

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

FOR THE YEAR ENDED
31st DECEMBER
1928

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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
C. P. COOPER	New York	†*F. W. MOLSON	Montreal
HUME CRONYN	London	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.

†Since deceased.

OFFICERS

L. B. MCFARLANE

Chairman of the Board

C. F. SISE

President

K. J. DUNSTAN

Vice-President

W. H. BLACK

Secretary-Treasurer

J. E. MACPHERSON

Vice-President

E. PALM

Comptroller

P. A. MCFARLANE

General Manager

FORTY-NINTH ANNUAL REPORT
OF THE DIRECTORS
FOR THE YEAR ENDED 31st DECEMBER
1928

To the Shareholders:

Your Directors respectfully submit the following report of the Company's operations for 1928 and of its financial position at the end of the year.

The net gain in telephones for the year was 45,862, compared with 38,222 in 1927. This growth involved the installation of 139,001 telephones and the removal of 93,139. On the 31st of December last, 67.3 per cent of the telephones in service were in residences.

Connecting with the Bell Telephone Company, under mutually satisfactory arrangements, are 836 other telephone systems in Ontario and Quebec with 137,543 telephones.

REVENUES AND EXPENSES

Exchange revenue for the year was \$26,920,593 compared with \$24,780,812 in 1927, an increase of \$2,139,781. Long Distance revenue was \$8,968,387 compared with \$7,950,318 in 1927, an increase of \$1,018,069.

This notable increase in Long Distance revenue is due to continued improvement in transmission and operating methods and to the prosperous condition of general business.

Miscellaneous revenues and revenues from outside investments amounted to \$1,336,716 as compared with \$1,150,520 in 1927, an increase of \$186,196.

After providing for dividends and an appropriation of \$250,000 for Employees' Pension Fund there remains a balance of \$931,744 to be carried to surplus.

FINANCES

No permanent financing was undertaken in 1928. To complete the heavy construction programme it was necessary to finance by short term loans, which amounted to \$4,250,000 at the end of the year. Current construction requirements are being met in a similar manner.

A further issue of first mortgage bonds will be sold early in the year, the proceeds of which will be used to pay off these loans and to provide additional funds for construction requirements.

LEGISLATION

The Company has renewed its application to Parliament for legislation increasing the authorized capital stock to \$150,000,000. The gross additions to plant for 1929 are

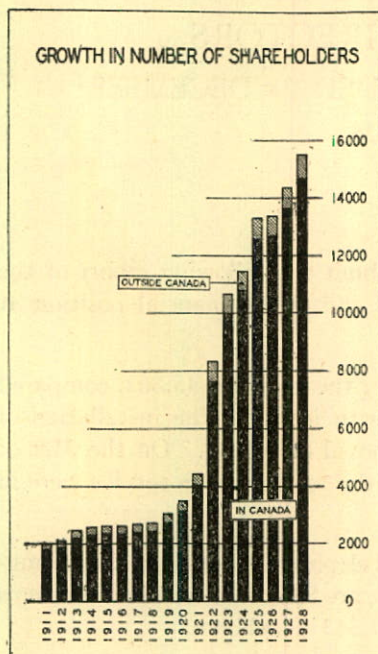
to be more than \$27,000,000 and for the next five years over \$120,000,000. These amounts, the greater part of which must be obtained from new capital issues, show the necessity for further authority to meet the public demand for service.

PLANT

Gross additions to your Company's plant in 1928 amounted to \$22,406,334, exceeding the previous year by over \$4,000,000. The principal items were:—

Land and Buildings.....	\$3,522,663
Central Office Equipment.....	4,950,097
Subscribers' Station Equipment.....	5,326,297
Exchange Lines.....	5,599,752
Toll Lines.....	2,884,646

Existing plant, the original cost of which was \$8,500,047. was retired from service.



BUILDINGS

Construction on the Beaver Hall Building, Montreal, progressed satisfactorily during the year. It is expected that it will be ready for occupation in April.

