

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

FOR THE YEAR ENDED
31st DECEMBER

1932

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REPORT
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THE BELL TELEPHONE
COMPANY *&* CANADA

FOR THE YEAR ENDED
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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
President

J. E. MACPHERSON
Vice-President

P. A. MCFARLANE
Vice-President

E. PALM
Vice-President & Comptroller

W. H. BLACK
Secretary-Treasurer

FIFTY-THIRD ANNUAL REPORT
OF THE DIRECTORS

FOR THE YEAR ENDED 31st DECEMBER
1932

To the Shareholders:

Your Directors respectfully submit the following report of the Company's operations for the year 1932 and of its financial position at the end of the year.

There has been a marked decrease in the demand for exchange service; 183,938 telephones were connected and 245,703 disconnected, a net loss of 61,765 as compared with a loss of 10,063 in 1931, which was the first year in the Company's history to show a recession due to decreasing business.

The number connected was substantially increased through the sales effort of employees; without this offset to the volume of cancellations, the net loss in telephones and in exchange revenue would have been considerably greater.

There were 712,968 telephones in service at the end of 1932, distributed as follows:—

Business.....244,710

Residence.....468,258

Included in this total were 72,213 extension telephones.

Other telephone systems in Ontario and Quebec with which we interchange service now number 848, serving 143,780 telephones, a decrease of 8,947 from 1931. These co-operative agreements extend the area of intercommunication without duplication of plant or investment.

REVENUES

Exchange revenue for the year was \$29,030,385, as compared with \$30,258,928 in 1931, a decrease of \$1,228,543, or 4.1 per cent.

Long distance revenue was \$8,069,725, as compared with \$9,849,261 in 1931, a decrease of \$1,779,536, or 18.1 per cent.

Miscellaneous revenues and revenue from outside investments were \$1,755,236, a decrease of 25.4 per cent from the 1931 figure of \$2,352,988. This heavy decline is due, in part, to the discontinuance of Northern Electric Company dividend, as well as to a reduction in the rates of dividend of other telephone companies in Canada in which your Company is a shareholder.

From all sources, the gross revenue of the year was \$38,855,346, a decrease of \$3,605,831, or 8.5 per cent from the total of 1931.

EXPENSES

While revenue from telephone service alone was less than that of 1931 by \$2,854,362, telephone operating expenses were reduced \$3,164,682. This reduction resulted from discounts from wages, salaries, and directors' fees, and other economies as well as from a falling off in the work loads.

Although the decline in telephone revenue had been thus more than offset, interest charges and other uncontrollable expenses increased and non-operating revenue fell off. The result is that the net income available for dividend is \$4,740,941 or \$6.16 per share of average outstanding capital stock. A dividend of \$2.00 per share was paid for the first quarter of the year, subsequent dividends were \$1.75 per share—or \$7.25 per share for the year. The total dividend payment being \$5,577,809, surplus has been drawn upon for \$836,868.

Capital expenditures were limited to imperative extensions and improvements and so far as possible to undertakings which would result in reduced operating expenses. Because of the employment situation, preference was given to projects in which labour would be the principal item, and the conversion of exchanges from manual to dial proceeded more slowly.

The soundness of your Company's position despite the unfavourable conditions of recent months may be attributed to its conservative financial policy which has persisted from the beginning.

FINANCING

Other than the sale of stock to employees on the instalment plan, no permanent financing was undertaken in 1932; 3,884 shares of capital stock, of a total par value of \$388,400, were issued to employees who had completed payments on subscriptions under the Employees' Stock Plan.

The policy was continued of borrowing New York funds from the American Telephone and Telegraph Company for bond interest and other indebtedness payable in New York funds.

Whenever the premium on New York funds in Montreal was at a favorable rate, repayments were made.

INCREASE IN SHAREHOLDERS

The number of shareholders has continued to grow, there being 21,477 of record on December 31st, 1932, an increase of 813 during the year. Of the total number, 20,179 shareholders, or 93.9 per cent, live in Canada and hold 66.4 per cent of the stock. Employees who are also shareholders now number 4,973; they hold 34,983 shares.

