

corp.

ANNUAL REPORT

1949

THE BELL TELEPHONE COMPANY OF CANADA

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THE BELL TELEPHONE COMPANY OF CANADA

**NOTICE OF
ANNUAL GENERAL MEETING
OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of The Bell Telephone Company of Canada will be held at the Head Office of the Company, Beaver Hall Building, 1050 Beaver Hall Hill, Montreal, Quebec, on Thursday, the 23rd day of February, 1950, at 11 o'clock in the forenoon, for the purpose of electing Directors for the ensuing year and transacting such other business as may be legally brought before the meeting.

S. C. SCADDING,

Secretary.

MONTREAL, January 16, 1950.

The above notice with a form of proxy attached was mailed earlier this year to all shareholders.



ANNUAL REPORT

**OF THE
DIRECTORS**

TO THE SHAREHOLDERS

OF

**THE BELL TELEPHONE
COMPANY OF CANADA**

**1050 BEAVER HALL HILL
MONTREAL**



FOR THE YEAR ENDED DECEMBER 31, 1949

THE REPORT IN BRIEF

Demand for service and rate of growth continued at a high level (Page 6)

- ▶ 139,000 telephones were added, bringing the total number in service to 1,595,000
- ▶ 82% of all new service applications unfilled at the start of the year were cleared
- ▶ 88,000 orders for new service and 108,000 for higher grades of service remained unfilled at the year end

Revenues surpassed the 1948 level but expenses rose even more sharply

- ▶ revenues increased 12% over 1948 (Page 7)
- ▶ operating expenses were 20% higher

The cost of additions to plant continued to rise (Page 10)

- ▶ new construction expenditures totalled \$74 million
- ▶ total plant investment per telephone rose to \$290 at the end of 1949 as compared with \$272 in 1948 and \$250 in 1947

The largest financing program in the Company's history was successful (Page 12)

- ▶ sale of stock and long term bonds added almost \$80 million new capital
- ▶ the Company's stock issue, the largest single offering to Canadian investors by a Canadian company, was more than 99% subscribed at a premium of 32%
- ▶ 20,700 new shareholders increased the total to 59,600, the largest on record

The number of employees reached a new record, and the total pay roll was higher than ever before (Page 15)

- ▶ employees increased by 2,500 to a total of 28,200
- ▶ pay roll was up 18% to \$62 million

Earnings fell short of requirements (Page 7)

- ▶ net income amounted to \$1.20 per share
- ▶ dividends at the regular rate were paid by withdrawing \$5 million from surplus

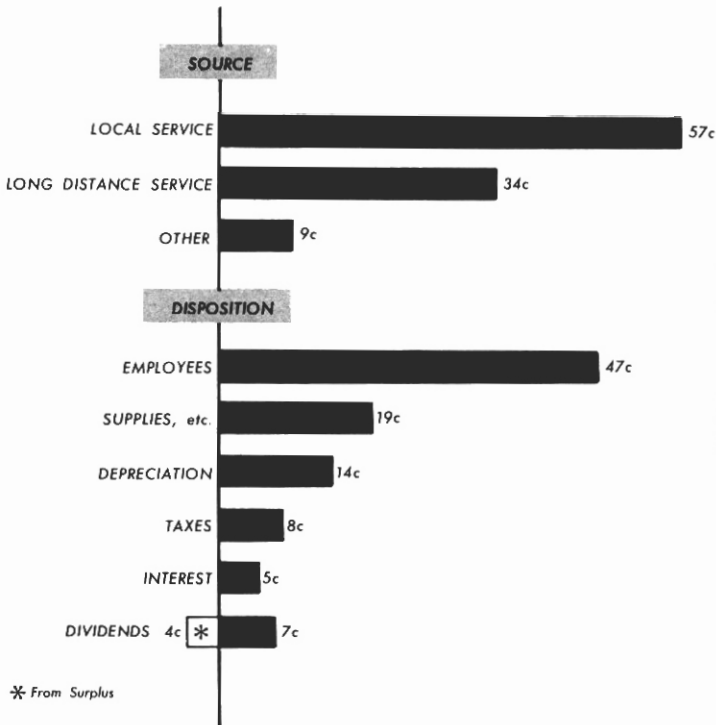
Action was taken to correct the decline in earnings (Page 9)

- ▶ detailed analysis of revenue requirements was undertaken
- ▶ application for authority to increase rates was submitted to The Board of Transport Commissioners for Canada in October
- ▶ the hearing of this application by the Board is expected to begin in March and to be proceeded with expeditiously

FINANCIAL SUMMARY

OPERATING REVENUES	\$107,838,055	
OTHER INCOME—NET	1,668,788	
TOTAL		\$109,506,843
OPERATING EXPENSES	\$ 88,123,605	
TAXES	8,465,000	
INTEREST	5,436,842	
TOTAL		102,025,447
NET INCOME AVAILABLE FOR DIVIDENDS		\$ 7,481,396
DIVIDENDS		12,484,825
BALANCE CHARGED TO EARNED SURPLUS		\$ 5,003,429

COMPARATIVE INCOME STATEMENT APPEARS ON PAGE 22



**SOURCE AND
DISPOSITION
OF
INCOME DOLLAR**

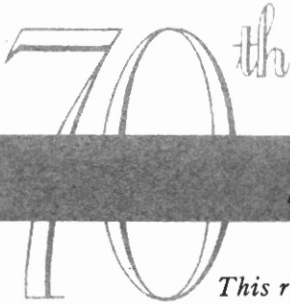
Directors

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 A. LAIDLAW *Toronto*
appointed January 25, 1950
ROBERT V. MACAULAY* *Montreal*
HON. S. C. MEWBURN, P.C., K.C. *Hamilton*
GLYN OSLER, K.C. *Toronto*
deceased November 11, 1949
CHARLES F. SISE* *Montreal*
PAUL F. SISE* *Montreal*
**Member of the Executive Committee*

THE BELL TELEPHONE COMPANY OF CANADA

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*
R. HOLLEY KEEFLER, *Assistant to the President*
EDWARD A. ROLPH, *General Manager*
HAROLD G. YOUNG, *General Manager, Western Area*
DOUGLAS W. FERRIER, *General Manager, Eastern Area*



ANNUAL REPORT

This report of the Board of Directors to the shareholders for the year 1949 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 exceptional growth of our service during the past few years continued throughout 1949. The increase in telephones was only slightly below the record set the year before, with the result that the total telephones now in service is more than double the number ten years ago. Nevertheless, demand continues at a high level and there remain many thousands of applicants to whom we cannot give service immediately, and many thousands of subscribers to whom we cannot yet furnish the higher grades of service they have requested.

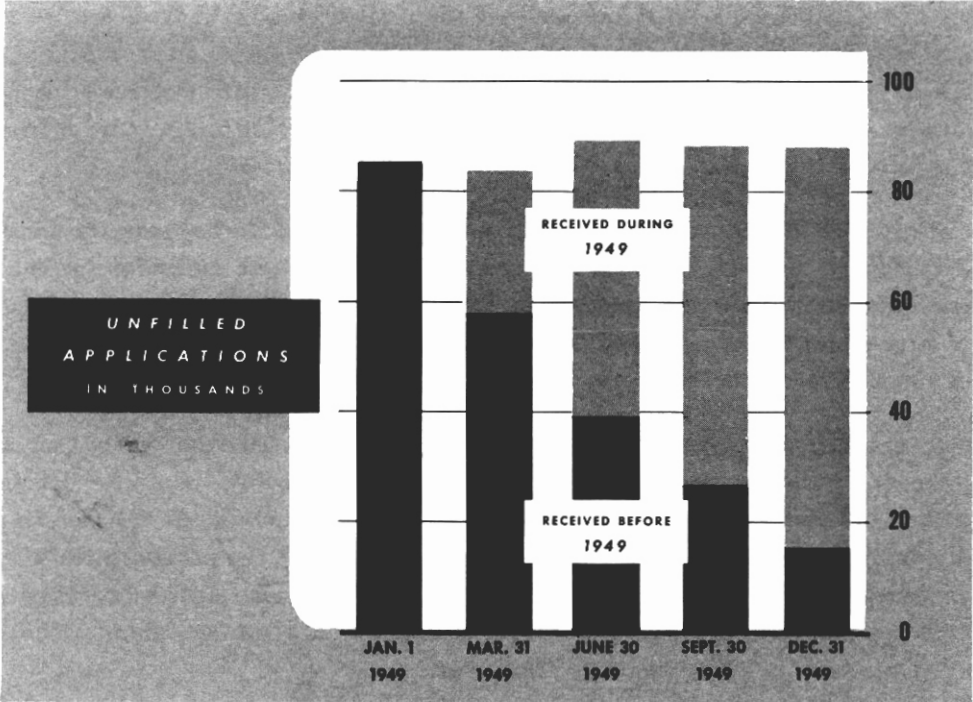
Construction of new telephone plant proceeded rapidly throughout the year. Provided at the high costs prevailing in this period, these additions to plant continued to increase the average investment per telephone. The further addition of large quantities of plant and equipment, still needed to meet the requirements of the wide territory we serve, will increase this investment even more.

