

ANNUAL

Report

THE BELL TELEPHONE COMPANY OF CANADA

1948

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UNIVERSITY

THE BEST TELEPHONE SERVICE  
AT THE LOWEST COST  
CONSISTENT WITH A FAIR RETURN  
TO INVESTORS AND EMPLOYEES

# Annual Report

OF THE  
DIRECTORS

TO THE SHAREHOLDERS

OF  
THE BELL TELEPHONE  
COMPANY OF CANADA



FOR THE YEAR ENDED DECEMBER 31, 1948

The number of new telephones added was the highest in the Company's history; the total number in service the greatest on record: (Page 8)

- the net increase in telephones was 149,000—more than 11% gain for the year
- there were 1,456,000 telephones in service at the year-end—a number nearly double the 1937 figure

Waiting orders for service were reduced: (Page 8)

- 94,000 applicants were waiting for service at the beginning of the year
- 78,000 of these applications were cleared, yet due to heavy current demand,
- 85,000 applications for service remained unfilled at the year-end

Expansion and improvement of facilities were accelerated: (Page 12)

- new construction cost 75 million—40% more than in 1947
- total plant investment reached 397 million dollars
- plant investment per telephone increased by 9% to \$272

This large program of new construction required extensive financing:

- a bond issue of 35 million dollars was sold (Page 15)
- short term notes totalling \$19,900,000 were issued
- a new issue of stock was announced early in 1949

Dividend requirements were fully met though expenses increased more rapidly than income: (Page 10)

- revenues were up 13%
- operating expenses increased 16%
- interest expense increased 21%
- taxes decreased 6%
- net income was \$2.08 per share of \$25 par value
- dividends were paid at the rate of \$2.00 per share

Many employees were added and pay rates were increased: (Page 17)

- employees increased from 23,300 to 25,700—or 10%
- pay roll increased from 45 million to 52 million dollars—an increase of 16%

The Parliament of Canada amended the Company's Act of Incorporation: (Page 15)

- authority was given to increase capital stock to \$500,000,000
- we were required to subdivide our stock into shares of \$25 par value

The Company is mainly owned by Canadians: (Page 17)

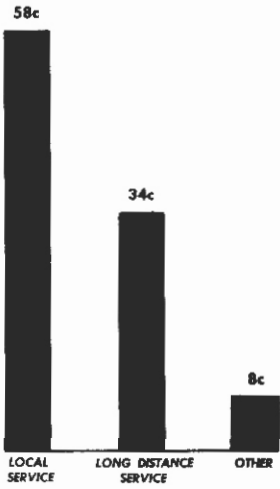
- of 39,000 shareholders, 96% are Canadians
- of 5,136,000 shares, 81% are Canadian owned

The intense efforts to meet demands for service are continuing and will extend through 1949.

## FINANCIAL SUMMARY

COMPARATIVE INCOME STATEMENT APPEARS ON PAGE 26

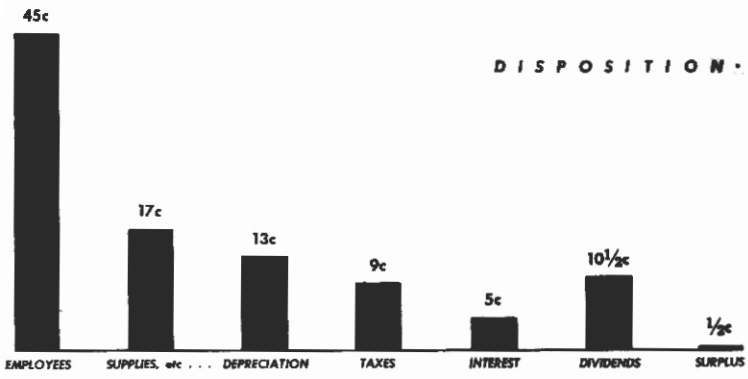
Operating Revenues	\$95,845,981	
Other Income — Net	1,652,671	
<b>TOTAL</b>		<b>\$97,498,652</b>
Operating Expenses	\$73,261,208	
Taxes	9,239,000	
Interest	4,421,870	
<b>TOTAL</b>		<b>86,922,078</b>
<b>NET INCOME AVAILABLE FOR DIVIDENDS</b>		<b>\$10,576,574</b>
Dividends		10,186,656
<b>BALANCE CREDITED TO EARNED SURPLUS</b>		<b>\$ 389,918</b>



SOURCE . . .

↓

### SOURCE AND DISPOSITION OF INCOME DOLLAR



DISPOSITION . . .

↑

THE BELL TELEPHONE COMPANY OF CANADA  
1050 BEAVER HALL HILL, MONTREAL, P.Q.

DIRECTORS

L. J. ADJUTOR AMYOT *Quebec*  
WILLIAM F. ANGUS\* *Montreal*  
HENRY BORDEN, K.C. *Toronto*  
J. HOLLIS BRACE *Montreal*  
C. GORDON COCKSHUTT *Brantford*  
CLEO F. CRAIG *New York*  
HON. C. A. DUNNING, P.C.\* *Montreal*  
JAMES A. ECCLES\* *Montreal*  
C. EDOUARD GRAVEL\* *Montreal*  
FREDERICK JOHNSON\* *Montreal*  
ROBERT V. MACAULAY\* *Montreal*  
HON. S. C. MEWBURN, P.C., K.C. *Hamilton*  
GLYN OSLER, K.C. *Toronto*  
CHARLES F. SISE\* *Montreal*  
PAUL F. SISE\* *Montreal*  
*\*Member of the Executive Committee*

OFFICERS

CHARLES F. SISE, *Chairman of the Board*  
FREDERICK JOHNSON, *President*  
ROBERT V. MACAULAY, *Executive Vice-President*  
J. HOLLIS BRACE, *Vice-President*  
THOMAS W. EADIE, *Vice-President*  
SIMCOE C. SCADDING, *Secretary*  
JACK R. LOGAN, *Treasurer*  
JOHN CLEUGH, *Comptroller*  
NORMAN A. MUNNOCH, K.C., *General Counsel*  
HAROLD G. YOUNG, *General Manager, Toronto*  
EDWARD A. ROLPH, *General Manager, Montreal*



# Annual Report

*This report of the Board of Directors to the shareholders for the year 1948 is presented also for the information of the employees, who have invested their careers in the business, and for the information of the public, who have entrusted to The Bell Telephone Company of Canada the provision of an essential service.*

The year 1948 was another year of substantial progress towards our objective of providing the people of Quebec and Ontario with a telephone service thoroughly adequate to the needs of an expanding economy.

New telephones connected during the year, and the<sup>d</sup> total number in use, exceeded any previous records. More telephone calls, both local and long distance, were provided than in any other year and, in general, the quality of service to our customers was improved.

These achievements were due primarily to the successful completion of a volume of construction for the extension and betterment of telephone plant without parallel in our history. This expansion, which still continues, has increased capital investment to a new record total.

Expansion in facilities and increase in use required extensive additions to the working force, and large numbers of new employees were recruited, trained and absorbed in the staff.

Revenues increased greatly but expenses increased still more rapidly. Nevertheless, dividend payments were maintained at the same level as in years past and a modest addition was made to surplus.

Although encouraging progress was made in extending telephone service to thousands of new customers, we are not yet able in many cases to furnish service without delay. In this situation, the understanding patience of those who have waited has helped us greatly. It is expected that by the end of another year further substantial progress will have been made towards our aim of supplying service upon demand.

## SERVICE RAPIDLY EXTENDED

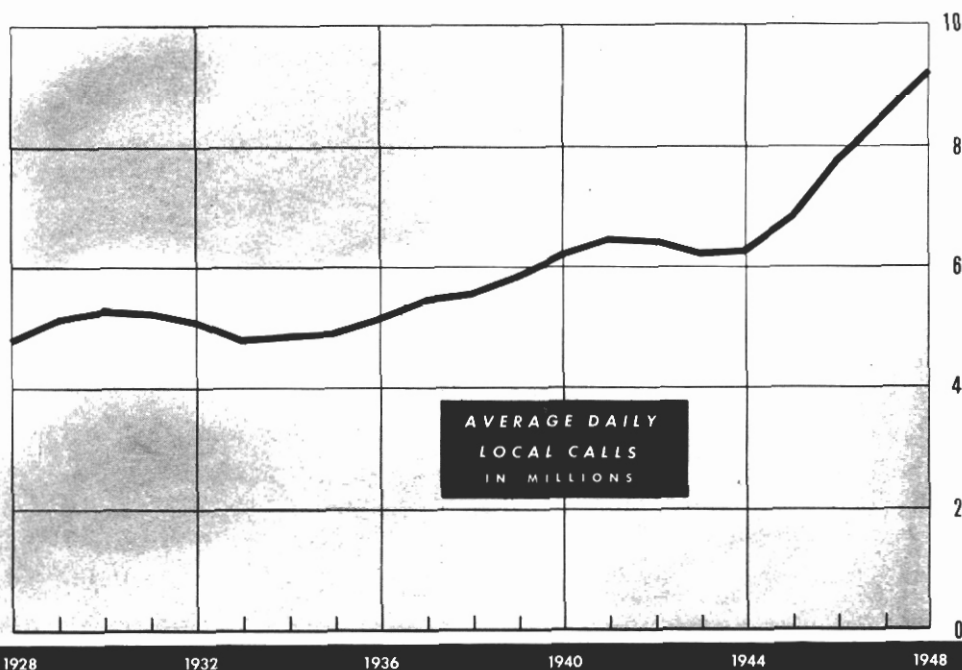
A net increase in telephones of 148,981 marked 1948 as the third successive year of exceptional growth. There were 1,455,956 telephones in service at the year's end, an increase of 405,843 or 39 per cent in the past three years. In the urban sections of the Company's territory 65 of every 100 households now have telephone service; and in rural areas 60 per cent of households have telephones, a marked rise from 39 per cent in 1945.

During the year, we cleared all but 16,000 of the 94,000 applications on hand at its beginning and completed as they were presented many thousands of new applications where facilities were available. Even so, because of the substantial new demand, 85,000 applications for service remained unfilled. The cumulative effects of the construction programs of the two preceding years and the augmented 1948 program were apparent in a higher proportion of orders completed and a shortened average waiting period.