PLANT

Gross additions to the Company's plant in 1932 amounted to \$12,658,000, of which the principal items were:

Land and Buildings.....	\$ 170,000
Central Office Equipment.....	3,534,000
Subscribers' Station Equipment.....	4,866,000
Exchange Lines.....	2,659,000
Toll Lines.....	1,320,000

Existing plant, the original cost of which was \$12,133,000, was retired from service during the year.

BUILDINGS

Two dial central office buildings were extended during the year—the WIlbank building in Montreal and the LOmbard building in Toronto.

EQUIPMENT

The dial system conversion programme has been continued in Toronto and Montreal. Dial equipment has been proceeded with in these cities in those areas where ultimate operating economies and service advantages made it desirable to continue construction under current conditions. Due to the loss in stations, new dial installation has been reduced from the rate of recent years. At the end of the year there were 323,112 dial operated telephones in the five cities so served, representing 74% of the total stations in these cities and 45% of the total company stations.

New dial exchanges completed during the year were "BE-lair" in Montreal and "MOhawk" and "RAndolph" in Toronto.

Extensions of the dial equipment were made in "DUpont" and "FAlkirk" exchanges in Montreal and to "Midway" and "WAVerley" in Toronto.

Extension of the dial system involved the retirement from service of the "BE-lair" manual office in Montreal and the "RAndolph" and "TRinity" manual offices in Toronto.

A new long distance switchboard of the most recent type was installed in the new toll building on Belmont Street in Montreal.

TOLL PLANT

Work on the Canadian portion of the new toll cable between Montreal and Elizabethtown, N.Y., was continued and practically completed. This cable, when completed, will furnish storm-proof circuits in cable from Montreal to New York City, which will supplement the existing open wire and carrier circuits.

Necessary reconstruction work was carried out on the open wire lines between Montreal and Toronto, and Sudbury and Sault Ste. Marie and on a number of other routes.

TRANS-CANADA TELEPHONE SYSTEM

In January, 1932, His Excellency the Governor-General formally opened the all-Canadian long distance telephone lines, known as the Trans-Canada Telephone System. This system, which links Atlantic and Pacific and intermediate points by lines wholly within Canadian territory, was made possible through the co-operation of the seven larger telephone systems of Canada. The system provides good service throughout Canada and the volume of traffic handled has been well sustained.

TRANS-ATLANTIC TELEPHONE CHANNEL

In July 1932, the Company placed in service, a new link in its long distance system when a direct telephone channel between Montreal and London, England, was opened to the public. This direct channel was made possible through co-operation with the Canadian Marconi Company and the British Post Office. It is a noteworthy advance in the development of Empire communications and its inauguration just prior to the Imperial Economic Conference was particularly timely. Traffic and service over this channel have been satisfactory.

SERVICE

During the year a high standard of service has been maintained. There has been an increase in the proportion of local calls completed and a further speeding up of long distance calls, 92 per cent of such connections having been established while the subscriber remained at the telephone.

In the years following the war, it was necessary to build up the plant rapidly to take care of the large demand for telephone service. The unfilled orders for service rose to 30,000 telephones at one time. In 1923, 1924 and 1925, the average growth, including that caused by clearing up the delayed orders mentioned, was about 52,000 telephones annually. This demand necessitated a rapid expansion of the Company's plant, as spare capacity had been largely exhausted by the curtailment of construction during the war. This period of expansion and increasing construction activity was followed by a further rapid growth from 1927 to 1929. At this time the annual increase in the number of telephones averaged nearly 44,000.

In the three years 1928, 1929, and 1930, construction activity necessitated the outlay of about \$27,000,000 a year. In 1932 construction expenditures have been a little less than \$13,000,000—less than half of the peak period.

It has been the necessary policy of the Company to undertake itself, rather than by contract, the greater part of its construction, which includes the specialized work of erecting wires and cables and the installation of telephones. For a number of years, therefore, we have trained and developed large engineering and construction forces.