The gratifying progress in extending and improving telephone service was, however, accompanied throughout the year by a steadily mounting deficit. Although revenues continued to increase they were considerably short of meeting dividend requirements, and dividends were maintained at the usual rate only by withdrawals from surplus. The results of the year's operations provided conclusive evidence that the charges for service established over 22 years ago cannot produce adequate revenues under today's conditions.

In order to correct this situation the Company prepared new tariffs designed to produce the revenues required and applied to The Board of Transport Commissioners for Canada for approval of these new tariffs and for authority to make them effective. The Board has indicated that we may expect the hearing on this application to commence at the beginning of March and to be proceeded with expeditiously.

SERVICE DEMAND PERSISTED

The exceptionally high demand of the last three years, for both new service and better grades of service, continued throughout 1949. During the year 139,228 new telephones were added, making a total of 1,595,184 in service — more than double the 785,455 at the end of 1939. Over 69,000 of the applications for service outstanding at the first of the year were cleared; but, due to the continuing heavy demand, 88,000 remained unfilled at the end of the year. In addition, 108,000 requests for better grades of service remained for future attention. To meet these substantial demands the Company finds itself compelled to continue its extensive and costly construction program.



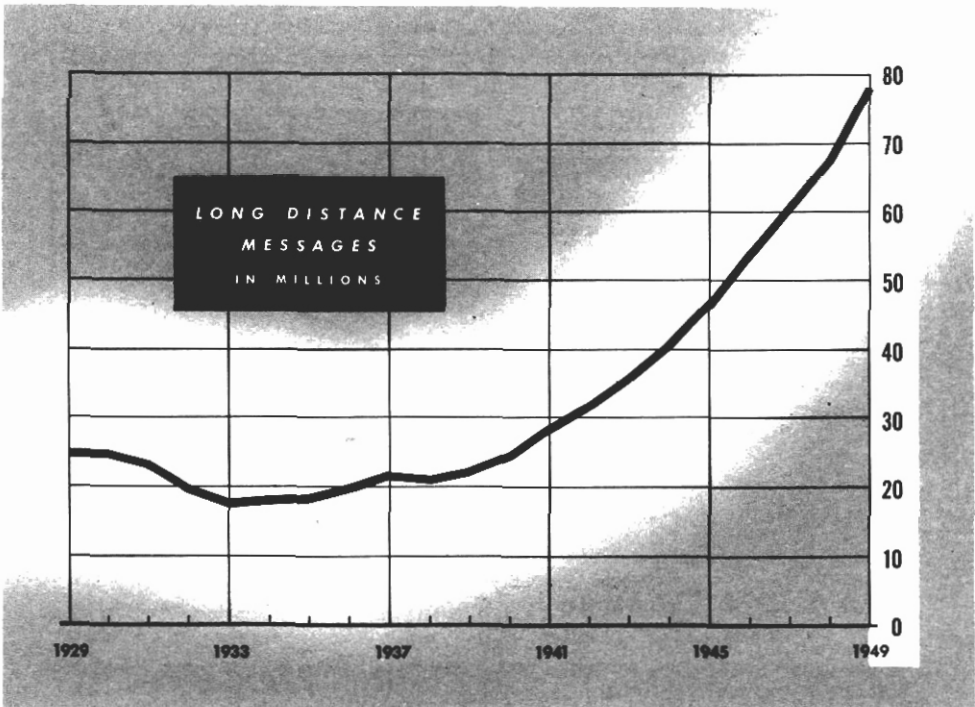
The near record gain in the number of telephones in service was accompanied by even greater growth in the use of the service. Local calls reached a new high average of 10 million a day, an increase of 10 per cent, and long distance calls increased by 15 per cent to a record 77,655,000 for the year. These increases necessitated many major additions to switchboard and other facilities.

In general, the quality of service was maintained at the level of the previous year and in some respects it was improved. *Equipment functioned with fewer failures and those that did occur were cleared more quickly.*

EARNINGS FELL SHORT

Although increasing revenues throughout the year reflected the continuing growth of the Company's service, and of its use, operating expenses increased at an even greater rate. After providing for taxes and for interest requirements, net income amounted to only \$7,481,396 or \$1.20 per share. To pay the regular dividend of \$2.00 per share it was necessary to draw on surplus to the extent of \$5,003,429.

Revenues reached a new record of \$109,506,843, an increase over 1948 of \$12,008,191 or 12 per cent. Local service revenues at \$62,877,511 increased by 10 per cent, and long distance revenues at \$37,579,945 increased by 15 per cent.

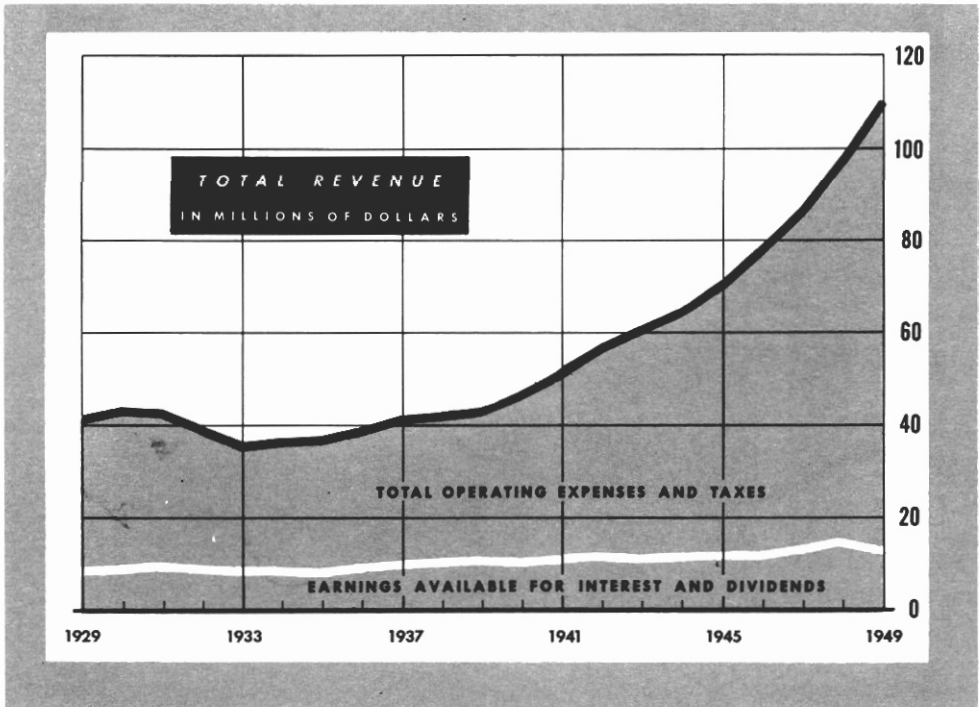


Miscellaneous operating revenues at \$7,569,886 represented an increase of 24 per cent, and other income, net, at \$1,668,788 was one per cent higher. Although there were increases in all classes of revenue, the over-all rate of increase was slightly less than in the preceding year.

