

J. Francis

REPORT
OF THE
DIRECTORS TO THE SHAREHOLDERS
OF
**The Bell Telephone Company
of Canada**

For the Year ended 31st December,

1921



MONTREAL,
THOS. V. BELL, LTD., PRINTERS

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Officers:

L. B. McFARLANE,	President.
C. F. SISE, - - -	Vice-Pres. & General Manager.
K. J. DUNSTAN, - - -	Vice-President.
W. H. BLACK, - - -	Secretary.
WM. GEORGE SLACK, -	Treasurer.
E. PALM, - - -	Comptroller.

Directors:

*HUGH PATON,	GEO. H. THOMSON,
*L. B. McFARLANE,	H. B. THAYER,
*C. F. SISE,	GLYN OSLER,
*THOS. AHEARN,	GEO. D. MILNE,
*F. W. MOLSON,	EDWARD K. HALL,
*W. F. ANGUS,	*GEORGE CAVERHILL.

*Members of Executive Committee.

TO THE SHAREHOLDERS:

Your Directors respectfully submit herewith the financial statements for the year 1921, and the usual statistics.

While the net gain in subscriber stations during the year was 23,916, equal to 6.35 per cent, this does not represent by any means the demands for telephone service in our territory.

The gross receipts show an increase of \$1,619,493 over the preceding year, but do not reflect an entire year's revenue at the advanced rates.

The Company's statement of earnings and expenses for the past year shows a net improvement of \$1,055,961.47. This however was not sufficient to meet our full dividend requirements by \$776,009.62, which amount was taken from Surplus.

The year 1921 opened with our application for increased rates still pending, and closed under the same circumstances. This hearing which commenced in 1920, was concluded on the 25th of January, 1921; judgment was rendered by the Board on the 1st of April, followed by an Order on the 13th April. The Order allowed an increase of approximately 10% on Exchange Service, estimated to produce \$1,000,000., 20% on Long Distance charges, estimated to produce \$969,033., and a Service Connection charge, estimated to produce \$181,100., in round figures \$2,100,000. A temporary reduction in the annual rate of depreciation on average depreciable plant to 4% was also ordered as an emergency provision, which was presumed to afford additional relief to the extent of about \$900,000.

The City of Toronto appealed to the Privy Council against this decision, but when the Company later asked for further relief the Privy Council referred the whole matter back to the Railway Board.

It soon became apparent that the results expected from the Order would not be attained, and on the 23rd July, 1921, a fresh application was made to the Board setting forth that the rates authorized were not producing sufficient revenue to meet the Company's dividend requirements, and, therefore, did not carry out the intent of the Order. The Company urged that without adequate rates it was not in a position to obtain the additional capital to provide necessary plant required to meet the accumulating demands for telephone service on the part of the public.

With the application was submitted for approval a tariff of rates for certain classes of exchange service calculated to provide the amount required.

Hearings were held at various times, beginning 5th October, 1921, and the case concluded on the 21st December. By its decision given on the 7th day of February, 1922, the Board, by a majority, refused our application on the ground that there was no longer an emergency situation, and that, therefore, the Company was not entitled to an increase of the existing rates, but should instead proceed to prepare and submit a tariff which would eliminate any inequalities and discriminations in its rates. The majority of the Board expressed the opinion that, pending the preparation of a new tariff, and adjudication thereon by the Board, the Company's credit would not be impaired, and that the Company could finance any temporary requirements to cover extensions and new business.

The number of applicants for exchange service whom we have been unable to serve has varied throughout the last half of the year from 17,000 to 19,000.

On account of our inability to adequately finance while the question of earnings was undecided, construction had to be curtailed to the utmost.

For the same reason we are also debarred from making provision for the expansion of the business by providing a reasonable margin of spare plant, which would enable us to promptly execute orders. Unless provision is thus made in advance, great delay is inevitable, and expenditures made on a hand to mouth basis are wasteful and inefficient.

Up to the beginning of September we continued to receive an ever increasing number of applications for both exchange and Long Distance service. In the last four months of the year there has been a noticeable falling off in the use of the Long Distance Lines, and a slight slowing up in the demand for exchange service. General advertising and efforts to stimulate the use of our long lines was then resorted to, which resulted in at least keeping toll receipts stationary.

We introduced on July 1st throughout the Company a uniform method of billing subscribers for all services on the first of each calendar month. This innovation met with favor from most of our subscribers, and should encourage a more general use of the telephone.

Every effort has been made during the year to reduce operating expenses and to effect economies, and considerable savings have been effected.

