

J. Francis

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

For the Year ending 31st December,

1919



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

REPORT

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OF

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of Canada

For the Year ending 31st December,

1919

Officers:

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

Directors:

THEO. N. VAIL,	THOS. AHEARN.
*HUGH PATON,	*A. J. DAWES.
*L. B. McFARLANE,	*F. W. MOLSON.
†*Z. A. LASH. K.C.,	*W. F. ANGUS.
*C. F. SISE,	GEO. H. THOMSON.
H. B. THAYER,	†N. C. KINGSBURY.

*Members of Executive Committee.

†Since deceased.

1919.

TO THE SHAREHOLDERS :

Your Directors submit herewith a statement of the results of the business for 1919, being the fortieth year of the Company's operations.

The year opened with evidence of increased business activity, and orders for new and additional telephone equipment and service became so insistent that they could not be readily met, but every effort has been put forth to satisfy these demands.

The net number of telephone stations added during the year, viz, 34,271, is the largest in the history of the Company. The gross receipts from telephone earnings also show considerable increase, but the heavy expense of operation, caused by steadily advancing costs of material and wage payments, has more than counterbalanced this gain.

On our application to the Board of Railway Commissioners of October, 1918, an order was issued last May granting temporary relief by way of a ten per cent increase in rentals, effective 1st July, and an adjustment of toll tariffs which went into force on the 26th May. The judgment of the Railway Board stated that "the burden of the emergency should be divided between "the Bell Company and the public. * * * The situation "being treated as an emergency one, the Board retains "the conduct of the case and will take steps to obtain the "necessary information, so that revision of the emergency rates may be dealt with as soon as possible."

There is every indication that great telephonic growth in the territory which we serve will continue, and it is not only the desire, but the duty of the Company at all times, to take care of such increased demand, and to provide adequate service.

Capital required to take care of the ever expanding business can only be secured if the Company's rates are such as to ensure a fair and adequate return on the investment. The public is, therefore, vitally interested in seeing that the rates of the Company provide such a return, in order to attract the new capital required from

time to time to permit of the Company furnishing the service which the public demands, and to which it is entitled.

It appears opportune at this time to repeat to our Shareholders what we have been able to state from time to time, without fear of contradiction, to Parliamentary Committees and to the Board of Railway Commissioners for Canada. There is not, and never has been, one drop of water in the stock of this Company. Every share issued has brought to the Treasury of the Company its par value, or better. No bonds have been issued with a bonus of common stock. There is no holding Company, or any Company within a Company, to absorb profits.

Since 1886 we have paid a Dividend at the rate of 8% per annum, which in our opinion is as low a rate as will attract capital, and not higher than the investment is entitled to. We have accumulated Reserves to stabilize the business, and to protect the plant investment in a changing Art. We have not sought to collect from the public rates more than sufficient to accomplish these objects, and in our application to the Board of Railway Commissioners for revised rates, have not asked for more.

By Circular, dated the 15th May, \$4,500,000 new stock was offered to the Shareholders at par, increasing the authorized capital stock to \$22,500,000. Of this \$4,336,300 was subscribed and paid for, and the balance \$163,700 remains in the Treasury, to be disposed of as the Directors may determine.

To the Long Distance System in 1919, 4,835 miles of wire were added. The Long Distance Lines now owned and operated by the Company comprise 89,706 miles of wire on 9,514 miles of poles, and 7,047 miles of wire in underground and submarine cables.

The rapid growth in the business of the Company has in many cases rendered existing premises inadequate at an earlier date than had been anticipated.

During the year we have purchased land in Bowmanville, Brampton, Hamilton, Harriston, Midland, Montreal, Oakville, Pembroke, Port Hope, Shawinigan Falls, Trenton, Welland and Weston.

The erection of two additional exchange buildings in Montreal was commenced, and these are almost completed, namely, "Calumet" Exchange at the corner of Belanger and Boyer Streets, and "Melrose" Exchange at the corner of Sherbrooke Street and Walkley Avenue.

An exchange building at Chatham is also in course of construction.

