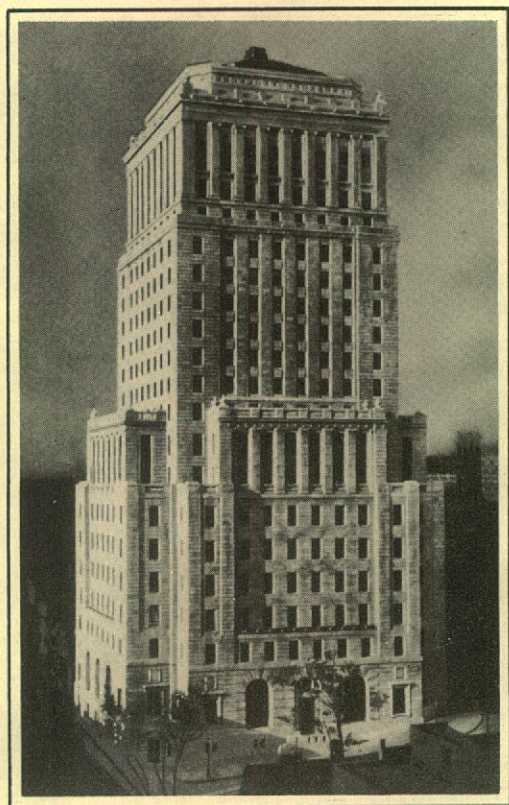


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ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1945



THE BELL TELEPHONE COMPANY
OF CANADA

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REPORT

OF THE

DIRECTORS TO THE SHAREHOLDERS

OF

THE BELL TELEPHONE
COMPANY *of* CANADA

FOR THE YEAR ENDED

DECEMBER 31

1945

THE BELL TELEPHONE COMPANY OF CANADA

BEAVER HALL BUILDING
MONTREAL

DIRECTORS

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

**Member of Executive Committee*

OFFICERS

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

Sixty-Sixth Annual Report of the Directors

FOR THE YEAR ENDED DECEMBER 31, 1945

To the Shareholders:

The net increase of telephones in service was greater in 1945 than in any other year of your Company's history, except 1941. As the result of advance planning, installations were speeded up as quickly as additional supplies became available following the end of the war. The net increase in the last four months of the year exceeded that of the first eight months.

There were 77,000 waiting applicants for service at the year's end, but with an increasing supply of instruments available, and despite a substantial volume of current applications, progress was being made in reducing the waiting list. Where only telephone instruments are involved, the next two or three months should serve to clear our lists, but in many localities additional central office equipment is needed and its manufacture and installation will take many months.

Telephones in service at December 31 totalled 1,050,113, an increase for the year of 62,583. This net gain was the result of 187,444 telephones connected and 124,861 disconnected. It is of interest to note that at September 1, 1939 there were 771,427 telephones in service, hence the figure for December 31 last represents an increase of 278,686 or 36 per cent, despite wartime difficulties and restrictions.

Of the total instruments in service, 681,759 were residence and 368,354 business telephones. Dial-operated telephones numbered 747,935—71 per cent of the total.

We are interchanging service with 917 other telephone systems in Ontario and Quebec serving 187,349 telephones.

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

Revenues

Local service revenue amounted to \$42,853,051, an increase of 5.6 per cent over 1944.

Long distance revenue totalled \$23,875,682, an increase of 16.1 per cent.

Miscellaneous revenue was \$3,601,168, an increase of 16.6 per cent.

The gross revenue from all sources amounted to \$70,329,901, an increase of \$6,082,373 or 9.5 per cent over 1944.

Expenses

Operation and maintenance expenses were higher than for 1944 by \$2,767,470 or 8.9 per cent, due mainly to an increase of \$2,059,000 in the expense pay rolls resulting from a substantially greater number of employees and upward adjustments of wage schedules. Depreciation expense which increased by \$529,104 included \$268,500 of additional depreciation allowances accrued under the provisions of 1944 amendments to the Income War Tax Act for construction expenditures subsequent to November 10, 1944.

Total pay rolls amounted to \$27,044,000, an increase of \$3,271,000 or 13.8 per cent over 1944.

Reference has been made in previous years' reports to various tax questions which were under discussion with the Dominion Income Tax Department. These questions have now been resolved and an additional assessment amounting to \$521,273 for the period 1938 to 1943 has been paid and charged to Surplus.

Taxes applicable to the year 1945, including the refundable portion of the Excess Profits Tax, amounted to \$17,059,000, an increase of 19.4 per cent. These taxes were equivalent to \$16.85 for each telephone in service, or \$19.78 for each share of capital stock.

The refundable portion of the 1945 Excess Profits Tax amounted to \$2,301,000 or \$2.67 per share of capital stock. Under the provisions of the Act this is returnable at a future date to the Company, without interest. The total refundable portion of this tax for the years 1942 to 1945, inclusive, is \$6,453,113.

Additional taxes totalling \$8,222,000 were collected at the source for the various governments from employees' earnings, from telephone users, and from the owners of the Company's bonds and shares.

Net Income and Dividends

Net Income, after Fixed Charges, amounted to \$8,304,081 or \$9.63 per share of average outstanding capital stock.

The balance of income available for dividends after provision for the refundable portion of 1945 Excess Profits Tax amounted to \$6,003,081 or \$6.96 per share. Quarterly dividends at the rate of \$2.00 per share were paid. It was therefore necessary to withdraw \$894,899 from Surplus to cover the total dividend requirements of \$6,897,980.

Financing

At the Annual and Special General Meeting called for the 28th of February, 1946, your directors will ask the authority of the shareholders to create and issue additional bonds of an aggregate principal amount of \$35,000,000 for any of the purposes for which additional bonds may be issued under the Company's Trust Indenture and Mortgage, including, should it appear to be to the Company's advantage, the redemption of Series B bonds on or after June 1, 1947.

