

J. Francis

REPORT
OF THE
DIRECTORS TO THE SHAREHOLDERS
OF
THE BELL TELEPHONE
COMPANY *&* CANADA

FOR THE YEAR ENDED
31st DECEMBER
1924

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THE BELL TELEPHONE COMPANY OF CANADA

DIRECTORS

Taos. AHEARN	Ottawa	F. W. MOLSON	Montreal
W. F. ANGUS	Montreal	GLYN OSLER , K.C.	Toronto
GEO. CAVERHILL	Montreal	JOHN W. ROSS	Montreal
W. S. GIFFORD	New York	C. F. SISE	Montreal
L. B. McFARLANE	Montreal	H. B. THAYER	New York
GEO. D. MILNE	Lexington, Mass.	GEO. H. THOMSON	Quebec

EXECUTIVE COMMITTEE

THOS. AHEARN	GEO. CAVERHILL
W. F. ANGUS	F. W. MOLSON
JOHN W. ROSS	

THE PRESIDENT }
THE VICE-PRESIDENT } *Ex-Officio*

OFFICERS

L. B. **McFARLANE**
President

C. F. **SISE**
Vice-President and General Manager

K. J. **DUNSTAN** W. H. **BLACK**
Vice-President *Secretary*

JOSEPH JONES E. **PALM**
Treasurer *Comptroller*

FORTY-FIFTH ANNUAL REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31st DECEMBER
1924

TO THE SHAREHOLDERS:

Your Directors submit in the following pages the statements of assets and liabilities, and earnings and expenses for the year ended 31st December, 1924, which reflect the activities of your Company during that period and indicate the continued expansion of your property and business.

Your Directors feel it important that Shareholders should appreciate the unique place of the telephone in the life, economic and social, of the present day. Looked upon in the beginning as merely one more means of communication, the telephone has created and modified methods and customs, and is indispensable to modern life. This places a responsibility on Shareholders, management and public, to be borne in mind in any consideration of this Company's policy and accomplishments.

One feature of this responsibility is the timely provision of facilities. If these are not provided ahead of growth, the public is not well served. Much equipment must be ordered years ahead, and be so planned as later to fit into the general expansion.

The annual growth and necessary provision for the future are subject to the condition, characteristic of this industry, that the unit cost rises as exchanges become larger.

A VITAL SERVICE

Your capital, in earning a reasonable wage for its use, is continuously active in providing and extending a major public service, without which our present social machinery could not function.

In the business world the emphasis appears to be changing from production to consumption. A vast producing machine has been built up, and must be kept going if the community is

to prosper. The encouragement of demand, the creating of markets, appear all-important. This means not only the transfer from maker to dealer, but the whole programme from raw material, through transport, manufacture and delivery to dealer and ultimate consumer. Throughout, the telephone plays an indispensable part. Its value in service to its users and to the community is so greatly in excess of its cost to them that the continuous development of the telephone industry is assured; that value is increased by each telephone added to the system.

NET INCOME

Net Income after meeting all charges for **1924** amounted to **\$3,767,096.84**, of which **\$3,215,039.39** was appropriated for the regular annual dividend of **\$8.00** per share, leaving a balance of **\$552,057.45** carried to surplus.

In addition to Capital Stock of **\$46,684,294** and Bonds of **\$16,750,000** the Company has invested in its business **\$29,434,833.**, representing Reserves, Surplus, and Premiums on Capital Stock, on which the Company is not required to pay interest. This amount is over **46%** of the present Capital Stock and outstanding Bonds.

INCREASE IN STATIONS

While **1924** was a period of very quiet general business, the number of stations increased by **50,607**, and has now reached a total of **536,848**. The gain in **1923** was **52,018** stations.

There were placed during the year **128,872** stations, the greatest number in the history of the Company, but against this is the large total of **78,265** removals through cancellation or transfer.

The small householder is more and more to be counted upon as a prospect for residence service. Of the total net gain in stations as above **77%** were in the homes of Ontario and Quebec.

