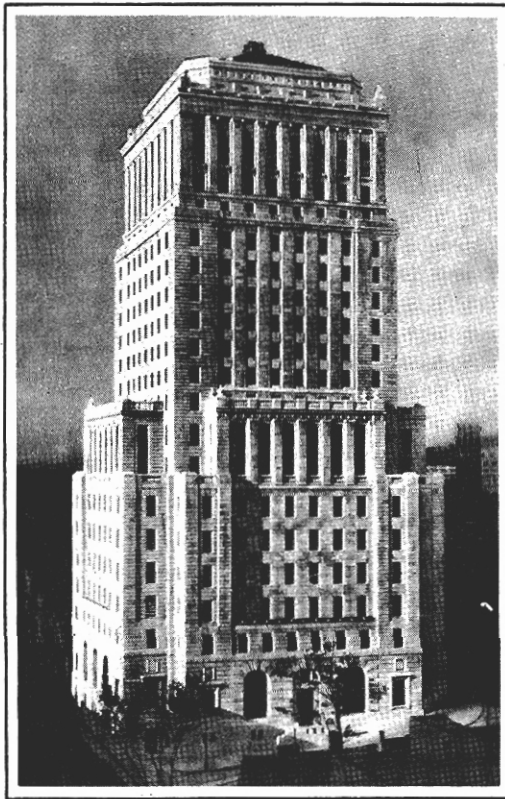


# ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1942



THE BELL TELEPHONE COMPANY  
OF CANADA

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

FOR THE YEAR ENDED  
31<sup>ST</sup> DECEMBER  
1942

# THE BELL TELEPHONE COMPANY OF CANADA

BEAVER HALL BUILDING  
MONTREAL

## DIRECTORS

*WILLIAM F. ANGUS	-	-	-	-	Montreal
HON. HENRY COCKSHUTT	-	-	-	-	Brantford
CLEO F. CRAIG	-	-	-	-	New York
*HON. CHARLES A. DUNNING, P.C.	-	-	-	-	Montreal
*JAMES A. ECCLES	-	-	-	-	Montreal
SIR GEORGE GARNEAU	-	-	-	-	Quebec
*C. EDOUARD GRAVEL	-	-	-	-	Montreal
*FREDERICK JOHNSON	-	-	-	-	Montreal
JAMES M. MACDONNELL	-	-	-	-	Toronto
*PAUL A. MCFARLANE	-	-	-	-	Montreal
HON. SIDNEY C. MEWBURN, K.C.	-	-	-	-	Hamilton
GLYN OSLER, K.C.	-	-	-	-	Toronto
ARTHUR W. PAGE	-	-	-	-	New York
*CHARLES F. SISE	-	-	-	-	Montreal
*PAUL F. SISE	-	-	-	-	Montreal

*\*Member of Executive Committee.*

## OFFICERS

C. F. SISE	-	-	-	-	-	<i>President</i>
P. A. MCFARLANE	-	-	-	-	-	<i>Vice-President</i>
F. JOHNSON	-	-	-	-	-	<i>Vice-President</i>
J. H. BRACE	-	-	-	-	-	<i>Vice-President</i>
G. H. ROGERS	-	-	-	-	-	<i>Secretary</i>
J. R. LOGAN	-	-	-	-	-	<i>Treasurer</i>
J. CLEUGH	-	-	-	-	-	<i>Comptroller</i>
PIERRE BEULLAC, K.C.	-	-	-	-	-	<i>General Counsel</i>
J. N. GROLEAU	-	-	-	-	-	<i>General Manager, Montreal</i>
H. G. YOUNG	-	-	-	-	-	<i>General Manager, Toronto</i>

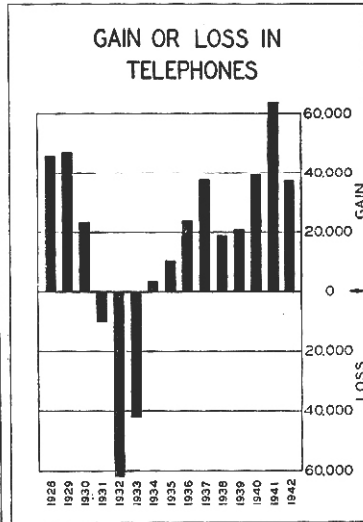
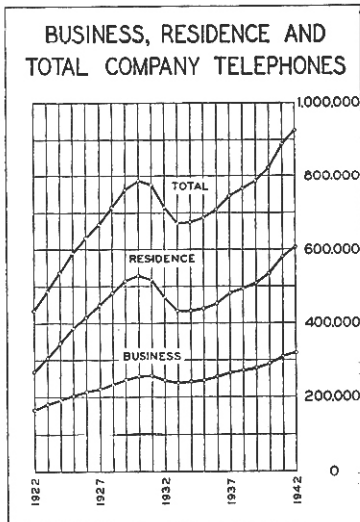


