

# Maritime Tel & Tel Annual Report 1981

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**1981 Annual Report of the Directors to  
the Shareholders of Maritime Telegraph  
and Telephone Company, Limited**

Incorporated under the laws of the Province of  
Nova Scotia

**Head Office**

Maritime Centre, 1505 Barrington Street  
P.O. Box 880, Halifax, Nova Scotia  
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The 1981 Annual Report is a summary of the  
operations of the Company in its 72nd year of  
serving Nova Scotia. It is prepared for those  
who have invested in our Company, for those  
who are interested in the Company's  
performance, and for our employees.

**Notice of Annual Meeting**

The annual general meeting of the  
shareholders of Maritime Telegraph and  
Telephone Company, Limited will be held at  
the Head Office of the Company, Maritime  
Centre, 1505 Barrington Street, Halifax, Nova  
Scotia on Tuesday, the 23rd day of March,  
1982 at 11:30 am.



*Our cover:*

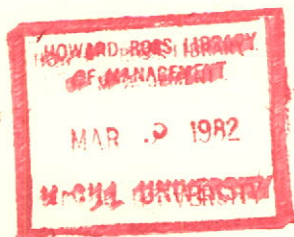
*The installation of a computer-based alarm  
reporting system which monitors 65 microwave  
sites and 162 community dial offices in Nova  
Scotia, was completed in December 1981. The  
surveillance centre, which is staffed around-the-  
clock, provides MT&T technicians with the  
information necessary to maintain high-quality  
service to customers throughout the province.  
These customers use regular household services,  
the newest electronic switchboards and special  
equipment, such as the Visual Ear, which permits  
hearing-impaired persons to communicate by  
phone.*

# Report Highlights

<b>Operating statistics</b> <i>(in thousands)</i>	<b>1981</b>	<b>1980</b>
Revenues	\$ 207 302	\$ 181 564
Expenses	142 019	122 046
Net income applicable to common shares	20 087	18 327
Common dividends	11 808	10 462
Construction program expenditures	84 067	61 826
Telecommunications property	664 145	592 800
<b>Financial statistics</b>		
Earnings per common share	\$ 3.42	\$ 3.22
Dividends declared per common share	\$ 2.01	\$ 1.84
Return on average common equity	13.9%	13.8%
Return on average invested capital	12.0%	11.1%
Equity per common share, <i>at December 31</i>	\$ 25.02	\$ 23.93
Average common shares <i>(in thousands)</i>	5 872	5 685
Debt ratio, <i>at December 31</i>	52.8%	50.8%
<b>Other statistics</b>		
Telecommunications property per telephone, <i>at December 31</i>	\$ 1 279	\$ 1 190
Telephones in service, <i>at December 31</i>	519 328	498 239
Employees, <i>at December 31</i>	3 597	3 578
Salaries and wages <i>(in thousands)</i>	\$ 76 523	\$ 65 326
Long distance messages <i>(in thousands)</i>	51 677	47 345

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## Directors

**Donald F Archibald\* ‡**  
President  
Archibald Farms Limited  
Port Williams

**John L Bragg**  
President  
Oxford Frozen Foods Limited  
Oxford

**D Andrew Eisenhower\***  
President  
Atlantic Bridge Company  
Limited  
Lunenburg

**Howard B Fuller**  
President  
Minas View Farms Limited  
Wolfville

**The Honourable  
Clarence L Gosse, MD**  
Chairman of the Board  
Atlantic Trust Company  
Halifax

**Frederick E Ibey**  
Executive Vice-President  
Bell Canada  
Montreal

**Seymour W Kenney**  
President  
Baken Realty Limited  
Yarmouth

**John J MacDonald\***  
Executive Vice-President  
St. Francis Xavier University  
Antigonish

**J William E Mingo, QC**  
Barrister  
Stewart, MacKeen & Covert  
Halifax

**George C Piercey, QC\***  
President and Managing  
Director  
Piercey Investors Limited  
Halifax

**Sidney A Reeves**  
Chairman of the Board  
Maritime Builders Limited  
Sydney

**Struan Robertson**  
President and  
Chairman of the Board  
Maritime Telegraph &  
Telephone Company Limited  
Halifax

**Donald C R Sobey**  
President  
Empire Investments Limited  
Stellarton

**J Stuart Spalding**  
Vice-President & Treasurer  
Bell Canada  
Montreal

**F Thomas Stanfield**  
President  
Stanfield's Limited  
Truro

**Catherine T Wallace**  
Chairman  
Maritime Provinces Higher  
Education Commission  
Fredericton

## Officers

**Struan Robertson**  
President and Chairman  
of the Board

**D Nelson Braid**  
Vice President (Operations)

**Ivan E H Duvar**  
Vice President (Planning)

**Edward J Hicks**  
Vice President (Finance)

**Donald B Quinn**  
Treasurer

**David S Inkpen**  
Comptroller

**Stephen E Jefferson**  
Secretary

**James D Russell**  
Assistant Secretary

## Operations

**Donald R Archibald**  
General Manager  
Support Services

**Glen H Geldert**  
Chief Engineer

**Peter G Hebb**  
General Manager  
Public Affairs

**Philip G Henderson**  
General Manager  
Corporate Development

**Ernest C Hicks**  
General Manager  
Organization Development

**Herbert C Kingsbury**  
General Manager  
Operations Staff

**M John McGrath**  
General Manager  
Business Services

**Paul D Murphy**  
General Manager  
Business Information Systems

**G Donald Robb**  
General Manager  
Network Services

**Murray W Wallace**  
General Manager  
Residence Services

\*Member of the Audit Committee

‡Retired September 30, 1981

# Letter to the Shareholders

A year of contrast is perhaps the best way to describe 1981. It was a year of economic fluctuation during which all sectors of telecommunications service grew in the first three quarters and slowed in the last quarter. This decline in growth, while common to many businesses, will challenge our ability to satisfy customers and shareholders and to maintain the confidence of both.

The forecast short-term continuation of economic uncertainty will require the Company to be flexible in its planning and provisioning of services to customers throughout Nova Scotia, and the experience of 1981 will be a useful guide for the coming year.



From January through September, customer demand for the installation of new service exceeded forecasts, achieving an annual growth rate of 4.8 percent. In June new service installations for business customers were at the highest level in the Company's history. During this same period, use of the long distance network grew at 14.3 percent on an annual basis.

In October, these growth rates began to decline, a trend which continued through year-end. As a result, overall growth in telephone service was 4.2 percent for the entire year, and the increase in long distance usage was 9.1 percent.

In contrast to these basic elements of telephone service, data communications, mobile service and the development of new applications for telecommunications performed strongly.

Mobile service revenue grew 15 percent over 1981. Data communication, used primarily by businesses and institutions for high speed transmission of information, continued its rapid growth. Amherst was added to the high-speed, national Datapac network, bringing to seven the number of Nova Scotia communities with access to the network.

We continued to respond to customers' wants and needs by extending Base Rate Areas making single party service available to 1559 customers without mileage charges in eight communities. As well, eight pairs of communities were linked together in extended service areas which eliminate long distance charges on calls placed between the connected communities.

The Company continued its program of rural line load reduction, bringing the average number of customers sharing a party line to 2.9 from 3.1 at the end of 1980. The 1982 service improvement program calls for a further reduction to 2.8 by year-end.

During the year the Company provided facilities to enable the Nova Scotia Power Corporation to conduct a trial of remote meter reading. The Company will continue to provide this service in 1982.

In October MT&T announced a Distance Education project with Mount Saint Vincent University in Halifax, using our facilities to provide classroom education to students in remote locations. The system uses interactive audio and visual transmission, allowing remotely-located students to not only see and hear but to

participate in class discussion. Dalhousie University also entered the distance education field using MT&T facilities beginning a project in January 1982.

In June of 1981 the Board of Commissioners of Public Utilities for the Province of Nova Scotia approved rate adjustments which increased Company revenues 8.1 percent on an annual basis. The Board approved a rate of return for Maritime Tel and Tel of 14.5 percent.

The rate of return on average common equity earned in 1981 was 13.9 percent, as compared to 13.8 percent in 1980. Total earnings per common share were \$3.42 compared to \$3.22 a year earlier. In the fourth quarter, the dividend paid to common shareholders was increased to \$.54 which would represent, on an annual basis, a dividend of \$2.16.

Overall capital expenditures in 1981 were \$84 067 000, comprising the installation of new equipment such as digital switching to accommodate growth in network usage, to replace worn-out equipment, and to undertake the service improvement programs.

Substantial investments have been made in digital switching technology and will continue to be made. In 1981 the Company opened its first such office in Bridgewater at a cost of \$4.2 million. Halifax and Sydney will follow in 1982 requiring an investment of \$25.3 million.

A new method of long distance operation, '0 Plus' dialing, will be introduced in 1982, and become available throughout the province during the next three years. As a result, customers will be able to dial most long distance calls now requiring operator assistance, such as credit card, collect and person-to-person calls and calls from hotels and motels, and direct dialing overseas. This will provide substantial savings to the Company as did Directory Assistance mechanization, completed in 1981.

A continuation of such accomplishments is vital to meet our goal of providing a high level of service at reasonable cost. In 1982 the Company will continue to look for and implement efficiency programs that benefit both customer and shareholder, and to use new technology to provide for growth in telecommunications service. While it is clear that in the present economic climate, rate increases will be required in the coming months, we are confident that by exercising the necessary restraints and flexibility, telecommunication service will remain highly accessible to all Nova Scotians at reasonable cost, while we continue to meet the needs of shareholders.



Struan Robertson, *President and Chairman of the Board*

Halifax, Nova Scotia  
February 16, 1982

# 'Bridging the Gap'

**'Telecommunications has reached the point where new technologies are transitory: what is new today may be superseded in a matter of months . . .'**

The experts are calling the 80's the 'Information Age' and are telling us that the door to it is open — now. For telephone companies it is not a simple matter of just walking through that door. They have responsibilities to many groups of people: to customers, shareholders and employees; for service, for income and for jobs. There is no longer an 'ultimate in communications' because the boundaries imposed by technology are being pushed back daily.

