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THE BELL TELEPHONE COMPANY OF CANADA

ANNUAL REPORT

1960







*During a 12-month period we have more than 5,000,000 directories printed. Our telephones in colour are promoted on the back cover of the latest directories.*

EIGHTY-FIRST

# ANNUAL REPORT

THE BELL TELEPHONE COMPANY OF CANADA  
1050 BEAVER HALL HILL, MONTREAL

A Canadian company owned in Canada

Of the 171,288 shareholders 97 per cent reside in  
Canada, and they own 92 per cent of the total stock.

YEAR ENDED DECEMBER 31, **1960**

## DIRECTORS

L.-J.-ADJUTOR AMYOT *Quebec*

HENRY BORDEN, C.M.G., Q.C. *Toronto*

C. GORDON COCKSHUTT, M.C. *Brantford*

JAMES E. DINGMAN *New York*

THOMAS W. EADIE\* *Montreal*

JAMES A. ECCLES\* *Montreal*  
*deceased March 3, 1960*

MARCEL FARIBAULT\* *Montreal*

JOHN A. FULLER\* *Montreal*

R. DICKSON HARKNESS, D.S.O., M.C.\* *Montreal*

FREDERICK JOHNSON\* *Montreal*

ROBERT A. LAIDLAW *Toronto*

HERBERT H. LANK\* *Montreal*  
*appointed April 27, 1960*

RAY E. POWELL\* *Montreal*

EDWARD A. ROLPH\* *Montreal*

CHARLES F. SISE\* *Montreal*  
*deceased November 10, 1960*

GRAHAM F. TOWERS, C.M.G. *Ottawa*

*\*Member of the Executive Committee*

## OFFICERS

THOMAS W. EADIE

*President and Chairman of the Board*

EDWARD A. ROLPH

*Executive Vice-President*

GEORGE M. GRANT, C.B.E.

*Vice-President*

JAMES A. HOBBS

*Vice-President*

R. HOLLEY KEEFLER, C.B.E., D.S.O.

*Vice-President*

ALEXANDER G. LESTER

*Vice-President*

SIMCOE C. SCADDING

*Secretary*

JACK R. LOGAN

*Vice-President & Treasurer*

WILLIAM McNEILL, O.B.E.

*Comptroller*

NORMAN A. MUNNOCH, Q.C.

*Vice-President & General Counsel*

ROBERT C. SCRIVENER

*Director of Business Development*

HAROLD G. YOUNG

*Vice-President*

JOHN A. DOCHSTADER

*Assistant to the President*

### VICE-PRESIDENTS & GENERAL MANAGERS

W. HARVEY CRUICKSHANK *Toronto Area*

ARNOLD J. GROLEAU *Toll Area*

C. LEONARD DEWAR, O.B.E. *Montreal Area*

WALLACE M. RANKIN *Western Area*

MARCEL VINCENT *Eastern Area*



## A MESSAGE FROM THE PRESIDENT

This was a year of substantial growth for our Company, producing financial results similar to those obtained in 1959. During these twelve months many changes in our methods, organization and services were set in motion. They will strongly reinforce our ability to meet our customers' varied and increasing requirements both immediately and in the years ahead.

In all we undertake, we must look long and hard at the effects from the customer's point of view. He is concerned above all with the value of his service, but many things go to make up this concept of value. He will look for efficiency and reliability. He will compare the cost of service to the advantages it brings him, and to what he might get from spending the same money in other ways. And he will be influenced by the enterprise and imagination with which the telephone company and its people work to satisfy his personal wants and preferences.

We have kept these considerations firmly in mind while developing the new services and telephones you will read about in this report.

This decade in Canada will see the far-reaching mechanization of many industrial and administrative processes. By 1970 our telephone network may well be as fully occupied carrying information from machine to machine as calls between people. With the demand for versatile and flexible communications growing all the time, we have been working on a number of special services, truly revolutionary in scope and character. They will make it possible for information to be sent between business machines as easily as people talk from one telephone to another. The calls for these machines to communicate will be routed and connected just like a spoken call. Customers will also be offered an optional service providing flat rate calling over a wide area, particularly convenient and economical for large users of long distance. And they will be able to rent a block of frequencies on a chosen route to carry whatever mix of communications — voice, teletype and data — best meets the needs of their business.



*This was the first full year of operation for regular long distance service to Frobisher Bay on Baffin Island. At the official opening of the service in Ottawa, Mr Eadie points out the route which the calls will follow. His audience consists of The Honourable George Hees, who was then Minister of Transport, The Honourable Alvin Hamilton, then Minister of Northern Affairs, and Marie Panegoosho, Art Director of the Eskimo magazine 'Inkutilut'.*

In general our offerings to business customers have to meet three requirements. Our installations must be capable of handling a wide variety of business communications. We have to offer service on a continental basis — through integrated planning with other telephone companies in Canada and the United States. And we have to be prepared to carry a full range of services to mining and other developments remote from our present network.

A great deal is also being done to increase the convenience of our services in the home, and adapt them continually to modern Canadian living. Our customers show growing interest in the improvements and attractive new telephones we are offering them.

This Company is in the communications business; customers today look to us for much more than bare-bone telephone service. But many of our offerings have to prove themselves against those of other companies — prove themselves in quality, value and convenience. Failure to be competitive in a growing, changing market would condemn our Company to inevitable and continuous decline. Also, all these varied services must be provided at a remunerative price — in order that the cost of basic service may be kept as low as possible.

Two events of the highest importance to our industry took place in 1960 — the successful testing of satellite communications and the opening of the first electronic central office. Both of these developments, which open up wide new horizons of service for telephone users, owed much to the superb



research work being done by the Bell Telephone Laboratories. It just would not be economically feasible for any company in this country to engage in the costly activities required to produce results of this kind. However, we do have full access to the findings of the Laboratories through our service contract with the American Telephone and Telegraph Company, and make good use of them in serving our Canadian customers. Meanwhile, the Research and Development Department of the Northern Electric Company, our manufacturing subsidiary, is working on a growing variety of projects which have particular application here in Canada.

You will find in this report a record of growing efficiency and sustained cost control born of new methods of carrying on our business. They include a number of mechanization projects.

The way this Company is developing and changing has naturally had an effect on employment. During the past 10 years, better methods, new tools, advancing mechanization and a rising level of personal ability have raised the number of telephones served per thousand employees from 57,400 to 98,600. Our intake of new employees has been correspondingly reduced; even so we still have difficulty finding enough qualified girls to fill vacancies for clerks and operators. Meanwhile, the proportion of men in the Company has risen from 37 to 44 per cent, and there has been a steady increase in management positions, including engineering and other specialized work. This shift in employment emphasis may be expected to continue, and provide many opportunities for satisfying work and personal advancement for able and energetic men and women.

Our obligations to the public demand that we project our service plans well beyond the immediate future. We can do this only if the economic health of the business is sustained through good earnings, for here lies the well-spring of service. Certainly we are not content with our current level of earnings, and the utmost effort will be devoted to ensuring that this Company continues to develop both as a profitable enterprise and a progressive public service.

