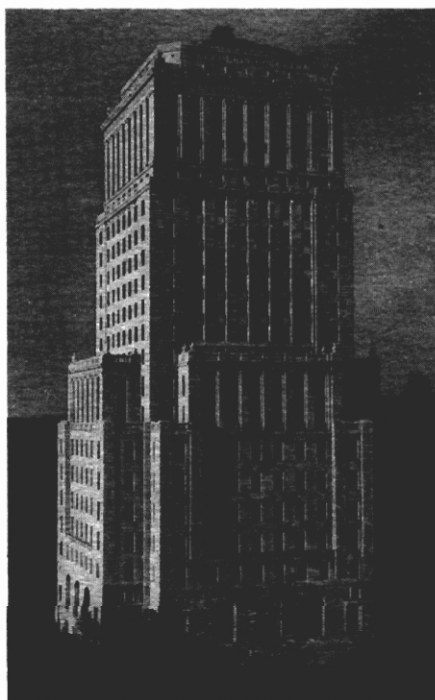
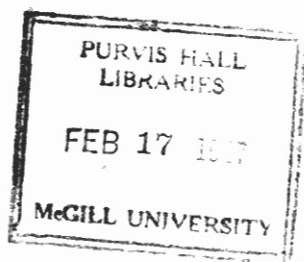


Annual Report

1946



THE BELL TELEPHONE COMPANY
OF CANADA



REPORT
OF THE
Directors to the Shareholders
OF
THE BELL TELEPHONE
COMPANY OF CANADA



FOR THE YEAR
ENDED DECEMBER 31
1946

THE BELL TELEPHONE COMPANY OF CANADA

1050 BEAVER HALL HILL
MONTREAL 1, P. Q.

Directors

L. J. ADJUTOR AMYOT.....	Quebec
*WILLIAM F. ANGUS.....	Montreal
C. GORDON COCKSHUTT.....	Brantford
CLEO F. CRAIG.....	New York
*HON. CHARLES A. DUNNING, P.C.....	Montreal
*JAMES A. ECCLES.....	Montreal
*C. EDOUARD GRAVEL.....	Montreal
WILLIAM H. HARRISON.....	New York
*FREDERICK JOHNSON.....	Montreal
*PAUL A. MCFARLANE.....	Montreal
HON. SIDNEY C. MEWBURN, K.C.....	Hamilton
GLYN OSLER, K.C.....	Toronto
*CHARLES F. SISE.....	Montreal
*PAUL F. SISE.....	Montreal
VICTOR R. SMITH.....	Toronto

**Member of Executive Committee*

Officers

C. F. SISE.....	<i>Chairman of the Board</i>
F. JOHNSON.....	<i>President</i>
P. A. MCFARLANE.....	<i>Vice-President</i>
J. H. BRACE.....	<i>Vice-President</i>
R. V. MACAULAY.....	<i>Vice-President</i>
S. C. SCADDING.....	<i>Secretary</i>
J. R. LOGAN.....	<i>Treasurer</i>
J. CLEUGH.....	<i>Comptroller</i>
N. A. MUNNOCH, K.C.....	<i>General Counsel</i>
H. G. YOUNG.....	<i>General Manager, Toronto</i>
C. L. DEWAR.....	<i>General Manager, Montreal</i>

Sixty-Seventh Annual Report

This report of the Board of Directors to the shareholders for the year 1946 is presented also for the information of the employees and for the information of the public who have entrusted to The Bell Telephone Company of Canada the provision of an essential service.

In this first full year of peace, demands upon this Company for telephone service increased beyond even the previous peak levels reached in war-time.

The construction program to extend and improve service was the largest ever undertaken. Employees were added in unprecedented numbers and new telephone equipment was received from the manufacturers and put into service at a rate never before equalled. No effort was spared to meet the public's demands for service. And the Company provided more local and long distance service, through more telephones, than in any other year.

Nevertheless, as the year closed, there were even more unfilled orders for service than at the first of the year. And in many cases operating facilities were so overtaxed, in efforts to provide telephones for the greatest possible number of applicants, that the speed and quality of the general service were sometimes impaired.

Gross revenues increased by 10.9 per cent over 1945, but operating expenses were up 24.7 per cent. Taxes, however, were 31.2 per cent less than in the previous year and net income, after fixed charges, amounted to \$9.07 per share of stock.

Funds to finance the Company's program of new construction were secured by the sale of capital stock. An offering to shareholders on the basis of one new share for every five shares held, together with purchases by employees under the Employees' Stock Plan, resulted in the issue in total of 177,376 new shares of the Company's stock.

Authority for a \$35,000,000 bond issue, primarily intended for the redemption of Series B 5% bonds, was given by the shareholders in February, 1946. The directors will ask for authority for another issue of the same amount at the Annual and Special General Meeting of shareholders in February, 1947.

As the year closed, the number of shareholders was the greatest yet recorded.

Agreements with authorized bargaining representatives of employee associations resulted in the inauguration of a shorter work week.

As in previous years there was cordial and effective co-operation between the Company and the other members of Trans-Canada Telephone System, as well as the 911 other telephone systems in Ontario and Quebec which operate 207,247 telephones.

The friendly understanding of the public and the willing co-operation of customers were important factors in enabling telephone workers to overcome difficulties in rendering service.

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Service

The net increase in telephones in service was greater in 1946 than in any other two years in the Company's history. The total in service on December 31 was 1,177,924; that is 127,811 more than at the end of 1945.

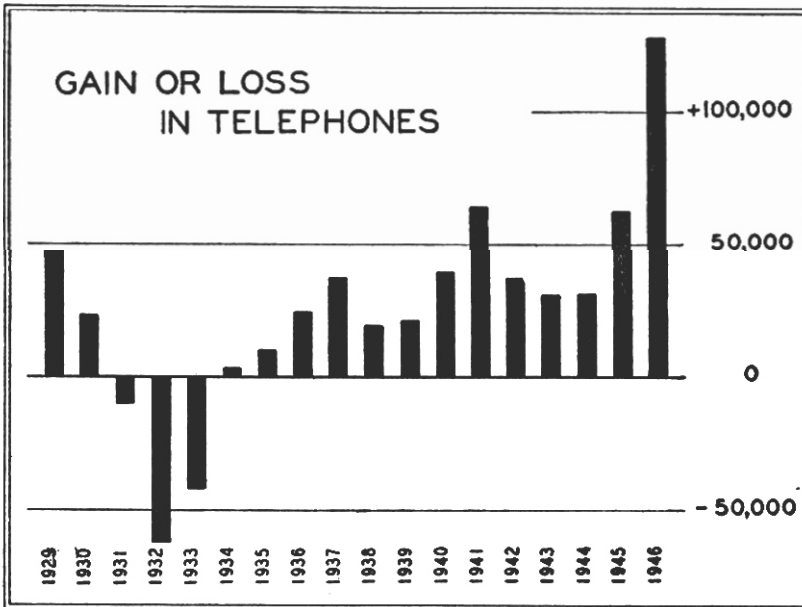
At the beginning of the year 1946 there were 77,000 applicants waiting for service. As the year progressed the shortage of telephone instruments was overcome and outside wire and cable became in most cases adequate to meet requirements. The provision of central office equipment, however, an essentially slower process, lagged behind demands and despite the unparalleled increase in telephones

in service, the year ended with 84,000 unfilled applications for service. The still greater construction program for 1947 should take care of all of these and a large part of the expected new demands.

