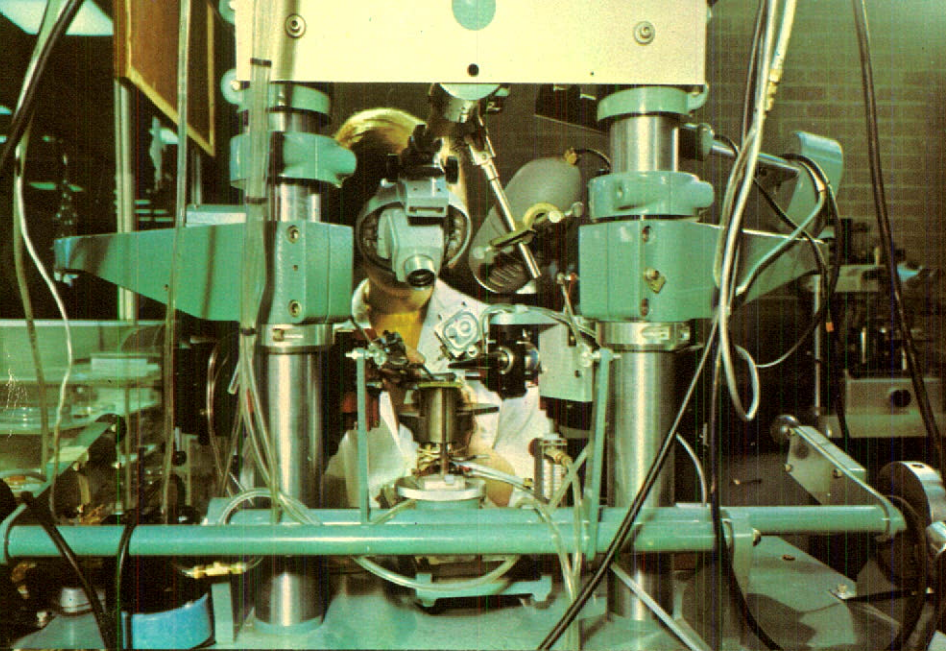


The Bell Telephone Company of Canada



**1967
Annual Report**



Products of research and development carried out for Bell Canada at Northern Electric Company laboratories are made available to other companies as well. They are important factors in the provision of high-quality, low-cost communications services throughout Canada.



Placing the advantages of modern technology at the service of the communicating public is the Bell Canada employee — well trained, efficient, and intent on giving the best possible service designed to meet the customer's need and wish.



Increasingly complex and sophisticated services are required to meet the communications needs of modern industry and business. Bell Canada communications consultants advise and assist in developing the equipment to meet special customer requirements.



EIGHTY-EIGHTH

Annual Report

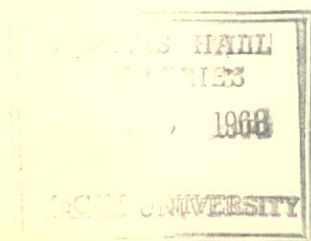
THE BELL TELEPHONE COMPANY OF CANADA
1050 BEAVER HALL HILL, MONTREAL

YEAR ENDED DECEMBER 31, 1967

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*Sur demande, le secrétaire vous fera volontiers
parvenir un exemplaire français du rapport annuel.*

FACTS AND FIGURES AT A GLANCE	1967	1966
Operating Revenues.	\$702,036,000	\$645,047,000
Other Income	20,042,000	11,998,000
Operating Expenses.	430,227,000	406,679,000
Taxes.	130,564,000	114,433,000
Interest Charges	52,750,000	43,970,000
Net Income.	108,537,000	91,963,000
Earnings per share	\$3.16	\$2.98
Dividends per share	\$2.50	\$2.43
Return on total capital	6.8%	6.5%
Construction expenditures	\$312,524,000	\$293,335,000
Telephones added	283,709	290,819
Local calls — daily average	30,000,000	28,577,000
Long distance calls — daily average	612,000	565,000
Employees — year-end total	38,123	40,008
Bell Canada payroll	\$236,781,000	\$225,437,000