These results are evidence of accelerated progress towards our goal of again being able to provide telephone service wherever and whenever it is wanted by the people in the territory we serve.

## IMPROVED SERVICE USED MORE

In spite of record demand and growth, and the resulting continued strain on expanding facilities, progress was made towards improved standards of service. Some features of our





service were restored to levels attained under the more favourable conditions of the pre-war years, and a few even exceeded them.

A record volume of telephone traffic was handled; more calls were completed and fewer were affected by errors. Local calls increased by 247,000,000 or 9 per cent, and long distance messages by 7,500,000 or 13 per cent.

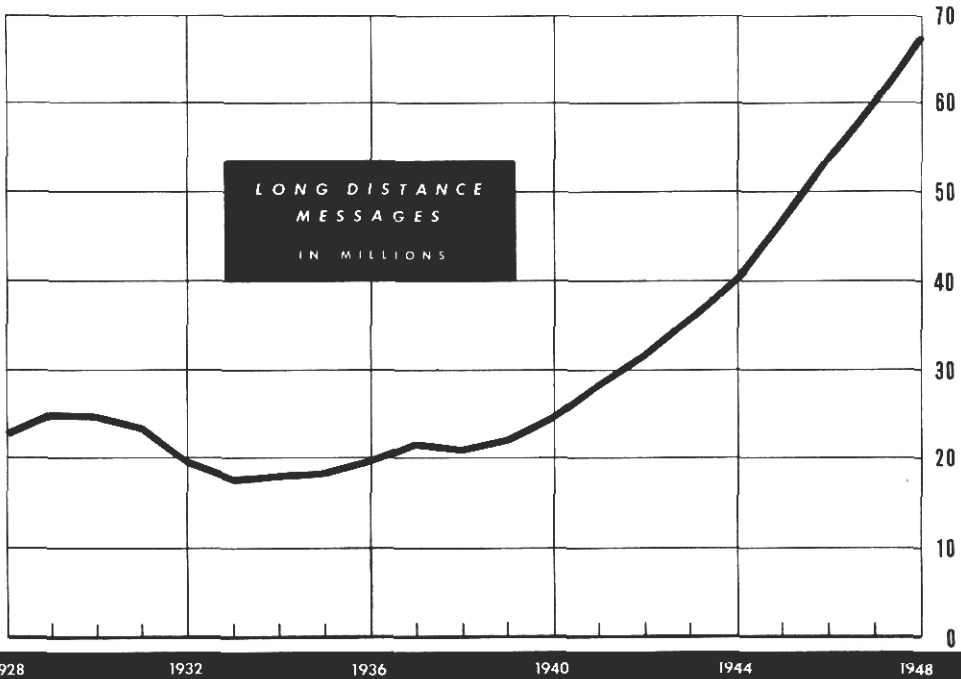
Continued extension of telephone service required the issuance of 41 different directories against 38 in the preceding year. Two and one-half million directories were distributed.

### RELATED SERVICES EXPANDED

Long distance calls over the Trans-Canada Telephone System increased by 13 per cent with a resulting increase of 13 per cent in System revenue. The increase in traffic was general across the country. The speed and quality of service over the System were maintained, although the addition of 34,000 miles of new circuits still failed to meet fully the requirements of the increased traffic.

Bell teletype and special telegraph services were extended, with a resultant substantial increase in revenue.

Through the year we extended still further our long-established practice of advising and assisting other telephone companies in Quebec and Ontario on problems of telephone



service. As the 233,721 telephones served by 877 of these companies connect with our system, the steady improvement in service that many of them are achieving benefits telephone users generally.

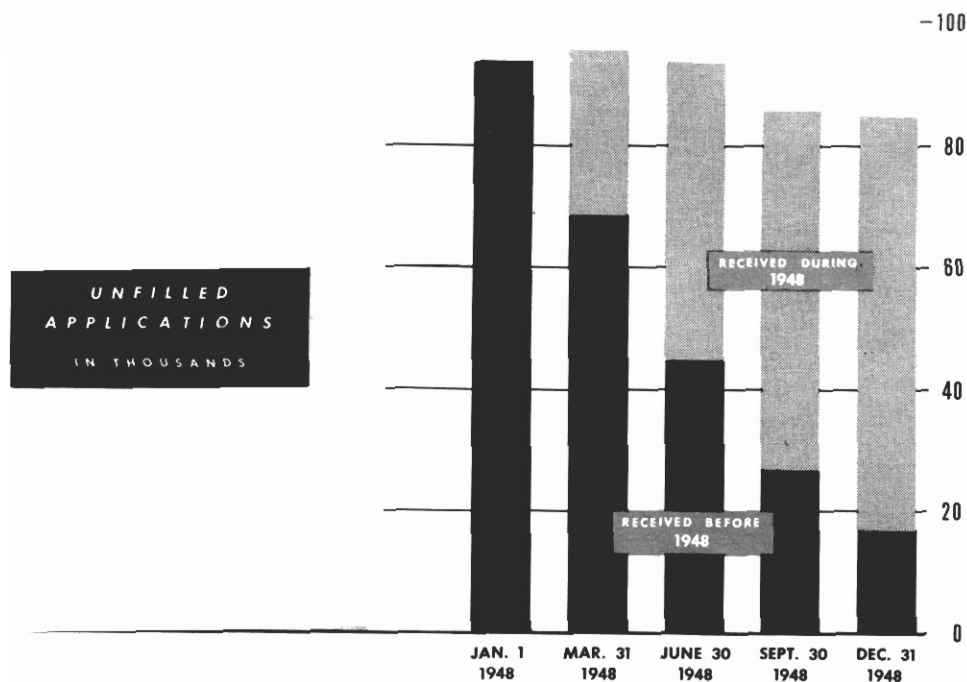
**DIVIDENDS WERE EARNED**

With our operations expanding on so large a scale, revenues increased during the year as never before. However, the total of operating expenses and taxes increased in like proportion and requirements for interest and dividends, due to the additional outstanding capital employed, were also greater. Thus, despite a record year of giving telephone service, involving the maximum use of plant facilities, the amount transferred to surplus was less than in the previous year.

The net income available for dividends amounted to \$10,576,574, equivalent to \$2.08 per share of \$25 par value, and dividends were paid equivalent to \$2.00 for each share.

**REVENUES WERE HIGHER**

Total revenues attained the record figure of \$97,498,652, an increase of \$11,052,552 or 13 per cent. The chief component figures, local service revenues at \$57,085,802 and long distance revenues at \$32,810,867, increased by 11 per cent and 12 per cent respectively. Miscellaneous operating revenues of \$6,091,060 were 31 per cent higher and other income, net, increased by 56 per cent to the total of \$1,652,671.



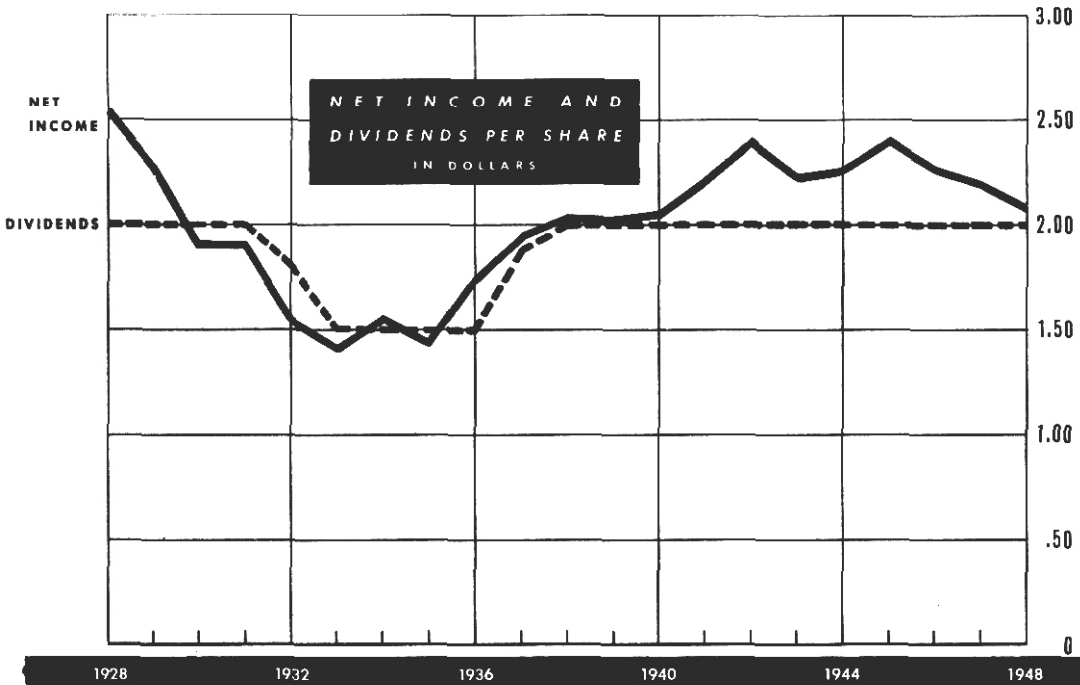
### EXPENSES INCREASED

Operation expenses, current maintenance and depreciation, amounted to \$73,261,208. Operation expenses and maintenance, which together amounted to \$60,186,187 or 82 per cent of the total, were higher by \$8,453,071; this was due mainly to an increase of \$5,197,000 in the expense pay roll which resulted from a greater number of employees and higher wage rates. An increase of \$1,588,042 in depreciation expense reflects the increased investment in telephone plant and equipment.

### SOME TAXES WERE LESS

The discontinuance of the excess profits tax, although offset to a considerable degree by increased payments to municipalities and the full effect of the provincial taxes re-imposed during 1947, contributed to a decrease of \$615,000 in taxes applicable to the year. Total taxes borne by the Company of \$9,239,000 were equivalent to \$1.81 for each share of capital stock or \$6.69 for each telephone in service.

In addition, taxes amounting to \$5,446,000 were collected from telephone users by the Company for the various governments. These taxes, added to those borne by the Company, represented an average of \$10.64 per telephone in the cost of service to the customer for the year.



