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THE BELL TELEPHONE COMPANY OF CANADA ANNUAL REPORT 1962



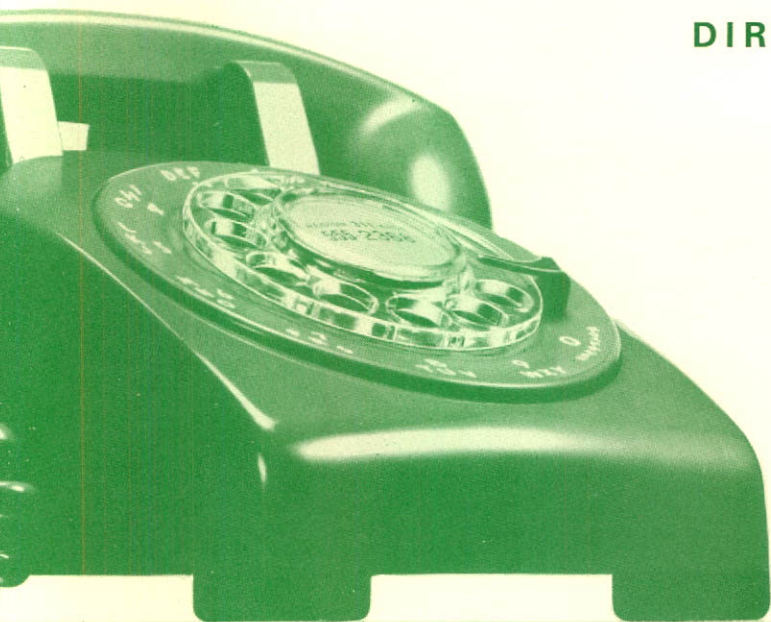


EIGHTY-THIRD
ANNUAL REPORT

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

A Canadian company owned in Canada. Of the 192,854 shareholders 97.3 per cent reside in Canada, and they own 93 per cent of the total stock.

YEAR ENDED DECEMBER 31, 1962



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*

MARCEL FARIBAULT* *Montreal*

JOHN A. FULLER* *Montreal*

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

JAMES A. HOBBS* *Montreal*

FREDERICK JOHNSON* *Montreal*

ROBERT A. LAIDLAW *Toronto*

HERBERT H. LANK* *Montreal*

RAY E. POWELL* *Montreal*

EDWARD A. ROLPH* *Montreal*

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

JAMES A. HOBBS
Vice-President

ALEXANDER G. LESTER
Vice-President

NORMAN A. MUNNOCH, Q.C.
Vice-President & General Counsel

WILLIAM C. CORBETT
Treasurer

SIMCOE C. SCADDING
Secretary

ROBERT C. SCRIVENER
Vice-President

MARCEL VINCENT
Vice-President

HAROLD G. YOUNG
Vice-President

WILLIAM McNEILL, O.B.E.
Comptroller

JOHN A. DOCHSTADER
Assistant to the President

VICE-PRESIDENTS & GENERAL MANAGERS

DAVID M. CAMP *Montreal Area*

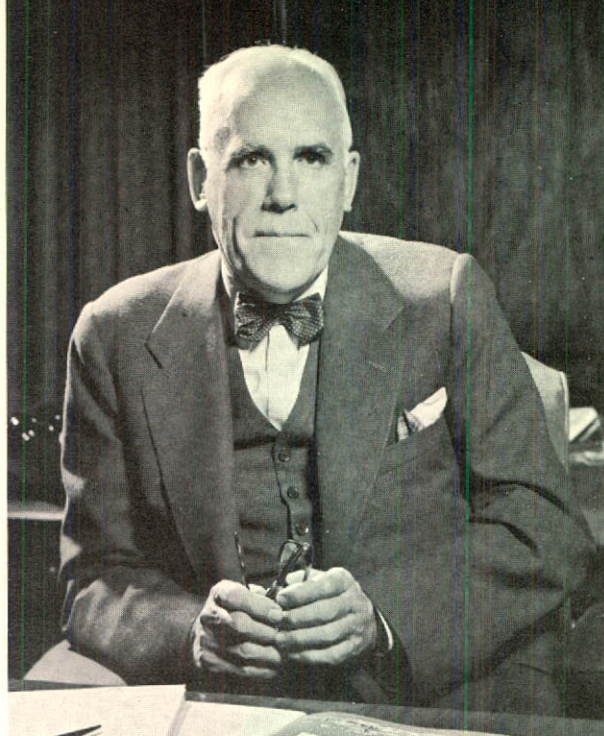
W. HARVEY CRUICKSHANK *Toronto Area*

ARNOLD J. GROLEAU *Toll Area*

WALLACE M. RANKIN *Western Area*

JOHN R. TRAVES *Eastern Area*

FROM THE PRESIDENT



The year 1962 was one in which the Company made encouraging progress. We succeeded in achieving a small but none the less gratifying increase in the rate of return on the capital invested in our business. We added more telephones than in any year since 1956, and we carried considerably further the planned diversification of the business by introducing several new and exceptionally promising communications services. Not least in importance, we increased our capacity to serve and strengthened our ability to meet competition by carrying out the most extensive construction program in the Company's 82-year history.

The past twelve months were notable not only as a period of impressive growth, but also because they reflected so clearly the changing character of our business. Traditionally, our chief purpose has been to provide good quality telephone service at a reasonable cost; and this will continue to be our primary aim. But now that nine out of ten households and nearly all the business enterprises in our territory have main telephone service, we can expect less dramatic growth in this basic segment of our operations.

In 1962 the revenues from main telephone service rose by about six per cent. Yet the revenues from the many optional communications services which supplement our basic offering increased at more than twice that rate.

This trend — for it is a trend, and not a sudden change of direction — has its roots in our customers' need for communications of increasingly better quality and wider scope. As a company which provides a vital public service, we have an obligation to make available a complete range of communications services which will meet these new patterns of demand and taste as they emerge. As a progressive enterprise, we have chosen to branch out into many new areas of communications which promise to be remunerative.

The Company's long-term growth depends largely on diversification: our aim is to carry over the telephone network virtually every kind of information that can be translated into suitable electrical signals. Our growth hinges also on providing a full range of equipment designed to enhance both the usefulness and the attractiveness of our customers' telephone service.

In the past year we made substantial headway in these areas. During the course of the year, for example, we introduced services which will enable our business customers to transmit many widely different kinds of information, all with the simplicity of a telephone call. Handwritten messages, maps, drawings, printed text, teletypewriter messages, and data from many types of business machines: all these can now be transmitted over circuits established merely by dialing the distant point. We also made good

progress in widening the selection and improving the quality of both residence and business telephone service, as you will read later in this report.

Careful management of our operating costs again made it possible for us to improve the relationship between expenses and revenues. In the years ahead our program of mechanization promises to help further in the economical operation of the business.

Despite our increasingly efficient use of capital, the Company's investment in new construction reached a record level of more than \$219 million last year. In 1963 we expect that growth and the diversification and improvement of our services will require a still greater outlay, calling for further large-scale financing in the coming year.

In these circumstances, and particularly in view of the present high cost of debt capital, the rate of return which we achieved in 1962 leaves no room for complacency. We shall continue to strive for a return which is consistent with the risks and responsibilities of this growing and increasingly diversified enterprise, and I am confident that we shall be able to achieve this objective.

It is our belief that good service stems from satisfactory earnings: for only a company with a reasonable return can, in the long run, afford the cost of service improvement. It is equally true that good earnings tend to flow from good service: and in the past twelve months we have worked hard to ensure that our customers are served in the way they would wish to be. This report tells the story of many tangible improvements which have been made during the year.

