

REPORT  
OF THE  
DIRECTORS TO THE SHAREHOLDERS  
OF  
THE BELL TELEPHONE  
COMPANY *of* CANADA

FOR THE YEAR ENDED  
31st DECEMBER

1934

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# THE BELL TELEPHONE COMPANY OF CANADA

## DIRECTORS

*HON. THOS. AHEARN, P.C.	Ottawa
*W. F. ANGUS	Montreal
*GEO. CAVERHILL	Montreal
HON. HENRY COCKSHUTT, LL.D.	Brantford
C. P. COOPER	New York
*K. J. DUNSTAN	Toronto
SIR GEO. GARNEAU	Quebec
W. S. GIFFORD	New York
*J. E. MACPHERSON	Montreal
HON. S. C. MEWBURN, K.C.	Hamilton
*LT.-COL. HERBERT MOLSON, C.M.G.	Montreal
GLYN OSLER, K.C.	Toronto
*ARTHUR B. PURVIS	Montreal
*C. F. SISE	Montreal
*P. F. SISE	Montreal

\*Members of Executive Committee.

## OFFICERS

C. F. SISE	P. A. MCFARLANE
<i>President</i>	<i>Vice-President</i>
J. E. MACPHERSON	F. G. WEBBER
<i>Vice-President</i>	<i>Secretary</i>
E. PALM	
<i>Vice-President</i>	
F. JOHNSON— <i>Comptroller</i>	
J. R. LOGAN— <i>Treasurer</i>	

# FIFTY-FIFTH ANNUAL REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31st DECEMBER  
1934

## *To the Shareholders:*

Your Directors respectfully submit the following report of the Company's operations for the year 1934 and of its financial position at the end of the year.

The financial statements here presented have been compiled in conformity with the new Dominion Companies Act which has required minor modifications of the form in which these reports had been presented in previous years.

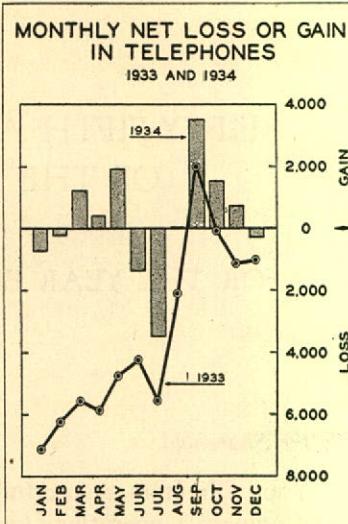
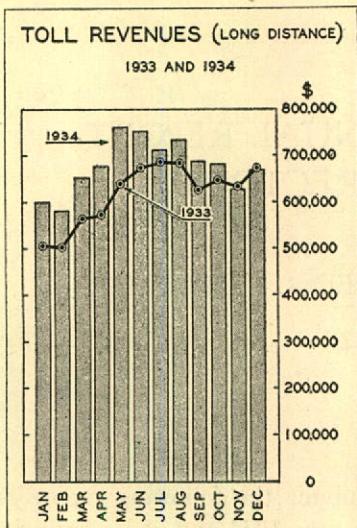
There were 176,345 telephones connected during the year, and 173,045 disconnected, making a net gain of 3,300.

While this increase of stations in service is small compared with the record of the years prior to 1931, it is significant because of its improvement over 1933, when there was a net loss of 41,829 telephones.

There were 674,439 telephones in service at the end of 1934, of which 241,386 were business and 433,053 residence services. Of the total in service 69,931 were extension telephones.

Other telephone systems in Ontario and Quebec with which we interchange service now number 856, serving 136,156 telephones, a decrease of 1,014 during the year.

For the greater part of 1934 long distance usage was substantially higher than for the previous year, reaching its peak in the month of May. The latter part of the year was not so favorable, but long distance revenue showed a gain of \$731,410 over 1933.



### REVENUES

Local service revenue was \$27,035,520, an increase of less than half of one per cent over the year 1933.

Long Distance revenue was \$8,131,781, an increase of 10 per cent over 1933.

Miscellaneous revenues and revenue from outside investments were \$1,296,623, a decrease of 3 per cent from 1933.

From all sources the gross revenue of the year 1934 was \$36,463,924, an increase of 2 per cent over the total of 1933.

