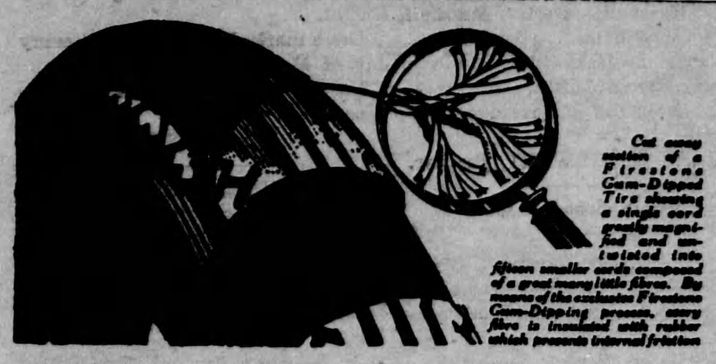

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Miss Macphail Spoke Friday in Opposition to the Bell Bill

Following is the Speech Given in Parliament and Reported by Hansard

This bill has aroused widespread interest in the province of Ontario. The Bell telephone is the only telephone of any consequence in the province. Whether this is so in Quebec I do not know; I am not familiar with conditions there. But it is true in Ontario. The Bell Telephone Company serves the public; it is operated by a private concern but is really a public utility. The telephone has become a necessity in this age. We could hardly think of living without it. It has done very much to save time for all of us, to save life indeed, to make business run smoothly; and it has been a great factor in binding people together in scattered communities. It is therefore of great social significance. The Bell Telephone is a subject which interests possibly more people than almost any other thing in the province of Ontario. It is not then to be wondered at that the people of that province are watching earerly the fate of the two bills that have been presented to this house, the Bell Telephone bill and the bill to safeguard the people's interests, moved by the hon. member for South Toronto (Mr. Geory).

The Bell Telephone Company has been operating in Canada since 1880 and it is only since 1909 or 1910 that the company has become subject to the jurisdiction and authority of the Board of Railway Commissioners. Since that has been true the Bell Telephone Company has been most gererously treated by the Board of Railway Commissioners and by the people of Ontario and Quebec. In 1919 it was permitted to make a flat increase of 10 per cent. and in 1921 of 12 per cent.; and a few months ago another increase was allowed, the disposal of the profits which is now causing the company concern and in all probability is the reason for the bill which is now before the house. The raise in rates was allowed on the principle:

That non-discriminatory rates should be established by the company sufficient to produce revenue to cover its operating expenses; a proper amount for depreciation and amortization; its taxes, including income tax, interest, dividends upon its stock and a reasonable surplus.

The Globe in an editorial on May 23, 1928, has this to say:

A dividend of 8 per cent. is maintained, and the board has accepted the estimated requirements of the company for depreciation, with one small exception. There are few corporations in the country but would welcome a guarantee of solvency and earnings such as the Bell company obtains.

All this is paid for by the telephone users. In justice to these, should not the board be authorized to make certain that the revenues of the company are devoted to the company's business exclusively?

In the mind of anyone who has looked closely at this matter there is the suspicion that a olose relationship exists between the Northern Electric Company and the Bell Telephone Company, and that in all probability the Bell Telephone Company has used the Northern Electric Company to conceal its profits. At least it is true that the Northern Electric Company is controlled by the Bell Telephone Company, and in the year 1926 the Bell Telephone Company was a customer of the Northern Electric Company to the extent of 57.8 per cent of its total business. In 1925 according to Mr. R. A. Reid, barrister, who was counsel for the Ontario government at the last hearing before the Board of Railway Commissioners and also at the appeal from that hearing before the cabinet, $12,000,000 of apparatus, supplies and equipment were sold by the Northern Electric Company to the Bell Telephone Company, and at the end of that year the Northern Electric Company had total reserves and surplus amounting to $8,409,070, with property and plant valued at $9,882,053. For the years from 1920 to 1925 the depreciation reserve ranged from 100 per cent to 129 per cent; that is what was set aside yearly for depreciation of plant and equipment. Surely this is a satisfactory condition, yet the Bell Telephone Company, which owns 52 per cent of the stock of the Northern Electric Company, does not show any share in its profits. They would rather receive their profits through an increased rate granted by the Board of Railway Commissioners, is levied on the people of Ontario and Quebec. Under the statute as it is at present, the Board of Railway Commissioners cannot investigate the Northern Electric Company, and it seems quite clear that the right to investigate the subsidaries of the Bell Telephone Company, among them the Northern Electric Company, should be granted by Parliament to the Board of Railway Commissioners. If we, as a Parliament do not grant the Board of Railway Commissioners the right and power to investigate the subsidary companies of the Bell Telephone Company, surely we cannot be said to be safeguarding the interests of the people. The Geary bill, which has not come up for consideration, was designed to do that very thing.

