossible for me to do so. I am not casting any reflections on the chair, I want that distinctly understood, because it is very hard to see everybody at all times. However, I wish to make myself very clear in respect to my objections to this bill. I am not, as Mr. MacInnis has stated, in agreement with the recommendations that have been made; although I do agree that the company has gone a long way to meet my objections. As a matter of fact they have met nearly all my objections. There is, however, one thing which I wish to point out in

connection with this bill that I am not in agreement with, and that is that part of the proposed amendment which says, no application for an increase of rates shall be based on any of the increased issued stock of the company as authorized by the amendment of this Act in 1941, but this provision shall not apply to or limit the power of the Board of Transport Commissioners for Canada or any successor to their powers to fix just and reasonable rates upon application by the company for increased rates based on other grounds. Now, I am not in absolute agreement with that. What I suggested and what I have in mind is that that would be all right if there were a proviso there that provided that the company would not apply to the Board of Transport Commissioners for power to increase their rates until the interest rate on shares had been reduced to the interest rate that is paid on bonds, or $4\frac{1}{2}$ per cent. My principal objection, Mr. Chairman, is the 8 per cent rate, not so much to the 6 per cent rate. Now, that could easily be applied in that; "provided, however, that no application will be made until the earnings of the company are reduced to 6 per cent." The 8 per cent rate is the thing that I object to. The other principal objection that I had to this bill has been deleted when they deleted the words "by means of any device, apparatus, system or means of whatsoever nature whether now in existence or which may be discovered in the future". I objected to that but that has been removed. We have been told that unless the company has the power to earn dividends that will pay 6 or 8 per cent that the issue of the stock would not be attractive to the public. If my memory serves me correctly, at the last meeting it was pointed out by the officers of the telephone company that the Anglo Canadian or Associated Telephone Company would have the first option to buy the shares. Then I can hardly see how they can make the statement that this stock would not be well received by the public, because the common people are not going to be given an opportunity, as I see it, to buy the shares; these shares will be given first option to the holders of the shares now in the company. Now, I do not wish to be placed in the light of an obstructionist. The other members from British Columbia are fairly well in accord on this, and I do not wish to be placed in the light of being an obstructionist. I am not going to oppose this bill on the floor of the house, but I wish to make my position very clear, and that is, I am not in agreement with the provision that allows any company to earn 8 per cent on its money.

Mr. MAYBANK: Mr. Chairman, I appreciate Mr. O'Neill's reason for making these remarks at this particular time, but in effect it means jumping down in the middle of the page. I rather think Mr. MacInnis was a little less than accurate in his statement that he made about agreements because I had had the benefit of some lively conversation with Mr. O'Neill down on the grounds here not very long ago. While I do not think any person can object to this general statement being made relative to these amendments at the present time because it clarifies the atmosphere somewhat, still I believe if we continue now to deal generally with these amendments we will not be advancing the work as well as we might. I thought that with the general explanations that have been made we might proceed through the bill, point by point, presenting these amendments when they came up, and having that idea in mind I would so move.

The VICE-CHAIRMAN: Is it the wish of the committee that we proceed now clause by clause in accordance with the motion made by Mr. Maybank?

Motion agreed to.

The VICE-CHAIRMAN: Shall section 2 carry? The amendment, I think, should be read first. The amendment is that after the word "may" in the second line of the subsection the words "after the 31st day of May, 1941," be inserted. Shall the section as amended carry?

Mr. MAYBANK: Do we need a motion to get that amendment or have you got it?

The VICE-CHAIRMAN: Well, I am instructed when there is an agreement such as this a motion strictly is not necessary.

Mr. MACINNIS: I move that this amendment be inserted.

The VICE-CHAIRMAN: Shall the motion carry?

Motion agreed to.

The VICE-CHAIRMAN: Then there is a further amendment in the second line of the paragraph as follows: Delete "or which are to be" from the fourth and fifth lines of subsection (3) of section 5 of this Act as amended by section 2 of the bill. Shall the section as amended carry?

