

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

FOR THE YEAR ENDED
31st DECEMBER

1933

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REPORT

OF **THE**

DIRECTORS TO THE SHAREHOLDERS

OF

THE BELL TELEPHONE
COMPANY *of* CANADA

FOR THE YEAR ENDED
31st DECEMBER

1933

THE BELL TELEPHONE COMPANY
OF CANADA

DIRECTORS

*HON. THOS. AHEARN, P.C.	-	-	Ottawa
*W. F. ANGUS	-	-	Montreal
*GEO. CAVERHILL	-	-	Montreal
HON. HENRY COCKSHUTT, LL.D.	-	-	Brantford
C. P. COOPER	-	-	New York
*K. J. DUNSTAN	-	-	Toronto
SIR GEO. GARNEAU	-	-	Quebec
W. S. GIFFORD	-	-	New York
*J. E. MACPHERSON	-	-	Montreal
HON. S. C. MEWBURN, K.C.	-	-	Hamilton
*LT.-COL. HERBERT MOLSON, C.M.G.	-	-	Montreal
GLYN OSLER, K.C.	-	-	Toronto
*ARTHUR B. PURVIS	-	-	Montreal
*C. F. SISE	-	-	Montreal
*P. F. SISE	-	-	Montreal

*Members of Executive Committee.

OFFICERS

C. F. SISE
President

J. E. MACPHERSON
Vice-President

P. A. MCFARLANE
Vice-President

E. PALM
Vice-president & Comptroller

W. H. BLACK
Secretary-Treasurer

FIFTY-FOURTH ANNUAL REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31st DECEMBER
1933

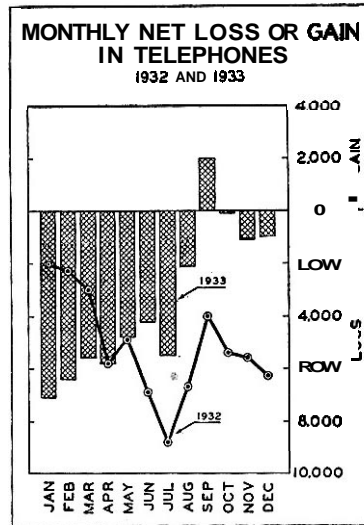
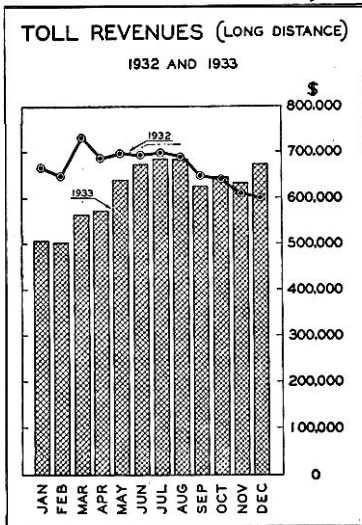
To the Shareholders:

Your Directors respectfully submit the following report of the Company's operations for the year 1933 and of its financial position at the end of the year.

There was a continued decrease in the number of telephones in use; 171,773 were connected and 213,602 disconnected, a net loss of 41,829 compared with the greater figure of 61,765 in 1932.

It is to be noted that in the first half of 1933, the number of telephones fell off by 33,833, and in the second half by 7,996. This comparison shows not only an improving trend of business but points definitely to the time at which its effect was felt.

The trends of long distance use and revenues have been similar. The gross receipts for this service were less by \$600,000 than in 1932, but there was a definite improvement during the last quarter of 1933.



Active sales work was continued and contributed in large measure to the improvement over 1932. Thirty per cent of all new business secured was due to the co-operation of the general body of employees with the sales forces.

There were **671,139** telephones in service at the end of 1933, distributed as follows:—

Business. **238,291**
Residence. **,432,848**

Included in this total were **69,199** extension telephones.

Other telephone systems in Ontario and Quebec with which we interchange service now number **849**, serving **137,170** telephones, a decrease of **6,610** during the year.

REVENUES

Local service revenue was **\$26,955,759**, a decrease of seven per cent compared with the year 1932.

Long distance revenue was **\$7,400,371**, a decrease of approximately eight per cent compared with the year 1932.