As showing the proportion of the total number of stations placed in the two largest cities of our territory, the following figures are interesting:

	TOTAL INSTALLATIONS	CANCELLATIONS	STATION NET GAIN
Toronto. . . .	37,388	23,592	13,796
Montreal. . . .	36,482	19,947	16,535

(A "Station" is a telephone instrument used for service through an Exchange.)

The year 1924 opened with only a small number of unfilled orders, as compared with over 22,000 on hand at the beginning of 1923. That the sales forces without this reserve of orders in hand were able in 1924 to almost equal the previous record, is proof of vigorous effort. Many commercial houses are found to be handicapped through failure to keep their telephone equipment abreast of growth in their business, or through unsuitable layout of facilities. Careful studies undertaken to increase the usefulness and value of the service have worked out to the customers' advantage in such cases.

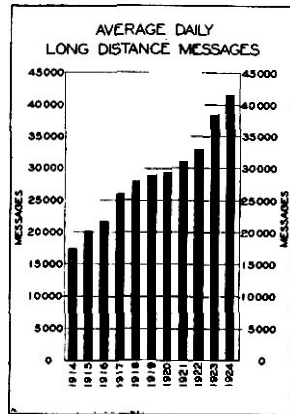
PUBLIC TELEPHONES

Last year 2,841 additional public telephones were provided in connection with our various exchanges.

LONG DISTANCE SERVICE

In view of general **sub-normal** conditions a falling off in long distance business might have been expected; on the **contrary**, there has been an increase over the previous year. The explanation lies in the fact that systematic and carefully planned use of long distance service is a growing practice of business houses in the Company's territory.

Long distance earnings show a lower revenue per call, due to the



development of short-haul traffic by intensive canvass and to a more widespread understanding of "station-to-station" service.

ADDITIONS TO PLANT

Buildings.—Among the more important building activities of the year were the "Amherst" Exchange in Montreal, completed in 1924, the "Lombard" Exchange at Toronto, and an Exchange on St. Real Street, Quebec, nearing completion. In addition, extensive alterations were made to Exchange buildings at Kingston, Sarnia, "Hudson" and "Junction" at Toronto, and work is in progress on the extension of "Calumet" Exchange at Montreal and "Howard" Exchange at Toronto.

Equipment.—Extensive additions to plant and equipment were made, including new switchboards and extensions.

The automatic equipment of "Grover" Exchange, Toronto, was put in operation in July with 2,900 stations, and at the end of the year was serving 7,783 stations.

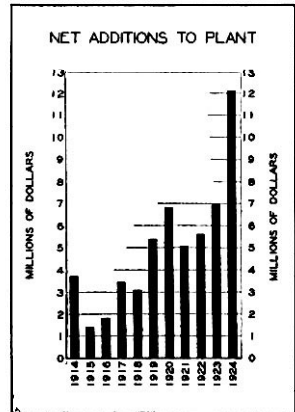
Toll Cable.—In November, the first long toll cable in Canada was put into service between Toronto and Hamilton.

This cable is 42 miles in length, **31 miles on poles** and 11 miles underground. The aerial section contains 184 pairs of wires (a capacity of 276 talking circuits), while the underground section has 264 pairs capable of making up 396 telephone circuits.

Submarine Cable.—A submarine cable was laid between Prescott, Ont., and Ogdensburg, N.Y., replacing a smaller cable. The cable contains eleven pairs of wires, and forms an important link in international communication.

PLANT EXPENDITURE

The gross expenditure on Capital account for plant and property was \$16,475,990. This includes land, automatic machinery, buildings, switchboards and outside plant. The



net addition to plant amounted to **\$12,086,662.** the difference being chiefly old plant displaced. This illustrates the purpose of the depreciation reserve as carried in our accounts, and **to which** is charged all plant displaced on account of being **worn** out, obsolete or inadequate.

CONNECTING COMPANIES

Agreements are in effect for interchange of business with companies serving **126,409** subscribers' stations in Canada. Assistance is given these companies in the effective development of their territory, and for the maintenance of a high standard of service.