The close links between our Company and the Northern Electric Company have been of the greatest value in providing high quality commu-

nications service to our customers. Many significant products were developed last year at the Research and Development Laboratories near Ottawa, and the Northern is enlarging its plant facilities to cope with the growing demand for equipment. Northern Electric continued to make good progress in manufacturing here many items which previously were imported — and in the process they have often succeeded in producing equipment of better quality at a lower cost. More than 90 per cent of the products used by our Company are now made in Canada.

The spirit of cooperation within the Canadian telephone industry was demonstrated in many ways during 1962, and members of the industry have worked side by side in making available many of the new communications services which we introduced in the past year.

The Company's progress in 1962 was due in large measure to the unstinting efforts of our 35,100 employees. Recognizing the intimate relationship between the prosperity of the enterprise and their own success, they have blended our long-standing tradition of good service with an ability to adjust to the changing demands of the day. The pace of technological change, the pressures of competition, and the need for continuing vigilance in expense control have all imposed a stringent test on our people. The way in which they have met these challenges makes me confident that, in the coming year, we shall be able to provide our customers with still more pleasing and efficient service.



Montreal, February 4, 1963.



REPORT IN BRIEF

THE YEAR'S RESULTS

Return on total capital was 6.3 per cent
Earnings per share were \$2.66
Dividends of \$2.20 per share were paid
Revenues rose by 8.6 per cent, expenses by less than seven

TELEPHONE SERVICE EXTENDED

New exchanges were opened in the north
Dial service was introduced in another 74 communities
More than 195,500 telephones were added,
bringing the total to 3,890,630

NEW BUSINESS COMMUNICATIONS SERVICES

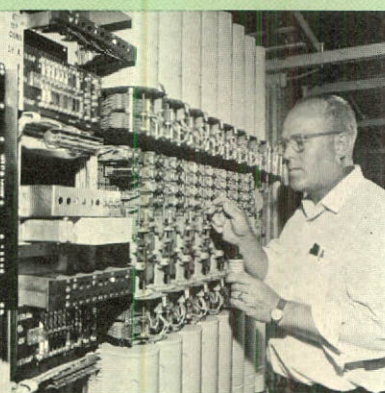
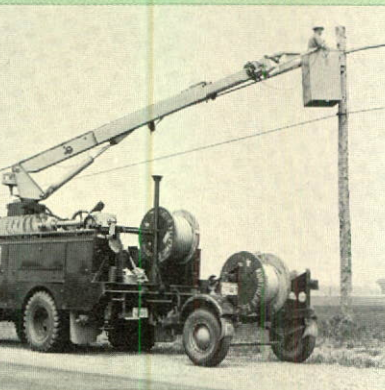
Prominent among the many versatile services introduced was
TWX, the Company's dial teletypewriter exchange service

RECORD CONSTRUCTION PROGRAM

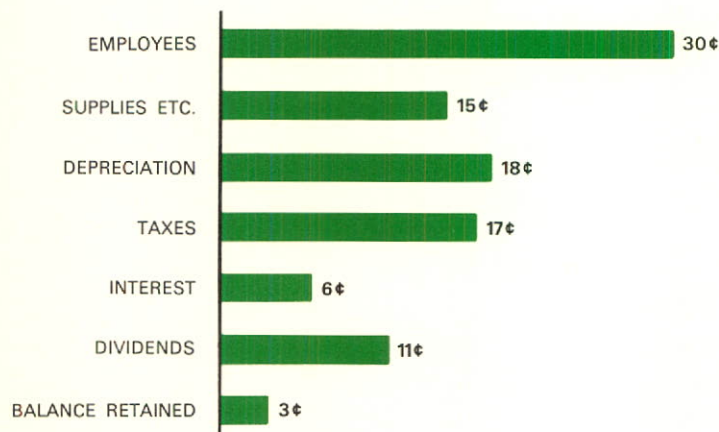
\$219,357,000 was spent on expansion and improvement
Several new microwave links were opened,
82 new buildings were completed, and additional
radio and TV facilities were provided for Canada's networks

NEW CAPITAL \$161,000,000

Stock issue provided \$78,000,000
Two bond issues totalled \$70,000,000
The balance, \$13,539,000, came from the Employees' Stock Plan



DISPOSITION OF INCOME DOLLAR



FINANCIAL HIGHLIGHTS

EARNINGS SUMMARY

in thousands of dollars

	1962	1961
Operating Revenues	\$470,995	\$433,656
Other Income	7,433	6,666
	<u>\$478,428</u>	<u>\$440,322</u>
Operating Expenses	\$301,857	\$282,488
Taxes	81,601	73,483
Interest	29,685	26,661
	<u>\$413,143</u>	<u>\$382,632</u>

EARNINGS AVAILABLE FOR DIVIDENDS	\$ 65,285	\$ 57,690
Dividends to shareholders	53,968	50,786
Retained in the business	11,317	6,904

FLOW OF FUNDS—1962

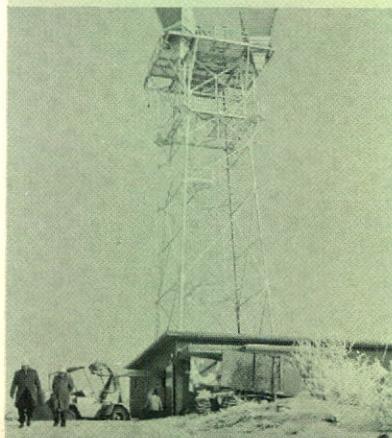
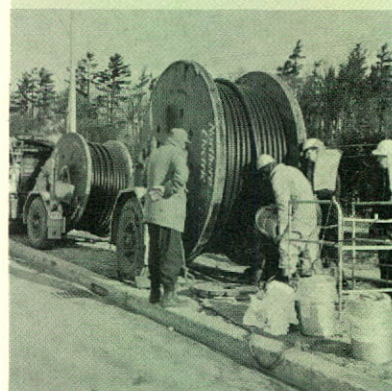
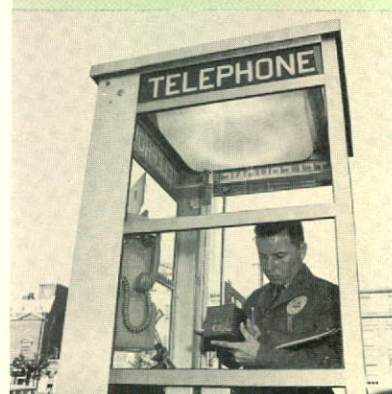
in thousands of dollars

Source of Funds

Retained earnings for the year	\$ 11,317
Provision for depreciation, and net proceeds from disposals of plant	94,858
Proceeds from stock issue	77,989
Net proceeds from Employees' Stock Plan	13,539
Proceeds from bond issues	68,706
Stock issued to acquire shares of The Avalon Telephone Company, Limited	8,276
Miscellaneous items (net)	270
	<u>\$274,955</u>

Application of Funds

Construction expenditures	\$219,357
Increase in working capital	28,500
Redemption of debentures	10,000
Acquisition of investments	17,098
	<u>\$274,955</u>



REPORT OF THE DIRECTORS

In 1962 your Company earned a return of 6.3 per cent on the total capital invested in the business. The Company's earnings amounted to \$2.66 per share, of which \$2.20 was paid in dividends to our shareholders. The balance of 46 cents was reinvested in the business.

Revenues were 8.6 per cent higher than in 1961. The principal factors contributing to this increase were local service revenues, which rose 7.5 per cent, and long distance revenues, which climbed 11.1 per cent. We carried 9.1 per cent more long distance calls, and the popularity of the Night Economy Plan first introduced in November 1961 was confirmed by a sharp increase in the number of late evening calls. Other revenues, which are derived largely from directory advertising, improved by 7.6 per cent.