Two new dial equipment buildings were completed in Montreal—"Wilbank" and "Dupont." Two more dial system buildings, Montreal "Elwood" and Hamilton "Baker," are in course of erection and will be completed early this year.

Extensions were made to "Amherst" Exchange Building in Montreal, and "Lombard" in Toronto, and additions to manual equipment buildings at North Bay and Cornwall. Extensions at Smiths Falls and Niagara Falls are now proceeding.

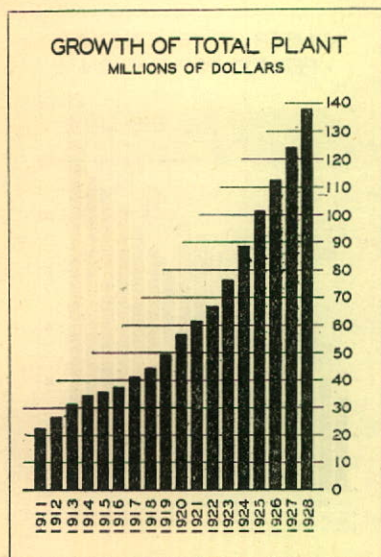
A new garage and warehouse building was started on Hutchison Street, Montreal, for completion in March, 1929. Toronto stores building was extended and a new garage and stores building erected at Ottawa.

EQUIPMENT

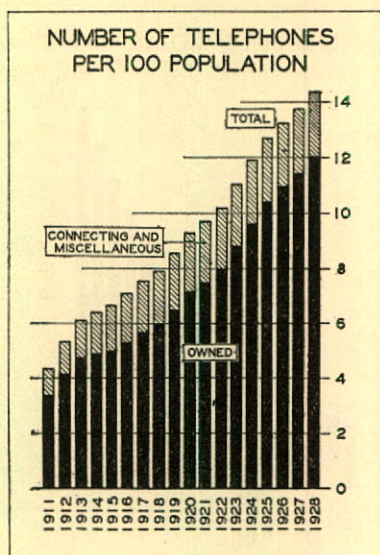
The dial system conversion programme has been continued in the cities of Toronto, Montreal and Quebec. At the end of the year there were 161,295 dial telephones in service, representing over 22% of the total company stations.

Among the more important dial system projects completed were the "Harbour," "Wilbank" and "Cherrier" exchanges in Montreal and the "Adelaide," "Hyland" and "Kingsdale" in Toronto.

Extensions to manual equipment were completed during the year at Toronto, Hamilton, Kingston, Oshawa, Sherbrooke, Peterboro, Shawinigan Falls, Owen Sound, Woodstock, Guelph, St. Lambert, Welland and Lachine.



New manual common battery switchboards were cut into service at Montreal and at Three Rivers; also at Grimsby and Joliette to replace former magneto systems. Further installations of this type of equipment are under way at Cornwall and Dundas.



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

A desirable site was purchased on University Avenue, Toronto, for the erection of an Ontario Administration Building.

TOLL PLANT

Improvement has been effected in the speed and convenience of long distance service through the extension of new and improved operating methods throughout our territory. It is expected that the rapidly increasing use of the toll service will continue. To take care of this increase large additions to the toll plant are required. Between the more important centres, a substantial number of additional circuits are necessary and the most economical way of providing the larger part of these circuits is by toll cables.

During 1928 the toll cable from Hamilton to Buffalo was completed, providing an all-cable route from Toronto to Buffalo. On the completion of this project, work was begun on a cable from Toronto to Oshawa, eventually to be a link in a cable from Toronto to Montreal. The Toronto-Oshawa cable will be completed this spring.

Towards the end of the year work was begun on toll cable from Montreal to St. Polycarpe, to be the Eastern end of Montreal-Toronto and Montreal-Ottawa toll cable system.

