

J. Francis

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

FOR THE YEAR ENDED
31st DECEMBER
1929

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

FOR THE YEAR ENDED
31st DECEMBER
1929

THE BELL TELEPHONE COMPANY OF CANADA

DIRECTORS

*HON. THOS. AHEARN	Ottawa	*L. B. MCFARLANE	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

L. B. MCFARLANE

Chairman of the Board

C. F. SISE

President

K. J. DUNSTAN

Vice-President

J. E. MACPHERSON

Vice-President

P. A. MCFARLANE

Vice-President

E. PALM

Vice-President & Comptroller

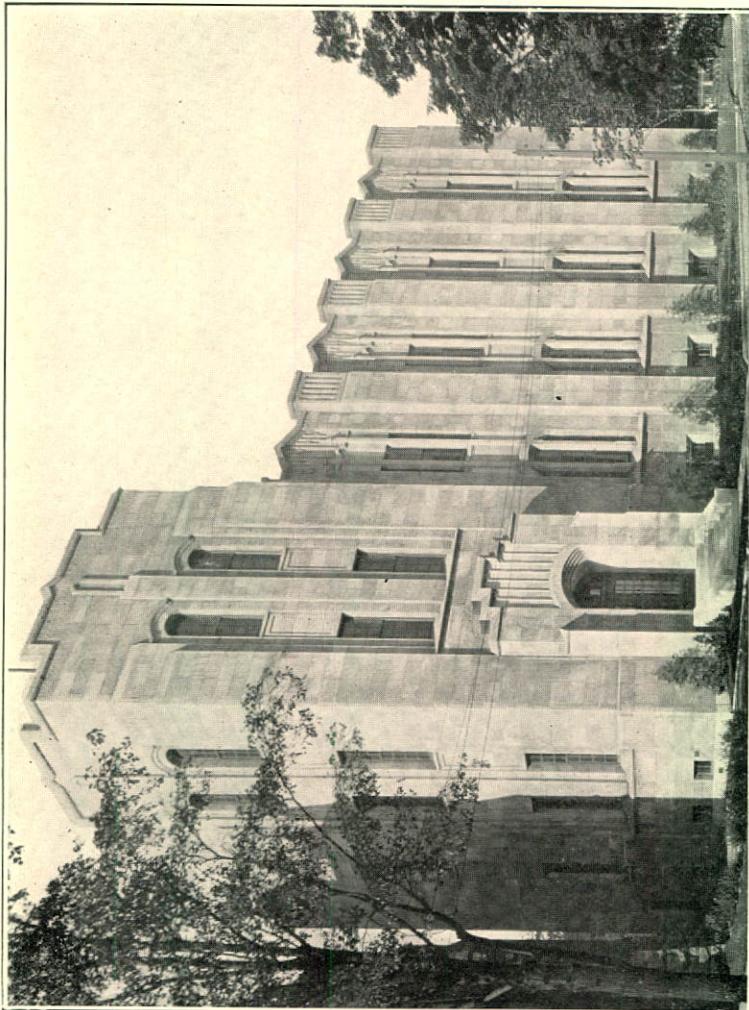
W. H. BLACK

Secretary-Treasurer

January 1, 1930



BEAVER HALL HEADQUARTERS BUILDING,
MONTREAL



BAKER DIAL CENTRAL OFFICE, HAMILTON

FIFTIETH ANNUAL REPORT
OF THE DIRECTORS
FOR THE YEAR ENDED 31st DECEMBER
1929

To the Shareholders:

Your Directors respectfully submit the following report of the Company's operations for 1929 and of its financial position at the end of the year.

The net gain in telephones for the year was 47,211, compared with 45,862 in 1928. This growth involved connecting 227,828 telephones and disconnecting 180,617. On the 31st of December last, 67.5 per cent of the telephones in service were in residences. Of the new telephones installed, 11.7 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 833 other telephone systems in Ontario and Quebec with 140,038 telephones.

REVENUES AND EXPENSES

Exchange revenue for the year was \$28,945,314 compared with \$26,920,593 in 1928, an increase of \$2,024,721. Long Distance revenue was \$10,343,894 compared with \$8,968,387 in 1928, an increase of \$1,375,507.

This substantial increase in Long Distance revenue, while no doubt due in some measure to the buoyant condition of general business during the greater part of 1929, reflects also the growing reliance upon this branch of the service by both the business and social community.