# Sixty-third Annual Report of the Directors

FOR THE YEAR ENDED 31st DECEMBER, 1942

*To the Shareholders:*

In the early months of 1942 there was an unprecedented demand for new installations. It soon became evident that the rate of growth would quickly exhaust available facilities which could not be expanded because of the material shortages. Representations were made to the Wartime Prices and Trade Board, and the resulting order issued by that Board early in April called for strict conservation of telephone facilities to meet war requirements. Over 30,000 applications, mainly for residence service, had to be denied. Telephone movement was substantially reduced, and the net increase was sharply curtailed. The wartime tax on residence extension telephones had the effect of greatly reducing such services.



In order to safeguard vital war business subscribers were asked to avoid non-essential long distance calls.

Telephones connected during the year totalled 185,981 and 148,915 were disconnected, a net increase of 37,066. In 1941 the net increase was 63,651.

There were 925,414 telephones in service at December 31, of which 319,898 were business and 605,516 residence instruments.

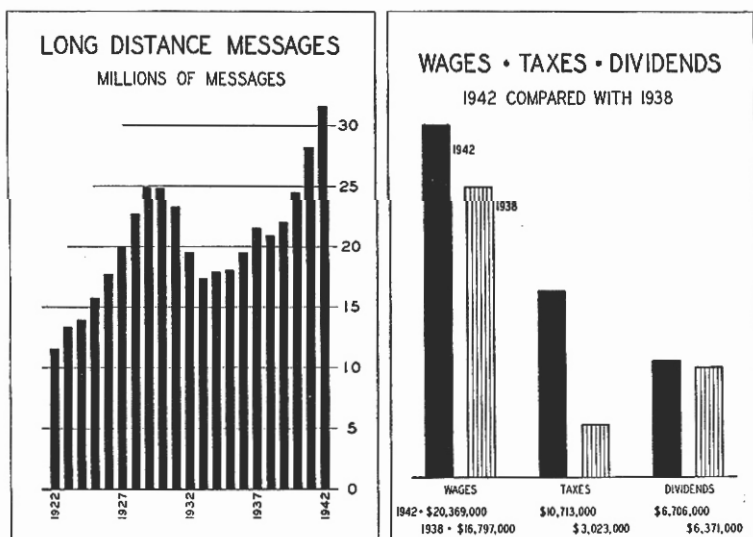
Other telephone systems in Ontario and Quebec with which we interchange service now number 922, serving 161,243 telephones.

The Income Statement and Balance Sheet, with comparative data, are submitted herewith.

### Revenues

Local service revenue was \$37,779,746, an increase of 7.1 per cent over 1941.

Long distance revenue was \$15,726,016, an increase of 16.0 per cent.



Miscellaneous revenue amounted to \$3,034,245, an increase of 14.1 per cent.

The gross revenue from all sources amounted to \$56,540,007, an increase of \$5,061,967 or 9.8 per cent.

### Expenses

The payment of a cost-of-living bonus to a majority of the employees, effective towards the end of 1941, caused a substantial increase in the Company's pay roll in 1942. This, together with adjustments under wage schedules and a higher average number of employees, accounts for practically the entire increase in Operation and Maintenance expense. The total pay roll amounted to \$20,369,030, an increase of \$1,839,449 over the year 1941.

Taxes applicable to the year 1942, excluding the refundable portion of the Excess Profits Tax, amounted to \$10,004,000, an increase of \$2,594,000 or 35 per cent.

The refundable portion of the Excess Profits Tax applicable to the year 1942 amounts to \$709,000. Under the provisions of the Act this amount will be refunded to the Company, without interest, two years after the cessation of hostilities.

In addition to the foregoing taxes the Company collected for various governments, directly from telephone users, additional taxes amounting to \$2,540,000.

### Net Income and Dividends

Net income, after provision for Fixed Charges, amounted to \$8,055,687. After the reservation of \$709,000, being the refundable portion of the Excess Profits Tax, the balance available for dividends amounted to \$7,346,687 or \$8.76 per share of average

outstanding capital stock. Quarterly dividends at the rate of \$2.00 per share were paid and totalled \$6,706,096 leaving a balance of \$640,591 carried to Surplus.