CARRIER SYSTEMS

In 1928 the first installations of carrier telephone and telegraph systems were made. These provide additional telephone and telegraph channels by super-imposing high frequency carrier current on the existing wire circuits. About 2,900 miles of telephone and 3,600 miles of telegraph channels were provided in this way. These circuits are proving very satisfactory in operation and extensive additions are planned for the future.

EXTENSION OF TOLL SERVICE

Two outstanding extensions of Long Distance service were completed in 1928. In August, service was established between Winnipeg and points in Ontario and Quebec, over a direct Canadian circuit from Sudbury to Winnipeg via Fort William and Port Arthur. A gratifying amount of business has been the result.

In December, the completion by this Company of circuits from Montreal and Quebec to the New Brunswick boundary, and by the New Brunswick Telephone Company to St. John, N.B., established a direct Canadian route to the Maritime provinces, materially improving the service, which had previously been routed through the United States.

Transatlantic Long Distance service was extended beyond Great Britain to many European countries and in Canada to all parts of your Company's territory.

MAINTENANCE

A further reduction of 9 per cent in the number of troubles per telephone has resulted from continued improvement of central office equipment and improved methods. Repairs to subscribers' telephones are being completed more promptly.

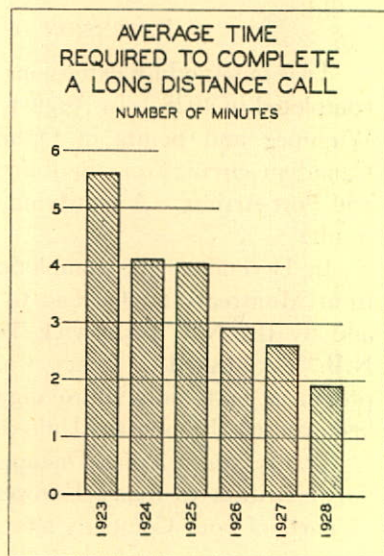
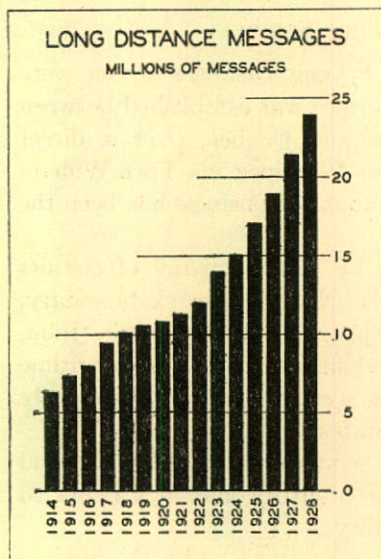
SERVICE

Continued improvement was effected in the quality of local exchange service, manual and dial.

As to Long Distance service, the records show steady improvement in the percentage of calls completed as well as in speed of establishing connection, notwithstanding an increase of over 12 per cent in the volume of business handled.

REDUCTION IN TOLL RATES

On February 1st, 1929, reductions were made in long haul toll rates, together with changes in regulations, for greater convenience of the users. The saving to the public is estimated at \$80,000 annually, and this sum increases with the volume of business. This reduction is in accordance with the Company's established policy of lowering rates when and where conditions permit. It is hoped that further toll rate reductions may be possible.



PERSONNEL

In the past six years your Company has selected from the graduating classes of Canadian universities 360 of its new employees. These men and women graduates have done excellent work in various departments of the Company.

The public demand for new services and the programme for the betterment and extension of the plant have required an increase of 1,300 employees during the past year, necessitating a heavy training programme.

The day-to-day contacts between employees and their supervisors are supplemented by joint conference meetings at which representatives of the employees and the management, from their respective viewpoints, discuss matters of common

interest. There are training classes for all phases of telephone work in which the employee may qualify for advancement.