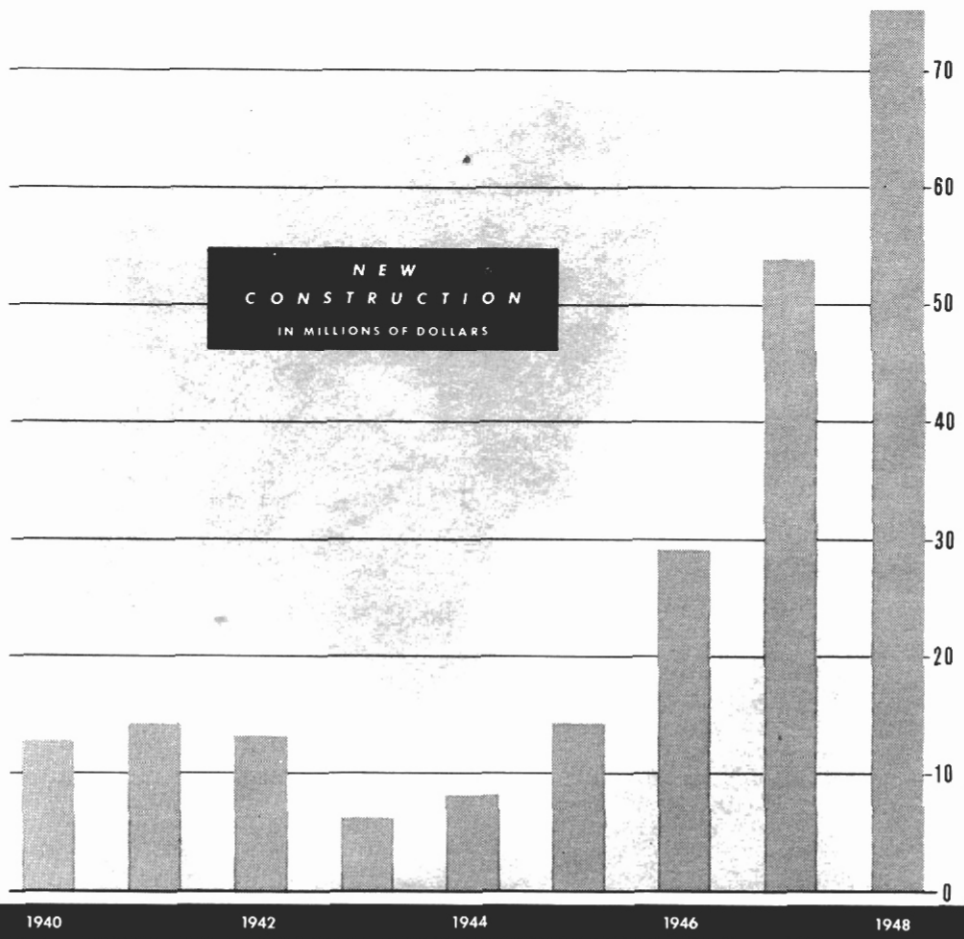
**BOND INTEREST INCREASED**

Interest on the \$35,000,000 Series F first mortgage bonds issued in February, 1948 largely accounted for an increase of 21 per cent in interest expense, which totalled \$4,421,870.

**PLANT GROWTH ACCELERATED**

The augmented construction program set an all-time record for the Company as the erection of buildings and the installation of equipment and plant of all types were pressed throughout the year. New construction expenditures amounted to \$75,200,000, 40 per cent greater than in 1947. The net increase in fixed capital accounts, after allowing for the original cost of plant retired from service, was \$69,400,000, nearly 43 per cent more than the net increase in 1947.

**SPACE IN BUILDINGS EXTENDED.** New buildings and extensions of buildings completed during the year numbered forty-seven. They included ten new buildings for dial



central offices and two large combined work centres and garage buildings to facilitate the work of construction and maintenance forces. Altogether these building projects made available 319,000 square feet of floor space. The area of floor space now available in owned buildings is 20 per cent greater than at the end of the war.

In addition to the building projects completed, twenty-two others were still in progress at the end of the year. When completed they will make available an additional 475,000 square feet of floor space. The greatly enlarged Belmont Street building in Montreal will gradually become available for occupancy during 1949 and will afford room for extension of long distance facilities and for new dial exchange equipment, as well as needed office space.

**CENTRAL OFFICE EQUIPMENT AUGMENTED.** Central office equipment — manual, dial and long distance — was installed in many localities. As in the program of the immediately preceding years, the major objective was to provide facilities for additional service. In some instances, however, it was possible to accomplish this by installing improved types of equipment; nineteen magneto exchanges were converted to common battery operation and two common battery exchanges as well as one magneto exchange were converted to dial operation. In addition, extensions to many existing switchboards were installed.

**OUTSIDE PLANT EXTENDED.** In company with the projects for extending central offices, outside plant of various types was greatly increased in capacity. Extensive cable plant, both underground and aerial, was added in many localities. More than 1,000 new circuits in rural areas were erected.

Long distance circuits were expanded by more than 20 per cent with the addition of 1,100 new circuits to the 5,200 in service at the beginning of the year. The installation of cable between Trois-Rivières and Quebec completed a 750-mile storm-resistant main route from Windsor through Toronto and Montreal to Quebec, with branches to Ottawa and other points. The type of cable construction used on the main route employs twin cables to provide for the operation of the newest type of carrier system. The long distance cable network of more than 1,300 route miles now in use extends widely over the Company's territory, and provides reliable connection between principal cities, and with companies in the United States.

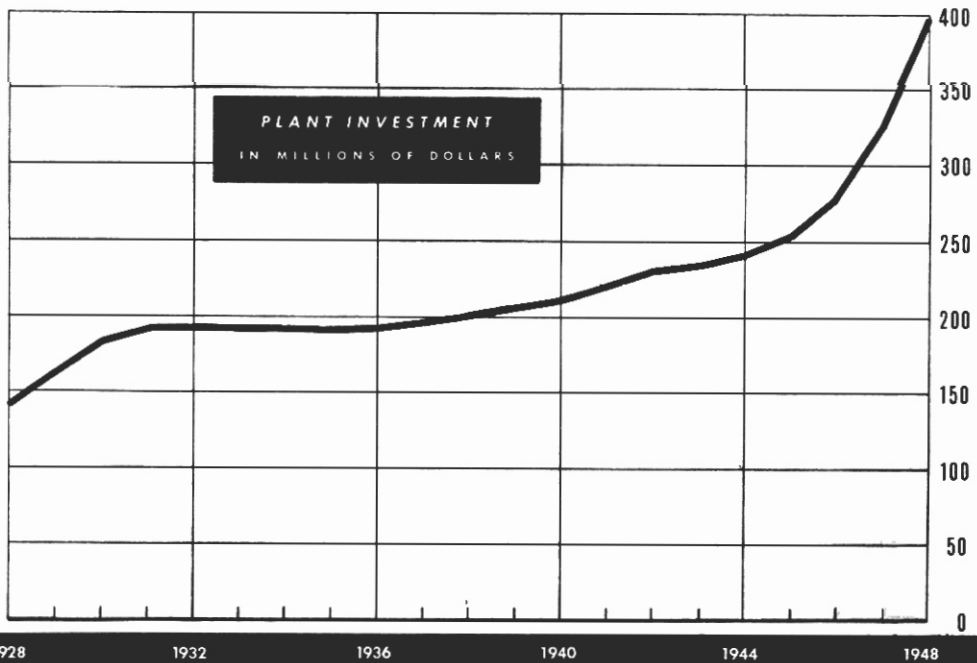
**INVESTMENT IN PLANT REACHED NEW HIGH.** By the end of the year investment in plant had reached a total of \$396,579,562, equivalent to \$272 for each telephone in service. Continued expansion and improvement of service requires the addition of more complex equipment; a return to normal loading of equipment will also require

further additions; and as all these things must be undertaken at higher present-day costs, a tendency towards higher plant investment per telephone is inevitable.

**NORTHERN ELECTRIC FURNISHED EQUIPMENT.** During the current period of record expansion, our work has been greatly aided by our manufacturing subsidiary, the Northern Electric Company, Limited, whose facilities have been reorganized and greatly expanded.

During the year 205,000 telephone sets, dial equipment sufficient to serve 100,000 telephone users, 412 central office switchboard positions, 545 private branch exchange positions, and outside plant cables containing a half-million miles of wire were supplied to us, as well as thousands of other items including large quantities of switchboard cable and wire.

The manufacture of these very large amounts of material required the procurement of correspondingly large quantities of such basic items as steel, cotton, copper and lead, which have been, and still are, scarce in world markets. Our close relationship with the Northern Electric Company, Limited, and our consequent ability to correlate our respective programs have helped to overcome difficulties in obtaining the equipment and supplies needed.



