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ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1948



BRITISH COLUMBIA
TELEPHONE COMPANY

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DIRECTORS' REPORT AND ACCOUNTS

OF THE

BRITISH COLUMBIA TELEPHONE
COMPANY



FOR THE YEAR ENDED DECEMBER 31, 1948

VANCOUVER, B.C.

FEBRUARY 14, 1949

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

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

**FIFTY-SEVENTH 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 tenth day of March, 1949**

The Board of Directors herewith submit their report for the year 1948. This is the fifty-seventh Annual Report.

The demand for telephone service in 1948, resulting primarily from the population increase and from the continually expanding economic development of the Province, was the highest in the Company's history. British Columbia continues to be Canada's fastest growing Province. It might here be mentioned that in population alone, during the seven year period, 1941-1948, the number of persons living in British Columbia increased about 32% as compared with a population increase for Canada as a whole of 12%.

During the past three years, notwithstanding the difficulties presented by the scarcity of materials and equipment, the Company has added to the system almost 46,000 telephones which represents, for the period, a net increase of 28%. Nevertheless there were at the end of 1948, over 22,000 applications for new or additional service on the waiting list. Last year the net increase in telephones was 14,701, bringing the total number of telephones in service on December 31st, 1948, to 208,437.

The volume of both local and long distance calls reached new high totals during the year. The number of local calls for the year amounted to 326,287,016 and the number of completed long distance calls to 4,577,602. These were 7.5% and 10.5% respectively greater than for the previous year.

The Company has stretched its facilities far beyond normal limits in order to provide service for as many customers as possible. This, together with the very heavy volume of local traffic, has in many instances resulted in performance of local service below normal objectives. The understanding and co-operative attitude of telephone users generally has been most helpful and has enabled the Company to give a better service than would otherwise have been possible under the circumstances.

During the year additions were completed or were commenced at certain exchange buildings to provide for the installation of additional telephone equipment. The Company's extensive addition to its headquarters building was partially completed and occupied by the end of the year. This building will provide for much needed office space, for further plant and equipment additions and for improved employee services. The Cedar-Cherry-Bayview automatic installation was practically completed by the end of the year and these offices are scheduled to be in service on 6th March, 1949. This will be the largest manual-to-automatic cut yet made by the Company. The installation of additional automatic and manual equipment was undertaken and in many cases completed, at other offices throughout the system. A total of some 6,434 circuit miles were added to the Company's long distance circuits during the year. Of this mileage 4,347 circuit miles were added to the Trans-Canada Telephone System, which provides Coast to Coast service and of which the British Columbia Telephone Company is an integral part. During the past three years plant and equipment to the value of over \$15,000,000 has been added to the Company's system. Last year's abnormal flood and year-end storms, which caused heavy and costly damage to outside plant, retarded to a considerable extent the plant construction programme.

Gross revenue from all sources in 1948 amounted to \$12,158,896 as compared with \$10,987,513 in 1947. Operating expense continued an upward trend and amounted to \$11,364,826 for the year as against \$10,268,805 for the year previous. The increase in operating charges was mostly due to higher payroll costs. Payroll expense absorbed in 1948 over 50% of total gross revenue. Revenue for the year fell \$32,128 short of meeting full dividend requirements.

In March the Company sold \$2,000,000 3 $\frac{3}{4}$ % Bonds due 1st March, 1971. The Company also issued and sold in July \$1,500,000 of Ordinary stock and \$3,500,000 of 4 $\frac{3}{4}$ % Cumulative Redeemable Preferred stock. The proceeds from the sales of these securities are being used for the purchase and construction of additional telephone plant as equipment becomes available.

The Company is faced with the necessity of seeking in 1949 an increase in its telephone rates. The heavy demands for service call for large additional capital expenditures to provide the buildings, plant and equipment necessary to meet these demands. The Company cannot, like many businesses, finance out of earnings the expansion required to meet the public demands for telephone service. It must, however, have earnings sufficient to attract the capital necessary to provide for the needed growth and expansion of its system. While the Company requires additional capital funds on the one hand, net earnings on the other hand are declining because of higher operating costs. It is these factors which make it necessary that the Company seek, in the coming year, its first general increase in rates since 1921 when they were adjusted following World War I.

No report on the year's activities would be complete without an acknowledgment that the progress of the business was in no small measure due to the loyalty and co-operation of the Company's men and women. At the time of the flood and storm emergencies particularly, the banner of service was held high by employees in all branches of the system. The Directors herewith record their sincerest appreciation.

For the Board of Directors,

GORDON FARRELL, President.

Vancouver, B.C.
February 14, 1949.