FIRST AID TRAINING

First Aid instruction continues to be an important part of the training of our employees, and it is gratifying to learn from time to time of the invaluable aid rendered by telephone employees to victims of accident and mischance. Of the Company's total male plant staff, numbering upwards of 5,100, over 70 per cent are now qualified First Aiders.

EMPLOYEES' STOCK PLAN

The Employees' Stock Plan continues to be a popular medium for the investment of employees' savings. Of 13,350 employees eligible to subscribe 10,618 employees are presently subscribing for 40,096 shares.

EMPLOYEES' BENEFIT PLAN

In order to protect more adequately the employees' interests under the pension plan, the amount standing to the credit of the Employees' Benefit Reserve at the end of 1927 has been placed in the custody of a Pension Fund Trustee, as the nucleus of the Employees' Pension Fund.

Based upon an actuarial report, the Company began in 1928 to charge to expenses, currently, amounts which, with interest earnings thereon, will provide at the time employees are retired on service pensions a sum sufficient to pay such pensions.

These monies are paid to the Pension Fund Trustee who has invested them in Notes of the Company. At the end of the year, the amount of these notes was \$1,434,094.37.

During the year 1928, benefits and pensions were paid in 3,591 cases under the Plan for Employees' Pensions, Disability Benefits and Death Benefits, amounting to \$342,553 divided as follows:—

	<i>No. of Cases</i>	<i>Amount</i>
Pensions.....	97	\$ 50,715
Accident Benefits (including expenses)	544	48,278
Sickness Benefits.....	2929	228,403
Death Benefits.....	21	15,157

BOARD OF DIRECTORS

After a distinguished career in the telephone business culminating as Chairman of the Board of Directors of the

American Telephone and Telegraph Company, Mr. H. B. Thayer decided to divest himself of his many responsibilities and among others of his membership on the Board of this Company. Mr. Thayer resigned at the May Meeting after having served for more than fifteen years, during which his advice and wide experience were of the utmost value to this Company.

Mr. Charles P. Cooper, Vice-President in charge of Operation of the American Telephone and Telegraph Company, was appointed a director for the remainder of Mr. Thayer's term.

As this report was being prepared, the Company suffered a severe loss through the death of Mr. Frederic W. Molson, who had been for thirteen years a director and member of the Executive Committee. He took a keen interest in the affairs of the Company and gave generously of his time.

Your directors desire to record in this report their appreciation of Mr. Molson's high character and of his invaluable service to the Company, and to express their profound regret at his passing.

STAFF

The great expansion of your Company's business has necessitated steady increase in staff in many departments. Employees now number 16,240. Your directors wish again to record their sincere appreciation of the excellent work of the staff during the year.

For the Board of Directors,

C. F. SISE,

President.

Montreal, February 13, 1929.

