

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

FOR THE YEAR ENDED
31st DECEMBER

1931

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THE BELL TELEPHONE COMPANY OF CANADA

DIRECTORS

*HON. THOS. AHEARN, P.C.	-	-	-	Ottawa
*W. F. ANGUS	-	-	-	Montreal
*GEO. CAVERHILL	-	-	-	Montreal
COL. THE 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
*JOHN W. ROSS, LL.D.	-	-	-	Montreal
*C. 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-SECOND ANNUAL REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31st DECEMBER

1931

To the Shareholders:

Your Directors respectfully submit the following report of the Company's operations for the year 1931 and of its financial position at the end of the year.

For the first time in the fifty-one years of the Company's history the number of telephones removed has exceeded the number installed. There were 204,848 telephones connected and 214,911 disconnected, a net loss of 10,063.

Business telephones show a gain of 1,258 for the year; the net loss in residence telephones was 11,321. At the close of the year 66.8 per cent. of the telephones were in residences.

A substantial increase in the number of extension sets is due in large measure to the sales effort of employees as well as to growing appreciation of this convenience.

Connecting with The Bell Telephone Company under mutually satisfactory arrangements are 845 systems in Ontario and Quebec, serving 152,727 telephones.

REVENUES AND EXPENSES

Exchange revenue for the year was \$30,258,928, compared with \$30,175,235 in 1930, an increase of \$83,693 or .3 per cent.

This increase in revenue, notwithstanding a decrease in the number of telephones, is explained partly by the growth in business telephones and partly by the fact that our revenue reflects the growth of 1930 to an extent which more than offsets the falling off of 1931. Over 77 per cent. of the decrease in telephones occurred in the latter half of the year.

Long Distance revenue was \$9,849,261, compared with \$10,372,127 in 1930, a decrease of \$522,866 or 5 per cent.

Miscellaneous revenues and revenues from outside investments were \$2,352,988, as compared with \$2,157,423 in 1930, an increase of 9.1 per cent.

In this are included the dividends received from the Northern Electric Company and from a number of connecting telephone companies in which your Company holds stock. Some of these dividends were not fully earned and were paid in part by drawing upon surplus accumulated in previous years.

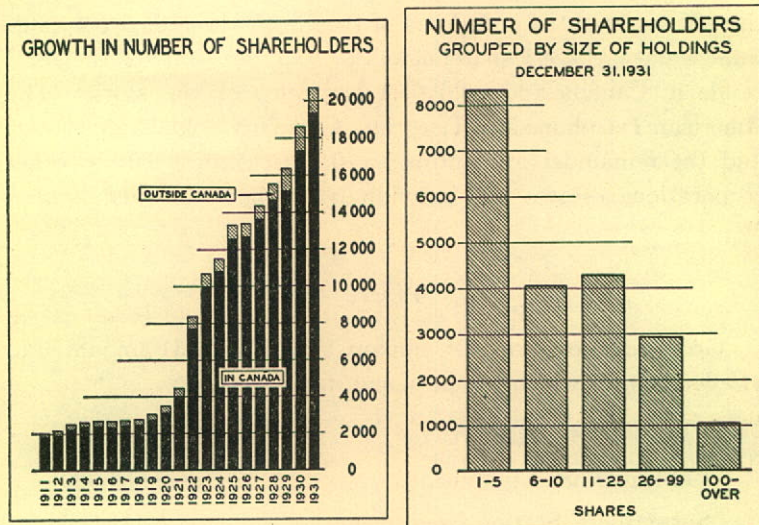
Decrease in long distance business, less volume of local traffic, reduction in construction and other items of plant operation necessarily meant a decreased volume of work. This diminution permitted savings in operating and general expense, which, with strict economies in other directions, made possible a reduction in controllable expense of \$1,827,982.

On the other hand there was an increase of \$1,182,267 in such expenses as interest, depreciation and taxes, the last named having increased by 12.7 per cent.

