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ANNUAL REPORT

1947



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, 1947

THE REPORT IN BRIEF

More telephones were added during the year, and more were in service, than ever before

- *the net increase of 129,051 telephones bettered the record gain of the previous year. The increase for the two years 1946 and 1947 exceeded that for the five-year period 1941-45*
- *there were 1,306,975 telephones in service at December 31.*

Local and long distance calling reached new peaks. As compared with 1946 there were

- *6.2 million more long distance calls, an increase of 11 per cent*
- *240 million more local calls, an increase of 9 per cent.*

Net income exceeded dividend requirements despite increased expenses

- *revenues increased by 11 per cent*
- *operating expenses were up 16.6 per cent*
- *taxes were less by 16 per cent.*

After allowing for fixed charges

- *net income was \$8.80 per share, while*
- *dividends were paid at the rate of \$8.00 per share.*

New telephone plant and equipment were put into service at an unprecedented rate

- *expenditures for new construction were \$53,600,000 as compared with \$29,000,000 in 1946, the previous peak year.*

Funds to finance the program of new construction were secured principally by the sale of capital stock

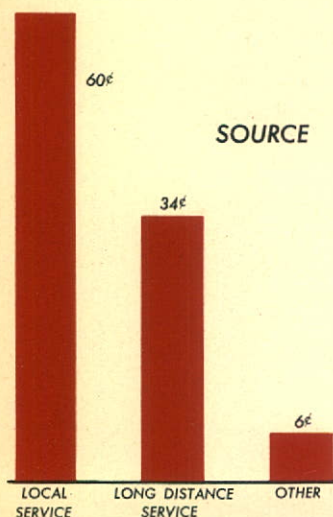
- *an offering to shareholders on the basis of one new share for every five shares held was 99 per cent subscribed*
- *the new money thus invested in the business will amount to \$29,274,420*
- *added to the amount secured through an issue in 1946, this almost equals the total invested by shareholders in the first 48 years after the incorporation of the Company.*

A bond redemption operation effected a substantial saving in interest charges and reduced future needs for United States dollars

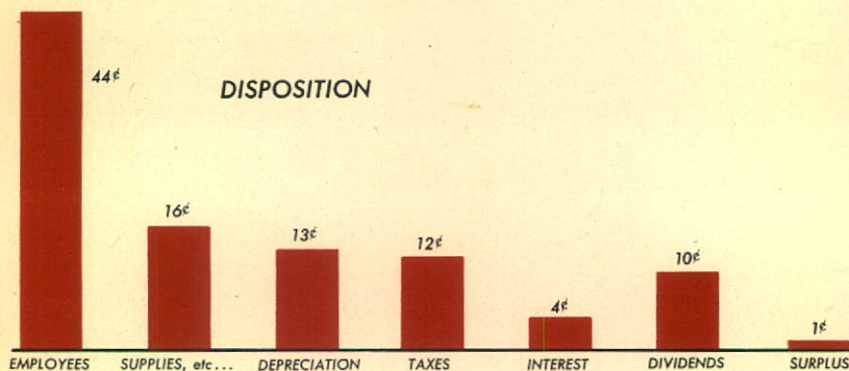
- \$35,000,000 of 3% bonds, payable in Canadian funds only, were issued and
- \$30,000,000 of 5% bonds, payable in Canadian or United States funds, were called for redemption.

As the year closed there were 94,000 applicants waiting for telephones and demands for local and long distance service were still rising.

Plans have been made for a year of even greater activity in 1948, to the end that the public's requirement for service should be fully and satisfactorily met at the earliest possible moment.



**SOURCE
AND
DISPOSITION
OF
INCOME DOLLAR**



THE BELL TELEPHONE COMPANY OF CANADA

1050 BEAVER HALL HILL

MONTREAL 1, P. Q.

DIRECTORS

L. J. ADJUTOR AMYOT *Quebec*

WILLIAM F. ANGUS* *Montreal*

HENRY BORDEN, K.C. *Toronto*
appointed January 28, 1948

C. GORDON COCKSHUTT *Brantford*

CLEO F. CRAIG *New York*

HON. C. 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. S. C. MEWBURN, P.C., K.C. *Hamilton*

GLYN OSLER, K.C. *Toronto*

CHARLES F. SISE* *Montreal*

PAUL F. SISE* *Montreal*

VICTOR R. SMITH *Toronto*
deceased November 21, 1947

*Member of the Executive Committee

OFFICERS

Chairman of the Board	CHARLES F. SISE
President	FREDERICK JOHNSON
Vice-President	PAUL A. MCFARLANE
Vice-President	J. HOLLIS BRACE
Vice-President	ROBERT V. MACAULAY
Secretary	SIMCOE C. SCADDING
Treasurer	JACK R. LOGAN
Comptroller	JOHN CLEUGH
General Counsel	NORMAN A. MUNNOCH, K.C.
General Manager, Toronto	HAROLD G. YOUNG
General Manager, Montreal	C. LEONARD DEWAR

Sixty - Eighth Annual Report

This report of the Board of Directors to the shareholders for the year 1947 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.

In many ways 1947 was the most active year in the 68 years of the Company's public service to Canadians.

In no other year has so much telephone service been provided through so many telephones connected with our system. Both local and long distance calls reached new peaks of volume and the number of new telephones connected exceeded that in any previous year in our history.

These achievements involved the employment of more people, the investment of more capital and the building of more telephone plant than ever before. They called forth, also, the utmost in the resourcefulness and skill of the 23,000 employees of the Company.

Nevertheless, all service demands were not met. And we enter a new year with a program designed to extend and improve the service to the end that we can give every customer the kind and quality of service he wants when and as he wants it.

The understanding attitude of telephone users was an important factor in helping the Company to cope with service demands. We have tried to keep the public well informed about telephone plans and progress, and the friendly response and co-operation of our customers have been most valuable in enabling telephone people to give better service than would otherwise have been possible.