### EXPENSES

Improvement in the volume of business and in the revenues of the Company warranted the elimination of the discount from the wages of officers and employees. The effect of this was to increase telephone operating expenses by a substantial amount. It is still necessary for all officers and employees to remain on part time, with a proportionate reduction in pay.

Another important increase in expenses was in the item of taxes, which increased by over 9 per cent.

There was a substantial reduction in interest expense, due chiefly to the reduction in bank loans.

The net income available for dividends was \$4,802,353, or \$6.22 per share of average outstanding capital stock.

Dividends were continued during the year at the reduced rate of \$6.00 per share, total dividends to shareholders being \$4,635,529. After dividends there was a balance remaining of \$166,824, which has been carried to earned surplus.

#### FINANCING

No permanent financing, other than the sale of stock to employees on the instalment plan, was undertaken in 1934; 3,331 shares of capital stock, of a total par value of \$333,100, were issued to employees who had completed payments on subscriptions under the Employees' Stock Plan.

Loans from Bank and others were reduced during the year from \$6,885,000 to \$1,200,000. This was made possible through the sale of investment securities, instalment payments received from employees on subscriptions under the Employees' Stock Plan, and the use of reserve and surplus funds.

Of the \$7,000,000 Series C First Mortgage 5 per cent bonds reported in the 1933 Annual Report as having been hypothecated to the Company's bankers as collateral security for loans, \$5,000,000 have been returned, and are now in the Company's treasury.

#### DISTRIBUTION OF STOCK

As of December 31, 1934, there were 20,144 shareholders, a decrease of 387 during the year. Those living in Canada number 18,830, or 93.5 per cent, and hold 66.5 per cent of the outstanding stock.

The percentage of shareholders residing in the United Kingdom and other parts of the British Empire is 1.8, holding 5.2 per cent of stock, while 4.7 per cent of shareholders live in the United States and other foreign countries, and hold 28.3 per cent of stock. The latter figure includes the American Telephone and Telegraph Company's holding of 24.2 per cent.

The average holding per shareholder (excluding American Telephone and Telegraph Company) is 29 shares.

Some 700 corporations and institutions hold 18 per cent of the stock; included in this group are life and fire insurance

companies, investment trusts and industrial corporations, schools and colleges, churches and religious organizations, as well as hospitals and other philanthropic bodies.

Employees to the number of 3,523 hold 28,715 shares, representing 3.7 per cent of the total outstanding.

#### PLANT

Gross additions to the Company's plant in 1934 amounted to \$9,529,000, of which the principal items were:

Land and Buildings.....	\$ 228,000
Central Office Equipment.....	1,539,000
Subscribers' Station Equipment.....	4,977,000
Outside Plant.....	2,545,000

The original cost of plant retired from service during the year was \$9,505,000.

The gross construction for 1934 was kept at a relatively low level, being only about \$650,000 greater than for 1933. Expenditures were limited to meeting the demand for service and to the replacement or modernization of plant where this was found to be necessary or economical.

The amount of plant retired from service during the year was about \$400,000 less than in the previous year. This decrease was due largely to the fact that fewer manual offices were displaced than in 1933.

#### BUILDINGS

Two new central office buildings were completed—at Sorel and Valleyfield. The building at Sorel is designed to house dial central office equipment while the Valleyfield building will accommodate new manual equipment. In Toronto, the Hyland dial central office building was also extended to provide space for additional apparatus.

#### EQUIPMENT

Further progress was made in connection with the dial conversion programme. Three new dial offices, Calumet, Walnut, and Wellington, were placed in service in Montreal during the year. Calumet and Wellington replace two manual offices of the same names. New dial installations were begun in Toronto.

The four small central offices at Napierville and Lacolle in Quebec and at Norwood and Burford in Ontario were converted to dial operation. In these small offices the equipment is normally unattended, repairs and adjustments being made as the necessity arises by a repairman from a nearby office.

Due to the relatively small gain in subscribers, the dial conversion programme has been kept on a restricted basis consistent with the indicated economies and service improvement possible with this type of equipment. At the end of the year there were 366,055 dial operated telephones representing 88.6 per cent of the total telephones in those places where dial service has been inaugurated, and 54.3 per cent of the total company telephones.

#### TOLL PLANT

Work on long distance lines was largely on account of the necessary reconstruction of deteriorated pole lines, the elimination of hazardous conditions and the repair of damage caused by storms. Expenditures for additional facilities were kept at a minimum.

