

J. Francis

REPORT
OF THE
DIRECTORS TO THE SHAREHOLDERS
OF

**The Bell Telephone Company
of Canada**

For the Year ending 31st December,

1918



MONTREAL:

MORTON, PHILLIPS & CO., PRINTERS

REPORT

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DIRECTORS TO THE SHAREHOLDERS

OF

*The Bell Telephone Company
of Canada*

For the Year ending 31st December,

1918

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,
U. N. BETHELL,	GEO. H. THOMSON,
*C. F. SISE,	H. B. THAYER.

*Members of Executive Committee.

1918.

TO THE SHAREHOLDERS

Your Directors submit herewith a report on the financial condition of the Company and its operations for the year 1918.

A year of considerable activity in the telephone world has closed, but, because of the present abnormal financial position and the consequent cost of doing business, the net results have not been up to expectations.

A readjustment of conditions will doubtless follow the declaration of peace, and we hope the contraction may be gradual and thus prevent any deleterious results either to the interests of the employees or the shareholders.

Early in the year we experienced a shortage of labor, particularly among our operators, and, in addition to this, unrest and dissatisfaction was created in the staff owing to the large increase in wages in industries similar to our own. The promulgation of what is known as the "McAdoo Award," and its adoption by the Government and certain industries in Canada, added to this unrest. We endeavored to meet the situation early in the year by a substantial increase in wages, but this did not prove satisfactory and a further and greater increase had to be granted in the fall. In spite of this the agitation continued, and a Board of Conciliation was demanded by certain of our employees in Toronto. We made our case before this Board, and it is satisfactory to record that there was practically no criticism made of our working conditions; and the difference still remaining in the matter of wages was so slight that an amicable arrangement was reached, and the Board of Conciliation was not called upon to make a report. These conditions,

together with the heavy increase in the cost of materials and supplies of all kinds, made necessary an application to the Board of Railway Commissioners for Canada for a general advance in rates throughout the territory in which we operate. There have been hearings of this case at Ottawa, Montreal and Toronto.

The financial condition of the Company made it desirable to restrict expansion within the limits of absolute necessity, and to continue the policy of development pertaining to war or war industries. Nevertheless, we show an increase of 18,944 stations during the year, and have met all such demands, and other demands in the public interest. As showing the difficulty of procuring apparatus, it may be mentioned that it is necessary to order switchboards two years in advance to secure delivery.

2,888 miles of wire were added to the Long Distance System in 1918. The Long Distance Lines now owned and operated by the Company comprise 85,303 miles of wire on 9,441 miles of poles, and 6,615 miles of wire in underground and submarine cables.

Eight hundred and thirty-three of our employees enlisted for Military Service abroad, and 584 were still so serving at the close of the year. 79 have laid down their lives, 4 are missing or prisoners and 166 have been discharged from Military Service. The Company promised re-employment to all permanent employees in the service prior to the outbreak of the war who enlisted, and this promise has been and will continue to be met.

The policy of freely interchanging business with non-competing companies has been continued, and 703 local telephone organizations, serving 95,957 subscriber stations, have established reciprocity of service by contracts mutually satisfactory. In addition, interchange under conditions laid down by the Board of Railway Commissioners for Canada has been effected with three competing companies, operating 2,894 stations.

We have to report with profound personal sorrow, as well as a strong sense of the loss to the Company, the death on the 9th April, 1918, of Mr. Charles Fleetford Sise, Chairman of the Board; and on the 2nd July, 1918, of Mr. Charles Cassils, Vice-President.

Mr. Sise formed the Company in 1880, and was the guiding spirit of the organization from its inception until he was made Chairman of the Board in 1915. To his foresight and prudence the prosperity of the Company during the thirty-five years of his active leadership may fairly be attributed. He served well the Shareholders and the Public, and deservedly enjoyed the esteem of both. The Board, the officials and the entire staff of the Company will always remember him with affectionate regard.

Mr. Cassils also in the twenty-three years during which he sat on the Board was a most valuable counsellor, whose interest in the affairs of the Company was keen and unceasing. He was a confrere who was universally beloved.