At the same time, our overall economy has shifted from the rapid growth experienced in the 50's and 60's, through the still present inflation of the 70's, to a cautious and restrained growth forecast for the 1980's. The challenge to a telecommunications company is to balance and weigh the forces of customer demand, technological development and the cost of change, and hold them on a course that is in the best interest of all.



For MT&T the answer lies in being successful at bridging gaps: between what is possible and what is practical; between the introduction of new technology and full utilization of our investment in existing technology; between the pressures for a competitive marketplace and our responsibility to provide service for all Nova Scotians; between the expectations of our customers and responsible management of our financial resources.

## **Service**

**'Our responsibility is to give people the service they want, if we can do it . . .'**

With increased customer expectations for the latest developments in communications services and with the ever-increasing costs of construction and materials, bridging the gap between what our customers want and the Company's ability to provide is a continuing challenge. The first requirement is that we completely understand the expectations and the needs of our customers; a process which is constant.

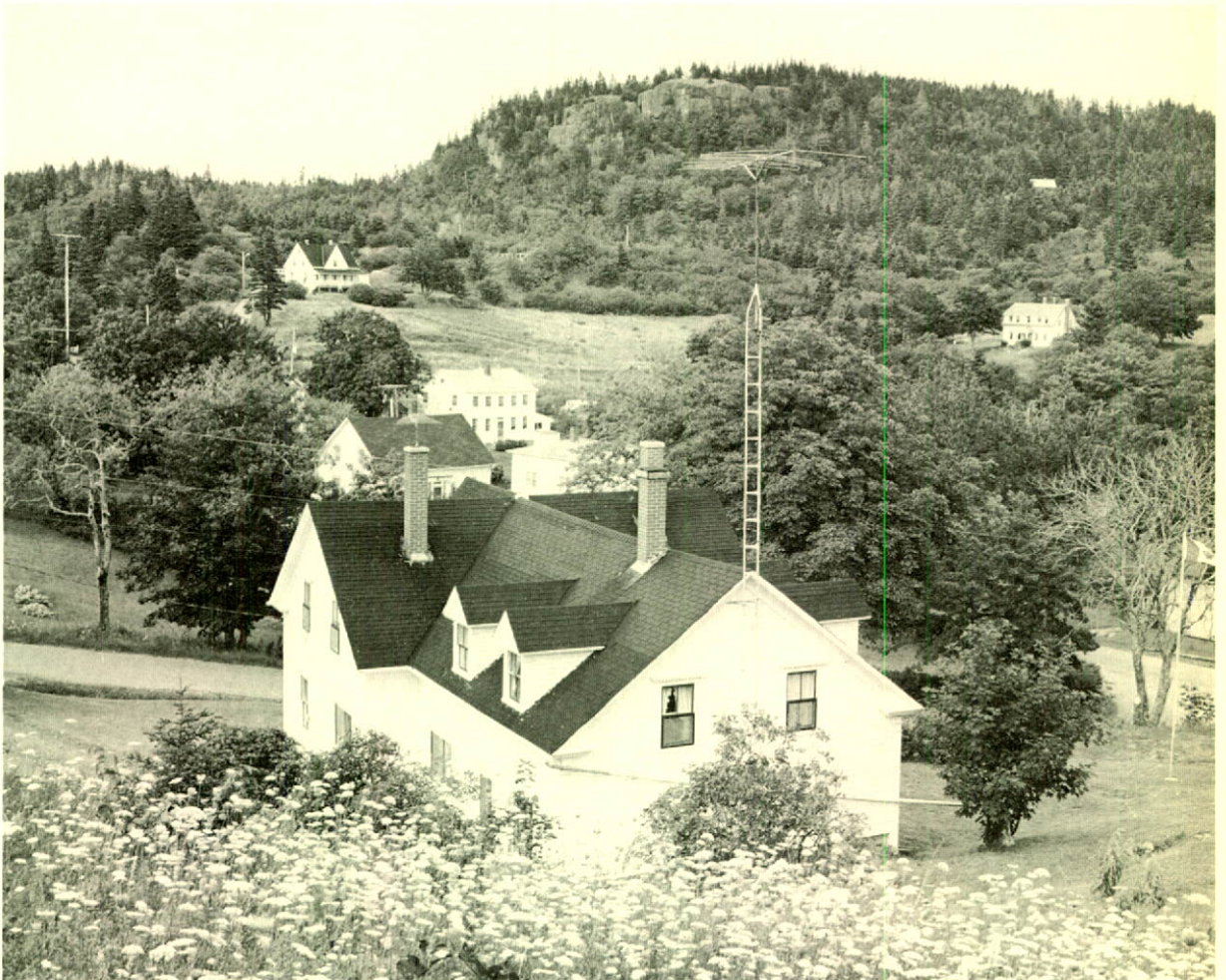
An ongoing program of customer information seminars for the business sector, and Open Houses and local meetings for residence customers, help us to better understand our customers' needs and to answer their questions. Close to three quarters of a million annual contacts between our Service Representatives and customers are also a valuable source of information.

### Surveys help to isolate most pressing needs.

MT&T also undertakes surveys and studies to identify current customer needs and pinpoint areas of concern or dissatisfaction, both with the service given and the products offered. Repair service and rural customer service and facilities were under particular scrutiny in 1981. The results have provided valuable information to enable us to take specific action to improve service. For example, communication between repair service employees and customers was an identified problem which is now being corrected. We also more clearly defined the importance rural customers attached to the cost and availability of private line service, and what they felt about the quality of the rural line service the Company provides.

### To equip the remaining 12.5 percent of our customers with single-party service will cost \$150 million. . .'

MT&T has ongoing programs designed to increase the availability, in rural areas, of single-party service at basic rates; to reduce the number of customers on rural party lines; and to increase the areas within which customers can call without long distance charge. All are areas of importance to our customers.



Gary Wilson

*Sharing can be fun, but with telephone lines it is more often a problem. MT&T has a continuing commitment to programs which increase the availability of private line service and reduce the number of people sharing lines in rural areas. Sandy Cove, in Digby County typifies the communities where this work is being done.*

In 1981, \$7.6 million was spent on improvement projects, upgrading service for 32,084 customers. Over the next two years the Company plans to spend \$17.3 million on continuing these programs of service improvements. In 1982 a large number of communities in industrial Cape Breton will benefit from the elimination of long distance charges between Sydney and the communities of Port Morien, North Sydney, New Waterford, Glace Bay and Sydney Mines, at a total capital cost of \$4.8 million. Long distance charges will also be eliminated between Mount Uniacke and the Halifax and Bedford exchanges in 1982. In 1983 the paired exchanges of Louisbourg and Sydney, Weymouth and Digby, New Ross and Chester, Weymouth and Saulnierville, Weymouth and Meteghan will have the long distance charges between them removed.



## Focus on Rural Lines

Also planned are extensive base-rate area enlargements (a base-rate area is the more densely-populated area in an exchange within which customers can obtain single-party service without the monthly mileage charges). The plan will equalize the base-rate boundary policy from exchange to exchange and reduce the density figure used as qualification for private line service from 35 to 25 homes per mile. Between 1982 and 1986, \$37 million will be spent on this program and, as a result, there will be a reduction from 11.5 percent to 6.7 percent of all MT&T's customers on rural multi-party service. In fact, by the end of 1982 all exchanges will be designated so that no rural line will have more than four customers, and the overall average number of customers on a party line will be less than three.

We won't be able to do it overnight, obviously. But we are listening to our customers when they talk about their needs, and are trying to fulfill these in the most practical way possible.

## 'Not only during this, the Year of Disabled Persons . . .'

For a number of years MT&T has provided certain devices such as volume control features, touch tone sets and speakerphones to the disabled without additional charge.

*The Visual Ear*, a portable keyboard device for those with hearing disabilities, is available for sale at cost. A continuing dialogue with various organizations representing the disabled has ensured they have knowledge of the various devices that can help them. In early 1982 the Company will be opening a Special Needs Centre which will make it easier for the disabled to see and use the devices before ordering them for their homes. The Centre will have working models of all available communications aids and expert advice for people with communications problems.

This, and a promise to keep our staff (especially those in close contact with customers) well-informed about the potential and the development of new and existing devices, will ensure that MT&T's commitment to the disabled will continue, and grow, in the future. This will help ensure that disability need not be a handicap in telephone communication.



## 'From hand-crank to digital switching in a single step!'

On June 30, 1981, Maritime Tel and Tel officially assumed responsibility for the telephone services to 835 customers in Northport, a small fishing and farming community on the Northumberland Strait, taking over from the Cumberland Rural Telephone Company. MT&T spent 18 months and \$2 million in equipping the area with dial telephones and a digital switching office, making Northport part of the Amherst exchange.

Balancing customer expectations against provisioning costs has always been a challenge. If the current pressures of inflation and costs of capital continue, the challenge to MT&T will become greater.

**'Digital switching and fiber optic transmission are claimed to be much cheaper and more efficient than the older methods. Is MT&T using these benefits?'**

That digital switching is efficient, non labour-intensive and cost-effective is well understood. Software-controlled switching equipment has vast potential for absorbing future technological developments without great cost, and allows telephone companies to offer a wide array of new telecommunications services without the high costs usually associated with additional hardware. It also provides the high quality necessary for data transmission switching, and excellent reliability with few growth problems, which are essential to long distance networking. Fiber optic transmission methods have similarly demonstrated large advantages, particularly now that field-handling problems are being overcome.