Erection of long distance cable replacing open wire was proceeded with at a moderate rate. A cable 11 miles long, running north from Toronto, was completed last year and work was started on a 25-mile branch cable extending between the main Hamilton-Buffalo toll cable at Beamsville, and Niagara Falls.

#### TRANS-CANADA TELEPHONE SYSTEM

The grade of service rendered in handling the long haul traffic over this system continued to be highly satisfactory. The volume of traffic showed a marked increase over the previous year, which may be considered an indication of improving business conditions generally.

#### TRANSATLANTIC TELEPHONE SERVICE

The continued growth in transatlantic traffic is evidence of the need for this type of service. The volume of traffic was substantially higher and a better grade of service was rendered than in the previous year. The service was extended to a number of additional African and Asiatic points during the year.

## SERVICE

Notwithstanding the necessary economies of the recent difficult years, service has continued at a high standard. During 1934 this standard has been maintained as is shown by the fact that 83.3 per cent of the local calls and 93.8 per cent of the long distance calls were completed. The average speed of service—the time required to establish long distance connections—was 78 seconds, which is the same as for 1933.

A further indication of the quality of long distance service is the proportion of calls handled with the subscriber remaining at the telephone. Last year the figure was 93.3 per cent as compared with 92.4 per cent for 1933.

## MAINTENANCE

Your Company's plant and equipment continue to be well maintained. Results for 1934 compare favorably with previous years; the number of troubles reported by subscribers continued at a low level and were promptly cleared as reported.

Telephone installations are now taken care of mainly on an appointment basis. In 1934, over 96 per cent of appointment installations were made at the time specified by the subscribers.

## STORM DAMAGE

Storm damage is a serious cause of service interruption of wire communication. Your Company's experience last year was more favorable than in many previous years. While in 1933, storm damage amounted to about \$500,000, the outlay in 1934 was approximately \$150,000, divided about evenly between the Eastern and Western sections of the Company's territory. The extension of Long Distance cables has done much to reduce storm interruption.

## EMPLOYEES' BENEFIT PLAN

During the year 1934, benefits and pensions were paid in 1,911 cases under the Plan for Employees' Pensions, Disability Benefits and Death Benefits, amounting to \$412,521, divided as follows:

	<i>No. of Cases</i>	<i>Amount</i>
Pensions.....	343	\$217,397
Accident Benefits (including expenses).....	131	9,030
Sickness Benefits.....	1,389	148,894
Death Benefits.....	48	37,200

### EMPLOYEES' STOCK PLAN

Of 9,475 employees eligible to subscribe for stock in the Company, 5,383 are now subscribing for 23,072 shares.

### LIFE INSURANCE

Under the Employees' Life Insurance Plan adopted in 1927, whereby premiums are paid through monthly deductions from pay, 2,464 employees are carrying \$8,144,897 of life insurance—an average per policy of \$3,306.

### STAFF

The directors are again gratified to record their appreciation of the excellent work of the staff in maintaining service at a high standard and in dealing with the problems of an unusually difficult period with commendable resourcefulness and confidence.

For the Board of Directors,

C. F. SISE,  
*President.*

Montreal, February 13th, 1935.

**THE BELL TELEPHONE COMPANY OF CANADA**  
**DESCRIPTIVE BALANCE SHEET—DECEMBER 31, 1934**

**ASSETS**

**FIXED CAPITAL:**

Land and Buildings.....	\$ 20,813,353.92
Cost of real estate owned by the Company.	
Telephone Plant and Equipment.....	166,605,594.48
Cost of central office and subscribers' station equipment, poles, wire, cable, underground conduit, right-of-way, etc.	
General Equipment.....	3,921,158.94
Cost of office furniture and fixtures, storeroom and garage equipment, motor vehicles and tools and implements.	
	<hr/> \$191,340,107.34

**INVESTMENT SECURITIES:**

Subsidiary Companies.....	\$ 12,974,697.89
Other Investment Securities.....	505,428.12
Investment in stocks and bonds at cost.	
	<hr/> 13,480,126.01