A handwritten signature in dark ink, appearing to read "H. W. Adams". The signature is fluid and cursive, with a large, sweeping initial "H" and a long, horizontal tail stroke.

Montreal, February 4, 1961.

## ***REPORT IN BRIEF***

### **EARNINGS**

We earned \$2.52 per share; the return on invested capital was 6 per cent. Dividend payments were \$2.20 per share. Accumulated surplus now stands at \$2.47 per share.

### **REVENUES AND EXPENSES**

In a year of slower national progress, revenues rose by only 7.5 per cent. The increase in expenses was held to 5.5 per cent.

### **SERVICE IMPROVEMENT**

\$208,000,000 was invested in improving service and providing new service. We added 184,000 telephones and carried 6 per cent more long distance calls.

More customers ordered individual lines and extensions for their homes. The Princess and other telephones in colour sold well. Many new services were developed for our business customers.

Direct Distance Dialing was introduced in Montreal and several other centres. Telephone service was brought to more communities in Northern Quebec and Labrador.

### **FINANCING**

We raised \$110,000,000 in three bond issues in 1960, and \$35,000,000 in an issue dated January 2, 1961. Our long term debt now amounts to \$580,000,000 — 88 per cent raised in Canada.

### **RISING EFFICIENCY**

Again this year heightened efficiency enabled fewer employees to handle more business. Technical advances helped improve service and keep down costs. Marketing received special attention; services were promoted vigorously.



## **FINANCIAL HIGHLIGHTS**

### EARNINGS SUMMARY

	1960	1959
Operating Revenues . . . . .	\$404,848,423	\$376,604,645
Other Income . . . . .	6,975,938	7,674,116
	<u>\$411,824,361</u>	<u>\$384,278,761</u>
Operating Expenses . . . . .	\$270,428,499	\$256,232,248
Taxes . . . . .	64,731,000	59,082,000
Interest . . . . .	23,152,955	18,680,935
	<u>\$358,312,454</u>	<u>\$333,995,183</u>
<b>EARNINGS AVAILABLE FOR DIVIDENDS</b>	<b>\$ 53,511,907</b>	<b>\$ 50,283,578</b>
Dividends to shareholders . . . .	46,652,348	41,574,575
Retained in the business . . . . .	6,859,559	8,709,003

### FLOW OF FUNDS — 1960

#### SOURCE OF FUNDS

Retained earnings for the year . . . . .	\$ 6,859,559
Provision for depreciation, and net proceeds from disposals of plant . . . . .	79,563,830
Reduction of working capital . . . . .	23,202,687
Net proceeds from Employees' Stock Plan . . . .	10,049,592
Proceeds from bond issues . . . . .	108,294,822
	<u>\$227,970,490</u>

#### APPLICATION OF FUNDS

Construction Expenditures . . . . .	\$207,662,108
Redemption of bonds and debentures . . . . .	17,869,531
Miscellaneous items (net) . . . . .	2,438,851
	<u>\$227,970,490</u>



*This 14,300 foot submarine cable was laid in the St. Lawrence River between Kingston and Wolfe Island. The fast-moving operation, using two tugs and a cable-laying barge, took just three hours to complete.*



## THE REPORT OF THE DIRECTORS

In 1960 the Company earned \$2.52 per share, a return of six per cent on invested capital. With \$2.20 per share paid out in dividends, the retained balance brought our accumulated surplus to \$2.47 per share at the end of the year.

Reflecting a slowing down in the national economic progress, revenues were only 7.5 per cent higher than in 1959. Expenses increased by 5.5 per cent. This relationship points up the effectiveness of sustained cost control.

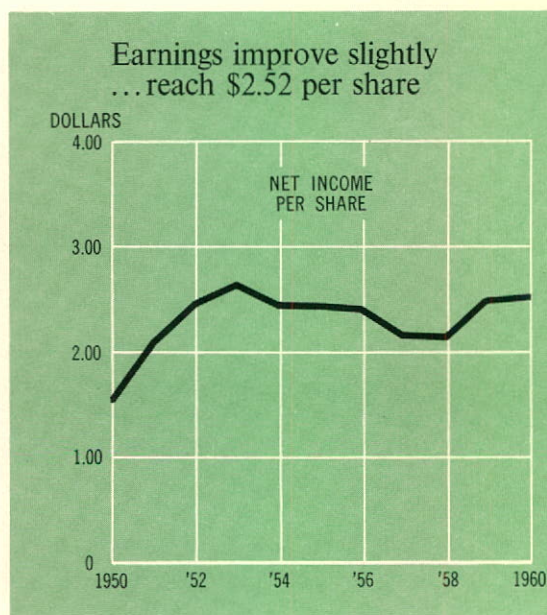
The two major revenue components — local service and long distance service — each increased by 7.4 per cent. Other revenues rose by 9.7 per cent.

An increase in wage rates — averaging  $3\frac{1}{2}$  per cent — went into effect in November. The 12-month contract, negotiated with the two unions which represent 28,000 employees, maintains our wage levels in good relationship with those paid in the communities we serve.

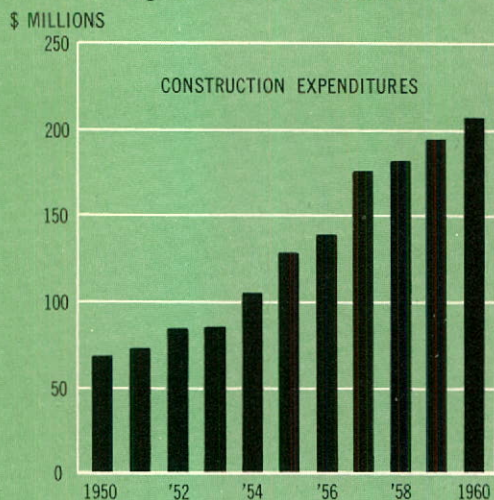
### *MORE AND BETTER SERVICE PROVIDED*

By the end of 1960 — after just over 80 years in business — we were operating 3,500,000 telephones and providing service for 2,500,000 customers.

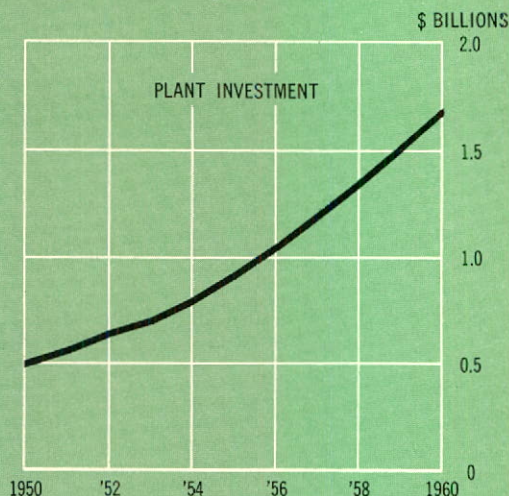
Our telephones in service have doubled in the last 10 years. This is due in part to the growth in population and business activity, in part to the fact that a greater proportion of people now have telephones in their homes. Ten years ago 70 out of every 100 households in our territory had telephones; the percentage today is more than 90.