In addition to this new work, large extensions were planned to the exchange buildings at Cornwall and London, the former completed and the latter under way, and the work on the Company's building at Montreal—known as the "Plateau" Exchange—which had been suspended during the war, was resumed on 1st of October.

Our relations with local connecting companies continue to be satisfactory. We have agreements with 718 such local telephone organizations, which provide intercommunication between our subscribers and the 103,013 stations on these Systems. Interchange is also had, under conditions laid down by the Board of Railway Commissioners for Canada, with two competing companies, operating 2,574 stations.

The net charge to expenses on account of the Pension and Benefit Plan was \$141,692, which amount, being 1.51% of the pay rolls, was voted by the Directors in accordance with the By-Law in order to restore the Fund to \$500,000. During the year six Sickness Death Benefits, 320 Accidents Benefits (including five fatal accidents) and 1,665 Sickness Benefits were granted. Five additional Pensions have been granted, and one Pensioner has died, the number of Pensions presently in force being fifteen.

During the year the sum of \$100,000 was transferred from Surplus Account to the Employees' Benefit Fund, bringing the latter to \$500,000, thereby increasing the stability of the Fund.

A medical organization is being established in connection with the Plan, which is expected to prove most effective in safeguarding the health of the employees.

Labor conditions have improved. While the Company has had demands from its employees for increased wages and shorter hours, these have all been met without any stoppage of work, and a rearrangement of working hours and a new schedule of wages to meet existing conditions have been adopted without serious friction. General wage increases were given in all Departments in order to meet current living conditions, and that we might retain a satisfied and efficient staff and render to the public such a service as the Company is bound to provide.

The greatest difficulty we encountered was in procuring sufficient equipment, but this is a world-wide condition. Notwithstanding this drawback, important progress has been made in improving the plant. These improvements in lines and equipment have greatly increased the range of commercial speech. Commercial transmission is now given to Halifax and other places in the Maritime Provinces, and studies are under way to extend this service to more remote points.

For many reasons it has been found necessary to develop a suitable machine switching equipment for large centres. This system is commonly called the "Automatic System". Our Engineers are at work on this equipment, and we hope to have the system in operation at some of the Montreal and Toronto offices within a reasonable period.

Every effort is being made to keep the plant as up-to-date as possible. Improvements and changes are constantly under way to give better service, and to

furnish the highest grade of transmission commensurate with the advance in the Art.

The Company promised re-employment to all employees who enlisted for Overseas Service, and this promise has been made good. We have further provided that none of these men shall be prejudiced in position or salary through having served the Empire. We have also felt it a duty to prefer other returned men where vacancies were to be filled, and we are proud to have in our service over one thousand men who were members of the Canadian Expeditionary Force.

On the 24th January, 1920, we suffered a double loss by the death of Z. A. Lash, Esq., K.C., LL.D., of Toronto, and Mr. N. C. Kingsbury, of New York. Mr. Lash joined the Board in February, 1911, having previously served the Company in a professional capacity for many years. The acquaintance with its affairs thus derived, his wide experience, profound legal knowledge, and the keenness of his intellect, have been of the greatest value to the Company. In his death the Board mourns a friend and colleague whom they held in high personal regard. Mr. N. C. Kingsbury replaced Mr. U. N. Bethell on the Board in August last, and his knowledge of the telephone business promised to make him a most helpful councillor. His unexpected death, in the prime of life, is a matter of sincere regret.

Mr. Glyn Osler, of Toronto, has been appointed in place of Mr. Lash, and Mr. Geo. D. Milne, of New York, has succeeded Mr. Kingsbury.

The Directors desire to acknowledge the loyalty of all employees to the Company, and their devotion to the service of the telephone using public.

The financial statements, and the usual statistics, are appended hereto.

All of which is respectfully submitted.

C. F. SISE,
Vice-President and General Manager.

L. B. McFARLANE,
President.

MONTREAL, 26th February, 1920.

BALANCE SHEET, DECEMBER 31, 1919.

