

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

FOR THE YEAR ENDED  
31st DECEMBER  
1930

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# THE BELL TELEPHONE COMPANY OF CANADA

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## DIRECTORS

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

\*Members of Executive Committee.

## OFFICERS

C. F. SISE

*President*

K. J. DUNSTAN

*Vice-President*

J. E. MACPHERSON

*Vice-President*

P. A. MCFARLANE

*Vice-President*

E. PALM

*Vice-President & Comptroller*

W. H. BLACK

*Secretary-Treasurer*

# FIFTY-FIRST ANNUAL REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31st DECEMBER  
1930

## *To the Shareholders:*

Your Directors respectfully submit the following report of the Company's operations for 1930 and of its financial position at the end of the year.

The net gain in telephones for the year was 23,340, compared with 47,211 in 1929. This growth involved connecting 222,968 telephones and disconnecting 199,628. On the 31st of December last 67.3 per cent of the telephones in service were in residences. Of the telephones gained 19.0 per cent represent extensions added by subscribers to increase the convenience of their service.

Connecting with the Bell Telephone Company, under mutually satisfactory arrangements, are 839 other telephone systems in Ontario and Quebec with 141,835 telephones.

## REVENUES AND EXPENSES

Exchange revenue for the year was \$30,175,235 compared with \$28,945,314 in 1929, an increase of \$1,229,921. Long Distance revenue was \$10,372,127 compared with \$10,343,894 in 1929, an increase of \$28,233.

Miscellaneous revenues and revenues from outside investments amounted to \$2,157,423 as compared with \$1,661,787 in 1929, an increase of \$495,636.

While the gross revenue for 1930 exceeded that of 1929 by \$1,753,790, the margin of net earnings was not sufficient to meet

the requirements for the regular dividend of 8 per cent. It was necessary for that purpose to draw on the accumulated surplus to the extent of \$264,744.

In common with other public services, the telephone industry has been adversely affected by the world wide business depression. Use of local and long distance service has become so wide-spread, due in part to moderate rates, that fluctuations in business are reflected in the volume of traffic and earnings more quickly and extensively than would have been the case a few years ago. Nevertheless, as the foregoing results show, there has been an increase in the number of telephone users and also in long distance revenue.

As neither exchange nor long distance business has reached the growth for which plant was provided in 1929 and 1930, the carrying charges on the plant so added have been important factors in reducing net earnings to an amount slightly below that required for dividends.

With this, as with other problems of this difficult period, your Directors have borne in mind the Company's stated policy "The best telephone service at the lowest cost consistent with financial safety." The test of such a policy comes in slack times rather than in times of general prosperity.

The obligation to the public for adequate service requires that the high standard of operation be maintained and that extensions be made continuously to anticipate demand. It is essential that properly trained and competent forces be maintained. While these things are imperative, they must be done with due regard to the interests of shareholders—the owners of the property.

While substantial economies were effected, your Directors decided that it was preferable to draw upon the corporate surplus to make good any deficiency in the requirements for dividend rather than to apply more drastic measures of curtailment which would have tended to lower the standard of service to the public and have aggravated the general unemployment situation. They

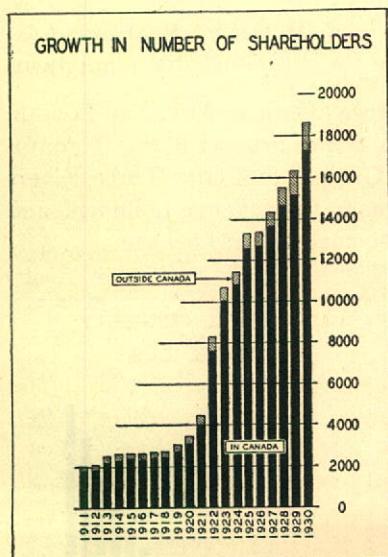
are confident that this considered policy will meet with the approval of shareholders.

The program of construction planned for 1931 contemplates a gross expenditure of \$20,000,000.

#### FINANCE

The second and final payments on the 120,787 shares of new stock subscribed for in accordance with the terms of the offer to shareholders, dated August 28, 1929, were completed in the early part of 1930. From this source \$8,742,566 was received.