By securing the authority at this meeting the Company will avoid the necessity, and consequent expense, of calling a Special General Meeting of shareholders later in the year.

The only permanent financing in 1945 was the issue of 6,849 shares of capital stock, of a par value of \$684,900, to employees who had completed instalment payments on subscriptions under the Employees' Stock Plan.

By arrangement with the holders of the Company's seven and one-half year $2\frac{3}{4}\%$ Notes (due August 1, 1947, but callable on or after February 1, 1945 at 100%) the rate of interest on these notes was reduced to 2% per annum, effective February 1, 1945.

Distribution of Stock

The growth in number of shareholders is continuing. At December 31, 1945 they totalled 25,320, the highest figure yet recorded. This is 298 more than a year ago and 4,736 (23 per cent) greater than at December 31, 1939.

As evidence of the investment character of your Company's shares, the records show that nearly 40 per cent of all shareholders have held shares of the Company continuously for ten years or more.

Shareholders living in Canada number 23,976 (94.7 per cent) and hold 72.2 per cent of the shares. There are now more shareholders in Canada and they own a greater number of shares than at any previous time in the Company's history. The percentage of shareholders residing outside of Canada is 5.3, holding 27.8 per cent of the shares. This includes the 21.7 per cent held by the American Telephone and Telegraph Company.

The average holding per shareholder was 34 shares (or 27 shares if the holding of the American Telephone and Telegraph Company be excluded).

Employees and pensioners numbering 4,553 hold 68,271 shares, representing 7.9 per cent of the outstanding shares.

Plant

Outlay for new construction in 1945 amounted to \$14,200,000, an increase of \$6,000,000 over the previous year. This increase reflects the relaxation throughout the year of wartime restrictions on supplies, increase in construction being especially evident in the latter part of the year. While expenditures to provide long distance facilities were of continuing major importance, large increases occurred in construction of local plant required to serve waiting applicants for service.

The net increase in the Company's Fixed Capital accounts after allowance for the original cost of plant removed from service and not re-used was \$11,856,000 compared to \$6,539,000 in the year 1944.

Buildings

An extension to the Lyndhurst dial office in Toronto was completed and at the close of the year work was under way on two new dial equipment buildings, Tremore in Montreal and Orchard in Toronto. An extension to the Ste. Agathe building and a repeater station at Shawbridge to house equipment associated with the Montreal-Ste. Agathe toll cable were approaching completion. Construction of several small repeater stations for the London-Windsor cable project was begun toward the end of the year.

Equipment

Extensions to dial exchanges were completed in the Toronto Grover office and in Hamilton and Peterborough. Major dial equipment additions were under way in the Montreal Crescent and Toronto Lyndhurst offices. In addition, various minor extensions to dial and manual exchanges were carried out at other points.

An extension to the toll switchboard at Montreal was completed and installations of repeater and carrier equipment, associated with the construction of long distance plant, were made in a number of offices in the Company's territory.

Long Distance Plant

The Montreal-Toronto toll cable was completed and placed in service. This was the last step in the initial phase of the project to connect Montreal, Ottawa and Toronto by a storm-proof toll cable. The next phase is the expansion of the facilities within the cable through the installation of multi-channel cable carrier systems, each of which will provide twelve telephone circuits. The first installation of this type of carrier system by this Company was placed in service during the year between Montreal and Ottawa. Additional carrier systems are being provided between Montreal and Toronto and between Ottawa and Toronto for service in 1946.

The placing of toll cable from Montreal to Ste. Agathe and from London to Windsor was commenced. The London-Windsor cable is designed for multi-channel cable carrier operation.

Carrier systems of the three-channel type were superimposed on existing open wire to provide additional telephone circuits between Montreal-Ste. Agathe, Montreal-Quebec and London-Windsor. These were re-used systems released through the installation of toll cables.

Additional toll circuits were also provided between other points where relief was necessary, through the installation of single-channel open wire carrier systems and open wire construction.

Supplies

During the year government controls on the use of materials of all sorts were removed and the manufac-

ture of essential supplies has begun to afford some relief from earlier conditions of extreme shortage. While wartime restrictions in the use of materials have disappeared and supplies, including telephone sets, have become available in greater volume, they are still far from adequate to meet the accumulation of delayed orders for service.

Maintenance

A high standard of maintenance of your Company's plant and equipment was continued during the year, restricting the frequency of troubles per telephone to the low average rate of one report in 20 months. When troubles did occur they were cleared on the average in slightly over one and one-half hours. Reports of troubles on long distance lines averaged 5.4 per circuit which is about the same as in 1944.

Service

An increase of over 15 per cent in long distance traffic further taxed our overloaded facilities, resulting in a somewhat lower proportion of completed calls and slower service. Of the total long distance calls, 87 per cent were completed compared to 88 per cent in 1944 and connections were established on the average in slightly under three minutes, representing an increase of almost one minute over the previous year. It was possible to make 84 per cent of the connections while the customer remained at the telephone compared to 88 per cent in the previous year.

Trans-Canada Telephone System

The volume of traffic over the Trans-Canada System which provides "all-Canada" long distance service from coast to coast, was 15 per cent greater than in the previous year. Seven additional circuits were placed in service during the year. Five of them extended into our territory and provided two additional

Toronto-Calgary circuits plus one additional circuit between Toronto-Regina, Montreal-Winnipeg and Montreal-Edmundston, N.B. A circuit was added to the Calgary-Winnipeg group and another established a new direct circuit between Calgary and Saskatoon. The additional Western Canada circuits involved the erection of a new pair of copper wires from North Bay to Calgary and the installation of a three-channel carrier system between Oshawa and Calgary, a distance of about 2,200 miles. Notwithstanding these additional facilities, the long-haul circuit groups continue to be heavily overloaded.