Miscellaneous revenues and revenue from outside investments were **\$1,339,106**, a decrease, after giving effect to certain adjustments, of twenty-seven per cent compared with the year 1932.

From all sources, the gross revenue of the year was **\$35,-695,236**, a decrease of eight per cent from the total of 1932.

EXPENSES

Decrease in the volume of business compelled a further spreading of available work, and all officers and employees are on part time, as well as subject to discount from pay. The result of these and other economies has been a reduction of approximately eleven per cent in telephone operating expenses which now include rent and miscellaneous deductions formerly classified as a deduction from gross income.

The net income available for dividend is **\$4,329,442**, or **\$5.62** per share of average outstanding capital stock.

The reduction of dividend to **\$1.50** per share made effective the first quarter of 1933 was continued throughout the year, making a total payment of **\$6.00** per share as against **\$7.25** in 1932.

Notwithstanding the reduction in expense above mentioned it was necessary to draw upon surplus to the amount of **\$292,277**, to provide for the reduced dividend, which amounted to **\$4,621,-719**.

There has been a further charge to surplus of **\$335,135** in connection with repayment of American loans, referred to elsewhere in this report. This, with small miscellaneous deductions, reduces surplus by **\$628,596.16**.

FINANCING

Other than the sale of stock to employees on the instalment plan, no permanent financing was undertaken in **1933; 743** shares of capital stock, of a total par value of **\$74,300**, were issued to employees who had completed payments on subscriptions under the Employees' Stock Plan.

On December **31, 1932**, the amount of United States funds owed by your Company to the American Telephone and Telegraph Company was **\$12,245,000**. By the end of December, **1933**, this indebtedness had been reduced to **\$235,000**, which has since been repaid. To effect this result United States funds were purchased from time to time at premium rates on a continuously declining scale and finally at a discount. The average premium cost was **5.84** per cent. Appropriations from surplus totalling **\$500,000** had been made in previous years to meet this expense and the balance, amounting to **\$335,135**, is charged to surplus this year.

To aid in financing purchases of United States funds, advances of Canadian funds were obtained from the Company's bankers to a maximum amount of **\$7,000,000** against which the Company hypothecated as collateral security a like amount of its Series C First Mortgage **5%** bonds. To December **31st** repayments on account of these loans totalled **\$350,000**, leaving a net indebtedness to the Company's bankers of **\$6,650,000**. No new financing on this account is at present in prospect, nor does the construction programme call for any large capital expenditure.

The reduction in loans during the year amounted to **\$5,360,000**. For this purpose cash, call loans, and marketable securities on hand at the end of **1932** were utilized in addition to **unex-**pended funds from the depreciation reserve.

NUMBER OF SHAREHOLDERS

As of December 31, 1933, there were **20,531** shareholders. Of this number **19,247**, or **93.8** per cent, live in Canada; **55.9** per cent of the shareholders are women.

Holdings are distributed as follows:—

In Canada..	66.3	per cent
In British Isles and other parts of the Empire..	4.8	71.1 per cent.
<hr/>		
In United States.	28.4	
(this includes A. T. and T. Co.'s holding of 24.3 per cent)		
In other foreign countries.5	28.9
<hr/>		
		100.0 per cent.

3,876 employees are shareholders to the extent of **29,063** shares.

PLANT

Gross additions to the Company's plant in **1933** amounted to **\$8,878,000**, of which the principal items were:—

Land and Buildings..	\$ 36,000
Central Office Equipment.	1,474,000
Subscribers' Station Equipment.	4,685,000
Outside Plant..	2,515,000

The original cost of plant retired from service during the year was **\$9,919,000**.

The value of plant retired from service during the year, while high in comparison with the expenditures made for new plant, was some **\$2,200,000** less than in **1932**. The continued loss in telephones, particularly in the early part of the year, necessitated the removal of a large quantity of equipment. This, together with the retirement from service of four large manual offices, as a result of conversion to dial operation, accounted for the major portion of the retirements.

BUILDINGS

The only building project carried out during the year was the construction of a garage in London.

EQUIPMENT

Dial projects have been proceeded with only where the ultimate operating economies and service advantages have made it desirable. The conversion programme has been continued in Montreal, Toronto, and Quebec.

At the end of the year there were **346,448** dial operated telephones in the five cities so served, representing **85** per cent of the total telephones in these cities and 52 per cent of the total Company stations.