Operating expenses increased at a more rapid rate than revenues; they amounted to \$88,123,605, an increase of \$14,862,396 or 20 per cent. The largest single factor was a rise of \$8,039,965 in the expense pay roll; this was due to the employment of more people and to higher rates of pay. Depreciation expense, which reflected the increased investment in plant and equipment, was greater by \$2,446,648.

Interest charges were \$5,436,842, or \$1,014,972 more than in 1948. The increase was due almost entirely to the issue, on June 1, of an additional \$40,000,000 of First Mortgage Bonds.

Federal and provincial income taxes, levied on a lower net income, were \$1,290,000 less than in 1948, despite an increase in the rate of the federal tax. Other taxes, mainly provincial taxes based on capital and taxes paid to municipalities, increased by \$516,000. The total taxes borne by the Company amounted to

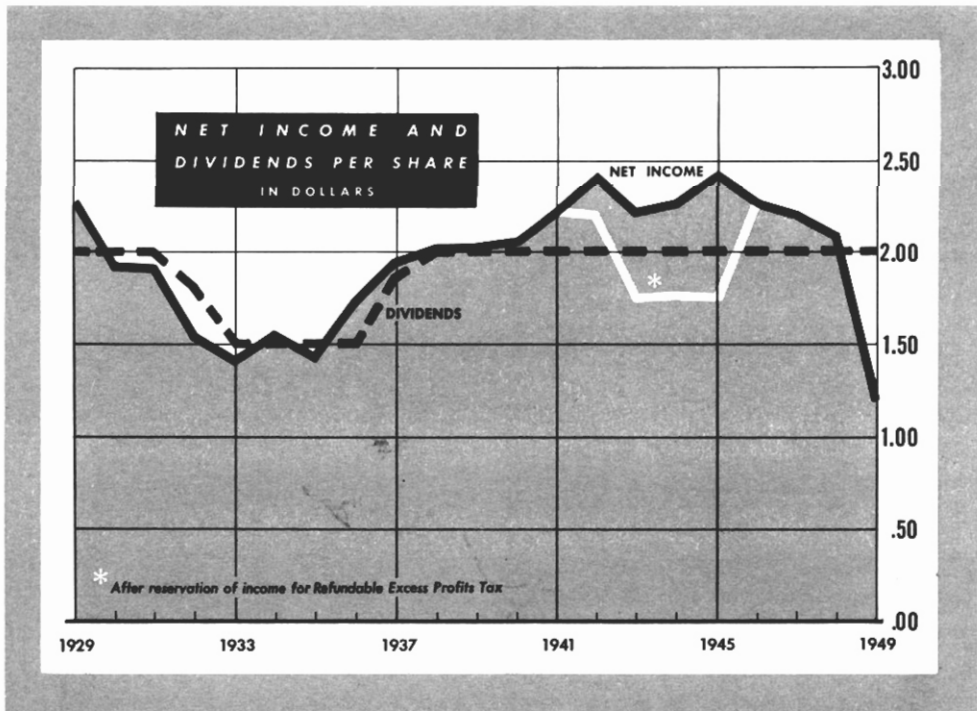


\$8,465,000, a reduction of \$774,000. These taxes were equivalent to \$1.36 per share of stock, as compared with net income available for dividends of \$1.20 per share.

In addition to taxes borne by the Company, direct taxes on telephone users amounting to \$2,573,000 were collected by the Company and remitted to the different governments. This was less than one-half the amount collected in the previous year because of the discontinuance on March 23 of the federal tax on long distance calls and on residence extension telephones. Taxes collected from customers plus those borne by the Company represented an average of \$7.22 per telephone for the year.

HIGHER RATES ARE IMPERATIVE

The rising trend of operating expenses and the increasing cost of plant investment made it imperative to seek higher charges for service, and studies of the Company's revenue requirements were undertaken accordingly. New tariffs were drawn up which were designed to produce the revenues required and to distribute the charges for service fairly amongst the various classes of customers according to the relative value of the different kinds and grades of service provided.

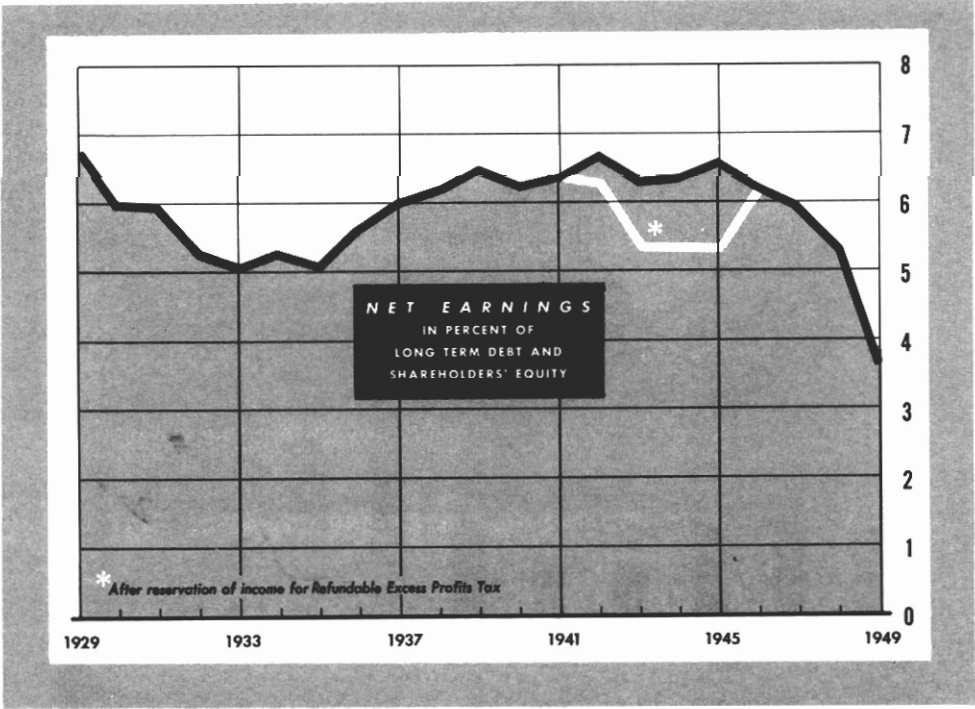


On October 14, the Company made an application to The Board of Transport Commissioners for Canada for approval of the new tariffs and for authority to make them effective from December 1. The application emphasized the Company's urgent need for the relief which the proposed increases would provide and was supported by a complete statement and data evidencing its financial and operating position, its mounting deficit, and its dwindling surplus.

When it became apparent that decision with respect to the application would be delayed, permission was sought to apply a temporary surcharge of 10 per cent to certain of the present charges. The Board ruled that consideration of this request should be deferred at least until the hearing on the main application was in progress, but stated that if the hearing were unduly protracted, the granting of temporary relief might then be considered.

EXPANSION CONTINUED TO BE COSTLY

New construction expenditures for plant expansion and improvement amounted to \$74,300,000. After allowing for the original cost of plant removed from service, fixed capital increased to \$463,248,589. This was equivalent to an average investment of \$290 for every telephone in service, as compared with \$272 in 1948 and \$250 in 1947.