Overseas Telephone Service

The direct Montreal-London radio-telephone channel which was closed in 1939 with the outbreak of war was reopened during the summer. The volume of traffic over it was very heavy, being almost four times the 1939 level.

A direct Montreal-Barbados radio-telephone circuit was placed in service during the year.

The volume of traffic over the Montreal-St. John's (Newfoundland) circuit grew rapidly and was about 40 per cent greater than in the previous year.

Employees' Pension and Benefit Plan

Pensions, Disability Benefits and Death Benefits under the Plan established July 1, 1917 are provided without cost to employees. With the exception of service pensions, expenditures under the Plan are charged to expense as incurred. Service pensions are provided for in advance, in accordance with periodic actuarial studies, by payments into a Trust Fund which was established and irrevocably dedicated to service pension purposes on January 1, 1928. The status of the Fund is shown by the Trustee's report on page 18.

Payments into the Fund by the Company include a special payment of \$540,050 made pursuant to a

schedule adopted in 1944 for the purpose of bringing the Fund into closer relationship with the Company's liability under the Pension Plan as determined by the last actuarial valuation.

During the year 1945, benefits and pensions amounting to \$1,065,963 were paid in 3,953 cases under the Plan for Employees' Pensions, Disability Benefits and Death Benefits, divided as follows:

Pensions:	No. of	
	Cases	Amount
Service (Paid from Pension Trust Fund).....	712	\$465,494
Disability.....	102	34,348
Accident Benefits (including expenses).....	291	18,209
Sickness Benefits.....	2,713	466,914
Death Benefits.....	135	80,998

Employees' Stock Plan

The number of employees who were eligible to subscribe for shares of the Company under the Plan totalled 13,658 of whom 6,589 were subscribing for 46,292 shares at December 31, 1945.

Life Insurance

Under the Employees' Life Insurance Plan adopted in 1927, whereby premiums are paid through deductions from pay, 3,478 employees were carrying \$13,390,000 of Life Insurance at December 31, 1945—an average of \$3,850 per insured employee.

Hospital Service Plan

At December 31, 1945, 8,221 employees or 53 per cent of the eligible force were enrolled under this Plan whereby provision for hospital care is made available to employees and their families through pay roll deductions.

Victory Loan Bonds and War Savings Certificates

During 1945 subscriptions by employees under the pay roll deduction plan and through banks for Eighth and Ninth Victory Loan Bonds amounted to \$4,446,000.

Nearly \$11,000,000 has been subscribed by employees in this manner to the nine war loans issued by the government since 1941.

The face value of War Savings Certificates purchased by employees during 1945 under the pay roll deduction plan amounted to \$834,000. This brings to a total of \$4,781,000 (face value) the amount purchased by employees since July, 1940 when this pay roll deduction plan was first introduced.

Altogether, employees have subscribed for a total of nearly \$15,700,000 of Victory Bonds and War Savings Certificates.

Sales by employees of War Savings Certificates and Stamps to telephone customers amounted to \$154,000, bringing the cumulative sales to a total of \$906,000 since July, 1940.

Staff

In December, Mr. R. V. Macaulay was appointed a Vice-President. Mr. Macaulay entered the Company's service in 1913 and since 1930 has been Assistant Vice-President, Engineering. He will be responsible for the direction of the Company's large programme of plant expansion.

A total of 2,543 of your Company's employees enlisted in the armed forces, or were loaned for technical or other war work. Of these, 1,467 have now returned to the Company's service, the rate of return having increased rapidly since September last. Largely as a result of careful planning for their reinstatement, transition from military to civilian life has been made with little or no difficulty. The present outlook is that

ninety per cent will resume telephone work—an unusually high proportion in terms of the general experience of industry. When all are back, approximately thirty-seven per cent of our total male force will be veterans of World War II.

Eighty-six Bell employees made the supreme sacrifice. Their names appear in a special section of this report.

Your directors feel it is worthy of note that the excellent results recorded for the past year have been due in no small degree to the zeal, efficiency and loyalty of your Company's employees. From the many tributes of patrons in all walks of life it is evident that unfailing courtesy has characterized employee contacts with the public. Indeed, courtesy and helpfulness have become the distinguishing qualities of Bell Telephone workers and have served, during the difficult period of the war and its aftermath, to enhance the high regard in which they are held.

For the Board of Directors,

F. JOHNSON,

President.

MONTREAL, February 5, 1946.

