

J. Francis

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

For the Year ending 31st December,

1917



MONTREAL :
MORTON, PHILLIPS & CO., PRINTERS

REPORT

OF THE

DIRECTORS TO THE SHAREHOLDERS

OF

**The Bell Telephone Company
of Canada**

For the Year ending 31st December,

1917

Officers :

C. F. SISE,	- - - -	Chairman of the Board.
L. B. McFARLANE,	- - - -	President.
CHARLES CASSILS,	- - - -	Vice-President.
C. F. SISE, JR.,	- - - -	General Manager.
W. H. BLACK,	- - - -	Secretary.
WM. GEORGE SLACK,	- - - -	Treasurer.
E. PALM,	- - - -	General Auditor.

Directors:

C. F. SISE,	U. N. BETHELL,
THEO. N. VAIL,	C. F. SISE, JR.,
HUGH PATON,	THOS. AHEARN,
CHARLES CASSILS,	A. J. DAWES,
L. B. McFARLANE,	F. W. MOLSON,
Z. A. LASH, K.C.,	W. F. ANGUS.

1917.

TO THE SHAREHOLDERS OF

The Bell Telephone Company of Canada.

The Directors of the Company respectfully submit the following report of the business for the year 1917.

In the financial statements submitted will be noted a gratifying increase in the gross earnings. The operating costs, regardless of rigid economy and careful management, have, however, risen out of proportion to the earnings, owing to higher cost of material and supplies and increased compensation to employees, while the rates chargeable for telephone service remain constant.

Another factor to be considered is the extraordinary increase in taxes which the Company was called upon to bear.

We would call attention to the table on page twelve, showing the total assets and percentage of net earnings thereto in five year periods, and for the year 1917, which list shows the smallest percentage of earnings to net assets in the history of the Company. As has been explained on previous occasions, a part of our earnings is derived from investment of the shareholders' funds and from the use of surpluses year by year in extending and improving the operating plant of the Company. The percentage of earnings shown on this statement is figured on the total assets and not alone upon the proceeds of stock and bonds.

The difficulty in securing experienced labor and telephone apparatus, and the need of conserving capital

expenditure not required to aid in the prosecution of the war or of vital importance, have forced us to retard our ordinary programme for expansion. We have, therefore, provided only such plant as was deemed imperatively essential to proper operation and the maintenance of efficient service.

Notwithstanding these restrictions there was a net gain of 22,362 subscriber stations during the year.

To attain this increase in stations we have been forced, by the unprecedented and abnormal conditions, to encroach on the reserve margin in constructed plant which it is customary to carry in all Exchanges. This margin must be re-established at a future date; but as all indications point to the need of continued conservation of resources, we may be compelled to exhaust the remainder of the surplus plant. The all embracing demands of the war have caused an acute shortage in telephone material. It is not only abnormally expensive, but some of it cannot be had at any price. It was only through our good financial position at the outbreak of the war that we have been able to meet the public demands for service, in the face of mounting costs and scarcity of skilled labour.

The Company has arrangements for an interchange of business with 682 local telephone organizations, serving 94,595 subscriber stations, thus affording intercommunication with our subscribers.

6,691 miles of wire were added to the Long Distance system in 1917. The Long Distance Lines now owned and operated by the Company comprise 82,716 miles of wire on 9,399 miles of poles, and 6,314 miles of wire in underground and submarine cables.

During 1917 property was purchased at Lindsay, Thorold, Toronto (East), Chatham and Collingwood, Ont., in addition to a pole yard at Clinton, Ont., and a property, with buildings thereon, at Lac L'Achigan,

Que., secured as a Vacation Camp for our female employees. Construction of the following buildings was started in 1917, and they are either completed or about ready to receive the Central Office apparatus; namely, a Branch Exchange in the eastern section of Hamilton, and Central Office buildings at Lindsay, Smith's Falls, Ont., and St. Hyacinthe, P.Q.

To the end of the year 691 of our employees have enlisted for military service abroad, of which number 315 have families or relatives dependent upon them, who are still receiving part pay from the Company. This compensation was granted to employees who enlisted prior to 31st of March, 1916. 82 of our men have returned, and 47 have made the supreme sacrifice. To those who have returned the Company has made good its promise of re-employment.

In April the Company subscribed for \$365,000.00 of the Third War Loan, and in December subscribed \$225,000.00 of the Victory Loan. This brings our holdings in war bonds to \$997,500.00.

The Company also offered facilities to its employees to subscribe for Victory Bonds, agreeing to acquire the bonds on their behalf and deduct payments monthly from the pay rolls. This offer was taken advantage of by 2,326 employees, who subscribed for a total of \$153,900.00 of Bonds.

The Board of Directors authorized a contribution of \$1,000.00 to the telephone employees at Halifax, who were sufferers by the disastrous explosion in the harbor at that place, and \$250.00 to the Navy League of Canada.

We shall ask you to approve of the foregoing contributions, as well as of certain other subscriptions to public, charitable and patriotic purposes which have been made during the year.

You will also be asked to pass a Resolution at this meeting authorizing the Directors during the current year to expend an amount not exceeding \$10,000.00 for similar purposes to those above enumerated.

The Plan for Employees' Pensions, Disability Benefits and Death Benefits authorized at the last Annual Meeting, under By-Law No. 16, was put into effect on the 1st of July, 1917.

The number of pensions in effect at the inauguration of the Plan was nine; no additional pensions have been granted.