Carried.

Mr. MAYHEW: May I say a word? I am in this position of having a wire here which I received a few days ago. I was not at the meeting yesterday and could not be at the other one but this is from the Saanich municipality and it says: "The Saanich Municipal Council strenuously opposes the application of the B.C. Telephone Company to increase capital stock." Now I have had no further word from them although I have written for an explanation. The Saanich municipality is in Mr. Chambers' riding, not in mine, and Mr. Chambers is not here to speak for them. The wire was addressed to me. I thought I should put it on record although I am supporting the bill as amended, as you all know.

The VICE-CHAIRMAN: Yes, thank you. There is a further amendment to section 2 which reads as follows: Delete the words "provided that" and substitute the words "and in respect to such shares the following provision shall apply:" Shall the subsection as still further amended carry?

Carried.

Mr. HANSON: I would move that.

Mr. McCULLOCH: I second it.

The VICE-CHAIRMAN: Mr. Hanson moved that the subsection as still further amended be carried.

Motion agreed to.

The VICE-CHAIRMAN: Paragraph (c) of subsection (3) of section 2 is to be deleted. May I have a motion for that?

Mr. MAYBANK: I move accordingly.

Mr. DAMUDE: I second it.

Motion agreed to.

The VICE-CHAIRMAN: Then, paragraph (d) should be relettered paragraph (c). Will someone move that paragraph (d) be relettered (c)?

Mr. HANSON: I so move.

Mr. MAYBANK: I second it.

The VICE-CHAIRMAN: Shall section 2 as amended carry?

Mr. MACINNIS: Mr. Chairman, have you a list of the suggested amendments before you?

The VICE-CHAIRMAN: I have them in this form (exhibiting).

Mr. MACINNIS: In the list that Mr. Stairs has subsection (c) has the following amendment: Delete the words "provided that" and substitute the words "and in respect to such shares the following paragraph shall apply."

The VICE-CHAIRMAN: We have passed that one.

We now come to section 3, increase of capital stock. That section has the first section carried but I understand there is a further amendment which would delete the word "twenty" and substitute the word "eleven" on the eleventh line of subsection 1 of section 6 of the Act as amended by section 3 of the bill. May I have a motion for that?

Mr. MACINNIS: I so move.

Mr. FULFORD: I second it.

Motion agreed to.

The VICE-CHAIRMAN: Subsection 2: "Disposition of capital stock subject to the approval of the Board of Transport Commissioners." Shall subsection 2 carry?

Mr. MACINNIS: Mr. Chairman, may I say just a word on this? I wish to make myself clear in view of the statement made by Mr. O'Neill. I thought we had come to a substantial agreement in these matters when we met yesterday. My position is that I am opposed to the private ownership of all public utilities, but as long as we are going to allow public utilities to be in private hands I think we must allow them certain freedom of operation which will make it possible for them to perform their services properly. In my opinion to attempt to insert the provision that Mr. O'Neill asks for, "that until the profits made by the company have reached 3 per cent or something like that" would not be altogether beyond this committee, but it would be discriminatory legislation against this particular company. That should in my opinion be a matter of policy for the dominion government. If the dominion government adopted that policy then we would bring the charter of all companies in line with it. That sort of argument makes a good impression on the public platform but should not be used in a committee of this kind.

The VICE-CHAIRMAN: Shall subsection 2 carry?