ASSETS

Real Estate.....	\$ 4,607,535.46
Telephone Plant.....	45,033,651.12
Furniture, Tools and Supplies.....	1,817,120.22
Cash.....	188,941.02
Bills and Accounts Receivable	1,085,876.03
Investments.....	3,794,627.87
	<u>\$56,527,751.72</u>

LIABILITIES

Capital Stock Issued.....	\$22,336,300.00
5% Bonds, 1925.....	11,149,000.00
Accounts Payable	1,274,943.22
Accrued Liabilities not due.....	662,344.58
Unearned Revenue.....	24,531.32
Employees' Benefit Fund.....	500,000.00
Surplus and Reserves	20,580,632.60
	<u>\$56,527,751.72</u>

Approved for Board of Directors,

L. B. McFARLANE,
Director.

C. F. SISE,
Director.

E. PALM,
Comptroller.

THE PRESIDENT AND DIRECTORS

BELL TELEPHONE COMPANY OF CANADA.

Gentlemen:

We certify that we have examined the financial books and records for the year ending December 31st, 1919, and that we have obtained all the information necessary for our purpose.

In our opinion the above Balance Sheet and relative Statement of Income and Expenses give a true and correct view of the state of the Company's affairs, according to the books and records shown by the books of the Company.

COMPARATIVE STATEMENT OF EARNINGS AND EXPENSES FOR THE YEARS 1918 AND 1919.

	1918	1919	Increase
Telephone Revenue	\$12,227,545.33	\$14,149,119.97	\$1,921,574.64
Operation Expenses	5,463,818.24	6,735,310.40	1,271,492.16
Current Maintenance . . .	1,903,624.51	2,507,791.78	604,167.27
Depreciation	2,648,760.00	2,316,200.00	332,560.00*
Taxes	534,256.93	654,602.50	120,345.57
Total Telephone Expenses	10,550,459.68	12,213,904.68	1,663,445.00
Net Telephone Earnings .	1,677,085.65	1,935,215.29	258,129.64
Sundry Net Earnings . . .	427,602.36	218,108.94	209,493.42*
Total Net Earnings	2,104,688.01	2,153,324.23	48,636.22
Deduct Interest	562,053.82	670,208.22	108,154.40
Balance	1,542,634.19	1,483,116.01	59,518.18*
Deduct Dividends 8% . . .	1,440,000.00	1,440,000.00	—
Balance carried to Surplus	102,634.19	43,116.01	59,518.18*

*Decrease

E. PALM,
Comptroller.

Records of The Bell Telephone Company of Canada for the year ended
and explanations required by us.
Statement of Earnings and Expenses are properly drawn up so as to exhibit a
true and correct view of the business of the company, and the explanations given to us, and as

(Sgd.) P. S. ROSS & SONS, Chartered Accountants.
Auditors.

STATISTICS

	At Dec. 31, 1919	Increase during Year
Number of Company Stations.	337,476	34,271
Number of Connecting and Miscellaneous Stations.....	106,231	6,523
Total Stations.....	443,707	40,794

Number of Miles of Wire.....	964,098
Number of Central Offices.....	421
Number of Employees, 31st December, 1919	11,443

Average Daily Connections 1919—Exchange	2,593,049
Average Daily Connections 1919—Long Distance	29,039

The following statements show the growth and revenue of the Company in five year periods, beginning at 1900, and for 1919.

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
1919	421	337,476	96,753	9,514