THE BELL TELEPHONE COMPANY OF CANADA

COMPARATIVE BALANCE SHEET

ASSETS

	December 31, 1945	December 31, 1944
Fixed Capital:		
LAND AND BUILDINGS—at cost	\$ 23,485,486.48	\$ 23,118,744.05
TELEPHONE PLANT AND EQUIPMENT	223,908,783.52	212,898,154.63
Cost of central office and subscribers' station equipment, poles, wire, cable, underground conduit, right-of-way, etc.		
GENERAL EQUIPMENT	5,255,655.72	4,777,081.59
Cost of office furniture and fixtures, storeroom and garage equipment, motor vehicles and tools and implements.		
	<u>\$252,649,925.72</u>	<u>\$240,793,980.27</u>
Investment Securities:		
SUBSIDIARY COMPANIES	\$ 13,953,309.26	\$ 13,943,325.26
OTHER INVESTMENT SECURITIES	518,556.12	516,380.12
Cost of shares in Subsidiary Companies and other investment securities. The aggregate of market values where available and book values where market values are not available exceeds the stated cost.		
	<u>\$ 14,471,865.38</u>	<u>\$ 14,459,705.38</u>
Current Assets:		
CASH	\$ 764,295.52	\$ 563,966.53
TEMPORARY CASH INVESTMENTS	5,621,022.38	7,642,761.14
Dominion Government securities, market value as of December 31, 1945, \$5,658,516.34.		
MATERIAL AND SUPPLIES	4,298,058.48	3,603,076.26
Principally for construction and maintenance purposes, held at cost, less a reserve of \$54,734.02 at December 31, 1945. Physical inventories were taken during September and October, 1945.		
NOTES RECEIVABLE FROM SUBSIDIARY COMPANIES	259,500.00	281,500.00
ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS	6,548,698.43	6,056,471.83
SUBSIDIARY COMPANIES	\$ 124,828.79	
CUSTOMERS AND OTHERS AND OTHER CURRENT ASSETS	6,423,869.64	
Amounts due for service (less reserve for uncollectible accounts), interest, dividends, rents, etc., and cash held by employees as working funds.		
	<u>\$ 17,491,574.81</u>	<u>\$ 18,147,775.76</u>
Other Assets:		
REFUNDABLE PORTION OF EXCESS PROFITS TAX	\$ 6,453,112.99	\$ 4,118,000.00
Deferred Debits:		
PREPAYMENTS	\$ 1,044,256.58	\$ 928,854.06
Rents, taxes, insurance, cost of directories and other expenses prepaid and applicable to period subsequent to December 31.		
DISCOUNT ON LONG TERM DEBT	247,263.26	268,576.34
Balance of unamortized discount and expense pertaining to bonds and long term notes outstanding.		
DISCOUNT AND PREMIUM ON BONDS REDEEMED	1,378,888.50	1,529,312.70
Unamortized discount, redemption premium and expense pertaining to Series "A" bonds redeemed.		
OTHER DEFERRED DEBITS	211,857.81	172,297.43
Miscellaneous items, the final disposition of which had not been determined at December 31.		
	<u>\$ 2,882,266.15</u>	<u>\$ 2,899,040.53</u>
Total Assets	<u><u>\$293,948,745.05</u></u>	<u><u>\$280,418,501.94</u></u>

Approved for Board of Directors:

W. F. ANGUS, *Director*.

C. E. GRAVEL, *Director*.

THE BELL TELEPHONE COMPANY OF CANADA
COMPARATIVE BALANCE SHEET
LIABILITIES

	December 31, 1945	December 31, 1944
Capital Stock:		
COMMON STOCK—Authorized 1,500,000 shares, par value \$150,000,000.00—Outstanding fully paid 1945—865,208 shares	\$ 86,520,800.00	\$ 85,835,900.00
Long Term Debt:		
BONDS—First Mortgage:		
Series B—Maturing June 1, 1957—5%	\$ 30,000,000.00	\$ 30,000,000.00
Series C—Maturing May 1, 1960—5%	\$14,500,000.00	
Less—Held in Treasury	7,000,000.00	
	7,500,000.00	7,500,000.00
Series D—Maturing August 1, 1964—3 $\frac{1}{4}$ %	25,000,000.00	25,000,000.00
NOTES—Maturing August 1, 1947—2%	3,000,000.00	3,000,000.00
NOTE SOLD TO TRUSTEE OF PENSION FUND	11,711,424.80	12,176,918.93
	\$ 77,211,424.80	\$ 77,676,918.93
Current Liabilities:		
NOTES PAYABLE TO SUBSIDIARY COMPANIES	\$ 119,012.03	\$ 112,820.68
ADVANCE BILLING AND PAYMENTS FOR TELEPHONE SERVICE	1,610,616.93	1,477,015.92
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	4,049,692.12	2,689,967.77
SUBSIDIARY COMPANIES	\$1,595,538.94	
OTHER ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	2,454,153.18	
Amounts owing for supplies, pay rolls and other items which are in process of settlement.	\$ 5,779,321.08	\$ 4,279,804.37
Accrued Liabilities Not Due:		
TAXES	\$ 8,975,641.01	\$ 6,524,663.64
OTHER	2,375,246.19	2,381,405.84
Dominion, Provincial and Municipal taxes, interest, dividends and rents applicable to period ended December 31, but not due until after that date.	\$ 11,350,887.20	\$ 8,906,069.48
Deferred Credits:		
EMPLOYEES' STOCK PLAN	\$ 1,911,216.30	\$ 1,526,116.94
Instalments paid by employees subscribing for capital stock, with interest thereon.		
PREMIUM ON LONG TERM DEBT	283,147.56	298,384.20
Balance of unamortized premium less expense pertaining to bonds outstanding.		
OTHER DEFERRED CREDITS	416,801.31	406,509.58
Miscellaneous items, the final disposition of which had not been determined at December 31.	\$ 2,611,165.17	\$ 2,231,010.72
Depreciation Reserve	\$ 92,384,669.37	\$ 84,514,592.15
Provision for the ultimate retirement of depreciable plant when it has served its useful life.		
Premiums on Capital Stock	\$ 7,700,783.74	\$ 7,598,048.74
Amount received in excess of par value.		
Surplus:		
RESERVED SURPLUS	\$ 6,453,112.99	\$ 4,118,000.00
Addition Year 1945	\$2,335,112.99	
Surplus reserved in respect of refundable portion of Excess Profits Tax.		
UNAPPROPRIATED SURPLUS:		
CAPITAL SURPLUS	2,507,683.93	2,428,912.65
Miscellaneous additions (net) Year 1945	\$ 78,771.28	
EARNED SURPLUS	1,428,896.77	2,829,244.90
Balance charged for Year 1945 (after dividends)	\$ 894,899.16	
Additional Income and Excess Profits Taxes, including interest, for Years 1938 to 1943	521,272.62	
Miscellaneous additions (net) Year 1945	15,823.65	
	\$1,400,348.13	
	\$ 10,389,693.69	\$ 9,376,157.55
Total Liabilities	\$293,948,745.05	\$280,418,501.94