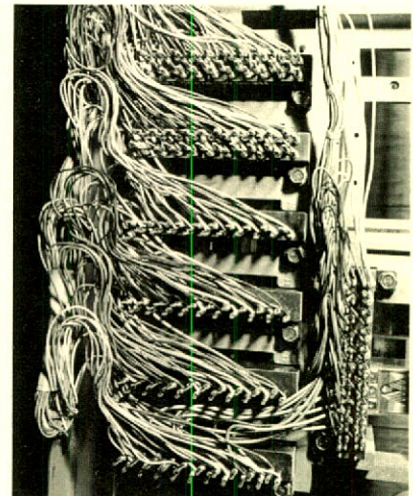
In the future the Company certainly hopes to be able to achieve the significant economic advantages that can be realized by having most of the province converted to state-of-the-art technology. For the present, the rate of conversion and where it occurs is governed by two basic factors — cost and need.



### **Copper . . . to the moon and back – three times.**

MT&T has more than \$600 million invested in facilities in Nova Scotia, the bulk consisting of switching equipment and approximately 2.5 million kilometers of copper wire, and much of which is depreciated over a 20-30 year period. Most of the equipment was installed in the last 15 years as an upgrade from pre-war dial or non-dial facilities or as a result of significant growth in the area. Replacement of these facilities is being undertaken on an economic basis and in a systematic way to ensure that old and new technologies continue to work together effectively.

Hampered by the obvious financial constraints in capital spending experienced by every utility, MT&T has initiated a program of systematic switching centre conversion which will cost \$23 million during the next two years. All switching centre conversions are scheduled for a time when the facilities would reach capacity; or because there are distinct economic advantages in converting facilities to newer technology in the near future, rather than adding onto the existing equipment in order to keep it in service for a few more years.



### **Bridgewater . . . first in Nova Scotia . . .**

MT&T's first digital switching centre went into service on June 29th, in Bridgewater. This system, which cost \$4.2 million to provide, handles all the local switching for the area. The long distance switching will be taken over in April 1984 by the new digital long distance switch being installed in Halifax, as part of a phased operation of long distance centralization.

### **Then Halifax, Sydney and . . .**

A second digital switching machine will go into operation in the newly extended Halifax (Bishop) Central Office in April 1982, at a total capital cost of \$8.2 million — this will include a remote switching unit in Prospect. Sydney will be completed in two phases, March and December 1982, at a total capital expense of \$17.1 million. This expense includes remote switching facilities in Port Morien, Westmount, Sydney Forks and Donkin. The Bedford switching area (including Mount Uniacke, Hammonds Plains and Sackville) will be converted to digital switching in November 1982. Capital investment in this project was \$1.4 million in 1981 and will total \$5.9 million by completion.

Further digital switching projects are planned for Yarmouth, Halifax (Lorne), which includes Rockingham; Kentville, Cheticamp and Dartmouth (Harbour), including Eastern Passage, Woodlawn and Musquodoboit Harbour in 1983-84, with expected capital expenditures of \$18 million.

**'Over the hills and far away — and overseas too!'**

One of the most significant capital expenditures during 1981 was an investment of \$8.4 million in a new digital long-distance switching system in Halifax. This system will go into service in November 1982 at a total project cost of \$13.4 million, opening up a whole new dimension to long distance calling in Nova Scotia.

Traditional operator stations with their manual functions will be replaced by video display terminals on which call information will be displayed. All non-Direct Distance Dial calls will be handled by a computerized system which will assist the operator in processing the call and electronically recording the necessary information. This will speed call-handling and increase accuracy.

*In the middle of things — figuratively and literally. At this Dataroute console, MT&T technical staff take trouble reports from customers, conduct remote tests on their data equipment and locate circuit problems, from the terminals right through to the host computers which are often in distant cities.*



Customers will be able to dial for themselves many of the calls which now need substantial operator attention, including collect, credit card and person-to-person calls. Callers will also be able to dial directly overseas to more than 50 countries, dial their own long distance calls from hotel and motel rooms, and reach the operator from public phones without the use of coins. In addition to added speed and accuracy, the vast call-handling capacity of this machine will free the company from having to replace some of the other provincial long distance switching centres in the future: long distance operations in Truro, Bridgewater, Amherst and Yarmouth will be phased into the Halifax centre by 1985, with call handling being distributed amongst the four remaining Nova Scotia toll centres. At this time the substantial economies of the new system will be realized. By 1983 the capital investment in this project will be \$8.9 million: it will total \$16.1 million by the time the project is completed in 1985.



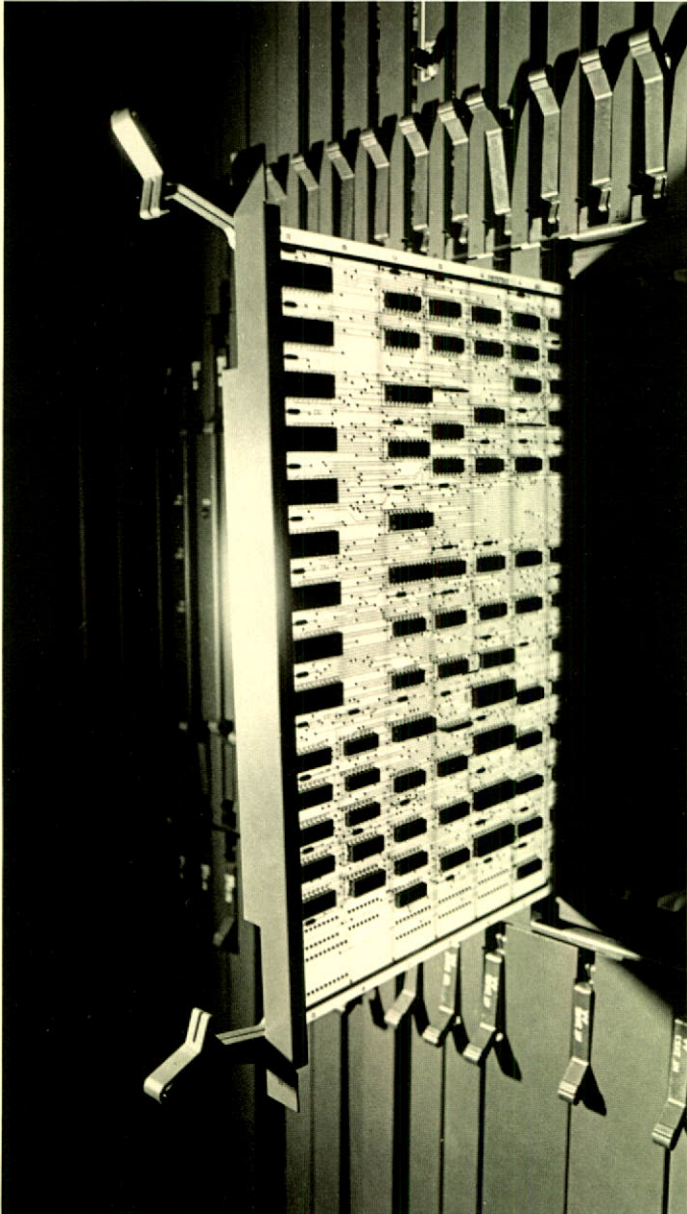
**'Operating efficiencies can help us generate more funding internally for capital programs . . .'**

In the past MT&T has been able to generate, internally, over 50 percent of the funds needed for capital programs. With the cost of financing so high, to increase this percentage as much as possible is a high priority.

Another example of the ways in which the Company is striving to increase efficiency also employs the latest technology. For a total investment of \$380,000, which included the purchase of a new mini-computer and the in-house development of a unique software package, the Company has put into service a system which collects and processes data from 64 switching centres around the province. This data is used primarily to provide MT&T planning staff with a complete profile of the calling traffic through each centre, which in turn allows us to plan accurately for future growth and to add network capacity precisely when needed. The annual savings estimated at \$165,000 are less significant than the fact that the system will expand indefinitely to meet all future needs at minimal cost.

### 'No more paper cuts!'

Mechanized Directory Assistance is another example of harnessing technology to increase efficiency. Fewer operators per shift and a shorter average time per customer enquiry, are the result of replacing Directory Assistance operators' unwieldy paper records with video display terminals and a network of micro computers where all the listings are stored and which can be instantly updated. This system, costing \$2 million, went into service throughout Nova Scotia in 1981 and is already saving the Company approximately \$27,000 per month, even before the final 'fine-tuning' is completed.



### Radio 'waves' with a light touch . . .

The final cost of another Nova Scotian first — a digital microwave system which will carry long distance calling to and from the province — will be \$7.1 million. New facilities are necessary in order to handle the increased calling traffic in the future. This is the fourth microwave long distance carrier in Nova Scotia, and MT&T's first using full digital technology. It is also the first in Canada to be transmitted over a body of water. It is scheduled to go into service in two stages: Halifax via Gore to Truro in September 1982, and from Gore, across the Minas Basin to Amherst and New Brunswick in January 1983. This project also marks MT&T's first use of fiber optic technology. Fiber optic links will connect the Truro and Amherst central offices to the microwave system.

Extensive use of fiber optics for land lines in Nova Scotia is unlikely in the near future because of the high costs involved. For example, for maximum reliability, these delicate cables should be buried underground in a right-of-way. Land acquisition for right-of-way, is of course, a significant expense and burying underground in Nova Scotia's rocky terrain is a very different proposition from placing facilities underground on the Prairies. We will probably continue to use fiber optics for short-haul, heavy-traffic facilities only, until the economics are more favourable and more of the technical problems are resolved.

*The Company is currently installing digital switching equipment in its long distance switching centre in Halifax. When this machine goes into full operation, in November 1982, MT&T will start introducing '0 Plus' dialing throughout the province.*

### 'There's an item on my bill . . .'

1982 will see the introduction of a completely new billing system for MT&T and the culmination of several years of analysis and planning by Company line and support forces. The result will be a billing method unique among telephone companies in Canada, possibly in North America. Among its advantages will be the future ability to bill a multi-location customer for all services on one account; a unique account number which remains with a customer whatever his location; direct and immediate processing to the account of all payments, adjustments and order activity, by data entry rather than key punch operation. The bill items will be described in 'layman's terms' and the bill itself resembling most major credit company statements, will have almost unlimited potential for descriptive wording of account items. All this will provide a

much more comprehensive and understandable bill for the customer resulting in fewer queries, callbacks and misunderstandings; reductions in postage costs; and greater internal company efficiency.