The remaining \$5,000,000 of Series B bonds were sold in February, 1930. Of a total authorized issue of \$30,000,000, \$25,000,000 had previously been issued.



At the last Annual Meeting the shareholders authorized the Directors to issue additional bonds to a maximum principal amount of \$50,000,000. Accordingly Series C bonds were created, of which \$7,500,000 were sold in June, 1930.

The total amount of new money realized by the Company from the above financing was \$21,064,959. Out of this sum bank loans, which at the end of 1929 amounted to \$6,100,000, were repaid, and the balance was used to finance new construction in 1930. Bank loans at December 31st, 1930, amounted to \$800,000.

#### PLANT

Gross additions to the Company's plant in 1930 amounted to \$28,230,000, of which the principal items were:—

Land and Buildings.....	\$2,244,000
Central Office Equipment.....	8,389,000
Subscribers' Station Equipment.....	5,687,000
Exchange Lines.....	5,845,000
Toll Lines.....	5,477,000

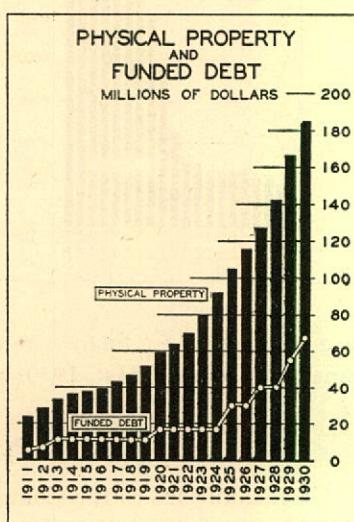
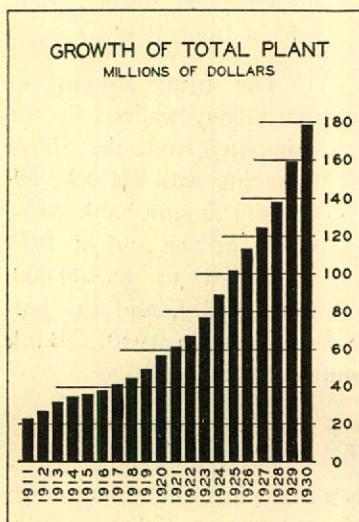
Existing plant, the original cost of which was \$9,068,000, was retired from service.

#### BUILDINGS

The extension of our "Elgin" building in Toronto, to house additional dial equipment, together with additions to the long distance switchboard facilities, was practically completed during the year.

In Quebec, an extension was made to the St. Real Street exchange building to provide space for additional dial equipment.

Buildings were erected at Hornby, German Mills and London to house repeater equipment in connection with the Toronto-London long distance cable; at Guelph, Sudbury, Three Rivers and Pembroke extensions were made to exchange buildings, and a new central office building was completed at Lachute.



At Montreal, work was begun on a building on Belmont Street, to house complete new long distance switchboards and terminal apparatus which will replace the long distance equipment now in the Notre Dame Street building.

#### EQUIPMENT

Installation of dial equipment at Windsor involved the conversion of 12,500 telephones at one time—the largest single transfer so far undertaken. The "Seneca" manual office was retired from service.

The programme of conversion from manual to dial service was continued at Montreal, Toronto, Hamilton and Quebec. In these five cities, at the end of the year, there were 274,198 dial operated telephones, representing 57 per cent of the total instruments in service there and about 35 per cent of the total company stations.

Among the more important dial exchanges completed were "Elwood" and "Fitzroy" in Montreal; and "Hyland" and "Gladstone" in Toronto.

Extensions to manual equipment were completed during the year at Quebec, Hamilton, Ottawa, London, Kingston, Smiths Falls, Sherbrooke, Levis, Brockville, Three Rivers, Sudbury, Burlington, Oshawa, Preston, Cobourg and Barrie.

New manual common battery switchboards were placed in service at Lachine and Simcoe.