During the six months the Plan has been in operation, 532 employees have received \$29,158.00 Sick Benefits, for periods limited by the length of illness or length of service; and 146 have received \$5,480.00 on account of accidents which occurred to them in the course of their employment.

The Workmen's Compensation Acts, in both Ontario and Quebec, compel payments for injuries arising out of and in the course of employment by the Company, but we have in the Plan followed our established practice, which is more liberal than the Acts in question, and, in consequence, have satisfied both our employees and the Workmen's Compensation Boards. While the cases reported were numerous, in many of them the injuries were trifling, and necessitated only short absences from work. There was one fatal accident.

In the case of two employees having wholly dependent relatives, and whose term of service entitled them to Death Benefits, the amounts have been paid over, and have been gratefully received.

The total payments have been \$39,841.34, or after deducting \$7,907.08 interest earned on the average balance of the Reserve, there is a net charge to the Fund of \$31,934.26. This is equal to 1.07% of the pay roll, which is well within the limit of 2% authorized.

In accordance with the By-Law, the Board has authorized the above sum of \$31,934.26 to be added to the Fund, restoring it to its original amount of \$400,000.00.

There is evidence that the benefits provided by the Plan are greatly appreciated by the employees, and that the Company itself is reaping an advantage in increased loyalty and efficiency of the staff. We anticipate greater results from the permanence of employment which the Plan will induce, and which is the chief measure of the benefits granted.

The officers and employees of the Company have rendered faithful and efficient services during the year, and the thanks of the shareholders are due to them for the results which have been achieved in the face of very unusual conditions.

The financial statements are appended hereto.

All of which is respectfully submitted.

CHARLES CASSILS,

Vice-President.

L. B. McFARLANE,

President.

MONTREAL, February 28th, 1918.

BALANCE SHEET, DECEMBER 31, 1917

ASSETS

Real Estate.....	\$ 4,007,964.65
Telephone Plant.....	37,135,408.57
Furniture, Tools and Supplies.....	1,528,453.80
Cash	748,061.52
Bills and Accounts Receivable.....	819,175.36
Investments	3,350,497.69
	<u>\$47,589,561.59</u>

LIABILITIES

Capital Stock Issued.....	\$18,000,000.00
5% Bonds, 1925.....	11,149,000.00
Accounts Payable.....	305,368.73
Accrued Liabilities not due.....	577,189.93
Unearned Revenue	30,945.36
Replacement and other Reserves.....	14,946,032.32
Employees' Benefit Fund.....	400,000.00
Surplus.....	2,181,025.25
	<u>\$47,589,561.59</u>

Audited and verified

(subject to our Report of 8th February, 1918),

P. S. ROSS & SONS,

Chartered Accountants,

Auditors.

E. PALM,

General Auditor.

Approved for Board of Directors,

L. B. McFARLANE,

Director.

CHAS. CASSILS,

Director.

EARNINGS STATEMENT FOR YEAR 1917

Gross Earnings.....	\$11,567,192.80
Operation Expense.....	\$4,545,328.05
Current Maintenance.....	1,595,366.19
Depreciation.....	2,470,000.00
Taxes.....	422,427.22
	<hr/>
Net Earnings.....	2,534,071.34
Deduct Interest.....	561,001.30
	<hr/>
Balance.....	1,973,070.04
Deduct Dividends 8%.....	1,440,000.00
	<hr/>
Surplus Earnings.....	\$ 533,070.04
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Audited and verified

(subject to our Report of 8th February, 1918),

P. S. ROSS & SONS,

Chartered Accountants,

Auditors.

E. PALM,

General Auditor.

Approved for Board of Directors,

L. B. McFARLANE,

Director.

CHAS. CASSILS,

Director.

STATISTICS

	At Dec. 31, 1917	Increase during Year
Number of Company Stations..	284,261	22,362
Number of Connecting and Miscellaneous Stations	94,932	6,618
Total Stations.....	379,193	28,980

Number of Miles of Wire.....	861,511
Number of Central Offices.....	430
Number of Employees, 31st December, 1917.....	9,531

Average Daily Connections 1917—Exchange	2,350,920
Average Daily Connections 1917—Long Distance....	25,962

The following statements show the growth and revenue of the Company in five year periods, beginning at 1900, and for 1917.

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
1917	430	284,261	89,030	9,399

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
1917	333.00	2,087.00	923.94	510,535.00

Total Assets, and percentage of Net Earnings thereto, in five year periods, and for 1917.

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
1917	46,022,325.	8,162,901.	3,016,261.	388,031.	9,033,122.	2,534,071.	5.5

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

GENTLEMEN,

We beg to report having audited the financial transactions of your Company for the year ended 31st December, 1917, and have verified the following Statements, viz.:—

- 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, 1917. 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 to 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.

Respectfully submitted,

P. S. ROSS & SONS,

Chartered Accountants.

MONTREAL, 8th February, 1918.

1880

1

2

3

4

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1890

1

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1900

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1910

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DIAGRAM
SHOWING THE GROWTH IN
TELEPHONES
OWNED BY
The Bell Telephone Co.
OF CANADA.
DEC. 31, 1880 - DEC. 31, 1917.

NUMBER OF COMPANY STATIONS.

290000

280000

270000

260000

250000

240000

230000

220000

210000

200000

190000

180000

170000

160000

150000

140000

130000

120000

110000

100000

90000

80000

70000

60000

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