There were about 7.4 million more long distance calls and 310 million more local calls than in 1945. These represent increases of 16 per cent and 14 per cent, respectively.

Operating facilities were strained to the limit to provide the greatly increased volume of service. As a result the speed and quality of service, in some places and at some times, were not equal to the usual standards of the Company. Nevertheless, most calls were answered promptly, and most long distance calls were completed while the customers held the line.

In spite of scarcities of critical materials, maintenance of plant and equipment continued at a high standard. Troubles per telephone averaged one report in 18 months, and these were promptly cleared. Emphasis was placed on



new and improved methods of plant maintenance designed further to reduce service interruptions.

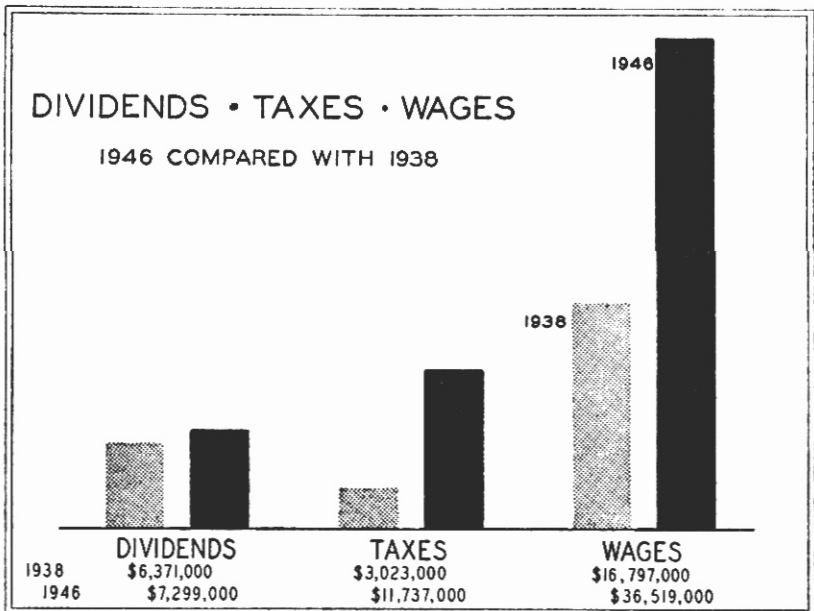
Revenues

The gross revenue from all sources amounted to \$78,014,338, an increase of \$7,684,437 or 10.9 per cent over 1945.

This was made up of \$47,324,464 in local service revenue, an increase of 10.4 per cent; \$26,683,898 in long distance revenue, an increase of 11.8 per cent; and \$4,005,976 in miscellaneous revenue, an increase of 11.2 per cent.

Expenses

Total operating expenses continued an upward trend and were higher than for 1945 by \$10,727,159 or 24.7 per cent. Of this increase, operation and maintenance expenses accounted for \$9,945,270. This was due mainly to an



increase of \$6,507,000 in the expense payrolls which resulted from a substantially greater number of employees, upward adjustments of basic wage rates and the inauguration of a shorter work week for employees in the latter part of the year. Depreciation expense increased by \$781,889.

In the report for 1945 reference was made to the inclusion of additional depreciation allowances of \$268,500 which had been accrued under amended provisions of the Income War Tax Act. It was subsequently ruled that the amended provisions of the Act did not apply to service companies, including telephone companies. In consequence the 1945 additional depreciation accrual and the related income and excess profits taxes have been adjusted in the surplus accounts.

Taxes

Taxes applicable to the year 1946 amounted to \$11,737,000, a decrease of \$5,322,000 or 31.2 per cent. This was due almost entirely to reductions in federal income and excess profits taxes. Total taxes, nevertheless, were equivalent to \$10.48 for each telephone in service, or \$12.86 for each share of capital stock.

In addition, taxes totalling \$9,460,000 were collected at the source for the various governments from employees, from telephone users and from the owners of the Company's bonds and shares.

Net Income and Dividends

Net income, after fixed charges, amounted to \$8,274,370 or \$9.07 per share of average outstanding capital stock as compared with \$9.63 in 1945.

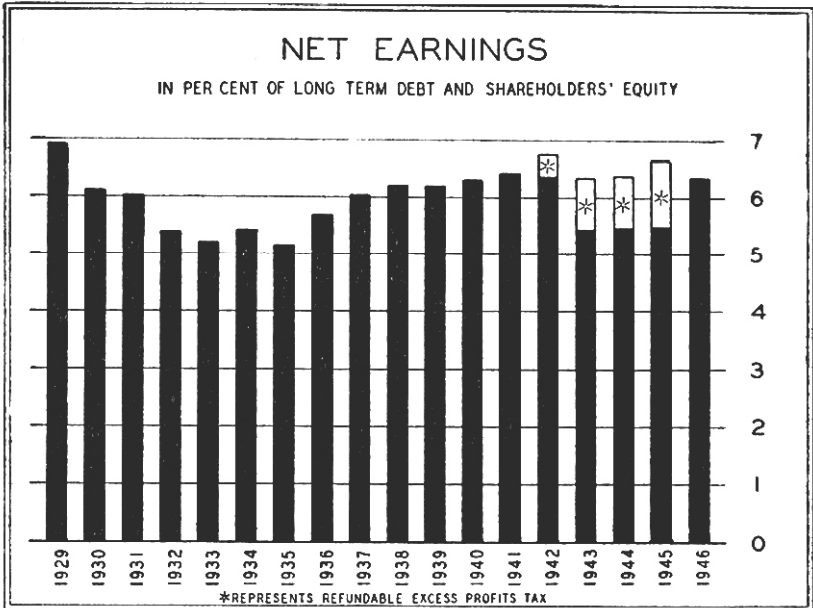
Quarterly dividends paid at the rate of \$2 per share totalled \$7,299,118 for the year.

Financing

During 1946 funds required to finance the Company's program of new construction were secured by the sale of capital stock.