Miscellaneous revenues and revenues from outside investments amounted to \$1,661,787 as compared with \$1,336,716 in 1928, an increase of \$325,071.

After providing for dividends there remains a balance of \$668,126 to be carried to surplus.

FINANCE

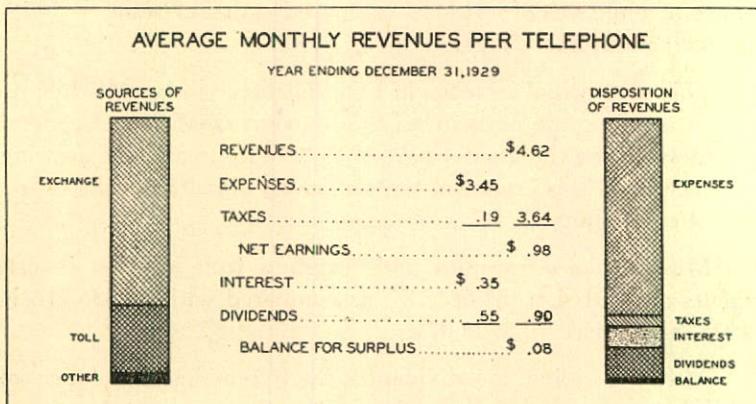
Fifteen million dollars of the \$30,000,000 Series B bonds issued under the authority of By-law No. 19 were sold in 1929.

From the proceeds of these bonds advances from the Company's bankers were repaid and the balance was used to carry on the 1929 construction programme.

Additional capital was necessary to meet and anticipate the service needs of the public. The last sale of bonds, the proceeds of which had been spent, had brought the total of these senior securities almost to parity with the issued capital stock. Your Directors accordingly decided that the capital stock should be increased by 140,000 shares to be issued at not less than \$125 per share. Application was made to the Board of Railway Commissioners, as required by the amendment to the Company's Charter, elsewhere referred to, and approval was given.

Prompt action was taken and shareholders of record September 6, 1929, were given the opportunity to subscribe in the proportion of one share for each five shares then held. Over ninety-nine per cent was subscribed for.

Your Directors will ask the authority of the shareholders at the Special General Meeting called for the 27th of February to make issues of bonds and stock as may be necessary in order that capital may be obtained as required to carry out the contemplated construction programme.



LEGISLATION

A Bill to amend the Company's Charter by increasing the capital stock from \$75,000,000 to \$150,000,000 was introduced in the Parliamentary Session of 1928 and had reached its third reading when Parliament prorogued without finally acting upon it and certain other measures. The same Bill was presented in the Session of 1929 and during its progress through the House of Commons a clause was added providing that no issue, sale or other disposition of its capital stock could be made by the Company without first obtaining the approval of the Board of Railway Commissioners for Canada.

While it was realized that this is a regulation which does not apply to any other service operating under the Railway Act nor to other undertakings seeking capital in Canada, it was imperative that there should be no further delay in securing authority to increase the Company's capital in view of the large construction programme; hence the Bill was proceeded with. It received Royal assent on the 1st of May, 1929.

PLANT

Gross additions to the Company's plant in 1929 amounted to \$30,529,000, exceeding the previous year by approximately \$8,000,000. The principal items were:—

Land and Buildings.....	\$3,056,000
Central Office Equipment.....	6,339,000
Subscribers' Station Equipment.....	5,969,000
Exchange Lines.....	7,621,000
Toll Lines.....	7,013,000

Existing plant, the original cost of which was \$9,311,000, was retired from service.

BUILDINGS

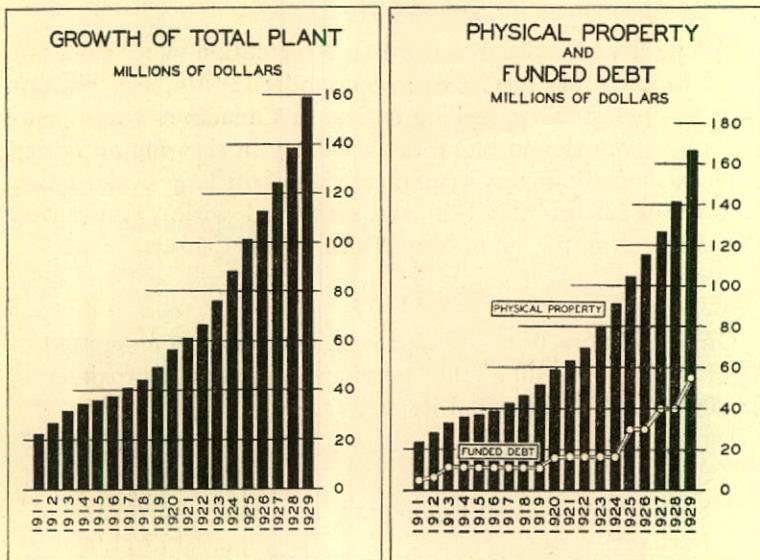
The new Headquarters Building on Beaver Hall Hill, Montreal, was completed and occupied early in the year.