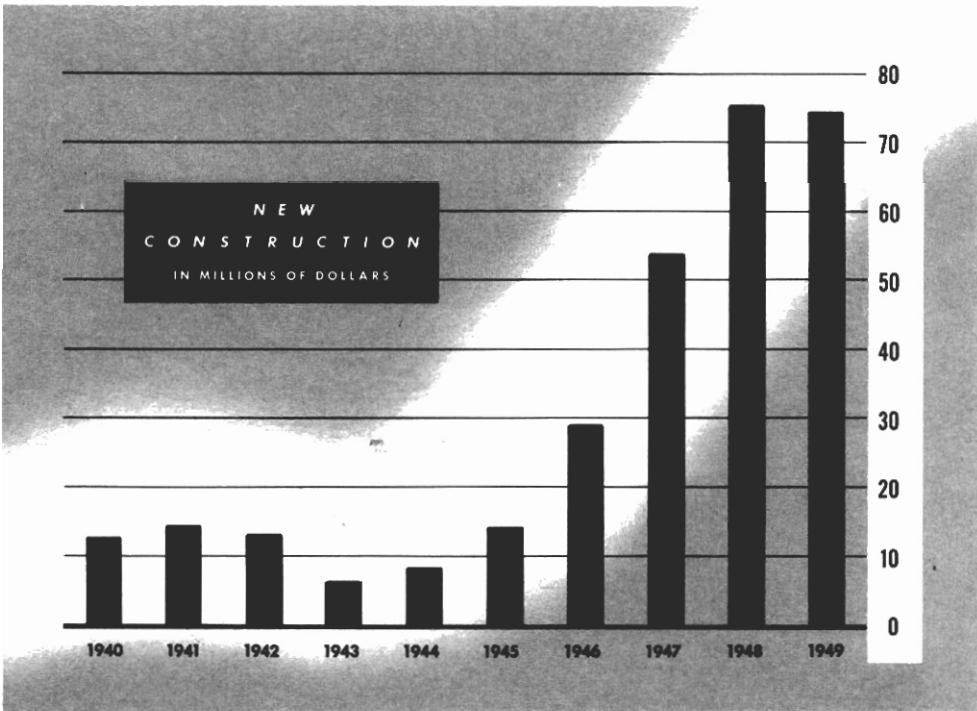


The installation of central office equipment, a major element in the program of expansion, was continued. Altogether 23 new dial central offices, 13 new manual central offices, and 163 extensions of existing equipment were placed in service. The new central offices, both dial and manual, were of the most modern types and each represented an advance in the type of facilities in use. Extensions to long distance switchboards were installed in 35 centres.

The Company's network of main-route long distance cables, both aerial and underground, was further extended. In all, 1,230 long distance circuits were added on various routes. In many localities, exchange cable facilities were widely extended.

There were 19 new buildings erected, 12 of them for dial equipment and one for long distance equipment, and 17 buildings were extended. At the end of the year another 19 building projects were under way. The leasing of additional space, some of it built especially to meet the Company's requirements, supplemented the accommodation made available by its own program of building construction.

During the year the Northern Electric Company Limited, the Company's manufacturing subsidiary, supplied the Company with large quantities of apparatus in-

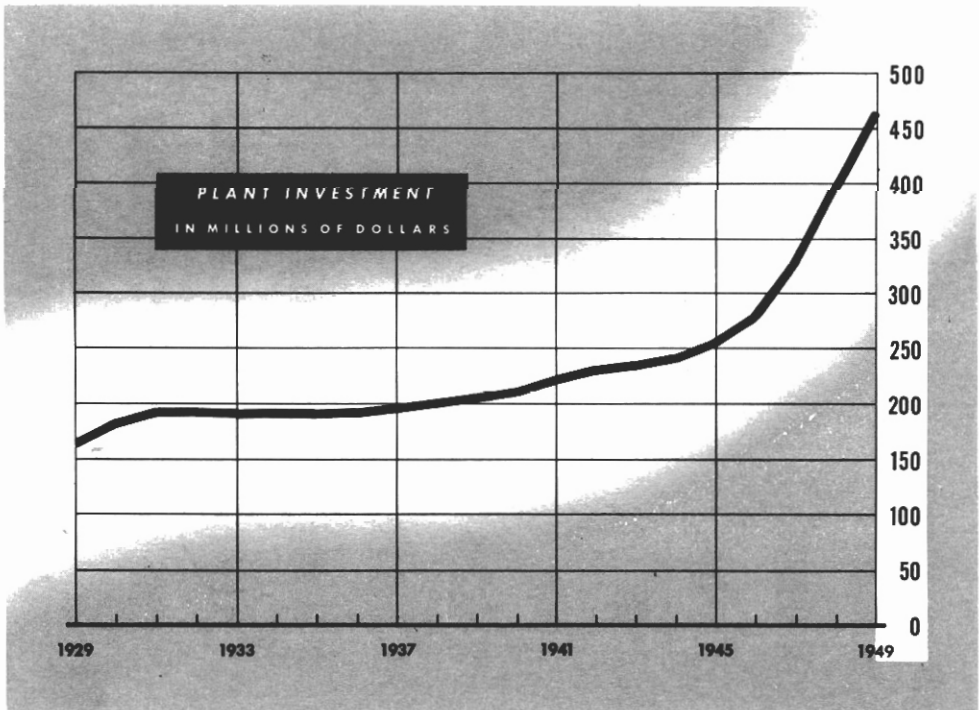


cluding 190,000 telephones, cables containing 575,000 miles of wire, more than 370 switchboard operating positions, and dial equipment to serve over 106,000 customers.

MAJOR FINANCING WAS UNDERTAKEN

The new capital for these extensive undertakings was provided through the largest program of financing ever completed by the Company in any one year. A total of almost \$80,000,000 was realized from the sale of both common stock and long term bonds.

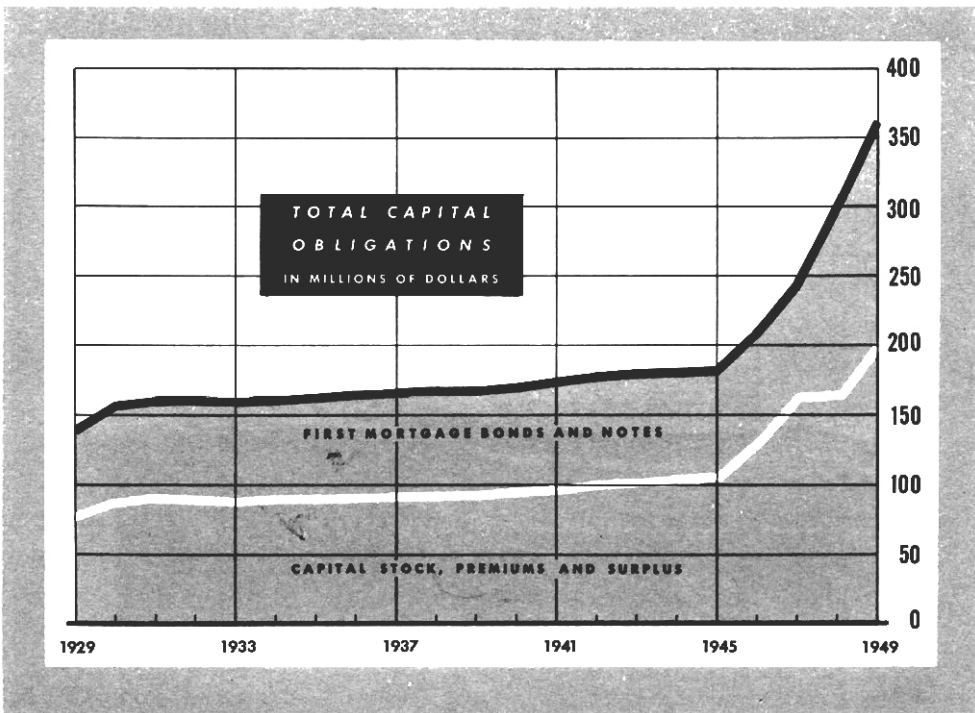
The largest stock offering ever made by the Company, and in fact the largest of its kind ever offered to Canadian investors by a Canadian corporation, was sold. In January, with the approval of The Board of Transport Commissioners for Canada, 1,029,587 shares of capital stock of a par value of \$25 per share were offered at the price of \$33 to shareholders of record on January 14, 1949. The right to subscribe was in the ratio of one new share for each five shares then held. All but a fraction of one per cent was subscribed, and the proceeds of the issue were \$33,747,087.