Over \$200,000,000 spent  
to improve and extend service



\$1,700,000,000 now invested  
in plant and equipment



The convenience of more and better telephone service is meeting with growing appreciation. Last year 56 per cent of urban residence customers had individual lines; now 59 per cent have this better grade of service. Home extensions now equal 16 per cent of residence main phones, and 15 per cent of all the telephones we serve are in colour.

TELEPHONES	
Total, end of 1959	3,330,877
Added, 1960	184,130
Total, end of 1960	3,515,007

Use of long distance service continues to increase, though at a slower rate than in recent years. Our customers made six per cent more long distance calls in 1960 than in 1959.

## CONSTRUCTION BUDGET EXCEEDS \$200,000,000

In 1960, we invested \$208,000,000 in the buildings, equipment and other installations needed to increase and improve service. Here are some of the ways the money was spent:

We put up new buildings or added space for more equipment in over 100 communities.

Construction of our new building on Eglinton Avenue, Toronto, got under way. This is our largest building project and will house local administrative offices, Information operators, and the Western Region directory department.





*The men and women who work in the test centres do much to maintain the quality and reliability of telephone service. On the average, our customers call in about a service difficulty only once every two years.*

Some 80,000 telephones were converted from manual to dial service. Less than six per cent of our telephones still have manual service, and we are working to bring this down below one per cent within the next three years.

We made good progress in improving the service provided by our 200,000 telephones in country districts. Our program includes the steady reduction of the average number of customers on rural lines.

Several long distance switching centres were opened, making possible a major expansion of Direct Distance Dialing (DDD).

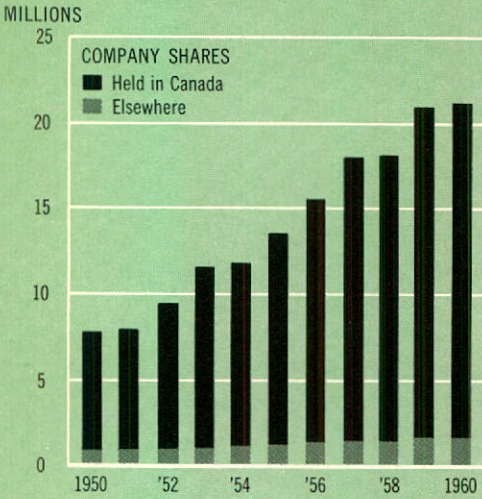
In cooperation with Québec-Téléphone, we began to build a radio relay chain from the lower St. Lawrence up to Gagnon, a new mining centre in Northern Quebec. We now operate an exchange at Gagnon.

In Labrador, a dial exchange was opened at North West River, site of the International Grenfell Association Hospital, and a manual exchange at Wabush.

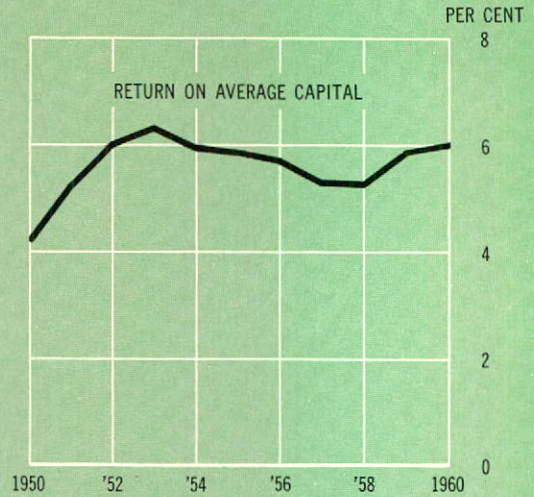
### ***\$110,000,000 RAISED THROUGH THE SALE OF BONDS***

During 1960 our financing — apart from employees' stock subscriptions — was limited to the sale of bonds. Three issues totalling \$110,000,000 were made, all underwritten and sold in Canada, with principal and interest payable in Canadian funds.

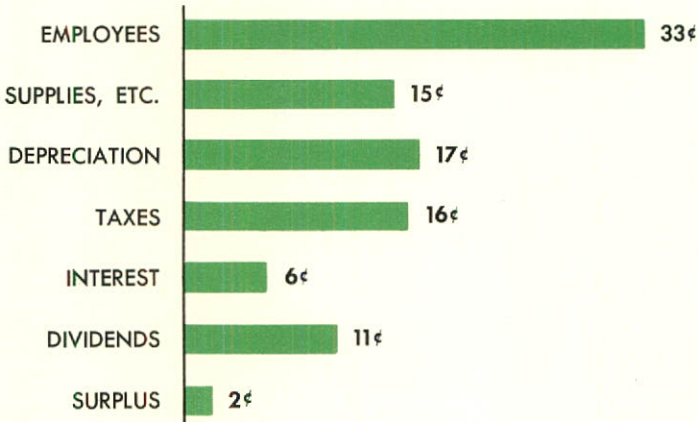
Canadians own 92 per cent  
of the Company stock



Rate of return at 6 per cent  
shows little change



*DISPOSITION OF INCOME DOLLAR*





Two issues totalling \$60,000,000 carried a coupon rate of  $6\frac{1}{4}$  per cent, while one issue of \$50,000,000 carried a rate of  $5\frac{3}{4}$  per cent. From the proceeds of these issues, \$18,000,000 was used to pay off maturing obligations.

Arrangements were completed in December to sell through Canadian underwriters \$35,000,000 of 6 per cent bonds dated January 2, 1961, maturing on January 2, 1986. Interest and principal are payable in Canadian funds. As delivery and payment did not take place until January 1961, this issue is not included in the long term debt at the end of 1960.

Of our total long term debt of \$580,000,000, which includes our most recent issue, we have raised 88 per cent in Canada.

Purchase of shares through the Employees' Stock Plan provided \$10,000,000 of additional capital. Some 22,000 employees are at present subscribing for stock.

On December 31, the Company had 171,288 shareholders. Of these, 166,627 (97.3 per cent) reside in Canada and hold 92 per cent of our stock. This is by far the largest body of Canadian share owners in any Canadian company. Only 4,661 shareholders reside outside Canada; the American Telephone and Telegraph Company now holds only  $3\frac{1}{2}$  per cent of the Company's shares.

### *NEW KINDS OF SERVICE — LOCAL AND LONG DISTANCE*

Much has been done in recent years to adapt the scope of service to our customers' changing requirements.