Three new dial equipment buildings were completed—"Elwood" in Montreal, "Baker," in Hamilton and the Goyeau Street building in Windsor. Work was started on a large extension to the "Elgin" building in Toronto, which will be required to house additional dial equipment, together with large additions to the long distance equipment.

New exchange equipment buildings were erected at Simcoe and Leamington to provide for common battery installations. A building was erected at De Beaujeu, Que., for the purpose of housing repeater equipment in connection with the Montreal-Toronto toll cable.

Extensions were made to our exchange buildings at Cornwall, St. Thomas, Smith's Falls and Niagara Falls.

The new garage and warehouse on Hutchison Street, Montreal, was completed early in the year.



EQUIPMENT

The dial system conversion programme has been continued in the cities of Toronto, Montreal and Quebec, and has also been extended to the city of Hamilton. At the end of the year there were 224,255 dial telephones in service, representing over 50 per cent of the stations in the cities above named, and over 29 per cent of the total company stations.

Among the more important dial system projects completed were: "Marquette," "Frontenac" and "Falkirk" exchanges in Montreal, "Junction" and "Midway" exchanges in Toronto, a further extension in Quebec, and the new "Baker" exchange in

Hamilton. This exchange was named after Mr. Hugh C. Baker, who, in 1878, as President of the Hamilton District Telegraph Company established on the site of our present "Regent" building in Hamilton the first telephone exchange in the British Empire.

Extensions to manual equipment were completed during the year at Toronto, Montreal, Hamilton, Quebec, London, St. Catharines, Kitchener, Oshawa, Stratford, Sudbury, Chatham, Galt, Sarnia, St. Thomas, Port Hope, New Toronto, St. Johns and Levis.

New manual common battery switchboards were cut into service at Cornwall, Dundas and Leamington, the latter two replacing former magneto systems. Further installations of this type of equipment were under way at Simcoe and Lachine.

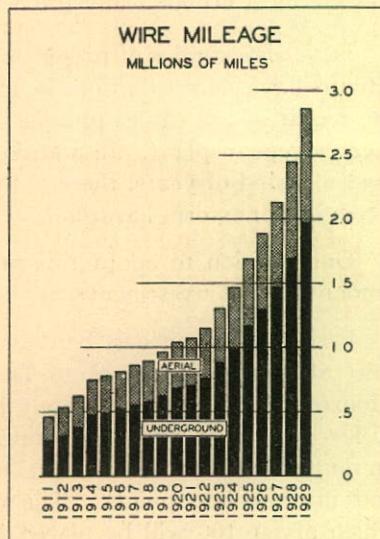
Extensions of the dial system involved the retirement from service of the Toronto "Junction" and Montreal "Main" manual offices.

TOLL PLANT

Continued improvement in the speed and convenience of long distance service has resulted in a large increase in our toll business. This has necessitated particularly heavy extensions to our toll plant, amounting during 1929 to more than double the outlay of the previous year.

During 1929, the toll cable between Toronto and Oshawa was completed, thus providing the first link in the projected Montreal-Toronto toll cable. The Eastern end of this cable, between Montreal and DeBeaujeu, is approaching completion and will be in service early in 1930.

During the year, work was started on a toll cable from Toronto to London, the Eastern section from Toronto to Hornby (about 25 miles) being almost completed.



Further extensions were made to our carrier telephone and telegraph systems, approximately 1,600 miles of additional telephone and 1,100 miles of additional telegraph circuits being provided in this way.

Due to continued growth in traffic between our territory and Manitoba, a direct Toronto-Winnipeg circuit was put into operation. This supplements facilities established in 1928 between Sudbury and Winnipeg, which will be increased for inter-Provincial service and as part of the all-Canada telephone route from coast to coast.