Mr. George H. Thomson, of Quebec, Vice-President of the Union Bank, was appointed to succeed Mr. Sise, and Mr. H. B. Thayer, of New York, President of the Western Electric Company, to succeed Mr. Cassils.

During 1918 land was purchased at New Toronto, on which a central office building has been erected, and in addition central office buildings have been completed or are in course of construction at Thorold, Collingwood, Toronto ("Kenwood") and Ottawa ("Sherwood"). Additional storeys have also been added to the central office buildings at Windsor and Toronto Junction.

The numerous buildings of the Company are under constant inspection, both in regard to possible fire hazard and upkeep, by an official outside of the Plant Department which is responsible for their condition.

The net charge to revenue on account of the Pension and Benefit Plan was \$131,398.49, which amount, being 1.979% of the pay rolls, was voted by the Directors in accordance with the By-Law in order to restore the Fund to \$400,000. During the year 27 Sickness Death Benefits, 227 Accident Benefits (including four fatal accidents), and 2,188 Sickness Benefits were granted. Three Pensions have been granted, and one Pensioner has died, the number of Pensions presently in force being eleven.

The epidemic of Influenza proved a heavy tax on the Fund, the cases of illness and deaths during the months of October and November which came under the provisions of the Plan being about five times the normal number. This does not adequately represent the loss of service sustained by the Company on account of the epidemic, as in death cases only employees with at least five years service, and in sickness cases with two years service, are eligible for benefits, and in addition sickness benefits do not accrue until the eighth day. The staff suffered to a much greater extent than is exhibited in the figures of the Plan. At some small Exchanges 80% of the staff was absent at one time, while at the largest Exchanges the percentage of absentees varied from fifteen to twenty-five per cent.

The difficulties of the situation were increased by the additional traffic, estimated at from 10% to 20%, we were called upon to handle, as many of our subscribers unable to leave their homes or offices made greater use of their telephones. It was necessary to draw the attention of the public to this situation, and our appeal that telephone conversations be limited to such as were absolutely necessary met a gratifying response, and produced marked amelioration in the conditions.

Every effort was made by the Company to combat the epidemic and to furnish service, and great credit is

due to the staff for what we were able to do in the latter regard. Operators cheerfully gave up holidays, clerks and others who could operate responded to our request for their services at the switchboards, and many of our ex-employees at different exchanges came to our aid by working one or two hours daily when their services were required. Credit is also gratefully given to those employees in comparatively healthy districts who volunteered to go to offices where we were badly crippled by the epidemic. These employees took their lives in their hands in loyalty to the Company.

The difficult conditions produced by the War, the shortage of both staff and supplies, have rendered the task of the officers and employees unusually heavy; but the situation has been met by all in a spirit of loyalty to the Company and devotion to the needs of the Public, which deserves the best thanks of the Shareholders.

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, 27th February, 1919.

BALANCE SHEET, DECEMBER 31, 1918.

ASSETS

Real Estate.....	\$ 4,183,352.25
Telephone Plant.....	40,162,918.27
Furniture, Tools and Supplies	1,737,388.40
Cash.....	173,931.88
Bills and Accounts Receivable.....	845,227.78
Investments.....	<u>3,598,652.12</u>
	<u>\$50,701,470.70</u>

LIABILITIES

Capital Stock Issued.....	\$18,000,000.00
5% Bonds, 1925.....	11,149,000.00
Accounts Payable.....	603,206.78
Accrued Liabilities not due.....	945,802.40
Unearned Revenue.....	26,713.75
Replacement and other Reserves.....	17,290,190.97
Employees' Benefit Fund.....	400,000.00
Surplus.....	<u>2,286,556.80</u>
	<u>\$50,701,470.70</u>

Audited and verified,

(subject to our Report of 5th February)

P. S. ROSS & SONS,

Chartered Accountants,

Auditors.

E. PALM,

Comptroller.

Approved for Board of Directors,

L. B. McFARLANE,

Director.

C. F. SISE,

Director.

COMPARATIVE STATEMENT OF EARNINGS AND
EXPENSES FOR THE YEARS 1917 AND 1918.