The new system is one to grow on too, with 60-70 possible new features available now and more being developed. We will continue to assess the available program options against MT&T's specific needs and incorporate them in the future. The total cost of this project has been \$3.7 million to date with a final \$1.3 million to be expended in 1982.

### **Bridging the gap with efficiency . . .**

With these and other similar projects that are in the minds and on the drawing boards of MT&T's planners and engineers, we are continually developing new ways to increase our operating efficiency. Evidence of this can be seen by studying the ratio of employees to telephone main stations (numbers in service). In 1976 there were 292,456 main stations in Nova Scotia and 3447 employees, a ratio of 11.8 per 1000 stations. By year end 1981 growth in main stations was 48,010 while the work force grew by only 150 employees, resulting in a ratio of 10.6 per 1000 main stations. Perhaps even more significant is the decrease from 10.8 to 10.6 during the year of 1981. Undoubtedly new technologies have helped us in reaching this level but the Company's dedication to efficiency is paramount. Notable also is the fact that retraining and relocation have been available to employees whose jobs have changed with modernization, thus qualifying them for jobs left vacant by resignations and retirements.



As the Company moves into 1982, efficiency will continue to be stressed. Organizational structure and business methods are being constantly examined and reassessed to ensure that the various segments of the company are working efficiently together and that maximum productivity is being realized. By building on internal efficiencies and productivity we will achieve a higher level of customer satisfaction and will have a greater degree of financial flexibility in the future.

As well as looking inward to prepare for the future, the Company is also stretching outward in some new and unusual directions.



## **Innovation**

### **'Not just a challenge for today but an opportunity for tomorrow . . .'**

Many of the Company's experimental projects in 1981 involved communications gaps unique to small groups of people — gaps traditionally considered impossible or impractical to close. MT&T is looking at these as stepping stones to exciting and profitable future services, not just as interesting engineering or technical problems.

### **'The ponies can now call anyone they want!'**

So can the Atmospheric Environment Services staff and other residents on Sable Island, an 18 mile stretch of sand, 108 miles off the coast of Nova Scotia; famous for its herds of wild ponies and infamous as the 'Graveyard of the Atlantic'. After an experimental year of providing dial telephone service via VHF radio facilities to the island — which has no other reliable means of communications with the outside world — MT&T will spend \$49,000 in early 1982 to upgrade facilities. A second receiver

will be installed on the mainland and an automatic switching device which will continuously select the best received signal, to overcome the problems of atmospheric and environmental 'fading'. The objective of this step is to provide a grade of service comparable to the standard used for long distance networks.

This link to the mainland was used extensively by CFB Shearwater staff in co-ordinating the air-lift to the mainland, of people taken to the island from the stranded Euro Princess when she ran aground in November. Most important, this experiment demonstrated that with Sable Island as a base, it will be possible in the future to provide reliable communications service to the drilling rigs that will be placed close to the island.

#### **From Anik to Zapata . . .**

Early in 1982, the installation of a second satellite dish by Telesat Canada on the Mobil oil rig, Zapata Scotian, will confirm the value of this communication method to the rigs located farther offshore. MT&T will provide the terrestrial link for the communications system to this rig as it does to the other Mobil rig on the Scotian Shelf, the Rowan Juneau which has been in place since 1980.



*Providing telecommunications over hill and dale has been the essence of our service responsibility in Nova Scotia for more than 70 years and now we've found the key to providing clear, reliable service over water to Sable Island. In fact, this service helped during the rescue of seamen when the Euro Princess grounded off Sable, in late 1981. The success of this radio link will also be valuable to drilling rigs working near the Island.*

#### **'I'd like to ask a question!'**

For years people around the world have been attending high school, earning degrees, and obtaining technical and professional training by correspondence courses. For those in remote areas it is frequently the only method. Over the years too, there have been problems associated with this method that have remained largely unsolved. Without the incentive that a student normally has from working in a group, the inability to participate in discussions or have questions answered immediately can all lead to disenchantment with the process, higher drop-out rates and lower grades. During 1981 MT&T and various academic groups have been planning innovative ways to overcome these problems, using a variety of communications media and devices.

#### **Eyes front — Halifax and Sydney!**

A very successful one-term experiment featured students from the Society of Management Accountants in two classrooms — in Sydney and Halifax — linked by the long distance network in an open voice circuit and an 'Electronic Blackboard'. This allowed the Sydney students to see the graphic explanations and hear and participate in the discussions, just as though they were in the same classroom.

### **'A whole new way of teaching . . .'**

In early 1982, shared trials between MT&T and three universities will begin. Mount Saint Vincent, Dalhousie and Saint Francis Xavier universities will be experimenting with various video or audio teaching techniques as they bring Credit Course education into the work place, or supplement certain correspondence courses with regular audio tutorials. MT&T will supply long distance service, automatic dial-up conference call and portable microwave facilities as its part of the trials.

These experiments will be evaluated after one semester and if they are as successful as preliminary tests indicate, Distance Education will become a reality of the 80's and MT&T will be part of it.



### **'One of the problems of doing business in the global village is that the villagers don't use the same clock.'**

In Canada, the working day in Halifax and Vancouver only overlaps by four hours. MT&T is proving that this problem can be, to a large extent, overcome. TransCanada Telephone System (TCTS) inaugurated its new electronic mail service in May 1981 and by September MT&T had connected its first customer to the system. Electronic mail, as the name implies, is an electronic method of moving items of text from place to place without the use of postal or courier services.

The system, called Envoy 100, is the most sophisticated electronic mail system yet developed. It provides a method for business people to communicate, and perform many clerical messaging functions via a central computer.

### **Glance at your mail now – read it later . . .**

Users access the system with any standard business computer terminal and dial into the computer using the Dataroute network. After password identification and security clearance by the computer, the user can scan his or her waiting messages, select them to read in any order; can file, answer, store or forward them – with or without amendment – to another. Users can also compose and send their own messages to other 'mailboxes' within the system for collection at a convenient time, or send them instantly to a printer at the destination. Access to Tymnet and Telenet networks in the United States provides distribution to all major locations from New York to San Francisco. The transmission cost to send a one-page message, anywhere, is about 35c.

Suddenly it doesn't matter as much if 3 p.m. Pacific Time is watching TV or jogging time in Atlantic Canada because the gap can be bridged.



### **Videotex in context . . .**

During 1981 the various media have been overflowing with opinions, speculation and predictions about the future of videotex. Basically videotex is a two-way, interactive, information and transaction service which can use a modified home or office TV set equipped with a key pad for signalling, for displaying words and graphic material from one or many information bases. It is seen as being the forerunner of many services from home banking and teleshopping, to an educational tool, reference source and home entertainment centre.

### 93.9% of Canadian homes have a telephone . . .

The Canadian-developed videotex system, Telidon, is recognized as one of the world's leaders in this technology, and since telephone lines are the most logical medium for the transmission of signals, many Canadian telephone companies are establishing experiments and trials using the technology.

MT&T's own demonstration of the system started in early January 1982 and we will be working towards these specific goals: to determine public reaction to the technology, to define the areas of information that Nova Scotians would want to access, and to gain practical expertise in the working management of videotex technology.

MT&T has initially bought six Telidon terminals which will be placed in public locations such as libraries and Phone Stores and more may be added if demand warrants. In co-operation with the Province of Nova Scotia and the Nova Scotia College of Art and Design, MT&T will create 1,000 'pages' of information. (A page is a TV screen of information.)

These will be placed by contractual arrangement on an external computer and Nova Scotia users will have access to between six and seven thousand pages of public information.

### Experience without expense . . .

This project will allow MT&T to gain valuable market insight and technical expertise without great capital expense. Public reaction, to be measured by a questionnaire completed by the users, will largely determine how and when videotex develops in Nova Scotia as a commercial enterprise.

### 'Across Canada by 'bird' . . .

With Anik C and D satellites scheduled for launching in 1982 and 83, the future uses of communications satellites — 'birds' as they are familiarly known — are virtually unlimited. Telephone companies were in the forefront when satellites were an experimental transmission medium; have been extensive users through the years; and will be using the increased capacities and capabilities of the new satellites to full advantage.

A joint satellite trial will start in 1982 with other TCTS member companies and the Bank of Nova Scotia, to test a technology known as Time Division Multiple Access (TDMA). Using a portion of the Anik B communications satellite and earth stations in Halifax, Toronto and Calgary, voice and data will be transmitted simultaneously in an integrated digital mode between the Bank's offices. This six-month trial will involve \$300,000 in capital cost and have minimal running expenses.

*Mixing messages in a single medium is what will happen in a communications trial by the Bank of Nova Scotia and MT&T in conjunction with TransCanada Telephone System members, in mid-1982. Voice and data messages will be mixed and sent simultaneously via Anik B satellite, as an integrated stream of digital information, and sorted out instantly at the receiving end.*





This trial will be running parallel to one using the same technology and the same MT&T facilities, which will be assessing the value and possible scope of this technology for Government business. This joint trial involving the Federal Department of Communications and TCTS member companies in Alberta, Ontario, and Nova Scotia will involve the same cities as the Bank of Nova Scotia trial with the addition of Ottawa and a connection to the Far North. It is scheduled to start in August 1982 and to last for four months.



#### **First in Canada . . .**

These trials are the first steps in the development of an Integrated Satellite Business Network service planned by TCTS for 1983: a network that will allow companies across Canada to communicate effectively and economically between their various branches and in a variety of modes. The Bank of Nova Scotia trial is also a milestone in Canada: it marks the first cost-shared experiment involving telephone companies and other private enterprise.

#### **'The key to survival . . .'**

Since the beginning of time, adaptation to the environment has been the key to survival. By experiments such as these MT&T is adopting the new technologies and adapting them to its best advantage.