The plan which was promulgated in 1920 for permitting the employees to become purchasers of stock by deductions from pay has, we are convinced, had satisfactory results. We have not only largely extended our list of shareholders, but we have encouraged and gratified habits of thrift amongst our employees which we believe will redound to their personal interest, and to the advantage of the Company.

A new plan, broader in its scope but simpler in its provisions, is under contemplation, by which we hope to offer to the employees an opportunity for systematic saving, and investment in the shares of the Company.

Two thousand additional shares were issued during the year to the Trustees who act for the employees, making a total of five thousand shares now held against the subscriptions. One thousand shares were Treasury stock, and the other thousand were a special issue, which, at the same time, increased the capital of the Company from \$22,800,000. to \$22,900,000.

The Directors at a meeting held at the office of the Company on the 11th of May, 1921, acting under the powers conferred upon them by the Stockholders at a Special Meeting held on the 22nd of February, 1906, increased the capital stock of the Company from \$22,900,000 to \$28,625,000. The increase, amounting to \$5,725,000 was offered to the shareholders at par in the proportion of one share for every four shares held on the 31st day of May, 1921.

The number of Shareholders at the 31st of December, 1921, was 4,453, of whom 2,165 or 49% are women. This compares with a total of 3,489 Shareholders at the end of 1920, an increase of 964 during the year or over 21%. This increase is gratifying, but we feel that in view of the universality of our service our stock should have a wider distribution. We have taken certain steps in this direction, and hope during the current year to secure a still larger number of Shareholders.

Complying with a request from the Toronto Stock Exchange, arrangements were made during the year to open a Transfer Office in Toronto, and The Royal Trust Company was appointed Transfer Agent and the Montreal Trust Company Registrar at Toronto.

Reference was made in the last Annual Report to the Employees Pension and Benefit Plan, and to the By-law requiring an actuarial report to establish the sufficiency of the Fund. The services of an independent actuary have been secured for this purpose and a report will be submitted when the work is completed.

During the year no new buildings were started, and no properties were purchased.

A portion of a property on Charlevoix Street, Montreal, which was not required for our use, but which the Company had been compelled to acquire in order to secure the site for the "Victoria" Exchange, was sold at a satisfactory price.

Only one large exchange was opened during the year, viz: "Plateau" Exchange, Montreal.

In July, a four hundred pair submarine cable, the largest international cable in the world, was laid between Windsor and Detroit, in conjunction with the Michigan State Telephone Company, making the fourth jointly owned cable between these points, and providing together 528 pairs of conductors.

We take pleasure again in expressing our appreciation of the good work done by the Staff, with whom our relations have been happy and harmonious during the year, and especially thank them for their voluntary and successful efforts towards advancing and maintaining good public relations, and effecting a pronounced improvement in the telephone service during 1921.

C. F. SISE,

L. B. McFARLANE,

Vice-President and Gen. Manager.

President.

MONTRÉAL, 23rd February, 1922.

COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES

ASSETS

	December 31, 1920	December 31, 1921	Increase
Real Estate - - - -	\$ 5,165,860.48	\$ 5,249,272.46	\$ 83,411.98
Telephone Plant, etc. - -	51,729,192.44	56,272,635.99	4,543,443.55
Furniture, Tools and Supplies	2,811,708.40	2,050,308.52	261,404.88*
Cash - - - -	186,888.50	390,823.94	203,935.44
Bills and Accounts Receivable	1,181,314.20	1,610,798.83	429,484.63
Prepaid Expenses - -	206,096.83	211,209.68	5,112.85
Unamortized Bond Discount	295,190.29	231,840.59	63,349.70*
Investments - - - -	<u>2,843,327.87</u>	<u>2,767,757.45</u>	<u>75,570.42*</u>
	<u>\$63,919,579.01</u>	<u>\$68,784,642.46</u>	<u>\$4,865,063.45</u>

LIABILITIES

Capital Stock Issued -	\$22,657,000.00	\$26,818,000.00	\$4,161,000.00
Bonds 1925 (5%-\$11,149,000.)	(5%-\$11,250,000.)		
Bonds 1925 (7% - 5,500,000.)	16,649,000.00	(7% - 5,500,000.)	16,750,000.00
Accounts Payable - -	918,603.26	936,656.11	18,052.85
Accrued Liabilities not due	720,879.78	1,258,472.38	537,592.60
Due to Bank - - -	837,572.10	837,572.10*
Unearned Revenue - -	21,524.24	20,114.20	1,410.04*
Employees' Benefit Fund	500,000.00	500,000.00
Surplus and Reserves - -	<u>21,614,999.63</u>	<u>22,501,399.77</u>	<u>886,400.14</u>
	<u>\$63,919,579.01</u>	<u>\$68,784,642.46</u>	<u>\$4,865,063.45</u>

* Decrease.