Service

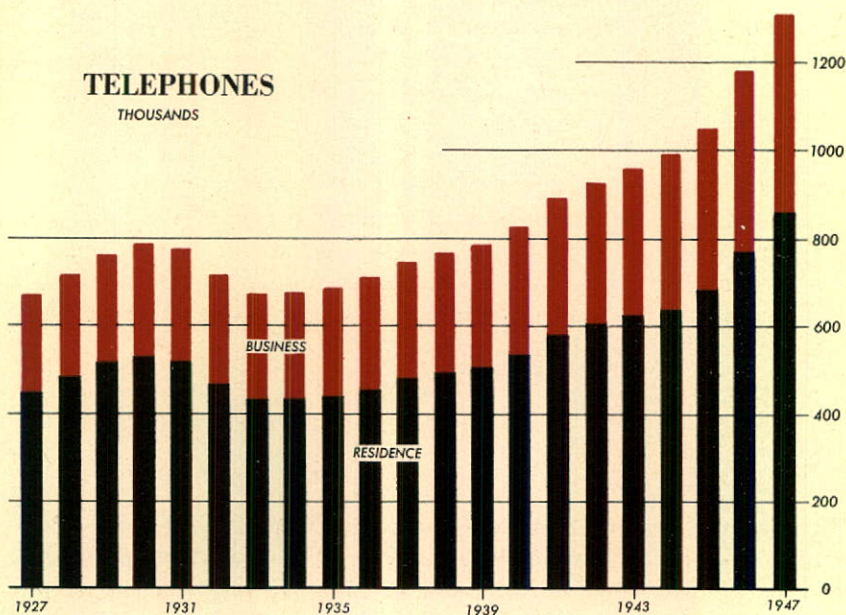
Throughout the year efforts were especially directed towards the fulfilment of service requests of long standing. Thus, of 84,000 applicants waiting for service at the beginning of 1947, all but 23,000 were provided with telephones and, of these, few had applied before 1946.

So great, however, was the demand for new telephones that, despite the unparalleled additions, the number of applicants waiting for service at the end of the year totalled 94,000.

The net increase in telephones amounted to 129,051, exceeding the record figure for 1946 and bringing the telephones in service to a total of 1,306,975 at the end of the year. The increase for the two years 1946 and 1947 exceeded the total for the previous five-year period, 1941 to 1945.

There were 240,000,000 more local calls and 6,200,000 more long distance calls than in 1946. These represent increases of 9 per cent and 11 per cent respectively.

The effect of so many more additional telephones, and so many more additional calls, was to strain even the augmented facilities to the limit. Although this resulted, in certain instances, in performance somewhat below our normal objectives, services to subscribers, in the over-all, were improved. Calls were answered more promptly, more of them were completed without delay and fewer of them were affected by errors. Despite the difficulties presented by scarcities of materials, the physical plant was kept in a good state of repair.



Revenues

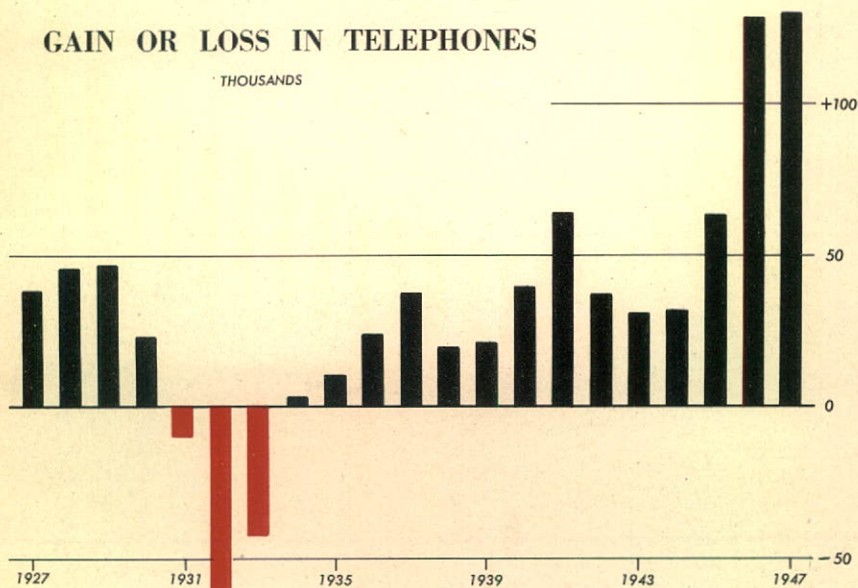
The gross revenues from all sources amounted to \$86,566,486, an increase of \$8,552,148 or 11 per cent over 1946.

This was made up of \$51,597,751 in local service revenue, an increase of 9 per cent; \$29,255,278 in long distance revenue, an increase of 9.6 per cent; and \$5,713,457 in miscellaneous revenue, an increase of 42.6 per cent.

Expenses

Total operating expenses continued an upward trend and were higher than for 1946 by \$8,995,147, or 16.6 per cent.

Increases in operation and maintenance expenses of \$7,933,239 were due mainly to an increase of \$5,773,000 in the expense payroll which resulted from a greater number of employees, higher basic wage rates and a full year's effect of the shorter work week which was inaugurated in the latter part of 1946. Depreciation expense increased by \$1,061,908 as a result of more plant in service.



Taxes

Taxes applicable to the year 1947 amounted to \$9,854,000, a decrease of \$1,883,000 or 16 per cent. Federal income and excess profits taxes were lower by \$3,748,000 but this reduction was offset to the extent of \$1,507,000 by taxes re-imposed by the provinces of Ontario and Quebec upon termination of the dominion-provincial wartime tax agreements. Total taxes were equivalent to \$7.96 for each telephone in service or \$8.94 for each share of capital stock.

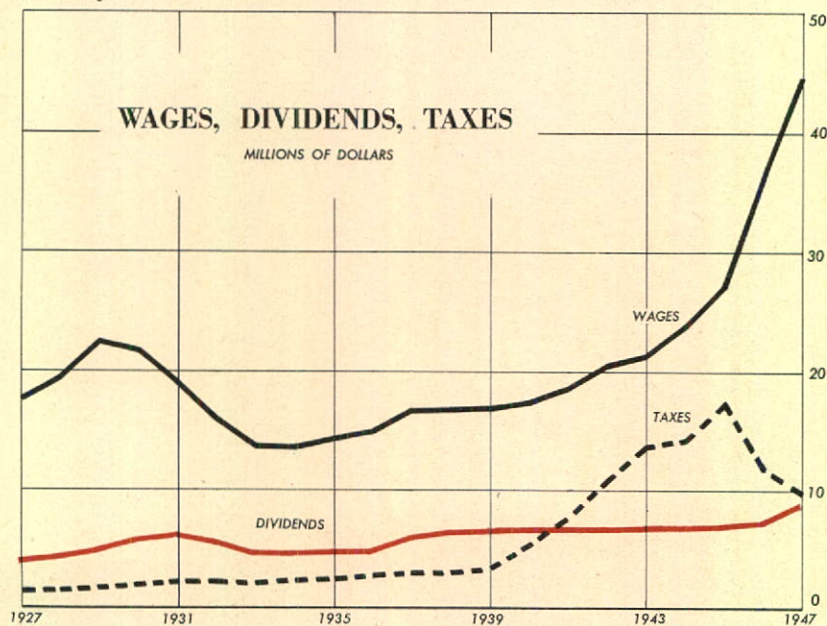
In addition, taxes totalling \$9,553,000 were collected at the source for the various governments from employees, from telephone users and from the owners of the Company's bonds and shares.

Taking into account taxes paid by the Company and those collected from telephone users, the cost of service to the customer in 1947 included for taxes an average of almost \$12 per telephone.