### **Regulatory Matters**

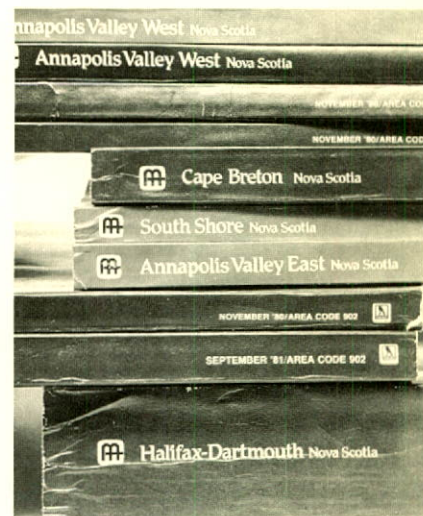
#### **Approval for new rates . . .**

On May 28, 1981 The Board of Commissioners of Public Utilities granted MT&T approval to increase many of its rates an average of 14.2 percent. Of the \$10.6 million additional revenue requested by the Company, the Board disallowed \$1.2 million relating to depreciation, but permitted a rate of return on common equity of 14.5 percent — the rate requested by MT&T in its application. The new rates went into effect on June 1 and as a result Company revenues rose approximately 8.1 percent on an annual basis.

#### **CRTC Decision 81-13 . . .**

On July 7, 1981 the Canadian Radio-Television & Telecommunications Commission announced a decision which affected the status of Telesat Canada within the TransCanada Telephone System and the sale of satellite services. Also questioned was the formula by which revenues are divided among member companies of TCTS with respect to certain calls and services. All member companies of TCTS, with the support of many provincial governments, petitioned the Governor-in-Council to rescind this decision. On December 10, 1981, an order-in-council was issued which most member companies viewed as beneficial because specific communications policies were implicit in its decisions. It was the Governor-in-Council's decision that Telesat should remain a part of the TransCanada Telephone System and limited competition among suppliers of services relayed by satellite was in the country's best interest. The Governor-in-Council also expressed support of the TransCanada Telephone System as a unifying and standardizing body between the various Canadian telecommunications carriers.

With respect to the revenue settlement plan, the Cabinet did not alter the CRTC directive which called for BC Telephone and Bell Canada to seek renegotiation of their agreement with the other member companies as it applies to Canada-United States, Canada-overseas long distance services, and intra-Canada competitive services; a renegotiation which would



require the unanimous agreement of all member companies of TCTS. The effect of such a renegotiation on MT&T's revenues is uncertain until discussions have taken place.

### **Terminal Attachment . . .**

In July 1980 the CRTC made an interim decision which permitted Bell Canada business and residence customers to buy their own telecommunications terminals and connect them to Bell Canada's lines. Since that time several other Canadian telephone companies, including BC Telephone and Alberta Government Telephone, have approached their regulators for approval to amend their individual tariffs on the attachment of private terminals to telephone company lines. During the intervening period, the CRTC has heard Bell Canada and a large number of intervenors on the question of whether the interim ruling should become final or how it should be amended for the fairest and most workable arrangement for customers, suppliers and telephone company.

Since it is probable that this decision will be a benchmark for future terminal attachment decisions, MT&T will be considering the results of the decision before approaching the Public Utilities Board with its own intentions in 1982.

### **Radio Paging . . .**

Following applications by MT&T and Air Page Communications, the Public Utilities Board ruled on May 11th that radio paging came under the definition of telephone service and, as such, was to be a service regulated by the Board. They directed that by September 30th, MT&T must supply Air Page with appropriate interconnection facilities to permit Air Page's customers to have direct dial paging capabilities via Air Page's own paging terminal.

On May 21st, MT&T was granted leave to appeal the Public Utilities Board's decision on the grounds of the Board's interpretation of their jurisdiction as it applies to certain clauses of the Public Utilities Act and MT&T's Act of Incorporation. The appeal will be heard in the Supreme Court of Nova Scotia, Appeal Division in early 1982.

### **Rate application January 4, 1982 . . .**

Since the 1981 application for rate relief many of the external financial factors have changed significantly. Rising cost of supplies, operations and labour, and in particular the effect of higher interest rates, have made it necessary for the Company to apply to the Public Utilities Board requesting increases averaging 14 percent on monthly exchange rates and in-province long distance calling. The Company has asked that the proposed rates — which, if approved, would increase total Company revenue by 8.5 percent on an annual basis and provide a rate of return on average common equity of 17.25 percent on an annual basis — take effect on April 1st. Public hearings on the application began on February 1.



Joseph Robichaud

# Financial Review

## Earnings

During 1981 financial results continued to show improvement in the first three quarters, but began deteriorating in the last three months. As a result, earnings per average common share rose from \$3.22 in 1980 to \$3.42, an increase of 6.2 percent. The rate of return on average invested capital rose to 12 percent from 11.1 percent in 1980 and the return on average common equity was 13.9 percent, up from 13.8 percent in 1980. In the fourth quarter, the dividend payable on common shares was increased from 49 to 54 cents.

## Operating Expenses & Revenues

Operating revenues for the year were \$207.3 million compared to \$181.6 million in 1980, an increase of 14.2 percent. This resulted largely from a 9.1 percent increase in long distance calling, a 4.2 percent increase in the number of telephones in service and revised tariff rates introduced in June 1981.

Operating expenses and other taxes for the year were \$142 million compared to \$122 million the previous year, a 16.4 percent increase. The major components were depreciation expense of \$35.6 million, and maintenance expense for the ongoing operation and upkeep of the facilities of \$33.6 million.

Of the net income of \$23.5 million, holders of common and preferred shares earned \$15.3 million in dividends and \$8.2 million which was retained and reinvested in the business, on a total shareholder investment of \$194.3 million at year end.

## Financing

To finance its capital expenditure program, the Company must, from time to time, raise funds in financial markets to augment funds generated from internal sources. In July 1981, the Company issued and sold a public issue of 5-year first mortgage bonds totalling \$30 million at 16.5 percent. In December 1981 the Company filed with securities commissions, a preliminary prospectus in preparation for a further bond issue.

## 1981 – 1983

With approval in June for revised tariff rates, the Company's earnings in the third quarter of 1981 increased. However, the general economic climate and the effects of inflation which are being felt in all expense areas, have rendered these tariff revisions inadequate and there was a general downward trend in earnings in the last quarter of 1981.

During 1982, \$75 million, and in 1983, \$95 million in capital expenditures will be needed to provide for growth in capacity required for increased use of the telecommunications network, for a program of extensive service improvements and for upgrading existing facilities.

To support this two-year capital expenditure program and to partially offset the sharply higher costs of goods and services, the Company has applied to the Nova Scotia Board of Commissioners of Public Utilities for revisions to its general tariff for increases. If approved for implementation April 1, these changes would increase total company revenues approximately 8.5 percent on an annual basis.

# Consolidated Financial Position Statement

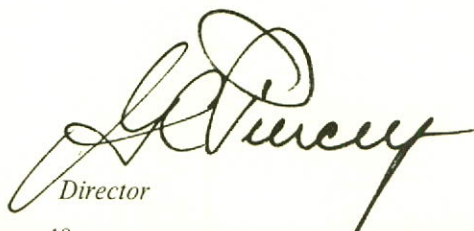
<b>Assets as at December 31</b>	1981	1980
	\$	\$
	<i>thousands</i>	
<b>Telecommunications property</b>		
Buildings, equipment and facilities in service	616 853	568 482
Less accumulated depreciation	195 235	170 964
	<b>421 618</b>	<b>397 518</b>
Land, and property under construction	40 617	18 562
Construction materials inventory	6 675	5 756
	<b>468 910</b>	<b>421 836</b>
<b>Investments (note 5)</b>		
Investment in affiliated company	7 980	7 602
Other investments	743	1 394
	<b>8 723</b>	<b>8 996</b>
<b>Current assets</b>		
Cash	542	460
Accounts receivable	33 342	27 372
Prepayments	4 200	2 430
	<b>38 084</b>	<b>30 262</b>
<b>Deferred charges</b>		
Unamortized long-term debt expenses	2 704	2 359
Other deferred charges	3 668	1 848
	<b>6 372</b>	<b>4 207</b>
	<b>522 089</b>	<b>465 301</b>

See accompanying notes.

On behalf of the Board:



*Director*



*Director*


<b>Liabilities and Shareholders' Equity as at December 31</b>	<b>1981</b>	1980
	\$	\$
	<i>thousands</i>	
<b>Shareholders' equity</b>		
Common stock (note 6)	61 200	58 550
Premium on common stock (note 7)	29 184	27 550
Retained earnings	62 736	53 997
	<b>153 120</b>	140 097
Preferred stock (note 6)	41 161	42 745
	<b>194 281</b>	182 842
<b>Long-term debt (note 8)</b>	<b>192 364</b>	162 364
<b>Current liabilities</b>		
Accounts payable	19 708	13 069
Income taxes payable	—	2 170
Interest accrued	4 707	2 312
Dividends payable	4 023	3 668
Debt due within one year (note 9)	24 940	26 800
Other current liabilities	1 193	990
	<b>54 571</b>	49 009
<b>Deferred credits</b>		
Income taxes	80 649	71 040
Other deferred credits	224	46
	<b>80 873</b>	71 086
<b>Commitments (note 11)</b>	—	—
	<b>522 089</b>	465 301

### **Auditors' Report**

To The Shareholders of  
Maritime Telegraph & Telephone Company, Limited

We have examined the consolidated financial position statement of Maritime Telegraph and Telephone Company, Limited as at December 31, 1981 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, except for the changes in accounting practices as explained in Note 2 to the consolidated financial statements, with which we concur, on a basis consistent with that of the preceding year.