Through Extended Area Service (EAS), four out of five customers can now call beyond their own exchange with the cost included in the monthly charge for service. Previously EAS was considered practical only for exchanges not more than 10 miles apart. We are now offering it to communities which are separated by as much as 15 or 20 miles. Also, optional one-way EAS was arranged in some outlying suburbs of Montreal and Toronto, where a number of customers find this more convenient and economical than regular long distance calling to the city.

On March 6, DDD was introduced in Montreal. Later in the year Cornwall, Fort Erie, London, St. Thomas, Stratford and Valleyfield joined the DDD network, and by the end of December more than half of our customers were able to dial long distance calls direct to some 50,000,000 telephones in this country and the United States.

For DDD, all North America has been divided into numbered areas between which calls are routed automatically. Growth in telephones in some of these areas has almost used up the exchange prefixes still available under the two-letter, five-figure system of telephone numbering; many two-letter combinations cannot be developed into usable exchange names. It has therefore been decided to change over by stages to All Number Calling throughout the continent. Using seven figures will greatly increase the exchange designations available within each area.



*Our display of modern communications equipment at the Canadian National Exhibition in Toronto caught the interest of the businessman of today — and of tomorrow.*

### **MODERN SERVICES OFFER MANY ADVANTAGES**

A number of new services were introduced in 1960.

The Princess telephone, available in five pleasing colours, gives our customers a wider choice in the selection of telephones for their homes. Some 36,000 Princess phones had been installed by the end of the year.

Arrangements were made to wire houses for telephone service as they are being built. This concealed prewiring makes it much easier to provide customers with a complete and convenient telephone layout. We conducted a market test of a Home Interphone, which combines regular telephone service with room-to-room communication and talking to callers at the door from any telephone in the house. We also developed a communications system for the farm.

Among new business services, we are working on a centralized system for providing private exchange service, with all the switching equipment located



on Bell premises. Calls from outside can be dialed straight through to an extension telephone instead of being received and connected at a switch-board. The first installation of this type is scheduled for service in Montreal in 1961.

We are also introducing a repertory dialer, a mechanical device which provides rapid contact with frequently called numbers. The desired number is selected out of several hundred recorded in the instrument, and only the push of a button is required for it to be dialed automatically.

One of our most interesting jobs in 1960 was to install, in collaboration with Northern Electric who developed it, a high-speed electronic tape-sorter for the Toronto headquarters of The Hydro-Electric Power Commission of Ontario. The equipment receives on teletype tape a tremendous quantity and variety of information from many sources — billing details, wage payments, meter readings, and inventory. It sorts and reproduces everything automatically in preparation for processing by a computer.

Television continues to provide new opportunities for special services. Mobile microwave units, equipped to transmit from remote locations, are maintained in Montreal, Ottawa and Toronto, and are being widely employed by local television stations.

Providing convenient telephone service includes making sure there are plenty of handy public phones, and we now operate close to 48,000. Among recent developments are an attractive, roomier aluminum booth and a curbside "drive-up" phone that can be used without getting out of the car.

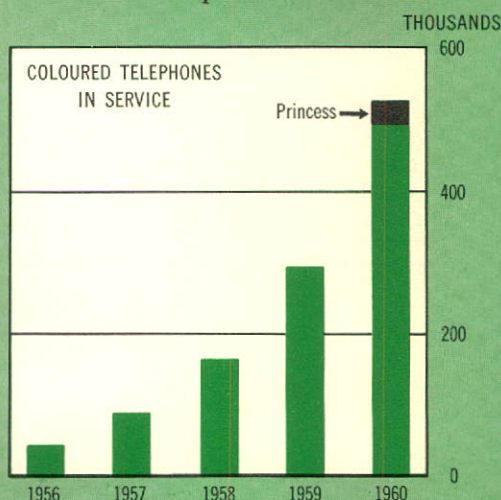
## *IMPROVING EFFICIENCY AND KEEPING DOWN COSTS*

Technical advances which give better service help as well to keep down the cost of providing it. For instance, burying wire and cable, which adds to the reliability of service, also often reduces installation and maintenance costs.

In 1960, new tools and protective materials were used to bury far more wire and cable than in any previous year — 460 miles of long distance cable, 430 miles of distribution cable, and some 1,300 miles of wire.

We are well advanced in our program for putting our cables under continuous-flow air pressure. This provides extra protection against moisture

## **Phones in colour more popular ...Princess telephone introduced**





getting into the cable and gives rapid warning of any damage to it. All long distance cables and all those which link central offices within an exchange are now under pressure. So, too, are many of the cables used to provide local service. As a result, our customers are experiencing far fewer interruptions in their service caused by cable trouble.

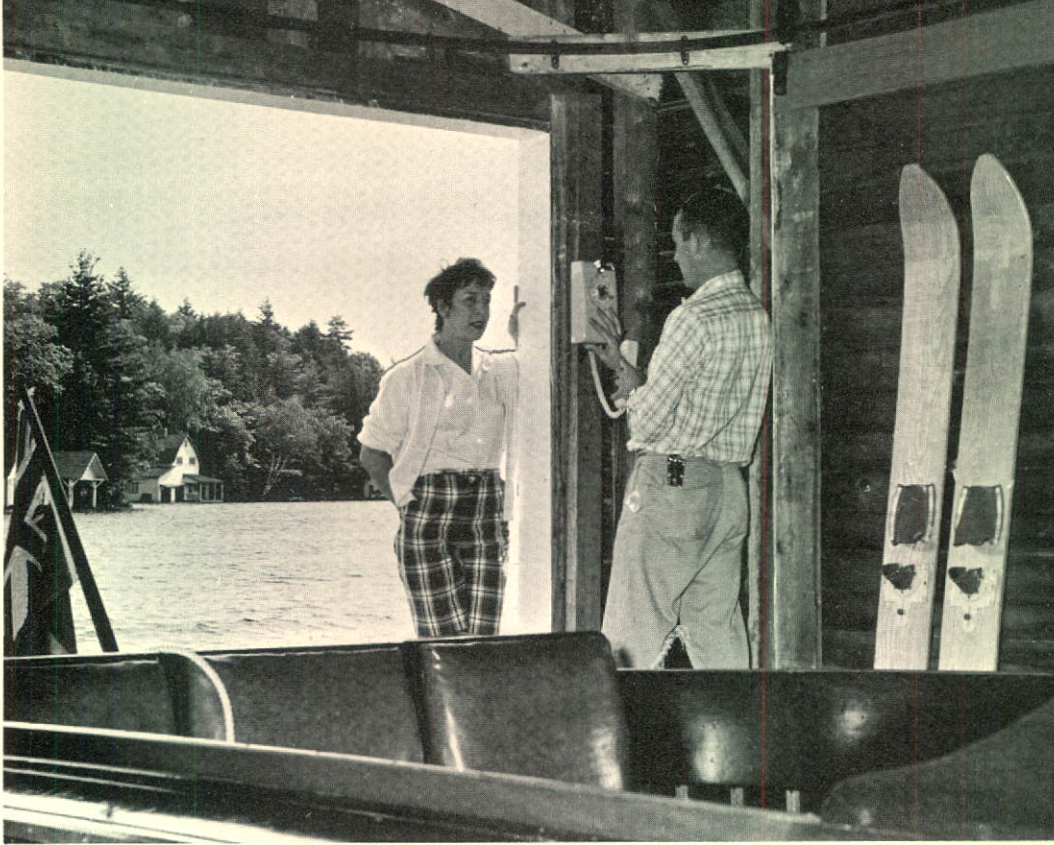
Good transmission is a priority requirement of good telephone service. To ensure high grade talking and data paths, we are increasing the number of carrier systems in operation; they allow several voice channels to be carried simultaneously over one circuit. So far carrier has been employed predominantly on long distance routes, but a new model has been designed to handle heavy calling between telephone offices within a metropolitan area. Since carrier can be installed and moved more quickly than cable, it has the added advantage of making it easier to adapt the local network to changes in our customers' calling pattern. This new application of carrier is one of the first products of the research and development laboratory recently established by Northern Electric.