Under approval previously given by the Board, 180,747 additional shares were issued, principally covering subscriptions matured under the Employees' Stock Plan.

The amounts realized by the Company from the shares issued in 1949 and from others issued since the end of 1945 have totalled \$97,623,638. This is slightly more than the amount derived from all of the stock issued in the preceding years of the Company's existence from 1880 to the end of 1945. Because of the higher prices obtained for new stock during the last four years the average cost to the Company of money invested by shareholders has declined from 7.3 per cent at the end of 1945 to 6.6 per cent at the end of 1949.

Under authority given by the shareholders on September 9, 1948, \$40,000,000 First Mortgage Bonds, Series G, were sold on June 1. These bonds bear $3\frac{3}{8}$ per cent interest, mature in 26 years, and are payable both as to interest and principal in Canadian funds. Of the total of \$142,500,000 First Mortgage Bonds outstanding at the end of the year, only \$7,500,000 remained payable optionally in Canadian or United States funds.

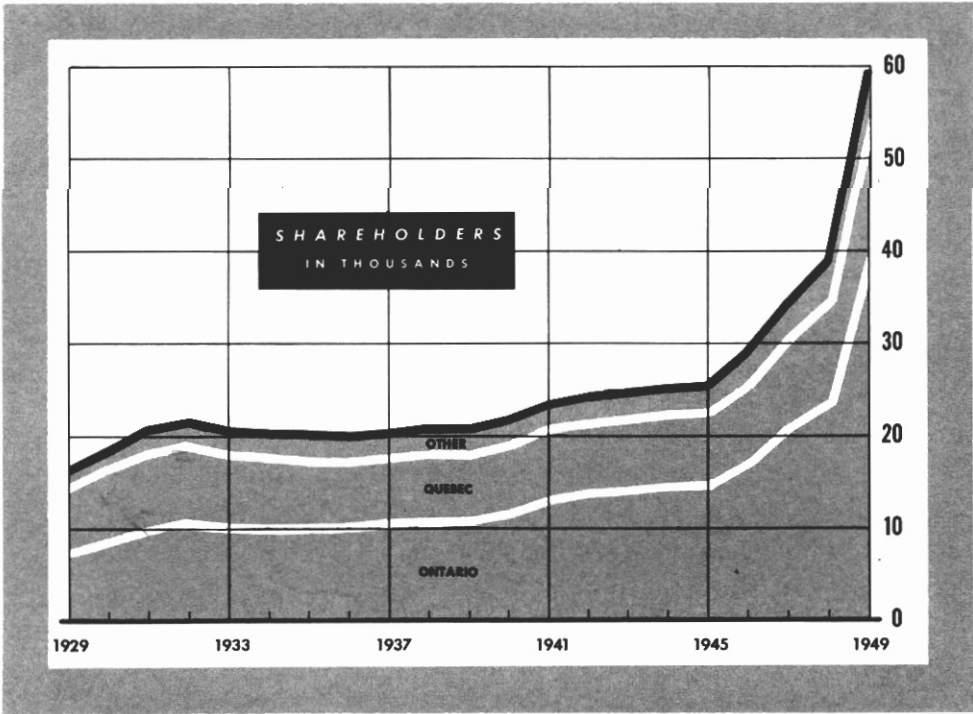


A total of \$10,100,000 in 2¾ per cent registered notes was sold early in the year. These notes, together with similar notes for \$19,900,000 sold in 1948, were redeemed from the proceeds of the stock and bond issues. In December, notes for \$6,000,000 bearing interest at 2¾ per cent were sold.

MANY SHAREHOLDERS ADDED

The number of shareholders increased by 20,702, the greatest increase in any year, and at the end of the year the total was 59,591, the largest in the Company's history.

The Company has now a larger number of Canadian shareholders than any other Canadian corporation: 58,000 of its shareholders, or 97 per cent, live in Canada. Nearly 54,000, or 90 per cent, are residents of Ontario and Quebec; these represent the equivalent of one shareholder in every 33 families residing in the provinces we serve. Shareholders in other countries number about 1,600 and own a little less than 16 per cent of the stock; these include the American Telephone & Telegraph Company which now holds slightly less than 12 per cent. The average holding per shareholder is 106 shares; 42 per cent of all holders own 25 shares



or less, and 79 per cent own less than 100 shares. No individual owns as much as one-seventh of one per cent of the Company's shares.

Among employees and pensioners of the Company, 8,276 are shareholders and hold 551,959 shares, nearly 9 per cent of the total outstanding. One in every four of the Company's employees is now a shareholder.

CO-OPERATION WITH OTHER COMPANIES EXTENDED

Pursuant to previous requests to the Company, service contracts were made with certain major Canadian telephone systems. By these contracts, the Company agreed to provide these systems with engineering and technical information and advice at appropriate charges.

By arrangement with the cities of Fort William and Port Arthur, Ontario, the Company undertook to provide and operate at Fort William a new switchboard to furnish long distance and auxiliary services in connection with these municipally-owned exchanges.

Throughout Ontario and Quebec the Company continued, as in the past, to assist the numerous telephone systems with which it connects in the furnishing of good telephone service. Practical training courses in construction and installation methods were provided for some employees of these systems.

EMPLOYEES INCREASED — CORDIAL RELATIONS CONTINUED

The number of employees increased again, this year by 2,473, or 10 per cent, to a new record total of 28,194. Women employees numbered 17,642 or 63 per cent of the total, a slightly higher proportion than in the previous year. The total pay roll amounted to \$61,578,785, the increase of 18 per cent being due to the greater number of employees, higher wage rates, and the effect of increasing lengths of service on progressional wage scales.

Cordial labour relations continued throughout the year. Early in the spring a single new employee association was certified by federal authorities to represent non-supervisory employees in plant craft, clerical and equipment sales occupations. An existing employee association continued to be the certified representative of traffic operating and dining service employees. Collective agreements involving changes in some working conditions and increases in wage rates were negotiated with these two employee bargaining agents. An extensive investigation and comparison of wages paid by other industries in the communities in which the Company operates provided the basis for these negotiations.

HEALTH, SECURITY AND SAVINGS PLANS EXPANDED

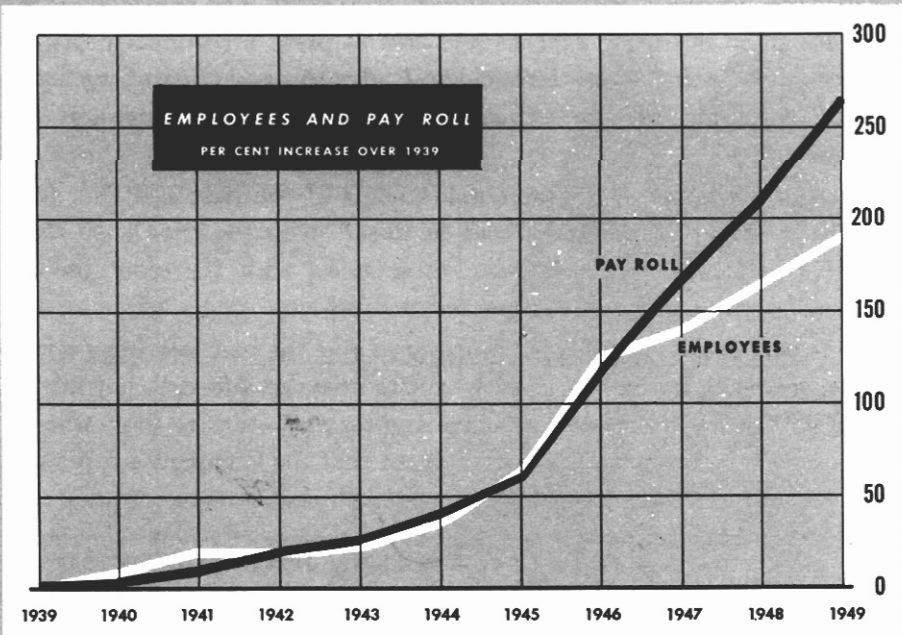
Health services for employees were broadened. Voluntary periodic examinations, already available with other health services through the medical departments in the six largest cities, were extended to employees in four additional cities. These examinations, undertaken by the Company's local medical examiners, afforded wider opportunities for early diagnosis and for advice on health problems. The health nursing services of the larger centres were extended to make them more useful to wider groups. These activities have proved to be beneficial not only to employees but also to the Company through the maintenance of employee health and well-being.