OFFICERS

CHAIRMAN OF THE BOARD

THOMAS W. EADIE

PRESIDENT

MARCEL VINCENT

EXECUTIVE VICE-PRESIDENTS

ARNOLD J. GROLEAU *Administration*

ALEXANDER G. LESTER *Planning & Research*

ROBERT C. SCRIVENER *Operations*

VICE-PRESIDENTS

W. HARVEY CRUICKSHANK *Public Relations*

MAURICE d'AMOURS *Montreal Area*

MALCOLM N. DAVIES *Operations Staff*

A. JEAN de GRANDPRÉ, Q.C. *Law*

CLAUDE DUHAMEL *Eastern Area*

Z. HENRY KRUPSKI *Trans-Canada*

J. VERNON LEWORTHY *Toll Area*

WALTER F. LIGHT *Engineering*

WALLACE C. MACPHERSON *Personnel*

WALLACE M. RANKIN *Toronto Area*

JOHN E. SKINNER *Western Area*

JAMES C. THACKRAY *Central Area*

GEORGE C. WALLACE *Finance*

TREASURER

WILLIAM C. CORBETT

COMPTROLLER

ORLAND TROPEA

SECRETARY

SYDNEY D. McMORRAN

DIRECTORS

W. M. VACY ASH *Toronto*

Company Director

J. LAURENCE BLACK *Sackville, N.B.*

President, J. L. Black & Sons Ltd.

Elected March 16, 1967

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

Consultant and Director,

Brazilian Light & Power Co., Ltd.

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

President, Cockshutt Securities Limited

Term expired March 16, 1967

THOMAS W. EADIE* *Montreal*

Chairman, Bell Canada

MARCEL FARIBAULT* *Montreal*

President, Trust Général du Canada

JOHN A. FULLER* *Montreal*

Company Director

JAMES A. HOBBS* *Montreal*

Executive Vice-President, Bell Canada

Resigned October 31, 1967

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

Chairman, Northern Electric Company, Limited

HERBERT H. LANK* *Montreal*

Chairman, Du Pont of Canada Limited

DONALD McINNIS, Q.C. *Halifax, N.S.*

Senior Partner, McInnes, Cooper and Robertson

Elected March 16, 1967

KENNETH G. McKAY *New York, N.Y.*

Vice-President,

American Telephone & Telegraph Co.

JOHN H. MOORE *London*

President, John Labatt Limited

ARTHUR S. PATTILLO, Q.C. *Toronto*

Partner, Blake, Cassels & Graydon

H. ROCKE ROBERTSON *Montreal*

Principal and Vice-Chancellor,

McGill University

LUCIEN G. ROLLAND *Montreal*

President and General Manager,

Rolland Paper Company, Limited

ROBERT C. SCRIVENER* *Montreal*

Executive Vice-President, Bell Canada

Appointed November 1, 1967

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

Company Director

JEAN TURGEON, Q.C. *Quebec*

Senior Member, Turgeon, Amyot,

Choquette & Lesage

MARCEL VINCENT* *Montreal*

President, Bell Canada

**Member of the Executive Committee*

LISTING OF STOCK

Montreal Stock Exchange

The Toronto Stock Exchange

STOCK TRANSFER OFFICES

Company Treasurer's Office *Montreal*

The Royal Trust Company *Toronto; St. John's, Nfld.; Halifax;*

Charlottetown; Saint John, N.B.; Winnipeg; Regina;

Calgary; Vancouver

REGISTRAR FOR STOCK

Montreal Trust Company *Montreal; Toronto; St. John's, Nfld.;*

Halifax; Charlottetown; Saint John, N.B.; Winnipeg;

Regina; Calgary; Vancouver

TRUSTEE FOR BONDS

The Royal Trust Company *Montreal*

1968 ANNUAL MEETING

The Annual General Meeting of the shareholders will take

place at 11:00 a.m., Thursday, March 21, 1968, at

1050 Beaver Hall Hill, Montreal, Quebec, Canada.

REPORT OF THE DIRECTORS

Canada's Centennial Year was a time of celebration and of reappraisal. For the men and women of Bell Canada it was also a time of vigorous activity and solid accomplishment.

Early in the year we inaugurated Canada's first electronic telephone exchange, to serve Expo 67 and its millions of visitors. During the year, we grew past the five million mark in the number of telephones served and, for the first time in a single year, exceeded three hundred million dollars in capital expenditures to further expand and improve our parts of Canada's far-flung communications network. Then, in December, we entered the space age of telecommunications with the start of construction on an experimental earth station designed to test various aspects of communication satellite operation, and to add a Canadian share to the world's knowledge of the use of satellite techniques in communicating with isolated outposts of the Far North.