In the past year we were again able to take effective measures to hold down the cost of

providing good service, and the Company's operating expenses rose by less than seven per cent. Depreciation expense was responsible for a greater proportion of our total operating costs, and this trend is expected to continue in the years ahead.

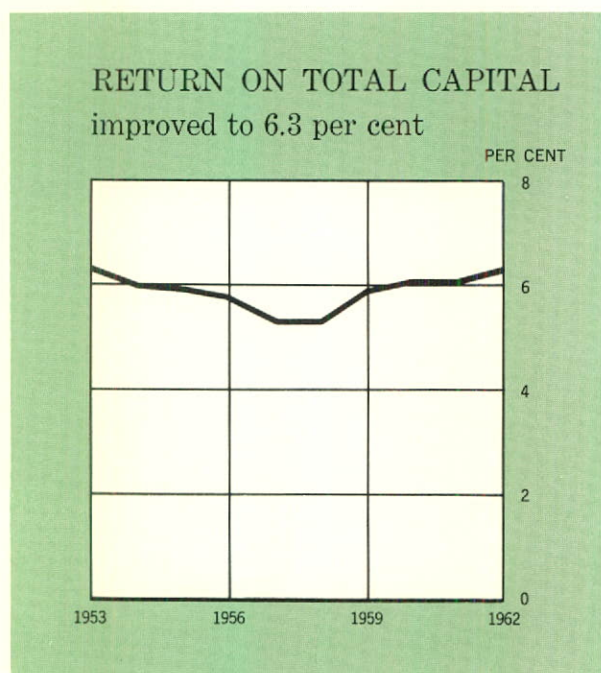
Our growth in 1962 was accompanied by a relatively small increase in staff; at the end of the year we had 35,100 employees, 800 more than in 1961. Twelve-month contracts, negotiated after collective bargaining with the two unions representing some 28,000 non-management employees, will increase the Company's annual payroll costs by close to three per cent. The wage increases came into effect at the end of November.

Service improvements well received

The Company made good progress in 1962 in bringing greater convenience and new vistas of choice to both residence and business customers. Their favourable response to improvements in the quality of our service and its variety helped to produce a healthy level of demand throughout the year.

More than 195,500 telephones — the largest number in any but the record years of 1955 and 1956 — were added during the past year. At the end of 1962 we were serving 3,890,630 telephones, 97 per cent of them dial operated. Coloured sets accounted for almost a quarter of the total, and their rising popularity suggests a large potential market for these attractive telephones.

Seventy per cent of the telephones we serve are in homes, and in the past year our residence customers have shown steadily greater appreciation of good quality telephone service. Almost 68 per cent of our residence customers in urban





Working in temperatures of 40 below zero, construction crews cut through two feet of ice to lay this submarine cable across a lake in northern Ontario.

areas now have individual lines; twelve months ago the proportion was 63 per cent. More people, too, are using extension phones in their homes, and the number in use increased by more than ten per cent in the past year.

The trend towards more pleasing telephone service was continued in 1962 with the intro-

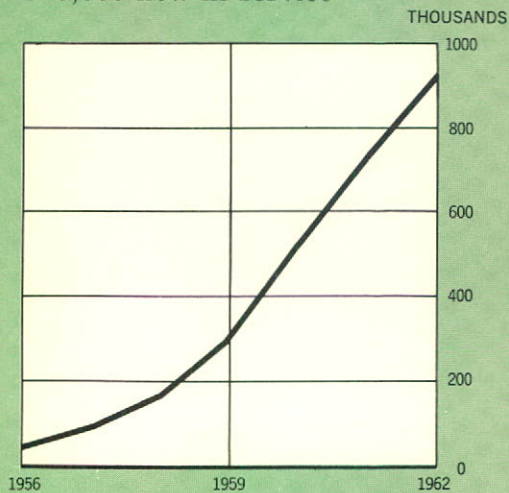
duction of the Bell Chime ringer, a selective telephone signal which combines in a single housing a soft bell, a loud bell and a musical chime. Among the special telephones which we made available was an improved instrument for our customers who are hard of hearing and another designed for use in noisy locations. Both incorporate an inconspicuous device to amplify the distant person's voice.

We made further strides in improving the quality of service to our customers in rural areas, and some 80 per cent of our multi-party lines now serve six or fewer parties. Dial service was introduced in 74 communities, and the remaining manual exchanges in our territory are all expected to be converted to dial operation by 1966.

Bringing communications to people in isolated areas poses many formidable problems; yet nowhere are good communications more vital. In northwestern Ontario we enlarged the scope of our radiotelephone service and we established 19 local exchanges. In the northern reaches of Quebec we opened new exchanges at Paint Hills on James Bay and Great Whale on Hudson Bay; these are among several remote communities now provided with long distance telephone service by our radiotelephone centre at Alma, Quebec.

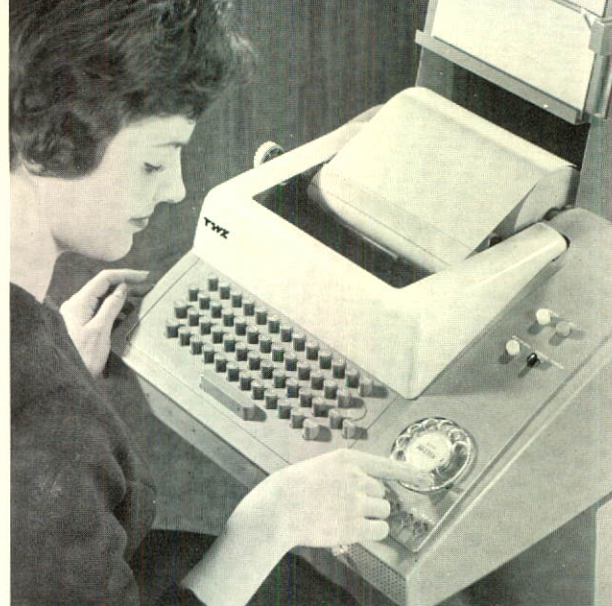
COLOURED TELEPHONES

925,000 now in service





TWX, our new teletypewriter exchange service, was introduced in November to telephone companies across Canada by H. G. Young, Chairman of The Trans-Canada Telephone System, in a special closed-circuit television presentation.



Smartly styled and simple to use, TWX operates at up to 100 words a minute. Calls are dialed direct to other TWX machines, and messages are routed over the telephone network.



Phone-Fax service, pictured above, was introduced in March. Exact reproductions of printed material, maps and drawings are transmitted over the telephone network in a matter of minutes.



Telescript service transmits handwritten messages the instant they are written. Introduced in June, Telescript is shown here at the laboratories of a major oil company in Sarnia, Ontario.

Communications for modern business

Innovation and improvement continue apace as we endeavour to provide our business customers with modern communications suited to their changing and often specialized requirements.

We have concentrated much attention on the training and development of a well-informed sales force, and in the past year we made good headway in meeting the needs of our business customers for expert advice on communications matters. We enlarged the team of experienced sales people assigned to handle the complex services of our larger customers, and we began publication of a bi-monthly magazine, *Bell Service*, designed to keep our business customers abreast of the changing communications scene.

The range of communications services described on these pages has been designed to make the most of the flexibility, reliability and economy of the continent-wide telephone network, with its high quality circuits and its versatile switching equipment. Information of many

widely different kinds can now be sent over the network in the same way, and with the same speed and simplicity, as an ordinary telephone call.

Early in 1962 we introduced Wide Area Telephone Service, which provides unlimited calling for a fixed monthly charge to any of seven progressively larger zones — the smallest a part of a province, the largest encompassing practically all of Canada. Using special lines which give direct access to the long distance network, customers dial their own calls for voice or data transmission. The flat-rate monthly charge depends on the zone they have chosen and on whether they select full-time or part-time service.