BALANCE SHEET AS

ASSETS

Fixed Assets:

Real Estate, Buildings, Plant and Equipment as appraised by J. G. Wray & Co., May 31, 1927, plus additions at cost	\$49,392,761.84
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Sinking Fund for 4% Fifteen Year Notes	150,000.00
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Current Assets:

Cash in Bank	\$ 2,612,296.90	
Dominion of Canada bonds at cost (Market Value \$5,010,200.00)	5,027,150.00	
Accounts Receivable, less reserve for doubtful accounts	820,648.12	
Material in stores at cost:		
Physical Inventories last taken August 31, 1948.....	1,898,270.03	
		10,358,365.05

Accrued Income Not Due	17,338.30
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Refundable Portion of Excess Profits Taxes due 1950 and 1951	148,160.25
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Deferred Charges:

Unamortized Debt Discount and Expense	\$ 789,427.74	
Prepaid Expense	203,846.80	
		993,274.54

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

\$61,059,899.98

TELEPHONE COMPANY

AT DECEMBER 31, 1948

LIABILITIES

Capital:

Authorized	\$25,000,000.00
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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
4 $\frac{3}{4}$ 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
	<u>15,000,000.00</u>

First Mortgage Bonds:

Series "A" 3 $\frac{1}{2}$ per cent., due March 1, 1971	\$16,500,000.00
Series "B" 3 $\frac{1}{2}$ per cent., due March 1, 1971	3,000,000.00
Series "C" 3 $\frac{1}{2}$ per cent., due March 1, 1971	2,000,000.00
	<u>21,500,000.00</u>

Fifteen Year 4% Notes due November 1, 1962	5,000,000.00
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Current Liabilities:

Accounts Payable	\$ 1,197,312.34
Provision for Income Taxes	301,480.58
Bond and Note Interest accrued	295,833.32
Dividends accrued	214,635.42
Accrued Liabilities	81,799.38
Unearned Rentals	76,898.69
	<u>2,167,959.73</u>

Reserves:

Depreciation	\$14,829,591.88
Employees' Benefit Fund	650,720.00
Fire Loss, Accidents and Contingencies	736,458.18
	<u>16,216,770.06</u>

Premium on Capital Stock	375,000.00
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Earned Surplus	800,170.19
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	<u>\$61,059,899.98</u>
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BRITISH COLUMBIA TELEPHONE COMPANY

INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 1948

Telephone Operating Revenues:

Revenue from Local and Toll Service and Miscellaneous	
Telephone Operations	\$12,072,422.07
Miscellaneous Non-operating Revenues	86,474.21
Total Revenues	\$12,158,896.28

Telephone Operating Expenses:

Maintenance, Operating, Employees' Benefit Fund, etc.,	\$ 7,690,718.43
Depreciation	1,648,442.59
Dominion, Provincial and Municipal Taxes	752,490.08
Directors' Fees	16,500.00
Legal Expense	38,600.43
Salaries of Executive Officers	128,500.00
Total Operating Expenses	\$10,275,251.53
Net Income	\$ 1,883,644.75

Other Expenses:

Interest on Bonds	\$ 770,479.46
Interest on 4% Fifteen Year Notes	200,000.00
Interest on Note Payable	32,232.87
Amortization of Bond Discount and Expense	86,862.60
Total Other Expenses	\$ 1,089,574.93
Net Profit for the year	\$ 794,069.82

EARNED SURPLUS STATEMENT

Balance as at December 31, 1947	\$ 546,575.07
By transfer Deferred Credit Refundable Portion of Excess Profits Taxes as of December 31, 1947	285,723.22
Net Profit for the Year	794,069.82
	\$ 1,626,368.11

Dividends:

Common Stock	420,000.00
6% Preference Stock	60,000.00
6% Preferred Stock	270,000.00
4½% Redeemable Preferred Stock	76,197.92
	\$ 826,197.92
Balance as at December 31, 1948	\$ 800,170.19

AUDITORS' REPORT

We have audited the accounts of British Columbia Telephone Company for the year ended December 31, 1948, 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, 1948, 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 14, 1949.

STATISTICS

	December 31, 1948	December 31, 1947
Company owned Telephones—Manual	129,198	120,238
Company owned Telephones—Automatic	79,239	73,498
Total	208,437	193,736
Residence Telephones	137,362	128,300
Business Telephones	71,075	65,436
Number of Central Offices	66	65
Number of Company Owned Buildings	75	73
Miles of Pole Line	3,705	3,722
Miles of Wire:		
In Aerial Cable	237,450	229,305
In Underground Cable	253,341	238,640
In Submarine Cable	4,814	4,799
In Open Wire	61,290	56,754
Average Daily Connections for Year:		
Local Calls	1,215,094	1,130,345
Long Distance Calls	16,361	14,902
Number of Employees:		
Male	1,089	966
Female	2,767	2,622
Total	3,856	3,588
Total Payroll for Year	\$ 7,253,358	\$ 6,058,670

GROWTH IN NUMBER OF TELEPHONES OWNED BY COMPANY