A new dial exchange, "**LAKESIDE**", was completed in Toronto, and an extension of the dial equipment in Quebec completed the conversion from manual service. Quebec thus became the first city in our territory to be operated wholly on a dial basis.

The first installation in this Company's territory of an unattended dial exchange was made at Oka, Quebec, where a new exchange was opened. Other exchanges of this type are to be installed where suitable.

Extensions of dial equipment were made in "**DEXTER**" exchange in Montreal and in "**MELROSE**" exchange in Toronto.

Extension of the dial system involved the retirement from service of the "**WALNUT**" manual office in Montreal, of the "**LAKESIDE**" and "**HILLCREST**" manual offices in Toronto and the manual office in Quebec.

TOLL PLANT

Expenditures on long distance plant were chiefly on account of the necessary reconstruction of pole lines and to repair storm damage.

TRANS-CANADA TELEPHONE SYSTEM

Effective operation of the Trans-Canada System, officially opened in January, **1932**, continued. The grade of service rendered in this long-haul traffic was highly satisfactory. During the latter half of the year, due to improving business conditions, there was a marked increase in volume.

TRANS-ATLANTIC TELEPHONE SERVICE

Traffic over the direct Montreal-London channel continued satisfactory in quality during **1933**. When this service was inaugurated, the traffic was limited to calls between Quebec and Ontario on the Canadian side and to the British Isles. On January **1st, 1933**, the service was extended via London to points in Europe, Asia, Africa, **and** Australia. On May **1st, 1933**, a further extension of the service was made to include all Canadian points.

There was a substantial increase in traffic during the latter half of **1933**.

SERVICE

In **1933** the high standard of service of recent years was surpassed. The percentage of local calls completed increased **0.8** per cent over **1932** to **83.1** per cent, while the percentage completion on long distance calls increased from **93.7** per cent in **1932** to **93.9** per cent in **1933**. The average time for establishing long distance calls was still further reduced, the average for **1933** being **78** seconds per call, as against **83** seconds per call in **1932**.

During **1933**, **92.4** per cent of all long distance connections were handled while the subscriber remained at the telephone.

MAINTENANCE

The condition of the Company's plant was maintained at a high standard, comparing favourably with previous years.

The number of troubles reported by subscribers continued at the low level of **1932**. When troubles did occur they were cleared promptly, **85.4** per cent on business telephones within two hours, and **94.8** per cent on residence telephones within four hours.

STORM DAMAGE

Wire communication systems are never free from the danger of storm damage. While in recent years the greatly increased use of cable on long distance lines, replacing open wire, has done much to lessen this, the annual toll taken by sleet on wire plant is still heavy. Total expenditures in **1933** on this account were approximately \$500,000,—somewhat less than for **1932**. Last year's damage occurred mainly in the Eastern end of the Com-

pany's territory where destructive storms have been usually less frequent than in the Central and Western sections.

EMPLOYEES' BENEFIT PLAN

During **1933** benefits and pensions were paid in **2,172** cases under the Plan for Employees' Pensions, Disability Benefits and Death Benefits, amounting to **\$397,492**, divided as follows:

	No. of cases	Amount
Pensions.....	262	\$165,498
Accident Benefits (including expenses).....	163	12,976
Sickness Benefits.....	1,690	167,211
Death Benefits.....	57	51,807

EMPLOYEES' STOCK PLAN

Of **10,010** employees eligible to subscribe for stock in the Company, **4,596** are now subscribing for **19,179** shares.

LIFE INSURANCE

Under the Employees' Life Insurance Plan adopted in **1927**, whereby premiums are paid through monthly deductions from pay, **2,396** employees are carrying **\$7,504,200** of life insurance.

STAFF

The high standard of service which the public expects has **been** maintained. This has been possible through the effective co-operation of all employees. The problems of this difficult time are being met by them with courage and understanding. The directors wish once more to record appreciation of the work done and of the spirit in which it has been undertaken, in trying circumstances.

For the Board of Directors,

C. F. SISE,
President.

Montreal. February 12th, 1934.