Another innovation last year was Telpak, a service designed to meet the needs of customers with a large volume of communications between specific locations. Telpak may be used to carry data between business machines, telephone calls, teletypewriter messages, or virtually any blend of these. Several Telpak services are already in operation, and the market for this service is likely to become considerably more extensive as the volume and complexity of business communications grows.

Canada-wide cooperation

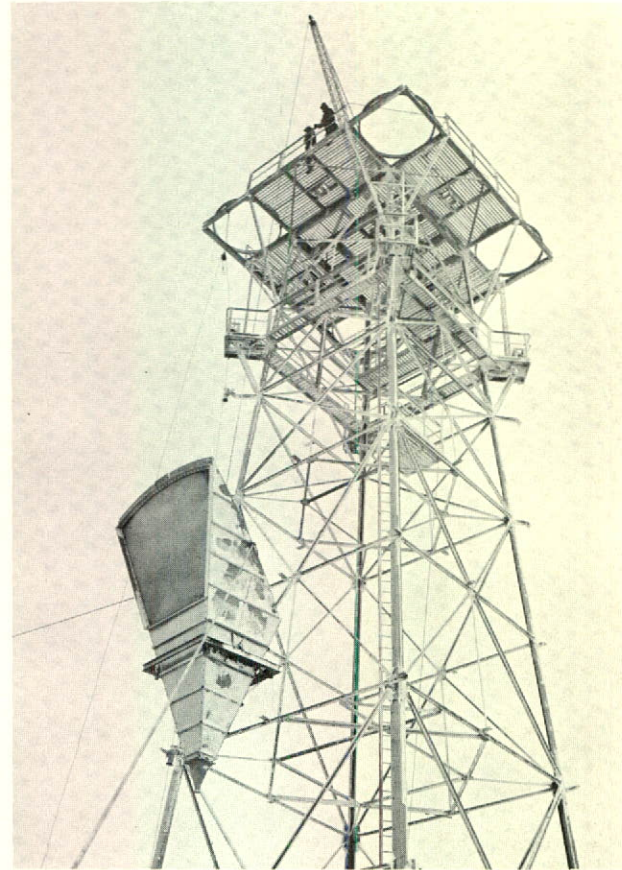
Throughout 1962 the Company worked closely with its partners in The Trans-Canada Telephone System. The System, which has steadily reduced its long distance rates over the years, announced a further reduction in station-to-station rates last May. And during the year the members cooperated in making available several of the newly-introduced services described earlier in the report.

Dataspeed machines transmit information from punched paper tape at more than 1,000 words a minute, using the same dialing network that carries telephone calls. Introduced in November, Dataspeed service is shown in operation at a food distribution centre in LaSalle, Quebec.





Extra-long cables, carried on massive reels like the one pictured here at Islington, Ontario, speed the job of placing cable underground. Crews keep in touch by portable radio.



This giant radio relay antenna, being hoisted atop a microwave tower at Foster Mountain, Quebec, is part of the new Montreal-Quebec microwave route, to be opened in May 1963.



This new 85-foot mobile microwave tower is used to provide on-the-spot television coverage of special events. TV signals are beamed directly from this mobile antenna to the nearest permanent microwave tower, and from there they are carried over the microwave network to television stations anywhere in Canada.

By September the new private television network being built under contract to CTV Television Network Limited had been extended from Montreal to Vancouver. Construction of the remainder of the network — the portion from Montreal to Halifax — will be completed in May 1963.

The Trans-Canada System was also successful in gaining a 10-year contract to supply facilities for the Canadian Broadcasting Corporation's complete radio networks. These facilities, which employ well over 20,000 miles of high quality circuits to link some 200 English and French radio stations between Newfoundland and British Columbia, came into use on October 1. As prime contractor in the project, the Company worked with the other Trans-Canada members in planning and building the entire system. Much of the equipment used in the networks — including the amplifiers, the switching systems and the automatic control units — was specially developed by the Northern Electric Company's Research and Development Laboratories.

During 1962 the Company worked with the other members of the Trans-Canada System in providing communications for national defence. We made good progress on the Ontario-Quebec portion of the SAGE air-defence network, provided many circuits for the BMEWS early warning system, and cooperated with various government agencies in developing communications for the national survival program.

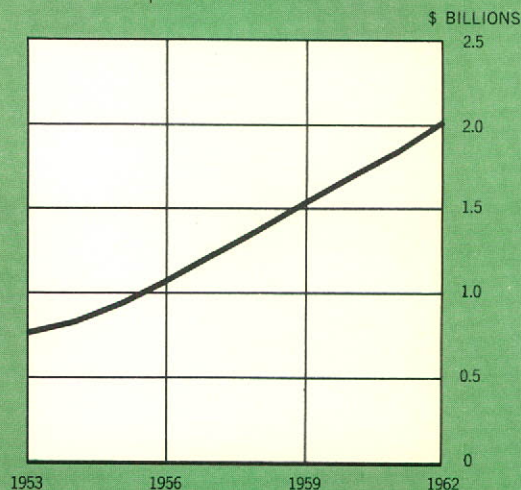
Record investment in construction

Our construction program in 1962 was the largest ever undertaken by the Company, demanding the expenditure of \$219,357,000.

The bulk of this amount was spent on extending and improving telephone service — on bringing better service to customers in both rural and urban areas, converting manual exchanges to dial operation, and enlarging the scope of our service in the far north.

Large sums were also invested in the equipment needed to provide our newer communications services, and in such major undertakings

PLANT INVESTMENT exceeds \$2 billion



as the CBC and CTV networks. At the same time, the increasing use of our long distance services has created a substantial demand for more high quality circuits.

During the past twelve months more than 7,200 miles of local and long distance cable were brought into service. Some 4,000 miles were either buried or placed in underground conduit. In cooperation with other organizations — notably hydro-electric commissions and cable television companies — we are developing methods of sharing certain underground facilities, such as conduit and trenches. Cooperative undertakings of this kind not only produce important savings for all concerned, but also help to improve the appearance of many communities.

Extensive additions were made in 1962 to the Company's microwave systems. New microwave links were completed between Sept-Iles and Gagnon, Quebec, and between Fort William, Ontario, and Duluth, Minnesota. Another new system, between Vermilion Bay and Fort Frances, will be brought into service early in 1963. To provide facilities for the CTV television network and a growing volume of long distance calls, we began construction of a second microwave route between Montreal and Quebec City. It will come into use in May 1963.



Panel phones built into the kitchen wall have been installed on a trial basis in several cities. If customers approve, the panel phone may join our range of modern telephones.

A GLIMPSE OF THE FUTURE

Before new services are introduced, they are subjected to a series of trials—partly to prove that the product will accomplish satisfactorily all it is designed to do; and partly so that we may gauge the potential market for each service. There is no more effective way of testing a service than placing it in everyday use, and this is precisely what we do with many of the products we are considering. Two of the services which our customers have helped us to analyze in the past year are pictured on this page.



We completed construction of 82 new buildings and finished additions to another 28, and at the end of 1962 there were more than 1,250 Company-owned buildings in our territory. We also began work on a 15-storey structure in downtown Toronto which will provide space for much of the complex equipment needed to serve this expanding area, as well as for more automatic long distance equipment and a modern accounting centre.