**CURRENT ASSETS:**

Cash and Special Deposits.....	\$ 370,136.29
Cash available for current needs and funds on special deposit.	
Material and Supplies.....	1,597,267.20
Material and supplies held at cost in storerooms and yards less a reserve of \$65,936.68. A physical inventory was taken during September, 1934.	
Notes Receivable from Subsidiary Companies.....	155,200.00
Notes due on demand or within one year from date of issue.	
Accounts Receivable and Other Current Assets:	
Subsidiary Companies.....	\$ 22,641.84
Customers and Others and Other Current Assets.....	2,903,083.48
Current accounts due the Company for service (less provision for uncollectible accounts), interest, dividends, rents and sundry miscellaneous items; also cash held by employees and agents as working funds.	
	<hr/> 2,925,725.32
	<hr/> 5,048,328.81

**DEFERRED DEBITS:**

Prepayments.....	\$ 510,941.69
Rents, taxes, insurance, cost of directories and other expenses prepaid and applicable to period subsequent to December 31, 1934.	
Discount on Funded Debt.....	1,458,022.52
Balance of unamortized discount and expense pertaining to bonds outstanding.	
Other Deferred Debits.....	381,931.85
Miscellaneous items, the final disposition of which had not been determined at December 31, 1934.	
	<hr/> 2,350,896.06
TOTAL ASSETS.....	<hr/> \$212,219,458.22

Approved for Board of Directors:

W. F. ANGUS, Director.

GEORGE CAVERHILL, Director.

**THE BELL TELEPHONE COMPANY OF CANADA**

**DESCRIPTIVE BALANCE SHEET—DECEMBER 31, 1934**

**LIABILITIES**

**CAPITAL STOCK:**

Common Stock—Authorized 1,500,000 shares, par value \$150,000,000.00—Outstanding fully paid 774,151 shares. . . . . \$ 77,415,100.00

**LONG TERM DEBT:**

Bonds—5% First Mortgage:  
 Series A—Maturing March 1, 1955. . . . . \$ 30,000,000.00  
 Series B—Maturing June 1, 1957. . . . . 30,000,000.00  
 Series C—Maturing May 1, 1960. . . \$ 14,500,000.00  
 Less issued but not sold, deposited as collateral against Bank Loan  
 \$2,000,000.00. Held in Treasury  
 \$5,000,000.00. . . . . 7,000,000.00

7,500,000.00  
 5,405,157.73

Notes. . . . . Notes sold to Trustee of Pension Fund. . . . . 72,905,157.73  
 1,200,000.00

**LOANS:**

Loans from Bank.

**CURRENT LIABILITIES:**

Notes Payable to Subsidiary Companies. . . . . \$ 106,787.06  
 Notes payable on demand.  
 Advance Billing and Payments and Customers' Deposits. . . . . 939,178.81  
 Advance billing and payments for telephone service and deposits as security for payment of bills.  
 Accounts Payable and Other Current Liabilities:  
 Subsidiary Companies. . . . . \$ 396,683.98  
 Other Accounts Payable and Other Current Liabilities. . . . . 874,736.70  
 Amounts owing for supplies, pay rolls and sundry miscellaneous items which are in process of settlement. . . . . 1,271,420.68

2,317,386.55

**ACCRUED LIABILITIES NOT DUE:**

Taxes. . . . . Dominion, Provincial and Municipal taxes applicable to period ended December 31, 1934, but not due until after that date. . . . . \$ 748,012.22  
 Other. . . . . Interest, dividends and rents applicable to period ended December 31, 1934, but not due until after that date. . . . . 1,969,659.88

2,717,672.10

**DEFERRED CREDITS:**

Employees' Stock Plan—Instalment Payments. . . . . \$ 920,971.61  
 Instalments paid by employees who are subscribing for capital stock, together with interest thereon.  
 Other Deferred Credits. . . . . 330,998.11

1,251,969.72

**DEPRECIATION RESERVE:**

Provision for the ultimate retirement of depreciable plant when it has served its useful life.

44,243,804.34

**PREMIUMS ON CAPITAL STOCK:**

Amount received in excess of par value. . . . . 6,255,394.74

**UNAPPROPRIATED SURPLUS:**

Capital Surplus:  
 Balance at January 1, 1934. . . . . \$ 2,023,074.95  
 Miscellaneous Deductions (net). . . . . 952.97

Balance at December 31, 1934. . . . . \$ 2,022,121.98

Earned Surplus:

Balance at January 1, 1934. . . . . \$ 1,722,836.62  
 Surplus for year (after dividends). . . . . 166,823.87  
 Miscellaneous Additions (net). . . . . 1,190.57