The most significant technical accomplishment of the Company in 1967 was the inauguration in Montreal of Canada's first electronic switching system. In this country and abroad, it served to underscore Bell Canada's position among the world leaders in advanced communications techniques. This year will see completion of a similar electronic switching unit in Toronto, and the start of work on one for Ottawa. A new era in telecommunications has been introduced, and Bell Canada has helped introduce it.

Any review of the Company's activity in Centennial Year must include reference to two outstanding examples of inter-system co-operation in the public interest. One was the joint sponsorship by member companies of The Telephone Association of Canada of the Telephone Pavilion at Expo, with its now-famous film "Canada '67". The other was the joint proposal, by members of the Trans-

Canada Telephone System and CN-CP Telecommunications, to provide for Canada a domestic satellite communications system.

The essence of the satellite proposal was that the Canadian communications service industry was ready and able to establish and operate a domestic communications satellite system as part of the integrated network of Canadian telecommunications facilities. This was recommended as most logical, since this industry already had the technical competence, the manpower and the financial resources.

Earnings were better in 1967

With an assist from Expo and other centennial activities, long distance service revenues recorded an 11.0 per cent increase over the 1966 figure; total operating revenues reached \$702 million, for an increase of 8.8 per cent. At the same time, operating expenses were held to an increase of 5.8 per cent through unremitting attention to the management of costs. Thus we were able to counteract inflationary pressures which are of such concern to government, corporation and citizen alike, and to raise the level of net income by 18 cents per share, to \$3.16. Dividends to shareholders were paid quarterly, at the rate of \$2.50 per share per year, and a sum equal to \$0.66 per share was added to retained earnings. These are the earnings accumulated over the years and retained in the business to strengthen the Company's financial position and reinforce the shareholders' equity.

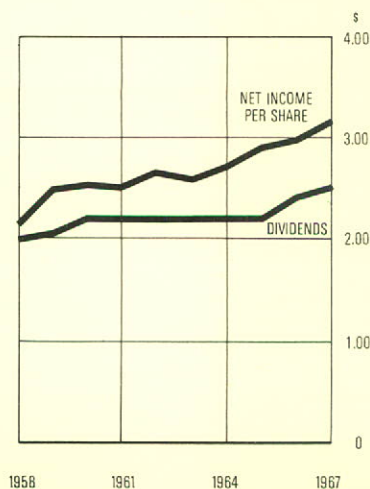
Of particular significance to investors is the fact that over the past few years we have established a healthy trend of growth in per-share earnings. As indicated in the statistical summary on pages 22-23, the Company's level of net income, on a per-share basis, has risen each year — from \$2.58 in 1963 to \$3.16 in 1967.

During the past 10 years the prices of most goods and services available to Canadians have been raised repeatedly; yet Bell Canada has been able to hold unchanged since 1958 its basic schedule of local telephone rates, and has actually reduced many long distance charges. The Company has reason to be proud of this performance record. Affecting, as it does, all telephone customers served by the Company, this has been a significant victory in the struggle against inflation. It was made possible by men and women in all parts of the Bell Canada organization who applied themselves diligently and with imagination to the task of continuously increasing the productive efficiency of the Company's operations.

New collective agreements negotiated during 1967 provided for increased wages and benefits in line with similar changes in other Canadian industries.

Operating taxes to federal, provincial and municipal governments always constitute a major item of Company expense. In 1967 they

EARNINGS CONTINUE TO GROW



amounted to nearly \$131 million, equivalent to \$3.80 per share or \$26.10 per telephone in service.

During the year the Federal Government cancelled a ruling, made in 1958, which had excluded federally regulated telephone companies from the advantages of capital cost allowances available to other companies under the Income Tax Act. This change substantially reduces the amount of the Company's external financing requirement.

Service was extended and improved

In one of the greatest growth years of the Company's history, 284,000 telephones were added to the total at the service of our customers. One of these, connected in the normal course of filling an order for service, was the Company's five-millionth telephone. It was in 1945 — 65 years after the founding of the Company — that our one-millionth telephone was placed in service. Now, just 22 years later, we have passed five million. And still the trend is up.