BUILDING FOR THE FUTURE

The nature of the telephone business is such that there must always be a very large investment in idle plant; spare facilities of cable, conduit, buildings and switchboards must be always available to meet the day-to-day demand for service, and these facilities are most economically provided in large units.

Extensive studies of present and future requirements for toll circuits have shown that on the main routes where many circuits are required, toll cables provide the most economical and satisfactory type of plant. In addition to the economy to be gained over a period of years, there is the service advantage in greater freedom from storm hazards.

Our decision to adopt this practice materially increases the amount of idle investment.

Perhaps this can best be illustrated by citing the case of the toll cable from Montreal to DeBeaujeu (forty miles west of Montreal) which will ultimately be carried through to Toronto. In December last, we were operating 51 circuits west of Vaudreuil on routes running from Montreal to Toronto, Montreal to Ottawa and intermediate points. The cable provides 300 circuits of which about 100 will be placed in service within the next two years.

At first sight, this seems like a very large spare capacity, but our experience indicates that it will not be long before the full capacity will be required, as in the case of the Toronto-Hamilton cable finished in December, 1924, and which increased the then existing facilities by 175 per cent. The use of the full capacity

of that cable is now approaching, so that within five years from the completion of the first cable we must engineer for additional facilities.

These cable routes are very costly and it is necessary to build them as direct as possible. This can be done only by the extensive purchase of private rights of way as highways are longer and more exposed to power and other interferences.

SERVICE

Further improvements have been made in the quality of the local exchange service including manual, dial and auxiliary services, and facilities for testing the quality of service have been extended.

During 1929 important advances were made in the supervision and direction of the operation of Private Branch Exchanges by putting into service in Montreal, Toronto and Ottawa training schools for P.B.X. attendants and for applicants for P.B.X. positions. In Montreal alone 122 applicants were trained for such positions and 88 were placed. The remainder are still available as a reserve for future requests from P.B.X. subscribers.

Extensive research work was completed during 1929 to ascertain the causes of uncompleted local calls. As a result of these activities, and notwithstanding an increase in the calling rate, our percentage of local calls completed increased from 79.4 to 81.0 per cent, amounting to a total of 80,000 more completed calls per day than in 1928.

An increase of over 11 per cent in the volume of completed toll business was experienced in 1929 and in all respects toll service was improved. The average length of time for handling toll calls was reduced to 1.6 minutes. Improved operating methods were put in operation and the proportion of toll calls handled while the customer remained at the telephone was increased to 83 per cent.

MAINTENANCE

Continued efforts to improve the condition of our plant have resulted in a further reduction of 12 per cent in the number of troubles per telephone. The reduction of troubles since 1926

has been 43 per cent, demonstrating that your Company's efforts along lines of preventive maintenance have been effective.

INSTALLATION

The installation of telephones is being completed, on an average, in 2.2 days. Fifty per cent of the installations were made on appointment with the applicant to do the work on his premises at a specified time.

This plan results in a promptness of installation convenient for the subscriber, in greater and more economical production by the installation forces, as well as in earlier use of revenue producing plant.

REDUCTION IN LONG DISTANCE RATES

On January 1st, 1930, reductions were made in Long Distance rates to points from 75 to 800 miles distant. These reductions, on the basis of the volume of toll business in 1929, represent a saving to users of the service estimated at \$200,000 annually.

A previous reduction in toll rates became effective February 1st, 1929.

FIRST AID TRAINING

Instruction in First Aid continues to be an important part of the training of employees, and their readiness, in numerous cases of serious accident, to render timely assistance to the injured is a gratifying part of your Company's contribution to the public welfare. One of our First Aid teams in Toronto won the Wallace Nesbitt General Trophy, representing the championship of Canada in industrial First Aid Competitions.

During the year 1929, over 2,300 employees successfully passed First Aid examinations, and of the Company's total regular male staff, numbering nearly 7,500, sixty-three per cent are now qualified First Aiders.

EMPLOYEES' STOCK PLAN

Employees have continued to make consistent use of the Stock Purchase Plan as a medium for investment of their savings. Of 15,179 employees eligible to subscribe, 12,009 are at present subscribing for a total of 46,277 shares.

LIFE INSURANCE

The Life Insurance Plan adopted in 1927, whereby employees may take care of their premiums by deductions from salary, has been taken advantage of to the extent of \$6,500,000 of insurance now in effect.