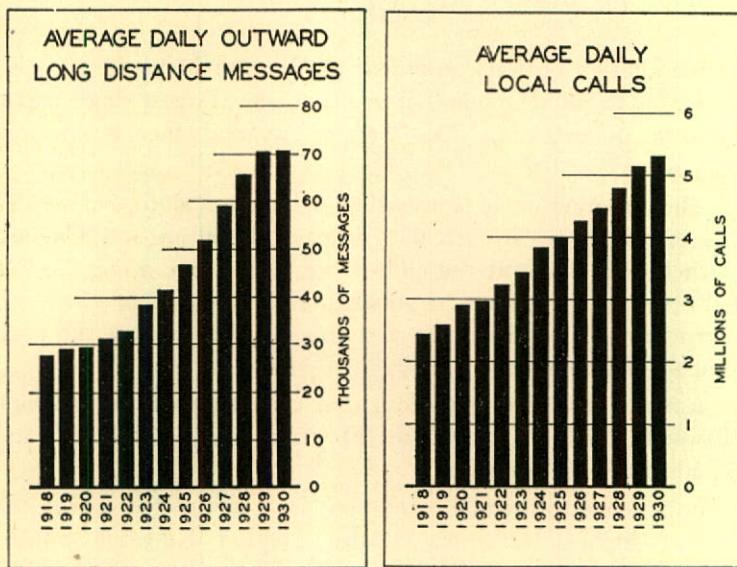
#### TOLL PLANT

The construction of toll cables between certain key points in the territory served by your Company was continued during 1930. The outlay for this long distance cable constituted a substantial part of the total expenditure on toll plant referred to in an earlier paragraph.

About 3100 additional miles of long distance telephone carrier channel and 4230 miles of telegraph carrier channel were added during the year.

The number of messages between your Company's territory and the Maritime Provinces warranted adding a direct circuit

between Montreal and Halifax, which was completed in 1930. This circuit forms a link in the all-Canada transcontinental telephone system, on which further work will be undertaken in 1931, with the co-operation of the other larger Canadian telephone systems.



Your Company, in conjunction with the American Telephone and Telegraph Company, and the City of Fort William, was instrumental in establishing a new international telephone link between Fort William and Duluth.

#### RADIO TELEPHONY

Trans-oceanic radio telephone service was extended during the year to include far-distant regions in Europe, South America and Australia. The telephones of thirty-one countries, with about ninety per cent of the world's stations can now be connected with any telephone in your Company's system.

The scope of ship-to-shore telephone service was also enlarged to make many of the larger ocean liners accessible by telephone while at sea.

## SERVICE

The quality of the telephone service furnished subscribers during 1930 showed further improvement.

The average time required for completing toll calls was reduced by 6 per cent. Eighty-seven per cent of the connections were established while the calling subscriber remained at the telephone, as compared with 82 per cent in 1929.

About 11 per cent of your Company's telephones are operated from private branch exchange switchboards mostly located on the subscribers' premises. The instruction of the operators at these branch switchboards is given careful supervision by your Company. During 1930 about 12,200 supervisory and instructional visits were made to these switchboards, 490 attendants were given re-training and 550 trained attendants supplied.

## MAINTENANCE

The condition of your Company's plant was maintained at a high standard during the year. Troubles reported were cleared promptly—94.7 per cent on the same day as reported, as compared with 89 per cent in 1929.

## ORGANIZATION

The change in operating organization, effective January 1st, 1930, by which the Company's territory was divided into Eastern and Western Areas for the purpose of better co-ordination, closer supervision and more personal contact with public requirements has proved effective.

## FIRST AID TRAINING

Instruction in First Aid was continued during the year; 2404 additional employees passed the necessary examinations. As in previous years there have been notable instances of the value of this First Aid Training, not only to our staff but to the general public.

## EMPLOYEES' BENEFIT PLAN

During the year 1930, benefits and pensions were paid in 2,986 cases under the Plan for Employees' Pensions, Disability Benefits and Death Benefits, amounting to \$364,141, divided as follows:—

	<i>No. of Cases</i>	<i>Amount</i>
Pensions.....	120	\$73,185
Accident Benefits (including expenses)	381	31,208
Sickness Benefits.....	2,446	225,755
Death Benefits.....	39	33,993

Due largely to the Safety Training carried on there was a substantial reduction in accident expense over the previous year. The general health of the staff was improved as indicated by very material reduction in sickness cases and benefits.