The decline in construction activity, the necessity for the most rigid economy in operation, coupled with the policy of retaining as many employees as possible, have brought about a surplus in personnel—a situation which has been met as far as possible by shortening the hours of work and thus spreading employment.

ACCIDENT PREVENTION AND FIRST AID

Continuous instruction in accident prevention resulted in still further improvement over any previous year. Lost-time accidents to male plant employees decreased from 5.9 per 1,000 employees in 1931 to 3.9 in 1932. The Montreal Division with about 1,000 plant workers completed the year with not a single lost-time accident—a notable achievement.

Over 80 per cent of the Plant employees are qualified "First Aiders."

EMPLOYEES' BENEFIT PLAN

During the year 1932, benefits and pensions were paid in 2,541 cases under the Plan for Employees' Pensions, Disability Benefits and Death Benefits, amounting to \$369,659, divided as follows:

	No. of cases	Amount
Pensions.....	207	\$137,641
Accident Benefits (including expenses).....	152	14,397
Sickness Benefits.....	2,146	188,226
Death Benefits.....	36	29,395

EMPLOYEES' STOCK PLAN

Of 11,682 employees eligible to subscribe for stock in the Company, 5,654 are subscribing for 23,304 shares.

LIFE INSURANCE

Under the Employees' Life Insurance Plan adopted in 1927, whereby premiums are taken care of by monthly deductions from pay, 2,661 employees are participating to the extent of \$7,644,900 of insurance in effect.

STAFF

Reference has already been made to the splendid co-operation of the staff in promoting the sale of your Company's services, as the result of which the effect upon revenue of the large volume of disconnects was in substantial measure offset. It is gratifying to your Directors again to testify to the excellent work of the staff throughout a period of unusual difficulty.

For the Board of Directors,

C. F. SISE,

President.

Montreal, February 13, 1933.

THE BELL TELEPHONE COMPANY OF CANADA

DESCRIPTIVE BALANCE SHEET, DECEMBER 31, 1932

ASSETS

FIXED CAPITAL:

Intangible Capital.....	\$ 65,770.33	
Patents acquired by the Company.		
Land and Buildings.....	20,541,175.19	
Real estate used for telephone purposes.		
Telephone Plant and Equipment.....	167,859,036.78	
Central Office and subscribers' station equipment, poles, wire, cable, underground conduit, right-of-way, etc.		
General Equipment.....	3,892,225.50	
Office furniture and fixtures, storeroom and garage equipment, motor vehicles and tools and implements.		
		<hr/> \$192,358,207.80

INVESTMENT SECURITIES.....	14,066,968.54
Investments in stocks and bonds.	

WORKING ASSETS:

Cash and Deposits.....	\$ 1,738,030.51	
Cash on hand and in banks to meet current needs.		
Marketable Securities.....	198,500.00	
Dominion Government Bonds.		
Bills Receivable.....	1,685,930.75	
Collectible obligations in the form of notes.		
Accounts Receivable.....	2,973,776.43	
Current accounts due the Company from Subscribers and Others for telephone and miscellaneous services less provision for uncollectible accounts; also cash advanced to employees and agents as working funds.		
Materials and Supplies.....	1,839,624.02	
Telephone materials and supplies, held in storerooms and yards, available for immediate use.		
		<hr/> 8,435,861.71

ACCRUED INCOME NOT DUE.....	79,037.06
Unmatured interest, dividends and rents receivable applying to the period ended December 31, 1932.	

DEFERRED DEBIT ITEMS:

Prepayments.....	\$ 341,489.86	
Rents, insurance, cost of directories and other expenses which apply to periods subsequent to December 31, 1932.		
Unamortized Debt Discount and Expense.....	1,597,136.36	
Balance of discount and expense pertaining to bonds outstanding periodically reduced by charges to income during the life of the bonds.		
Other Deferred Debits.....	461,509.18	
Miscellaneous debit items, the final disposition of which had not been determined at the end of the year.		
		<hr/> 2,400,135.40

TOTAL ASSETS.....	<u><u>\$217,340,210.51</u></u>
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Approved for Board of Directors:

W. F. ANGUS, Director.
GEORGE CAVERHILL, Director.

THE BELL TELEPHONE COMPANY OF CANADA

DESCRIPTIVE BALANCE SHEET, DECEMBER 31, 1932

CAPITAL STOCK:		LIABILITIES	
Common Stock (Authorized Capital—\$150,000,000.00)			\$ 77,007,700.00
Par value (\$100 per share) of common stock outstanding.			
LONG TERM DEBT:			
Bonds.....	\$ 30,000,000.00		
Series "A"—5% First Mortgage Bonds maturing March 1, 1955.			
Bonds.....	30,000,000.00		
Series "B"—5% First Mortgage Bonds maturing June 1, 1957.			
Bonds.....	7,500,000.00		
Series "C"—5% First Mortgage Bonds maturing May 1, 1960.			
(Series "A", "B" and "C" Bonds and interest thereon are payable in gold coin of the Dominion of Canada or of the United States of America, at the option of the holder.)			
Notes.....	4,367,834.84		
Notes sold to Trustee of Pension Fund.			
			71,867,834.84
LOANS.....			12,245,000.00
Loans obtained in New York which will be repaid in United States funds.			
WORKING LIABILITIES:			
Bills Payable.....	\$ 86,814.87		
Miscellaneous short term obligations.			
Accounts Payable.....	952,750.51		
Amounts owing for pay rolls, materials and sundry miscellaneous items which are in process of payment.			
Subscribers' Deposits and Service Billed in Advance..	976,523.89		
Deposits held as security for the payment of bills and amounts billed for service to be rendered in subsequent months.			
			2,016,089.27
ACCRUED LIABILITIES NOT DUE.....			2,550,118.18
Liabilities such as taxes, interest, dividends, etc., which apply to the period ended December 31, 1932, but not due until after that date.			
DEFERRED CREDIT ITEMS:			
Employees' Stock Plan—Instalment Payments.....	\$ 876,735.82		
Instalments paid by employees who are subscribing for capital stock together with accrued interest.			
Other Deferred Credit Items.....	278,017.56		
Miscellaneous credit items the final disposition of which had not been determined at the end of the year.			
			1,154,753.38
FIXED CAPITAL RESERVES:			
Reserve for Accrued Depreciation.....	\$ 39,337,912.08		
Provision made for the ultimate retirement of telephone property when it has served its useful life.			
Reserve for Amortization of Intangible Capital.....	92,010.29		
Provision for the cost of patents included under Assets as Intangible Capital, when the patent rights expire—also for the ultimate retirement of right-of-way included under Assets in Telephone Plant and Equipment.			
			39,429,922.37
PREMIUMS ON CAPITAL STOCK.....			6,194,284.74
Amount received in excess of the par value (\$100) of Capital Stock issued.			
SURPLUS:			
Corporate Surplus Appropriated.....	\$ 500,000.00		
Appropriation of Surplus in respect of the possible payment of premiums on loans which will be repaid in United States funds.			
Corporate Surplus Unappropriated.....	4,374,507.73		
Surplus accumulated during the history of the Company which is invested in the business. Decrease during the year \$1,194,016.39, comprising:			
Deficit for year (after dividends).....	\$836,868.28		
Surplus Appropriated.....	300,000.00		
Miscellaneous Deductions (net).....	57,148.11		
			4,874,507.73
TOTAL LIABILITIES.....			\$217,340,210.51