Another engineering technique with many uses is "packaging" — pre-assembling blocks of equipment for rapid installation. It is being used not

*We are using an increasing number of trucks with radial-arm hydraulic derricks, which provide new reach and versatility. With this derrick, a truck delivering cable at a manhole can be parked at the side of the road so that it does not block the traffic.*







*There are many good places for extension telephones — such as a boathouse in the Muskoka Lakes. Service is provided by a combination of overland and underwater wire and cable.*

only for central office installations but also on the switching equipment for key-telephone systems. This equipment is assembled as a unit at the Northern Electric plant with all regular features built in for use as the customer requires. In some instances, pre-assembling has reduced installation time on our customers' premises from three weeks to two days.

### **ORGANIZATION REVISED TO IMPROVE SERVICE**

Good service requires good servicing — planning our activities and organizing our relations with the customer so that his orders are taken care of promptly and efficiently. With this in mind, we have set up a new marketing department and revised our sales operation in several ways. Special representatives are being appointed to coordinate and improve the service provided to our larger business customers.

In a business that depends so greatly on the handling of a vast number of individual contacts, it is most important that the organization encourage





*Line Foreman Claude Lachance of a Saguenay District construction crew visited Charles-Antoine Savard to ask permission to lay a cable across his farm. He found the St. Gédéon farmer, father of seven, helpless in bed following an accident — and his hay crop likely to be lost if not harvested at once. So the construction crew brought in the harvest during the next weekend.*



*Eleven guidance counsellors from Toronto high schools spent the first week of their summer vacations studying the selection, placement and development of new employees in our Company. Their visit gave them personal experience of switchboard operating and other telephone jobs.*



effective local action. Also, flexibility is needed to meet growth and changing situations. These were the governing purposes in the reorganization of our Western Area which took place in 1960. Two territorial divisions were set up under the Vice-President & General Manager, each with its own Operations Manager.

## *KEEPING OUR CUSTOMERS INFORMED*

We use many methods to inform customers about the scope and advantages of telephone services. We advertise in our own name and also as a member of the Trans-Canada Telephone System, and our advertising ranges from television programs to truck posters. Special attention is paid to arousing the interest of business customers in the many ways we can serve them. Our displays at fairs and exhibitions throughout Ontario and Quebec were visited during the year by over 400,000 people. Featured were the latest developments in home and business service, including the Princess telephone and Direct Distance Dialing.

## *EMPLOYEES CONTRIBUTE TO GOOD CUSTOMER RELATIONS*

Our broadening concept of the communications business, and the need to be competitive in that business, provide varied and stimulating assignments for telephone people. So, too, do the many new operating techniques. We have growing need of initiative, imagination and the intellectual ability to make the most of the materials and methods which communications research is developing so bountifully for us. During 1960, the employees showed keen appreciation of the demands of our changing situation, and responded enthusiastically to its challenges.

Some traditional contacts with our customers are inevitably disappearing. We are therefore paying even closer attention to the quality of those personal contacts that remain.