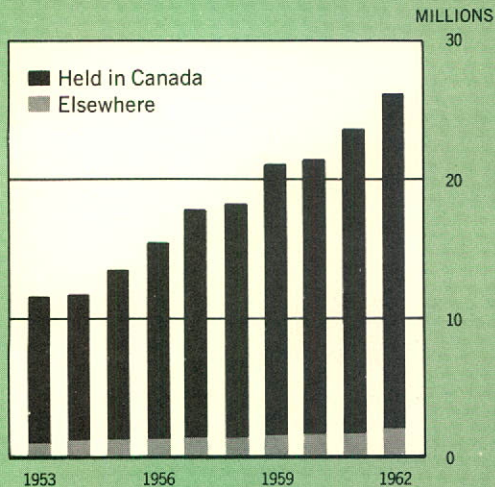
The Company continued to extend and improve its Direct Distance Dialing facilities during 1962. In addition to opening several new long distance switching centres, we initiated a program to introduce special equipment which automatically records the telephone numbers from which customers dial their long distance calls. Besides providing better and faster service, automatic number identification will also enable the Company to achieve important operating economies.

In recent years the trend towards suburban living and the close community of interest between many smaller towns have brought a sustained demand for increasingly wide local calling areas. Last year, for example, we introduced Extended Area Service in 62 exchanges, enabling many more of our customers to place calls to neighbouring communities with the cost included in the monthly charge for local telephone service. We also announced plans for major improvements in the Extended Area Service provided to suburban customers in the Montreal area; plans for Toronto suburbs were made public early in 1963. Together, these two projects

Touch-Tone telephones, with push-buttons in place of the usual dial, were tried out by some 200 customers in Montreal. We expect to introduce this phone later on a limited basis.

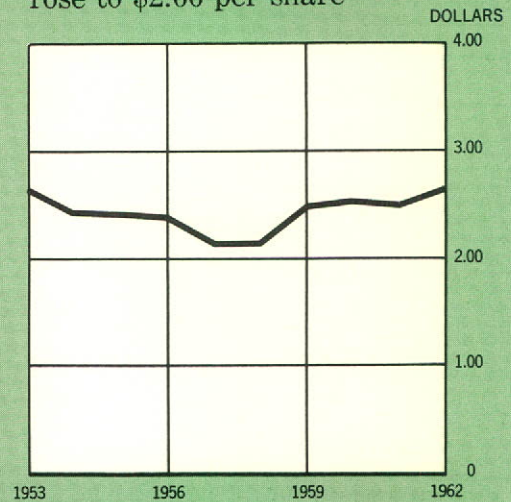
COMPANY SHARES

93 per cent owned in Canada



EARNINGS

rose to \$2.66 per share



will require an investment of more than \$17,000,000 in new lines, equipment and buildings between now and 1965.

Over \$161,000,000 of new capital raised in Canada

In the past twelve months we raised over \$161,000,000 of new capital. In the years ahead further substantial sums will be needed to support a construction program which shows no sign of slackening.

In September 1962 we offered new stock to our shareholders at \$39.00 per share, on the basis of one new share for every 12 owned. The issue, which was 99.4 per cent subscribed, provided \$78,000,000.

There were two bond issues, both payable in Canadian funds and bearing interest at 5½ per cent. Payment for a \$40,000,000 issue, negotiated the previous December, was received in January 1962. A second issue of \$30,000,000 was sold in June.

Purchase of shares through the Employees' Stock Plan, to which seven out of ten Company employees are now subscribing, raised another \$13,539,000 of new capital.

At the end of 1962 there were 192,854 shareholders, 14,728 more than at the same time last year. The overwhelming majority are Canadian—some 97 per cent of our shareholders are resident in this country and they hold 93 per cent of the total stock.

A flush-mounted automatic dialing system, the first of its kind in our territory, was installed at the new police and fire station in St. Laurent, Quebec. Testing the new equipment are Police Chief Camille Hétu and Mayor Marcel Laurin.

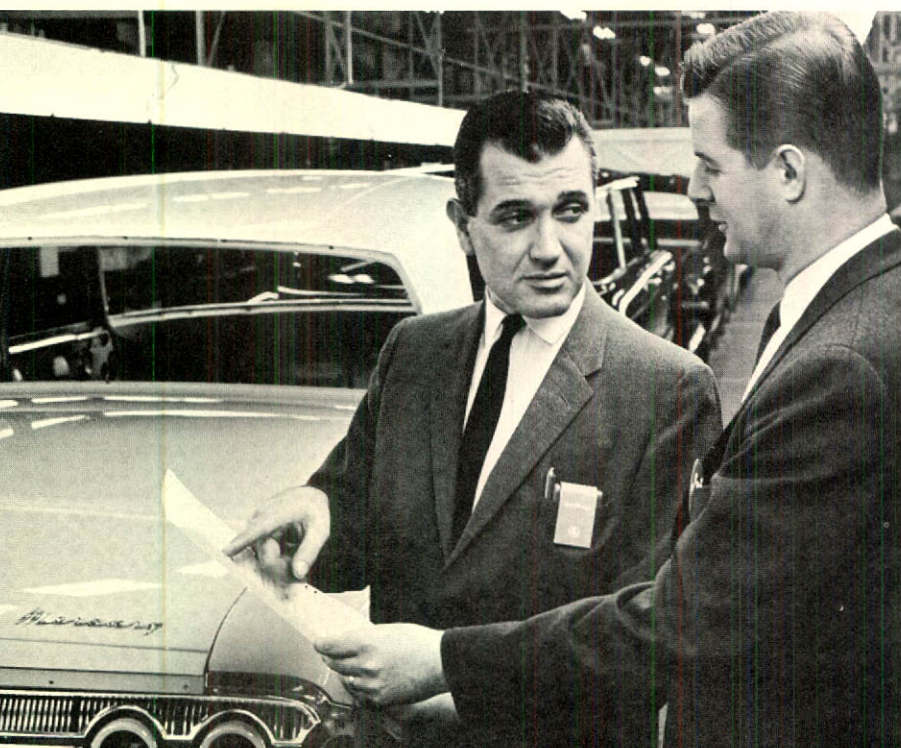




Assisting business customers in making the most efficient use of their telephone service is the task of our Service Advisers. Here a Service Adviser discusses ways in which her client, a business machine manufacturer, can make more effective use of our long distance services.

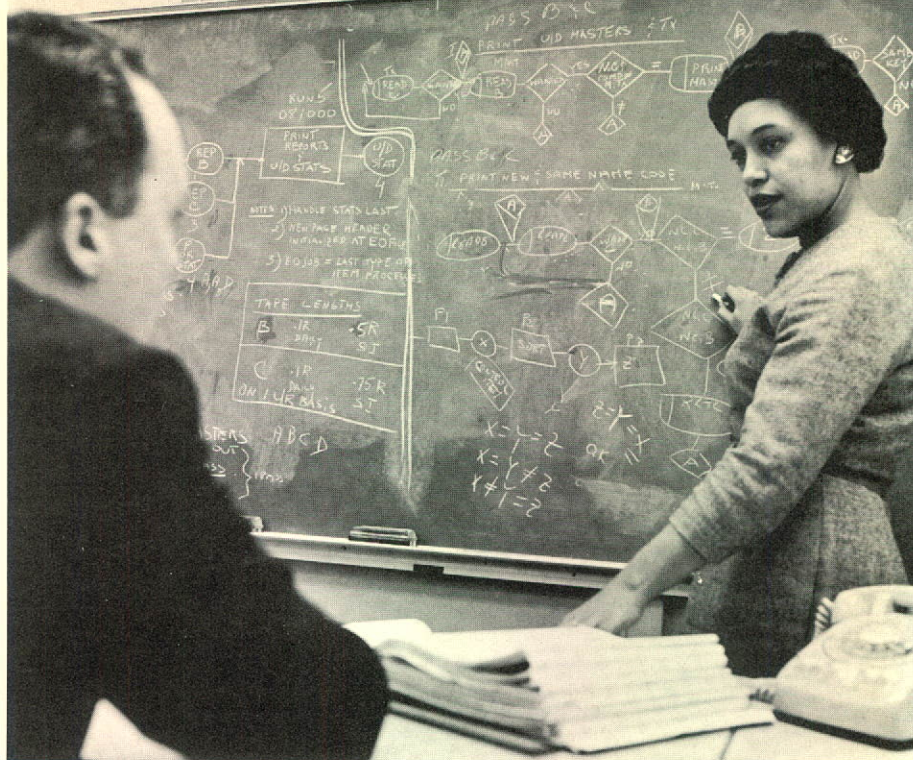


"Appointment boards" now in use in some of our business offices guide Service Representatives in making appointments to install telephones when customers want them. Coloured lights on the board show work loads in the coming week.