  
Chartered Accountants

Halifax, Canada  
January 29, 1982

# Consolidated Income Statement

<i>For the year ended December 31</i>	1981	1980
	\$	\$
	<i>thousands</i>	
<b>Revenues</b>		
Local service	80 024	70 481
Long distance service	119 676	104 171
Other, net of uncollectible revenue	7 602	6 912
	<b>207 302</b>	<b>181 564</b>
<b>Expenses</b>		
Depreciation	35 556	32 502
Operating including maintenance	63 139	53 776
General and administrative	34 594	28 411
Pensions and benefits	8 730	7 357
	<b>142 019</b>	<b>122 046</b>
	<b>65 283</b>	<b>59 518</b>
<b>Other income</b>		
Allowance for funds used during construction	1 635	703
Other ( <i>note 3</i> )	928	894
	<b>67 846</b>	<b>61 115</b>
<b>Interest and other debt expenses</b> ( <i>note 4</i> )	<b>22 690</b>	<b>17 679</b>
	<b>45 156</b>	<b>43 436</b>
<b>Income taxes</b>	<b>21 627</b>	<b>21 500</b>
<b>Net income</b>	<b>23 529</b>	<b>21 936</b>
Preferred dividends	3 442	3 609
<b>Net income applicable to common shares</b>	<b>20 087</b>	<b>18 327</b>
<b>Earnings per common share</b>	<b>3.42</b>	<b>3.22</b>

# Consolidated Retained Earnings Statement

<i>For the year ended December 31</i>	1981	1980
	\$	\$
	<i>thousands</i>	
<b>Balance at beginning of year</b>	<b>53 997</b>	<b>46 023</b>
<b>Additions</b>		
Net Income	23 529	21 936
Contributed surplus on preferred shares purchased for cancellation	481	153
	<b>24 010</b>	<b>22 089</b>
<b>Deductions</b>		
Preferred dividends	3 442	3 609
Common dividends	11 808	10 462
Capital stock expenses	21	44
	<b>15 271</b>	<b>14 115</b>
<b>Balance at end of year</b>	<b>62 736</b>	<b>53 997</b>

# Consolidated Statement of Changes in Financial Position

<i>For the year ended December 31</i>	1981	1980
	\$	\$
	<i>thousands</i>	
<b>Source of funds</b>		
Operations		
Net income	23 529	21 936
Items not requiring funds		
Depreciation	35 556	32 502
Deferred income taxes	9 609	5 931
Allowance for funds used during construction	(1 635)	(703)
Other, net	282	316
	67 341	59 982
Employees' stock savings plan	3 691	2 989
Common shareholder dividend reinvestment plan	593	185
Long-term debt	30 000	—
Proceeds on sale of investment	455	—
	102 080	63 156
<b>Application of funds</b>		
Funds used for construction		
Construction program expenditures	84 067	61 826
Change in construction materials inventory	919	(454)
	84 986	61 372
Less items not requiring funds		
Salvage and other	2 172	1 452
Allowance for funds used during construction	1 635	703
	3 807	2 155
	81 179	59 217
Dividends	15 250	14 071
Investments	182	228
Preferred shares purchased for cancellation	1 584	3 180
Other, net	1 625	172
	99 820	76 868
<b>Increase (decrease) in working capital</b>	<b>2 260</b>	<b>(13 712)</b>

See accompanying notes.



*Comptroller*

# Notes to Consolidated Financial Statement

## 1. Summary of significant accounting policies

### a) System of accounts:

The Company is subject to regulation, including examination of accounting practices, by the Board of Commissioners of Public Utilities for the Province of Nova Scotia. The system of accounts and accounting practices are similar to those being used by other companies in the telecommunications industry.

### b) Consolidation:

Commencing in the current year, the accompanying financial statements consolidate the accounts of the Company and its wholly-owned subsidiary, Maritime Computers Limited.

### c) Investment in affiliated company:

The investment in The Island Telephone Company Limited is accounted for by the equity method, whereby the investment is carried at its cost plus the Company's share of retained earnings since acquisition.

### d) Telecommunications property:

Telecommunications property is recorded at cost.

Construction materials inventory consists of items which will be used in the construction program.

Depreciation is charged on a straight-line basis using rates for classes of property, determined by a continuing program of engineering studies, as approved from time to time by the Board of Commissioners of Public Utilities for the Province of Nova Scotia. These rates provide for depreciation of the assets over their estimated service lives and resulted in an average rate of 6.1% for 1981 (1980, 6.1%).

### e) Income taxes:

Deferred tax accounting has been followed with respect to all timing differences. Income tax expense is based on income reported in the Income Statement. The Company defers the payment of a portion of the income tax expense in arriving at taxable income by deducting certain expenses in amounts greater than are charged in the Income Statement. Taxes deferred in this manner appear in the Financial Position Statement as a deferred credit.

### f) Allowance for funds used during construction:

The Company is allowed a return on capital invested in new telecommunications property while under construction by including an 'allowance for funds used during construction' as an addition to the cost of the property constructed.

### g) Unamortized long-term debt expenses:

Unamortized long-term debt expenses are being amortized over the duration of the various debt issues.

## 2. Accounting refinements

During 1981 the Company made further changes in the application of accounting principles to bring its accounting practices more in line with other industries. Certain costs that had been capitalized in prior years and recovered through depreciation, are now being expensed directly, resulting in a charge to expense of approximately \$1 600 000 in 1981.

These revisions were approved by the Board of Commissioners of Public Utilities for the Province of Nova Scotia to be effective July 1, 1981 and were included in the allowable costs of the Company for the determination of its revenue requirements.

## 3. Other income

Includes the Company's portion of The Island Telephone Company Limited net income of \$1 106 000 (1980, \$933 000).

## 4. Interest and other debt expenses

	1981	1980
	\$	\$
Interest on long-term debt	17 803 000	15 591 000
Amortization of long-term debt expenses	224 000	169 000
Interest on bank and other notes	4 328 000	1 710 000
Interest on deposits held	335 000	209 000
	22 690 000	17 679 000

## 5. Investments

Investment in affiliated company consists of shares in The Island Telephone Company Limited. At December 31, 1981 the Company's ownership interest in The Island Telephone Company Limited was 40.0% (1980, 40.8%). Other investments consist principally of shares in Telesat Canada at a cost of \$738 000.



## 6. Capital stock

Par value \$10 per share

	1981		1980	
	Shares		Shares	
Authorized:	14 108 249		14 266 597	
<i>Issued:</i>	Shares outstanding at Jan. 1, 1981	Issued for cash	Redemptions and purchases of preferred shares for cancellation	Shares outstanding at Dec. 31, 1981
Common	5 855 002	264 993	—	6 119 995
Preferred				
7.00%	150 000	—	—	150 000
7.10%	753 691	—	22 427	731 264
7.65%	1 406 949	—	43 474	1 363 475
8.60%	790 000	—	30 000	760 000
9.40%	1 173 830	—	62 447	1 111 383
	4 274 470	—	158 348	4 116 122
	10 129 472	264 993	158 348	10 236 117

As confirmed by order of the Supreme Court of Nova Scotia, the Company's authorized share capital as at December 31, 1981 was reduced from \$142 665 970 to \$141 082 490.

For the year 1981, the Company reserved 255 000 common shares for issuance under the Employees' Stock Savings Plan and during the year issued 235 045 shares to employees under the terms and conditions of the Plan. These shares are generally issued in December of each year after the completion of twelve months of contributions at a purchase price equivalent to 80% of the average market price of the stock.

The Company introduced a Common Shareholder Dividend Reinvestment Plan in 1980, whereby holders of common shares have the option to acquire additional common shares through the reinvestment of dividends. These shareholders may then elect to purchase additional common shares through the investment of specified amounts of cash. During the year 29 948 shares were issued under the terms and conditions of the Plan.

By amendment to the Company's Act of Incorporation in 1966 any shareholder or group of associated shareholders owning 1 000 or more voting shares (common or 7% cumulative preferred) is limited to 1 000 votes at any meeting of the shareholders.

### *Preferred shares:*

All series have a par value of \$10.00 per share.

7% cumulative preferred carry one vote per share and are non-redeemable.

All series (7.10%, 7.65%, 8.60%, 9.40%) of cumulative, redeemable preferred shares are non-voting unless six quarterly dividends are in arrears. The other provisions attached to each series are:

7.10% — The Company shall attempt to purchase for cancellation 22 500 shares at or below par value in each calendar year. The Company may redeem all or part of the outstanding shares after April 15, 1978 at a premium of \$0.50 per share. This premium applies until April 15, 1981 after which time the premium decreases \$0.10 every three years until April 15, 1990 and thereafter may be redeemed at \$10.10.

7.65% — The Company shall attempt to purchase for cancellation 45 000 shares at or below par value in each calendar year. The Company may redeem all or part of the outstanding shares after August 22, 1982 at a premium of \$0.60 per share. This premium applies until August 22, 1983 after which time the premium decreases \$0.075 every year until August 22, 1990 and thereafter may be redeemed at \$10.00.

8.60% — The Company shall retire 30 000 shares by May 28 of each year, either by calling for redemption at par value or by purchasing for cancellation at a price not exceeding the price at which such shares are otherwise redeemable. The Company may redeem all or part of the outstanding shares after May 28, 1979 at a premium of \$0.70 per share. This premium applies until May 28, 1982 after which time the premium decreases \$0.10 every three years until May 28, 1997 and thereafter may be redeemed at \$10.10.

9.40% — The Company shall retire 70 000 shares by April 15 of each year, either by calling for redemption at par value or by purchasing for cancellation at a price not exceeding the price at which such shares are otherwise redeemable. The Company has the option to redeem an additional 52 500 shares at par value by April 15 of each year. The Company may redeem all or part of the outstanding shares after April 15, 1980 at a premium of \$0.70 per share. This premium applies until April 15, 1983 after which time the premium decreases \$0.10 every three years until April 15, 1998 and thereafter may be redeemed at \$10.10.