THE BELL TELEPHONE COMPANY OF CANADA

DESCRIPTIVE BALANCE SHEET, DECEMBER 31, 1933

FIXED CAPITAL:	ASSETS	
Intangible Capital.	\$ 65,770.33	
Patents acquired by the Company.		
Land and Buildings.. . . .	20,558,417.18	
Real estate used for telephone purposes.		
Telephone Plant and Equipment.. . . .	166,551,367.64	
Central office and subscribers' station equipment, poles, wire, cable, underground conduit, right-of-way, etc.		
General Equipment.. . . .	4,141,003.43	
Office furniture and fixtures, storeroom and garage equipment, motor vehicles and tools and implements.		
	\$191,316,558.58	
INVESTMENT SECURITIES.. . . .		14,113,397.04
Investment in stocks and bonds at cost.		
CURRENT ASSETS:		
Cash and Special Deposits.	\$ 280,058.69	
Cash on hand to meet current needs and funds on special deposit.		
Material and Supplies.	1,651,153.01	
Material and supplies held in storerooms and yards available for immediate use in the business.		
Notes Receivable.	408,218.24	
Notes due within one year from date of issue.		
Accounts Receivable and Other Current Assets.	2,907,625.79	
Current accounts due the Company for telephone service (less provision for uncollectible accounts), interest, dividends and sundry miscellaneous items, also cash held by employees and agents as working advances.		
	5,247,055.73	
DEFERRED DEBITS:		
Prepayments.	\$ 611,447.30	
Rents, taxes, insurance, cost of directories and other expenses prepaid and applicable to period subsequent to December 31, 1933.		
Discount on Funded Debt.	1,527,579.44	
Balance of unamortized discount and expense pertaining to bonds outstanding.		
Other Deferred Debits.	484,260.35	
Miscellaneous items, the final disposition of which had not been determined at December 31, 1931.		
	2,623,287.09	
TOTAL ASSETS.. . . .		\$213,300,298.44

Approved for Board of Directors:

W. F. ANGUS, Director.
 GEORGE CAVERHILL, Director.

THE BELL TELEPHONE COMPANY OF CANADA

DESCRIPTIVE BALANCE SHEET, DECEMBER 31, 1933

LIABILITIES

CAPITAL STOCK:		
Common Stock (Authorized Capital—\$150,000,000.00)		\$ 77,082,000.00
Par value (\$100.00) of common stock outstanding.		
LONG TERM DEBT:		
Bonds—5% First Mortgage:		
Series "A"—maturing March 1, 1955.. .. .	\$ 30,000,000.00	
Series "B"—maturing June 1, 1957.	30,000,000.00	
Series "C"—maturing May 1, 1960 \$ 14,500,000.00		
Less issued but not sold—deposited as collateral against Bank Loan.. . . .	7,000,000.00	7,500,000.00
(Series "A," "B" and "C" Bonds and interest thereon are payable in gold coin of the Dominion of Canada or of the United states of America, at the option of the holder.)		
Notes.	4,798,703.23	
Notes sold to Trustee of Pension Fund.		72,298,703.23
		6,885,000.00
LOANS.		
Loans from bank and others.		
CURRENT LIABILITIES:		
Notes Payable.	\$ 103,757.09	
Notes payable within one year from date of issue.		
Customers' Deposits and Advance Billing and Payments.	930,785.66	
Deposits as security for payment of bills and advance billing and payments for telephone service.		
Accounts Payable and Other Current Liabilities.	1,021,180.99	
Amounts owing for pay rolls, supplies and sundry miscellaneous items which are in process of settlement.		
		2,055,723.74
ACCRUED LIABILITIES NOT DUE.		2,362,549.07
Taxes, interest, dividends and rents applicable to period ended December 31, 1933 but not due until after that date.		
DEFERRED CREDITS:		
Employees' Stock Plan—Instalment Payments.	\$ 833,700.11	
Instalments paid by employees who are subscribing for capital stock together with accrued interest.		
Other Deferred Credits.	388,764.12	
Miscellaneous items, the disposition of which had not been determined at December 31, 1933.		
		1,222,464.23
RESERVES:		
Depreciation Reserve.	\$ 41,382,228.31	
Provision for the ultimate retirement of telephone plant when it has served its useful life.		
Amortization Reserve.	60,288.55	
Provision for the cost of patents included under Assets as Intangible Capital, when the patent rights expire.		
		41,442,516.86
PREMIUMS ON CAPITAL STOCK.		6,205,429.74
Excess over par value (\$100.00—received from sale of Capital Stock.		
SURPLUS:		
Unappropriated Surplus.		3,745,911.57
Surplus accumulated during the history of the Company.		
Decrease during the year \$628,596.16 comprising:		
Deficit for year (after dividends).	\$292,276.73	
Balance of premiums on loans repaid in United States Funds.	\$835,135.00	
Less amount appropriated for this purpose in previous years.	500,000.00	
	335,135.00	
Miscellaneous Deductions (net).	1,184.43	
		213,300,298.44
TOTAL LIABILITIES.		<u>\$213,300,298.44</u>