PUBLICITY AND ADVERTISING

Continuous publicity has kept the public informed as to the plans and progress of your Company. By examples of effective use, it has stimulated Long Distance traffic, and has impressed subscribers with the readiness of the Company to aid them in getting maximum value from their equipment.

Public demonstrations of operating methods, with moving pictures, have been continued, and were attended by some **55,000** people.

Although no special days were set aside for the purpose, there has been a continuous programme of central office visiting by the public.

CAPITAL STOCK

In January, the Capital Stock of the Company was increased from **\$40,000,000** to **\$50,000,000** and **\$8,003,900** was offered to Shareholders, being in the ratio of one share of new stock to each five shares then held. **\$7,936,600** of this was taken.

Your Directors now have power to issue shares to the amount of **\$50,000,000**, of which only a small balance is unissued. At the Annual Meeting, a resolution will be offered to empower the Directors to issue shares to a further amount of **\$25,000,000**, and that the Directors be authorized and empowered to dispose of such new Capital Stock at such times, on such terms or conditions, in such amounts and generally in such manner as they deem to be in the best interest of the Company.

BY-LAWS

During the year amendments were made to By-Laws Nos. **4**, **6** and **11**.

The amendment to By-Law No. **4** specifies in greater detail the duties and responsibilities of the Treasurer, and also **covers** the authority for opening bank accounts in which the Company's funds shall be deposited. The latter change made necessary the deletion of a similar provision in By-Law No. **11**.

The amendment to By-Law No. **6** changes the day of the Monthly Meeting of the Directors from the second to the fourth Wednesday of every month **except** December, when the Meeting will be held on the third Wednesday. It was found difficult to prepare a full statement of the preceding month's business for the second Wednesday, but on the fourth Wednesday the Directors will have before them the latest figures.

You will be asked to confirm these amendments at the Annual Meeting.

CHANGES IN THE BOARD

Mr. E. K. Hall, Vice-president, American Telephone and Telegraph Company, resigned from your Board in March, and Mr. W. S. Gifford, now President of that Company, was appointed a Director to **fill** the vacancy for the remainder of the term. Mr. Gifford brings to the Board very valuable experience in the telephone business.

OFFICIAL CHANGES

Mr. William George Slack, who joined the Company in **1880**, and who has been Treasurer since **1907**, retired on pension and has been succeeded by Mr. Joseph Jones, who has been in the Company's service for thirty years.

EMPLOYEES' BENEFIT PLAN

In **1924**, benefits and pensions were paid in **2,204** cases under the **Plan** for Employees' Pensions, Disability Benefits and Death Benefits, amounting to **\$221,699**.

EMPLOYEES' STOCK PURCHASE PLAN

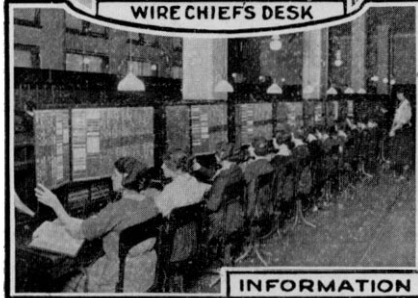
On the 1st April, the subscription price per share of the Company's Stock to employees was increased from **\$110.** to **\$115.**



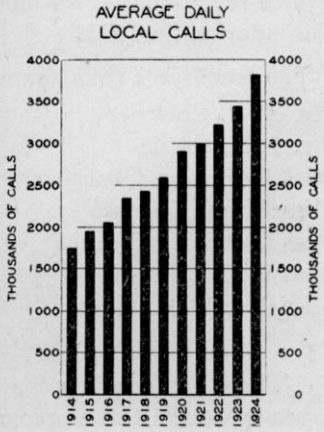
OPERATING ROOM



WIRE CHIEF'S DESK



INFORMATION



and the rate of interest allowed on instalments under subscriptions at the increased price was reduced from 8% to 7%.