With the approval of the Board of Transport Commissioners for Canada, shareholders of record on September 25, 1946, were offered the right to subscribe for additional stock at \$145 per share in the proportion of one share for each five shares then held. The issue was most successful. Of the 174,471 shares offered, 172,058 or 98.6 per cent were subscribed. Subscriptions to the new issue numbered 17,229; 54 per cent were from women and 86 per cent were for one to ten shares. Of the total shares subscribed 99.8 per cent were taken up by residents of Canada. When instalment payments are completed, the total amount of new money thus invested in the business will be \$24,948,410.

As the issue was not registered under the United States Securities Act, the Company was unable to accept sub-



scriptions from residents of that country, although shareholders there, who owned 26.2 per cent of the stock, had the privilege of selling their "rights" in Canada. Further, due to exchange restrictions, few subscriptions could be made by shareholders in other countries.

It is a tribute to the investment standing of the Company's stock that at a time of falling prices on all stock markets, Canadian investors absorbed the large number of rights thus offered, in addition to subscribing for most of the allotment of new shares to which Canadian holders of the stock were entitled.

Under the Employees' Stock Plan, 9,815 shares of the Company's stock were issued to employees who had completed instalment payments.

In February, the shareholders authorized a \$35,000,000 bond issue. It is expected that when these bonds have been issued, if exchange and other conditions warrant, the proceeds will be used mainly to retire the Company's \$30,000,000 Series B 5% bonds, payable in either Canadian or United States dollars at the holder's option, which first become redeemable on June 1, 1947 at 105 per cent.

In view of the continuing need for new capital to meet the public's demand for service, the directors will ask the shareholders at the Annual and Special General Meeting, on February 27, 1947, for authority to create and issue a further series of bonds of an aggregate principal amount of \$35,000,000. This additional authority to issue bonds, together with the power already existing to issue stock, will enable the directors to procure the new capital in such form as may be in the best interests of the Company.

Shareholders

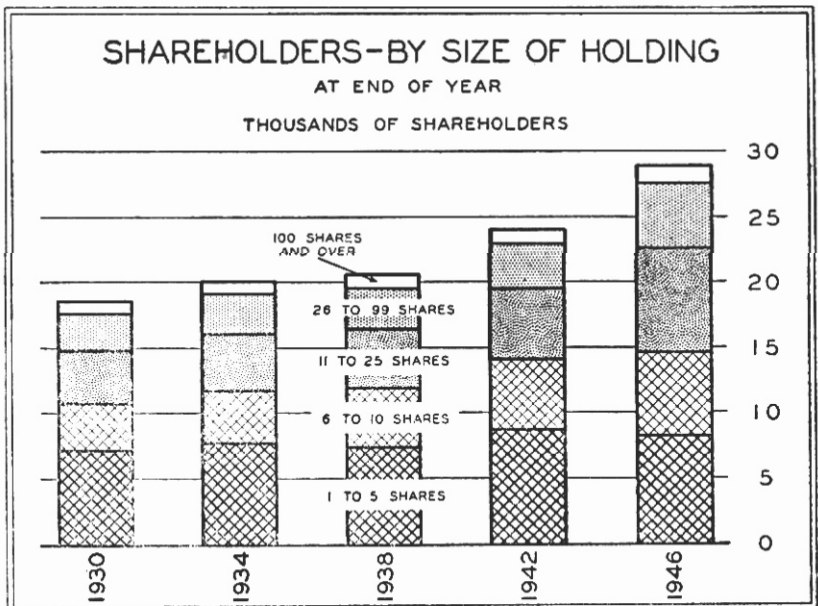
The number of shareholders increased by 3,520 during the year to a total of 28,840 on December 31, the largest on record.

Shareholders living in Canada number 27,472 or 95.3 per cent of the total and hold 76.6 per cent of the stock. There are now more shareholders in Canada and they own a greater number of shares than at any previous time in the Company's history.

Shareholders residing outside of Canada hold 23.4 per cent of the total shares; this includes 18 per cent held by the American Telephone and Telegraph Company as compared with 21.7 per cent at the close of 1945.

On the average, shareholders hold 36 shares as compared with 34 shares a year ago; 28.5 per cent hold not more than five shares and 78.4 per cent hold not more than 25 shares. Of the total shareholders 56.2 per cent are women.

The 4,325 employees and pensioners who are shareholders own 75,864 or 7.3 per cent of the total outstanding shares.



Construction Program

The supply of manufactured equipment and materials was the limiting factor in the construction program. Due to strikes, certain basic commodities, notably brass, steel and cotton, were not available in quantities required by the manufacturers to produce equipment adequate to the Company's needs. Nevertheless, telephone equipment was supplied at a greater rate than ever before.

New construction at a cost of \$29,000,000 was more than double the outlay for 1945.

The net increase in fixed capital, after allowance for the original cost of plant removed from service and not re-used, was \$25,823,000, compared with \$11,856,000 in the previous year.

Buildings, for new dial central office equipment, were completed in Montreal ("TRENmore") and Toronto ("ORchard"). Others were under construction in Quebec, St. Catharines and Orillia.

In Toronto, construction of a major extension of the warehouse and garage on Shaw Street and of a new garage on Mount Pleasant Road was under way.

Extensions of smaller buildings for new manual or dial equipment were completed at Chatham, L'Abord-à-Plouffe, Ste-Âgathe, St-Vincent-de-Paul, Simcoe, Vaudreuil, Wallaceburg and Willowdale.

Fifteen repeater stations were built on main long distance routes to house equipment needed for new cables and multi-channel open-wire carrier systems.

The new "ORchard" dial centre in Toronto was opened in December with 5,000 terminals in operation. The installation of an initial 5,000 terminals of dial equipment in the new Montreal "TRENmore" office was nearly completed and the opening is scheduled for February, 1947. Extensions of dial central office equipment were completed in Quebec,

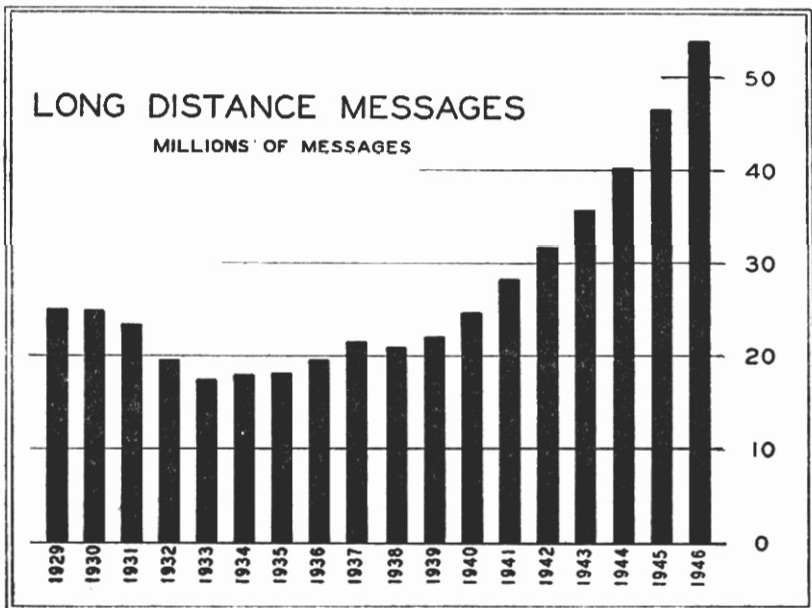
Montreal ("CRescent") and Toronto ("HArgrave" and "LYndhurst"). Many similar extensions were also under way, notably in Windsor, Hamilton, Montreal ("DU-pont"), Ottawa and Quebec.