Under government regulations the refundable portion of the Excess Profits Tax cannot be regarded as current income available for distribution. It is also provided that Surplus accumulated prior to the year 1939 cannot be used in the payment of dividends.

The present Excess Profits Tax was applicable for only one-half of the year 1942. Had this tax been in effect throughout all of 1942 net earnings for the year available for dividends would have been reduced to approximately \$7.00 per share.

As of December 31, 1942, Earned Surplus accumulated since the beginning of the year 1939 amounts to \$2,237,597.

### **Financing**

The only permanent financing during 1942 was the issue of 9,610 shares of capital stock, of a par value of \$961,000, to employees who had completed instalment payments on subscriptions under the Employees' Stock Plan.

### **Distribution of Stock**

As of December 31, 1942, there were 23,957 shareholders, an increase of 681 during the year and the highest total in the Company's history.

Shareholders living in Canada number 22,728, or 94.9 per cent, and hold 71.5 per cent of the outstanding stock. Canadians now hold more of your Company's stock, as well as a greater proportion of the total, than ever before. Over 88 per cent of all shareholders reside in Ontario and Quebec.

The percentage of shareholders residing outside of Canada is 5.1; they hold 28.5 per cent of the stock. This includes the American Telephone and Telegraph Company's holding of 22.3 per cent.

The average per shareholder (excluding American Telephone and Telegraph Company) is 27 shares.

Employees numbering 4,232 hold 49,219 shares, representing 5.8 per cent of the shares outstanding.

### **Plant**

Expenditures on new construction in 1942 amounted to \$13,100,000 which is about \$1,100,000 below the previous year. Additional long distance facilities for the rapidly increasing toll business arising from the war required a large part of this expenditure. Construction work involving exchange distribution cable and local equipment extensions is being curtailed to conserve materials in accordance with the various restrictive orders issued by the Federal authorities.

After deducting the original cost of plant removed and not re-used, net additions to the Company's Fixed Capital accounts were \$9,168,000 as compared with \$9,760,000 in 1941.

### **Buildings**

The O'Connor Street building in Ottawa was enlarged to house additional dial and toll equipment. Eight small repeater stations were erected and the Port Hope building enlarged in connection with the Ottawa-Montreal-Toronto toll cable project. The building at Oshawa also was extended.

### **Equipment**

During the year replacement of manual by dial service was completed at Brockville, Farnham, Kingston,

Barric, Welland and Port Colborne. In Montreal, Toronto and Ottawa, extensions to dial equipment were completed.

Dial-operated telephones at the end of the year totalled 669,000 representing 97.5 per cent of the telephones in those communities where dial service is furnished, and 72.3 per cent of the total Company telephones, as compared with 70.1 per cent in 1941.

A manual office was re-established in one of the Toronto buildings with old switchboards held in reserve, as a means of providing relief, thus avoiding the use of new essential materials. The old Carling manual office in Ottawa has also been rearranged for use in case of emergency. Extensions to the manual switchboards at Trois Rivières, Sherbrooke, London, Sarnia and Oshawa were completed, employing salvaged equipment, together with several large Private Branch Exchange installations to serve war industries.

Further toll switchboard extensions at Toronto, Montreal and Quebec were required to accommodate continually increasing traffic. New toll switchboards were installed at Kingston and Welland in conjunction with the conversion of these offices from manual to dial operation. The establishment of additional toll circuits necessitated the provision of new carrier and repeater equipment at a number of locations; the repeater installations associated with the Ottawa-Montreal toll cable were well advanced by the end of the year.

#### Long Distance Plant

Work on various toll cable projects—Ottawa-Montreal; Ottawa-Toronto—was proceeded with during

the year, and cable between Quebec and Ste. Anne de Beaupre, and between Montreal and St. Pie with an extension to St. Hyacinthe, was completed. These constitute the longest cable installations carried out by the Company in any one year. In addition to providing increased facilities they will afford further protection to the service against storm damage. Many circuits in the Montreal-Ottawa cable were made available following the year-end sleet storm.

### Supplies

Government control of metals and other materials required for war purposes became more rigid during the year. Priority ratings were established on many materials and limitations imposed on the specific use of a number of items. The introduction of the new regulations has increased the problem of supplies, both from a manufacturing and an operating standpoint. The utmost use is being made of salvaged material, and the employment of substitutes is under continuous review.