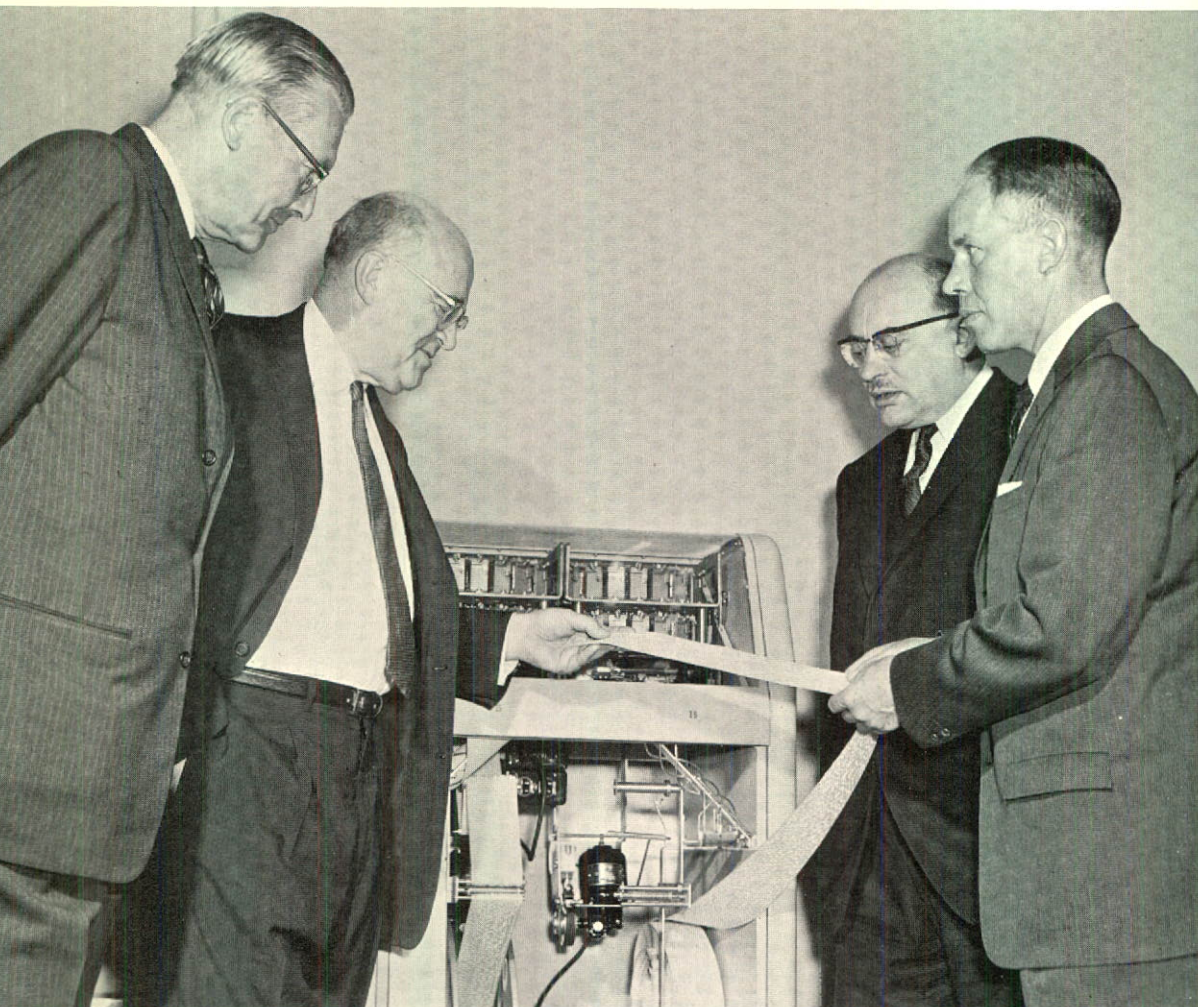
## **BENEFITS AND PENSIONS**

### **UNDER THE PLAN FOR EMPLOYEES' PENSIONS, DISABILITY BENEFITS AND DEATH BENEFITS**

*Year 1960*

Sickness Benefits. . . . .	\$1,189,057
Accident Benefits . . . . .	79,259
Death Benefits. . . . .	452,089
Disability Pensions. . . . .	64,902

The Company has established a fund with The Royal Trust Company, Montreal, as Trustee; this fund is irrevocably devoted to service pension purposes. Under an accrual program based on actuarial studies, regular payments are made to the fund by the Company and amounted to \$10,843,610 in the year 1960. The amount in the fund fully provides for future service pension payments to those now on the pension rolls and those now entitled to retire on pension at their own request. The fund is not a part of the assets of the Company and is therefore not reflected in the balance sheet.



*Directors of the Company visited the Direct Distance Dialing Centre in Toronto. John A. Fuller, H. H. Lank and Marcel Faribault study the paper tape on which the details of each DDD call are recorded. They are accompanied by V. C. McCabe, District Plant Superintendent.*

## ***DIRECTORS AND OFFICERS APPOINTED***

James A. Eccles, who died in March, was a member of the Board of Directors and the Executive Committee for 22 years. Through his wise counsel, based on deep and extensive knowledge of Canadian affairs, he made an outstanding contribution to the welfare of this Company. Herbert H. Lank, President of Du Pont of Canada Limited, was appointed a Director and a member of the Executive Committee in April.



John S. Farquharson, Vice-President & General Manager — Montreal Area, retired in May after 37 years with the Company. He was succeeded in this position by C. Leonard Dewar. Arnold J. Groleau took over from Mr Dewar as Vice-President & General Manager — Toll Area.

In October, Conrad E. Watson retired as Vice-President after 39 years of service. From July he had been responsible for the administration of both the Toronto and Western Areas, while W. Harvey Cruickshank was serving as Campaign Chairman of the United Appeal for Metropolitan Toronto. Wallace M. Rankin succeeded Mr Watson as Vice-President & General Manager — Western Area.

In February, Robert C. Scrivener was named to the new post of Director of Business Development.

### *C. F. SISE — A TRIBUTE*

Charles Fleetford Sise, former President and Chairman of the Board, a son of the founder of the Company, died in November in his 87th year. Mr Sise, who became a Director in 1913, was elected President in 1925, and served in that office until 1944. He was Chairman of the Board for the next nine years.

As President, Mr Sise guided the Company with acumen and authority. The successful fulfilment of our obligations to customers and investors alike through the strains of the 1930's and most of the war years owed much to the quality of his leadership.

For more than half a century, Mr Sise shared actively in the fashioning of this Company's policies and the direction of its progress. It bears clearly today the imprint of his thoughtful guidance and his ideals of public service.

For the Board of Directors,

A handwritten signature in dark ink, appearing to read 'H. W. Sade' or similar, with a large, sweeping initial 'H'.

February 4, 1961.

*Chairman.*

COMPARATIVE

ASSETS

	Dec. 31, 1960	Dec. 31, 1959
<b>Telephone Property</b> (at cost)		
Land and Buildings . . . . .	\$ 164,934,030	\$ 148,065,986
Telephone Plant and Equipment . . . . . Switching and microwave equipment, poles, wire, cable, underground conduit, telephone apparatus, motor vehicles, office furniture and other equipment.	1,532,987,412	1,386,396,768
<b>TOTAL TELEPHONE PROPERTY</b>	<u>\$1,697,921,442</u>	<u>\$1,534,462,754</u>
<b>Investments</b> (at cost)		
Subsidiary Companies . . . . .	\$ 26,665,100	\$ 26,400,038
Other Investments . . . . .	13,332,401	12,976,807
The aggregate market value of investments in subsidiary companies and of other investments (or net worth where market values are not available) exceeds the cost.		
<b>TOTAL INVESTMENTS</b>	<u>\$ 39,997,501</u>	<u>\$ 39,376,845</u>
<b>Current Assets</b>		
Cash . . . . .	\$ 4,422,601	\$ 4,840,594
Temporary Cash Investments . . . . .	1,999,794	25,398,290
Accounts Receivable . . . . . Amounts due for service (less provision for uncollectible accounts), dividends, interest, rents, etc., and working advances to employees.	44,406,438	39,919,878
Material and Supplies . . . . . Principally for construction and maintenance purposes, held at cost.	9,945,742	13,697,634
<b>TOTAL CURRENT ASSETS</b>	<u>\$ 60,774,575</u>	<u>\$ 83,856,396</u>
<b>Deferred Charges</b>		
Prepayments and Other Deferred Charges . . . . . Rents, taxes, insurance, cost of directories and other items applicable to period subsequent to December 31.	\$ 11,455,541	\$ 12,161,510
Unamortized Discount, Premium and Expense on Long Term Debt . . . . .	4,688,654	3,292,838
<b>TOTAL DEFERRED CHARGES</b>	<u>\$ 16,144,195</u>	<u>\$ 15,454,348</u>
<b>TOTAL ASSETS</b>	<u>\$1,814,837,713</u>	<u>\$1,673,150,343</u>

Signed on behalf of the Board of Directors:  
F. JOHNSON, *Director*.  
MARCEL FARIBAULT, *Director*.