Net Income and Dividends

Net income, after fixed charges, amounted to \$9,701,652 or \$8.80 per share of average outstanding capital stock as compared with \$9.07 in 1946.

Quarterly dividends paid at the rate of \$2 per share totalled \$8,821,633 for the year.

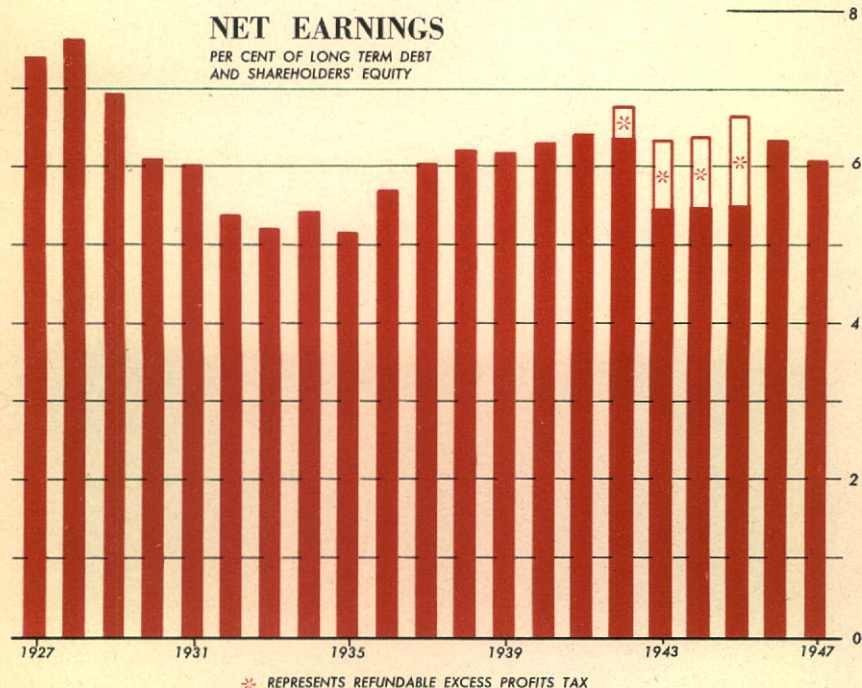


Capital Stock Issue

The principal source of funds to finance the program of plant extension and improvement was the issue of additional shares of capital stock.

With the approval of the Board of Transport Commissioners for Canada, shareholders of record on September 24 were offered the right to subscribe for additional stock at \$140 a share in the proportion of one new share for each five shares then held. As the issue was not registered under the United States Securities Act residents of that country, who owned 21.8 per cent of the stock, were unable to subscribe; they could, however, sell their "rights" in Canada. Due to exchange restrictions most residents of other countries were not able to subscribe but their "rights" could be sold in Canada.

Thus Canadian investors, almost alone, were called upon to finance the new issue. It is a tribute to the financial standing of the Company and to the faith of Canadians in the future of private enterprise in this country, that 99 per cent of the 211,227 shares offered were subscribed almost entirely by Canadian investors. When instalment payments are completed the amount of new money thus invested will be \$29,274,420.



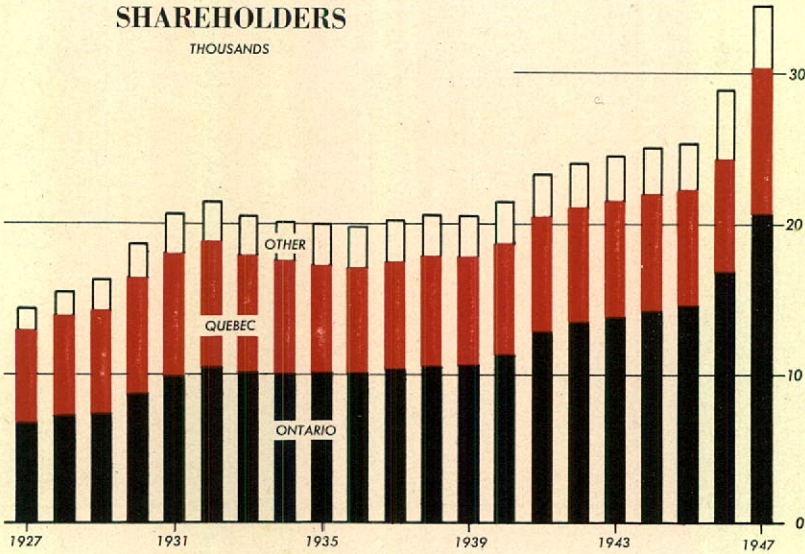
This new money, added to the proceeds of the stock issue in 1946, brings the total of equity capital invested in the business within a period of but little over one year to some \$54,000,000. This is an amount almost equal to the capital provided by the shareholders in the 48 years from the incorporation of the Company in 1880 to 1927.

Bond Issue

The authority of the shareholders, given in February 1946, to issue \$35,000,000 of bonds was exercised in March 1947. The new issue was designated first mortgage 3 per cent bonds, Series E. They mature on March 1, 1977 and are payable both as to principal and interest in Canadian funds only.

The proceeds of the issue were used mainly to redeem as of June 1, at 105 per cent, \$30,000,000 of Series B, 5 per cent bonds due June 1, 1957, payable as to principal and interest in Canadian or United States funds at the holder's option.

This transaction will result in a substantial saving in annual interest charges over a period of ten years and will appreciably reduce the future needs of the Company for United States dollars.



Other Financing

Under the Employees' Stock Plan 12,257 shares of the Company's stock were issued to employees upon completion of instalment payments.

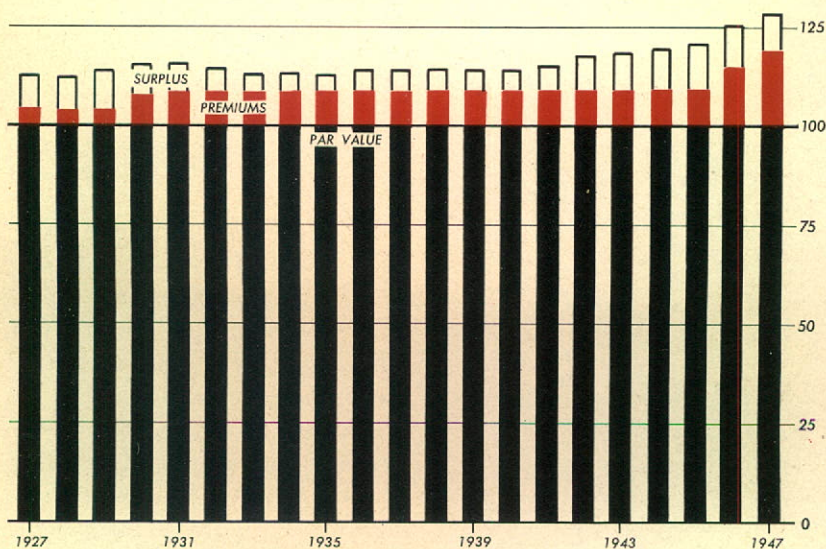
By arrangement with the holders of the Company's \$3,000,000 2 per cent notes, due August 1, the maturity date was extended to February 1, 1948 and subsequently was further extended to February 1, 1949.