Mr. MORIN (Bagot): What about the Sanderson amendment?

Miss MACPHAIL: That amendment was moved only to-night, and although it seems similar to the Geary bill I cannot say whether or not it serves the same purpose. As a matter of fact I think it would be a very good thing in this case if this public bill could be given some sort of right in this chamber, because it has been moved by this member in order to safeguard the interests of the public. We have 245 members in this chamber who have openly, eloquently and solemnly at election times promised to work very hard in the interests of the public and to do what they could to safeguard the common people against the attack from any source whatever. This is a fine opportunity to make good that promise. Undoubtedly the members of this house, by defeating the Bell Telephone bill as it stands at present have an opportunity to serve the people in Ontario and Quebec, and indeed the people of all Canada.

One would hesitate to say that a Liberal government is more interested in a bill which proposes to increase the capital of the Bell Telephone Company from $75,000,000 to $150,000,000 than in safeguarding the people by passing with that bill an amendment which will make it possible to have the affairs of the subsidiary companies investigated when the Bell Telephone Company comes before the Board of Railway Commissioners asking for a guarantee of dividends on their increased capital, should this bill pass. If it were true, as we hope it is not, that the predominant element within a Liberal government stands for that principle of looking after special privilege before looking after the interests of the masses of people, one might well ask if that is a good Liberal principle of doctrine

The thing which makes the Bell Telephone Company bill look suspicious is this: If there is to be no milking of profits from the Bell Telephone Company by the Northern Electric Company why should not the Bell Telephone Company welcome a full and free investigation into the affairs of the Northern Electric Company and its other subsidiaries? Some friends of the bill claim that the company wants more capital with which to extend its business. If that is true, why did not the friends of the bill support the Garland amendment in this house, which to me seemed the easiest and most sensible course to adopt if an increase in capital were desired, since it provided for the sale of stock in the open market. The house defeated that amendment; and from that we can only conclude that the amendment was defeated by the friends of the Bell Telephone Company, which leads us to be exceedingly suspicious of the reason for this doubling of capital. I think the Globe of Mon., May 28, 1928, makes it very clear when it says, in a short editorial on the first page of the second section:

Why—if everything is straightforward, cleancut and aboveboard—does not the Bell Telephone corporation welcome the Geary bill, which would effectively establish its bon fides?

Why—if everything is straightforward, cleancut and aboveboard—does not the Bell Telephone corporation welcome the proposal to offer this new stock to the public at the market price, which would effectively dispose of any suspicion that the public service monopoly plans to "cut a melon" among its privileged shareholders, as was done the other day by the American Telephone and Telegraph Company?

One of the chief reasons given by the Bell Telephone Company for the increase requested when they last appeared before the Board of Railway Commissioners was that they needed the increase to enable them to pay dividends on their stock. Now they want to double the amount of that stock, and I suppose the next step would be to go back to the Board of Railway Commissioners and ask for increased rates in order to guarantee an 8 per cent dividend on the increased capitalization. Again, that will result in swollen profits with which they will have to do something, and if they take the same step again they will increase their capital and then go back to the Board of Railway Commissioners and have their rates raised to pay dividends on the increased capital; that will go on endlessly.