E. PALM, Vice-President & Comptroller.

THE BELL TELEPHONE COMPANY OF CANADA

DESCRIPTIVE INCOME STATEMENT

Year Ended December 31, 1932

TELEPHONE OPERATING REVENUES.....		\$38,071,800.73
Revenues from local and toll service, telephone directory advertising and miscellaneous telephone operations.		
TELEPHONE OPERATING EXPENSES:		
Operation Expenses.....	\$11,615,895.68	
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, etc.		
Current Maintenance.....	6,808,771.41	
Cost of inspection, repairs and rearrangements required to keep the telephone plant and equipment in good operating condition.		
Depreciation.....	8,252,899.00	
Provision to meet loss of investment when telephone property is retired from service, based on rates of depreciation for the different classes of property which spread this loss uniformly over its service life.		
		26,677,566.09
NET TELEPHONE OPERATING REVENUES		\$11,394,234.64
UNCOLLECTIBLE OPERATING REVENUES.....	\$ 329,821.16	
Revenues which have proved to be uncollectible.		
TAXES ASSIGNABLE TO OPERATIONS.....	2,190,200.00	
Dominion, Provincial and Municipal taxes applicable to the current year.		
		2,520,021.16
OPERATING INCOME.....		\$ 8,874,213.48
NET NON-OPERATING INCOME.....		783,545.62
Dividends and interest received from investments, interest on bank balances, rent revenues and other miscellaneous non-operating revenues, less expenses incident thereto.		
GROSS INCOME.....		\$ 9,657,759.10
RENT AND MISCELLANEOUS DEDUCTIONS.....	\$ 441,487.49	
Rent paid for the use of buildings, offices, poles and conduits not owned by the Company and appropriations for amortizing the cost of right-of-way.		
BOND INTEREST.....	3,375,000.00	
Interest applicable to the current year on outstanding bonds.		
OTHER INTEREST.....	1,030,773.76	
Interest applicable to the current year on other obligations of the Company.		
DEBT DISCOUNT AND EXPENSE.....	69,556.92	
The proportion of debt discount and expense connected with outstanding bond issues applicable to the current year.		
		4,916,818.17
BALANCE NET INCOME.....		\$ 4,740,940.93
DIVIDENDS.....		5,577,809.21
Dividends to owners of outstanding common stock.		
DEFICIT CHARGED TO CORPORATE SURPLUS		\$ 836,868.28

E. PALM, Vice-President & Comptroller.

TO THE BELL TELEPHONE COMPANY OF CANADA

I have examined the books and records of The Bell Telephone Company of Canada for the year ended December 31, 1932, and have obtained all the information and explanations required by me.

In my opinion the foregoing 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, 1932, 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.

MONTREAL, February 7, 1933.

STATISTICS

December 31, 1932

NUMBER OF TELEPHONES:

Company Owned—Manual Service.....	389,856	
“ “ —Dial Service.....	323,112	
		712,968
Connecting and Miscellaneous.....		143,780
Total Telephones.....		856,748

NUMBER OF CENTRAL OFFICES..... 406

NUMBER OF OWNED BUILDINGS..... 108

MILES OF POLE LINES..... 25,029

MILES OF WIRE:

In Underground Cable.....	2,287,058	
In Aerial Cable.....	801,595	
Open Wire.....	229,174	
		3,317,827

MILES OF SUBWAY (Length of Street Occupied)..... 903

MILES OF DUCT..... 4,601

AVERAGE DAILY CONNECTIONS: (Year 1932)

Local.....	5,097,600
Toll.....	53,200

NUMBER OF EMPLOYEES:

Male.....	4,907	
Female.....	6,889	
		11,796

TOTAL PAY ROLL FOR YEAR 1932..... \$15,818,679

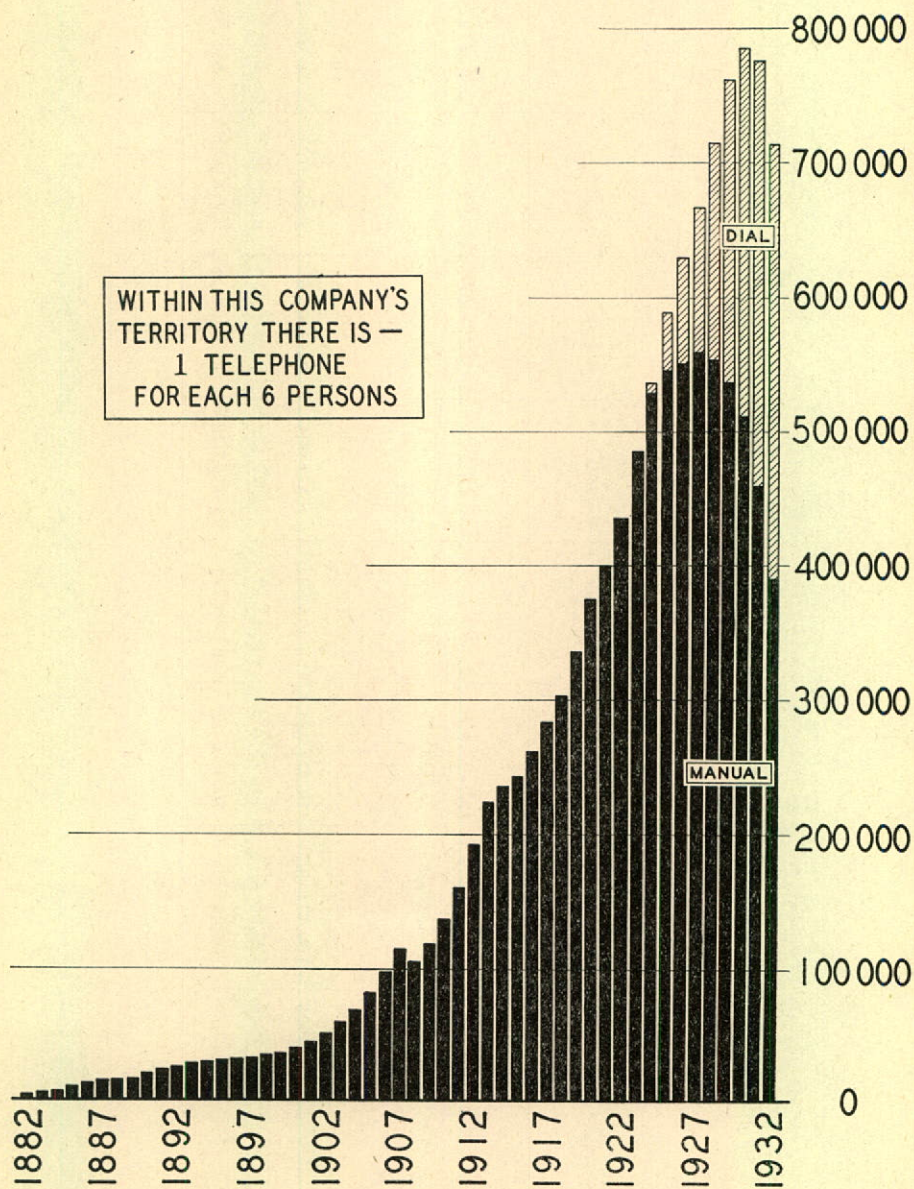
NUMBER OF SHAREHOLDERS:

In Canada.....	20,179	
Elsewhere.....	1,298	
		21,477

TOTAL ASSETS, AND PERCENTAGE OF NET EARNINGS THERETO, IN
FIVE-YEAR PERIODS, AND FOR 1932

Year	Total Assets (Excluding Cash, Receivables, Prepayments, Accrued Income not Due, and De- ferred Debit Items)	Exchange Revenue	Long Distance Revenue	Misc. Revenue and Revenue from Outside Investments	Expenses	Net Earnings	Per Cent. Net Earnings to Total Assets
1905	\$ 14,062,605	\$ 2,342,870	\$ 901,367	\$ 273,357	\$ 2,512,696	\$ 1,004,898	7.1%
1910	22,541,382	3,838,019	1,415,352	257,314	3,781,109	1,729,576	7.6
1915	39,789,807	7,156,302	2,306,536	171,836	7,412,689	2,221,985	5.6
1920	62,050,089	11,748,513	4,764,872	663,479	16,295,341	881,523	1.4
1925	109,174,692	19,327,281	6,396,694	1,232,905	21,590,861	5,366,019	4.9
1930	194,887,035	30,175,235	10,372,127	2,157,423	33,475,130	9,229,655	4.7
1932	208,463,300	29,030,385	8,069,725	1,755,236	29,639,074	9,216,272	4.4

GROWTH IN NUMBER OF TELEPHONES OWNED BY COMPANY





(Printed in Canada)