The gross revenue exceeded all expenses by \$5,791,982 but as in the previous year the margin was insufficient to meet entirely the requirement for the regular dividend of \$8 per share. For that purpose it was necessary to draw upon surplus to the extent of \$297,856. Net earnings per share were \$7.62. The first six months' operations showed a small surplus after dividends, the shortage of dividend requirements occurring entirely in the second half of the year.

FINANCING

Other than the sale of stock to Employees under the installment plan, no permanent financing was undertaken in 1931.



Plant additions and betterments were financed through short term loans at low interest rates in New York. At maturity these were repaid through borrowings from the American Telephone and Telegraph Company. At the close of the year their advances to us amounted to \$9,075,000.

While it is not expected that it will be necessary to repay these loans under present adverse exchange conditions, it has been thought prudent to appropriate from surplus this year \$200,000 against a contingent liability for premium on United States funds.

CAPITAL STOCK

During the year 19,963 shares of capital stock, of a total par value of \$1,996,300, were issued; 9,565 shares to employees who had completed payments on subscriptions under the Employees' Stock Plan and 10,398 shares to finance the purchase of securities of other telephone companies in Canada.

INCREASE IN SHAREHOLDERS

As evidence of the investment character of the Company's capital stock, during the past year the number of shareholders increased by 2,063, a gain of 11 per cent. On December 31, 1931, there were 20,664 shareholders of record of whom 55.3 per cent. were women; 19,354 shareholders or 93.7 per cent. of the total reside in Canada and hold 65.4 per cent. of the stock. The American Telephone and Telegraph Company hold 24.5 per cent. and the remainder amounting to 10.1 per cent. is held by other corporations, estates, and individuals in other countries.

PLANT

Gross additions to the Company's plant in 1931 amounted to \$19,043,000, of which the principal items were:

Land and Buildings.....	\$1,014,000
Central Office Equipment.....	6,663,000
Subscribers' Station Equipment.....	5,541,000
Exchange Lines.....	4,022,000
Toll Lines.....	1,616,000

Existing plant, the original cost of which was \$9,563,000, was retired from service during the year.

There are many necessary additions to plant and property still under way, and the programme of conversion from manual to dial operation is being continued, though somewhat retarded.

BUILDINGS

The building on Belmont Street in Montreal, to house long distance switchboards and associated equipment, was completed during the year. Other building activities were of a minor nature, being confined mainly to re-arrangements of existing premises.

EQUIPMENT

The gradual conversion from manual to dial service was continued in Montreal and Toronto. In the five cities in which dial equipment has been installed, there were, at the end of the year, 315,588 dial operated telephones, representing 67 per cent. of the total instruments in service in these cities and about 41 per cent. of the total company stations.

Among the more important dial exchanges completed during the year were "PLateau," "DEXter," and "DOLLard" in Montreal and "Waverley," "MAYfair," and MELrose" in Toronto.

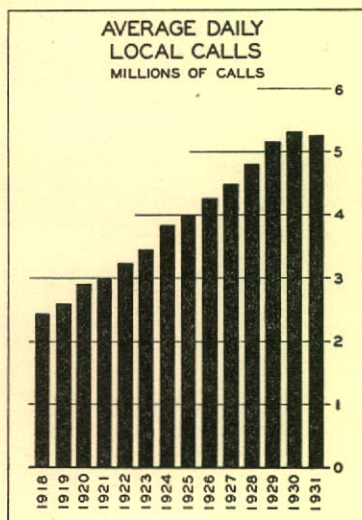
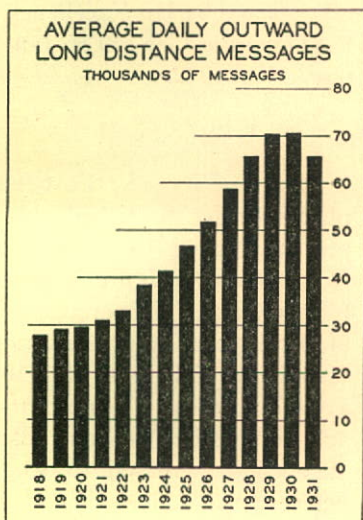
Extensions of the dial system involved the retirement from service of the Montreal "UPtown" and "PLateau" and Toronto "Waverley" manual offices.