**7. Premium on common stock**

	1981	1980
	\$	\$
Beginning of year	27 550 000	26 092 000
On shares issued during year	1 634 000	1 458 000
End of year	29 184 000	27 550 000

**8. Long-term debt**

Series	Rate	Maturing	1981 Principal	1980 Principal
			\$	\$
L	5½%	June 15, 1983	5 000 000	5 000 000
M	5½%	May 1, 1985	7 000 000	7 000 000
Y	16½%	July 15, 1986	30 000 000	—
N	6½%	March 15, 1987	10 000 000	10 000 000
Q	9¼%	June 1, 1990	1 364 000	1 364 000
R	8¾%	May 1, 1991	12 000 000	12 000 000
T	8¾%	December 15, 1993	20 000 000	20 000 000
S	8¾%	August 1, 1994	12 000 000	12 000 000
U	10¾%	November 1, 1995	20 000 000	20 000 000
V	11 %	June 15, 1996	25 000 000	25 000 000
W	10¾%	March 15, 1997	25 000 000	25 000 000
X	10¾%	June 15, 1999	25 000 000	25 000 000
			192 364 000	162 364 000

The Bonds are secured by a trust indenture and mortgage and by deeds supplemental thereto containing a first fixed and specific mortgage and charge upon all real and immovable property of the Company and a first floating charge on all other property both present and future of the Company.

**9. Debt due within one year**

	1981	1980
	\$	\$
Bank and other notes	24 940 000	26 800 000

Debt due within one year is normally refinanced out of the proceeds of longer term financing. This amount is included in total capital in computing capitalization ratios and rates of return on capital.

**10. Pension fund**

Pension fund obligations are accounted for and paid over the estimated future working lifetime of employees of the Company. The total contribution to the pension fund for the year ended December 31, 1981 amounted to \$8 371 000 (1980, \$7 415 000). The actuarial review as of December 31, 1980, based on earnings and service to that date, shows that all vested benefits are fully funded.

**11. Commitments***Operating leases:*

- The Company leases space in Maritime Centre with annual rental payments of approximately \$1 955 000. The agreement expires in 1997 and the Company has an option to extend the term of the lease to the year 2002.
- The Company leases its tenant improvements in Maritime Centre. This agreement calls for annual rental payments of approximately \$276 000 and expires in 1987.
- The Company leases a substantial number of telecommunication circuits in the ordinary course of its business for which it pays annual rents of approximately \$84 000.
- The Company has several agreements with regard to the Telesat Communications Satellite, Anik 1 with respect to circuit leases through the TransCanada Telephone System for which it pays an annual rental of \$341 000.

**12. Related party transactions**

The Company has a contract to supply technical, administrative and management services to The Island Telephone Company Limited. Under the terms of the contract the Company received \$928 000 during the year. This amount is included in revenues.

# Years in Review

<b>Financial Position at December 31 (in thousands)</b>	<b>1981</b>	1980	1979	1978	1977	1976
Telecommunications property	<b>\$664 145</b>	\$592 800	\$542 686	\$500 034	\$461 517	\$427 211
Accumulated depreciation	<b>195 235</b>	170 964	148 231	126 793	105 948	95 453
Investments	<b>8 723</b>	8 996	8 453	6 921	6 377	5 149
Current assets	<b>38 084</b>	30 262	27 044	24 475	21 298	18 523
Deferred charges	<b>6 372</b>	4 207	4 534	4 255	4 398	3 725
Shareholders' equity	<b>194 281</b>	182 842	174 877	166 893	160 340	140 026
Long-term debt	<b>192 364</b>	162 364	162 364	141 364	141 364	144 864
Current liabilities	<b>54 571</b>	49 009	32 079	41 286	32 377	27 617
Deferred credits	<b>80 873</b>	71 040	65 166	59 349	53 561	46 648

<b>Income (in thousands)</b>						
<b>Revenues</b>						
Local service	<b>\$ 80 024</b>	\$ 70 481	\$ 66 968	\$ 63 183	\$ 57 293	\$ 50 678
Long distance service	<b>119 676</b>	104 171	93 854	81 412	68 882	58 376
Other, net of uncollectible revenue	<b>7 602</b>	6 912	6 102	4 611	3 480	2 641
	<b>207 302</b>	181 564	166 924	149 206	129 655	111 695
<b>Expenses</b>						
Other income	<b>2 563</b>	1 597	1 127	1 008	1 274	1 760
Interest	<b>22 690</b>	17 679	15 838	14 803	14 432	14 056
Income taxes	<b>21 627</b>	21 500	19 033	16 953	14 278	11 224
Net income	<b>23 529</b>	21 936	21 379	18 895	16 240	13 421

<b>Financial Statistics at December 31</b>						
Equity per common share	<b>\$ 25.02</b>	\$ 23.93	\$ 22.69	\$ 21.43	\$ 20.39	\$ 19.79
Embedded debt cost	<b>10.7%</b>	9.6%	9.5%	9.3%	9.2%	9.2%
<b>Capital structure</b>						
Debt (including short term)	<b>52.8%</b>	50.8%	49.1%	49.2%	48.8%	52.6%
Preferred equity	<b>10.0%</b>	11.5%	13.4%	14.6%	15.9%	11.9%
Common equity	<b>37.2%</b>	37.7%	37.5%	36.2%	35.3%	35.5%
	<b>100.0%</b>	100.0%	100.0%	100.0%	100.0%	100.0%

Years in Review *continued*

<b>Financial Statistics</b> <i>for the year</i>	<b>1981</b>	1980	1979	1978	1977	1976
Earnings per common share	\$ 3.42	\$ 3.22	\$ 3.16	\$ 2.74	\$ 2.41	\$ 2.27
Dividends declared per common share	\$ 2.01	\$ 1.84	\$ 1.80	\$ 1.60	\$ 1.60	\$ 1.60
Return on average common equity	13.9%	13.8%	14.3%	13.1%	12.0%	11.3%
Average common shares ( <i>in thousands</i> )	5 872	5 685	5 547	5 425	5 304	4 574
Return on average invested capital	12.0%	11.1%	11.2%	10.5%	10.1%	9.8%
Return on rate base	9.8%	9.1%	9.1%	8.7%	8.4%	8.0%
Times bond interest earned — before taxes	3.8	3.9	3.9	3.8	3.3	2.9
Times total interest charges earned — before taxes	3.0	3.5	3.6	3.4	3.1	2.8

**Other Statistics** *at December 31*

Telephones in service						
Residence main	272 203	265 338	259 180	251 448	243 133	237 016
Residence extension	107 679	99 241	88 754	79 434	72 425	66 937
Business main	68 263	65 116	61 606	58 929	56 450	55 440
Business extension	71 183	68 544	64 768	61 818	59 121	55 462
	519 328	498 239	474 308	451 629	431 129	414 855
Employees	3 597	3 578	3 621	3 551	3 448	3 447
Employees per 1000 telephones	6.9	7.2	7.6	7.9	8.0	8.3
Telecommunications property per telephone	\$ 1 279	\$ 1 190	\$ 1 144	\$ 1 107	\$ 1 070	\$ 1 030
Total revenue per telephone	\$ 399.17	\$ 364.41	\$ 351.93	\$ 330.37	\$ 300.73	\$ 269.24

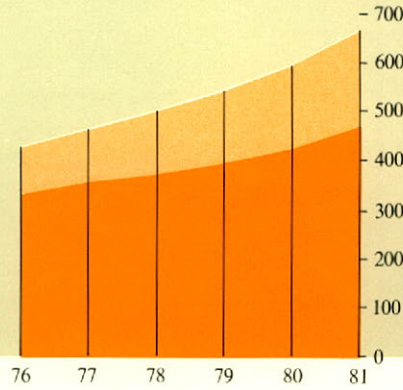
**Other Statistics** *for the year*

Toll messages ( <i>in thousands</i> )						
In province	37 982	35 175	32 093	29 061	26 701	24 326
Out of province	13 695	12 170	10 707	9 379	8 241	7 370
	51 677	47 345	42 800	38 440	34 942	31 696
Construction program expenditures ( <i>in thousands</i> )	\$ 84 067	\$ 61 826	\$ 52 693	\$ 49 508	\$ 51 424	\$ 62 635
Salaries and wages ( <i>in thousands</i> )	\$ 76 523	\$ 65 326	\$ 58 879	\$ 51 992	\$ 47 836	\$ 44 365

### Telecommunications Property

*in millions of dollars*

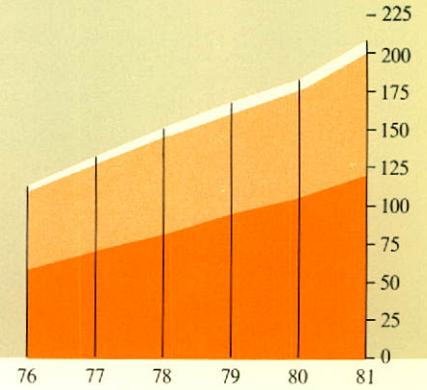
- Net telecommunications property
- Accumulated depreciation



### Revenues

*in millions of dollars*

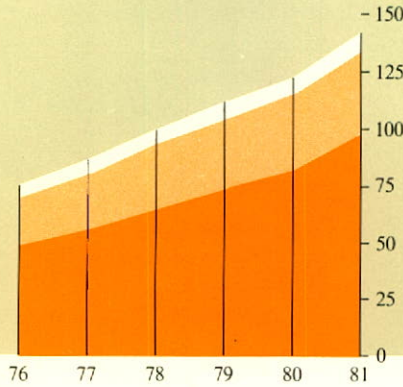
- Toll
- Local
- Other



### Expenses

*in millions of dollars*

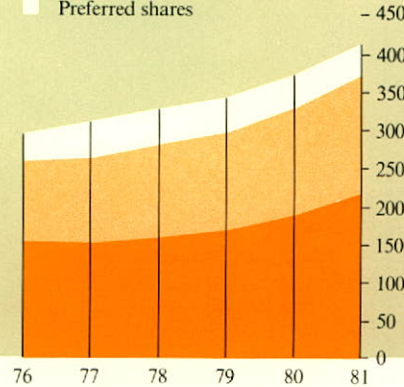
- Operations
- Depreciation
- Pensions and benefits