Both pension and benefit payments, under the Company's plan first established in 1917, were higher in 1949. Service pension payments for the year amounted to \$726,179. Total payments of sickness and accident benefits, disability pensions, and death benefits to dependents of deceased employees and pensioners, amounted to \$957,168.

PLAN FOR EMPLOYEES' PENSIONS, DISABILITY BENEFITS AND DEATH BENEFITS

	<i>No. of Cases</i>	<i>Amount</i>
PENSIONS		
Service (paid from pension trust fund)	969	\$ 726,178.58
Disability	132	55,640.66
BENEFITS		
Accident (including expenses) . .	775	33,921.14
Sickness	4,083	725,220.30
Death	191	142,386.37
Total	6,150	\$1,683,347.05

Interest in the various voluntary security plans offered by the Company continued to grow, and a large proportion of eligible employees authorized deductions from pay in order to participate in them. The deductions for these purposes amounted in the year to over \$6,200,000, about 10 per cent of the total pay roll. The Employees' Stock Plan continued to account for a large proportion of the deductions: over 16,000 employees, or 64 per cent of those eligible, were subscribing under the Plan at the end of the year, and subscriptions for 174,000 shares of the Company's stock were carried to completion. Under the Employees' Life Insurance Plan, premiums were paid by pay roll deduction on individual policies of a total face value of \$24,661,000, an increase in life insurance protection of \$2,789,000 during the year. Deductions were made also under the Blue Cross hospital service plan which now covers 18,113 employees or 66 per cent of those eligible.



OFFICERS

Mr. R. Holley Keefer was appointed Assistant to the President; Mr. Edward A. Rolph, General Manager, Eastern Area, was appointed General Manager, reporting to the Executive Vice-President; and Mr. Douglas W. Ferrier was appointed General Manager, Eastern Area.

BOARD OF DIRECTORS

Through the death of Mr. Glyn Osler, K.C., of Toronto, on November 11, the Company lost the wise counsel and guidance of a distinguished Canadian. As a valued member of the Board of Directors for nearly 30 years, Mr. Osler contributed to the direction of Company policy the wisdom and judgment gained during an outstanding career in the legal profession and as director of a number of Canadian companies.

Mr. Robert A. Laidlaw, of Toronto, was appointed a director on January 25, 1950.

OUR THREEFOLD OBLIGATION

The distinctive feature of the year's operations was the paradox of seriously reduced earnings during a period of national prosperity. The continuance of the upward trends in operating expense and cost of plant investment brought the Company to the point where technological advances and efficient management could no longer bridge the gap between revenues based on 1927 rates and today's high costs.

We can regard with pride the accomplishments of the past and look forward to the achievement of the tasks that lie ahead, with the knowledge that the Company's employees will undertake these tasks with the same good spirit and efficiency which have always marked their efforts.

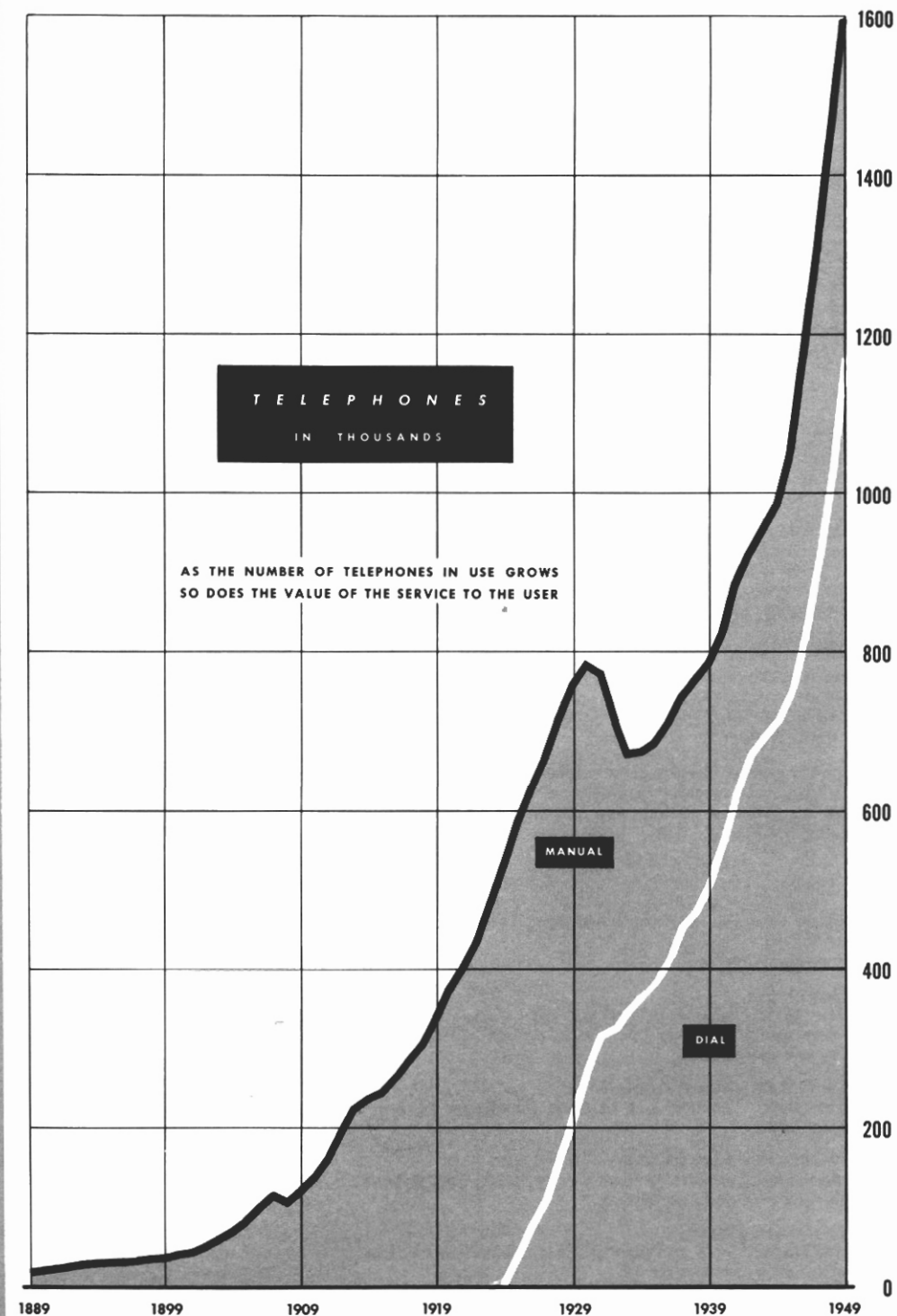
It is the established policy of this Company to give the best telephone service to its customers at the lowest cost consistent with financial safety, to pay fair wages to its employees, and to pay a reasonable and regular return to those who invest their money in the business. We are confident that the Company's revenues will be adjusted to meet the present level of costs and enable us to continue to fulfil this threefold obligation.

For the BOARD OF DIRECTORS,

MONTREAL, FEBRUARY 3, 1950.



President.