I was much interested this morning in reading the long and detailed brief submitted by Mr. Reid when, as counsel for the provincial government he made an appeal to the cabinet against the ruling of the board. The very close connection between three or four companies is made very clear by him. The American Telephone and Telegraph Company owns 98 per cent of the stock of the Western Electric Company; the Western Electric Company owns 48 per cent of the stock of the Northern Electric Company, and the Bell Telephone Company owns 52 per cent of the Northern Electric Company. It will be seen that there is a direct connection between the higher rates the people of Ontario and Quebec pay and the swollen profits of the American Telephone and Telegraph Company. I am surprised that such a good Canadian as the member for Parkdale (Mr. Spence) who so violently protested against the talking out of this bill, is anxious to have the money of his very patriotic city go to swell the profits of the milionaires of New York. If one goes through all the material submitted by Mr. Reid, who would seem to be the greatest authority on this subject—

Mr. SPENCE: He thinks he is, that is all.

Miss MACPHAIL:—the connection between the high rates paid by our people and the profits of all these other companies cannot fail to be noticed. This milking process has now been going on for some time. The Bell Telephone Company has been successful in hiding from the people who pay the rates the amount of their profits. Some they have hidden in depreciation much greater than they use, as I will show in a moment, and some they have hidden in the Northern Electric Campany.

The depreciation set aside by the Bell Telephone Company has been hiding enormous profits in the past. I am now quoting from page 15 of the petition of appeal:

From the year 1912 down to the year 1926, it has taken out of the telephone users and subscribers of Ontario and Quebec, under the guise or mark of a depreciation charge, the sum of over $39,000,000, and has only used or spent out of that money for the purpose of depreciation for which it was extracted from the telephone users, the sum of about $13,000,000, leaving a sum of over $26,000,000 taken out of the pockets of the said telephone users of Ontario and Quebec in extortionate, high and excess telephone rates during that period of time, and which will never be spent for the express specific purpose for which it was squeezed out of the said telephone users, and is still being added to and piled up at the rate of over $1,500,000.

That would seem to show that the Bell Telephone Company is hiding what is really profit under the name of depreciation.

When we consider the way they have of dealing with the income tax, we find that they keep the public from knoing just how much they are making out of the rates charged. On page 11 of this same petition in appeal we find the following:

The question of income tax was not properly dealt with by the railway commission, and no definite finding, judgment, or decision was arrived at, thus leaving in the air an item of over $400,000, which your petitioners contend should not be allowed at all as an operating expense of the company, as has been done, but should be deducted from the company's net earnings and paid by the company and its shareholders, and not by the subscribers an telephone users, nor shifted by the company in such a way as to have to be paid by the telephone users: nor is the company entitled to, by rate increases or otherwise, sufifciently high rates to meet the payment of such income tax payment. It must be paid by the company direct as an entity or person out of and from the surplus and not profits. It is an aperating expense.

Mr. Reid goes on to show that the method used by the Bell Telephone Company in the paying of their income tap is contrary to the statute under which the income tax branch of the Department of National Revenue operates, and he quotes as follows:

It is under and by virtue of section 3, subsection 8, of 13 and 14 George V, chapter 52, statutes for 1923, that the department acts, and that is the authority under which an item of this kind, put in as an operating expense, is disallowed as such.

And further on:

The application of the Bell Telephone Company for an increase of rates was based upon the operations for the year 1925, and the company

(Continued on Page 4)

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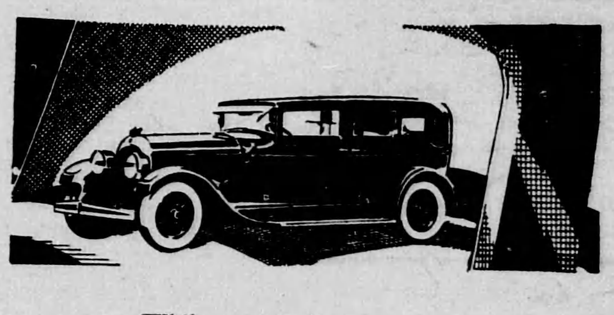

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