Capital Authorization

In December an application was made to the Parliament of Canada for an act to amend the Company's act of incorporation by increasing its authorized capital stock from \$150,000,000 to \$500,000,000. Although the existing authority has not been completely exhausted, a continuance of the public need for expansion of the Company's services makes this a necessary provision. This application, which is designed also to clarify the Company's corporate powers, will be dealt with at the present session of Parliament.

SHAREHOLDERS' EQUITY PER SHARE

DOLLARS



Shareholders

The number of shareholders increased by 5,599 to a total of 34,439. This was the greatest increase in any year and the largest total ever recorded. In the past two years, shareholders have increased by 9,119 or 36 per cent.

More Canadians have a greater financial interest in the Company than at any other time. Shareholders living in Canada number 33,013 or 95.9 per cent of the total. They hold 80.3 per cent of the stock as compared with 76.6 per cent in 1946 and 72.2 per cent in 1945.

Shareholders residing outside of Canada hold 19.7 per cent of the total shares; this includes 14.8 per cent held by the American Telephone and Telegraph Company as compared with 18 per cent a year ago.

The average stockholding increased from 36 to 37 shares; 48.1 per cent of all holders own ten shares or less, and 95 per cent hold fewer than 100 shares. Of the total shareholders 57 per cent are women.

The 4,766 employees and pensioners who are shareholders own 91,029 or 7.2 per cent of the total outstanding shares.

Construction Program

The program of extending and improving telephone facilities reflected the efforts of the Company to satisfy the requirements of the public and to re-establish a service-on-demand basis of operation.

New construction, at a cost of \$53,600,000 compared with \$29,000,000 in 1946 and \$14,200,000 in 1945.

The net increase in fixed capital accounts, after allowance for the original cost of plant removed from service and not re-used, was \$48,687,000, compared with \$25,823,000 in 1946.

Investment in plant at the end of the year totalled \$327,159,393.

Buildings

A major factor in the program of expansion was the provision of buildings, mainly to house central office equipment. As compared with the 180 buildings owned by the Company at the beginning of the year there were, in progress or completed at the end of the year, 55 projects to construct new buildings or enlarge others.

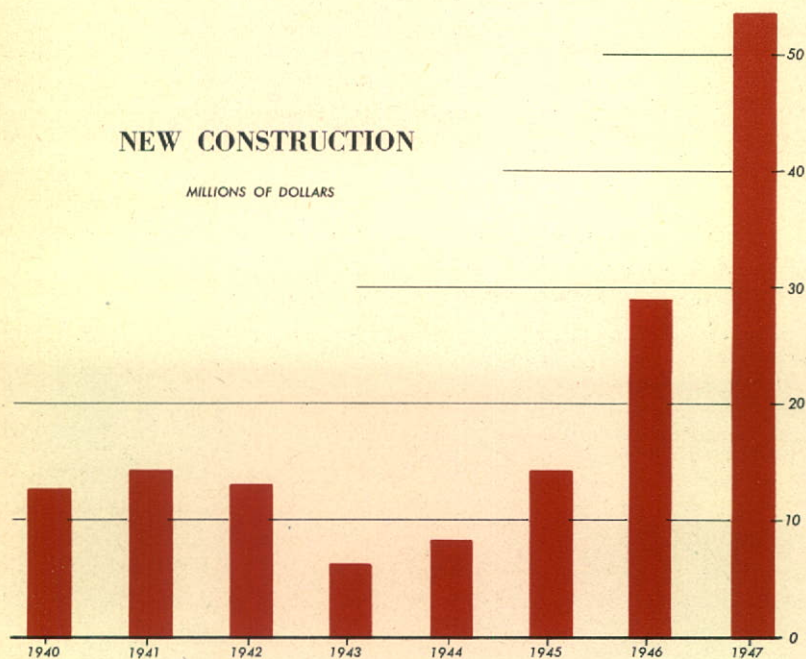
Five new central office buildings were completed, four of them to accommodate dial installations. In St. Catharines a dial building was opened in June. In Orillia a building was erected to house dial equipment planned for operation there in 1948. Buildings completed in the western section of Quebec City and in Notre-Dame des Laurentides will also contain dial apparatus. A new building in Cowansville was opened in November when common battery service was introduced there.

Thirteen small structures to house repeater equipment were erected along three main long distance routes. Four are between Trois-Rivières and Quebec, four on the Oshawa-Sudbury route and five on the lines linking Toronto and London.

Extensions of central office buildings were completed in:

Barrie	Granby	North Bay
Beloil	Huntingdon	St. Hyacinthe
Drummondville	New Toronto	Trois-Rivières
Montreal (CRescent and BYwater)		

In Toronto, a new combined work centre and garage building was completed on Mount Pleasant Road, as was also a major extension of the combined warehouse and garage building on Shaw Street.



The biggest single building project started during the year was the extension of the long distance centre on Belmont Street in Montreal. When completed, in 1949, it will accommodate additional long distance equipment and local dial apparatus and will provide urgently needed office space.

As the year closed there were 24 new buildings and extensions under way in different parts of the territory.

Plant and Equipment

In spite of disappointments and delays in deliveries due to shortages of materials, new telephone equipment became available and was placed in service in quantities never before equalled.

Dial central office equipment capable of serving over 70,000 telephones, 105 local switchboard positions and 317,000 conductor miles of exchange wire and cable were put in service.

One exchange was converted from manual to dial operation and one new dial centre was established. Manual common battery equipment replaced magneto apparatus in 12 exchanges.

Long distance switchboards were extended in a number of exchanges where the need was most urgent and substantial additions were made to the long distance network. These provided some relief in meeting the increased demand for long distance service.

Further progress was made towards the establishment of an all-cable route to form the main artery of the long distance system. The London-Windsor and Montreal—Trois-Rivières sections were placed in service and work on the Quebec—Trois-Rivières section was well advanced. When ready for service, it will complete a route, entirely protected in cable, from Quebec, at the eastern end of the Company's territory, to Windsor at the western extremity. The cable on this route is designed for multi-channel carrier operation and parts of it are already in use on this basis.

Technical Advancements

Telephone engineers are constantly at work on new equipment and methods to increase the quality, dependability and efficiency of telephone service.

During the year they made the first installation in Canada of rural power line carrier equipment. This development makes it possible to provide telephone service to farms which are distant from telephone lines by permitting the transmission of telephone conversations over electric power wires.