J. CLEUGH, *Comptroller.*

THE BELL TELEPHONE COMPANY OF CANADA

COMPARATIVE INCOME STATEMENT

	Year 1945	Year 1944
Telephone Operating Revenues	\$ 69,494,802.84	\$ 63,513,101.74
Revenues from local and toll service, telephone directory advertising and miscellaneous telephone operations.		
Less: Uncollectible Operating Revenues	69,857.07	58,842.64
Total Operating Revenues	\$ 69,424,945.77	\$ 63,454,259.10
Telephone Operating Expenses:		
OPERATION EXPENSES	\$ 22,084,030.50	\$ 19,971,351.13
Cost of operating the telephone property, including operators' wages and expense of handling messages, billing and collecting subscribers' accounts, directories, sickness, accident and death benefits, pensions, rents, etc. (1945—Salaries paid to Executive Officers \$145,500.24; Salaries and fees paid to Counsel and other legal advisers \$32,729.29; and fees paid to Directors and members of the Executive Committee \$27,200.00 of which \$7,600.00 was paid and accounted for by Subsidiary Companies.)		
CURRENT MAINTENANCE	11,770,574.99	11,115,784.30
Cost of inspection, repairs and rearrangements required to keep the telephone plant and equipment in good operating condition.		
DEPRECIATION	9,643,183.00	9,114,079.00
Provision to meet the loss when depreciable property is retired from service, based on rates of depreciation for the different classes of property which spread this loss uniformly over the service life of the property. (In 1945, \$268,500.00 additional depreciation was charged under the provisions of the Income War Tax Act.)		
Total Operating Expenses	\$ 43,497,788.49	\$ 40,201,214.43
Net Operating Revenues	\$ 25,927,157.28	\$ 23,253,044.67
OPERATING TAXES:		
Income and Excess Profits Taxes	\$ 12,816,000.00	\$ 10,632,000.00
Excluding refundable portion of Excess Profits Tax of \$2,301,000.00 for 1945.		
Other Taxes	1,942,000.00	1,902,000.00
Dominion, Provincial and Municipal taxes applicable to the year.	\$ 14,758,000.00	\$ 12,534,000.00
Net Operating Income	\$ 11,169,157.28	\$ 10,719,044.67
NET NON-OPERATING INCOME:		
Income from Investment Securities	740,635.80	736,334.95
Dividends and interest received from investment securities owned by the Company.		
Other Non-Operating Income (Net)	94,462.28	1,908.33
Interest on temporary cash investments and other miscellaneous income after deducting expenses of a non-operating nature. (In 1944, Non-Operating Expense exceeded Other Non-Operating Income.)		
Income Available for Fixed Charges	\$ 12,004,255.36	\$ 11,453,471.29
FIXED CHARGES:		
Bond and Note Interest	\$ 3,231,562.91	\$ 3,268,989.57
Interest charges on bonds and long term notes outstanding.		
Other Interest	112,732.65	101,726.88
Interest charges on other debt obligations.		
Amortization of Discount and Premium on Long Term Debt	6,076.44	6,076.44
Proportion of discount, premium and expense applicable to the year in connection with bonds and long term notes outstanding.		
Amortization of Discount and Premium on Bonds Redeemed	150,427.95	150,424.83
Proportion of discount, redemption premium and expense applicable to the year in connection with Series "A" bonds redeemed.		
Other Charges	199,374.87	204,287.41
Premium on United States funds required for bond interest payments.	\$ 3,700,174.82	\$ 3,731,505.13
Net Income	\$ 8,304,080.54	\$ 7,721,966.16
RESERVATION OF INCOME	2,301,000.00	1,755,000.00
Refundable portion of Excess Profits Tax.		
Balance Available for Dividends	\$ 6,003,080.54	\$ 5,966,966.16
DIVIDENDS	6,897,979.70	6,842,627.90
Dividends to owners of outstanding common stock.		
Balance Charged to Earned Surplus	\$ 894,899.16	\$ 875,661.74

MONTREAL, QUE.,
January 31, 1946.

AUDITORS' REPORT

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

We have made an examination of the Balance Sheet of The Bell Telephone Company of Canada as at December 31, 1945, 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, 1945, 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, 1945, 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, 1944		\$16,134,181.86
Additions to Fund during 1945—		
Payments into Fund by Company	\$2,080,982.26	
Interest Revenue (including amortization of premium on investments)	617,352.01	
Total Additions	\$2,698,334.27	
Disbursements for Pensions during 1945	465,494.13	
Net Increase in Fund		2,232,840.14
Balance in Fund—December 31, 1945		<u>\$18,367,022.00</u>
Comprised of—		
4% two-year Note of The Bell Telephone Company of Canada	\$11,711,424.80	
Dominion Government Bonds	6,190,000.00	
Bonds of The Bell Telephone Company of Canada	406,073.00	
Cash and Accrued Interest Not Due	59,524.20	
Total		<u>\$18,367,022.00</u>

NOTE: Securities shown on amortized basis.

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

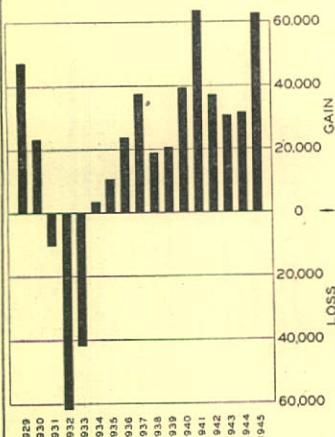
THE ROYAL TRUST COMPANY, *Trustee.*

By: W. E. BICKLEY,
Assistant Manager.