E. PALM, Vice-President & Comptroller.

THE BELL TELEPHONE COMPANY OF CANADA

DESCRIPTIVE INCOME STATEMENT

Year Ended December **31, 1933**

TELEPHONE OPERATING REVENUES.....	\$	35,319,329.77
Revenues from local and toll service, telephone directory advertising and miscellaneous telephone operations.		
Less:		
Uncollectible Operating Revenues.....		332,596.46
Revenues which have proved to be uncollectible.		
TOTAL OPERATING REVENUES..		\$ 34,986,733.31
TELEPHONE OPERATING EXPENSES:		
Operation Expenses.....	\$	9,894,718.84
Cost of operating the telephone property, including operators' wages and expense of handling messages, billing and collecting subscribers' accounts, directories, sickness, accident and death benefits, pensions, rents, etc.		
Current Maintenance.....		7,003,652.64
Cost of inspection, repairs and rearrangements required to keep the telephone plant and equipment in good operating condition.		
Depreciation.....		7,430,454.00
Provision to meet loss of investment when telephone property is retired from service, based on rates of depreciation for the different classes of property which spread this loss of investment uniformly over its service life.		
TOTAL OPERATING EXPENSES..		24,328,825.48
NET OPERATING REVENUES..	\$	10,657,907.83
Operating Taxes.....		2,160,100.00
Dominion, Provincial and Municipal tax applicable to the current year.		
NET OPERATING INCOME..	\$	8,497,807.83
Net Non-operating Income.....		375,905.84
Dividends and interest received from securities owned, interest on bank balances and other miscellaneous income, less expenses incident thereto.		
INCOME AVAILABLE FOR FIXED CHARGES..	\$	8,873,713.67
Fixed Charges:		
Bond Interest.....	\$	3,375,000.00
Interest charges on outstanding bonds.		
Other Interest.....		992,341.87
Interest charges on other debt obligations.		
Amortization of Discount on Funded Debt.....		69,756.92
Proportion of debt discount and expense applicable to the year in connection with outstanding bond issues.		
Other Charges..		107,172.61
	\$	4,544,271.40
BALANCE AVAILABLE FOR DIVIDENDS..	\$	4,329,442.27
Dividends.....		4,621,719.00
Dividends to owners of outstanding common stock.		
DEFICIT CHARGED TO SURPLUS.....	\$	292,276.73

E. PALM, Vice-president & Comptroller.

MONTREAL, QUE.,

January 30, 1934

AUDITOR'S CERTIFICATE

THE BELL TELEPHONE COMPANY OF CANADA,
MONTREAL.

I have examined the books and records of The Bell Telephone Company of Canada for the year ended December **31, 1933**, and have obtained all the information and explanations required by me.

In my opinion the attached Balance Sheet and Income Statement are properly drawn up so as to exhibit a true and correct view of the financial position of the Company at December **31, 1933**, according to the information and explanations received by me and as shown by the books of the Company.

(Signed) JAS. G. ROSS,
Chartered Accountant,
Auditor.