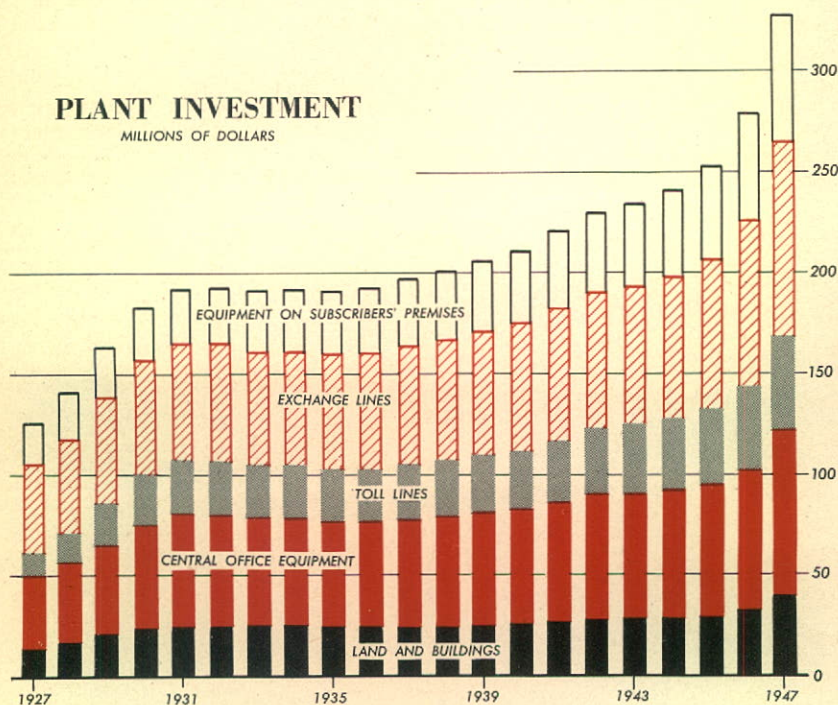
Also introduced during the year were two kinds of carrier equipment, each capable of developing 12 talking channels on one long distance physical circuit. One type of carrier is for use on open wire circuits and the other is its counterpart for use on circuits in cables.

Emergency radio-telephone equipment was also adopted. It is intended for the prompt restoration of service on a temporary basis where long distance lines are damaged by storms.

Mobile Service

Mobile telephone service was inaugurated in the metropolitan and suburban areas of Montreal and Toronto in June.

This service affords oral communication between telephone-equipped vehicles and other telephones. Connections are made through telephone exchange equipments.



Preparations were practically complete toward the introduction of highway mobile service for vehicles operating between Toronto and Barrie.

In Toronto and Montreal 65 mobile telephones were in service at the end of the year.

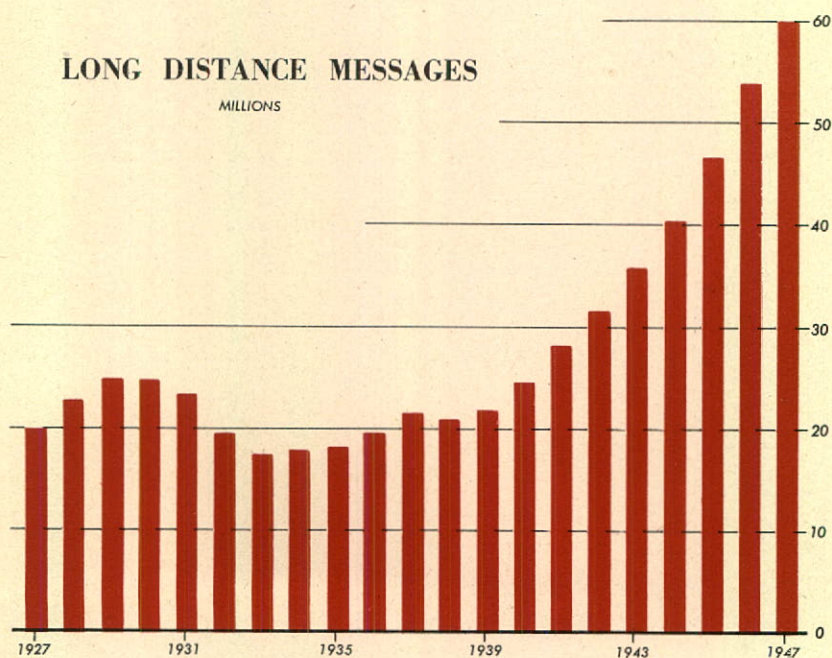
Rural Service

Considerable progress was made in the extension of telephone service in rural areas.

Some 860 new rural circuits were placed in service, and over 12,000 telephones were added in rural areas.

At the end of the year 55 per cent of all rural establishments in the Company's territory were provided with service. This compares with 39 per cent in 1945 and 48 per cent in 1946.

Applications for rural service continued at a high level and, despite the number of circuits and telephones added, more than 10,000 rural applicants were waiting for service.



Overseas Service

Calls routed via Montreal to the United Kingdom and Newfoundland were somewhat lower in volume but the circuits continued to be heavily loaded and some calls were subject to delays. Installation of equipment to develop an additional channel between Montreal and London, England was well advanced and should be ready for service early in 1948.

Service was extended to or re-established with 20 additional countries during the year. This brings to 72 the number of overseas countries within telephone reach of our customers.

Trans-Canada Telephone System

The volume of traffic was about 3 per cent greater than in 1946. The continued rapid increase in use of the service in Western Canada was partially offset by a reduction in the number of calls to and from the Maritime Provinces.

Revenues were about 7 per cent higher than in the previous year.

Although 10,000 miles of circuits were added to the system the lines were still overloaded. The speed and quality of service, however, were well maintained and in some respects improved.

Employees' Pension and Benefit Plan

Special payments have been made by the Company into the pension trust fund since 1944 for the purpose of bringing the fund into closer relationship with the requirements of the Plan as determined by actuarial valuation. The payment for the year 1947 was revised as a result of an actuarial valuation completed early in the year.