Subscriptions totalling 20,078 shares were received during 1924, of which 10,859 shares were at \$110. and 9,219 shares at \$115. On December 31st, 7,110 employees were subscribing for 23,694 shares, for which deductions are made from pay at the rate of \$3.00 per share per month. Fifty-nine (59) per cent. of the number of employees eligible to subscribe, and 53% of the total

number of employees in the service, are participating in the Plan, which has fulfilled the purposes for which it was created—to stimulate thrift on the part of the employees, and to enable them to become part owners in the business in which they are engaged.

FIRST AID WORK

During the year, the St. John Ambulance Association, Bell Telephone Centre, has been active in first aid instruction, and since the opening of the first classes in 1922—1,274 employees have attended.

One in every four of the Plant Department employees is qualified to render first aid.

DISTINGUISHED SERVICE AWARDS

It is pleasing to report that by acts of courage and noteworthy service seven employees merited citations and awards under the plan adopted in 1923.

The employees thus honoured are:—

Mr. A. P. Chevrier	Lineman	Travelling Gang.
Mr. J. Levesque	Cableman	Ottawa.
Miss Germaine Charpentier	Operator	Sherbrooke.
Miss Myrza Ferdais	Operator	St. Johns.
Miss Germaine Gelinas	Operator	Sherbrooke.
Miss K. McIntyre	Operator	Ailsa Craig.
Miss M. F. Durocher	Operator	Hawkesbury.

PERSONNEL

There has continued a thoroughly satisfactory relation between executive and employees. Conferences between employee representatives and management committees have discussed Wages and Working Conditions; Thrift and Saving activities; Benefit Plan and Medical Supervision; Tools and Equipment, and many other aspects of employee welfare to mutual advantage and improved morale.

L. B. McFARLANE,
President.

C. F. SISE.
Vice-President and General Manager.

Montreal, 11th February, 1925.

BALANCE SHEET—DECEMBER 31, 1924

ASSETS

FIXED CAPITAL (Including Construction Work in Progress):		
Intangible Capital	\$ 76,811.20	
Land and Buildings	7,952,880.73	
Telephone Plant and Equipment	80,448,087.48	
General Equipment	1,485,320.06	
	\$89,963,099.47	
INVESTMENT SECURITIES		2,817,197.45
		\$92,780,296.92
WORKING ASSETS:		
Cash and Deposits	\$ 543,374.30	
Marketable Securities (Dom. Govt. Bonds)	417,267.20	
Bills Receivable	30,650.00	
Accounts Receivable	1,020,863.02	
Materials and Supplies	1,656,327.44	
		3,668,481.96
ACCRUED INCOME NOT DUE		15,094.99
DEFERRED DEBIT ITEMS:		
Prepayments	\$ 112,892.83	
Unamortized Debt Discount and Expense	17,833.91	
Plant Inventory (Unapportioned)	252,138.58	
Other Deferred Debit Items	34,959.62	
		417,824.94
TOTAL ASSETS		\$96,881,698.81

LIABILITIES

CAPITAL STOCK:		
Common Stock	\$40,290,600.00	
Capital Stock Instalments	6,393,694.25	
		\$46,684,294.25
BONDS—1925—5%	\$11,250,000.00	
“ 7%	5,500,000.00	
		16,750,000.00
REAL ESTATE MORTGAGES		8,491.13
WORKING LIABILITIES:		
Accounts Payable		1,611,740.91
ACCRUED LIABILITIES NOT DUE		2,389,231.81
DEFERRED CREDIT ITEMS:		
Liability for Employees' Benefit Fund	\$ 798,256.06	
Other Deferred Credit Items	3,108.00	
		801,364.06
RESERVE FOR ACCRUED DEPRECIATION		21,872,254.89
PREMIUMS ON CAPITAL STOCK		1,836,377.97
CORPORATE SURPLUS		4,927,943.79
TOTAL LIABILITIES		\$96,881,698.81

Approved for Board of Directors:

W. F. ANGUS,
Director

GEORGE CAVERHILL,
Director.