Extensions of manual central office equipment were made in Trois-Rivières, Cornwall, Woodstock, Toronto ("OLiver"), London and several smaller communities.

Resuming a policy of service improvement necessarily deferred by war, common battery equipment was installed to replace magneto operation in Dundalk, Flesherton, Shelburne and Chatsworth.

Long distance switchboards were extended in Montreal, Toronto and Quebec, and further additions were under way in Toronto and Montreal.

The first group of multi-channel cable carrier systems to link Toronto, Montreal and Ottawa was nearly completed. Stormproof cable from Montreal to Ste-Agathe



was placed in service. Work was begun on the Montreal-Trois-Rivières section of the Montreal-Quebec cable, most of it buried, designed for multi-channel carrier operation.

Open-wire carrier systems of the three-channel type, released by the installation of new cables, were transferred to increase facilities on other routes. Other heavily burdened circuits were relieved by the erection of additional open-wire lines and the installation of single-channel carrier equipment.

In all, 335,700 miles of wire were added.

The trial installation of a high-frequency, point to point radio link provided direct telephone communication between Sorel and Joliette.

Trans-Canada Telephone System

Fewer calls to and from the Maritime Provinces accounted largely for a reduction of somewhat less than nine per cent in the volume of traffic over lines of the Trans-Canada Telephone System as compared with 1945. Traffic over other routes continued to grow. Of six additional Trans-Canada circuits placed in service, five extend into this Company's territory.

Overseas Telephone Service

Calls routed via Montreal to the United Kingdom and Newfoundland continued at a high level. Except for occasional delays created by heavily burdened channels, the service was handled satisfactorily.

Telephone service linked Canadians with ten new countries overseas and re-connection was made with seven countries to which the service for the general public had been interrupted by war-time restrictions.

Canadians are now within telephone reach of 52 overseas countries as compared with 68 at the beginning of the war.

Mobile Telephone Service

Trials of mobile telephone service were successfully conducted with Company vehicles in Toronto and Montreal. Plans were also made to extend the trials to highways in a large area north of Toronto. These trials and further development work now in hand are preparatory to offering the service to the public.

Rural Telephone Service

Significant progress was made toward the objective of improving and extending rural telephone service, to make it available at the lowest practicable cost to all rural premises.

Some 700 rural telephone lines were built and more than 12,000 rural telephones were added with the result that 48 per cent of all families in rural areas within the Company's territory now have telephone service. Increasing the load on rural lines to meet as many service demands as possible resulted in the connection of more than eight subscribers per line on over half of the lines.

Employees' Pension and Benefit Plan

Several revisions in the Plan which liberalize treatment in some cases and make mandatory certain privileges which were formerly discretionary, became effective July 1, 1946. These include an increase in the minimum pension from \$30 to \$40 per month.

Payments by the Company into the pension trust fund included a special payment of \$540,050 made pursuant to a schedule adopted in 1944 for the purpose of bringing the fund into closer relationship to the Company's liability under the Plan as determined by the last actuarial valuation. An amount of \$1,290,000 was also paid into the fund to provide for the increase in the actuarial requirement resulting from the increase in the minimum pension.

During the year benefits and pensions amounting to \$1,214,982 were paid in 4,617 cases under the Plan. Payments were divided as follows:

	<i>No. of Cases</i>	<i>Amount</i>
Pensions		
Service (paid from pension trust fund).....	792	\$527,343
Disability.....	117	41,135
Benefits		
Accident (including expenses).....	448	23,400
Sickness.....	3,113	519,900
Death.....	147	103,204

Employee Security and Health

Amendments to the Employees' Stock Plan, which were effective December 1, included an increase in the subscription price from \$115 to \$135 per share and an increase in the monthly wage deduction from \$3 to \$4 per share subscribed for. As amended, the Plan permits employees of six months' continuous service to subscribe for one share for each \$400 or fraction of annual rate of pay and, through assignment of dividends, to subscribe for one additional share for each five fully paid shares acquired under the Plan.

Of the 17,757 employees eligible to subscribe under the Plan, 14,045 are now subscribing for 102,463 shares.

Following the completion of subscriptions for Victory Loan bonds and war savings certificates, many employees continued their savings by subscribing for the new Canada Savings bonds. Purchases by payroll deductions and through banks totalled \$816,000.

Under the Employees' Life Insurance Plan, whereby premiums are paid through deductions from pay, employees were carrying \$16,602,000 of life insurance at December 31—an average of \$3,614 per insured employee.

At December 31, 12,355 employees or 58 per cent of those eligible were enrolled under the hospital service plans

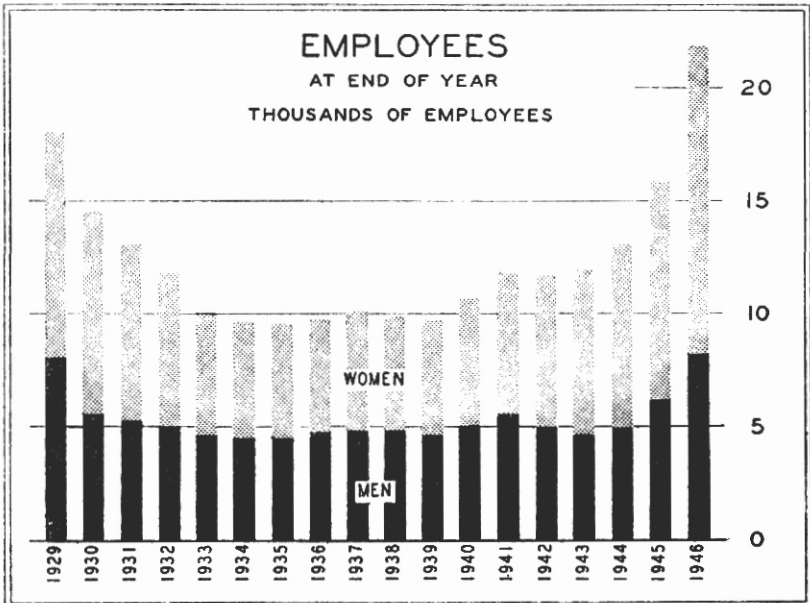
whereby provision for hospital care is made available to employees and their families through payroll deductions.