Mr. MAYBANK: Mr. Chairman, I wanted to express an opinion as a sort of outsider on that. I have not any objections to this section such as those that have been expressed, but with all due respect I say there are too many words in it. I do not like the draftsmanship of it. I know it says, "it shall not apply"—and I skip a few words—"to the Board of Transport Commissioners for Canada to fix." It shall not apply to the Board of Transport Commissioners to fix. You see, it does not mean anything. Take the next verb there. That does mean something. It says, "this shall not limit the power of the Board of Transport Commissioners for Canada to fix." Well, again that is not grammatical. That is not the draftsmanship that we would have got had there been complete agreement on the wording as to what was desired to be said. Then, further, I have this view of it: if this clause were to read this way, "No application for an increase of rate shall be based on any increase of the issued stock of the company as authorized by the amendment of this Act in 1941"—if it were to stop right there all of the safeguards in the balance of the clause would still exist because the Board of Transport Commissioners would not be limited by reason of that phrase. The Board of Transport Commissioners would not be limited in their fixing of just and reasonable rates upon other grounds. As I understand it, all that is desired is to place upon the company the disability of applying for an increase in rate based solely on this increase in capital stock. Well, if that be the case why not just say that and stop there? It seems to me as soon as we multiply words into the section we are piling up trouble. We have put in that section these words:—"but this provision shall not apply to or limit the power of the Board of Transport Commissioners for Canada (or any successors to their powers)". You cannot tell what Board of Transport Commissioners you

may get in the future. Their powers may be split up into two or three. You may get some organization which will have this power and many other powers as well. That particular phrase may be the subject of a very great deal or argument later on. It would seem to me that the simplest and most terse thing would be the best. Everything that is achieved by what I might call the "rear end of the clause" is indeed achieved for all parties if you stop with the figure "1941". I do not believe anybody is injured; I do not believe the company has any additional disability passed upon it if you stopped there, nor indeed those others who want to make sure that an improper application is not made. They are not injured at all. Then the draftmanship is, I submit, better because clearly our verbs join up with the Board of Transport Commissioners. The verbs which I read the last time do make sense and make complete sense, but as I read it the first time it does not make a sentence. In order to give point to it, because after all I appreciate we cannot be discussing something nebulous, I would move that all the words after the figure "1941" be struck out.

The VICE-CHAIRMAN: Is that in subsection 3?

Mr. MAYBANK: Yes.

The VICE-CHAIRMAN: Subsection 2 is not carried yet.

Mr. MAYBANK: I thought I was in order there. I thought you had come to the amendments of section 3 and that you had substituted the figure "eleven" for the figure "twenty". After having done that the next one to come up would be subsection (3).

The VICE-CHAIRMAN: That is subsection 2.

Mr. MAYBANK: On which there is no change at all?

The VICE-CHAIRMAN: Yes.

Mr. MAYBANK: I thought that was carried because Mr. MacInnis seemed to be speaking along the same lines too.

The VICE-CHAIRMAN: Shall subsection 2 of section 6 carry?

Carried.

The VICE-CHAIRMAN: Now we are on section 3. Perhaps I should read the amendments or the new section which is suggested. It reads as follows:—

No application for an increase of rates shall be based on any increase of the issued stock of the company as authorized by the amendment of this Act in 1941, but this provision shall not apply to or limit the power of the Board of Transport Commissioners for Canada (or any successors to their powers) to fix just and reasonable rates upon application by the company for increased rates based on other grounds.

We should have a motion to insert this new subsection.

Mr. MAYBANK: Mr. Chairman, I expressed my views on the grammar used, and I have nothing more to say. Apparently they have agreed on it, and I will not press the point because it would only delay the proceedings.

The VICE-CHAIRMAN: Shall subsection 3 carry as inserted?

Mr. MACINNIS: Mr. Chairman, I think that the British Columbia members are in agreement; at least I am, and I think Mr. Green is and Mr. Maybank, that we wanted to stop at "1941". The company, I think, wanted to have this further addition for their protection.

Mr. MAYBANK: Mr. Chairman, perhaps my remarks might have had some importance academically. The real problem here, however, seems to me to lie between the proponents of this bill and the members from British Columbia. While my ideas of draftmanship led me to say what I did, if these men are all in agreement I am not going to press my motion; it would only have the effect of slowing up the work and we have been a long time on this matter already.

Mr. LOCKHART: Mr. Chairman, may I just make a comment at this time?

The VICE-CHAIRMAN: Certainly.

Mr. LOCKHART: Mr. Maybank has had a change of mind.

Mr. MAYBANK: For the reasons I mentioned.

