

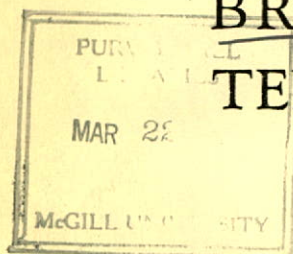
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ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1949



BRITISH COLUMBIA
TELEPHONE COMPANY



DIRECTORS' REPORT AND ACCOUNTS

OF THE

BRITISH COLUMBIA TELEPHONE
COMPANY



FOR THE YEAR ENDED DECEMBER 31, 1949

VANCOUVER, B.C.

FEBRUARY 13, 1950

DIRECTORS

Hon. Geo. H. Barnard, K.C.	Victoria, B.C.
Harry M. Boyce	Vancouver, B.C.
Verne E. Chaney	Chicago, Ill.
James A. Code, Jr.	Chicago, Ill.
Gordon Farrell	Vancouver, B.C.
Theodore S. Gary	Chicago, Ill.
James Hamilton	Vancouver, B.C.
Cameron Hough	Montreal, Que.
Frank S. Spring	Chicago, Ill.
Arthur S. Torrey	Montreal, Que.
P. A. Woodward	Vancouver, B.C.

OFFICERS

Frank S. Spring	Chairman
Gordon Farrell	President
James Hamilton	Vice-President
Cyril B. Diplock	Vice-President and General Manager
John E. Carlile	Secretary and Comptroller
Harry M. Boyce	Treasurer

**FIFTY-EIGHTH ANNUAL REPORT
OF THE DIRECTORS**

**To be submitted at the Annual General Meeting, to be held in the Offices
of the Company, on Thursday, the ninth day of March, 1950**

The Board of Directors herewith submit their report for the year 1949. This is the fifty-eighth Annual Report.

The demand for telephone service in the territory served by the British Columbia Telephone Company continued at a very high level during 1949. Principally because of its expanding economy British Columbia has experienced a population increase during the past five years which, on a percentage basis, is more than twice that of any other Province. This is a measure of the problem with which the Company is and has been faced in furnishing the amount and kind of service necessary to meet the public demand.

Since 1st January, 1946, the number of telephones in service has increased by 63,296 or 39%. The net increase in telephones in 1949 was 17,994. There were 226,431 telephones in service at the end of the year. Notwithstanding the increase in telephones during 1949 there were at the end of the year something over 24,000 unfilled applications for service.

New high records were established during 1949 in the volume of both local and long distance calls. Local exchange calls numbered 342,623,726 and 4,869,582 long distance calls were completed, representing gains of 5% and 6.4% respectively over the previous year. In spite of the record service demands and the continued strain on expanding facilities substantial

progress was made toward improved standards of service. Further improvement will continue as new facilities are added.

The Company's post war construction programme was further advanced during the year. Gross additions to plant and equipment amounted to over \$8,000,000. New buildings and extensions to existing buildings were undertaken in various exchange areas. Central office equipment—manual, dial and long distance—was installed in many localities and extensive additions to outside plant were made during the year. A new submarine cable was laid between Vancouver and North Vancouver and a toll submarine cable between the Mainland and Mayne Island, the latter providing additional toll facilities between Vancouver and Victoria. More than eighty additional toll channels were added to the Company's toll network. Continued expansion and improvement of service requires the addition of much complex equipment which undertaken at higher present day costs will result in a higher plant investment per telephone.

Total revenues in 1949 amounted to \$13,078,017, an increase of \$919,121 over the year previous. Operating expense for 1949 amounted to \$12,499,624, an increase of \$1,134,798 over 1948. Primarily because of the greater increase in operating expense, revenues for the year fell short of meeting dividend requirements by \$397,857.

The Company's debt obligation increased by \$3,000,000 during the year with the sale of a corresponding amount of 3 $\frac{3}{4}$ % bonds due 1st March, 1971.

In the last Annual Report it was mentioned that the Company was faced with the necessity of seeking, in 1949, an increase in its telephone rates. On 29th June, 1949, the Company filed with the Board of Transport Commissioners for Canada an application for an increase in exchange rentals and charges for service. The Board was unable to grant a hearing of the application until January, 1950. The hearing concluded on January 21st, and we are now awaiting the Board's judgment. The rates presently in effect are not sufficient to produce the revenue required to meet the cost of furnishing adequate telephone service. The Company is also faced with further large capital expenditures to provide the buildings, plant and equipment to meet service demands, and it cannot obtain the required funds unless and until earnings are sufficient to attract the necessary capital. The last general rate increase was in 1921.

The accomplishments attained by the Company reflect the loyalty and co-operation of the Company's men and women—those who construct, maintain and operate its facilities and those who administer its affairs. The Company's Directors again record their sincerest appreciation.

For the Board of Directors,

GORDON FARRELL, President.

Vancouver, B.C.
February 13, 1950.