With disease prevention and health promotion as the objective, medical services for employees were reorganized and extended. Health centres similar to those in operation for many years in Montreal and Toronto were established in Ottawa and London.

Employees

At the end of the year there were 21,801 employees, of whom 13,630 were women. This, the largest number of employees in the history of the business, compares with 15,849 on December 31, 1945.

To replace losses and secure the required increase in personnel it was necessary to engage 10,000 persons, of whom 80 per cent were women. Continued emphasis on the recruiting of women was necessary to accomplish this.

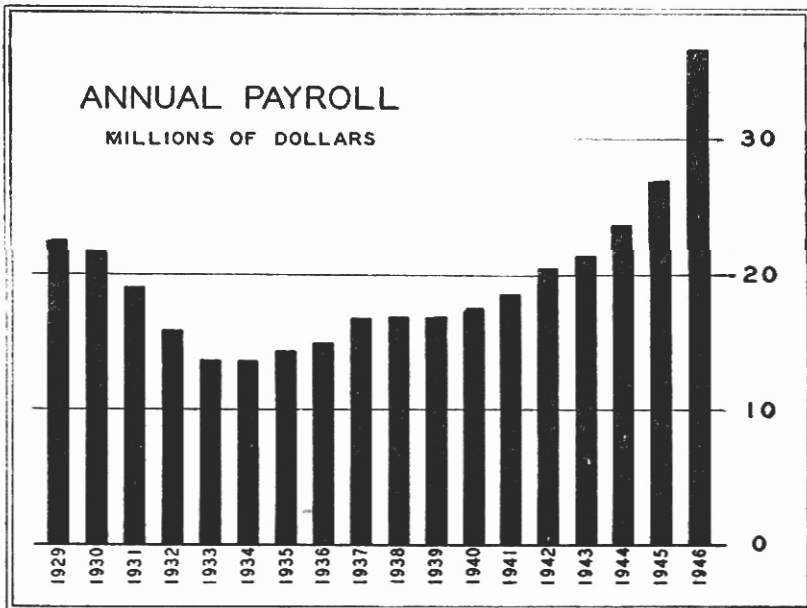


The number of men available increased appreciably as demobilization progressed.

Nearly 90 per cent of the employees who served in the armed forces or were engaged in other war work have returned to the Company's employ, a total of 2,217. More than 1,700 veterans who were not previously employed by the Company have also been engaged. Approximately 40 per cent of the total male force are veterans of World War II.

The total payroll of the Company for 1946 was \$36,519,000 an increase of \$9,475,000, or 35 per cent, over 1945.

Collective bargaining with certified representatives of employees resulted in the renewal of a collective agreement with the Plant Employees' Association and in the signing of the first collective agreements with the Traffic Employees' Association and the Accounting Employees' Association.



Negotiations led to the adoption of a five-day work week for some groups in certain communities and a five-and-one-half-day week in the balance. These modifications were considered to be justified by the general trend in industry.

A majority of the Company's employees are now members of employee associations with which collective agreements have been concluded. Representatives of the Commercial and Engineering employee associations have been certified recently but negotiations leading to the completion of agreements have not been initiated.

Organization

Important changes were made in the field organization outside of the metropolitan centres of Toronto and Montreal. On January 1, the Western division was divided to form the Western and Central divisions, and on September 1 the Eastern division was similarly divided to form the Eastern Ontario and Quebec divisions. These changes were in keeping with the growth of the business since the former territorial arrangement was established.

Officers

Mr. S. C. Scadding was appointed Secretary, effective July 1, succeeding Mr. G. H. Rogers, and Mr. C. L. Dewar was appointed General Manager, Eastern Area, effective September 1, succeeding Mr. J. N. Groleau. Mr. Rogers and Mr. Groleau both retired after many years of faithful service to the Company.

Board of Directors

In May Mr. Arthur W. Page, Vice-President of the American Telephone and Telegraph Company, resigned from the Board because of pressure of other duties. Mr. William H. Harrison, Vice-President of the American Telephone and Telegraph Company, a former director who

resigned in July, 1942 to serve with the United States Army, was appointed to fill the vacancy caused by the resignation of Mr. Page.

War Service Award

On behalf of the Secretary of War of the United States, the President of the Company was presented with the Certificate of Appreciation of the War Department for services rendered by the Company during the war.

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While the year 1946 ended with an increased number of unfilled applications for service, due to the unprecedented volume of new applications and the scarcity of materials and equipment, notable advances were made toward the objective that telephone service of the highest standard would once more be available whenever and wherever it is wanted.

There was evidence on every hand that the Company's efforts to realize its objectives were appreciated by the public whose understanding and co-operation played an important part in assisting the Company to meet a variety of new and perplexing problems.

To the employees, including the thousands of men and women who are new to the business, must go much credit for the year's results. Their courtesy, efficiency and loyalty were in the tradition of Bell workers. In tribute to them this expression of appreciation is written into the record of a year of extraordinary accomplishment.

For the Board of Directors,


President.

MONTREAL, February 5, 1947.