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

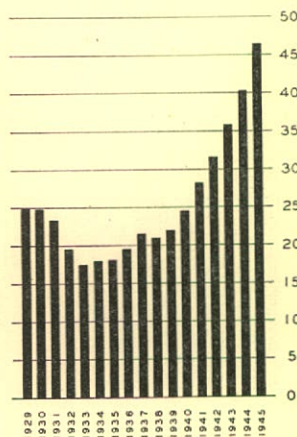
MONTREAL, 8th January, 1946.

GAIN OR LOSS IN TELEPHONES



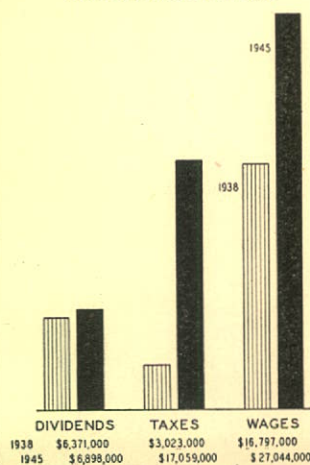
LONG DISTANCE MESSAGES

MILLIONS OF MESSAGES

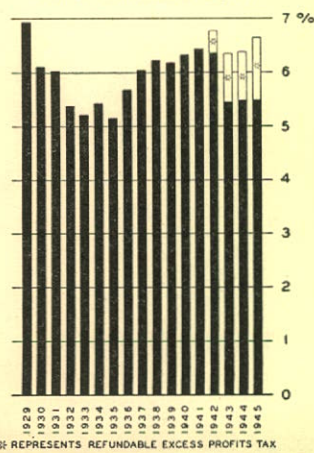


DIVIDENDS · TAXES · WAGES

1945 COMPARED WITH 1938

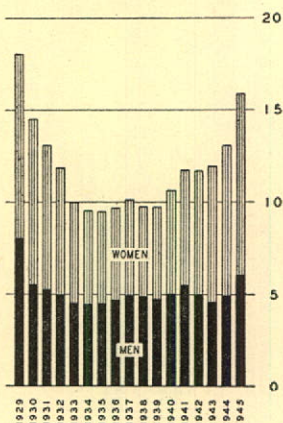


NET EARNINGS IN PER CENT OF LONG TERM DEBT AND STOCKHOLDERS' EQUITY

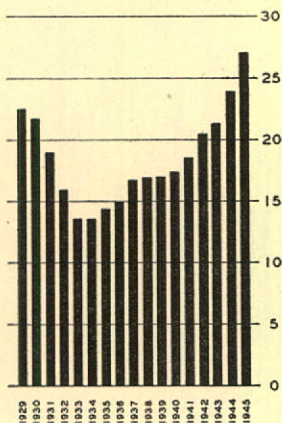


* REPRESENTS REFUNDABLE EXCESS PROFITS TAX

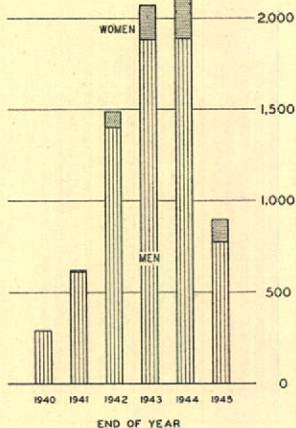
**EMPLOYEES
AT END OF YEAR**
THOUSANDS OF EMPLOYEES