1,890,851.06

3,912,973.04

**TOTAL LIABILITIES. . . . . \$212,219,458.22**

F. JOHNSON, Comptroller.

**THE BELL TELEPHONE COMPANY OF CANADA**  
**DESCRIPTIVE INCOME STATEMENT**

**Year Ended December 31, 1934**

TELEPHONE OPERATING REVENUES.....	\$ 36,183,507.68
Revenues from local and toll service, telephone directory advertising and miscellaneous telephone operations.	
Less:	
Uncollectible Operating Revenues.....	178,241.69
Revenues which have proved to be uncollectible.	
<b>TOTAL OPERATING REVENUES.....</b>	<b>\$ 36,005,265.99</b>
<b>TELEPHONE OPERATING EXPENSES:</b>	
Operation Expenses.....	\$ 10,085,893.16
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. (Fees paid to Directors and members of the Executive Committee \$27,572.50 of which \$4,860.00 was paid and accounted for by Subsidiary Companies.)	
Current Maintenance.....	7,226,379.73
Cost of inspection, repairs and rearrangements required to keep the telephone plant and equipment in good operating condition.	
Depreciation.....	7,741,663.71
Provision to meet loss of investment when depreciable property is retired from service, based on rates of depreciation for the different classes of property which spread this loss of investment uniformly over its service life.	
Amortization of Patents.....	5,481.78
Final provision for the amortization of the cost of patents.	
<b>TOTAL OPERATING EXPENSES.....</b>	<b>25,059,418.38</b>
<b>NET OPERATING REVENUES.....</b>	<b>\$ 10,945,847.61</b>
Operating Taxes:	
Income Taxes.....	\$ 706,800.00
Other Taxes.....	1,656,900.00
Dominion, Provincial and Municipal taxes applicable to the current year.	
	2,363,700.00
<b>NET OPERATING INCOME.....</b>	<b>\$ 8,582,147.61</b>
Net Non-Operating Income:	
Income from Investment Securities.....	\$ 226,736.58
Dividends and interest received from securities owned by the Company.	
Other Non-Operating Income (Net).....	53,679.98
Interest on bank balances and other miscellaneous income less expenses incident thereto including Dominion Income Tax of \$9,100.00 on non-operating income.	
	280,416.56
<b>INCOME AVAILABLE FOR FIXED CHARGES....</b>	<b>\$ 8,862,564.17</b>
Fixed Charges:	
Bond Interest.....	\$ 3,375,000.00
Interest charges on outstanding bonds.	
Other Interest.....	610,440.49
Interest charges on other debt obligations.	
Amortization of Discount on Funded Debt.....	69,556.92
Proportion of debt discount and expense applicable to the year in connection with outstanding bond issues.	
Other Charges.....	5,214.14
	4,060,211.55
<b>BALANCE AVAILABLE FOR DIVIDENDS.....</b>	<b>\$ 4,802,352.62</b>
Dividends.....	4,635,528.75
Dividends to owners of outstanding common stock.	
<b>BALANCE FOR EARNED SURPLUS.....</b>	<b>\$ 166,823.87</b>

F. JOHNSON, Comptroller.

MONTREAL, QUE.,

February 6, 1935

## AUDITOR'S CERTIFICATE

THE BELL TELEPHONE COMPANY OF CANADA,  
MONTREAL.

I have made an examination of the books and records of The Bell Telephone Company of Canada for the year ended December 31, 1934, and have obtained all the information and explanations required by me.

The profits and losses of Subsidiary Companies have not been included in the accounts of The Bell Telephone Company of Canada other than dividends received from Subsidiary Companies. The amount of the combined surplus accounts of Subsidiary Companies, at December 31, 1934, was sufficient to cover the aggregate of losses less profits (net after dividends) of all Subsidiary Companies for the year ended that date.

In my opinion the attached Balance Sheet and Income Statement are properly drawn up so as to exhibit a true and correct view of the financial position of the Company at December 31, 1934, according to the information and explanations received by me and as shown by the books of the Company.

(Signed) JAS. G. ROSS,  
Chartered Accountant,  
Auditor.