Experienced sales people give their undivided attention to the communications requirements of many of our larger business customers. Here a representative of one of Canada's automobile manufacturers (wearing Bellboy pocket signaller) discusses plans for improved communications with his Bell Account Manager.

Paving the way for the introduction of medium and large-scale computers, highly-skilled programmers and systems analysts are now devising ways of making the most of the new machines' remarkable capabilities.



Subsidiary companies

During the year, the Company acquired control of The Avalon Telephone Company, Limited, which serves more than 58,000 telephones in Newfoundland, and we now hold over 99 per cent of the Avalon's ordinary shares. Operated as a separate enterprise, the Avalon Company is now engaged in an intensive program to widen the scope and improve the quality of its telephone services in that province.

In the past year we further enlarged our holding of stock in the Northern Electric Company, our manufacturing affiliate. In 1956 we owned 56 per cent of Northern's share capital. Additional purchases in the intervening years have brought our holding to more than 99 per cent, and the Northern is now completely Canadian owned.

Better service at lower cost

The improved earnings we attained last year were due in large part to the tight rein on our operating expenses and increasingly efficient use of our capital resources. Most important, however, we have been able to combine greater economy with improvements in the quality of our service.

New methods — some deceptively simple, others singularly complex — produced significant gains in productivity. A new way of splicing telephone cables, for example, enables us to do a better job in less time than was needed previously. And a new type of conduit, de-

veloped in the past year, promises to reduce substantially the cost of placing cable underground. Clerical methods have been further streamlined, and employees in every department have shown a lively interest in finding simpler and more efficient procedures.

Mechanization of our administrative processes remains one of the key factors in our program to reduce operating expenses. During 1962 we introduced mechanized procedures in several departments, and still more extensive innovations will be made in the coming years.

Since information is the raw material of decision-making, any improvement in its quality will enable us to manage both operating and capital expenditures with greater precision and efficiency. We are accordingly devoting much attention to the development of methods and programs which will enable us to exploit the capability of modern business machines to produce accurate information with utmost speed.

In 1963 small and medium-scale computers will be introduced; they will be followed in 1964 by our first large-scale computer. We shall rely increasingly on such machines, not only to handle routine functions, but also to provide far more comprehensive and up-to-date information about the business than we can possibly obtain by less advanced methods.



Students at Grimsby District High School, Ontario, probe the mysteries of solar energy. Many schools in Ontario and Quebec are now using kits supplied by the Company to aid in the study of recent scientific developments.

BENEFITS AND PENSIONS

UNDER THE PLAN FOR EMPLOYEES' PENSIONS, DISABILITY BENEFITS AND DEATH BENEFITS YEAR 1962

Sickness Benefits	\$1,215,897
Accident Benefits	51,141
Death Benefits	478,941
Disability Pensions	75,022

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 \$11,182,296 in the year 1962. 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.

Education— foundation for the future

The increasing tempo of our business has emphasized the need for management of the highest calibre. And developments in the communications art have been swift and sweeping, demanding continually greater knowledge on the part of our employees. During the course of last year we took further steps to prepare our people for their future responsibilities, continuing our management development program and experimenting with new teaching methods.

Many of our management people attended seminars which will help them make the best use of the new business methods we are adopting; other employees participated in a highly successful experiment in which the latest programmed learning techniques were used in teaching technical subjects.

Summer workshops and tours of Company premises help to keep educators informed of job opportunities at the Bell. The intricacies of the telephone operator's job were among many aspects of Company operations described to Sister Marie Laure Cécile, Directress of Esther Blondin School, during her three-day visit.

We also announced an advanced education program which will help our engineers keep abreast of the latest developments in their field. In cooperation with Queen's University at Kingston, Ontario, the Company will inaugurate a one-year post-graduate course, beginning in the Fall of 1963. Engineers from this and other Canadian telephone companies will be selected to attend the course at Queen's.

Outstanding acts of public service

In the past year a number of employees displayed commendable initiative in their handling of emergencies. Three citation certificates were awarded: to Placide Bock of St. Jerome and Arthur Gosselin of Coaticook, who at great personal risk made a vain attempt to rescue the driver of a burning highway transport; and to Jean Belisle of Shawinigan South, who gave first aid to no fewer than seven victims of a single traffic accident. In addition, letters of commendation from the President were sent to Miss Georgina McCulloch of Shawinigan, Mrs. Ruby Platt of Ottawa, Ralph Cawthorn of Welland, Joseph Copeman of Ste. Agathe, André Paquette of Trois-Rivières, Mrs. Winona Kol-fage of Chatham, René Belisle of Beauport, Alan Reeder and Horace Simpson, both of Toronto, Miss Vera Henderson, Ronald Martin, Joseph Grant, Elio Carlesso, Max Erickson and George Tucker, all of Montreal.

Changes in our organization

The past year saw several major changes in our organization. The Accounting Department and



the departments in our Eastern Area have been extensively re-organized to enable them to cope more economically with the growth of the business, and there have been a number of changes among our executive.

Two officers who gave long and valued service, C. Leonard Dewar and George M. Grant, retired from the Company during 1962. Marcel Vincent succeeded Mr. Grant as Vice-President, Public Relations, and David M. Camp was appointed Vice-President & General Manager of our Montreal Area.

For the Board of Directors,

Chairman.

February 4, 1963.

BALANCE**ASSETS***in thousands of dollars*

	December 31, 1962	December 31, 1961
TELEPHONE PROPERTY		
Land, Buildings, Plant and Equipment (at cost)	\$2,000,944	\$1,842,548
Includes switching and microwave equipment, poles, wire, cable, underground conduit, telephone apparatus, motor vehicles, office furniture and other equipment.		
	<u>2,000,944</u>	<u>1,842,548</u>
INVESTMENTS		
Subsidiary Companies (at cost)	43,610	26,815
Other Investments (at cost)	14,463	14,160
The aggregate market value of investments (or net worth where market values are not available) exceeds the cost.		
	<u>58,073</u>	<u>40,975</u>
CURRENT ASSETS		
Cash	5,883	3,180
Temporary Cash Investments	48,973	18,480
Accounts Receivable (less provision for uncollectible accounts) . . .	54,679	50,396
Material and Supplies (at cost)	10,927	11,089
	<u>120,462</u>	<u>83,145</u>
DEFERRED CHARGES		
Prepayments and Other Deferred Charges	11,939	11,826
Rents, taxes, insurance, cost of directories and other items applicable to period subsequent to December 31.		
Unamortized Discount, Premium and Expense on Long Term Debt	5,809	4,896
	<u>17,748</u>	<u>16,722</u>
TOTAL ASSETS	<u>\$2,197,227</u>	<u>\$1,983,390</u>

Signed on behalf of the Board of Directors:

F. JOHNSON, *Director.*MARCEL FARIBAULT, *Director.*

SHEET

LIABILITIES*in thousands of dollars*

	December 31, 1962	December 31, 1961
SHAREHOLDERS' EQUITY		
Common Stock (see page 21)	\$ 655,532	\$ 593,673
Premium on Common Stock	230,567	195,123
Surplus	70,740	59,364
Retained Earnings for year 1962	\$11,317	
Miscellaneous additions (net) 1962	59	
	<u>956,839</u>	<u>848,160</u>
LONG TERM DEBT		
Bonds—First Mortgage (see page 21)	630,000	560,000
Debentures	—	10,000
	<u>630,000</u>	<u>570,000</u>
CURRENT AND ACCRUED LIABILITIES		
Accounts Payable	32,423	31,108
Includes amounts payable to Subsidiary Companies (1962—\$17,295)		
Advance Billing and Payments for Service	12,544	11,631
Dividend Payable	14,422	13,061
Taxes Accrued	32,370	28,204
Interest Accrued	8,980	7,918
	<u>100,739</u>	<u>91,922</u>
ACCUMULATED DEPRECIATION		
Accumulated Provision for Depreciation of Telephone Property	<u>442,500</u>	<u>408,430</u>
DEFERRED CREDITS		
Income Tax	48,224	48,224
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	18,523	16,021
Instalments paid by employees subscribing for common stock, with interest thereon.		
Other Deferred Credits	402	633
	<u>67,149</u>	<u>64,878</u>
TOTAL LIABILITIES	<u>\$2,197,227</u>	<u>\$1,983,390</u>

W. McNEILL, *Comptroller.*

THE BELL TELEPHONE COMPANY OF CANADA

INCOME STATEMENT

Thousands of Dollars

OPERATING REVENUES

	Year 1962	Year 1961
Local Service	\$289,612	\$269,515
Long Distance Service	153,787	138,363
Miscellaneous	29,521	27,443
Principally from directory advertising.		
Less: Provision for Uncollectibles	1,925	1,665
	<u>470,995</u>	<u>433,656</u>

OPERATING EXPENSES

Maintenance	88,844	83,852
Cost of inspection, repairs and rearrangements required to keep the telephone property in good operating condition.		
Depreciation	86,881	78,902
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.		
Traffic	37,356	36,111
Costs incurred in handling telephone calls.		
Commercial	38,049	35,719
Costs incurred in business dealings with customers; public telephone commissions; cost of directories; sales expense.		
Other	50,727	47,904
General office salaries and expenses, benefit payments, provision for service pensions, operating rents and other general expenses.		
<i>Year 1962: salaries paid to Executive Officers \$687,238; salaries and fees paid to Counsel, Solicitors and other legal advisors of the Company \$193,556; fees paid to Directors and members of the Executive Committee \$65,700, of which \$8,300 was paid and accounted for by subsidiary companies.</i>		
	<u>301,857</u>	<u>282,488</u>

NET OPERATING REVENUES

	<u>169,138</u>	<u>151,168</u>
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OPERATING TAXES

Income Taxes	61,441	54,621
Other Taxes	20,160	18,862
	<u>81,601</u>	<u>73,483</u>

NET OPERATING INCOME

	<u>87,537</u>	<u>77,685</u>
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OTHER INCOME

Dividends and Interest from Investments	5,198	4,402
Miscellaneous Income (net)	2,235	2,264
Principally interest, on plant under construction and on temporary cash investments.		
	<u>7,433</u>	<u>6,666</u>

INCOME AVAILABLE FOR FIXED CHARGES

	<u>94,970</u>	<u>84,351</u>
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FIXED CHARGES

Interest on Long Term Debt	28,443	25,516
Other Interest	862	803
Amortization of Discount, Premium and Expense on Long Term Debt	380	342
	<u>29,685</u>	<u>26,661</u>

NET INCOME AVAILABLE FOR DIVIDENDS

	<u>65,285</u>	<u>57,690</u>
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DIVIDENDS

	<u>53,968</u>	<u>50,786</u>
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RETAINED EARNINGS TRANSFERRED TO SURPLUS

	<u>\$ 11,317</u>	<u>\$ 6,904</u>
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THE BELL TELEPHONE COMPANY OF CANADA

NOTES TO THE BALANCE SHEET

COMMON STOCK

Par Value: \$25.00 per share.

Authorized: by charter — 40,000,000 shares,
by shareholders — 30,000,000 shares.

Outstanding: 26,221,280 fully paid shares at December 31, 1962.
Includes 147,794 shares issued in 1962 to acquire stock of
The Avalon Telephone Company, Limited.

BONDS—FIRST MORTGAGE (outstanding at December 31, 1962)

SERIES D — Maturing Aug. 1, 1964 — 3¼ %	\$ 25,000,000
SERIES E — Maturing Mar. 1, 1977 — 3 %	35,000,000
SERIES F — Maturing Feb. 15, 1973 — 3¼ %	35,000,000
SERIES G — Maturing June 1, 1975 — 3¾ %	40,000,000
SERIES I — Maturing May 1, 1976 — 3½ %	40,000,000
SERIES J — Maturing Dec. 15, 1967 — 4½ %	40,000,000
SERIES K — Maturing May 15, 1979 — 3¾ %	40,000,000
SERIES L — Maturing Dec. 1, 1970 — 4 %	16,000,000
SERIES M — Maturing June 1, 1981 — 4 %	24,000,000
SERIES N — Maturing Jan. 2, 1972 — 4¾ % (Payable in U.S. Funds)	20,000,000
SERIES O — Maturing Mar. 15, 1972 — 5 %	20,000,000
SERIES P — Maturing Mar. 15, 1983 — 4¼ % (Payable in U.S. Funds)	50,000,000
SERIES Q — Maturing July 2, 1980 — 5¼ %	30,000,000
SERIES R — Maturing Jan. 2, 1978 — 6¼ %	35,000,000
SERIES S — Maturing Apr. 1, 1974 — 6¼ %	25,000,000
SERIES T — Maturing Aug. 2, 1982 — 5¾ %	50,000,000
SERIES U — Maturing Jan. 2, 1986 — 6 %	35,000,000
SERIES V — Maturing Jan. 2, 1982 — 5½ %	40,000,000
SERIES W — Maturing June 15, 1984 — 5½ %	30,000,000

TOTAL BONDS \$630,000,000

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, 1962 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, 1962 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, 1962 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.

Montreal, Que.
February 1, 1963.

TOUCHE, ROSS, BAILEY & SMART
Chartered Accountants.

OUR STORY

AT DECEMBER 31	1962	1961	1960
Number of Telephones	3,890,630	3,695,107	3,515,007
Business	1,151,356	1,096,676	1,041,909
Residence	2,739,274	2,598,431	2,473,098
per cent Dial	97.0	95.2	94.2
Telephones Added During the Year* . .	195,523	180,100	184,130
connected	962,989	905,286	876,164
disconnected	767,466	725,186	692,034
Per cent Households with Telephones .	91	89	89
Average Calls Placed Daily*	23,904,000	22,688,000	21,668,000
Long Distance	440,000	409,000	391,000
Miles of Long Distance Circuits	2,130,500	1,871,000	1,769,000
Construction Expenditures*	\$ 219,400,000	\$ 192,600,000	\$ 207,700,000
Total Plant and Equipment.	\$2,000,943,787	\$1,842,547,676	\$1,697,921,442
Number of Employees	35,086	34,302	35,656
Men	15,823	15,553	15,816
Women	19,263	18,749	19,840
Total Payroll*	\$ 170,470,796	\$ 161,859,420	\$ 159,028,668
Number of Shareholders	192,854	178,126	171,288
per cent resident in Canada	97.3	97.0	97.3
Total Shares Outstanding	26,221,280	23,746,945	21,340,072
per cent held in Canada	93.0	92.2	92.1
Total Operating Revenues*	\$ 470,995,081	\$ 433,656,654	\$ 404,848,423
Total Operating Expenses*	\$ 301,856,922	\$ 282,487,927	\$ 270,428,499
Earnings Available for Dividends. . . .	\$ 65,284,902	\$ 57,690,521	\$ 53,511,907
per Average Share Outstanding . .	\$2.66	\$2.50	\$2.52
Per cent Return on Total Capital . .	6.3	6.0	6.0

*for the year ended December 31.