### Trans-Canada Telephone System

The volume of traffic over the Trans-Canada System continued to expand rapidly, being 43 per cent greater than the previous year. Two additional open wire circuits to the Maritime Provinces were constructed to provide relief early in 1943.

### Service

In spite of the continuing heavy demands due to war-time activities and the heavy turnover in staff, the telephone service furnished by the Company has fallen only slightly below the standard of previous years. Toll calls completed amounted to 91 per cent of the

total as compared with 92 per cent in 1941, while the average time of 102 seconds required to establish a long distance connection was 12 seconds longer than last year. Ninety per cent of all toll calls were completed while the customer remained at the telephone. The Company continued the policy of reviewing subscribers' needs to ensure that service requirements were met as economically as possible in the interest of facility conservation. Special efforts were made to secure the co-operation of large long distance users to obtain the maximum use of available facilities.

Extensive installations were required to meet the needs of the armed forces and war industries. The importance of adequate service arrangements at military establishments was recognized in the installation of many public telephones and the appointment of telephone managers at several of the larger camps.

#### Employees' Pension and Benefit Plan

During the year 1942, benefits and pensions were paid in 2,801 cases under the Plan for Employees' Pensions, Disability Benefits and Death Benefits, amounting to \$809,458, divided as follows:

	No. of	
Pensions:	Cases	Amount
Service.....	619	\$427,431
Disability.....	91	28,429
Accident Benefits (including expenses)	244	13,476
Sickness Benefits.....	1,748	282,925
Death Benefits.....	99	57,197

#### Employees' Stock Plan

Of 10,553 employees eligible to subscribe for stock under the Plan, 4,473 are now subscribing for 28,519



shares. The amendment to the Plan introduced during 1941 allowing suspension of instalment payments under the Stock Plan for the purpose of permitting employees to transfer some or all of their savings to the purchase of War Savings Certificates was further extended in 1942 to those employees who wished to purchase Victory Loan Bonds. A substantial number of employees have taken advantage of this amendment to the Plan.

#### **Life Insurance**

At December 31, 1942, 3,089 employees were carrying \$11,746,000 of Life Insurance under the Plan—an average of \$3,803 per insured employee.

#### **War Savings Certificates and Victory Loan Bonds**

War Savings Certificates with a face value of \$2,016,000 have been purchased by employees since the adoption of the pay roll deduction plan in July, 1940. The face value of certificates purchased during the year 1942 was \$1,085,000. Sales of War Savings Stamps and Certificates to telephone customers by employees amounted to \$114,800 during the year 1942 bringing the cumulative sales to a total of \$324,500 since July 1940.

Subscriptions by employees in 1942 for Second and Third Victory Loan Bonds amounted to \$1,483,000. In connection with both of these issues of Victory Loan Bonds, payment by instalments through a pay roll deduction plan was made available to employees.

#### **Staff**

As of December 31, 1,463 men and 93 women had left the Company for war service. Of these 58 had returned,

and 8 had died on active service. Provision for dependents of employees on active service is being continued in accordance with the plan adopted at the outbreak of the war.

Your Company has been called upon to provide men of experience in all phases of telephone communication work for service in many parts of the continent. Their contribution to war and defence measures has been the subject of high praise by the authorities concerned.

The fact that in a period presenting many new and difficult problems the standard of service was maintained at a level only slightly below that of normal years is evidence of the excellent work of the whole employee body. Although, as already stated, it was necessary to deny service to upwards of 30,000 applying for it, contacts with applicants were conducted with such judgment and tact that in fewer than 30 cases were appeals made to the Wartime Prices and Trade Board. This is but one aspect of an excellent all-around telephone job for which our whole staff deserves the highest commendation.

In August Mr. Frank G. Webber retired from the position of Secretary having completed fifty years of faithful service with the Company. Mr. George H. Rogers was appointed to succeed him.

#### **Board of Directors**

Mr. William H. Harrison of New York, appointed a Director in May, 1939, resigned from the Board in July and was commissioned a Brigadier General of the United States Army on the staff of the General Services of Supply.

Mr. Cleo F. Craig, of New York, Vice-President of the American Telephone and Telegraph Company, was appointed a Director to fill the vacancy.

For the Board of Directors,

C. F. SISE,

MONTREAL, February 10, 1943.