## BALANCE SHEET

## LIABILITIES

	Dec. 31, 1960	Dec. 31, 1959
<b>Capital Stock and Surplus</b>		
Common Stock — par value \$25 per share . . . . .	\$ 533,501,800	\$ 525,617,250
Authorized: by charter — 40,000,000 shares, by shareholders — 30,000,000 shares. Outstanding: 21,340,072 fully paid shares at December 31, 1960.		
Premium on Capital Stock . . . . .	165,010,206	162,123,114
Amount received in excess of par value.		
Surplus . . . . .	52,732,735	46,659,868
Retained Earnings for year 1960 . . . . .	\$ 6,859,559	
Miscellaneous deductions (net) 1960 . . . . .	786,692	
<b>TOTAL CAPITAL STOCK AND SURPLUS</b>	<u>\$ 751,244,741</u>	<u>\$ 734,400,232</u>
<b>Long Term Debt</b> (see page 25)		
Bonds — First Mortgage . . . . .	\$ 525,000,000	\$ 423,000,000
Debentures . . . . .	20,000,000	30,000,000
<b>TOTAL LONG TERM DEBT</b>	<u>\$ 545,000,000</u>	<u>\$ 453,000,000</u>
<b>Current and Accrued Liabilities</b>		
Accounts and Notes Payable . . . . .	\$ 29,636,749	\$ 30,167,437
Subsidiary Companies 1960. . . . .	\$16,248,540	
Amounts owing for supplies, payrolls and other items.		
Advance Billing and Payments for Service . . . . .	10,748,683	9,973,240
Dividend Payable . . . . .	11,737,040	11,563,580
Taxes Accrued . . . . .	26,669,150	29,496,875
Interest Accrued . . . . .	6,979,246	4,448,870
<b>TOTAL CURRENT AND ACCRUED LIABILITIES</b>	<u>\$ 85,770,868</u>	<u>\$ 85,650,002</u>
<b>Accumulated Provision for Depreciation of Telephone Property . . . . .</b>	<u>\$ 370,334,402</u>	<u>\$ 337,556,461</u>
<b>Deferred Credits</b>		
Income Tax . . . . .	\$ 48,224,118	\$ 48,224,118
Reduction in income taxes for the years 1954 to 1957 inclusive, for appropriation in future years, due to depreciation deducted for tax purposes being in excess of that included in operating expenses.		
Employees' Stock Plan. . . . .	13,851,809	14,041,359
Instalments paid by employees subscribing for capital stock, with interest thereon.		
Other Deferred Credits. . . . .	411,775	278,171
<b>TOTAL DEFERRED CREDITS</b>	<u>\$ 62,487,702</u>	<u>\$ 62,543,648</u>
<b>TOTAL LIABILITIES</b>	<u>\$1,814,837,713</u>	<u>\$1,673,150,343</u>

W. McNEILL, *Comptroller.*



## COMPARATIVE INCOME STATEMENT

	Year 1960	Year 1959
<b>Operating Revenues</b>		
Local Service Revenues . . . . .	\$250,871,928	\$233,634,349
Long Distance Service Revenues. . . . .	129,979,914	120,991,929
Miscellaneous Revenues . . . . . Principally from directory advertising.	25,592,601	23,338,663
Less: Uncollectible Operating Revenues. . . . .	1,596,020	1,360,296
<b>Total Operating Revenues.</b> . . . .	<u>\$404,848,423</u>	<u>\$376,604,645</u>
<b>Operating Expenses</b>		
Current Maintenance . . . . . Cost of inspection, repairs and rearrangements required to keep the telephone property in good operating condition.	\$ 81,294,505	\$ 76,210,823
Depreciation . . . . . Provision to meet the loss of investment when depreciable property is retired from service, based on rates designed to spread this loss uniformly over the life of the property.	72,089,749	64,873,766
Traffic Expenses . . . . . Principally operators' wages.	37,680,204	38,867,757
Commercial Expenses . . . . . Costs incurred in business relations with customers; public telephone commissions; cost of directories; sales expense, etc.	34,145,554	32,250,389
Other Operating Expenses. . . . . General office salaries and expenses, benefit payments, provision for service pensions, operating rents and other general expenses. Year 1960: salaries paid to Executive Officers \$648,575; salaries and fees paid to Counsel, Solicitors and other legal advisors of the Company \$181,309; fees paid to Directors and members of the Executive Committee \$79,576, of which \$11,150 was paid and accounted for by subsidiary companies.	45,218,487	44,029,513
<b>Total Operating Expenses</b> . . . . .	<u>\$270,428,499</u>	<u>\$256,232,248</u>
<b>NET OPERATING REVENUES</b>	<u>\$134,419,924</u>	<u>\$120,372,397</u>
<b>Operating Taxes</b>		
Income Taxes . . . . .	\$ 48,039,000	\$ 44,556,000
Other Taxes. . . . .	16,692,000	14,526,000
<b>Total Operating Taxes</b> . . . . .	<u>\$ 64,731,000</u>	<u>\$ 59,082,000</u>
<b>NET OPERATING INCOME</b>	<u>\$ 69,688,924</u>	<u>\$ 61,290,397</u>
<b>Other Income</b>		
Dividends and Interest from Investments . . . . .	\$ 4,344,974	\$ 4,322,718
Miscellaneous Income (Net) . . . . . Principally interest, on plant under construction and on temporary cash investments.	2,630,964	3,351,398
<b>Total Other Income</b> . . . . .	<u>\$ 6,975,938</u>	<u>\$ 7,674,116</u>
<b>INCOME AVAILABLE FOR FIXED CHARGES</b>	<u>\$ 76,664,862</u>	<u>\$ 68,964,513</u>
<b>Fixed Charges</b>		
Interest on Long Term Debt . . . . . Interest and related foreign exchange.	\$ 21,906,198	\$ 17,640,693
Other Interest . . . . .	936,647	774,828
Amortization of Discount and Premium on Long Term Debt . . . . . Proportion of discount, premium and expense applicable to the year relating to bonds and debentures outstanding and redeemed.	310,110	265,414
<b>Total Fixed Charges.</b> . . . .	<u>\$ 23,152,955</u>	<u>\$ 18,680,935</u>
<b>NET INCOME AVAILABLE FOR DIVIDENDS</b>	<u>\$ 53,511,907</u>	<u>\$ 50,283,578</u>
<b>Dividends</b> . . . . .	46,652,348	41,574,575
<b>RETAINED EARNINGS TRANSFERRED TO SURPLUS</b>	<u>\$ 6,859,559</u>	<u>\$ 8,709,003</u>



## LONG TERM DEBT

Dec. 31, 1960

## Bonds—First Mortgage

SERIES D — Maturing Aug. 1, 1964 — $3\frac{1}{4}\%$	. . . . .	\$ 25,000,000
SERIES E — Maturing Mar. 1, 1977 — $3\frac{1}{2}\%$	. . . . .	35,000,000
SERIES F — Maturing Feb. 15, 1973 — $3\frac{1}{4}\%$	. . . . .	35,000,000
SERIES G — Maturing June 1, 1975 — $3\frac{3}{8}\%$	. . . . .	40,000,000
SERIES I — Maturing May 1, 1976 — $3\frac{1}{2}\%$	. . . . .	40,000,000
SERIES J — Maturing Dec. 15, 1967 — $4\frac{1}{2}\%$	. . . . .	40,000,000
SERIES K — Maturing May 15, 1979 — $3\frac{3}{4}\%$	. . . . .	40,000,000
SERIES L — Maturing Dec. 1, 1970 — $4\frac{1}{2}\%$	. . . . .	16,000,000
SERIES M — Maturing June 1, 1981 — $4\frac{1}{2}\%$	. . . . .	24,000,000
SERIES N — Maturing Jan. 2, 1972 — $4\frac{3}{4}\%$	(Payable in U.S. Funds)	20,000,000
SERIES O — Maturing Mar. 15, 1972 — $5\frac{1}{2}\%$	. . . . .	20,000,000
SERIES P — Maturing Mar. 15, 1983 — $4\frac{1}{4}\%$	(Payable in U.S. Funds)	50,000,000
SERIES Q — Maturing July 2, 1980 — $5\frac{1}{4}\%$	. . . . .	30,000,000
SERIES R — Maturing Jan. 2, 1978 — $6\frac{1}{4}\%$	. . . . .	35,000,000
SERIES S — Maturing Apr. 1, 1974 — $6\frac{1}{4}\%$	. . . . .	25,000,000
SERIES T — Maturing Aug. 2, 1982 — $5\frac{3}{4}\%$	. . . . .	50,000,000
<b>Total Bonds</b>		<b>\$525,000,000</b>