## STATISTICS

December 31, 1934

**NUMBER OF TELEPHONES:**

Company Owned—Manual Service.....	308,384
"      " —Dial Service.....	366,055
	674,439
Connecting and Miscellaneous.....	136,156
Total Telephones.....	810,595

NUMBER OF CENTRAL OFFICES.....	403
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NUMBER OF OWNED BUILDINGS.....	112
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MILES OF POLE LINES.....	23,914
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MILES OF WIRE:	
In Underground Cable.....	2,348,579
In Aerial Cable.....	796,415
Open Wire.....	225,561
	3,370,555

MILES OF SUBWAY (Length of Street Occupied).....	965
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MILES OF DUCT.....	4,714
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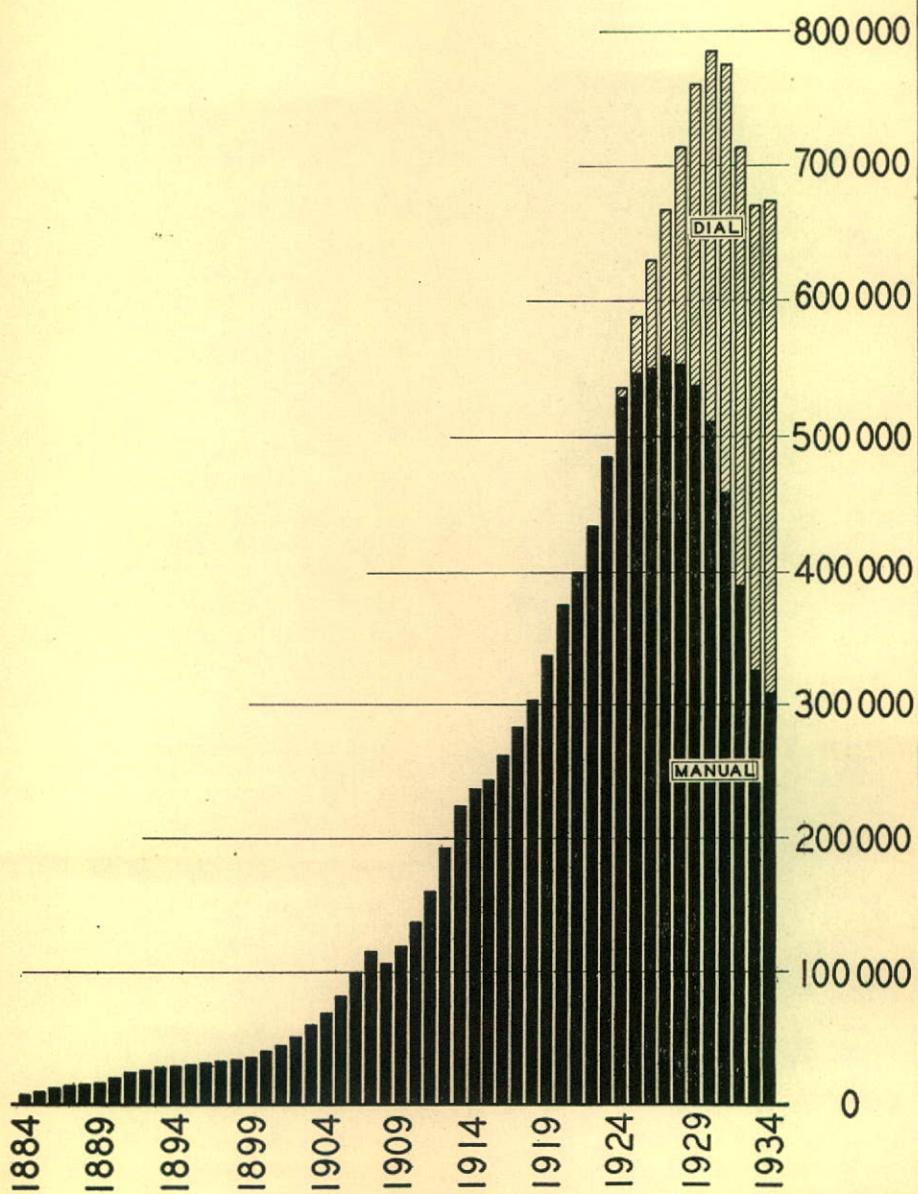
AVERAGE DAILY CONNECTIONS: (Year 1934)	
Local.....	4,862,100
Toll.....	49,100

NUMBER OF EMPLOYEES:	
Male.....	4,420
Female.....	5,155
	9,575

TOTAL PAY ROLL FOR YEAR 1934.....	\$13,570,565
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NUMBER OF SHAREHOLDERS:	
In Canada.....	18,830
Elsewhere.....	1,314
	20,144

## GROWTH IN NUMBER OF TELEPHONES OWNED BY COMPANY









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