During the year benefits and pensions amounting to \$1,365,574 were paid in 4,672 cases under the Plan. Payments were divided as follows:

	<i>No. of Cases</i>	<i>Amount</i>
Pensions:		
Service (paid from pension trust fund)	857	\$618,977
Disability	130	51,146
Benefits:		
Accident (including expenses)	602	39,595
Sickness	2,914	531,191
Death	169	124,665

Employee Security and Health

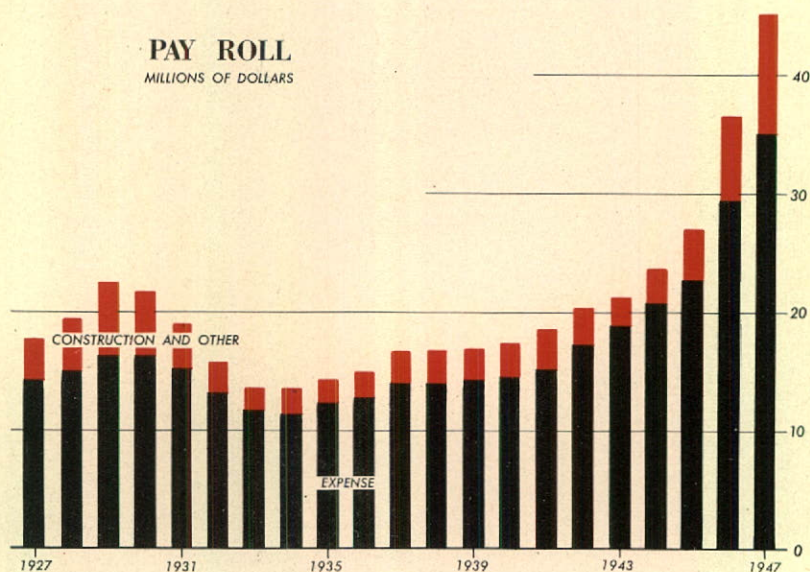
Of the 21,700 employees eligible to subscribe for stock under the Employees' Stock Plan, 15,032 are now subscribing for 102,554 shares.

A second issue of Canada Savings Bonds was offered in October 1947 and employee participation showed a marked increase over that of the previous year. Total subscriptions by payroll deduction amounted to \$1,158,000.

Under the Employees' Life Insurance Plan, whereby premiums are paid through deductions from pay, 5,610 employees were carrying \$19,445,000 of life insurance at December 31—an average of \$3,466 per insured employee.

At December 31, 14,420 employees or 63 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. At the beginning of the year the Quebec Hospital Service Association extended its Blue Cross Plan to include surgical and medical benefits.

Programs of preventive medicine and health maintenance were further



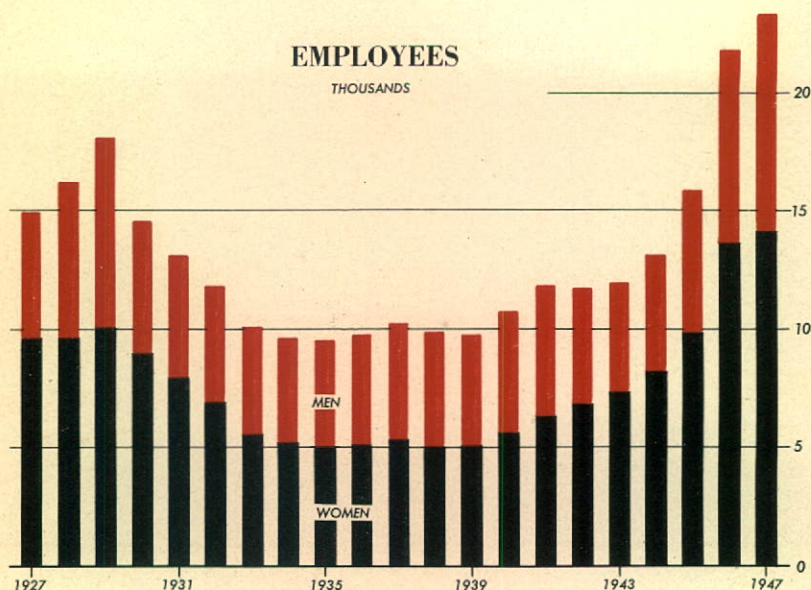
developed. A health centre in Hamilton similar to those already in operation in London, Montreal, Ottawa and Toronto was opened in August. Pre-placement examination of applicants for employment was a major activity. Employees in a number of communities co-operated in chest X-ray surveys conducted by the Company, and over 2,000 employees took advantage of the opportunity to have periodic health examinations.

Employees

At the end of the year there were 23,335 employees, of whom 14,117 were women. This, the largest number of employees in the history of the business, compares with 21,801 on December 31, 1946.

To replace losses and secure the required increase in personnel it was necessary to engage 6,700 persons, of whom over 70 per cent were women.

The total payroll of the Company for 1947 was \$45,016,000, an increase of \$8,497,000 or 23 per cent over 1946.



Collective Agreements

Collective bargaining agreements were renewed with the Plant Employees' Association, the Traffic Employees' Association and the Accounting Employees' Association.

Agreements were negotiated for the first time with the Commercial Employees' Organization, the Quebec Federation of Professional Employees in Applied Science and Research, Unit No. 3, and the dining service employees who are represented by the Traffic Employees' Association.

Negotiations led to upward revisions of wage rates, the introduction of a one-week vacation with pay for certain employees with less than one year's service, and the extension of the five-day week to all Traffic employees. These modifications were considered to be justified by the general trend in the territory of the Company's operations.

Representatives of Communications Unit No. 1 of the Federation of Employee-Professional Engineers and Assistants were certified but negotiations leading to a collective agreement were not completed.

Well over 90 per cent of the Company's employees who are considered eligible to bargain collectively are now covered by collective agreements.

Board of Directors

The sudden death of Mr. Victor Roy Smith of Toronto on November 21, 1947 came as a grievous shock and deprived the Board of a valued counsellor and colleague who had served with distinction since his appointment on January 24, 1945.

Mr. Henry Borden, C.M.G., K.C. of Toronto was appointed a director on January 28, 1948.

In the Public Service

The year was especially notable for the substantial progress made towards meeting the continuing demand of the public for more, and more, telephone service. Many requests for telephones had to be deferred and, in some instances, performance was somewhat below our traditional standards. Nevertheless, the general level of services to subscribers was improved and the extension of the scope of telephone service was without parallel in the history of the Company.

That these results were due mainly to the men and women who maintain and operate the system there can be no doubt. Any record of the year's achievements would be incomplete without a tribute to their loyalty, zeal and skill.

At the same time, the friendly understanding and co-operation of our customers must be acknowledged as a major factor in the success of the year.

We face the future, confident of the continued support of both customers and employees, and resolved that throughout the territory of the Company telephone service shall continue to be the best that can be provided, at the lowest cost consistent with the interests of the telephone using public, the employees, and the owners of the business.

For the BOARD OF DIRECTORS,

A handwritten signature in cursive script, appearing to read "J. Johnson".

President.

MONTREAL, FEBRUARY 4, 1948.