An indication of the amount of work involved in telephone growth is given by the fact that in adding 284,000 sets, more than one and a quarter million telephones were connected to the system during the year.

Not only was service extended in 1967, in many ways it was made better. Speed of connection and clarity of transmission were improved as telephone engineers translated technological advance into service improvement. The advantages of unlimited, flat-rate local calling were increased and made available to thousands more customers as many existing Extended Area Service plans were broadened and new ones were introduced.

With the development of new methods and equipment, thousands of customers who had annoyance-call problems were helped during the past

year. Court action resulted in the conviction of a number of offenders, and real progress was made in the co-ordinated program to eliminate this serious problem.

Construction activity reached new high

One measure of the Company's growth in 1967 was the size of its construction program. For the first time in our history, the year's construction expenditures exceeded \$300 million.

Of the more than \$312 million total, about \$249 million was invested in facilities required to extend and improve the system, and make it more efficient. Included was an item of \$25 million for electronic switching equipment.

Accounting for the remainder, about 20 per cent of the total, are the capital expenditures involved in moves and rearrangements of customer equipment, the relocation of facilities made necessary by governmental projects such as highway

construction, and the simple replacement of worn-out equipment or that damaged beyond repair.

This Company's construction program is of far-reaching importance to other Canadian companies and to the economy as a whole. Evidence of this is given by the fact that well over 95 per cent of Bell Canada's \$312 million construction expenditure in 1967 was spent in Canada. In addition, of course, some \$290 million was spent to pay the day-to-day costs of operating the business.

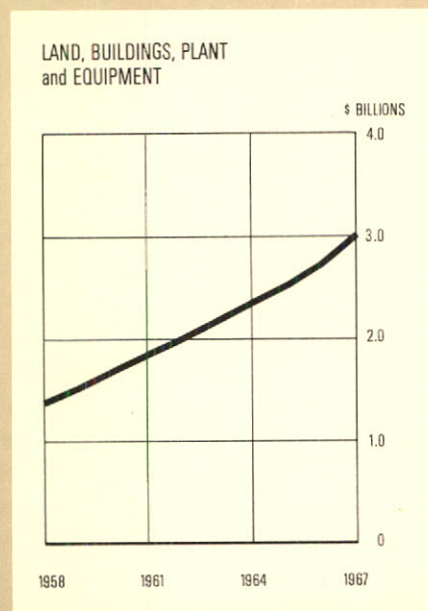
New capital provided

In 1967 the Company's requirements for additional capital from sources outside the business were provided for chiefly through the sale of first mortgage bonds. Funds received from this source during the year amounted to \$164 million. Part of this money was needed to refund the \$40 million issue of Series J bonds which matured in December.

Interest rates on the new issues ranged from 6.25 per cent to 6.75 per cent in sharp contrast to the 4.50 per cent rate carried by the issue being refunded. Since 1965, the average interest rate of all the Company's bond issues has risen from 4.8 to 5.1 per cent. Detailed information about this aspect of the Company's financing will be found in the notes which follow as part of the financial statements.

Under the terms by which Bell Canada employees purchase Company stock through payroll deduction, 563,000 shares were issued, and net proceeds of \$21.4 million were provided for Company use.

The balance of the capital requirements was met through internal resources such as depreciation accruals, retained earnings and the deferred tax credit. As a result of its financing activities in 1967, the Company's debt ratio — the proportion of debt to total capital — rose from 41.6



per cent at the start of the year to 43.9 per cent at the year-end.

Bill C-104 was still before Parliament

Within a framework of appropriate and effective governmental regulation, Bell Canada is determined to supply the communications services wanted by its customers, and to ensure that the benefits of technological and administrative research are continuously applied to the advantage of the people who use its services.

To achieve these objectives under the rapidly changing conditions which characterize the present stage of Canada's social and economic development, it is occasionally necessary to amend and up-date the terms of the Company's charter. The most recent such proposal, Bill C-104, which includes provision to increase the authorized share capital, was presented to Parliament in October 1966.

In March 1967, in accordance with the rules of the House of Commons, the bill was referred to the Standing Committee on Transport and Communications. Following public hearings and detailed study, the Committee approved the bill with amendments at the beginning of February 1968, and referred it back to the Commons for final consideration by all the members.