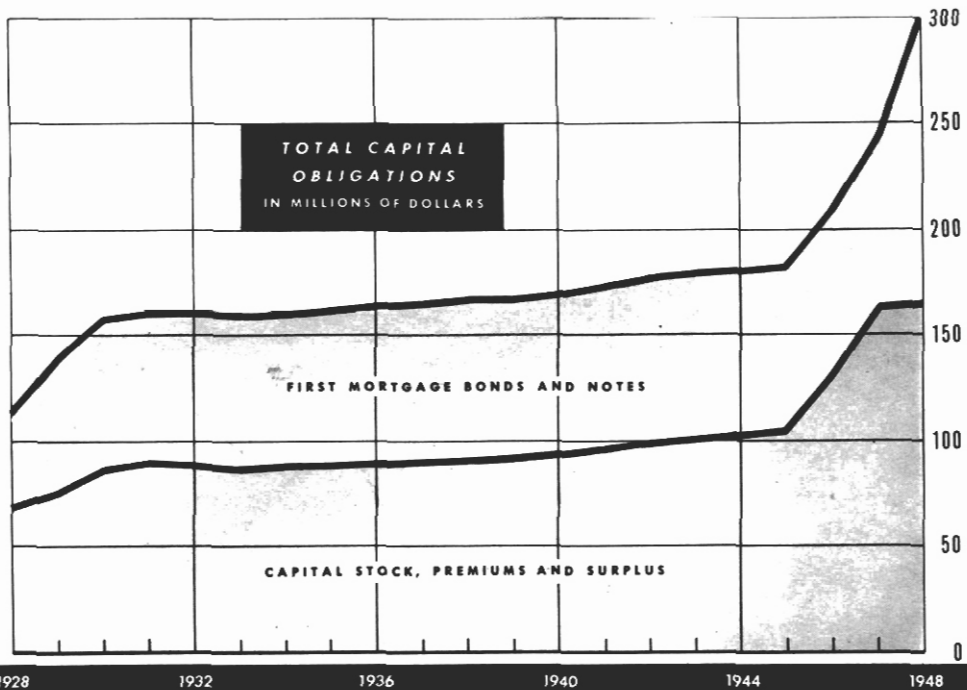
## FINANCIAL STRUCTURE EXPANDED

The financing of capital expenditures required by our program of expansion and improvement has been a major undertaking. In the past three years new construction expenditures have amounted to \$157,800,000 and the need for continuance on a similar scale is foreseen. Financing during 1948 was accomplished mainly by an issue of long term bonds and by bank loans evidenced by  $2\frac{3}{4}$  per cent registered notes. Plans were made towards the close of the year for a new issue of capital stock which will provide funds for the retirement of notes held by our bankers, and for additional plant.

**INCREASE IN CAPITAL STOCK AUTHORIZED.** To provide for the needs of future financing, an extension was required in the Company's power to issue capital stock beyond the limit of \$150,000,000 set by Parliament in 1929.

Application was made to amend the Company's charter, and in June the Parliament of Canada enacted that the capital stock of the Company could be increased from time to time, as the shareholders might deem necessary, to a new limit of \$500,000,000.

The shareholders acted under this authority at a special general meeting on September 9, when they empowered the directors to increase the capital stock of the Company to a total of \$300,000,000.

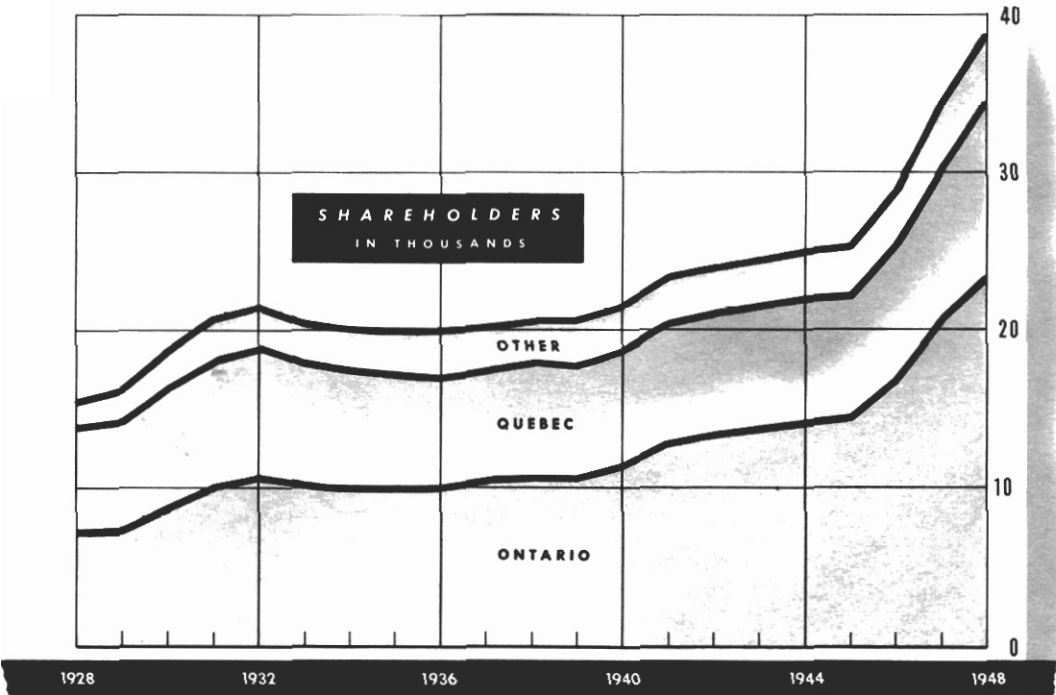


**SHARES SUBDIVIDED FOUR FOR ONE.** The Act of Parliament also required the Company to subdivide its capital stock into shares of a par value of \$25 each. The Company was directed to make this change effective not later than July 1, 1949, and by resolution of the Board of Directors the measure became effective October 1, 1948. Shareholders of record at September 30 were requested to return their stock certificates to the Treasurer to be exchanged, and at December 31, less than 3 per cent had not done so.

It may be anticipated that the subdivision will make it easier for many who have only small amounts of capital to become part owners of the Company and to extend their holdings as new opportunities occur.

**STOCK ISSUED.** New stock equivalent to 79,168 shares of a par value of \$25 each was issued under authority previously given. These shares represent principally subscriptions matured under the Employees' Stock Plan.

In December the Company made application to The Board of Transport Commissioners for Canada for permission to issue 1,030,000 additional shares at a price not less than \$33 per share; approval was granted early in January, 1949. Accordingly, the directors authorized an offer to shareholders of record on January 14, 1949, of shares of capital stock for subscription in the ratio of one new share for each five shares held, at a price of \$33 per share.





**SHAREHOLDERS INCREASED TO RECORD NUMBER.** The Company has now the highest total number of shareholders in its history. There were 38,889 shareholders at the end of the year, an increase of 4,450 of whom 2,374 have been added since the date of the subdivision of the stock. In the last three years the number of shareholders has increased by 13,569 or 54 per cent.

The Company is owned principally by Canadians. Shareholders living in Canada are now 96.1 per cent of all holders and own 80.7 per cent of the shares. Among them are 5,159 employees and pensioners of the Company who own 385,177 shares, 7.5 per cent of the total outstanding. The 19.3 per cent of shares outstanding which are held in other countries includes 14.6 per cent held by the American Telephone & Telegraph Company. The average holding by shareholders is now 132 shares of \$25 par value stock; 34.6 per cent of all holders own twenty-five shares or less, and 75.6 per cent hold fewer than one hundred shares.

**NEW BONDS SOLD.** Under the authority given by the shareholders in February, 1947, there were issued in February, 1948, \$35,000,000 first mortgage bonds, Series F. These bonds bear interest at  $3\frac{1}{4}$  per cent per annum, mature in twenty-five years, and are payable both as to interest and principal in Canadian funds.

Authority to issue additional first mortgage bonds to a total principal amount of \$50,000,000 was granted by the shareholders at the special general meeting of September 9. None of this authority has yet been used.

Of \$102,500,000 of bonds now outstanding, \$95,000,000 are payable in Canadian funds and only \$7,500,000 in Canadian or United States dollars at the holder's option.

**NOTES SOLD AND EXTENDED.** A total of \$19,900,000 in  $2\frac{3}{4}$  per cent registered notes maturing October 1, 1949 was sold to the Company's bankers.

By arrangement with the holders of the Company's \$3,000,000 2 per cent notes, due February 1, 1949, the maturity date was extended to February 1, 1952, at interest rates varying from  $2\frac{1}{2}$  per cent to  $2\frac{3}{4}$  per cent.

### **MORE EMPLOYMENT PROVIDED**

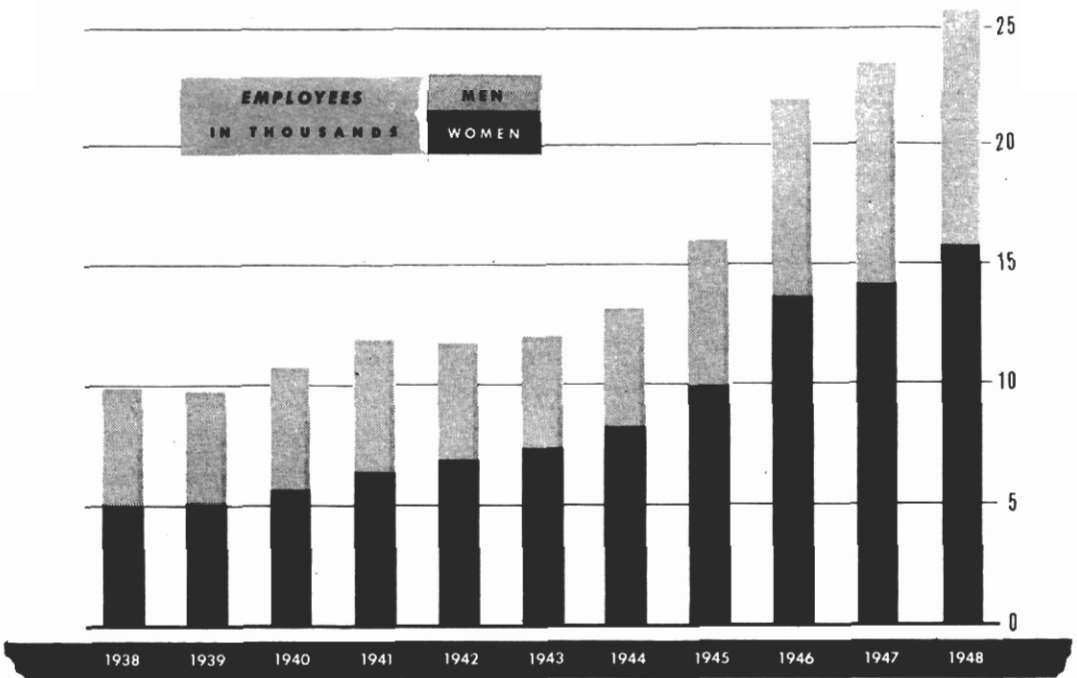
The number of employees totalled 25,721, more than double the number at the end of 1943. Among present employees 15,749 are women. Although the rate of turnover was somewhat less than in 1947, constant recruiting was needed to bring about the net increase of 2,386 employees. This large addition of people new to the business placed heavy demands on the Company's training facilities but the quality of training was successfully maintained.

The total pay roll amounted to \$52,262,347, an increase of 16 per cent over the preceding year.