Extensions to manual equipment at 15 exchanges were completed during the year.

A new long distance switchboard of the most recent type was cut into service in Toronto.

TOLL PLANT

A toll cable was completed between Toronto and London during the year and work was commenced on the Canadian



portion of a new cable between Montreal and Elizabethtown, N.Y. This cable will supplement existing open wire circuits between Montreal and New York.

Extensive reconstruction work was carried out on the open wire lines between Sudbury and Sault Ste. Marie, London and Sarnia, and Prescott and Kingston.

The open wire line between Montreal and Sherbrooke, begun in 1930, was completed.

Eighteen thousand three hundred miles of additional toll circuits were placed in service in 1931. Of these 10,600 miles were obtained by means of carrier channels and the remainder by cable and open wire circuits.

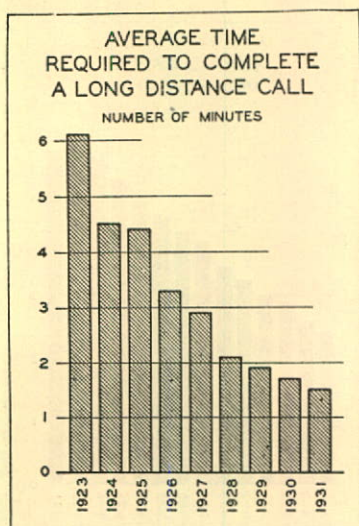
The continued increase in traffic with the Maritime Provinces required the establishment of additional direct circuits between Montreal and Halifax and Montreal and Saint John.

Three additional circuits were also established between this Company's territory and Winnipeg, two from Toronto and one from Montreal. All of these additional circuits form part of the Trans-Canada Telephone System, which now provides long distance facilities from coast to coast wholly within the Dominion.

The System was formally opened by His Excellency the Governor-General on January 25th, 1932.

SERVICE

The quality of the telephone service furnished subscribers during 1931 showed further improvement over former years. The percentage of local calls completed retained the high level of 1930 at 81.7 per cent. The percentage completion on long distance calls increased to 93.4 per cent.



The operating method whereby long distance calls are handled while the subscriber remains at the telephone was continued and improved, 89.9 per cent. of all calls being handled on this basis. This has further reduced the time required for completing long distance calls, resulting in greater efficiency and increased traffic-carrying capacity of the toll plant.

MAINTENANCE

The condition of the Company's plant was maintained at a high standard, comparing favourably with previous years.

The number of troubles reported by subscribers continued at the low level established in 1930. When troubles did occur they were cleared promptly, 93.3 per cent. on the same day as reported, 84.4 per cent. of troubles on business telephones being cleared within two hours.

SALES ACTIVITIES

The general economic condition was reflected in an increased number of requests for disconnection accompanied by a falling off in applications for installation of services. Organized sales effort resulted in keeping the losses to a minimum.

In addition to their regular duties, employees generally took active part in securing new business. Their energy and resource did much to supplement the work of the sales forces. This participation of all employees in selling work produced splendid results, serving to offset unavoidable losses and averting greater shrinkage in revenues. The average sales per employee in 1931 were 4.77 as compared with 1.65 in 1930.

FIRST AID AND ACCIDENT PREVENTION

Lost-time accidents to male plant employees decreased from 7.5 per 1,000 employees to 5.9.

Over 80 per cent. of the plant employees are now qualified "First Aiders." In the competition for the Wallace Nesbitt Trophy, representing the championship of Canada in Industrial First Aid the Montreal Division Construction team repeated their victory of the previous year, being placed first, while the Toronto Division Team No. 3 was second.

EMPLOYEES' BENEFIT PLAN

During the year 1931, benefits and pensions were paid in 567 cases under the Plan for Employees' Pensions, Disability Benefits and Death Benefits, amounting to \$334,023, divided as follows:

	<i>No. of Cases</i>	<i>Amount</i>
Pensions.....	169	\$101,168
Accident Benefits (including expenses).....	223	10,446
Sickness Benefits.....	2,156	191,758
Death Benefits.....	19	30,651

EMPLOYEES' STOCK PLAN

Of 12,832 employees eligible to subscribe for stock in the Company, 10,200 are now subscribing for 43,878 shares.