## EMPLOYEES' STOCK PLAN

Of 14,047 employees eligible to subscribe for stock in the Company, 11,659 are now subscribing for a total of 48,708 shares.

## LIFE INSURANCE

Under the Employees' Life Insurance Plan adopted in 1927, whereby premiums are taken care of by deductions from pay, 2,878 employees have participated to the extent of \$7,026,000 of insurance now in effect.

## RETIREMENTS FROM THE SERVICE

Reference was made at the last Annual Meeting to the retirement of Mr. L. B. McFarlane, Chairman of the Board of Directors. Mr. McFarlane was one of the original officers of the Company at its inception in 1880, and was in the telephone business from the earliest days of the industry in Canada. He occupied practically every official position in the Company and his contribution to the development of the telephone in Canada was a most important factor in the success of the Company.

Mr. K. J. Dunstan whose career in the telephone business covers a period of fifty-three years and who had a part in estab-

lishing the first exchange in Canada, retired on December 31st from active duties as Vice-President. It is the wish of his fellow directors that he should continue as a member of the Board.

#### STAFF

The effective participation of the employees in securing new business has helped materially to offset the effect of unfavorable conditions.

Your Directors feel that the achievements of a very difficult year are due in no small measure to the continued loyalty and excellent work of the staff, to whom they express their sincere appreciation.

For the Board of Directors,

C. F. SISE,

*President.*

Montreal, February 10, 1931.

# THE BELL TELEPHONE COMPANY OF CANADA

## DESCRIPTIVE BALANCE SHEET, December 31, 1930

### ASSETS

#### FIXED CAPITAL

Intangible Capital.....	\$ 65,770.33
Represents the cost of certain patents acquired by the Company.	
Land and Buildings.....	19,477,079.26
Cost of real estate used for telephone purposes.	
Telephone Plant and Equipment.....	158,918,407.21
Cost of telephone property such as subscribers' station and central office equipment, poles, wires, cables, underground conduit, rights-of-way, etc.	
General Equipment.....	4,041,827.62
Cost of office furniture and fixtures, storeroom and garage equipment, motor vehicles, tools and associated equipment.	
	<u>\$182,503,084.42</u>

#### INVESTMENT SECURITIES.....

Stocks and bonds owned by the Company.

#### WORKING ASSETS:

Cash and Deposits.....	\$ 95,783.85
Cash on hand and in banks to meet current needs.	
Marketable Securities.....	569,994.20
Dominion Government Bonds.	
Bills Receivable.....	77,515.50
Short term notes received on account of advances made and plant sold to Connecting Companies.	
Accounts Receivable.....	3,249,719.77
Current accounts due the Company from Subscribers and Others for telephone and miscellaneous services less provision for uncollectible accounts.	
Materials and Supplies.....	2,195,019.71
Cost of telephone materials and supplies held in storerooms and yards, available for immediate use.	
	<u>6,188,033.03</u>

#### ACCRUED INCOME NOT DUE.....

Interest and dividends on owned securities and rents applicable to the period ended December 31, 1930, but not due until after that date.

#### DEFERRED DEBIT ITEMS:

Prepayments.....	\$ 311,833.76
Amounts paid for directories, rents, insurance, etc., which apply to periods subsequent to December 31, 1930.	
Unamortized Debt Discount and Expense.....	1,736,250.72
The balance of Bond Discount to be charged as an expense during the remaining life of the outstanding bonds. (Bond Discount is the difference between the par value and the price at which the bonds were sold).	
Other Deferred Debit Items.....	202,576.08
Miscellaneous expenditures, the final disposition of which had not been determined at December 31, 1930.	
	<u>2,250,660.56</u>

#### TOTAL ASSETS.....

\$200,593,880.52

Approved for Board of Directors:

W. F. ANGUS, Director.

ARTHUR B. PURVIS, Director.