COMPARATIVE

BALANCE SHEET

THE BELL TELEPHONE
COMPANY OF CANADA

THE BELL TELEPHONE
COMPANY OF CANADA

	ASSETS	
	Dec. 31, 1949	Dec. 31, 1948
FIXED CAPITAL (at cost)		
LAND AND BUILDINGS	\$ 45,530,172.08	\$ 38,336,596.77
TELEPHONE PLANT	401,706,553.19	344,456,735.88
Central office equipment, right-of-way, poles, underground conduit, cable, wire, and telephone equipment on customers' premises.		
GENERAL EQUIPMENT	16,011,863.51	13,786,229.65
Storeroom and garage equipment, motor vehicles, tools and office furniture and equipment.		
TOTAL FIXED CAPITAL	\$463,248,588.78	\$396,579,562.30
INVESTMENT SECURITIES (at cost)		
SUBSIDIARY COMPANIES	\$ 10,300,292.67	\$ 9,145,800.49
OTHER INVESTMENT SECURITIES	8,793,522.39	8,187,802.79
Market values (book values where market values are not available) exceed the cost.		
TOTAL INVESTMENT SECURITIES	\$ 19,093,815.06	\$ 17,333,603.28
CURRENT ASSETS		
CASH	\$ 930,377.13	\$ 798,690.19
TEMPORARY CASH INVESTMENTS	1,000.00	1,415,400.00
Government of Canada securities (market value at December 31, 1949, \$1,000.00).		
MATERIAL AND SUPPLIES	10,227,269.12	10,500,072.33
Principally for construction and maintenance purposes, held at cost, less a reserve of \$55,367.67 at December 31, 1949. Physical inventories were taken during September and October, 1949.		
NOTES RECEIVABLE FROM SUBSIDIARY COMPANIES	910,000.00	222,000.00
ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS	9,826,045.41	9,181,553.86
SUBSIDIARY COMPANIES \$ 209,966.96		
CUSTOMERS AND OTHERS AND OTHER CURRENT ASSETS 9,616,078.45		
Amounts due for service (less reserve for uncollectible accounts), interest, dividends, rents, etc., and cash held by employees as working funds.		
TOTAL CURRENT ASSETS	\$ 21,894,691.66	\$ 22,117,716.38
OTHER ASSETS		
REFUNDABLE PORTION OF EXCESS PROFITS TAX	\$ 4,103,384.22	\$ 5,782,176.76
DEFERRED DEBITS		
PREPAYMENTS	\$ 3,390,326.89	\$ 2,286,347.35
Rents, taxes, insurance, cost of directories and other expenses prepaid and applicable to period subsequent to December 31.		
DISCOUNT ON LONG TERM DEBT	377,422.67	395,297.36
Unamortized discount and expense pertaining to bonds outstanding.		
DISCOUNT AND PREMIUM ON BONDS REDEEMED	2,151,805.68	2,487,559.08
Unamortized discount, redemption premium and expense pertaining to bonds redeemed.		
OTHER DEFERRED DEBITS	477,072.68	415,059.49
Miscellaneous items, the disposition of which had not been determined at December 31.		
TOTAL DEFERRED DEBITS	\$ 6,396,627.92	\$ 5,584,263.28
TOTAL ASSETS	\$514,737,107.64	\$447,397,322.00

Signed on behalf of the Board of Directors:
W. F. ANGUS, Director.
C. E. GRAVEL, Director.

	LIABILITIES	
	Dec. 31, 1949	Dec. 31, 1948
CAPITAL STOCK		
COMMON STOCK—par value \$25. per share. Authorized: by charter—20,000,000 shares, by shareholders—12,000,000 shares. Outstanding at December 31, 1949—6,339,390 fully paid shares.	\$158,484,750.00	\$128,400,100.00
LONG TERM DEBT		
BONDS—FIRST MORTGAGE		
SERIES C—Maturing May 1, 1960—5% \$14,500,000.00		
Less—Held in Treasury 7,000,000.00		
SERIES D—Maturing Aug. 1, 1964—3¼%	\$ 7,500,000.00	\$ 7,500,000.00
SERIES E—Maturing Mar. 1, 1977—3%	25,000,000.00	25,000,000.00
SERIES F—Maturing Feb. 15, 1973—3¼%	35,000,000.00	35,000,000.00
SERIES G—Maturing June 1, 1975—3¾%	35,000,000.00	35,000,000.00
NOTES—Maturing Dec. 1, 1951—2¾%	40,000,000.00	—
NOTES—Maturing Feb. 1, 1952—2½% to 2¾%	6,000,000.00	—
NOTE SOLD TO TRUSTEE OF PENSION FUND—4%	3,000,000.00	3,000,000.00
	9,159,539.82	9,885,718.40
TOTAL LONG TERM DEBT	\$160,659,539.82	\$115,385,718.40
LOANS	\$ —	\$ 19,900,000.00
Notes—Registered—2¾%.		
CURRENT LIABILITIES		
NOTES PAYABLE TO SUBSIDIARY COMPANIES	\$ 116,098.09	\$ 116,325.59
ADVANCE BILLING AND PAYMENTS FOR SERVICE	2,614,964.86	2,306,672.94
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	9,107,215.39	11,371,124.70
SUBSIDIARY COMPANIES \$5,313,799.20		
OTHER ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES 3,793,416.19		
Amounts owing for supplies, pay rolls and other items.		
TOTAL CURRENT LIABILITIES	\$ 11,838,278.34	\$ 13,794,123.23
ACCRUED LIABILITIES NOT DUE		
TAXES	\$ 2,443,937.03	\$ 3,252,929.04
OTHER	4,629,566.47	3,948,036.76
Federal, Provincial and Municipal taxes, interest, dividends and rents applicable to period ended December 31 but not due until after that date.		
TOTAL ACCRUED LIABILITIES NOT DUE	\$ 7,073,503.50	\$ 7,200,965.80
DEFERRED CREDITS		
EMPLOYEES' STOCK PLAN	\$ 5,997,517.47	\$ 6,957,440.56
Instalments paid by employees subscribing for capital stock, with interest thereon.		
PREMIUM ON LONG TERM DEBT	1,224,339.89	703,705.26
Unamortized premium less expense on bonds outstanding.		
OTHER DEFERRED CREDITS	21,063.89	251,836.33
Miscellaneous items, the disposition of which had not been determined at December 31.		
TOTAL DEFERRED CREDITS	\$ 7,242,921.25	\$ 7,912,982.15
DEPRECIATION RESERVE	\$128,407,107.87	\$117,903,356.23
Provision to meet loss of investment in telephone property upon its ultimate retirement from service.		
PREMIUMS ON CAPITAL STOCK	\$ 33,360,471.87	\$ 24,375,753.74
Amount received in excess of par value.		
SURPLUS		
RESERVED SURPLUS	\$ 4,103,384.22	\$ 5,782,176.76
Refundable portion of Excess Profits Tax.		
UNAPPROPRIATED SURPLUS		
CAPITAL SURPLUS	2,409,304.28	2,277,716.34
Miscellaneous additions (net) 1949 \$131,587.94		
EARNED SURPLUS	1,157,846.49	4,464,429.35
Balance charged for year 1949 \$5,003,428.58		
Excess Profits Tax refunded—1949 1,677,426.08		
Miscellaneous additions (net) 1949 19,419.64		
TOTAL SURPLUS	\$ 7,670,534.99	\$ 12,524,322.45
TOTAL LIABILITIES	\$514,737,107.64	\$447,397,322.00

Submitted with our accompanying report dated January 28, 1950
(Signed) P. S. Ross & Sons, Chartered Accountants.