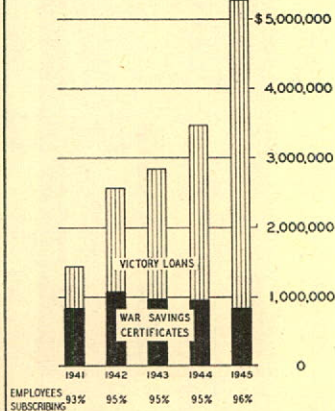
ANNUAL PAYROLL
MILLIONS OF DOLLARS



EMPLOYEES ON WAR SERVICE



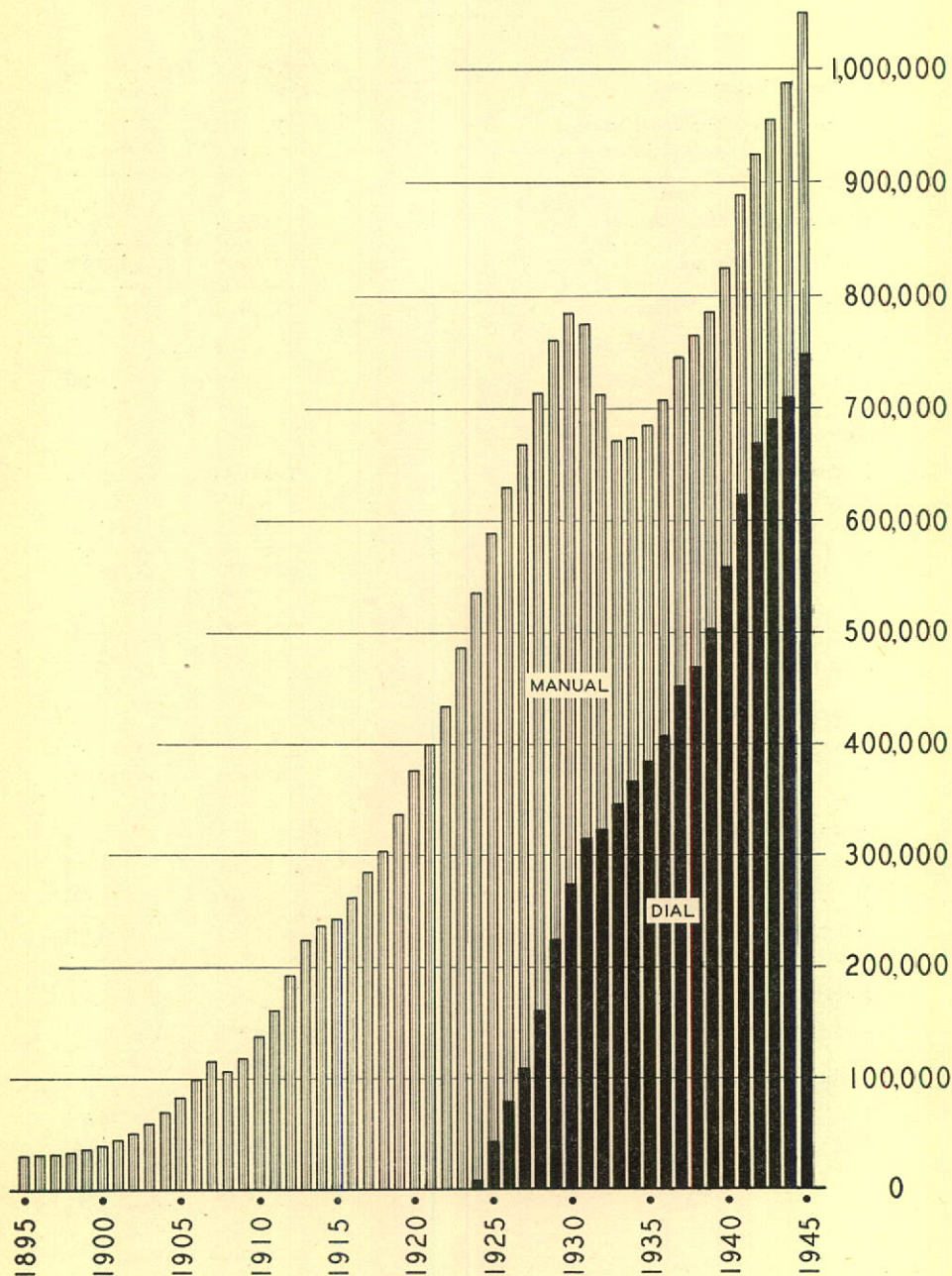
EMPLOYEE SUBSCRIPTIONS
VICTORY LOANS AND
WAR SAVINGS CERTIFICATES



STATISTICS

	<i>December 31, 1945</i>	<i>December 31, 1944</i>
Number of Telephones:		
Company Owned—Manual Service	302,178	277,071
" " —Dial Service	747,935	710,459
" " —Total	1,050,113	987,530
Connecting and Miscellaneous	187,349	180,440
Total Telephones	1,237,462	1,167,970
Number of Central Offices	422	420
Number of Owned Buildings	169	167
Miles of Pole Lines	23,277	22,884
Miles of Wire:		
In Underground Cable	3,010,090	2,838,271
In Aerial Cable	1,011,407	992,931
Open Wire	239,853	234,065
Total Miles of Wire	4,261,350	4,065,267
Miles of Subway (Length of Street Occupied)	1,206	1,151
Miles of Duct	5,751	5,570
Average Daily Connections for Year:		
Local	6,833,000	6,271,000
Toll	127,000	110,000
Number of Employees:		
Men	6,083	4,871
Women	9,766	8,231
Total Employees (excluding War Service)	15,849	13,102
Employees on War Service	895	2,100
Total Pay Roll for Year	\$27,044,391	\$23,773,155
Number of Shareholders:		
In Canada	23,976	23,685
Elsewhere	1,344	1,337
Total Shareholders	25,320	25,022

GROWTH IN NUMBER OF TELEPHONES OWNED BY COMPANY



See Memorial
IN GRATEFUL MEMORY
in following pages

★ ★

IN
GRATEFUL
MEMORY

Your directors deem it appropriate that this issue of their Annual Report to the Shareholders should record the names of employees of your Company who gave their lives in the cause of freedom in the
Second World War,
1939-1945.