**THE BELL TELEPHONE COMPANY OF CANADA**  
**DESCRIPTIVE BALANCE SHEET, December 31, 1930**

<b>LIABILITIES</b>	
<b>CAPITAL STOCK:</b>	
Common Stock .....	\$74,623,000.00
The par value of common stock outstanding.	
<b>LONG TERM DEBT:</b>	
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.	
Notes Sold to Pension Fund Trustee .....	3,324,899.49
Investment by Trustee of Pension Fund in Notes of Company.	
<b>BANK LOANS</b> .....	<u>70,824,899.49</u>
Amounts borrowed from bank to finance new construction; to be refunded by permanent financing at a future date.	800,000.00
<b>WORKING LIABILITIES:</b>	
Bills Payable .....	\$ 89,811.41
Miscellaneous Short Term Obligations of the Company.	
Accounts Payable .....	3,738,466.12
Amounts owing on current accounts, principally for pay rolls and supplies, which are in process of payment.	
<b>ACCRUED LIABILITIES NOT DUE</b> .....	<u>3,828,277.53</u>
Liabilities such as taxes, interest, dividends, etc., which apply to the period ended December 31, 1930, but are not due until after that date.	2,577,354.23
<b>DEFERRED CREDIT ITEMS:</b>	
Employees' Stock Plan—Instalment Payments \$	2,069,963.09
Instalments paid by employees who are subscribing for capital stock, together with accrued interest.	
Other Deferred Credit Items .....	34,387.20
Miscellaneous Credit Items, the final disposition of which had not been determined at December 31, 1930.	
	<u>2,104,350.29</u>
<b>FIXED CAPITAL RESERVES:</b>	
Reserve for Accrued Depreciation .....	\$34,224,326.56
Provision, through charges to operating expenses, for the ultimate retirement at cost of telephone property when it has served its useful life.	
Reserve for Amortization of Intangible Capital	77,749.99
Provision for the cost of patents included under Assets as Intangible Capital, when the patent rights expire—also for the ultimate retirement of rights-of-way included under Assets in Telephone Plant and Equipment.	
	<u>34,302,076.55</u>
<b>PREMIUMS ON CAPITAL STOCK</b> .....	<u>5,443,115.22</u>
Cash received in excess of the par value (\$100.) of capital stock issued.	
<b>CORPORATE SURPLUS</b> .....	6,090,807.21
Surplus accumulated during the history of the Company. Decrease during the year \$135,600.38 comprising:	
Deficit charged to Surplus .....	\$264,743.61
Miscellaneous Additions (Net) .....	129,143.23
<b>TOTAL LIABILITIES</b> .....	<u><u>\$200,593,880.52</u></u>

E. PALM, Vice-President & Comptroller.

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

**Year Ended December 31, 1930**

<b>TELEPHONE OPERATING REVENUES.....</b>	<b>\$ 41,360,925.62</b>
Revenues from local and toll service, directory advertising and miscellaneous telephone operations.	
<b>TELEPHONE OPERATING EXPENSES:</b>	
Operation Expenses.....	\$ 14,850,198.03
Cost of operating the telephone property, including operators' wages and expense of handling messages, billing and collecting subscribers' accounts, directories, sickness, accident, death benefits, pensions, etc.	
Current Maintenance.....	7,671,053.62
Cost of inspection, repairs and rearrangements required to keep the telephone plant and equipment in good operating condition.	
Depreciation.....	8,528,858.49
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.	
	<u>31,050,110.14</u>
<b>NET TELEPHONE OPERATING REVENUE.</b>	<b>\$ 10,310,815.48</b>
<b>DEDUCTIONS:</b>	
Uncollectible Operating Revenues.....	\$ 279,463.13
Revenues which have proved to be uncollectible.	
Taxes Assignable to Operations.....	1,768,100.00
Dominion, Provincial and Municipal taxes applicable to the current year.	
	<u>2,047,563.13</u>
<b>OPERATING INCOME.....</b>	<b>\$ 8,263,252.35</b>
<b>NET NON-OPERATING INCOME.....</b>	<b>1,343,858.80</b>
Dividends and interest from investments, interest on bank balances, rent revenues and other non-operating revenues, less expenses incident thereto.	
<b>GROSS INCOME.....</b>	<b>\$ 9,607,111.15</b>
<b>DEDUCTIONS:</b>	
Rent and Miscellaneous Deductions.....	\$ 377,455.66
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.....	3,161,795.34
Interest applicable to the current year on outstanding bonds.	
Other Interest.....	583,939.62
Interest applicable to the current year on other obligations of the company.	
Debt Discount and Expense.....	67,592.37
The proportion of debt discount and expense connected with outstanding bond issues applicable to the current year.	
	<u>4,190,782.99</u>
<b>BALANCE NET INCOME.....</b>	<b>\$ 5,416,328.16</b>
<b>DIVIDENDS.....</b>	<b>5,681,071.77</b>
Dividends paid to owners of outstanding common stock.	
<b>DEFICIT CHARGED TO CORPORATE SURPLUS</b>	<b>\$ 264,743.61</b>
The amount of the deficit for the year charged to Corporate Surplus.	