J. CLEUGH, Comptroller.

COMPARATIVE INCOME STATEMENT

	Year 1949	Year 1948
OPERATING REVENUES	\$108,027,341.26	\$ 95,987,729.06
Revenues from local and long distance service, directory advertising and miscellaneous telephone operations.		
Less: UNCOLLECTIBLE OPERATING REVENUES	189,286.84	141,748.15
Total Operating Revenues	<u>\$107,838,054.42</u>	<u>\$ 95,845,980.91</u>
OPERATING EXPENSES		
OPERATION EXPENSES	\$ 46,254,568.94	\$ 39,114,748.05
Cost of operating the telephone property, including expense of handling telephone calls, billing and collecting customers' accounts, directories, rents and provision for pensions. (1949—salaries paid to Executive Officers \$220,250.40; salaries and fees paid to Counsel and other legal advisers \$63,581.94; and fees paid to Directors and members of the Executive Committee \$26,041.67, of which \$6,441.67 was paid and accounted for by subsidiary companies.)		
CURRENT MAINTENANCE	26,347,365.89	21,071,438.53
Cost of inspection, repairs and rearrangements required to keep the telephone property in good operating condition.		
DEPRECIATION	15,521,670.00	13,075,022.00
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.		
Total Operating Expenses	<u>\$ 88,123,604.83</u>	<u>\$ 73,261,208.58</u>
NET OPERATING REVENUES	<u>\$ 19,714,449.59</u>	<u>\$ 22,584,772.33</u>
OPERATING TAXES		
INCOME TAXES	\$ 4,500,000.00	\$ 5,790,000.00
OTHER TAXES	3,965,000.00	3,449,000.00
Federal, Provincial and Municipal.		
Total Operating Taxes	<u>\$ 8,465,000.00</u>	<u>\$ 9,239,000.00</u>
NET OPERATING INCOME	<u>\$ 11,249,449.59</u>	<u>\$ 13,345,772.33</u>
OTHER INCOME		
INCOME FROM INVESTMENT SECURITIES	\$ 898,920.73	\$ 833,058.25
Dividends and interest from investment securities.		
MISCELLANEOUS INCOME (NET)	769,867.30	819,612.99
Interest on temporary cash investments and other miscellaneous income (net).		
Total Other Income	<u>\$ 1,668,788.03</u>	<u>\$ 1,652,671.24</u>
INCOME AVAILABLE FOR FIXED CHARGES	<u>\$ 12,918,237.62</u>	<u>\$ 14,998,443.57</u>
FIXED CHARGES		
BOND AND NOTE INTEREST	\$ 4,625,851.20	\$ 3,683,816.10
Interest charges on bonds and long term notes outstanding.		
OTHER INTEREST	477,120.49	418,356.44
Interest charges on current obligations.		
AMORTIZATION OF DISCOUNT AND PREMIUM ON LONG TERM DEBT—Cr.	26,982.13	16,064.20
Proportion of discount, premium and expense applicable to the year relating to bonds outstanding.		
AMORTIZATION OF DISCOUNT AND PREMIUM ON BONDS REDEEMED	335,768.09	335,761.53
Proportion of discount, redemption premium and expense applicable to the year relating to bonds redeemed.		
OTHER CHARGES	25,083.86	—
Premium on United States Funds required for bond interest payments.		
Total Fixed Charges	<u>\$ 5,436,841.51</u>	<u>\$ 4,421,869.87</u>
NET INCOME AVAILABLE FOR DIVIDENDS	<u>\$ 7,481,396.11</u>	<u>\$ 10,576,573.70</u>
DIVIDENDS	12,484,824.69	10,186,656.07
Dividends to owners of outstanding common stock.		
BALANCE CREDITED TO EARNED SURPLUS	<u>\$ —</u>	<u>\$ 389,917.63</u>
BALANCE CHARGED TO EARNED SURPLUS	<u>5,003,428.58</u>	<u>—</u>

J. CLEUGII, Comptroller.

AUDITORS' REPORT

MONTREAL, QUE.,

January 28, 1950.

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, 1949, 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, 1949, 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, 1949, 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, 1949, 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.

December 31	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949
NUMBER OF TELEPHONES										
Business	289,767	308,845	319,898	333,314	348,396	368,354	407,034	447,084	487,765	526,714
Residence	534,930	579,503	605,516	622,799	639,134	681,759	770,890	859,891	968,191	1,068,470
Total Company Owned Telephones	824,697	888,348	925,414	956,113	987,530	1,050,113	1,177,924	1,306,975	1,455,956	1,595,184
Per cent Residence of Total	64.9	65.2	65.4	65.1	64.7	64.9	65.4	65.8	66.5	67.0
Per cent Dial of Total	67.9	70.1	72.3	72.2	71.9	71.2	69.3	70.1	70.7	72.9
Other Telephone Systems (Ontario and Quebec)	883	888	922	926	922	917	911	893	877	873
Connecting and Miscellaneous Telephones	150,540	156,916	161,243	169,801	180,440	187,349	207,247	220,102	236,681	256,014
NUMBER OF CENTRAL OFFICES	417	413	415	419	420	422	425	430	438	458
NUMBER OF OWNED BUILDINGS	145	150	159	165	167	169	180	198	214	228
MILES OF POLE LINES	22,898	23,003	22,989	22,858	22,884	23,277	23,860	24,232	25,055	25,721
MILES OF WIRE	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	5,996,693
Per cent Underground Cable	69.5	69.8	69.9	69.9	69.8	70.6	71.2	71.3	71.5	71.6
AVERAGE DAILY CONNECTIONS*										
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	9,214,000	10,149,000
Long Distance	67,000	77,000	87,000	98,000	110,000	127,000	148,000	165,000	185,000	213,000
TELEPHONE MOVEMENT*										
Connected	223,478	243,530	185,981	134,059	138,708	187,444	258,501	276,072	330,346	361,650
Disconnected	184,236	179,879	148,915	103,360	107,291	124,861	130,690	147,021	181,365	222,422
TOTAL PLANT AND EQUIPMENT	\$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	\$463,248,589
OPERATING REVENUES*	\$ 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	\$107,838,055
NUMBER OF EMPLOYEES										
Men	5,037	5,506	4,914	4,579	4,871	6,083	8,171	9,218	9,972	10,552
Women	5,641	6,259	6,819	7,336	8,231	9,766	13,630	14,117	15,749	17,642
Total Employees	10,678	11,765	11,733	11,915	13,102	15,849	21,801	23,335	25,721	28,194
TOTAL PAY ROLL*	\$ 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	\$ 61,578,785
NUMBER OF SHAREHOLDERS										
In Canada	20,151	22,062	22,728	23,288	23,685	23,976	27,472	33,013	37,387	58,032
Elsewhere	1,315	1,214	1,229	1,203	1,337	1,344	1,368	1,426	1,502	1,559
Total Shareholders	21,466	23,276	23,957	24,491	25,022	25,320	28,840	34,439	38,889	59,591

* For the year ending December 31.

STATISTICS
1940-1949

PENSION TRUST FUND

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

BALANCE IN FUND—December 31, 1948		\$28,174,012.88
Additions to Fund during 1949—		
Payments into Fund by Company	\$3,300,040.11	
Interest Revenue (including amortization of premium and discount and gain or loss on investments disposed of)	940,203.79	
<i>Total Additions</i>	\$4,240,243.90	
Disbursements for Pensions during 1949	726,178.58	
<i>Net Increase in Fund</i>		<u>3,514,065.32</u>
BALANCE IN FUND—December 31, 1949		<u>\$31,688,078.20</u>

Comprised of—

4% two-year Note of The Bell Telephone Company of Canada		\$ 9,159,539.82
Government of Canada direct and guaranteed Securities		11,609,833.42
Provincial Government direct and guaranteed Securities		9,261,936.54
Municipal Securities		250,000.00
Bonds of The Bell Telephone Company of Canada		405,044.95
Public Utility Bonds		201,464.69
Miscellaneous Securities		194,152.92
Cash and accrued interest not due		<u>606,105.86</u>
Total		<u>\$31,688,078.20</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 GEO. G. W. GOODWIN,
Manager.

JAMES A. ELLIS,
Assistant Secretary.

MONTREAL, 19th January, 1950.

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CONSISTENT WITH A FAIR RETURN
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