Mr. LOCKHART: Possibly a tip from the rear of the room helped. I still cannot agree. While I am strictly an outsider, I more or less take the view that this committee is not only dealing with one bill but it is dealing with a principle which is involved across the Dominion of Canada, not only in one province. Mr. Maybank has seen fit to withdraw his amendment. I would point out that the principle involved here is rather dangerous in the light of the financial statement of the company which appears to me, so far as I can see, to be in a very healthy condition. Their assets have increased by millions in the last two or three years. I am in entire agreement with what Mr. Maybank said and I had hoped that he would continue to express himself and put it in the form of an amendment. I have now to take issue with the compromise. It would appear as though there has been a huddle, with which the members of the committee are not familiar. I do not attempt to usurp any particular powers as a member of the committee; on the other hand, I rather resent in a way that a certain few members should meet and have everything all fixed, as it were, before the other members of the same committee are consulted. This appears to have been all fixed.

In principle, Mr. Chairman, for the brief reasons I have stated, namely, the financial position of the company, I am opposed to any change in the capital stock of the company. That applies across Canada, and I have no particular fault to find with this application. Whether I am alone or whether I can even get a seconder, I would move, as Mr. Maybank formerly moved, that all the words after the figures "1941" be struck out of this amendment, and that it be left as contained in the three and a half lines as indicated in the amendment.

Mr. HATFIELD: I second the motion.

Mr. MAYBANK: Mr. Chairman, since my name has been mentioned and some suggestion made as to why I have changed my mind, I wish to make it perfectly clear that there is nothing clandestine about changing my mind. The tip from the rear of the room did influence me, and the fact that these men are all in agreement is exactly the reason why I refrained from making the motion. I want to be completely candid about it.

The VICE-CHAIRMAN: Gentlemen, it has been moved by Mr. Lockhart that all the words after "1941" in the new paragraph be struck out.

Mr. MACINNIS: Mr. Chairman, mention has been made by other members of the committee that there were outsiders here. There are no outsiders among the members of the committee. They have full opportunity to say and do whatever they see fit to do in the circumstances. Anything that was done by the members from British Columbia was done to facilitate the passing of this bill. The company have reduced the amount of capital asked for from \$10,000,000 to \$1,000,000, and they are asking that merely because of the situation in which we find ourselves, namely, in a war emergency.

Now, the members from British Columbia came to an understanding with the company and they considered that what the company was asking for was reasonable. As I said before, my opinion was, from a layman's point of view, that the proposed amendment should stop at the end of the figures "1941," because I thought that anything added would be superfluous because it would not have any effect on the attitude of the Board of Transport Commissioners

in any case. They must base their authorization for an increase in rates on the evidence placed before them, and nothing that we could put in this Act would or could interfere with their decision in the matter in any case.

The committee is at perfect liberty to deal with this matter as it sees fit, but, as a member from British Columbia, I think that we will have to keep our understanding with the company in this regard.

Mr. GREEN: Mr. Chairman, I am not a member of this committee, but if I may be allowed to make a statement—

The VICE-CHAIRMAN: I understand that was the agreement at the last sittings, Mr. Green, so you may.

Mr. GREEN: As this amendment was originally proposed by the company it read as follows:—

No application for an increase of rates shall be based on any increase of the issued stock of the company as authorized by the amendment of this Act in 1941 but this provision shall not apply to or limit the power of the Board of Transport Commissioners for Canada (or any successors to their powers) to fix just and reasonable rates upon application by the company for increased rates based on other grounds, and on such application to take into consideration the value of the company's telephone properties, plant and equipment.

As the amendment is suggested to-day the last words are dropped, namely:—
and on such application to take into consideration the value of the company's telephone properties, plant and equipment.

That has been deleted. There was the belief held by some of us that that might be used to get around the first part of the clause which said that there should be no application for an increase of rates based on an increase of the issued stock; so the company have deleted the last portion of the subsection.