*President.*

THE BELL TELEPHONE COMPANY OF CANADA  
COMPARATIVE BALANCE SHEET

ASSETS

	December 31, 1942	December 31, 1941
<b>Fixed Capital:</b>		
LAND AND BUILDINGS—at cost . . . . .	\$ 22,769,371.99	\$ 22,351,607.33
TELEPHONE PLANT AND EQUIPMENT . . . . .	202,559,885.61	194,302,247.89
Cost of central office and subscribers' station equipment, poles, wire, cable, underground conduit, right-of-way, etc.		
GENERAL EQUIPMENT . . . . .	4,594,217.68	4,101,307.44
Cost of office furniture and fixtures, storeroom and garage equipment, motor vehicles and tools and implements.		
	\$229,923,475.28	\$220,755,162.66
 <b>Investment Securities:</b>		
SUBSIDIARY COMPANIES . . . . .	\$ 13,942,181.26	\$ 13,940,941.26
OTHER INVESTMENT SECURITIES . . . . .	516,380.12	516,443.12
Cost of shares in Subsidiary Companies and other investment securities. The aggregate of market values where available and book values where market values are not available exceeds the stated cost.		
	\$ 14,458,561.38	\$ 14,457,384.38
 <b>Current Assets:</b>		
CASH . . . . .	\$ 306,772.92	\$ 827,595.80
TEMPORARY CASH INVESTMENTS . . . . .	2,513,150.00	699,760.43
Dominion Government securities at cost. Market value as of December 31, 1942, \$2,505,367.12.		
MATERIAL AND SUPPLIES . . . . .	4,477,729.30	4,313,104.78
Material and supplies, principally for construction and maintenance purposes, held at cost in storerooms and yards less a reserve of \$64,173.99 at December 31, 1942. Physical inventories were taken during September and October, 1942.		
NOTES RECEIVABLE FROM SUBSIDIARY COMPANIES . . . . .	325,000.00	332,000.00
ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS . . . . .	6,038,513.49	4,865,575.95
SUBSIDIARY COMPANIES . . . . .	\$ 116,994.77	
CUSTOMERS AND OTHERS AND OTHER CURRENT ASSETS . . . . .	5,921,518.72	
Current accounts due the Company for service (less provision for uncollectible accounts), interest, dividends, rents and other items; cash held by employees and agents as working funds; also deposit, as of December 31, 1942, of \$80,862.50 with Trustee for redemption of Series "A" bonds.		
	\$ 13,661,165.71	\$ 11,038,036.96
 <b>Other Assets:</b>		
REFUNDABLE PORTION OF EXCESS PROFITS TAX . . . . .	\$ 709,000.00	\$ -
	\$ 709,000.00	\$ -
 <b>Deferred Debits:</b>		
PREPAYMENTS . . . . .	\$ 883,911.61	\$ 870,291.26
Rents, taxes, insurance, cost of directories and other expenses prepaid and applicable to period subsequent to December 31.		
DISCOUNT ON LONG TERM DEBT . . . . .	311,202.50	332,515.58
Balance of unamortized discount and expense pertaining to bonds outstanding.		
DISCOUNT AND PREMIUM ON BONDS REDEEMED . . . . .	1,830,159.64	1,980,580.56
Unamortized discount, redemption premium and expense pertaining to Series "A" bonds redeemed.		
OTHER DEFERRED DEBITS . . . . .	52,038.98	137,489.57
Miscellaneous items, the final disposition of which had not been determined at December 31.		
	\$ 3,077,312.73	\$ 3,320,876.97
<b>Total Assets</b> . . . . .	\$261,829,515.10	\$249,571,460.97

Approved for Board of Directors:

W. F. ANGUS, *Director*.  
C. E. GRAVEL, *Director*.

THE BELL TELEPHONE COMPANY OF CANADA  
COMPARATIVE BALANCE SHEET

	December 31, 1942	December 31, 1941
<b>LIABILITIES</b>		
<b>Capital Stock:</b>		
COMMON STOCK—Authorized 1,500,000 shares, par value \$150,000,000.00—Outstanding fully paid 1942—842,102 shares . . . . .	\$ 84,210,200.00	\$ 83,249,200.00
<b>Long Term Debt:</b>		
<b>BONDS—First Mortgage:</b>		
Series B—Maturing June 1, 1957—5% . . . . .	\$ 30,000,000.00	\$ 30,000,000.00
Series C—Maturing May 1, 1960—5% . . . . . \$14,500,000.00		
Less—Held in Treasury . . . . . 7,000,000.00	<u>7,500,000.00</u>	<u>7,500,000.00</u>
Series D—Maturing August 1, 1964—3¼% . . . . .	25,000,000.00	25,000,000.00
Notes—Maturing August 1, 1947—2¾% . . . . .	3,000,000.00	3,000,000.00
	<u>\$ 65,500,000.00</u>	<u>\$ 65,500,000.00</u>
<b>Notes Sold to Trustee of Pension Fund . . . . .</b>	<u>\$ 12,232,069.66</u>	<u>\$ 11,042,157.66</u>
<b>Current Liabilities:</b>		
<b>BANK LOAN (Secured)</b> . . . . .	\$ 1,000,000.00	\$ —
<b>NOTES PAYABLE TO SUBSIDIARY COMPANIES</b> . . . . .	107,884.34	106,195.03
<b>ADVANCE BILLING AND PAYMENTS FOR TELEPHONE SERVICE</b> . . . . .	1,318,111.28	1,270,024.61
<b>ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES</b> . . . . .	2,545,926.26	2,672,924.99
<b>SUBSIDIARY COMPANIES</b> . . . . . \$ 778,135.92		
<b>OTHER ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES</b> . . . . . <u>1,767,790.34</u>		
Amounts owing for supplies, pay rolls and other items which are in process of settlement, including balance payable on unredeemed Series "A" bonds of \$80,862.50, as of December 31, 1942.	<u>\$ 4,971,921.88</u>	<u>\$ 4,049,144.63</u>
<b>Accrued Liabilities Not Due:</b>		
<b>TAXES</b> . . . . .	\$ 5,670,226.56	\$ 5,334,498.31
Dominion, Provincial and Municipal taxes applicable to period ended December 31, but not due until after that date.		
<b>OTHER</b> . . . . .	2,336,617.41	2,322,968.83
Interest, dividends and rents applicable to period ended December 31, but not due until after that date.	<u>\$ 8,006,843.97</u>	<u>\$ 7,657,467.14</u>
<b>Deferred Credits:</b>		
<b>EMPLOYEES' STOCK PLAN</b> . . . . .	\$ 1,597,013.55	\$ 1,845,588.82
Instalments paid by employees subscribing for capital stock, with interest thereon.		
<b>PREMIUM ON LONG TERM DEBT</b> . . . . .	328,857.48	344,094.12
Balance of unamortized premium less expense pertaining to bonds outstanding.		
<b>OTHER DEFERRED CREDITS</b> . . . . .	231,807.84	8,379.56
Miscellaneous items, the final disposition of which had not been determined at December 31.	<u>\$ 2,157,678.87</u>	<u>\$ 2,198,062.50</u>
<b>Depreciation Reserve.</b> . . . . .	<u>\$ 69,756,596.09</u>	<u>\$ 63,122,375.72</u>
Provision for the ultimate retirement of depreciable plant when it has served its useful life.		
<b>Premiums on Capital Stock</b> . . . . .	\$ 7,354,193.74	\$ 7,210,043.74
Amount received in excess of par value.		
<b>Surplus:</b>		
<b>RESERVED SURPLUS</b> . . . . .	\$ 709,000.00	\$ —
Surplus reserved in respect of refundable portion of Excess Profits Tax.		
<b>UNAPPROPRIATED SURPLUS:</b>		
<b>CAPITAL SURPLUS</b> . . . . .	2,332,733.36	2,266,794.06
Miscellaneous additions (net) Year 1942 . . . . . \$ 65,939.30		
<b>EARNED SURPLUS</b> . . . . .	4,598,277.53	3,276,215.52
Surplus for Year 1942 (after dividends) . . . . . \$ 640,590.88		
Adjustment for Provincial Corporation Taxes for Year 1941 . . . . . 681,120.00		
Miscellaneous additions (net) Year 1942 . . . . . 351.13	<u>\$1,322,062.01</u>	
	<u>\$ 7,640,010.89</u>	<u>\$ 5,543,009.58</u>
<b>Total Liabilities</b> . . . . .	<u>\$261,829,515.10</u>	<u>\$249,571,460.97</u>