THE BELL TELEPHONE COMPANY OF CANADA
COMPARATIVE BALANCE SHEET

ASSETS

	December 31, 1946	December 31, 1945
Fixed Capital:		
LAND AND BUILDINGS—at cost	\$ 25,058,184.70	\$ 23,485,486.48
TELEPHONE PLANT AND EQUIPMENT	246,326,603.95	223,908,783.52
Cost of central office and subscribers' station equipment, poles, wire, cable, underground conduit, right-of-way, etc.		
GENERAL EQUIPMENT	7,088,095.74	5,255,655.72
Cost of office furniture and fixtures, storeroom and garage equipment, motor vehicles and tools and implements.		
	<u>\$278,472,884.39</u>	<u>\$252,649,925.72</u>
Investment Securities:		
SUBSIDIARY COMPANIES	\$ 14,745,228.16	\$ 13,953,309.26
OTHER INVESTMENT SECURITIES	515,555.12	518,556.12
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.		
	<u>\$ 15,260,783.28</u>	<u>\$ 14,471,865.38</u>
Current Assets:		
CASH	\$ 641,270.83	\$ 764,295.52
TEMPORARY CASH INVESTMENTS	9,193,850.00	5,621,022.38
Dominion and Provincial Government securities, market value as of December 31, 1946, \$9,197,891.62.		
MATERIAL AND SUPPLIES	5,913,113.27	4,298,058.48
Principally for construction and maintenance purposes, held at cost, less a reserve of \$24,644.71 at December 31, 1946. Physical inventories were taken during September and October, 1946.		
NOTES RECEIVABLE FROM SUBSIDIARY COMPANIES	241,700.00	259,500.00
ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS	7,166,884.22	6,548,698.43
SUBSIDIARY COMPANIES	\$ 152,203.53	
CUSTOMERS AND OTHERS AND OTHER CURRENT ASSETS	7,014,680.69	
Amounts due for service (less reserve for uncollectible accounts), interest, dividends, rents, etc., and cash held by employees as working funds.		
	<u>\$ 23,156,818.32</u>	<u>\$ 17,491,574.81</u>
Other Assets:		
REFUNDABLE PORTION OF EXCESS PROFITS TAX	\$ 6,506,812.99	\$ 6,453,112.99
Deferred Debits:		
PREPAYMENTS	\$ 1,230,418.58	\$ 1,044,256.58
Rents, taxes, insurance, cost of directories and other expenses prepaid and applicable to period subsequent to December 31.		
DISCOUNT ON LONG TERM DEBT	225,950.18	247,263.26
Balance of unamortized discount and expense pertaining to bonds and long term notes outstanding.		
DISCOUNT AND PREMIUM ON BONDS REDEEMED	1,228,464.30	1,378,888.50
Unamortized discount, redemption premium and expense pertaining to Series "A" bonds redeemed.		
OTHER DEFERRED DEBITS	299,724.48	211,857.81
Miscellaneous items, the final disposition of which had not been determined at December 31.		
	<u>\$ 2,984,557.54</u>	<u>\$ 2,882,266.15</u>
Total Assets	<u>\$326,381,856.52</u>	<u>\$293,948,745.05</u>

LIABILITIES

	December 31, 1946	December 31, 1945
Capital Stock:		
COMMON STOCK—Authorized 1,500,000 shares, par value \$150,000,000.00—Outstanding fully paid 1946—1,042,584 shares	\$104,258,400.00	\$ 86,520,800.00
Capital Stock Instalments	181,464.00	—
	<u>\$104,439,864.00</u>	<u>\$ 86,520,800.00</u>
Long Term Debt:		
BONDS—First Mortgage:		
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	7,500,000.00
Series D—Maturing August 1, 1964—3¼%	25,000,000.00	25,000,000.00
NOTES—Maturing August 1, 1947—2%	3,000,000.00	3,000,000.00
NOTE SOLD TO TRUSTEE OF PENSION FUND	11,184,081.74	11,711,424.80
	<u>\$ 76,684,081.74</u>	<u>\$ 77,211,424.80</u>
Current Liabilities:		
NOTES PAYABLE TO SUBSIDIARY COMPANIES	\$ 115,787.77	\$ 119,012.03
ADVANCE BILLING AND PAYMENTS FOR TELEPHONE SERVICE	1,818,332.48	1,610,616.93
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	6,104,024.73	4,049,692.12
SUBSIDIARY COMPANIES	\$ 2,906,710.11	
OTHER ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	3,197,314.62	
Amounts owing for supplies, pay rolls and other items which are in process of settlement.		
	<u>\$ 8,038,144.98</u>	<u>\$ 5,779,321.08</u>
Accrued Liabilities Not Due:		
TAXES	\$ 4,425,756.30	\$ 8,975,641.01
OTHER	2,750,634.70	2,375,246.19
Dominion, Provincial and Municipal taxes, interest, dividends and rents applicable to period ended December 31, but not due until after that date.		
	<u>\$ 7,176,391.00</u>	<u>\$ 11,350,887.20</u>
Deferred Credits:		
EMPLOYEES' STOCK PLAN	\$ 2,827,842.41	\$ 1,911,216.30
Instalments paid by employees subscribing for capital stock, with interest thereon.		
PREMIUM ON LONG TERM DEBT	267,910.92	283,147.56
Balance of unamortized premium less expense pertaining to bonds outstanding.		
OTHER DEFERRED CREDITS	151,031.13	416,801.31
Miscellaneous items, the final disposition of which had not been determined at December 31.		
	<u>\$ 3,246,784.46</u>	<u>\$ 2,611,165.17</u>
Depreciation Reserve	<u>\$ 99,949,292.99</u>	<u>\$ 92,384,669.37</u>
Provision for the ultimate retirement of depreciable plant when it has served its useful life.		
Premiums on Capital Stock	<u>\$ 15,388,253.74</u>	<u>\$ 7,700,783.74</u>
Amount received in excess of par value.		
Surplus:		
RESERVED SURPLUS	\$ 6,506,812.99	\$ 6,453,112.99
Adjustment due to additional depreciation accrued in 1945 and subsequently disallowed	\$ 53,700.00	
Surplus reserved in respect of refundable portion of Excess Profits Tax.		
UNAPPROPRIATED SURPLUS:		
CAPITAL SURPLUS	2,544,499.88	2,507,633.93
Miscellaneous additions (net) Year 1946	\$ 36,815.95	
EARNED SURPLUS	2,407,730.74	1,428,896.77
Balance credited for Year 1946	\$975,252.23	
Additional depreciation accrued in 1945 and subsequently disallowed	268,500.00	
Income and Excess Profits Taxes due to additional depreciation disallowed	268,500.00	
Miscellaneous additions (net) Year 1946	3,581.74	
	<u>\$978,833.97</u>	
	<u>\$ 11,459,043.61</u>	<u>\$ 10,389,693.69</u>
Total Liabilities	<u>\$326,381,856.52</u>	<u>\$293,948,745.05</u>

Approved for Board of Directors:
W. F. AMOUD, Director.
C. E. GRAVEL, Director.