With regard to the first portion, I doubt if there is any Act which goes as far as that does when it says that there shall be no application for an increase of rates based on an increase in the issued stock. In the normal case, an increase in the issued stock, I understand, might be taken into consideration. This subsection provides that it shall not be taken into consideration, and I thought that that adequately protected the interests of the public in British Columbia, especially when the last few words of the proposed subsection were deleted. Those of us who were opposed to the bill are trying to make certain that the people of British Columbia are protected. In our opinion they are protected, and indeed protected a great deal further as a result of the changes we have made in this bill than they would have been otherwise.

I must be fair about it. I would not want to see an attack on the company on this point after they have met us and put in wording that we think protects the public. They might be willing to take out the words "or any successors to their powers," which they do not have in subsection 2 immediately preceding. But as far as I am concerned, I have made a bargain and I propose to stick to it.

The VICE-CHAIRMAN: It has been moved by Mr. Lockhart that all the words after "1941" be deleted. Those in favour please say "Aye"; those opposed please say "Nay." I declare the Nays have it.

Mr. LOCKHART: Mr. Chairman, may we have a recorded vote?

(On division the motion was negatived.)

The VICE-CHAIRMAN: It has been moved by Mr. Whitman, seconded by Mr. Damude, that the new subsection 3, as read a moment ago, be inserted. Shall section 3 as amended carry?

Motion agreed to.

Section 4 is inserted in the bill and was covered by an amendment. Shall section 4 carry?

Carried.

It has been moved by Mr. McNiven, seconded by Mr. Hanson, that section 5 be deleted.

Motion agreed to.

Section 5 is deleted. We now come to section 6 to which there are a number of amendments in paragraph (1). The first amendment would delete the word "services" where it first occurs in the sixth line and substituting therefor the word "systems".

Some Hon. MEMBERS: Carried.

The VICE-CHAIRMAN: It is moved by Mr. McCulloch, seconded by Mr. Whitman, that paragraph (1) as amended carry.

Motion agreed to.

The VICE-CHAIRMAN: Then there is a second amendment which would delete again the word "services" where it secondly occurs in the sixth line of paragraph (1) and substitute therefor the words "provide service facilities".

Mr. MacINNIS: I so move.

The VICE-CHAIRMAN: Mr. MacInnis moves, seconded by Mr. Mullins, that paragraph (1) as further amended carry.

Motion agreed to.

The VICE-CHAIRMAN: There is still a third amendment which would delete the words "by means of any device, apparatus, system or method of whatsoever nature, whether now in existence or which may be discovered or developed in the future".

Mr. HANSON: I move that we adopt that.

The VICE-CHAIRMAN: It is moved by Mr. Hanson, seconded by Mr. MacInnis, that these words be deleted from paragraph (1).

Motion agreed to.

The VICE-CHAIRMAN: Shall paragraph (1) as amended carry?

Some Hon. MEMBERS: Carried.

The VICE-CHAIRMAN: Shall section 6 carry?

Mr. MacINNIS: That will be section 5 now.

The VICE-CHAIRMAN: Yes. Shall section 5 as amended carry?

Some Hon. MEMBERS: Carried.

The VICE-CHAIRMAN: Shall I report the bill?

Some Hon. MEMBERS: Carried.

The VICE-CHAIRMAN: Shall I report the bill as amended?

Some Hon. MEMBERS: Carried.

The VICE-CHAIRMAN: I understand that it is necessary, when there have been a number of amendments, that someone should move that the bill be reprinted as amended by the committee.

Mr. MacINNIS: I so move.

The VICE-CHAIRMAN: Mr. MacInnis moves, seconded by Mr. Hanson, that the bill as amended by the committee be reprinted.

Motion agreed to.

The VICE-CHAIRMAN: That is all the business we have before the committee.

Mr. LOCKHART: Mr. Chairman, have you any idea when this bill will come before the House?

The VICE-CHAIRMAN: No. That is something I could not enlighten you on.

The Committee adjourned at 11.55 a.m., to meet at the call of the Chair.

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