J. CLEUGH, *Comptroller.*

THE BELL TELEPHONE COMPANY OF CANADA  
COMPARATIVE INCOME STATEMENT

	<i>Year 1942</i>	<i>Year 1941</i>
<b>Telephone Operating Revenues</b> . . . . .	\$ 55,809,030.12	\$ 50,820,823.30
Revenues from local and toll service, telephone directory advertising and miscellaneous telephone operations.		
<i>Less:</i> Uncollectible Operating Revenues . . . . .	72,648.04	110,248.12
<b>Total Operating Revenues</b> . . . . .	<u>\$ 55,736,382.08</u>	<u>\$ 50,710,575.18</u>
<b>Telephone Operating Expenses:</b>		
<b>OPERATION EXPENSES</b> . . . . .	\$ 15,835,338.61	\$ 13,997,413.21
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. (1942—Salaries paid to Executive Officers \$149,700.40; Salaries and fees paid to Counsel and other legal advisers \$33,166.86; and fees paid to Directors and members of the Executive Committee \$27,435.00 of which \$7,535.00 was paid and accounted for by Subsidiary Companies.)		
<b>CURRENT MAINTENANCE</b> . . . . .	10,207,519.29	10,040,962.03
Cost of inspection, repairs and rearrangements required to keep the telephone plant and equipment in good operating condition.		
<b>DEPRECIATION</b> . . . . .	8,721,473.00	8,304,308.00
Provision to meet loss of investment when depreciable 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.		
<b>Total Operating Expenses</b> . . . . .	<u>\$ 34,764,330.90</u>	<u>\$ 32,342,683.24</u>
<b>Net Operating Revenues</b> . . . . .	<u>\$ 20,972,051.18</u>	<u>\$ 18,367,891.94</u>
<b>OPERATING TAXES:</b>		
Income and Excess Profits Taxes . . . . .	\$ 8,190,000.00	\$ 6,242,000.00
Excluding refundable portion of Excess Profits Tax of \$709,000.00 for 1942.		
Other Taxes . . . . .	1,769,000.00	1,834,000.00
Dominion, Provincial and Municipal taxes applicable to the year.		
<b>Total Operating Taxes</b> . . . . .	<u>\$ 9,959,000.00</u>	<u>\$ 8,076,000.00</u>
<b>Net Operating Income</b> . . . . .	<u>\$ 11,013,051.18</u>	<u>\$ 10,291,891.94</u>
<b>NET NON-OPERATING INCOME:</b>		
Income from Investment Securities . . . . .	646,229.49	611,185.89
Dividends and interest received from investment securities owned by the Company.		
Other Non-Operating Income (Net) . . . . .	84,747.75	46,031.13
Interest on temporary cash investments and other miscellaneous income less expenses incident thereto including, in 1942, Income and Excess Profits Taxes of \$45,000.00 on non-operating income.		
<b>Total Net Non-Operating Income</b> . . . . .	<u>731,977.24</u>	<u>707,217.02</u>
<b>Income Available for Fixed Charges</b> . . . . .	<u>\$ 11,744,028.42</u>	<u>\$ 10,949,108.96</u>
<b>FIXED CHARGES:</b>		
<i>Bond and Note Interest</i> . . . . .	\$ 2,770,000.00	\$ 2,770,000.00
Interest charges on bonds and notes outstanding.		
Other Interest . . . . .	558,079.02	514,999.04
Interest charges on other debt obligations.		
Amortization of Discount and Premium on Long Term Debt . . . . .	6,076.44	6,076.44
Proportion of discount, premium and expense applicable to the year in connection with outstanding bond issues.		
Amortization of Discount and Premium on Bonds Redeemed . . . . .	150,425.77	150,432.17
Proportion of discount, redemption premium and expense applicable to the year in connection with Series "A" bonds redeemed.		
Other charges . . . . .	203,760.32	204,694.45
Premium on United States funds required for bond interest payments.		
<b>Total Fixed Charges</b> . . . . .	<u>\$ 3,688,341.55</u>	<u>\$ 3,646,202.10</u>
<b>Net Income</b> . . . . .	<u>\$ 8,055,686.87</u>	<u>\$ 7,302,906.86</u>
<b>RESERVATION OF INCOME</b> . . . . .	709,000.00	—
Refundable portion of Excess Profits Tax.		
<b>Balance Available for Dividends</b> . . . . .	<u>\$ 7,346,686.87</u>	<u>\$ 7,302,906.86</u>
<b>DIVIDENDS</b> . . . . .	6,706,095.99	6,621,992.83
Dividends to owners of outstanding common stock.		
<b>Balance for Earned Surplus</b> . . . . .	<u>\$ 640,590.88</u>	<u>\$ 680,914.03</u>

J. CLEUGH, *Comptroller.*

MONTREAL, QUE.,

February 5, 1943.

## AUDITORS' REPORT

TO THE SHAREHOLDERS OF  
THE BELL TELEPHONE COMPANY OF CANADA,  
MONTREAL.