J. CLEUGH, Comptroller.

THE BELL TELEPHONE COMPANY OF CANADA
COMPARATIVE INCOME STATEMENT

	Year 1946	Year 1945
Telephone Operating Revenues	\$ 77,377,276.13	\$ 69,494,802.84
Revenues from local and toll service, telephone directory advertising and miscellaneous telephone operations.		
Less: Uncollectible Operating Revenues	104,310.18	69,857.07
Total Operating Revenues	\$ 77,272,965.95	\$ 69,424,945.77
Telephone Operating Expenses:		
OPERATION EXPENSES	\$ 29,065,145.51	\$ 22,084,030.50
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. (1946—Salaries paid to Executive Officers \$185,833.66; Salaries and fees paid to Counsel and other legal advisers \$41,333.53; and fees paid to Directors and members of the Executive Committee \$28,035.00 of which \$8,135.00 was paid and accounted for by Subsidiary Companies.)		
CURRENT MAINTENANCE	14,734,730.27	11,770,574.99
Cost of inspection, repairs and rearrangements required to keep the telephone plant and equipment in good operating condition.		
DEPRECIATION	10,425,072.00	9,643,183.00
Provision to meet the loss when depreciable property is retired from service, based on rates of depreciation for the different classes of property which spread this loss uniformly over the service life of the property.		
Total Operating Expenses	\$ 54,224,947.78	\$ 43,497,788.49
Net Operating Revenues	\$ 23,048,018.17	\$ 25,927,157.28
OPERATING TAXES:		
Income and Excess Profits Taxes	\$ 9,567,000.00	\$ 12,816,000.00
Excluding refundable portion of Excess Profits Tax for 1945.		
Other Taxes	2,170,000.00	1,942,000.00
Dominion, Provincial and Municipal taxes applicable to the year.		
Total Operating Taxes	\$ 11,737,000.00	\$ 14,758,000.00
Net Operating Income	\$ 11,311,018.17	\$ 11,169,157.28
OTHER INCOME:		
Income from Investment Securities	413,466.21	740,635.80
Dividends and interest received from investment securities owned by the Company.		
Miscellaneous Income (Net)	223,595.66	94,462.28
Interest on temporary cash investments and other miscellaneous income (net).		
Income Available for Fixed Charges	\$ 11,948,080.04	\$ 12,004,255.36
FIXED CHARGES:		
Bond and Note Interest	\$ 3,211,067.46	\$ 3,231,562.91
Interest charges on bonds and long term notes outstanding.		
Other Interest	203,728.63	112,732.65
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 bonds and long term notes outstanding.		
Amortization of Discount and Premium on Bonds Redeemed	150,425.76	150,427.95
Proportion of discount, redemption premium and expense applicable to the year in connection with Series "A" bonds redeemed.		
Other Charges	102,411.71	199,374.87
Premium on United States funds required for bond interest payments.		
Total Fixed Charges	\$ 3,673,710.00	\$ 3,700,174.82
Net Income	\$ 8,274,370.04	\$ 8,304,080.54
RESERVATION OF INCOME	—	2,301,000.00
Refundable portion of Excess Profits Tax.		
Balance Available for Dividends	\$ 8,274,370.04	\$ 6,003,080.54
DIVIDENDS	7,299,117.81	6,897,979.70
Dividends to owners of outstanding common stock.		
Balance Charged to Earned Surplus	\$ —	\$ 894,899.16
Balance Credited to Earned Surplus	975,252.23	—

J. CLEUGH, *Comptroller.*

MONTREAL, QUE.,
January 31, 1947.

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 of December 31, 1946, 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, 1946, 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, 1946, 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

Balance in Fund—December 31, 1945	\$18,367,022.00
Additions to Fund during 1946—	
Payments into Fund by Company	\$3,581,502.31
Interest Revenue (including amortization of premium on investments)	679,887.44
Total Additions	\$4,261,389.75
Disbursements for Pensions during 1946	527,343.06
Net Increase in Fund	3,734,046.69
Balance in Fund—December 31, 1946	<u>\$22,101,068.69</u>
Comprised of—	
4% two-year Note of The Bell Telephone Company of Canada	\$11,184,081.74
Dominion Government Bonds	8,919,065.16
Bonds of The Bell Telephone Company of Canada	405,827.87
Cash and Accrued Interest not due	1,592,093.92
Total	<u>\$22,101,068.69</u>

NOTE—Securities shown on amortized basis.

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: GEO. G. W. GOODWIN,
Assistant Manager.

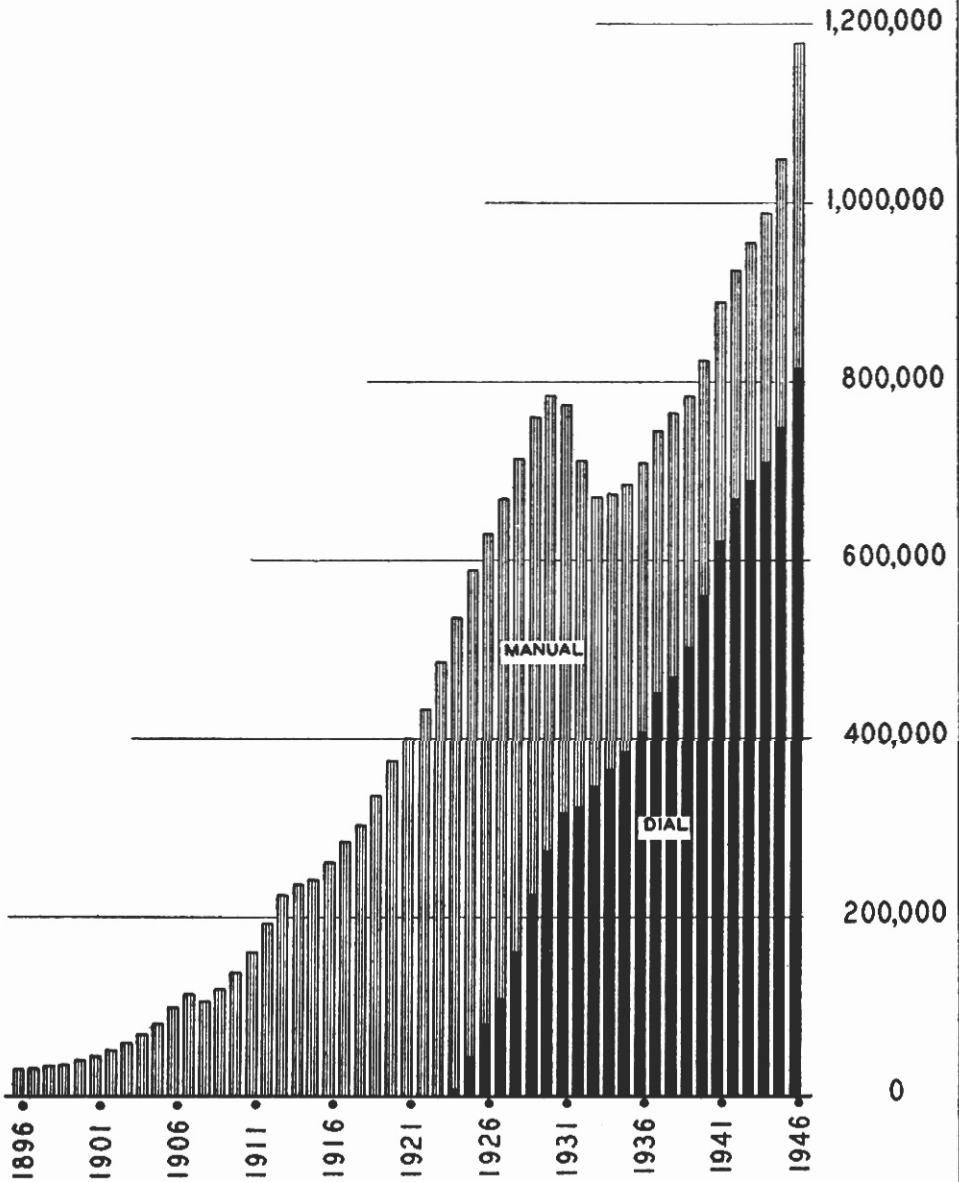
By: M. T. F. LAVERTY,
Assistant Secretary.