LIFE INSURANCE

Under the Employees' Life Insurance Plan adopted in 1927, whereby premiums are taken care of by deductions from pay, 2,761 employees are participating to the extent of \$7,437,900 of insurance now in effect.

CHANGE IN BOARD

Your Directors announce with regret the resignation in January, 1932, of Mr. John W. Ross from the Board, upon which he has served since 1923, and where his broad experience and sound judgment have been of great value. Recent legislation has made the partner or business associate of an auditor of a company ineligible for election as director of the same company.

Mr. P. F. Sise was appointed at the meeting held on January 27th to fill the vacancy created by the retirement of Mr. Ross.

STAFF

The duties of employees have been arranged so as to retain as many as possible, by spreading the available work. This policy has of necessity required some short time in several departments.

Your Directors record their sincere appreciation of the loyalty and excellent work of the whole body of employees in meeting the problems of a difficult year.

For the Board of Directors,

C. F. SISE,

President.

Montreal, February 10, 1932.

THE BELL TELEPHONE COMPANY OF CANADA

DESCRIPTIVE BALANCE SHEET, December 31, 1931

FIXED CAPITAL:		ASSETS
Intangible Capital.....	\$ 65,770.33	
Patents acquired by the Company.		
Land and Buildings.....	20,389,928.08	
Real estate used for telephone purposes.		
Telephone Plant and Equipment.....	167,485,219.79	
Central Office and subscribers' station equipment, poles, wire, cable, underground conduit, right-of-way, etc.		
General Equipment.....	3,950,415.96	
Office furniture and fixtures, storeroom and garage equipment, motor vehicles and tools and implements.		
		<hr/> \$191,891,334.16
INVESTMENT SECURITIES.....		14,040,356.55
Investments in stocks and bonds.		
WORKING ASSETS:		
Cash and Deposits.....	\$ 1,019,252.61	
Cash on hand and in banks to meet current needs.		
Marketable Securities.....	198,500.00	
Dominion Government Bonds.		
Bills Receivable.....	796,443.27	
Collectible obligations in the form of notes.		
Accounts Receivable.....	3,101,637.06	
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.....	1,960,900.41	
Telephone materials and supplies, held in storerooms and yards, available for immediate use.		
		<hr/> 7,076,733.35
ACCRUED INCOME NOT DUE.....		89,243.24
Unmatured interest, dividends and rents receivable applying to the period ended December 31, 1931.		
DEFERRED DEBIT ITEMS:		
Prepayments.....	\$ 341,897.51	
Rents, insurance, cost of directories and other expenses which apply to periods subsequent to December 31, 1931.		
Unamortized Debt Discount and Expense.....	1,666,693.28	
Balance of discount and expense pertaining to bonds outstanding periodically reduced by charges to income during the life of the bonds.		
Other Deferred Debits.....	151,345.20	
Miscellaneous debit items, the final disposition of which had not been determined at the end of the year.		
		<hr/> 2,159,935.99
TOTAL ASSETS.....		<hr/> <u>\$215,257,603.29</u>
Approved for Board of Directors:		
W. F. ANGUS,	Director.	
GEORGE CAVERHILL,	Director.	

THE BELL TELEPHONE COMPANY OF CANADA

DESCRIPTIVE BALANCE SHEET, December 31, 1931

LIABILITIES

CAPITAL STOCK:

Common Stock (Authorized Capital—\$150,000,000.00)... \$76,619,300.00
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..... 3,880,541.24
Notes sold to Trustee of Pension Fund. 71,380,541.24
9,075,000.00

LOANS.....

Loans obtained in New York which will be repaid in United States
funds.