Approved for Board of Directors,

L. B. McFARLANE,
Director.E. PALM,
Comptroller.F. W. MOLSON,
Director.THE PRESIDENT AND DIRECTORS,
BELL TELEPHONE COMPANY OF CANADA.We certify that we have examined the financial books and records
31st December, 1921, and that we have obtained all the informationIn our opinion the above Balance Sheet and relative statement
true and correct view of the state of the Company's affairs, according
shown by the books of the Company.

Montreal, 9th February, 1922.

**COMPARATIVE STATEMENT OF EARNINGS AND
EXPENSES FOR THE YEARS 1920 AND 1921.**

	1920	1921	Increase
Telephone Revenue.....	\$16,513,384.44	\$18,561,829.01	\$2,048,444.57
Operation Expense.....	9,106,078.22	9,545,898.72	439,820.50
Current Maintenance....	3,569,162.87	3,829,322.09	260,159.22
Depreciation	2,885,400.00	2,549,715.00	335,685.00*
Taxes.....	734,700.00	595,000.00	139,700.00*
Total Telephone Expenses	<u>16,295,341.09</u>	<u>16,519,935.81</u>	<u>224,594.72</u>
Net Telephone Earnings.	218,043.35	2,041,893.20	1,823,849.85
Sundry Net Earnings...	663,479.53	234,527.56	428,951.97*
Total Net Earnings....	881,522.88	2,276,420.76	1,394,897.88
Deduct Interest.....	<u>913,483.97</u>	<u>1,168,800.38</u>	<u>255,316.41</u>
Balance	31,961.09†	1,107,620.38	1,139,581.47
Deduct Dividends 8%...	<u>1,800,010.00</u>	<u>1,883,630.00</u>	<u>83,620.00</u>
Balance Carried to Surplus	<u>Debit</u> <u>1,831,971.09</u>	<u>Debit</u> <u>776,009.62</u>	<u>1,055,961.47</u>

* Decrease.

† Deficit.

E. PALM,
Comptroller.

ords of The Bell Telephone Company of Canada for the year ended
and explanations required by us.

Earnings and Expenses are properly drawn up so as to exhibit a
to the best of our information and the explanations given to us, and as

P. S. ROSS & SONS, Chartered Accountants,
Auditors.

STATISTICS

	At Dec. 31, 1921.	Increase during Year
Number of Company Stations.	400,277	23,916
Number of Connecting and Miscellaneous Stations.....	117,595	4,383
Total Stations.....	517,872	28,299
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Number of Miles of Wire.....	1,072,135	
Number of Employees, 31st December, 1921.....	11,595	
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Average Daily Connections 1921—Exchange.....	2,986,338	
Average Daily Connections 1921—Long Distance.....	31,048	

The following statements show the growth and revenue of the Company in five year periods, beginning at 1900, and for 1921:—

Year	Central Offices	Number of Subscriber Stations	Long Distance	
			Wire Miles	Pole Miles
1900	343	40,094	21,350	6,525
1905	526	82,351	37,082	8,645
1910	508	138,370	54,133	8,861
1915	449	242,784	79,908	9,297
1920	413	376,361	102,187	9,549
1921	401	400,277	103,545	9,620

UNDERGROUND

Year	Miles Conduit	Miles		Miles Wire
		Single Duct	Cable	
1900	47	321	157	30,686
1905	100	573	264	94,132
1910	191	1,015	453	208,956
1915	300	1,860	820	450,665
1920	626	2,396	1,142	641,053
1921	635	2,439	1,171	660,301

Total Assets, and percentage of Net Earnings thereto, in five year periods, and for 1921.

Year	Total Assets (Excluding Cash, Receivables, Prepayments and Bond Discount)	Exchange Revenue	Long Distance Revenue	Misc. Revenue and Revenue from Outside Investments	Expenses	Net Earnings	% 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
1921	66,339,969.	13,342,366.	5,219,463.	234,527.	16,519,935.	2,276,421.	3.4

DIAGRAM
SHOWING THE GROWTH IN
TELEPHONES
OWNED BY
The Bell Telephone Co.
OF CANADA.
FROM
DEC. 31, 1880-DEC. 31, 1921