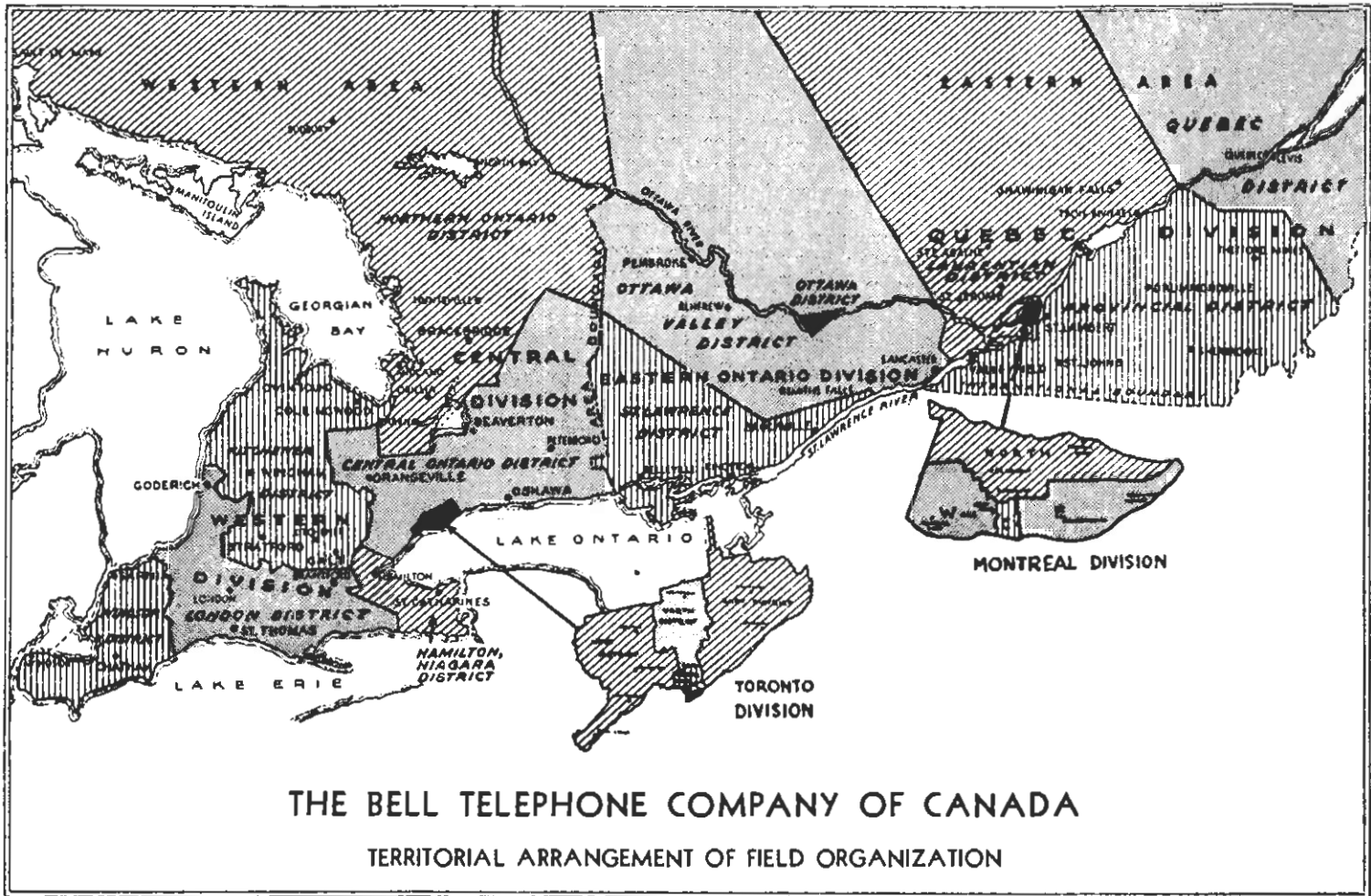
MONTRÉAL, 10th January, 1947.

STATISTICS

	<i>December 31</i> 1946	<i>December 31</i> 1945
Number of Telephones:		
Company Owned—Manual Service	361,523	302,178
" " —Dial Service	816,401	747,935
" " —Total	1,177,924	1,050,113
Connecting and Miscellaneous	207,247	187,349
Total Telephones	1,385,171	1,237,462
Number of Central Offices	425	422
Number of Owned Buildings	180	169
Miles of Pole Lines	23,860	23,277
Miles of Wire:		
In Underground Cable	3,272,711	3,010,090
In Aerial Cable	1,069,759	1,011,407
Open Wire	254,593	239,853
Total Miles of Wire	4,597,063	4,261,350
Miles of Subway (Length of Street Occupied)	1,274	1,206
Miles of Duct	5,999	5,751
Average Daily Connections for Year:		
Local	7,772,000	6,833,000
Toll	148,000	127,000
Number of Employees:		
Men	8,171	6,083
Women	13,630	9,766
Total Employees	21,801	15,849
Total Payroll for Year	\$36,519,267	\$27,044,391
Number of Shareholders:		
In Canada	27,472	23,976
Elsewhere	1,368	1,344
Total Shareholders	28,840	25,320

GROWTH IN NUMBER OF TELEPHONES OWNED BY COMPANY





THE BELL TELEPHONE COMPANY OF CANADA
 TERRITORIAL ARRANGEMENT OF FIELD ORGANIZATION



Alexander Graham Bell

1847 March 3 1947

SCIENTIST INVENTOR TEACHER HUMANITARIAN

*I*n this Centennial Year of his birth, Canadians are joining in world-wide observances to commemorate the genius and manifold public benefactions of Alexander Graham Bell, the inventor of the telephone.

Son and grandson of prominent educationists, Graham Bell was himself a noted teacher of the deaf. In science, in aviation, as a great humanitarian and as the founder of telephony, his memory is revered.

His tradition of public service continues to guide the telephone industry.