BALANCE SHEET AS

ASSETS

Fixed Assets:

Land, Buildings, Plant and Equipment as appraised by J. G. Wray & Co., May 31, 1927, plus additions at cost	\$55,206,282.33
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Sinking Fund for 4% Fifteen Year Notes	150,577.76
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Current Assets:

Cash in Bank	\$ 1,352,009.17	
Dominion of Canada Bonds at cost (Market Value \$3,302,760.00)	3,317,300.00	
Accounts Receivable, less reserve for doubtful accounts	934,422.61	
Material in stores at cost:		
Physical Inventories last taken September 30, 1949	1,800,600.85	
		7,404,332.63

Accrued Income Not Due	12,089.17
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Refundable Portion of Excess Profits Taxes due 1951.....	95,782.32
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Deferred Charges:

Unamortized Debt Discount and Expense	\$ 743,408.39	
Prepaid Expense	327,943.96	
		1,071,352.35

Approved for Board of Directors,
GORDON FARRELL, Director
G. H. BARNARD, Director

\$63,940,416.56

DECEMBER 31, 1949

LIABILITIES

Capital:

Authorized \$25,000,000.00

Issued:

6 per cent. Cumulative Preference Shares of par value of \$100.00 each	\$ 1,000,000.00	
6 per cent. Cumulative Preferred Shares of par value of \$100.00 each	4,500,000.00	
4½ per cent. Cumulative Redeemable Preferred Shares of par value of \$100.00 each	3,500,000.00	
Ordinary Shares of par value of \$100.00 each	6,000,000.00	\$15,000,000.00

First Mortgage Bonds:

Series "A" 3¼ per cent. due March 1, 1971	\$16,500,000.00	
Series "B" 3½ per cent. due March 1, 1971	3,000,000.00	
Series "C" 3¼ per cent. due March 1, 1971	5,000,000.00	24,500,000.00

Fifteen Year 4% Notes due November 1, 1962 4,854,000.00

Current Liabilities:

Accounts Payable	\$ 1,035,499.93	
Provision for Income Taxes	253,117.39	
Bond and Note Interest Accrued	332,360.00	
Dividends Accrued	214,635.42	
Accrued Liabilities	89,544.31	
Unearned Rentals	74,380.99	1,999,538.04

Reserves:

Depreciation	\$15,404,387.41	
Employees' Benefit Fund	650,720.00	
Fire Loss, Accidents and Contingencies	636,458.18	16,691,565.59

Premium on Capital Stock 375,000.00

Earned Surplus 520,312.93

\$63,940,416.56

BRITISH COLUMBIA TELEPHONE COMPANY

INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 1949

Telephone Operating Revenues:

Revenue from Local and Toll Service and Miscellaneous	
Telephone Operations	\$12,966,516.32
Miscellaneous Non-operating Revenues	111,501.23
Total Revenues	\$13,078,017.55

Telephone Operating Expenses:

Maintenance, Operating, Employees' Benefit Fund, etc.	\$ 8,552,230.15
Depreciation	1,878,684.13
Dominion, Provincial and Municipal Taxes	754,931.32
Directors' Fees	16,500.00
Legal Expense	19,427.75
Salaries of Executive Officers	129,110.00
Total Operating Expenses	\$11,350,883.35
Net Income	\$ 1,727,134.20

Other Expenses:

Interest on Bonds	\$ 863,989.74
Interest on 4% Fifteen Year Notes	194,418.92
Amortization of Bond Discount and Expense	90,332.80
Total Other Expenses	\$ 1,148,741.46
Net Profit for the Year	\$ 578,392.74

EARNED SURPLUS STATEMENT

Balance as at December 31, 1948	\$ 800,170.19
Add: Adjustment of Income Taxes of Prior Years	18,000.00
Transferred from Contingent Reserve	100,000.00
Net Profit for the Year	578,392.74
	\$ 1,496,562.93

Dividends:

Common Stock	480,000.00
6% Preference Stock	60,000.00
6% Preferred Stock	270,000.00
4½% Redeemable Preferred Stock	166,250.00
	\$ 976,250.00

Balance as at December 31, 1949	\$ 520,312.93
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AUDITORS' REPORT

We have audited the accounts of British Columbia Telephone Company for the year ended December 31, 1949, and have obtained all the information and explanations we have required.

We report that in our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs, as at December 31, 1949, according to the best of our information and the explanations given to us, and as shown by the books of the Company.

(Sgd.) HELLIWELL, MACLACHLAN & CO.,
Chartered Accountants.

Vancouver, B.C.,
February 13, 1950.

STATISTICS

	December 31, 1949	December 31, 1948
Company owned Telephones—Manual	128,076	129,198
Company owned Telephones—Automatic	98,355	79,239
Total	226,431	208,437
Residence Telephones	150,766	137,362
Business Telephones	75,665	71,075
Number of Central Offices	70	66
Number of Company Owned Buildings	76	75
Miles of Pole Line	3,717	3,705
Miles of Wire:		
In Aerial Cable	252,423	237,450
In Underground Cable	264,357	253,341
In Submarine Cable	6,287	4,814
In Open Wire	67,237	61,290
Average Daily Connections for Year:		
Local Calls	1,331,717	1,215,094
Long Distance Calls	19,138	16,361
Number of Employees:		
Male	1,200	1,089
Female	2,877	2,767
Total	4,077	3,856
Total Payroll for Year	\$ 8,046,080	\$ 7,253,358

GROWTH IN NUMBER OF TELEPHONES OWNED BY THE COMPANY