EMPLOYEES' BENEFIT PLAN

During the year 1929, benefits and pensions were paid in 4,043 cases under the Plan for Employees' Pensions, Disability Benefits and Death Benefits, amounting to \$402,410 divided as follows:—

	<i>No. of Cases</i>	<i>Amount</i>
Pensions.....	113	\$56,462
Accident Benefits (including expenses).....	657	41,759
Sickness Benefits.....	3,241	266,935
Death Benefits.....	32	37,254

CHANGES IN BOARD

Early last fall Mr. Hume Cronyn, of London, tendered his resignation from the Board as his health did not permit of attendance at meetings. His resignation was accepted with much regret.

Col. the Hon. Henry Cockshutt, LL.D., of Brantford, was appointed for the remainder of Mr. Cronyn's term at the meeting held on the 23rd of October.

ORGANIZATION

The rapid expansion of all phases of the Company's operations made necessary the consideration of a change in the operating organization, in order that authority might be decentralized and that the field supervisory forces might better co-ordinate their efforts, effect closer supervision and obtain a more personal contact with the problems and requirements of the public. Accordingly, on January 1st last the territory was divided into two areas, a Western area embracing all of Ontario west of Trenton, with headquarters at Toronto, and an Eastern area comprising the remainder of the Province of Ontario and the Province of Quebec, with headquarters at Montreal. General Managers were appointed in charge of each area together with complete accounting, financial, administrative and engineering staffs.

STAFF

The steady expansion of your Company's business and the large construction programme being carried out have necessitated increased staff in many departments. As of December 31st last, there were 18,067 employees. Your directors record with pleasure their sincere appreciation of the excellent work of the staff during the year.

For the Board of Directors,

C. F. SISE,

Montreal, February 20, 1930.

President.

THE BELL TELEPHONE COMPANY OF CANADA

DESCRIPTIVE BALANCE SHEET, December 31, 1929

ASSETS

FIXED CAPITAL:

Intangible Capital.....	\$ 76,811.20
Represents principally the cost of certain patents acquired by the Company.	
Land and Buildings.....	17,354,390.53
Cost of real estate used for telephone purposes.	
Telephone Plant and Equipment.....	141,878,680.78
Cost of telephone property such as subscribers' station and central office equipment, poles, wires, cables, underground conduit, etc.	
General Equipment.....	3,848,641.53
Cost of office furniture and fixtures, storeroom and garage equipment, motor vehicles, tools and associated equipment.	
	<hr/> \$163,158,524.04
INVESTMENT SECURITIES.....	6,899,631.50
Stocks and bonds owned by the Company.	

WORKING ASSETS:

Cash and Deposits.....	\$ 341,531.77
Cash on hand and in banks to meet current needs.	
Marketable Securities.....	562,077.62
Dominion Government Bonds.	
Bills Receivable.....	52,040.00
Short term notes received on account of advances made and plant sold to connecting companies.	
Accounts Receivable.....	3,390,704.70
Current accounts due the Company from Subscribers and Others for telephone and miscellaneous services less provision for uncollectible accounts.	
Materials and Supplies.....	3,150,338.24
Cost of telephone materials and supplies held in storerooms and yards, available for immediate use.	
	<hr/> 7,496,692.33
ACCRUED INCOME NOT DUE.....	26,913.12
Interest and dividends on owned securities applicable to the period ended December 31, 1929, but not due until after that date.	

DEFERRED DEBIT ITEMS:

Prepayments.....	\$ 307,633.98
Amounts paid for directories, rents, insurance, etc., which apply to periods subsequent to December 31, 1929.	
Unamortized Debt Discount and Expense.....	1,610,525.22
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.)	
Plant Inventory and Appraisal (Unapportioned)	69,139.08
The unamortized portion of the cost of taking the inventory and appraisal of the Company's property.	
Other Deferred Debit Items.....	111,128.19
Miscellaneous expenditures, the final disposition of which had not been determined at December 31, 1929.	
	<hr/> 2,098,426.47

TOTAL ASSETS.....

\$179,680,187.46

Approved for Board of Directors,

W. F. ANGUS, Director.

GEORGE CAVERHILL, Director.

THE BELL TELEPHONE COMPANY OF CANADA

DESCRIPTIVE BALANCE SHEET, December 31, 1929

LIABILITIES

CAPITAL STOCK:

Common Stock.....	\$61,359,900.00
The par value of common stock outstanding.	
Capital Stock Instalments.....	4,830,240.00
First instalment payment received from shareholders.	