Combines investigation was revealed

During the Committee hearings it was publicly revealed by the Director of Investigation and Research for the Combines Investigation Branch that "... an inquiry is at present in progress relating to the manufacture, production, distribution, purchase, supply and sale of communications systems, communications equipment and related products".

In accordance with the statute, this inquiry is being conducted in private, and it is far from being finished. While the directors and officers of the Company were aware of it in December of 1966, having been asked to supply various documents for use in the investigation, they felt it would be inappropriate for the Company to make any public disclosure with the inquiry still in progress.

Indicative of current governmental concern about the broad and complex problem of domestic and foreign trade, various federal agencies including the Economic Council of Canada are concurrently making in-depth studies of the Combines Investigation Act as it affects the public interest and the attainment of Canada's national objectives.

One of the significant aspects of this problem is the relationship of regulated industry to manufacturing concerns which compete in local and international markets. Inasmuch as close integration of research, manufacturing and service activities has been the cornerstone of North American communications services — acknowledged to be the most plentiful, the least expensive, and the best in the world — the study of our industry should prove helpful in understanding the complex relationships involved.

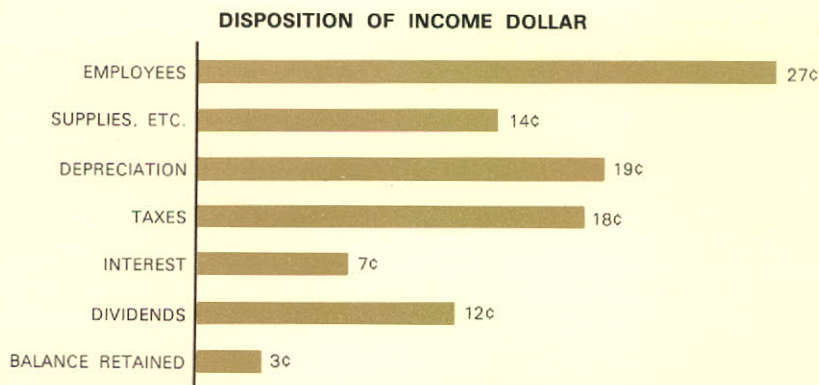
It is our expectation that the various inquiries now in progress will lead to enactment of legislation tailored to fit the present-day needs of Canadians and to make more accessible Canada's basic economic goals.

Meritorious acts were recorded

On numerous occasions Bell Canada employees provided help to victims of accidents and mishaps. A citation certificate for an act of personal bravery was awarded to Mary D. Tobin, Toronto. Letters of commendation were presented to Douglas L. Abraham, Barrie; Edward R. Bagley and John M. McIntyre, Orillia; Nicole Bergeron, Chicoutimi; B. P. J. Bourque, Sherbrooke; Elvin B. Bruce and Frank Meandro, Sudbury; Donald Debaeremaeker, Albert E. Harrott and William J. O'Shea, Toronto; Raymond W. Getchell and Ruby Osborne, Hamilton; Jean J. B. Lavallée, Valleyfield; John C. Lewis, Chatham; Norman W. Matthews, Kitchener; A. F. Mayor and H. M. Hoxell, Fort William; Chris W. Miller, Ottawa; Sandra Lee Paquette, North Bay.

Changes of directors and officers

Two prominent Canadian businessmen were added to the Board of



Directors. Elected at the last Annual Meeting of the shareholders were J. Laurence Black, Sackville, President of J. L. Black & Sons, Ltd., hardware and lumber merchants, and Donald McInnes, Q.C., Halifax, Senior Partner of McInnes, Cooper and Robertson, barristers.

After many years of important and valued service to the Company, C. Gordon Cockshutt, M.C., of Brantford, retired from the Board of Directors in March, not standing for re-election at the Annual Meeting. His death in December ended a career of major importance in the advancement of Canada's position in the community of industrial nations.

James A. Hobbs, Montreal, resigned as a director and a member of the Executive Committee in October, at the time of his retirement from active service as an Executive Vice-President of the Company. His

positions on the Board and the Executive Committee were filled by the appointment of Robert C. Scrivener, Executive Vice-President (Operations).

Officer changes during the year included the retirement of Oren A. Robertson, Vice-President, after 41 years of Company service. Malcolm N. Davies and Walter F. Light were both appointed Vice-Presidents of the Company, and C. Beverley Woodley moved to Northern Electric Company as Vice-President.