WORKING LIABILITIES:

Bills Payable..... \$ 89,562.77
Miscellaneous short term obligations.
Accounts Payable..... 2,075,144.44
Amounts owing for pay rolls, materials and sundry miscellaneous
items which are in process of payment.
Subscribers' Deposits and Service Billed in Advance..... 1,097,625.12
Deposits held as security for the payment of bills and amounts
billed for service to be rendered in subsequent months. 3,262,332.33
2,751,865.00

ACCRUED LIABILITIES NOT DUE.....

Liabilities such as taxes, interest, dividends, etc., which apply to the
period ended December 31, 1931, but not due until after that date.

DEFERRED CREDIT ITEMS:

Employees' Stock Plan—Instalment Payments..... \$ 2,226,846.80
Instalments paid by employees who are subscribing for capital stock
together with accrued interest.
Other Deferred Credits..... 9,407.49
Miscellaneous credit items the final disposition of which had
not been determined at the end of the year. 2,236,254.29

FIXED CAPITAL RESERVES:

Reserve for Accrued Depreciation..... \$37,936,895.31
Provision made for the ultimate retirement of telephone property
when it has served its useful life.
Reserve for Amortization of Intangible Capital..... 90,866.26
Provision for the cost of patents included under Assets as Intangible
Capital, when the patent rights expire—also for the ultimate retire-
ment of right-of-way included under Assets in Telephone Plant and
Equipment. 38,027,761.57
6,136,024.74

PREMIUMS ON CAPITAL STOCK.....

Amount received in excess of the par value (\$100) of Capital
Stock issued.

SURPLUS:

Corporate Surplus Appropriated..... \$ 200,000.00
Appropriation of Surplus in respect of the possible payment of
premiums on loans which will be repaid in United States funds.
Corporate Surplus Unappropriated..... 5,568,524.12
Surplus accumulated during the history of the Company which is
invested in the business. Decrease during the year \$522,283.09,
comprising:
Deficit for year (after dividends)..... \$297,856.25
Surplus Appropriated..... 200,000.00
Miscellaneous Deductions (net)..... 24,426.84
5,768,524.12

TOTAL LIABILITIES..... \$215,257,603.29

E. PALM, Vice-President & Comptroller.

THE BELL TELEPHONE COMPANY OF CANADA

DESCRIPTIVE INCOME STATEMENT

Year Ended December 31, 1931

Telephone Operating Revenues.....	\$ 40,926,162.44
Revenues from local and toll service, telephone directory advertising and miscellaneous telephone operations.	
Telephone Operating Expenses:	
Operation Expenses.....	\$13,426,377.57
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.....	7,266,892.33
Cost of inspection, repairs and rearrangements required to keep the telephone plant and equipment in good operating condition.	
Depreciation.....	9,148,978.00
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.	
	<hr/> 29,842,247.90
NET TELEPHONE OPERATING REVENUE..	\$ 11,083,914.54
Uncollectible Operating Revenues.....	\$ 263,529.12
Revenues which have proved to be uncollectible.	
Taxes Assignable to Operations.....	1,991,800.00
Dominion, Provincial and Municipal taxes applicable to the current year.	
	<hr/> 2,255,329.12
OPERATING INCOME.....	\$ 8,828,585.42
NET NON-OPERATING INCOME.....	1,535,014.52
Dividends and interest received from investments, interest on bank balances, rent revenues and other miscellaneous non-operating revenues, less expenses incident thereto.	
GROSS INCOME.....	\$ 10,363,599.94
Rent and Miscellaneous Deductions.....	\$ 419,843.91
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.....	707,217.09
Interest applicable to the current year on other obligations of the Company.	
Debt Discount and Expense.....	69,557.44
The proportion of debt discount and expense connected with outstanding bond issues applicable to the current year.	
	<hr/> 4,571,618.44
BALANCE NET INCOME.....	\$ 5,791,981.50
Dividends.....	6,089,837.75
Dividends paid to owners of outstanding common stock.	
DEFICIT CHARGED TO CORPORATE SURPLUS	<hr/> <hr/> \$ 297,856.25

E. PALM, Vice-President & Comptroller.

TO THE SHAREHOLDERS:

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, 1931, 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 affairs of the Company 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 8, 1932.