We have made an examination of the Balance Sheet of The Bell Telephone Company of Canada as at December 31, 1942, and the related Income Statement for the year then ended. In connection therewith we examined or tested accounting records of the Company and supporting evidence and made a general review of its accounting methods, but we did not examine the details of all transactions. We have obtained all the information and explanations we have required.

The Balance Sheet and the Income Statement of The Bell Telephone Company of Canada herewith submitted do not include the assets, liabilities or the operating results of the Subsidiary Companies otherwise than as investments and through inclusion of dividends received. The operations of the Subsidiary Companies for the year ended December 31, 1942, resulted in an aggregate net profit.

In our opinion, based upon such examination, the attached Balance Sheet and Income Statement are drawn up in accordance with accepted principles of accounting consistently maintained by the Company during the year under review so as to exhibit a correct view of the financial position of the Company at December 31, 1942, and of the results from operations for the year ended that date according to the information and explanations received by us and as shown by the books of the Company.

(Signed) P. S. ROSS & SONS,  
*Chartered Accountants,*  
*Auditors.*

**TRUSTEE'S REPORT OF PENSION TRUST FUND  
ESTABLISHED BY  
THE BELL TELEPHONE COMPANY OF CANADA**

<b>Balance in Fund—December 31, 1941</b> . . . . .	<b>\$11,454,801.00</b>
Additions to Fund during 1942—	
Payments into Fund by Company . . . . .	\$1,150,731.95
Interest Revenue, less amortization of premium on investments . . . . .	466,290.90
Total Additions . . . . .	<u>\$1,617,022.85</u>
Disbursements for Pensions during 1942 . . . . .	427,430.85
Net Increase in Fund . . . . .	<u>1,189,592.00</u>
 <b>Balance in Fund—December 31, 1942</b> . . . . .	 <b><u><u>\$12,644,393.00</u></u></b>
Comprised of—	
4% Demand Note of The Bell Telephone Company of Canada . . . . .	\$12,232,069.66
Bonds of The Bell Telephone Company of Canada—at cost less amortization of premium to date . . . . .	406,906.67
Bond Interest accrued but not due . . . . .	5,416.67
Total . . . . .	<u><u>\$12,644,393.00</u></u>

We certify that the above statement of the balance in the Pension Trust Fund established by The Bell Telephone Company of Canada, for which Fund this Company is Trustee, is correct.

THE ROYAL TRUST COMPANY, *Trustee.*

By: R. P. JELLETT,  
*Vice-President and General Manager.*

By: M. T. F. LAVERTY,  
*Assistant Secretary.*

MONTREAL, 4th January, 1943.



# STATISTICS

	<i>December 31, 1942</i>	<i>December 31, 1941</i>
<b>Number of Telephones:</b>		
Company Owned—Manual Service . . . . .	256,414	265,611
“ “ —Dial Service . . . . .	669,000	622,737
“ “ —Total . . . . .	925,414	888,348
Connecting and Miscellaneous . . . . .	161,243	156,916
Total Telephones . . . . .	<u>1,086,657</u>	<u>1,045,264</u>
<b>Number of Central Offices</b> . . . . .	415	413
<b>Number of Owned Buildings</b> . . . . .	159	150
<b>Miles of Pole Lines</b> . . . . .	22,989	23,003
<b>Miles of Wire:</b>		
In Underground Cable . . . . .	2,799,924	2,731,545
In Aerial Cable . . . . .	973,808	954,244
Open Wire . . . . .	232,505	230,329
Total Miles of Wire . . . . .	<u>4,006,237</u>	<u>3,916,118</u>
<b>Miles of Subway (Length of Street Occupied)</b> . . . . .	1,113	1,075
<b>Miles of Duct</b> . . . . .	5,434	5,291
<b>Average Daily Connections for Year:</b>		
Local . . . . .	6,432,000	6,486,000
Toll . . . . .	87,000	77,000
<b>Number of Employees:</b>		
Male . . . . .	4,914	5,506
Female . . . . .	6,819	6,259
Total Employees (excluding War Service) . . . . .	<u>11,733</u>	<u>11,765</u>
<b>Employees on War Service</b> . . . . .	1,490	621
<b>Total Pay Roll for Year</b> . . . . .	\$20,369,030	\$18,529,581
<b>Number of Shareholders:</b>		
In Canada . . . . .	22,728	22,062
Elsewhere . . . . .	1,229	1,214
Total Shareholders . . . . .	<u>23,957</u>	<u>23,276</u>

# GROWTH IN NUMBER OF TELEPHONES OWNED BY COMPANY