Return on investment was 6.8 per cent

The return earned by the Company in relation to the capital invested in the enterprise was 6.8 per cent for the full year.

It will be recalled that following hearings held in 1965, the Board of Transport Commissioners for Canada issued a judgment on May 4, 1966, specifying 6.6 per cent as the upper limit of earnings considered appropriate at that time. In the judgment, the regulatory authority stated that its findings were based on "... the circumstances and conditions of a particular time, including the probable future trend of those circumstances and conditions," and that they "... are not necessarily applicable to future times when circumstances and conditions may be altogether different".

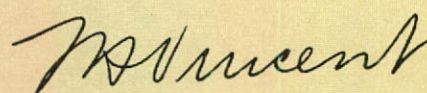
Informed monthly of the Company's financial results, the Canadian Transport Commission, successor to the Board of Transport Commissioners, has been kept fully aware of the trend of Company earnings. In the latter part of the year, the Commission enquired concerning our estimates of rate of return for 1967 and the first six months of 1968. When informed that earnings would likely exceed 6.6 per cent of invested capital, the regulatory authority directed — in accordance with the 1966 ruling — that we

advise the Commission's Railway Transport Committee whether the Company had any "... proposals for rate reductions, taking into account the circumstances and conditions prevailing at this time".

In reply, we described the changed conditions which had made the earnings limit of 6.6 per cent no longer "applicable" — the term used in the 1966 judgment. We pointed out that public demand for service during the period 1965 to 1967 had been much higher than forecast at the time of the hearing, requiring of us a correspondingly higher level of construction expenditures. In the same period, interest rates rose sharply and investors appeared to find our shares less attractive than competitive equity offerings. In view of these and other factors, the Company urged that existing basic rate schedules be reaffirmed as just and reasonable at the present time.

In a public statement issued January 23, 1968, the Railway Transport Committee announced that it "... has made its own independent study of the matter and has decided that, at this time, there has been such a change in the circumstances and conditions that prevailed in May 1966 when the judgment of the Board of Transport Commissioners was issued that Bell Telephone should not be required to reduce its telephone rates". In the same statement, the Committee also announced that a "review judgment" relative to the findings of the 1966 judgment was to be issued in the near future.

For the Board of Directors,



President

February 12, 1968

BENEFITS AND PENSIONS

Under the Plan for Employees' Pensions, Disability Benefits and Death Benefits
Year 1967

Sickness Benefits	\$1,563,512
Accident Benefits	109,439
Death Benefits	678,664
Disability Pensions	101,172

The Company has established a fund with The Royal Trust Company, Montreal, as Trustee. This fund is irrevocably devoted to service and deferred pension purposes. Under an accrual program based on actuarial studies, regular payments are made to the fund by the Company and amounted to \$10,738,659 in the year 1967. The amount in the fund fully provides for future payments to those now on the pension rolls and those now entitled to retire on service pension at their own request, or to a deferred pension. The fund is not a part of the assets of the Company and is, therefore, not reflected in the balance sheet.