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, 1930, 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,

MONTREAL, January 27, 1931.

Auditor.

## STATISTICS

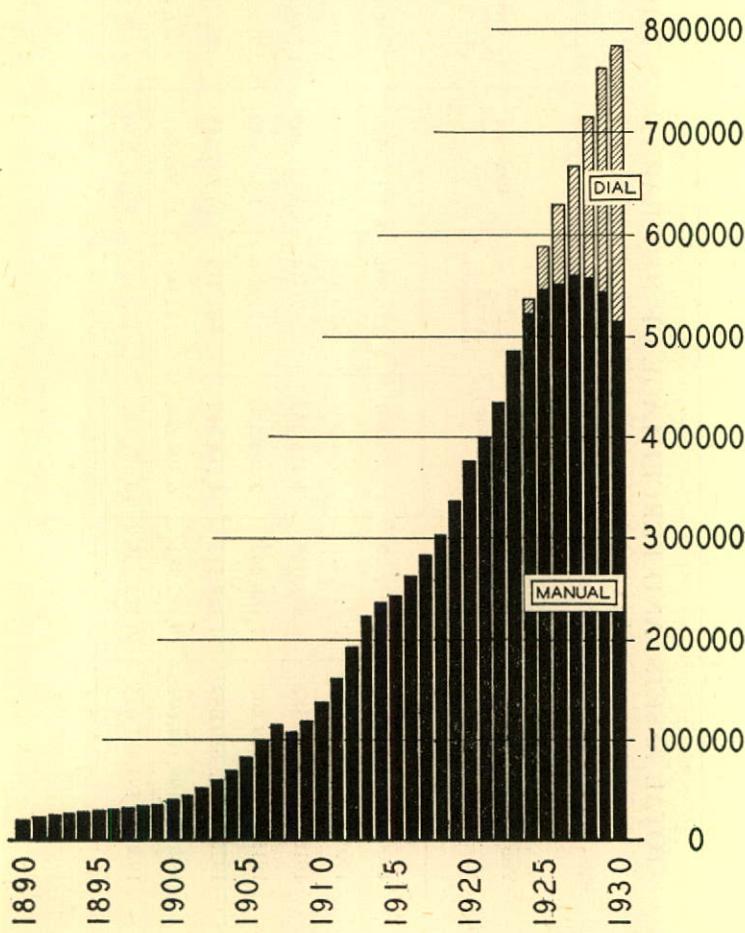
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	December 31st, 1930
Number of Company Stations.....	784,796
Number of Connecting and Miscellaneous Stations	141,835
Total Number of Stations.....	926,631
Number of Central Offices.....	413
Number of Owned Buildings.....	110
Miles of Pole Lines.....	25,467
Miles of Aerial Wire.....	981,704
Miles of Underground and Submarine Wire.....	2,127,201
Miles of Subway (Length of Street Occupied).....	869
Miles of Duct.....	4,387
Number of Male Employees.....	5,599
Number of Female Employees.....	8,910
Total Number of Employees.....	14,509
Total Pay Roll for Year 1930.....	\$21,688,004
Average Daily Connections 1930—Exchange.....	5,301,947
Average Daily Connections 1930—Long Distance.	70,637
Number of Shareholders.....	18,601

TOTAL ASSETS, AND PERCENTAGE OF NET EARNINGS THERETO, IN  
FIVE-YEAR PERIODS, AND FOR 1930

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
1900	\$ 7,498,762	\$ 1,137,660	\$ 359,801	\$ 116,801	\$ 1,177,582	\$ 436,680	5.8%
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

## GROWTH IN NUMBER OF TELEPHONES OWNED BY COMPANY











(Printed in Canada)