## Debentures

SERIES B — Maturing Oct. 1, 1961 — $4\frac{1}{2}\%$	. . . . .	\$ 10,000,000
SERIES C — Maturing Oct. 1, 1962 — $4\frac{1}{2}\%$	. . . . .	10,000,000
<b>Total Debentures</b>		<b>\$ 20,000,000</b>
<b>TOTAL LONG TERM DEBT</b>		<b>\$545,000,000</b>

## AUDITORS' REPORT

TO THE SHAREHOLDERS OF  
THE BELL TELEPHONE COMPANY OF CANADA,  
MONTREAL, QUE.

We have examined the balance sheet of The Bell Telephone Company of Canada as at December 31, 1960 and the income statement for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and income statement are properly drawn up so as to exhibit a true and correct view of the financial position of The Bell Telephone Company of Canada as at December 31, 1960 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

We report that the operations of the subsidiary companies for the year ended December 31, 1960 resulted in an aggregate net profit of which only the dividends received or receivable by the company have been included in the accompanying income statement.

ROSS, TOUCHE & Co.  
Chartered Accountants.

Montreal, Que.  
February 3, 1961.

# STATISTICS 1953 — 1960

AT DECEMBER 31	1960	1959	1958
<b>Number of Telephones</b>	3,515,007	3,330,877	3,140,349
Business	1,041,909	991,860	940,589
Residence	2,473,098	2,339,017	2,199,760
Per cent Residence	70.4	70.2	70.0
Per cent Dial	94.2	91.8	90.0
<b>Telephones Added During the Year*</b>	184,130	190,528	185,465
Connected	876,164	860,550	785,279
Disconnected	692,034	670,022	599,814
<b>Other Telephone Systems</b> (In Ontario and Quebec)	525	581	611
Connecting and Miscellaneous Telephones	324,991	322,401	310,631
<b>Average Calls Placed Daily*</b>	21,668,000	20,951,000	19,829,000
Long Distance	391,000	378,000	361,000
<b>Miles of Long Distance Circuits</b>	1,769,000	1,656,000	1,451,000
<b>Construction Expenditures*</b>	\$ 207,700,000	\$ 196,100,000	\$ 183,200,000
<b>Total Plant and Equipment</b> Per Telephone	\$1,697,921,442 \$483	\$1,534,462,754 \$461	\$1,378,274,117 \$439
<b>Number of Employees</b>	35,656	37,158	39,321
Men	15,816	16,035	16,784
Women	19,840	21,123	22,537
<b>Total Payroll*</b>	\$ 159,028,668	\$ 155,156,297	\$ 154,611,767
<b>Number of Shareholders</b> In Canada	171,288 166,627	170,767 166,443	157,724 154,308
<b>Total Shares Outstanding</b> Per cent held in Canada	21,340,072 92.1	21,024,690 92.0	18,183,956 91.8
<b>Total Operating Revenues*</b>	\$ 404,848,423	\$ 376,604,645	\$ 328,817,571
<b>Total Operating Expenses*</b>	\$ 270,428,499	\$ 256,232,248	\$ 239,303,260
<b>Net Income*</b> Per Average Share Outstanding	\$ 53,511,907 \$2.52	\$ 50,283,578 \$2.48	\$ 38,899,289 \$2.15

\*For the year ended December 31.



## THE TELEPHONE STORY IN FIGURES

1957	1956	1955	1954	1953
2,954,884	2,766,153	2,522,745	2,294,458	2,127,456
893,211	848,724	782,620	718,597	671,035
2,061,673	1,917,429	1,740,125	1,575,861	1,456,421
69.8	69.3	69.0	68.7	68.5
88.7	86.1	83.9	82.6	81.0
188,731	243,408	228,287	167,002	151,333
731,970	759,089	685,516	572,616	492,646
543,239	515,681	457,229	405,614	341,313
636	674	706	741	770
295,796	289,539	288,392	312,213	311,122
18,646,000	16,989,000	15,747,000	13,940,000	13,136,000
336,000	317,000	298,000	267,000	256,000
1,187,000	1,058,000	908,000	806,000	727,000
\$ 177,300,000	\$ 139,500,000	\$ 128,400,000	\$ 105,300,000	\$ 85,700,000
\$1,223,615,264	\$1,066,296,579	\$ 945,119,244	\$ 821,437,516	\$ 726,351,464
\$414	\$385	\$375	\$358	\$341
41,363	39,688	36,340	32,706	31,502
17,018	15,632	13,892	12,160	11,585
24,345	24,056	22,448	20,546	19,917
\$ 146,952,560	\$ 130,677,707	\$ 116,037,106	\$ 103,382,705	\$ 93,936,298
156,825	140,726	125,223	114,782	115,789
153,498	137,753	122,452	112,246	113,464
17,983,980	15,506,932	13,643,401	11,759,949	11,617,032
91.8	91.1	90.6	90.0	90.6
\$ 302,985,820	\$ 273,975,152	\$ 244,899,537	\$ 219,374,348	\$ 201,962,734
\$ 220,445,304	\$ 196,252,745	\$ 173,197,648	\$ 153,721,763	\$ 139,163,413
\$ 36,037,169	\$ 34,949,181	\$ 31,978,042	\$ 28,549,135	\$ 26,848,740
\$2.15	\$2.40	\$2.43	\$2.44	\$2.65





Exeter, Ont.



St. Malachie d'Ormstown, P.Q.



Bronte, Ont.

*These are four of our buildings which won awards in a recent competition for outstanding telephone building design. In contest with Bell System companies in the United States we won 10 out of 82 awards, the second highest total for a single company.*



Toronto, Ont.





*This view of Montreal looks across the great construction activity on Dorchester Boulevard to our own Beaver Hall Hill and Belmont Street buildings in the background. The centralized private exchange service mentioned on pages 14 and 15 of this report will serve companies located in this area.*





*Colourful telephones match the brighter environment of modern homes and offices.*