_____ \$ 66,190,140.00

LONG TERM DEBT:

Bonds.....	\$30,000,000.00
Series "A"—5%—First Mortgage Bonds maturing March 1, 1955.	
Bonds.....	25,000,000.00
Series "B"—5%—First Mortgage Bonds maturing June 1, 1957.	

Notes Sold to Pension Fund Trustee.....	2,556,820.13
Investment by Trustee of Pension Fund in Notes of Company.	

_____ 57,556,820.13
6,100,000.00

BANK LOANS.....

Amounts borrowed from banks to finance new construction; to be refunded by permanent financing at a future date.

WORKING LIABILITIES:

Bills Payable.....	\$ 6,000.00
Mortgage taken over on property purchased.	
Accounts Payable.....	4,601,606.06
Amounts owing on current accounts, principally for pay rolls and supplies, which are in process of payment.	

_____ 4,607,606.06
2,293,883.06

ACCRUED LIABILITIES NOT DUE.....

Liabilities such as taxes, interest, dividends, etc., which apply to the period ended December 31, 1929, but are not due until after that date.

DEFERRED CREDIT ITEMS:

Employees' Stock Plan—Instalment Payments.....	\$ 1,971,004.54
Instalments paid by employees who are subscribing for capital stock, together with accrued interest.	
Advance Payments—Stock Subscriptions.....	1,386,663.60
Instalment payments by shareholders in advance of due dates.	

Other Deferred Credit Items.....	19,116.18
Miscellaneous Credit Items—the final disposition of which had not been determined at December 31, 1929.	

_____ 3,376,784.32

FIXED CAPITAL RESERVES:

Reserve for Accrued Depreciation.....	\$31,023,598.01
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.....	65,730.32

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.

_____ 31,089,328.33
2,239,217.97

PREMIUMS ON CAPITAL STOCK.....

Cash received in excess of the par value (\$100) of capital stock issued.

CORPORATE SURPLUS.....

Principally the undistributed profits from operations and from the sale of property since the Company began business 50 years ago.

_____ 6,226,407.59

TOTAL LIABILITIES..... \$179,680,187.46

E. PALM, Vice-President & Comptroller.

THE BELL TELEPHONE COMPANY OF CANADA
DESCRIPTIVE INCOME STATEMENT
Year Ended December 31, 1929

TELEPHONE OPERATING REVENUES.....	\$40,031,357.85
Revenues from exchange and toll service, leased lines and miscellaneous telephone operations.	
TELEPHONE OPERATING EXPENSES.....	30,113,272.41
Expenses of operating the telephone property, including current maintenance and depreciation of plant; operators' wages and other expenses of handling messages; accounting, billing and collecting for services; salaries and expenses of officers and of the supervisory and clerical forces; sickness, accident and death benefits and provision for pensions and all other expenses of operation.	
NET TELEPHONE OPERATING REVENUES..	\$ 9,918,085.44
DEDUCTIONS:	
Uncollectible Operating Revenues	\$ 185,079.87
Operating revenues which have proved to be uncollectible.	
Taxes Assignable to Operations	1,665,000.00
Dominion, Provincial and Municipal taxes applicable to the year 1929.	
	<hr/>
1,850,079.87	
OPERATING INCOME	\$ 8,068,005.57
NET NON-OPERATING INCOME	919,636.99
Dividends and interest received from investments, interest on bank balances, rent revenues and other miscellaneous non-operating revenues, less expenses incident thereto.	
	<hr/>
GROSS INCOME	\$ 8,987,642.56
DEDUCTIONS:	
Rent and Miscellaneous	\$ 295,591.88
Rents paid for offices and facilities not owned by Company, etc.	
Bond Interest	2,599,386.41
Interest applicable to the current year on all outstanding bonds.	
Debt Discount and Expense	60,025.88
The proportion of debt discount and expense, connected with outstanding bond issues, applicable to the current year.	
Other Interest	504,569.60
Interest on bank loans, employees' and shareholders' stock instalments and other obligations.	
	<hr/>
	3,459,573.77
BALANCE NET INCOME	\$ 5,528,068.79
DIVIDENDS	4,859,942.86
The amount of dividends declared to owners of outstanding Capital Stock at the rate of \$2.00 per share per quarter.	
	<hr/>
BALANCE FOR CORPORATE SURPLUS.....	\$ 668,125.93
The amount of undivided profits for the year transferred 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, 1929, 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, February 7, 1930. Auditor.