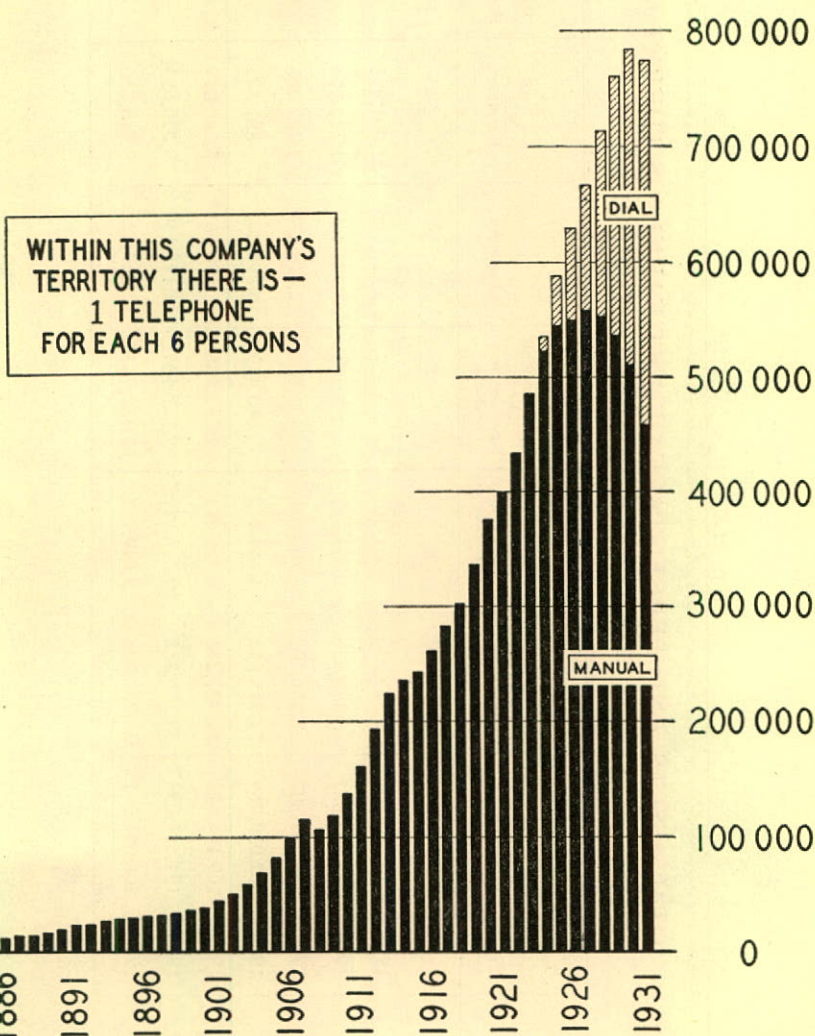
STATISTICS

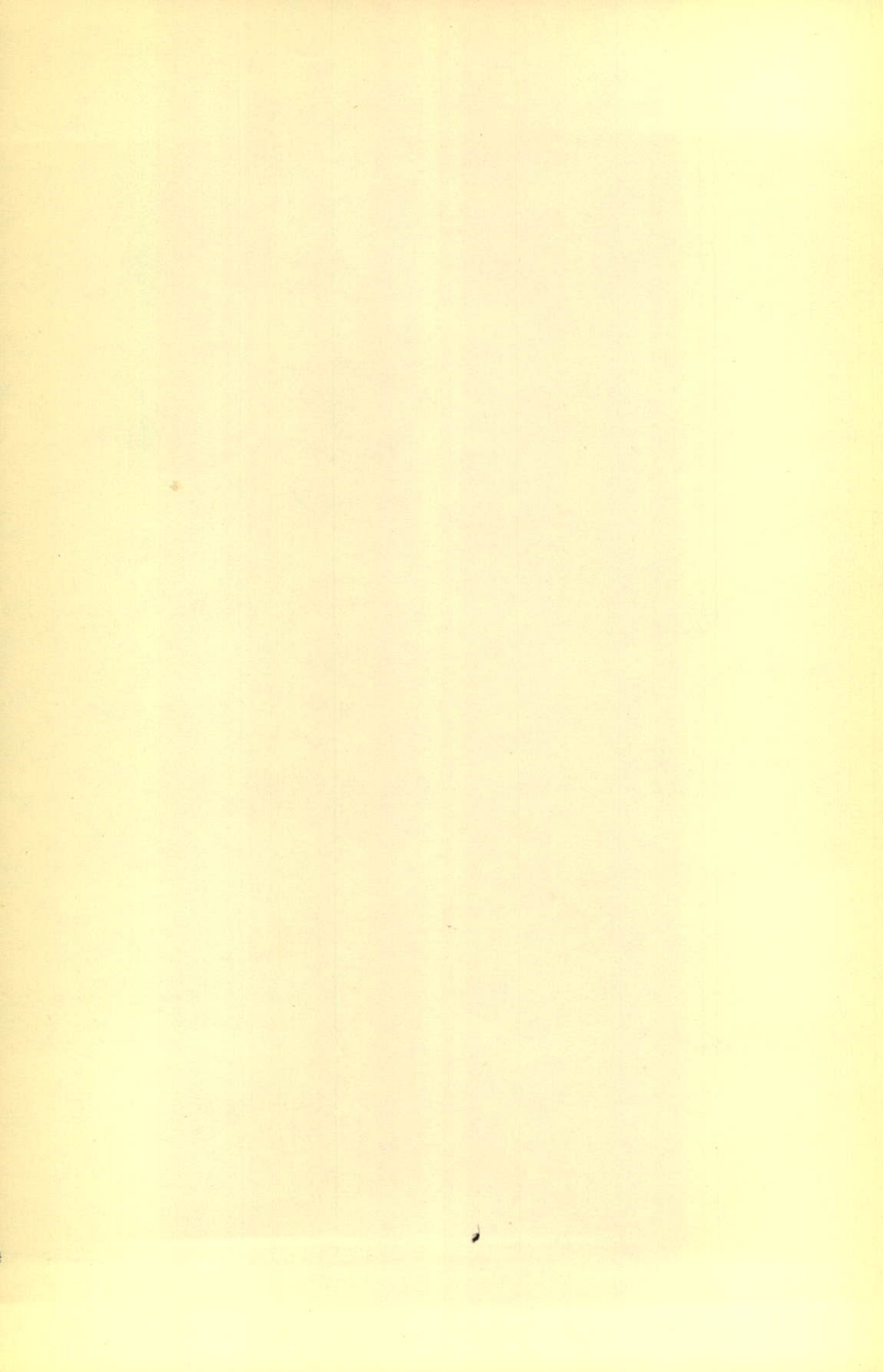
	December 31, 1931
Number of Company Stations.....	774,733
Number of Connecting and Miscellaneous Stations..	152,727
Total Number of Stations.....	927,460
Number of Central Offices.....	410
Number of Owned Buildings.....	110
Miles of Pole Lines.....	25,250
Miles of Aerial Wire.....	1,008,634
Miles of Underground and Submarine Wire.....	2,233,114
Miles of Subway (Length of Street Occupied).....	897
Miles of Duct.....	4,550
Number of Male Employees.....	5,256
Number of Female Employees.....	7,880
Total Number of Employees.....	13,136
Total Pay Roll for Year 1931.....	\$18,990,974
Average Daily Connections 1931—Exchange.....	5,250,316
Average Daily Connections 1931—Long Distance..	65,624
Number of Shareholders.....	20,664

TOTAL ASSETS, AND PERCENTAGE OF NET EARNINGS THERETO, IN
FIVE-YEAR PERIODS, AND FOR 1931

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
1931	208,091,091	30,258,928	9,849,261	2,352,988	32,517,421	9,943,756	4.8

GROWTH IN NUMBER OF TELEPHONES OWNED BY COMPANY







(Printed in Canada)