IN FIGURES

1959	1958	1957	1956	1955
3,330,877	3,140,349	2,954,884	2,766,153	2,522,745
991,860	940,589	893,211	848,724	782,620
2,339,017	2,199,760	2,061,673	1,917,429	1,740,125
91.8	90.0	88.7	86.1	83.9
190,528	185,465	188,731	243,408	228,287
860,550	785,279	731,970	759,089	685,516
670,022	599,814	543,239	515,681	457,229
88	87	86	85	82
20,951,000	19,829,000	18,646,000	16,989,000	15,747,000
378,000	361,000	336,000	317,000	298,000
1,656,000	1,451,000	1,187,000	1,058,000	908,000
\$ 196,100,000	\$ 183,200,000	\$ 177,300,000	\$ 139,500,000	\$ 128,400,000
\$1,534,462,754	\$1,378,274,117	\$1,223,615,264	\$1,066,296,579	\$ 945,119,244
37,158	39,321	41,363	39,688	36,340
16,035	16,784	17,018	15,632	13,892
21,123	22,537	24,345	24,056	22,448
\$ 155,156,297	\$ 154,611,767	\$ 146,952,560	\$ 130,677,707	\$ 116,037,106
170,767	157,724	156,825	140,726	125,223
97.5	97.8	98.0	97.8	97.8
21,024,690	18,183,956	17,983,980	15,506,932	13,643,401
92.0	91.8	91.8	91.1	90.6
\$ 376,604,645	\$ 328,817,571	\$ 302,985,820	\$ 273,975,152	\$ 244,899,537
\$ 256,232,248	\$ 239,303,260	\$ 220,445,304	\$ 196,252,745	\$ 173,197,648
\$ 50,283,578	\$ 38,899,289	\$ 36,037,169	\$ 34,949,181	\$ 31,978,042
\$2.48	\$2.15	\$2.15	\$2.40	\$2.43
5.9	5.3	5.3	5.7	5.9

COMMUNICATIONS FOR THE CANYON

The canyon is Dorchester Boulevard, Montreal, a new show-place for the city, flanked by some of the tallest office buildings in Canada.

Communications — dependable, efficient and fast — are the life-lines of this new community, as they are of every business centre.

The range of communications equipment in the canyon covers virtually the entire spectrum of our services. When fully occupied, the three largest buildings alone will house some 12,000 telephones — enough to serve a city the size of Barrie or Jonquière.

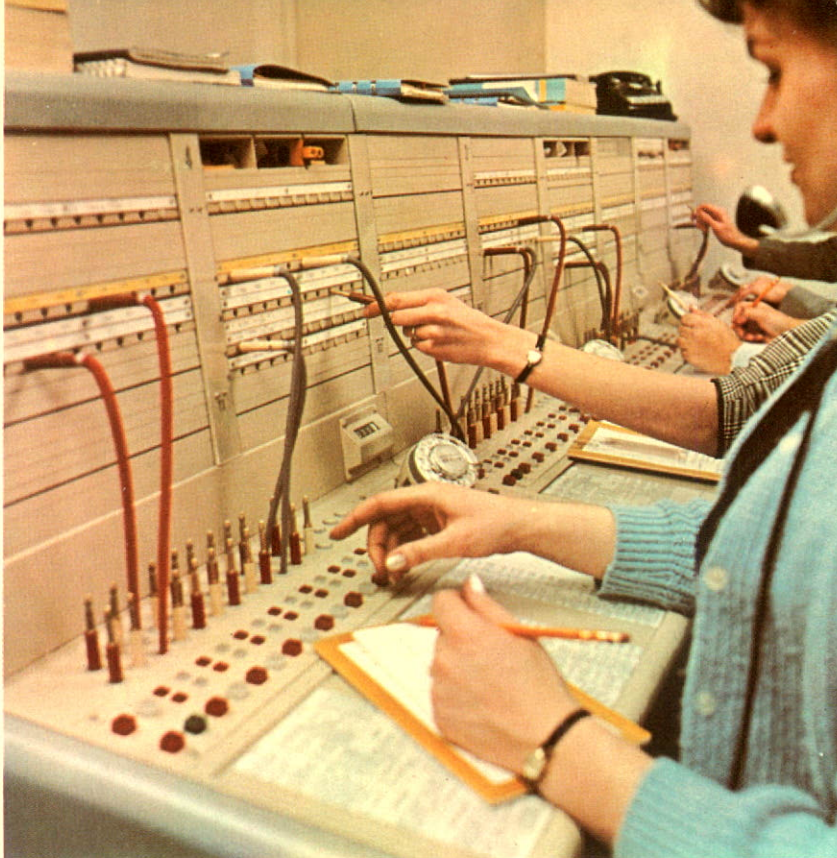
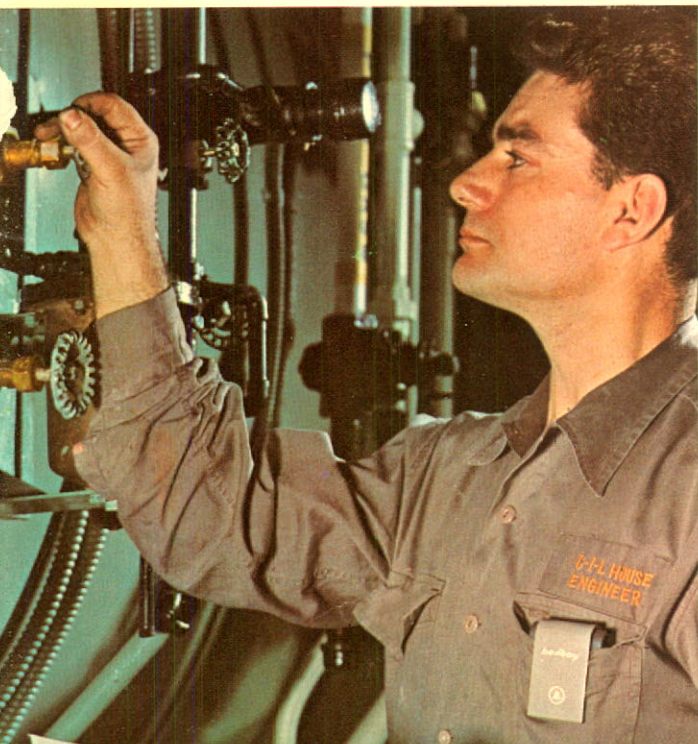


FUNCTIONALLY DESIGNED telephone equipment serves offices in the new buildings. Push buttons offer instant communication and the desk-top design provides maximum convenience for many of the heavy users of telephone service.





RAPIDIAL automatic dialers — first introduced in January 1962 — save precious time for this stockbroker in the Canadian Imperial Bank of Commerce Building. Telephone numbers stored in an electronic 'memory' are dialed automatically at the touch of a bar.



CENTREX systems provide a telephone exchange in miniature for several larger firms in the Royal Bank of Canada Building.



COMMUNICATIONS NERVE CENTRE of Place Ville Marie is this specially constructed, air conditioned room from which wires in their thousands fan out to telephones throughout the complex. Massive cables link the centre with a nearby Bell equipment office.

BELLBOY pocket signallers are used to call C-I-L House maintenance staff to the nearest telephone. Signals transmitted from a centrally-located console alert staff wherever they may be in the building.



*Residence customers may choose
from a wide selection of
colourful, convenient telephones*