THE BELL TELEPHONE

COMPARATIVE

ASSETS

	December 31, 1947	December 31, 1946
FIXED CAPITAL (at cost)		
LAND AND BUILDINGS	\$ 28,442,187.61	\$ 25,058,184.70
TELEPHONE PLANT	288,675,211.34	246,326,603.95
Central office equipment, right-of-way, poles, underground conduit, cable, wire, and telephone equipment on customers' premises.		
GENERAL EQUIPMENT	10,041,993.58	7,088,095.74
Storeroom and garage equipment, motor vehicles, tools and office furniture and equipment.		
Total Fixed Capital	\$327,159,392.53	\$278,472,884.39
INVESTMENT SECURITIES (at cost)		
SUBSIDIARY COMPANIES	\$ 8,605,629.74	\$ 14,745,228.16
OTHER INVESTMENT SECURITIES	7,265,323.39	515,555.12
Market values (book values where market values are not available) exceed the cost.		
Total Investment Securities	\$ 15,870,953.13	\$ 15,260,783.28
CURRENT ASSETS		
CASH	\$ 844,437.04	\$ 641,270.83
TEMPORARY CASH INVESTMENTS	5,336,873.71	9,193,850.00
Dominion and Provincial Government securities (market value at December 31, 1947, \$5,336,756.00).		
MATERIAL AND SUPPLIES	9,151,187.24	5,913,113.27
Principally for construction and maintenance purposes, held at cost, less a reserve of \$82,257.85 at December 31, 1947. Physical inventories were taken during September and October, 1947.		
NOTES RECEIVABLE FROM SUBSIDIARY COMPANIES	197,000.00	241,700.00
ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS	9,112,214.05	7,166,884.22
SUBSIDIARY COMPANIES \$ 141,883.40		
CUSTOMERS AND OTHERS AND OTHER CURRENT ASSETS 8,970,330.65		
Amounts due for service (less reserve for uncollectible accounts), interest, dividends, rents, etc., and cash held by employees as working funds; also deposit, at December 31, 1947, of \$1,055,337.50 to cover payment of bonds called for redemption.		
Total Current Assets	\$ 24,641,712.04	\$ 23,156,818.32
OTHER ASSETS		
REFUNDABLE PORTION OF EXCESS PROFITS TAX	\$ 6,506,812.99	\$ 6,506,812.99
DEFERRED DEBITS		
PREPAYMENTS	\$ 1,791,909.71	\$ 1,230,418.58
Rents, taxes, insurance, cost of directories and other expenses prepaid and applicable to period subsequent to December 31.		
DISCOUNT ON LONG TERM DEBT	35,287.64	225,950.18
Unamortized discount and expense pertaining to bonds and long term notes outstanding.		
DISCOUNT AND PREMIUM ON BONDS REDEEMED	2,822,921.69	1,228,464.30
Unamortized discount, redemption premium and expense pertaining to bonds redeemed.		
OTHER DEFERRED DEBITS	422,382.77	299,724.48
Miscellaneous items, the disposition of which had not been determined at December 31.		
Total Deferred Debits	\$ 5,072,501.81	\$ 2,984,557.54
TOTAL ASSETS	\$379,251,372.50	\$326,381,856.52

Approved for Board of Directors:
W. F. ANGUS, *Director*.
J. A. ECCLES, *Director*.

COMPANY OF CANADA

BALANCE SHEET

LIABILITIES

	December 31, 1947	December 31, 1946
CAPITAL STOCK		
COMMON STOCK—par value \$100. per share.		
Authorized 1,500,000 shares.		
Outstanding 1,264,209 fully paid shares at December 31, 1947	\$126,420,900.00	\$104,258,400.00
CAPITAL STOCK INSTALMENTS		
Amounts paid by subscribers to common stock.	170,810.00	181,464.00
Total Capital Stock	<u>\$126,591,710.00</u>	<u>\$104,439,864.00</u>
LONG TERM DEBT		
BONDS—FIRST MORTGAGE		
SERIES B—MATURING JUNE 1, 1957—5%	\$ —	\$ 30,000,000.00
SERIES C—MATURING MAY 1, 1960—5%	\$14,500,000.00	
Less—HELD IN TREASURY	<u>7,000,000.00</u>	
SERIES D—MATURING AUG. 1, 1964—3½%	25,000,000.00	25,000,000.00
SERIES E—MATURING MAR. 1, 1977—3%	35,000,000.00	
NOTES—MATURING FEB. 1, 1948—2%	3,000,000.00	3,000,000.00
NOTE SOLD TO TRUSTEE OF PENSION FUND—4%	10,565,104.43	11,184,081.74
Total Long Term Debt	<u>\$ 81,065,104.43</u>	<u>\$ 76,684,081.74</u>
CURRENT LIABILITIES		
NOTES PAYABLE TO SUBSIDIARY COMPANIES	\$ 115,885.84	\$ 115,787.77
ADVANCE BILLING AND PAYMENTS FOR SERVICE	2,077,473.49	1,818,332.48
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES		
SUBSIDIARY COMPANIES	\$6,308,597.72	6,104,024.73
OTHER ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	<u>5,045,998.81</u>	
Amounts owing for supplies, pay rolls and other items in process of settlement, including, at December 31, 1947, \$1,055,337.50 payable on bonds called for redemption.		
Total Current Liabilities	<u>\$ 13,547,955.86</u>	<u>\$ 8,038,144.98</u>
ACCRUED LIABILITIES NOT DUE		
TAXES	\$ 3,787,470.44	\$ 4,425,756.30
OTHER	3,430,894.19	2,750,634.70
Dominion, 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	<u>\$ 7,218,364.63</u>	<u>\$ 7,176,391.00</u>
DEFERRED CREDITS		
EMPLOYEES' STOCK PLAN		
Instalments paid by employees subscribing for capital stock, with interest thereon.	\$ 5,008,344.56	\$ 2,827,842.41
PREMIUM ON LONG TERM DEBT		
Unamortized premium less expense on bonds outstanding.	735,495.78	267,910.92
OTHER DEFERRED CREDITS		
Miscellaneous items, the disposition of which had not been determined at December 31.	208,139.36	151,031.13
Total Deferred Credits	<u>\$ 5,951,979.70</u>	<u>\$ 3,246,784.46</u>
DEPRECIATION RESERVE	<u>\$108,691,477.88</u>	<u>\$ 99,949,292.99</u>
Provision to meet loss of investment in telephone property upon its ultimate retirement from service.		
PREMIUMS ON CAPITAL STOCK	<u>\$ 23,969,858.74</u>	<u>\$ 15,388,253.74</u>
Amount received in excess of par value.		
SURPLUS		
RESERVED SURPLUS		
Refundable portion of Excess Profits Tax.	\$ 6,506,812.99	\$ 6,506,812.99
UNAPPROPRIATED SURPLUS		
CAPITAL SURPLUS		
Miscellaneous deductions (net) 1947	2,416,765.26	2,544,499.88
EARNED SURPLUS		
Balance credited for year 1947	3,291,343.01	2,407,730.74
Miscellaneous additions (net) 1947	<u>\$880,019.45</u>	
	<u>3,592.82</u>	
	<u>\$883,612.27</u>	
Total Surplus	<u>\$ 12,214,921.26</u>	<u>\$ 11,459,043.61</u>
TOTAL LIABILITIES	<u><u>\$379,251,372.50</u></u>	<u><u>\$326,381,856.52</u></u>