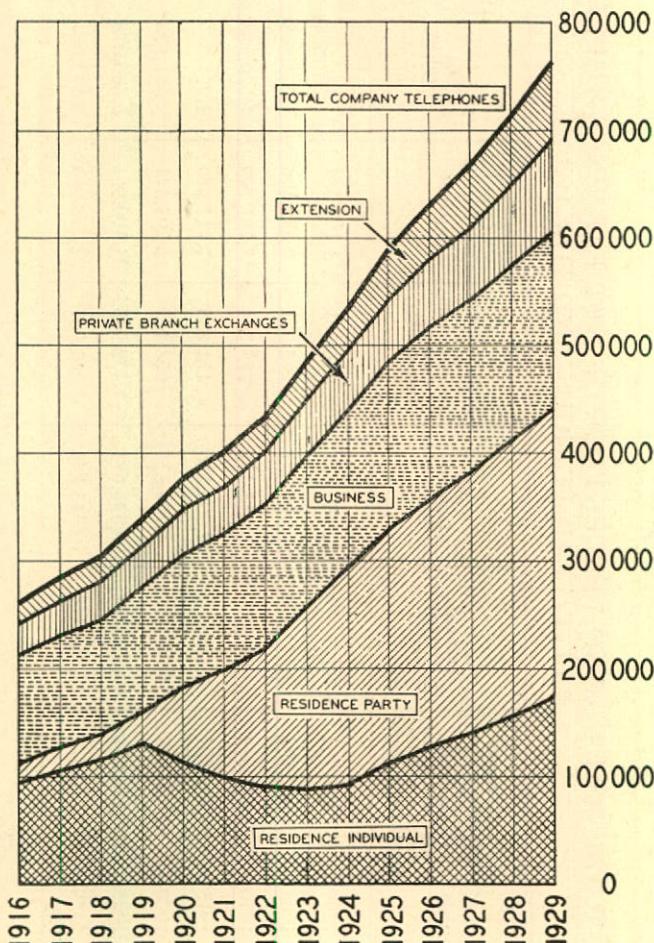
STATISTICS

	December
	31st, 1929
Number of Company Stations.....	761,456
Number of Connecting and Miscellaneous Stations	140,038
Total Number of Stations.....	901,494
Number of Central Offices.....	406
Number of Owned Buildings.....	107
Miles of Pole Lines.....	25,059
Miles of Aerial Wire.....	886,472
Miles of Underground and Submarine Wire.....	1,973,641
Miles of Subway (Length of Street Occupied).....	819
Miles of Duct.....	4,148
Number of Male Employees.....	8,055
Number of Female Employees.....	10,012
Total Number of Employees.....	18,067
Total Pay Roll for Year 1929.....	\$22,527,653
Average Daily Connections 1929—Exchange.....	5,146,629
Average Daily Connections 1929—Long Distance.	70,279
Number of Shareholders.....	16,334