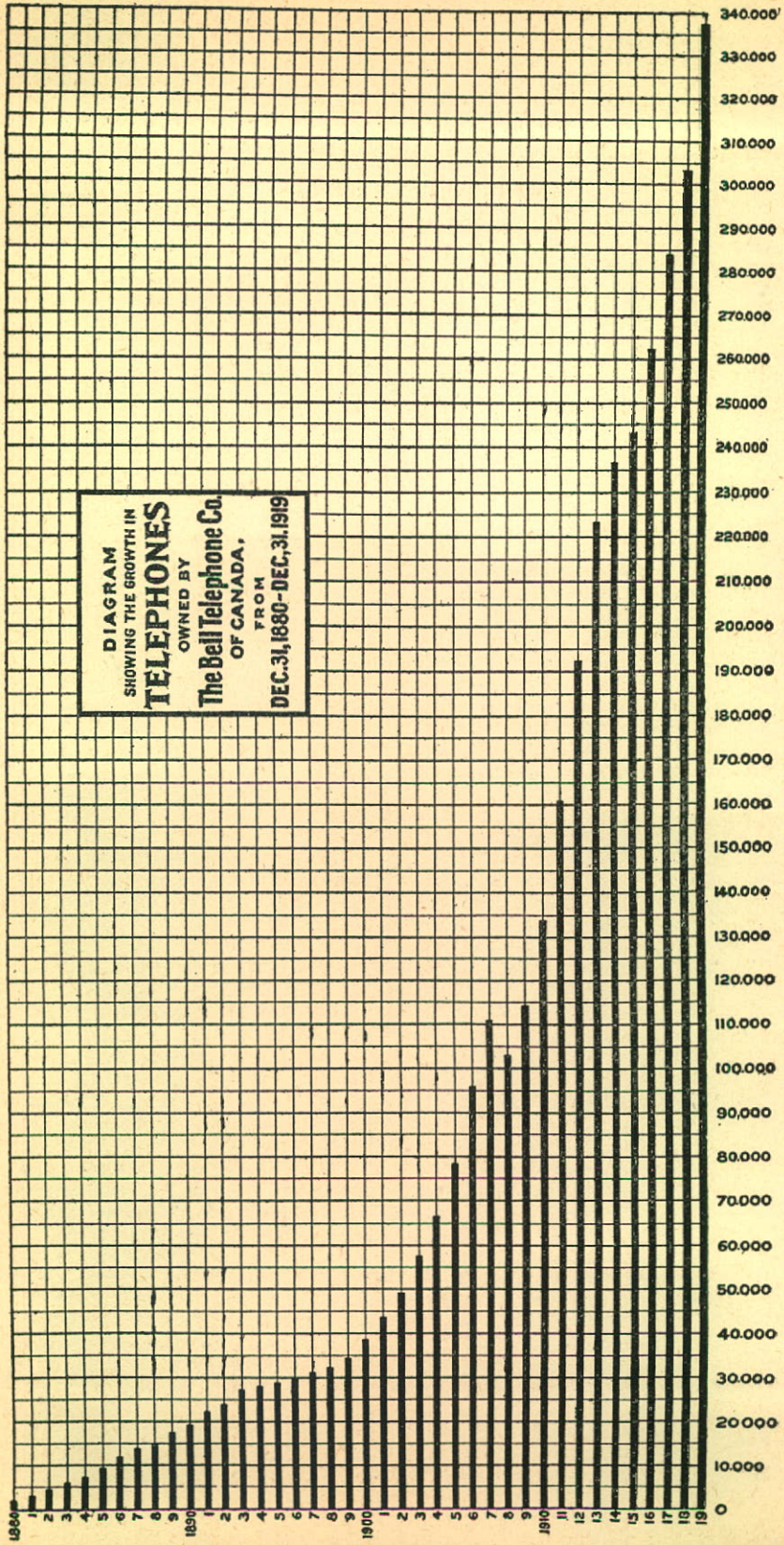
UNDERGROUND

Year	Miles Conduit	Miles	Miles Cable	Miles Wire
		Single Duct		
1900	46.71	321.07	156.57	30,686.40
1905	99.62	572.56	264.34	94,131.80
1910	191.10	1,014.66	453.35	208,956.02
1915	300.00	1,860.00	819.60	450,665.00
1919	608.00	2,309.00	1,058.94	587,744.00

Total Assets, and percentage of Net Earnings thereto, in five year periods, and for 1919.

Year	Total Assets (Excluding Cash and Receivables)	Exchange Revenue	Long Distance Revenue	Misc. Revenue and from Outside Investments	Expenses	Net Earnings	% Net Earnings to Total Assets
1890	\$2,822,581.	\$ 462,600.	\$ 109,236.	\$ 40,195.	\$ 432,176.	\$ 179,855.	6.3%
1895	4,765,644.	834,518.	178,313.	74,292.	760,463.	326,660.	6.8
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
1919	55,252,935.	10,108,143.	4,040,977.	218,109.	12,213,905.	2,153,324.	3.9

1896



NUMBER OF COMPANY STATIONS.