★ ★

IN GRATEFUL MEMORY



ADAMS, D. W. <i>Pilot Officer, RCAF</i>	Hamilton	COCKBURN, J. <i>Private, CIC</i>	Toronto
ANDERSON, G. D. <i>Pilot Officer, RCAF</i>	Kitchener	COLMAN, H. E. <i>Pilot Officer, RCAF</i>	Toronto
ANDERSON, P. G. <i>Flying Officer, RCAF</i>	Ottawa	CONWAY, R. W. <i>Flying Officer, RCAF</i>	Montreal
ANDERSON, R. F. <i>Private, CIC</i>	Toronto	COVER, J. A. <i>Sergeant, RCAF</i>	Toronto
ATTRIDGE, R. J. <i>Sergeant, RCAF</i>	Spencerville	CURATOLO, L. <i>Pilot Officer, RCAF</i>	Montreal
BALDRY, E. F. <i>Sergeant, RCAF</i>	North Gower	DALY, K. J. L. <i>Pilot Officer, RCAF</i>	Cornwall
BELLERIVE, G. C. <i>Leading Aircraftsman, RCAF</i>	Montreal	DENNISON, P. B. <i>Flying Officer, RCAF</i>	Ottawa
BERMINGHAM, D. C. <i>Flying Officer, RCAF</i>	Montreal	DREW, C. C., A.F.C. <i>Flying Officer, RCAF</i>	Lachute
BILLINGS, R. W. <i>Flight Sergeant, RCAF</i>	Sherbrooke	EDGAR, A. W. <i>Flying Officer, RCAF</i>	Lancaster
BLAIR, R. W. <i>Flying Officer, RCAF</i>	Toronto	FICHT, D. F. <i>Lieutenant, CIC</i>	Brampton
BLAKELY, W. B. <i>Sergeant, RCAF</i>	North Bay	FULTON, H. C. <i>Lieutenant, RCNVR</i>	Montreal
BOOTH, E. L., D.S.O., E.D. <i>Brigadier, RCAC</i>	Toronto	GALBRAITH, R. H. <i>Flight Lieutenant, RCAF</i>	Montreal
BRADLEY, A. G. <i>Pilot Officer, RCAF</i>	Toronto	GARRICK, C. R. <i>Sergeant, RCAF</i>	Sault Ste. Marie
CAMPBELL, W. A. <i>Sergeant, CIC</i>	Brockville	GAUDRY, H. P. <i>Flight Sergeant, RCAF</i>	Montreal
CHAMPION, D. S. <i>Sergeant, RCAF</i>	Montreal	GILBEY, J. F. <i>Flying Officer, RCAF</i>	Montreal
CHURCHILL, B. E., E.D. <i>Major, RCA</i>	London	GOODALL, F. E. <i>Signalman, RC Sigs.</i>	Toronto
CLARK, A. T. <i>Flight Lieutenant, RCAF</i>	Montreal	GRANDFIELD, S. F. <i>Lance-Corporal, RC Sigs.</i>	Hamilton
CLARKE, G. W. <i>Flying Officer, RCAF</i>	Windsor	HANNA, N. E. <i>Flying Officer, RCAF</i>	Montreal
CLEROUX, G. B. <i>Lieutenant, CIC</i>	Montreal	HANNON, J. J. <i>Technical Sergeant, AUS</i>	Ottawa

HILL, D. S. <i>Sergeant, RCAF</i>	Montreal	POGSON, C. H. <i>Flight Sergeant, RCAF</i>	Toronto
HILL, H. G. <i>Sergeant, RCAF</i>	London	POIRIER, J. J. L. Shawinigan Falls <i>Lieutenant, RC Sigs.</i>	
HOOK, J. T. <i>Flight Lieutenant, RCAF</i>	Montreal	PRESTON, J. M. <i>Sergeant, RCAF</i>	Chatham
JAY, A. E. <i>Signalman, RC Sigs.</i>	Toronto	PRIDHAM, K. M. <i>Flying Officer, RCAF</i>	Toronto
KARSTENS, W. R. <i>Pilot Officer, RCAF</i>	Windsor	PROCTOR, H. D. <i>Major, CIC</i>	Montreal
KILGOUR, G. C. <i>Signalman, RC Sigs.</i>	Kitchener	RATHWELL A. H., Sault Ste. Marie <i>Private, CIC</i>	
L'ABBÉ, R. <i>Private, RC Sigs.</i>	Montreal	REYNOLDS, R. E. <i>Flight Sergeant, RCAF</i>	Toronto
LACROIX, A. <i>Sergeant, CIC</i>	Ottawa	RICHARDSON, W. T. <i>Gunner, RCA</i>	Toronto
LANDSKY, J. F. <i>Flying Officer, RCAF</i>	Montreal	ROBERTSON, D. S. <i>Sergeant, RCAF</i>	Montreal
LEITH, S. H. A. <i>Private, CIC</i>	Montreal	SAMUEL, H. P., JR. <i>Leading Aircraftsman, RCAF</i>	Montreal
LENAGHAN, A. T. <i>Lieutenant, C Prov. C</i>	Montreal	SCOTT, A. G. <i>Flying Officer, RCAF</i>	Montreal
MACVICAR, D. I. <i>Flight Sergeant, RCAF</i>	Lachine	SEYMOUR, (Mrs.) H. W. <i>Sergeant (W.D.), RCAF</i>	Toronto
MARTIN, E. W. <i>Flight Lieutenant, RCAF</i>	Toronto	SLACK, C. E. <i>Major, RCAC</i>	Ottawa
MARTIN, H. F. <i>Lance-Sergeant, CIC</i>	Kingston	SMITH, J. H. <i>Sergeant, RCAF</i>	Montreal
McPHERSON, M. A. Niagara Falls <i>Private, CIC</i>		SOMERVILLE, J. H. <i>Flight Lieutenant, RCAF</i>	Toronto
MERRICK, P. W. <i>Flying Officer, RCAF</i>	Toronto	STOATE, T. <i>Private, CIC</i>	Peterborough
MILLER, V. L. <i>Flight Sergeant, RCAF</i>	St. Catharines	THOMAS, L. <i>Leading Aircraftsman, RCAF</i>	Toronto
MILNER, J. P. <i>Lieutenant, RCAC</i>	Woodstock	THOMPSON, C. F. <i>Lieutenant, RCAC</i>	Toronto
MOWRY, G. C. <i>Lieutenant, CIC</i>	Kingston	THOMPSON, W. H. <i>Flying Officer, RCAF</i>	Ottawa
MUNRO, T. G. <i>Flying Officer, RCAF</i>	Montreal	TONKIN, D. C. <i>Pilot Officer, RCAF</i>	Toronto
O'CONNOR, C. J. <i>Flight Sergeant, RCAF</i>	Windsor	TREE, H. M. <i>Signalman, RC Sigs.</i>	Toronto
PALMER, H. G. <i>Captain, RCOC</i>	Montreal	VENNING, O. E. <i>Flight Sergeant, RCAF</i>	Toronto
PARMETER, C. W. <i>Battery Sergeant-Major, RCA</i>	Ottawa	WILSON, R. T. <i>Pilot Officer, RCAF</i>	Montreal
PETTES, G. D. <i>Warrant Officer II, RCAF</i>	Ormsdown	WYMAN, P. H. <i>Pilot Officer, RCAF</i>	Montreal