**LABOUR RELATIONS MAINTAINED.** Mutually satisfactory agreements with regard to wages and working conditions were reached in collective bargaining with certified employee agents representing approximately 21,000 non-supervisory employees. Under the six different collective agreements signed, some changes in working conditions were negotiated and the Company's wage rates were kept in line with the community wage rates for work requiring comparable skill and training. Cordial relations with the employee body continued to be a major factor in improved productivity.

**HEALTH SERVICES EXTENDED.** Preventive medicine and health education were emphasized in extensions of the Company's medical services for employees. A new medical centre was opened in Quebec City and the staffs of some of the longer established centres were augmented. The program for periodic health examinations was further expanded and will shortly be extended to localities where medical centres have not been established. Health teaching was improved by the use of the conference method and of visual aids.

**PENSION AND BENEFIT PLAN PROTECTED EMPLOYEES.** Under the Plan for Employees' Pensions and Benefits, total payments of sickness and accident benefits to employees, disability pensions, and death benefits to dependents of deceased employees and



pensioners, amounted to \$766,525. Service pension payments from the pension trust fund amounted to \$679,386 for the year.

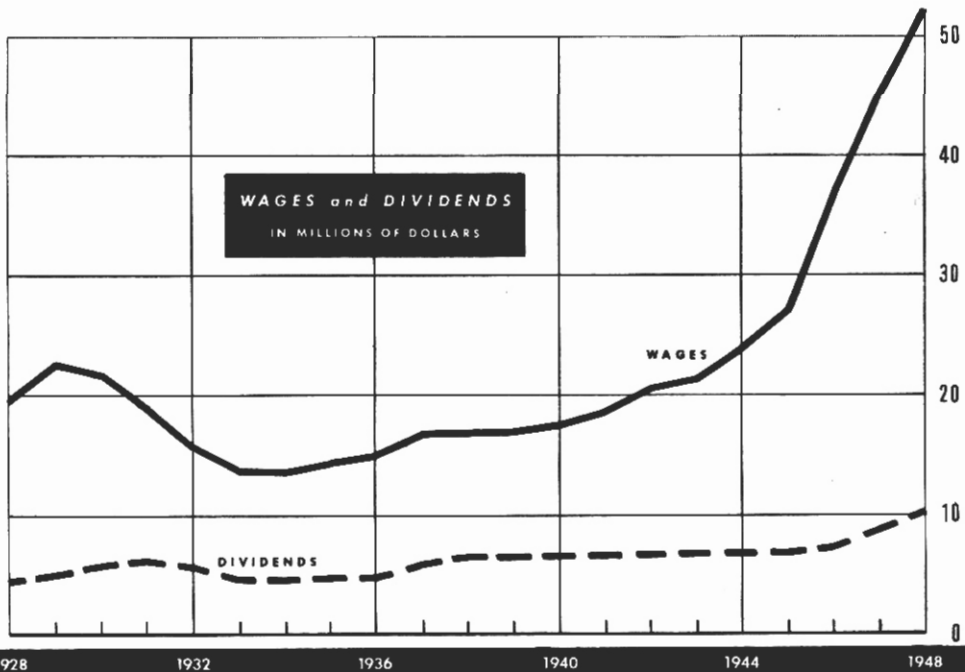
The program laid down in 1944 to bring the pension trust fund into closer relationship with the requirements of the Plan as determined by actuarial valuation was continued with a scheduled additional payment into the fund by the Company.

Statistics of the Plan's operations and the Trustees' Report of the Pension Trust Fund will be found on page 28.

**EMPLOYEE SECURITY PLANS EXPANDED.** Deductions from pay, voluntarily authorized by employees in the interests of personal and family security, amounted to nearly \$5,500,000, approximately 11 per cent of the total pay roll.

Deductions made under the Employees' Stock Plan were a major item. During the year the equivalent of 62,072 shares of the Company's stock of \$25 par value were issued to employees who completed subscriptions under the Plan. At the end of the year a further 415,045 shares were under subscription by 15,443 employees, 68 per cent of those eligible to subscribe.

Premiums on life insurance policies of a total face value of \$21,872,000, current payments on subscriptions for \$1,414,350 of Canada Savings Bonds, and monthly dues for membership in the Blue Cross Hospital service plans of Ontario and of Quebec principally accounted for the remainder of the deductions.

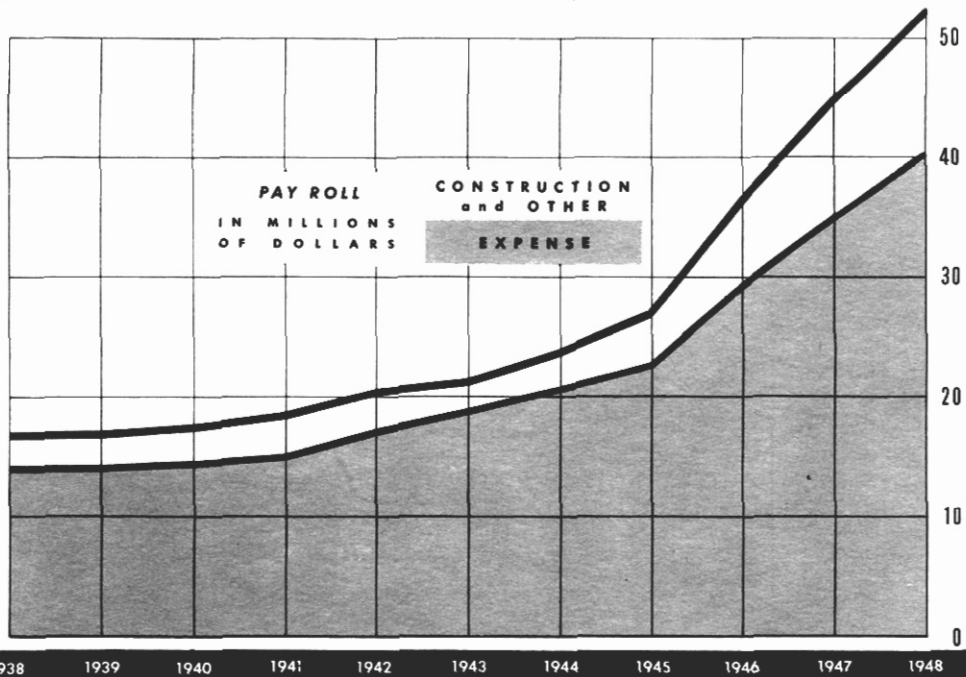


**EMPLOYEE ACTIVITIES MERITED ATTENTION.** Courses in first aid training were completed by 2,421 employees, 200 of them women. Among present employees there are now some 9,000 who have passed one or more examinations in first aid or home nursing.

The Charles Fleetford Sise Chapter, fourth largest unit of the Telephone Pioneers of America, now has 6,388 members, 89 per cent of those who are eligible for membership by virtue of having completed at least 21 years of telephone service in this Company or the Northern Electric Company.

Five employees received citations and special awards from the Company for meritorious acts of public service: William R. Hamilton of Toronto, lineman; Hector L. Mailloux and Charles N. G. Garceau of Montreal, installers; Joseph R. Marchand of St. Johns, splicer's helper, and Joseph C. R. Tessier of Joliette, lineman. In all cases the prompt and courageous action taken by these employees at grave personal risk resulted in saving human life or averting serious injury. Letters of commendation for acts of noteworthy public service were sent to three other employees: Ernest Hartwick of Sudbury, S. A. F. Longley of Barrie and R. Richardson of London: in all instances the services rendered by these men required the administration of competent first aid treatment to persons injured in highway accidents.

**WAR MEMORIALS DEDICATED.** On November 11, in simple dedication ceremonies at twenty-seven different offices of the Company, bronze plaques were unveiled



commemorating for each locality the names of employees who laid down their lives in the Second World War. The unveilings, witnessed by next-of-kin of the ninety-three men and women whose names were inscribed, were performed in each instance by representatives of the service men and women who had returned to the Company.

**OFFICERS**

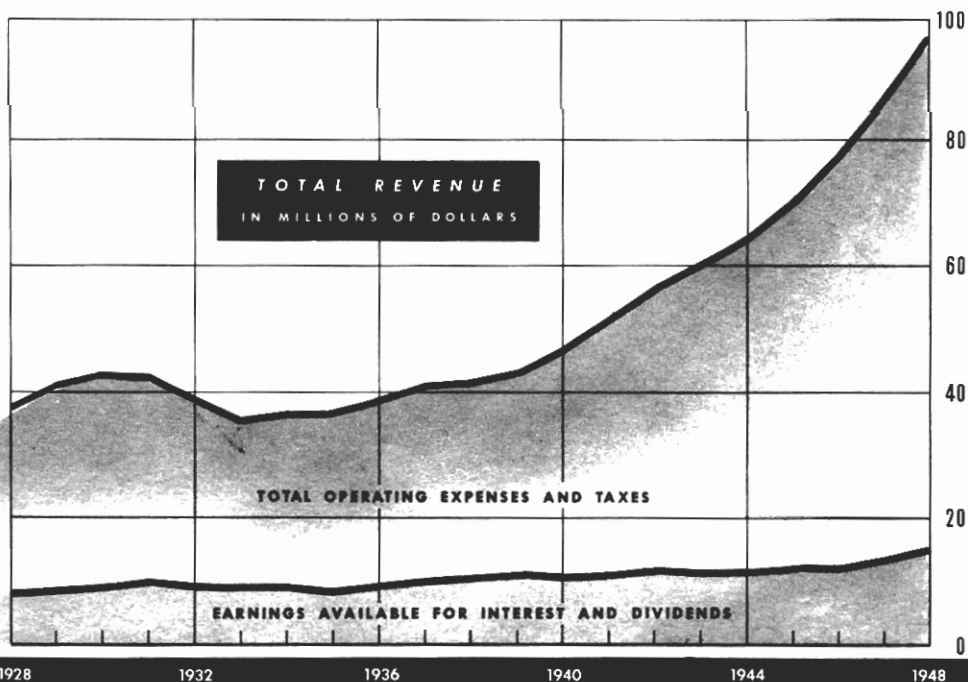
Mr. Paul A. McFarlane, Vice-President in charge of operations since January, 1930, retired on March 1, after devoting to the Company more than forty-three years of distinguished and valued service.