### Capital Structure

*in millions of dollars at December 1981*

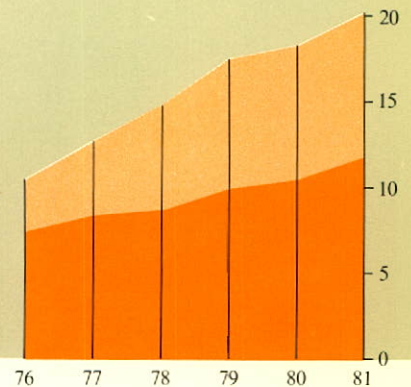
- Debt (including short term)
- Common shares
- Preferred shares



### Common Share Earnings

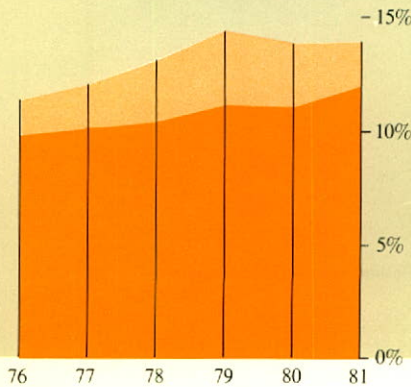
*in millions of dollars*

- Common share dividends
- Net income retained



### Rates of Return

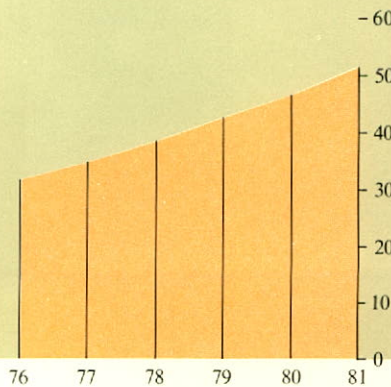
- On average invested capital
- On average common equity



### Toll Messages

*in millions*

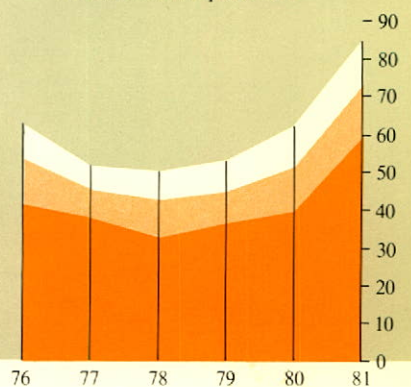
- Toll messages



### Construction Program

*in millions of dollars*

- Growth
- Service improvement programs
- Movement and replacement



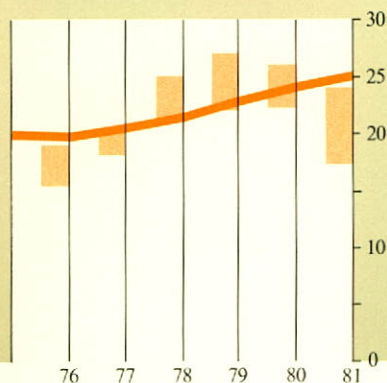
# Selected Information for Shareholders

	1981	1980
Number of holders of common shares, <i>at December 31</i>	<b>12 622</b>	12 685
Number of shares outstanding, <i>at December 31</i>	<b>6 119 995</b>	5 855 002
Distribution of shares		
Nova Scotia	70.7%	72.8%
Other Canadian	27.9%	25.8%
Other	1.4%	1.4%
	<b>100.0%</b>	100.0%
Volume of common shares traded		
Toronto	<b>398 100</b>	317 700
Montreal	<b>19 730</b>	97 940
	<b>417 830</b>	415 640
The Toronto Stock Exchange		
Price ranges (high-low)		
First quarter	<b>\$ 24-21<sup>1</sup>/<sub>2</sub></b>	\$ 25 <sup>1</sup> / <sub>2</sub> -22 <sup>1</sup> / <sub>8</sub>
Second quarter	<b>22<sup>7</sup>/<sub>8</sub>-20<sup>1</sup>/<sub>2</sub></b>	25 <sup>1</sup> / <sub>4</sub> -22
Third quarter	<b>22<sup>3</sup>/<sub>8</sub>-18<sup>1</sup>/<sub>8</sub></b>	26-22
Fourth quarter	<b>22-17<sup>1</sup>/<sub>4</sub></b>	23 <sup>7</sup> / <sub>8</sub> -22 <sup>1</sup> / <sub>8</sub>

## Equity per Common Share and Market Trading Range

*in dollars*

- Equity per common share
- TSE Price Range



### Valuation Day Prices

(December 22, 1971)

Common shares	\$ 22.13
7% preferred shares	\$ 9.63

**Stock Registrar**

Maritime Telegraph and Telephone Company, Limited, 1505 Barrington Street, Halifax, Nova Scotia is the Registrar for 7.0% preferred.

Canada Permanent Trust Company, at its offices in Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver, is the Registrar of common shares of the capital stock of the Company.

Common shares, 7.10%, 8.60%, 9.40% and 7.65% preferred shares listed:

Montreal Stock Exchange  
Toronto Stock Exchange

**Stock Transfer Offices**

Maritime Telegraph and Telephone Company, Limited, 1505 Barrington Street Halifax, Nova Scotia (common shares, 7.0% preferred shares, 7.10% preferred shares, 8.60% preferred shares, 9.40% preferred shares and 7.65% preferred shares).

Common shares, 7.10%, 8.60%, 9.40% and 7.65% preferred can also be transferred at the offices of Canada Permanent Trust at the following locations:

600 Dorchester Boulevard West  
Montreal, Quebec H3B 1N4

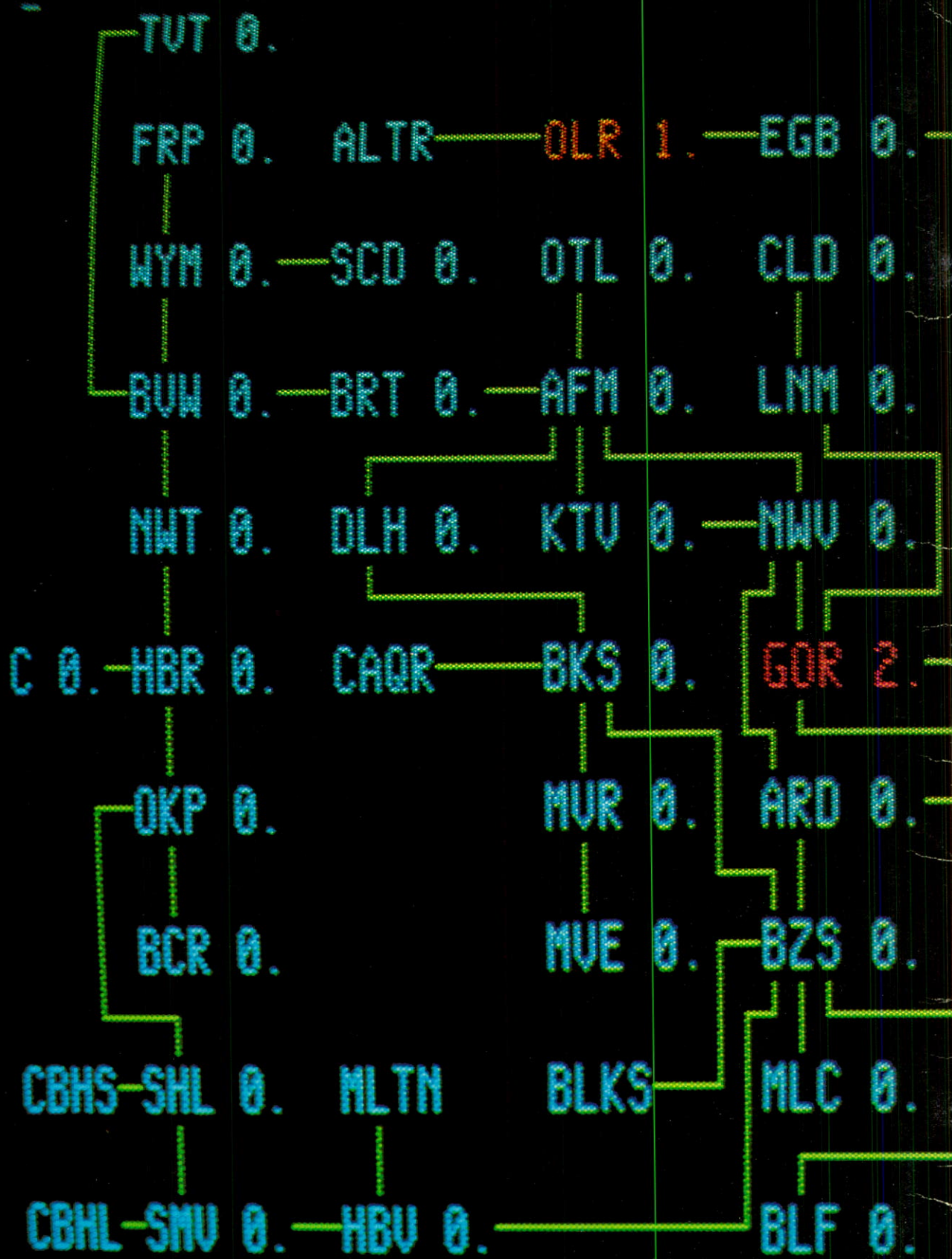
20 Eglinton Avenue, West  
Toronto, Ontario M4R 2E2

433 Portage Avenue  
Winnipeg, Manitoba R3B 2E1

1778 Scarth Street  
Regina, Saskatchewan S4P 2G1

311 Sixth Avenue, S.W.  
Calgary, Alberta T2P 0R6

701 West Georgia Street  
Vancouver, British Columbia V7Y 1E5



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