STATISTICS

December 31, 1933

NUMBER OF TELEPHONES:

Company Owned—Manual Service.....	324,595	
" —Dial Service.....	346,544	
		<hr/>
Connecting and Miscellaneous.....		671,139
Total Telephones.....		137,170
		<hr/>
		808,309

NUMBER OF CENTRAL OFFICES..... 404

NUMBER OF OWNED BUILDINGS..... 108

MILES OF POLE LINES..... 24,906

MILES OF WIRE:

In Underground Cable.....	2,335,428	
In Aerial Cable.....	807,373	
Open Wire.....	228,117	
		<hr/>
		3,370,918

MILES OF SUBWAY (Length of Street Occupied)..... 908

MILES OF DUCT..... 4,612

AVERAGE DAILY CONNECTIONS: (Year 1933)

Local	4,803,300
Toll.....	47,500

NUMBER OF EMPLOYEES:

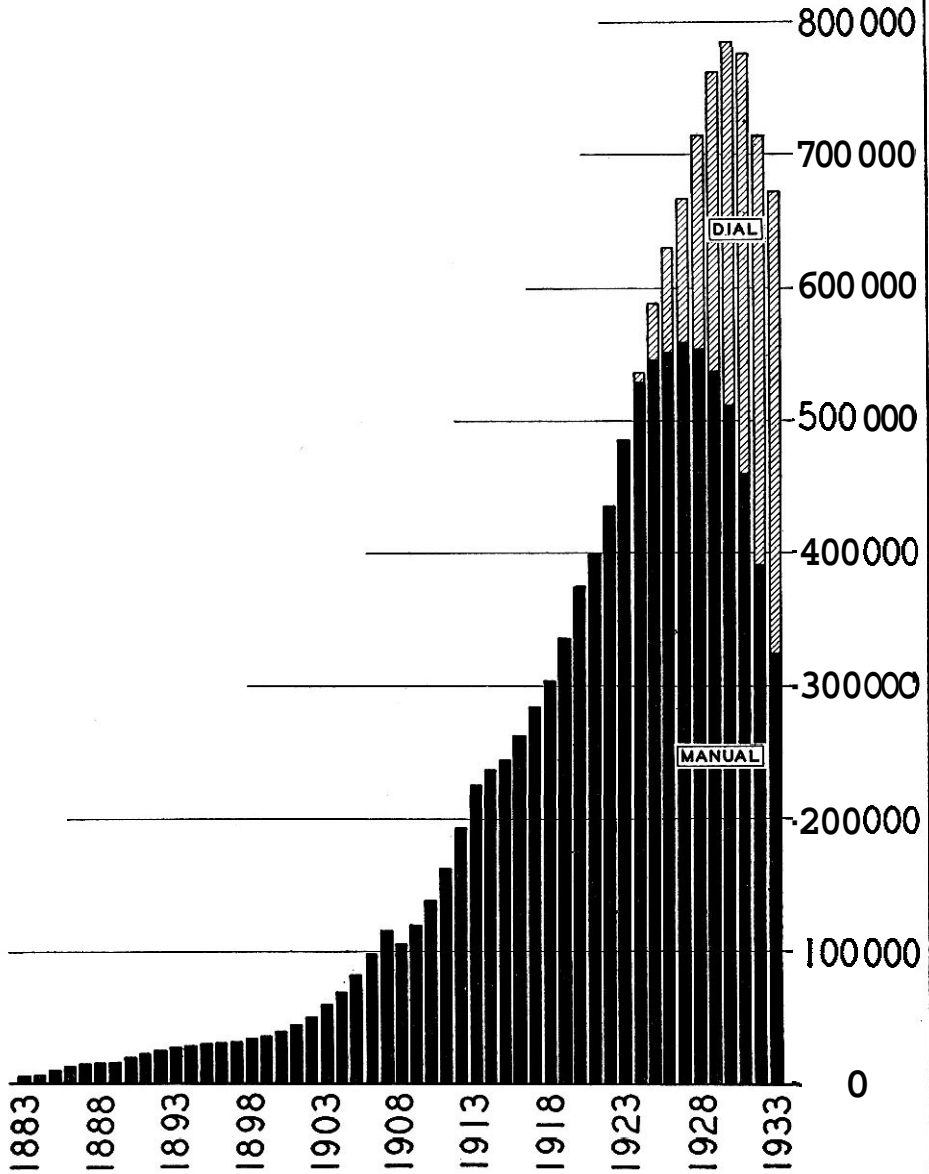
Male.....	4,554	
Female.....	5,492	
		<hr/>
		10,046

TOTAL PAY ROLL FOR YEAR 1933..... \$13,629,279

NUMBER OF SHAREHOLDERS:

In Canada.....	19,247	
Elsewhere.....	1,284	
		<hr/>
		20,531

GROWTH IN NUMBER OF TELEPHONES OWNED BY COMPANY





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