Mr. Robert V. Macaulay, formerly Vice-President, was appointed Executive Vice-President; Mr. Thomas W. Eadie was appointed Vice-President; and Mr. Edward A. Rolph was appointed General Manager, Eastern Area.

**BOARD OF DIRECTORS**

Subsequent to his retirement as Vice-President, Mr. McFarlane resigned as a Director, and in mid-year, due to the pressure of other responsibilities, Mr. William H. Harrison, formerly Vice-President of the American Telephone & Telegraph Company, also resigned as a Director.

The two vacancies thus resulting were filled by the appointment of Mr. Robert V. Macaulay, Executive Vice-President, and Mr. J. Hollis Brace, Vice-President.



## **IN THE PUBLIC SERVICE**

The year has been characterized by expansion — expansion in physical plant, in telephones, in number of employees, and in use of the service.

This expansion must be continued in order to meet existing and future demands for service. The immediate emphasis is placed on satisfying the existing demand. It is necessary, however, to ensure that extension of our facilities throughout the system will utilize most effectively plant and equipment as it becomes available and that all extensions will fit efficiently into long-term plans.

Telephone service, which could not be maintained at its accustomed level in all respects during the war, continued to improve; the co-operation of our customers in the use of our still limited facilities contributed greatly to our success in achieving this progress.

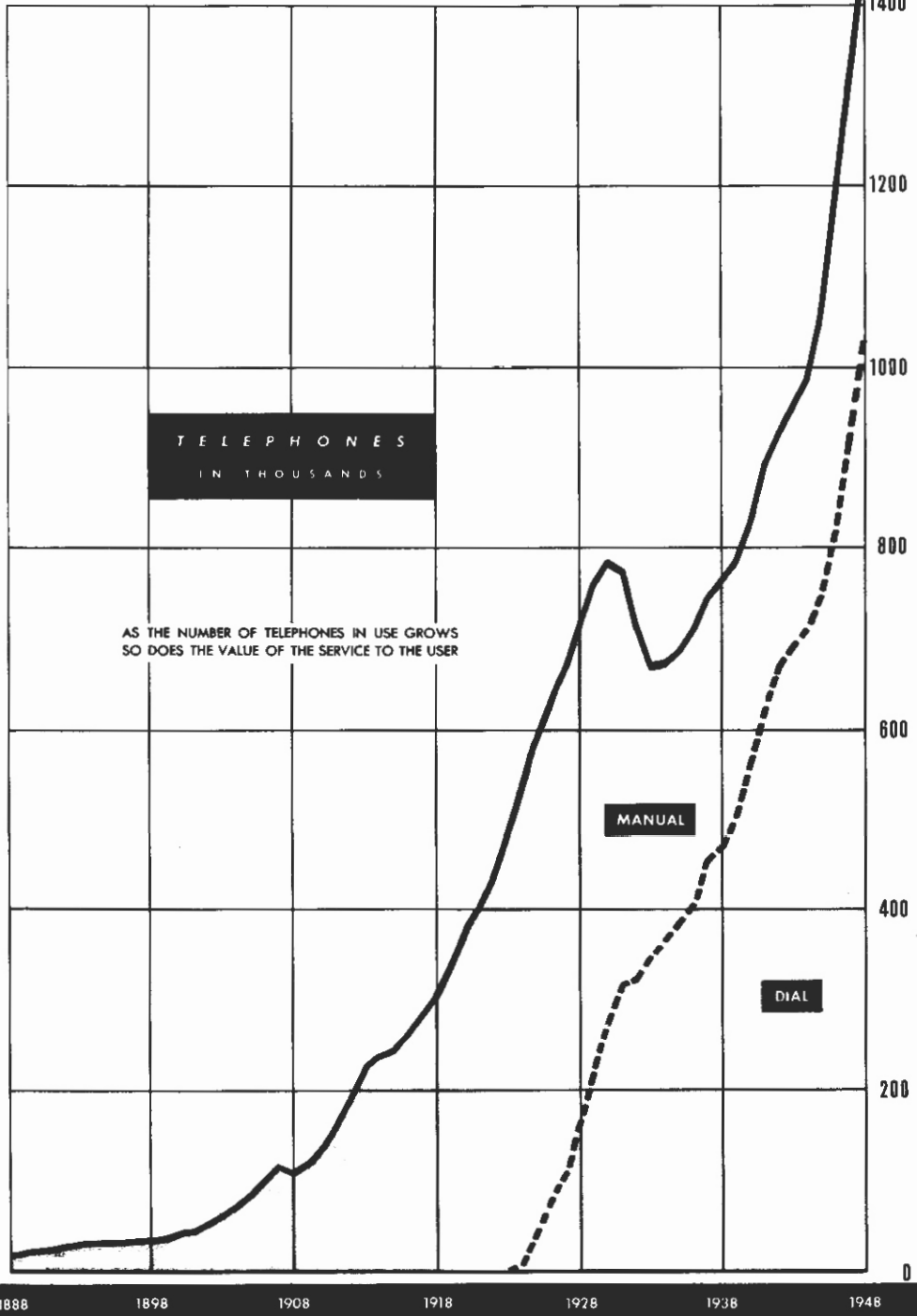
The skill and zeal of the Company's men and women — those who construct, maintain and operate its facilities, as well as those who administer its affairs — have been major factors in the success of the year. The results achieved are due in no small degree to their loyal service.

In planning for further expansion we are confident that the policies which have guided this Company's operations in the past will continue to be effective with the problems which lie ahead.

For the BOARD OF DIRECTORS,

*J. Johnson*  
President.

MONTREAL, FEBRUARY 4, 1949.



# COMPARATIVE

THE BELL TELEPHONE COMPANY OF CANADA

# BALANCE SHEET

THE BELL TELEPHONE COMPANY OF CANADA

<b>ASSETS</b>		Dec. 31, 1948	Dec. 31, 1947
<b>FIXED CAPITAL (at cost)</b>			
LAND AND BUILDINGS		\$ 38,336,596.77	\$ 28,442,187.61
TELEPHONE PLANT		344,456,735.88	288,675,211.34
Central office equipment, right-of-way, poles, underground conduit, cable, wire, and telephone equipment on customers' premises.			
GENERAL EQUIPMENT		13,786,229.65	10,041,993.58
Storeroom and garage equipment, motor vehicles, tools and office furniture and equipment.			
<b>TOTAL FIXED CAPITAL</b>		<u>\$396,579,562.30</u>	<u>\$327,159,392.53</u>
<b>INVESTMENT SECURITIES (at cost)</b>			
SUBSIDIARY COMPANIES		\$ 9,145,800.49	\$ 8,605,629.74
OTHER INVESTMENT SECURITIES		8,187,802.79	7,265,323.39
Market values (book values where market values are not available) exceed the cost.			
<b>TOTAL INVESTMENT SECURITIES</b>		<u>\$ 17,333,603.28</u>	<u>\$ 15,870,953.13</u>
<b>CURRENT ASSETS</b>			
CASH		\$ 798,690.19	\$ 844,437.04
TEMPORARY CASH INVESTMENTS		1,415,400.00	5,336,873.71
Dominion Government securities (market value at December 31, 1948, \$1,415,400.00).			
MATERIAL AND SUPPLIES		10,500,072.33	9,151,187.24
Principally for construction and maintenance purposes, held at cost, less a reserve of \$58,152.14 at December 31, 1948. Physical inventories were taken during September and October, 1948.			
NOTES RECEIVABLE FROM SUBSIDIARY COMPANIES		222,000.00	197,000.00
ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS		9,181,553.86	9,112,214.05
SUBSIDIARY COMPANIES		\$ 149,606.23	
CUSTOMERS AND OTHERS AND OTHER			
CURRENT ASSETS		9,031,947.63	
Amounts due for service (less reserve for uncollectible accounts), interest, dividends, rents, etc., and cash held by employees as working funds.			
<b>TOTAL CURRENT ASSETS</b>		<u>\$ 22,117,716.38</u>	<u>\$ 24,641,712.04</u>
<b>OTHER ASSETS</b>			
REFUNDABLE PORTION OF EXCESS PROFITS TAX		\$ 5,782,176.76	\$ 6,506,812.99
<b>DEFERRED DEBITS</b>			
PREPAYMENTS		\$ 2,286,347.35	\$ 1,791,909.71
Rents, taxes, insurance, cost of directories and other expenses prepaid and applicable to period subsequent to December 31.			
DISCOUNT ON LONG TERM DEBT		395,297.36	35,287.64
Unamortized discount and expense pertaining to bonds outstanding.			
DISCOUNT AND PREMIUM ON BONDS REDEEMED		2,487,559.08	2,822,921.69
Unamortized discount, redemption premium and expense pertaining to bonds redeemed.			
OTHER DEFERRED DEBITS		415,059.49	422,382.77
Miscellaneous items, the disposition of which had not been determined at December 31.			
<b>TOTAL DEFERRED DEBITS</b>		<u>\$ 5,584,263.28</u>	<u>\$ 5,072,501.81</u>
<b>TOTAL ASSETS</b>		<u>\$ 447,397,322.00</u>	<u>\$ 379,251,372.50</u>