TOTAL ASSETS, AND PERCENTAGE OF NET EARNINGS THERETO, IN
FIVE-YEAR PERIODS, AND FOR 1929

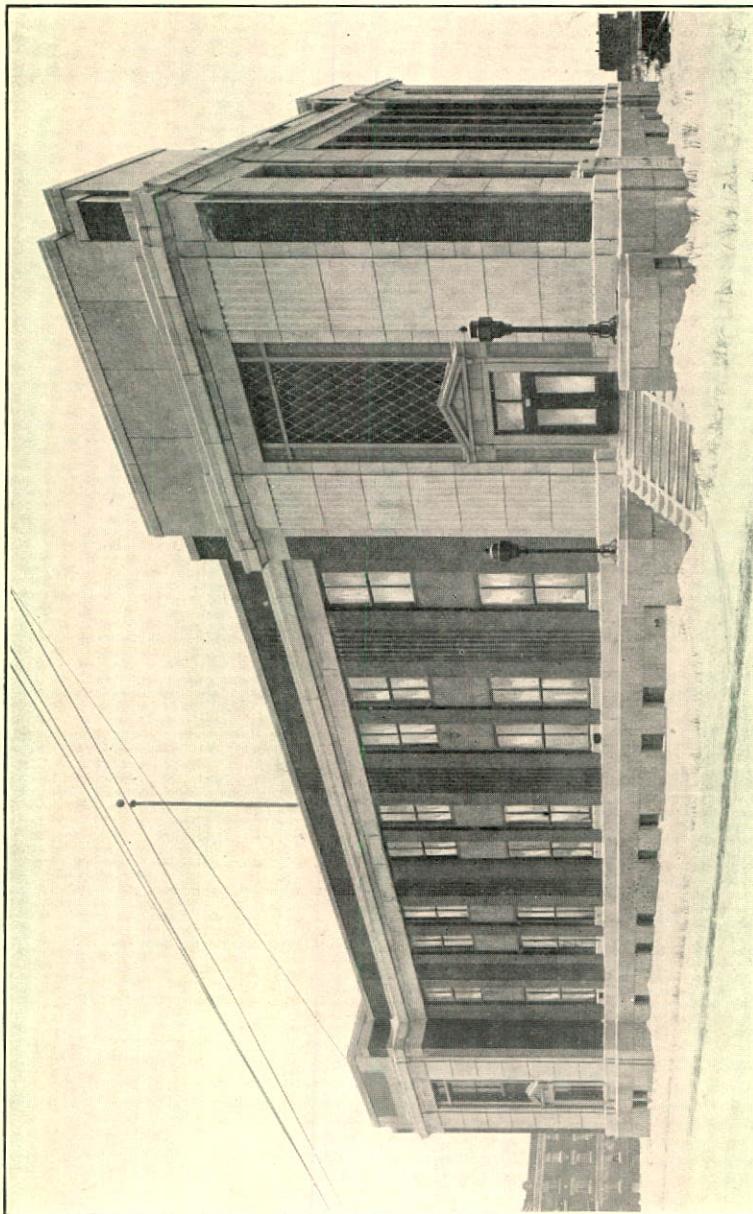
Year	Total Assets (Excluding Cash, Receivables, Prepayments, Accrued Income not Due, and De- ferred Debit Items)	Exchange Revenue	Long Distance Revenue	Misc. Revenue and Revenue from Outside Investments	Expenses	Net Earnings	Per Cent. Net Earnings to Total Assets
1900	\$ 7,498,762	\$ 1,137,660	\$ 359,801	\$ 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
1929	173,770,571	28,945,314	10,343,894	1,661,787	32,258,944	8,692,051	5.0

COMPOSITION OF COMPANY TELEPHONES



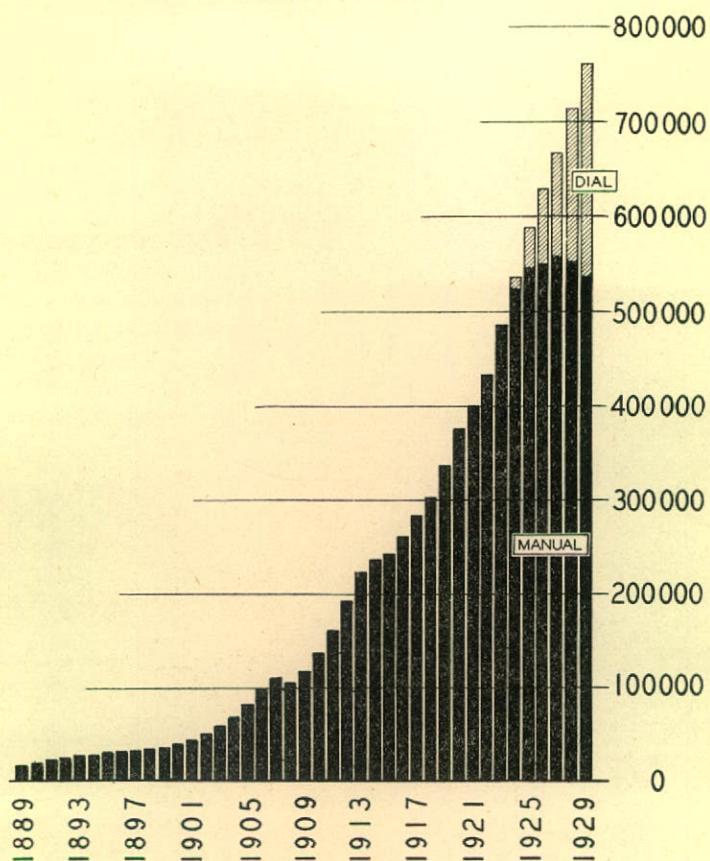


ADMINISTRATIVE AND DIAL
CENTRAL OFFICE BUILDING,
WINDSOR



ELWOOD DIAL CENTRAL OFFICE, MONTREAL

GROWTH IN NUMBER OF TELEPHONES OWNED BY COMPANY





Printed in Canada