E. PALM,
Comptroller.

INCOME STATEMENT

YEAR ENDED DECEMBER 31, 1924

TELEPHONE OPERATING REVENUES.....		\$24,208,411.08
TELEPHONE OPERATING EXPENSES.....		18,671,614.51
		<hr/>
NET TELEPHONE OPERATING REVENUES.....		\$ 5,536,796.57
DEDUCTIONS:		
Uncollectible Operating Revenues.....	108,656.71	
Taxes Assignable to Operations.....	1,032,482.00	
		<hr/>
		\$ 1,141,138.71
OPERATING INCOME.....		\$ 4,395,657.86
NET NON-OPERATING REVENUES.....		719,481.73
		<hr/>
TOTAL GROSS INCOME.....		\$ 5,115,139.59
DEDUCTIONS:		
Rent and Miscellaneous.....	\$ 95,188.68	
Bond Interest.....	947,500.00	
Other Interest.....	305,354.07	
		<hr/>
		1,348,042.75
BALANCE NET INCOME.....		\$ 3,767,096.84
DIVIDENDS.....		3,215,039.39
		<hr/>
BALANCE FOR CORPORATE SURPLUS.....		\$ 552,057.45
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E. PALM,
Comptroller.

THE PRESIDENT AND DIRECTORS,

THE BELL TELEPHONE COMPANY OF CANADA.

I have examined the financial books and records of The Bell Telephone Company of Canada for the year ended 31st December, 1924, and have obtained all the information and explanations required by me.

The Uniform System of Accounts approved by the Telephone Association of Canada for its Class "A" members has been adopted, and the accounts kept in accord therewith.

In my opinion the foregoing Balance Sheet and relative statement of Earnings and Expenses are properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs, according to the information and explanations received by me and as shown by the books of the Company.

JAS. G. ROSS,
Chartered Accountant,
Auditor.

Montreal, February 10th, 1925.

STATISTICS

	At December 31, 1924	Increase during year
Number of Company Stations.....	536,848	50,607
Number of Connecting and Miscellaneous Stations.....	<u>126,409</u>	<u>4,287</u>
Total Stations.....	663.257	54,894
<hr style="width: 20%; margin: 10px auto;"/>		
Number of Miles of Wire.....		1,465,823
Number of Employees, 31st December, 1924		13,669
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Average Daily Connections 1924—Exchange.....		3,816,900
Average Daily Connections 1924—Long Distance.....		41,378

The following statements show the growth and revenue of the Company in five-year periods, beginning at 1900, and for **1924**:

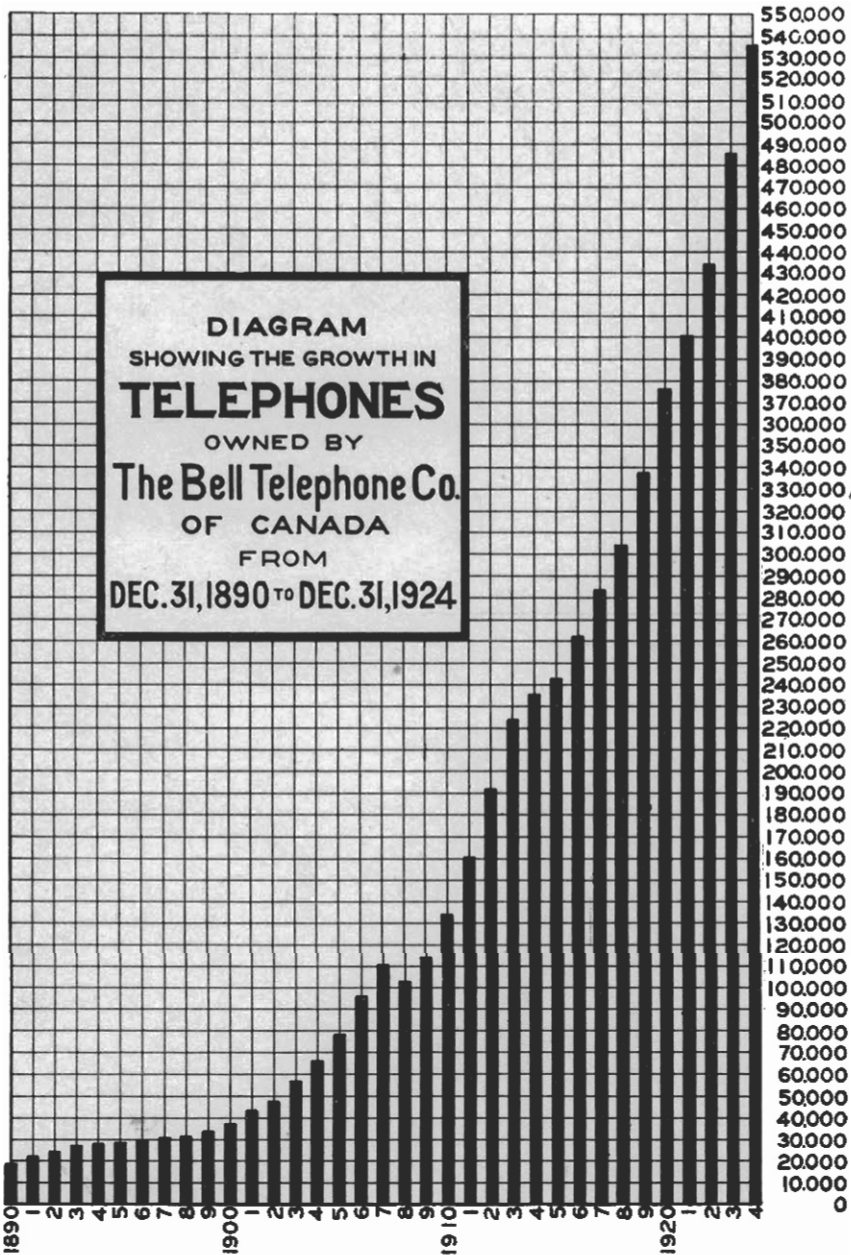
Year	Central Offices	Number of Subscriber Stations	Long Distance	
			Wire Miles	Pole Miles
1900	343	40,094	21,350	6,525
1905	526	82,351	37,082	8,645
1910	508	138,370	54,133	8,861
1915	449	242,784	79,908	9,297
1920	413	376,361	102,187	9,549
1924	379	536,848	120,735	9,595

UNDERGROUND

Year	Miles Conduit	Miles Single Duct	Miles Cable	Miles Wire
1905	100	573	264	94,132
1910	191	1,015	453	208,956
1915	300	1,860	820	450,665
1920	626	2,396	1,142	641,053
1924	689	2,785	1,505	951,254

**TOTAL ASSETS, AND PERCENTAGE OF NET EARNINGS THERETO, IN
FIVE-YEAR PERIODS, AND FOR 1924**

Year	Total Assets (Excluding Cash, Receivables, Prepayments, Accrued Income not Due, and De- ferred Debit Items)	Exchange Revenue	Long Distance Revenue	Misc. Revenue and Revenue from Outside Investments	Expenses	Net Earnings	% Net Earnings to Total Assets
1900	\$ 7,498,762	\$ 1,137,660	\$ 359,801	\$ 116,801	\$ 1,177,582	\$ 436,680	5.8%
1905	14,062,605	2,342,870	901,367	273,357	2,512,696	1,004,898	7.1
1910	22,541,382	3,838,019	1,415,352	257,314	3,781,109	1,729,576	7.6
1915	39,789,807	7,156,302	2,306,536	171,836	7,412,689	2,221,985	5.6
1920	62,050,089	11,748,513	4,764,872	663,479	16,295,341	881,523	1.4
1924	94,853,892	17,736,698	6,046,923	1,144,272	19,907,942	5,019,951	5.3





New Automatic Exchange Buildings



"Amherst"
Montreal



"Elgin" - Toronto



"Lancaster" - Montreal



"Grover"
Toronto