<b>LIABILITIES</b>		Dec. 31, 1948	Dec. 31, 1947
<b>CAPITAL STOCK</b>			
COMMON STOCK—par value \$25. per share.			
Authorized: by charter—20,000,000 shares; by shareholders—12,000,000 shares.			
Outstanding 5,136,004 fully paid shares at Dec. 31, 1948			
		\$128,400,100.00	\$126,420,900.00
CAPITAL STOCK INSTALLMENTS			
Amounts paid by subscribers to common stock.			
<b>TOTAL CAPITAL STOCK</b>		<u>—————</u>	<u>170,810.00</u>
<b>LONG TERM DEBT</b>			
BONDS—FIRST MORTGAGE			
SERIES C—Maturing May 1, 1960—5% \$14,500,000.00			
Less—Held in Treasury 7,000,000.00			
		\$ 7,500,000.00	\$ 7,500,000.00
SERIES D—Maturing Aug. 1, 1964—3¼%			
		25,000,000.00	25,000,000.00
SERIES E—Maturing Mar. 1, 1977—3%			
		35,000,000.00	35,000,000.00
SERIES F—Maturing Feb. 15, 1973—3¼%			
		35,000,000.00	—————
NOTES—Maturing Feb. 1, 1949—2%			
		3,000,000.00	3,000,000.00
NOTE SOLD TO TRUSTEE OF PENSION FUND—4%			
		9,885,718.40	10,565,104.43
<b>TOTAL LONG TERM DEBT</b>		<u>\$115,385,718.40</u>	<u>\$ 81,065,104.43</u>
<b>LOANS</b>			
NOTES—REGISTERED—MATURING OCT. 1, 1949—2¾%			
		\$ 19,900,000.00	\$ —
<b>CURRENT LIABILITIES</b>			
NOTES PAYABLE TO SUBSIDIARY COMPANIES			
		\$ 116,325.59	\$ 115,885.84
ADVANCE BILLING AND PAYMENTS FOR SERVICE			
		2,306,672.94	2,077,473.49
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES			
SUBSIDIARY COMPANIES		\$ 6,995,514.82	
OTHER ACCOUNTS PAYABLE AND OTHER			
CURRENT LIABILITIES		4,375,609.88	
Amounts owing for supplies, pay rolls and other items.			
<b>TOTAL CURRENT LIABILITIES</b>		<u>\$ 13,794,123.23</u>	<u>\$ 13,547,955.86</u>
<b>ACCRUED LIABILITIES NOT DUE</b>			
TAXES			
		\$ 3,252,929.04	\$ 3,787,470.44
OTHER			
Dominion, Provincial and Municipal taxes, interest, dividends and rents applicable to period ended December 31 but not due until after that date.			
		3,948,036.76	3,430,894.19
<b>TOTAL ACCRUED LIABILITIES NOT DUE</b>		<u>\$ 7,200,965.80</u>	<u>\$ 7,218,364.63</u>
<b>DEFERRED CREDITS</b>			
EMPLOYEES' STOCK PLAN			
Instalments paid by employees subscribing for capital stock, with interest thereon.			
		703,705.26	735,495.78
PREMIUM ON LONG TERM DEBT			
Unamortized premium less expense on bonds outstanding.			
		251,836.33	208,139.36
OTHER DEFERRED CREDITS			
Miscellaneous items, the disposition of which had not been determined at December 31.			
<b>TOTAL DEFERRED CREDITS</b>		<u>\$ 7,912,982.15</u>	<u>\$ 5,951,979.70</u>
<b>DEPRECIATION RESERVE</b>			
Provision to meet loss of investment in telephone property upon its ultimate retirement from service.			
		\$117,903,356.23	\$108,691,477.88
<b>PREMIUMS ON CAPITAL STOCK</b>			
Amount received in excess of par value.			
		\$ 24,375,753.74	\$ 23,969,858.74
<b>SURPLUS</b>			
RESERVED SURPLUS			
Refundable portion of Excess Profits Tax.			
		\$ 5,782,176.76	\$ 6,506,812.99
UNAPPROPRIATED SURPLUS			
CAPITAL SURPLUS			
Miscellaneous deductions (net) 1948			
		\$ 139,048.91	
		2,277,716.34	2,416,765.26
EARNED SURPLUS			
Balance credited for year 1948			
		\$ 389,917.63	
Excess Profits Tax Refunded - 1948			
		724,636.23	
Miscellaneous additions (net) 1948			
		58,532.48	
		<u>\$1,173,086.34</u>	
<b>TOTAL SURPLUS</b>		<u>\$ 12,524,322.45</u>	<u>\$ 12,214,921.26</u>
<b>TOTAL LIABILITIES</b>		<u>\$447,397,322.00</u>	<u>\$379,251,372.50</u>

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

J. CLEUGH, Comptroller.



# COMPARATIVE INCOME STATEMENT

## THE BELL TELEPHONE COMPANY OF CANADA

	Year 1948	Year 1947
<b>OPERATING REVENUES</b>	<b>\$95,987,729.06</b>	<b>\$85,508,492.25</b>
Revenues from local and long distance service, directory advertising and miscellaneous telephone operations.		
Less: UNCOLLECTIBLE OPERATING REVENUES	141,748.15	120,385.66
<b>Total Operating Revenues</b>	<b>\$95,845,980.91</b>	<b>\$85,388,106.59</b>
<b>OPERATING EXPENSES</b>		
<b>OPERATION EXPENSES</b>	<b>\$39,114,748.05</b>	<b>\$34,082,877.14</b>
Cost of operating the telephone property, including expense of handling telephone calls, billing and collecting customers' accounts, directories, rents and provision for pensions.		
(1948—salaries paid to Executive Officers \$233,834.08; salaries and fees paid to Counsel and other legal advisers \$52,308.52; and fees paid to Directors and members of the Executive Committee \$26,200.00, of which \$6,300.00 was paid and accounted for by subsidiary companies.)		
<b>CURRENT MAINTENANCE</b>	<b>21,071,438.53</b>	<b>17,650,237.97</b>
Cost of inspection, repairs and rearrangements required to keep the telephone property in good operating condition.		
<b>DEPRECIATION</b>	<b>13,075,022.00</b>	<b>11,486,980.00</b>
Provision to meet the loss of investment when depreciable property is retired from service, based on rates designed to spread this loss uniformly over the life of the property.		
<b>Total Operating Expenses</b>	<b>\$73,261,208.58</b>	<b>\$63,220,095.11</b>
<b>NET OPERATING REVENUES</b>	<b>\$22,584,772.33</b>	<b>\$22,168,011.48</b>
<b>OPERATING TAXES</b>		
INCOME AND EXCESS PROFITS TAXES	\$ 5,790,000.00	\$ 6,957,000.00
OTHER TAXES	3,449,000.00	2,897,000.00
Dominion, Provincial and Municipal.		
<b>Total Operating Taxes</b>	<b>\$ 9,239,000.00</b>	<b>\$ 9,854,000.00</b>
<b>NET OPERATING INCOME</b>	<b>\$13,345,772.33</b>	<b>\$12,314,011.48</b>
<b>OTHER INCOME</b>		
INCOME FROM INVESTMENT SECURITIES	\$ 833,058.25	\$ 786,481.77
Dividends and interest from investment securities.		
MISCELLANEOUS INCOME (NET)	819,612.99	271,512.05
Interest on temporary cash investments and other miscellaneous income (net).		
<b>Total Other Income</b>	<b>\$ 1,652,671.24</b>	<b>\$ 1,057,993.82</b>
<b>INCOME AVAILABLE FOR FIXED CHARGES</b>	<b>\$14,998,443.57</b>	<b>\$13,372,005.30</b>
<b>FIXED CHARGES</b>		
BOND AND NOTE INTEREST	\$ 3,683,816.10	\$ 3,151,496.30
Interest charges on bonds and long term notes outstanding.		
OTHER INTEREST	418,356.44	279,257.66
Interest charges on current obligations.		
AMORTIZATION OF DISCOUNT AND PREMIUM ON LONG TERM DEBT-Cr.	16,064.20	18,881.02
Proportion of discount, premium and expense applicable to the year relating to bonds and long term notes outstanding.		
AMORTIZATION OF DISCOUNT AND PREMIUM ON BONDS REDEEMED	335,761.53	258,480.39
Proportion of discount, redemption premium and expense applicable to the year relating to bonds redeemed.		
<b>Total Fixed Charges</b>	<b>\$ 4,421,869.87</b>	<b>\$ 3,670,353.33</b>
<b>NET INCOME AVAILABLE FOR DIVIDENDS</b>	<b>\$10,576,573.70</b>	<b>\$ 9,701,651.97</b>
<b>DIVIDENDS</b>	<b>10,186,656.07</b>	<b>8,821,632.52</b>
Dividends to owners of outstanding common stock.		
<b>BALANCE CREDITED TO EARNED SURPLUS</b>	<b>\$ 389,917.63</b>	<b>\$ 880,019.45</b>

J. CLEUGH, Comptroller.

# AUDITORS' REPORT

MONTREAL, QUE.,

January 28, 1949.

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

We have examined the balance sheet of The Bell Telephone Company of Canada as at December 31, 1948, and the related income statement for the year then ended and have obtained all the information and explanations we have required. Our examination included such tests of the accounting records and such other auditing procedures as we considered necessary.

We report that the profits earned by subsidiary companies for the year ended December 31, 1948, have been included in the accompanying statement of income only to the extent of the dividends received or receivable by the Company. The operations of the subsidiary companies for the year ended December 31, 1948, resulted in an aggregate net profit.

In our opinion, the accompanying balance sheet and income statement are drawn up in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year so as to exhibit a true and correct view of the financial position of The Bell Telephone Company of Canada at December 31, 1948, and the result from operations for the year then ended, according to the best of our information and the explanations given to us, and as shown by the books of the Company.

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

# PENSION TRUST FUND

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

BALANCE IN FUND—December 31, 1947 . . . . .	\$ 25,019,528.65
Additions to Fund during 1948 —	
Payments into Fund by Company . . . . .	\$ 2,995,870.10
Interest Revenue (including amortization of premium and discount and gain or loss on investments disposed of) . . . . .	838,000.16
<b>Total Additions</b> . . . . .	<u>\$ 3,833,870.26</u>
Disbursements for Pensions during 1948 . . . . .	679,386.03
<b>Net Increase in Fund</b> . . . . .	<u>3,154,484.23</u>
BALANCE IN FUND—December 31, 1948 . . . . .	<u>\$ 28,174,012.88</u>
Comprised of—	
4% two-year Note of The Bell Telephone Company of Canada . . . . .	\$ 9,885,718.40
Dominion Government & Dominion Guaranteed Securities . . . . .	10,072,216.04
Provincial Government & Provincial Guaranteed Securities . . . . .	5,774,094.70
Municipal Securities . . . . .	250,000.00
Bonds of The Bell Telephone Company of Canada . . . . .	405,314.09
Cash and Accrued Interest Not Due . . . . .	1,786,669.65
<b>Total</b> . . . . .	<u>\$ 28,174,012.88</u>

Note — Securities are 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 W. E. Bickley,  
*Assistant General Manager.*

By A. Cyril Bell,  
*Assistant Secretary.*

MONTREAL,  
13th January, 1949.