J. CLEUGH, Comptroller.

THE BELL TELEPHONE COMPANY OF CANADA

COMPARATIVE INCOME STATEMENT

	Year 1947	Year 1946
OPERATING REVENUES	\$ 85,508,492.25	\$ 77,377,276.13
Revenues from local and long distance service, directory advertising and miscellaneous telephone operations.		
Less: UNCOLLECTIBLE OPERATING REVENUES	120,385.66	104,310.18
Total Operating Revenues	\$ 85,388,106.59	\$ 77,272,965.95
OPERATING EXPENSES	\$ 34,082,877.14	\$ 29,065,145.51
OPERATION EXPENSES		
Cost of operating the telephone property, including expense of handling telephone calls, billing and collecting customers' accounts, directories, rents and provision for pensions.		
(1947—salaries paid to Executive Officers \$191,700.72; salaries and fees paid to Counsel and other legal advisers \$46,145.36; and fees paid to Directors and members of the Executive Committee \$26,110.00, of which \$6,310.00 was paid and accounted for by subsidiary companies.)		
CURRENT MAINTENANCE	17,650,237.97	14,734,730.27
Cost of inspection, repairs and rearrangements required to keep the telephone property in good operating condition.		
DEPRECIATION	11,486,980.00	10,425,072.00
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	\$ 63,220,095.11	\$ 54,224,947.78
Net Operating Revenues	\$ 22,168,011.48	\$ 23,048,018.17
OPERATING TAXES		
INCOME AND EXCESS PROFITS TAXES	\$ 6,957,000.00	\$ 9,567,000.00
OTHER TAXES	2,897,000.00	2,170,000.00
Dominion, Provincial and Municipal.		
Total Operating Taxes	\$ 9,854,000.00	\$ 11,737,000.00
Net Operating Income	\$ 12,314,011.48	\$ 11,311,018.17
OTHER INCOME		
INCOME FROM INVESTMENT SECURITIES	\$ 786,481.77	\$ 413,466.21
Dividends and interest from investment securities.		
MISCELLANEOUS INCOME (NET)	271,512.05	223,595.66
Interest on temporary cash investments and other miscellaneous income (net).		
Total Other Income	\$ 1,057,993.82	\$ 637,061.87
Income Available for Fixed Charges	\$ 13,372,005.30	\$ 11,948,080.04
FIXED CHARGES		
BOND AND NOTE INTEREST	\$ 3,151,496.30	\$ 3,211,067.46
Interest charges on bonds and long term notes outstanding.		
OTHER INTEREST	279,257.66	203,728.63
Interest charges on current obligations.		
AMORTIZATION OF DISCOUNT AND PREMIUM ON LONG TERM DEBT	18,881.02	6,076.44
Proportion of discount, premium and expense applicable to the year relating to bonds and long term notes outstanding. (Net in 1947—credit.)		
AMORTIZATION OF DISCOUNT AND PREMIUM ON BONDS REDEEMED	258,480.39	150,425.76
Proportion of discount, redemption premium and expense applicable to the year relating to bonds redeemed.		
OTHER CHARGES	—	102,411.71
Premium on United States funds required for bond interest payments in 1946.		
Total Fixed Charges	\$ 3,670,353.33	\$ 3,673,710.00
Net Income Available for Dividends	\$ 9,701,651.97	\$ 8,274,370.04
DIVIDENDS	8,821,632.52	7,299,117.81
Dividends to owners of outstanding common stock.		
Balance Credited to Earned Surplus	\$ 880,019.45	\$ 975,252.23

J. CLEUGH, Comptroller.

MONTREAL, QUE.,
January 31, 1948.

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, 1947, 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, 1947, 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, 1947, 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, 1946 \$ 22,101,068.69

Additions to Fund during 1947 —

Payments into Fund by Company \$ 2,768,646.81

Interest Revenue (including amortization
of premium and discount on investments) 768,790.46

Total Additions \$ 3,537,437.27

Disbursements for Pensions during 1947 618,977.31

Net Increase in Fund 2,918,459.96

BALANCE IN FUND—December 31, 1947 \$ 25,019,528.65

Comprised of—

4% two-year Note of The Bell Telephone Company of Canada \$ 10,565,104.43

Dominion Government & Dominion Guaranteed Bonds 10,532,201.76

Provincial Government & Provincial Guaranteed Bonds & De-
bentures 1,638,249.50

Bonds of The Bell Telephone Company of Canada 405,574.98

Cash and Accrued Interest Not Due 1,878,397.98

Total \$ 25,019,528.65

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 E. D. Parker,
Superintendent of Branches.

By Herbert Gilbert,
Assistant Secretary.

MONTREAL,
15th January, 1948.

STATISTICS

	December 31, 1947	December 31, 1946
NUMBER OF TELEPHONES		
BUSINESS	447,084	407,034
RESIDENCE	859,891	770,890
PER CENT RESIDENCE OF TOTAL	65.8	65.4
MANUAL	390,782	361,523
DIAL	916,193	816,401
PER CENT DIAL OF TOTAL	70.1	69.3
Total Company Owned Telephones	1,306,975	1,177,924
CONNECTING AND MISCELLANEOUS	220,102	207,247
Total Telephones	1,527,077	1,385,171
OTHER TELEPHONE SYSTEMS (ONTARIO & QUEBEC)	893	911
NUMBER OF CENTRAL OFFICES	430	425
NUMBER OF OWNED BUILDINGS	198	180
MILES OF POLE LINES	24,232	23,860
MILES OF WIRE		
IN UNDERGROUND CABLE	3,542,193	3,272,711
IN AERIAL CABLE	1,153,523	1,069,759
OPEN WIRE	270,716	254,593
Total Miles of Wire	4,966,432	4,597,063
MILES OF SUBWAY (LENGTH OF STREET OCCUPIED)	1,364	1,274
MILES OF DUCT	6,372	5,999
TELEPHONE MOVEMENT		
CONNECTED	276,072	258,501
DISCONNECTED	147,021	130,690
AVERAGE DAILY CONNECTIONS		
LOCAL	8,497,000	7,772,000
LONG DISTANCE	165,000	148,000
NUMBER OF EMPLOYEES		
MEN	9,218	8,171
WOMEN	14,117	13,630
Total Employees	23,335	21,801
TOTAL PAY ROLL	\$45,015,767	\$36,519,267
NUMBER OF SHAREHOLDERS		
IN CANADA	33,013	27,472
ELSEWHERE	1,426	1,368
Total Shareholders	34,439	28,840

TELEPHONES

THOUSANDS

AS THE NUMBER OF TELEPHONES IN SERVICE GROWS
SO DOES THE VALUE OF THE SERVICE TO THE USER.