	1917	1918	Increase
Telephone Revenue.....	\$11,179,162.07	\$12,227,545.33	\$1,048,383.26
Operation Expense.....	4,545,328.05	5,463,818.24	918,490.19
Current Maintenance....	1,595,366.19	1,903,624.51	308,258.32
Depreciation.....	2,470,000.00	2,648,760.00	178,760.00
Taxes.....	422,427.22	534,256.93	111,829.71
Total Telephone Expenses	<u>9,033,121.46</u>	<u>10,550,459.68</u>	<u>1,517,338.22</u>
Net Telephone Earnings.	2,146,040.61	1,677,085.65	468,954.96*
Sundry Net Earnings ...	388,030.73	427,602.36	39,571.63
Total Net Earnings.....	2,534,071.34	2,104,688.01	429,383.33*
Deduct Interest.....	561,001.30	562,053.82	1,052.52
Balance.....	1,973,070.04	1,542,634.19	430,435.85*
Deduct Dividends 8% ...	1,440,000.00	1,440,000.00	
Surplus Earnings...	<u>533,070.04</u>	<u>102,634.19</u>	<u>430,435.85*</u>

*Decrease.

Audited and verified,
(subject to our Report of 5th February)

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

E. PALM,
Comptroller.

Approved for Board of Directors,

L. B. McFARLANE,
Director.
C. F. SISE,
Director.

STATISTICS

	At Dec. 31, 1918	Increase during Year
Number of Company Stations.	303,205	18,944
Number of Connecting and Miscellaneous Stations.....	99,708	4,776
<hr/>	<hr/>	<hr/>
Total Stations.....	402,913	23,720
<hr/>	<hr/>	<hr/>
Number of Miles of Wire.....	894,367	
Number of Central Offices.....	428	
Number of Employees, 31st December, 1918.....	10,115	
<hr/>	<hr/>	<hr/>
Average Daily Connections 1918—Exchange.....	2,432,065	
Average Daily Connections 1918—Long Distance.....	27,753	

The following statements show the growth and revenue of the Company in five year periods, beginning at 1900, and for 1918.

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
1918	428	303,205	91,918	9,441

UNDERGROUND

Year	Miles Conduit	Miles Single Duct	Miles Cable	Miles Wire
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
1918	363.00	2,151.00	972.93	534,334.00

Total Assets, and percentage of Net Earnings thereto, in five year periods, and for 1918.

Year	Total Assets (Excluding Cash and Receivables).	Exchange Revenue	Long Distance Revenue	Misc. Revenue and Revenue 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
1918	49,682,311.	8,790,218.	3,437,328.	427,602.	10,550,460.	2,104,688.	4.2

P. S. ROSS & SONS
CHARTERED ACCOUNTANTS
MONTREAL AND WINNIPEG

MONTREAL, February 5th, 1919.

The President and Directors,
Bell Telephone Co. of Canada,
Montreal.

GENTLEMEN,

We beg to report having completed our audit of the books and financial transactions of your Company for the year ended December 31st, 1918, and certify that the following statements correctly show the position of your Company at that date according to best of our information, the books, records and vouchers examined by us and as shown by the books of account, namely:—

1.—Revenue Account.

2.—Assets and Liabilities.

The cash transactions and agency reports of local offices and exchanges have been periodically checked and verified, and the disbursements have been substantiated by duly approved vouchers.

The entries appearing in the various Bank Accounts have been verified and the balances established at 31st December, 1918. These balances have been further corroborated by certificates from the different banks.

The inventories of plant, machinery and supplies have been accepted by us as correct, same having been duly certified by your Plant Accountant.

The securities and investments of the Company as detailed in the Balance Sheet have been verified by us personally and we have seen a certificate from the Royal Trust Co., certifying to the amount of bonds of the Manitoba Government held on deposit by them for your account.

All the requirements of our audit have been complied with.

Respectfully submitted,

(Signed) P. S. ROSS & SONS,

Chartered Accountants.

DIAGRAM
SHOWING THE GROWTH IN
TELEPHONES
OWNED BY
The Bell Telephone Co.
OF CANADA.
FROM
DEC. 31, 1880 - DEC. 31, 1918