### CASES AND PAYMENTS Under the Plan - 1948

	No. of Cases	Amount
<b>PENSIONS:</b>		
Service (paid from pension trust fund) . . . . .	926	\$ 679,386.03
Disability . . . . .	135	55,647.10
<b>BENEFITS:</b>		
Accident (including expenses) . . . . .	685	40,631.86
Sickness . . . . .	3353	557,317.71
Death . . . . .	177	112,928.55
<b>Total</b> . . . . .	<u>5276</u>	<u>\$1,445,911.25</u>

# S T A T I S T I C S

	December 31 1947	December 31 1948
<b>NUMBER OF TELEPHONES</b>		
Business . . . . .	447,084	487,765
Residence . . . . .	859,891	968,191
Total Company Owned Telephones . . . . .	1,306,975	1,455,956
% Residence of Total . . . . .	65.8	66.5
% Dial of Total . . . . .	70.1	70.7
Other Telephone Systems (Ontario and Quebec) . . . . .	893	877
Connecting and Miscellaneous Telephones . . . . .	220,102	236,681
<b>NUMBER OF CENTRAL OFFICES . . . . .</b>	430	438
<b>NUMBER OF OWNED BUILDINGS . . . . .</b>	198	214
<b>MILES OF POLE LINES . . . . .</b>	24,232	25,055
<b>MILES OF WIRE . . . . .</b>	4,966,432	5,434,888
% Underground Cable . . . . .	71.3	71.5
<b>AVERAGE DAILY CONNECTIONS*</b>		
Local . . . . .	8,497,000	9,218,000
Long Distance . . . . .	165,000	185,000
<b>TELEPHONE MOVEMENT*</b>		
Connected . . . . .	276,072	330,346
Disconnected . . . . .	147,021	181,365
<b>TOTAL PLANT AND EQUIPMENT . . . . .</b>	\$327,159,393	\$396,579,562
<b>OPERATING REVENUES* . . . . .</b>	\$ 85,388,107	\$ 95,845,981
<b>NUMBER OF EMPLOYEES</b>		
Men . . . . .	9,218	9,972
Women . . . . .	14,117	15,749
Total . . . . .	23,335	25,721
<b>TOTAL PAY ROLL* . . . . .</b>	\$ 45,015,767	\$ 52,262,347
<b>NUMBER OF SHAREHOLDERS</b>		
In Canada . . . . .	33,013	37,387
Elsewhere . . . . .	1,426	1,502
Total . . . . .	34,439	38,889

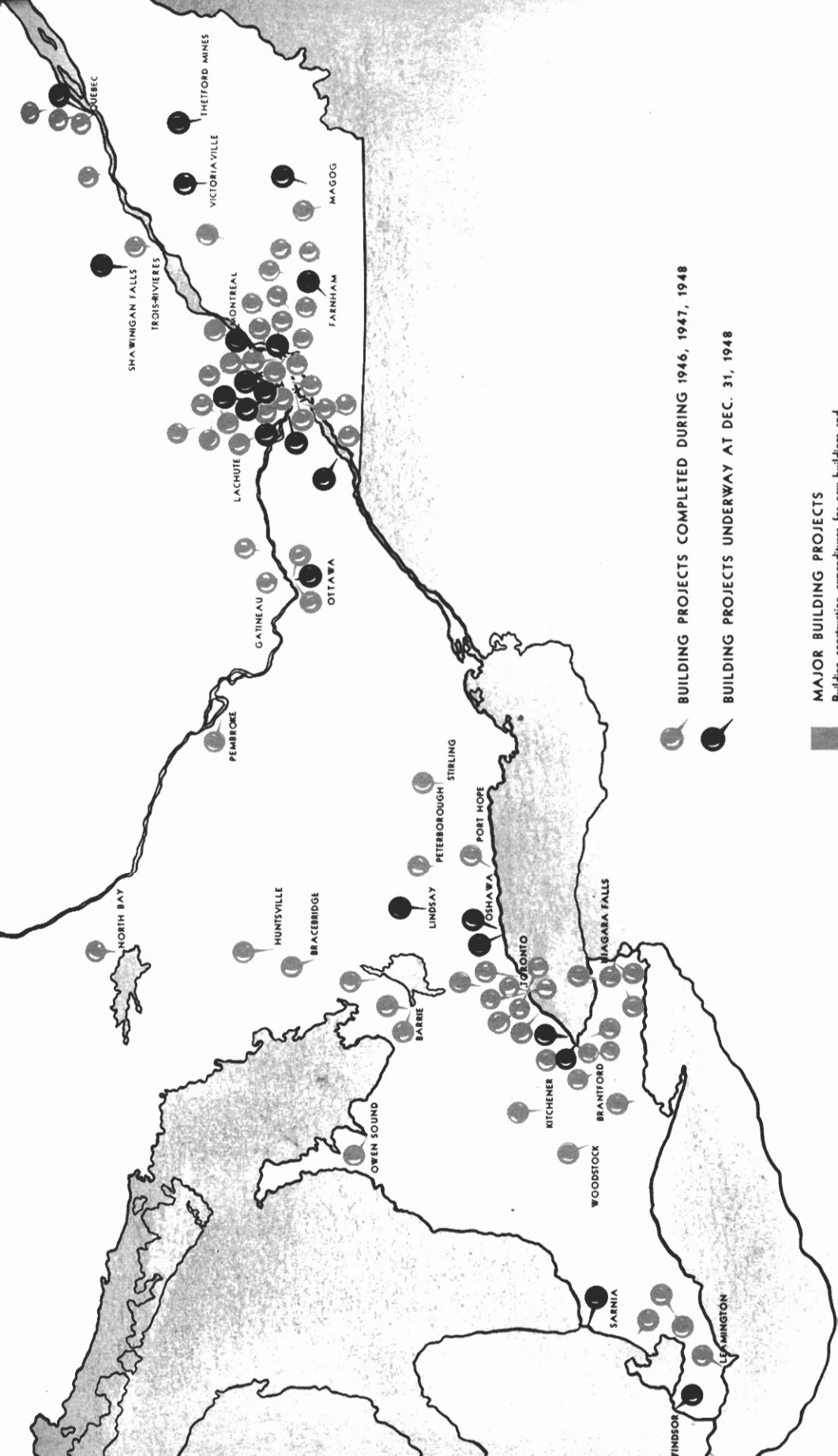
\*For the year ending December 31

# THE BELL TELEPHONE COMPANY OF CANADA

## STATISTICS 1940-1948

DECEMBER 31	1940	1941	1942	1943	1944	1945	1946	1947	1948
<b>NUMBER OF TELEPHONES</b>									
Business . . . . .	289,767	308,845	319,898	333,314	348,396	368,354	407,034	447,084	487,765
Residence . . . . .	534,930	579,503	605,516	622,799	639,134	681,759	770,890	859,891	968,191
Total Co. Owned Telephones	824,697	888,348	925,414	956,113	987,530	1,050,113	1,177,924	1,306,975	1,455,956
Per Cent Residence of Total	64.9	65.2	65.4	65.1	64.7	64.9	65.4	65.8	66.5
Per Cent Dial of Total . . . . .	67.9	70.1	72.3	72.2	71.9	71.2	69.3	70.1	70.7
<b>NUMBER OF CENTRAL OFFICES.</b>	417	413	415	419	420	422	425	430	438
<b>NUMBER OF OWNED BUILDINGS</b>	145	150	159	165	167	169	180	198	214
<b>MILES OF POLE LINES</b>	22,898	23,003	22,989	22,858	22,884	23,277	23,860	24,232	25,055
<b>MILES OF WIRE</b>	3,779,592	3,916,118	4,006,237	4,022,404	4,065,267	4,261,350	4,597,063	4,966,432	5,434,888
Per Cent Underground . . . . .	69.5	69.8	69.9	69.9	69.8	70.6	71.2	71.3	71.5
<b>AVERAGE DAILY CONNECTIONS*</b>									
Local . . . . .	6,187,000	6,486,000	6,432,000	6,219,000	6,271,000	6,833,000	7,772,000	8,497,000	9,218,000
Long Distance . . . . .	67,000	77,000	87,000	98,000	110,000	127,000	148,000	165,000	185,000
<b>TOTAL PLANT AND EQUIPMENT</b>	\$210,995,316	\$220,755,163	\$229,923,475	\$234,255,473	\$240,793,980	\$252,649,926	\$278,472,884	\$327,159,393	\$396,579,562
<b>OPERATING REVENUES*</b>	\$ 45,774,753	\$ 50,710,575	\$ 55,736,382	\$ 59,594,842	\$ 63,454,259	\$ 69,424,946	\$ 77,272,966	\$ 85,388,107	\$ 95,845,981
<b>NUMBER OF EMPLOYEES</b>									
Men . . . . .	5,037	5,506	4,914	4,579	4,871	6,083	8,171	9,218	9,972
Women . . . . .	5,641	6,259	6,819	7,336	8,231	9,766	13,630	14,117	15,749
Total Employees . . . . .	10,678	11,765	11,733	11,915	13,102	15,849	21,801	23,335	25,721
<b>TOTAL PAY ROLL*</b>	\$ 17,376,237	\$ 18,529,581	\$ 20,369,030	\$ 21,340,257	\$ 23,773,155	\$ 27,044,391	\$ 36,519,267	\$ 45,015,767	\$ 52,262,347
<b>TOTAL SHAREHOLDERS</b>	21,466	23,276	23,957	24,491	25,022	25,320	28,840	34,439	38,889

\*For year ending December 31.



BUILDING PROJECTS COMPLETED DURING 1946, 1947, 1948

BUILDING PROJECTS UNDERWAY AT DEC. 31, 1948

**MAJOR BUILDING PROJECTS**

Building construction expenditures for new buildings and extensions, 1946, 1947 and 1948, total \$14,700,000.

PRINTED IN CANADA