BALANCE SHEET—DECEMBER 31, 1928

FIXED CAPITAL:		ASSETS	
Intangible Capital.....		\$ 76,811.20	
Land and Buildings.....		14,440,525.19	
Telephone Plant and Equipment.....		123,575,052.63	
General Equipment.....		2,587,677.06	
			\$140,680,066.08
INVESTMENT SECURITIES.....			3,834,547.16
WORKING ASSETS:			
Cash and Deposits.....	\$	185,834.57	
Marketable Securities (Dom. Govt. Bonds).....		569,994.20	
Bills Receivable.....		39,950.00	
Accounts Receivable.....		2,215,221.26	
Materials and Supplies.....		1,278,396.44	
			4,289,396.47
ACCRUED INCOME NOT DUE.....			23,655.13
DEFERRED DEBIT ITEMS:			
Prepayments.....	\$	260,184.27	
Unamortized Debt Discount and Expense.....		1,293,789.96	
Plant Inventory and Appraisal (Unapportioned)...		138,278.16	
Other Deferred Debit Items.....		90,656.46	
			1,782,908.85
TOTAL ASSETS.....			<u>\$150,610,573.69</u>
CAPITAL STOCK:		LIABILITIES	
Common Stock.....			\$ 60,340,500.00
LONG TERM DEBT:			
Bonds, Series "A"—5%—Due 1955.....	\$	30,000,000.00	
Bonds, Series "B"—5%—Due 1957.....		10,000,000.00	
Notes Sold to Pension Fund Trustee.....		1,434,094.37	
			41,434,094.37
BANK LOANS.....			4,250,000.00
WORKING LIABILITIES:			
Bills Payable.....	\$	15,000.00	
Accounts Payable.....		3,419,827.59	
			3,434,827.59
ACCRUED LIABILITIES NOT DUE.....			2,176,809.99
DEFERRED CREDIT ITEMS:			
Employees' Stock Plan—Instalment Payments....	\$	1,816,856.77	
Pension Fund Appropriation.....		250,000.00	
Other Deferred Credit Items.....		122,019.40	
			2,188,876.17
FIXED CAPITAL RESERVES:			
Reserve for Accrued Depreciation.....	\$	29,400,742.03	
Reserve for Amortization of Intangible Capital....		53,900.02	
			29,454,642.05
PREMIUMS ON CAPITAL STOCK.....			2,061,007.97
CORPORATE SURPLUS.....			5,269,815.55
TOTAL LIABILITIES.....			<u>\$150,610,573.69</u>

Approved for Board of Directors,
W. F. ANGUS,

Director.
GEORGE CAVERHILL,
Director.

E. PALM,
Comptroller.

INCOME STATEMENT

YEAR ENDED DECEMBER 31, 1928

TELEPHONE OPERATING REVENUES.....		\$36,510,731.90
TELEPHONE OPERATING EXPENSES.....		27,152,591.23
NET TELEPHONE OPERATING REVENUES.....		<u>\$ 9,358,140.67</u>
DEDUCTIONS:		
Uncollectible Operating Revenues.....	\$ 158,698.21	
Taxes Assignable to Operations.....	1,525,100.00	
		<u>1,683,798.21</u>
OPERATING INCOME.....		<u>\$ 7,674,342.46</u>
NET NON-OPERATING INCOME.....		714,963.86
GROSS INCOME.....		<u>\$ 8,389,306.32</u>
DEDUCTIONS:		
Rent and Miscellaneous.....	\$ 230,601.48	
Bond Interest.....	2,000,000.00	
Other Interest.....	562,019.79	
		<u>2,792,621.27</u>
BALANCE NET INCOME.....		<u>\$ 5,596,685.05</u>
DIVIDENDS.....	\$ 4,414,941.44	
APPROPRIATION FOR EMPLOYEES' PENSION FUND.....	250,000.00	
		<u>4,664,941.44</u>
BALANCE FOR CORPORATE SURPLUS.....		<u><u>\$ 931,743.61</u></u>

E. PALM,
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, 1928, 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 5, 1929.

STATISTICS

	December 31, 1928
Number of Company Stations	714,245
Number of Connecting and Miscellaneous Stations	137,543
Total Number of Stations	851,788
Number of Central Offices	393
Number of Owned Buildings	99
Miles of Pole Lines	23,614
Miles of Aerial Wire	755,217
Miles of Underground and Submarine Wire	1,694,640
Miles of Subway (Length of Street Occupied)	708
Miles of Duct	3,516
Number of Male Employees	6,627
Number of Female Employees	9,613
Total Number of Employees	16,240
Total Pay Roll for Year 1928	\$19,350,179
Average Daily Connections 1928—Exchange	4,789,046
Average Daily Connections 1928—Long Distance	65,495
Number of Shareholders	15,501

TOTAL ASSETS, AND PERCENTAGE OF NET EARNINGS THERETO, IN
FIVE-YEAR PERIODS, AND FOR 1928

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
1928	146,363,004	26,920,593	8,968,387	1,336,716	29,066,991	8,158,705	5.6

GROWTH IN NUMBER OF TELEPHONES OWNED BY COMPANY