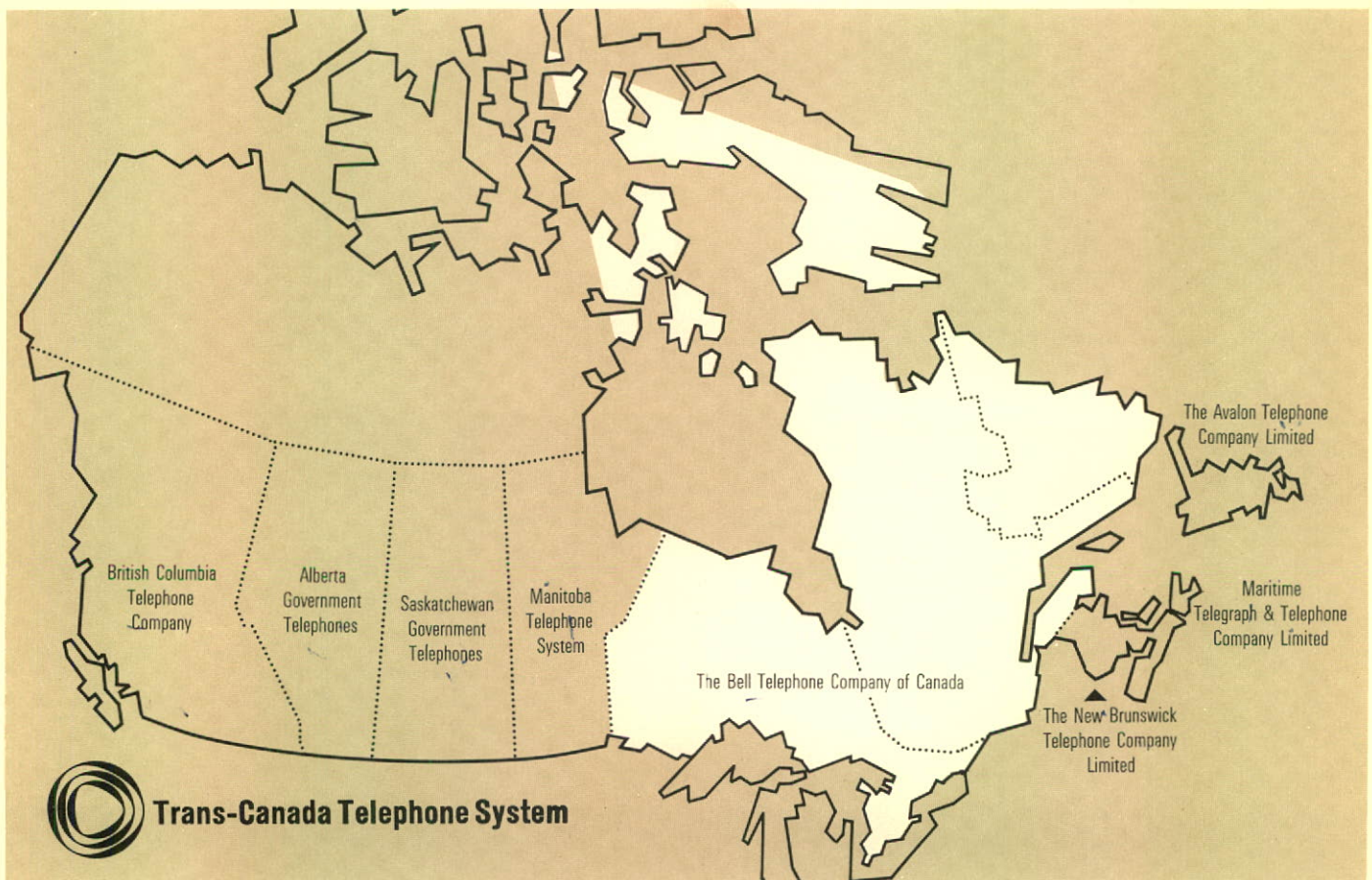
TELECOMMUNICATIONS IN CANADA

Telecommunications services are provided in Canada by some 2,000 separate companies and systems. These range from rural telephone co-operatives serving only a few owner-customers to large, efficiently integrated systems providing a variety of services for hundreds of thousands of people.

When long-haul telecommunications are required, Canadians look to the Trans-Canada Telephone System. This organization, inaugurated in 1932, is composed of eight major systems, whose combined service areas reach from coast to coast in Canada. Five of the Trans-Canada members are shareholder-owned en-

terprises; three are owned by provincial governments. As a unit, they provide a national service in the transmission of telephone, network television, data, and other telecommunications services. In addition, certain long-haul communications services are offered by the telecommunications branches of Canada's two principal railway systems.

Serving more than 5,000,000 telephones in Ontario, Quebec, Labrador and parts of the Canadian North is Bell Canada. The territory in which it operates—stretching from the southern tip of Ontario to Resolute, on Cornwallis Island, and from the Manitoba border to the coast of Labrador—covers an area about seven times the size of Britain and France combined.



CONSTRUCTIVE CITIZENSHIP

Bell Canada has a long tradition of contributing its full share to the well-being and advancement of the society it serves.

Company employees voluntarily serve their communities in many ways, and they know they can count on Company support in exercising the rights and responsibilities of constructive citizenship. Through the Company's educational assistance program, they are encouraged to develop more fully their latent abilities.

Expert instruction in first aid, home nursing and safety procedures helps Bell people to prepare themselves for personal service to others. And intensive training in the techniques of "defensive" driving ensures that Bell Canada vehicles do not add to the hazard of our highways.

It is a matter of particular gratification for Bell people when, as in the case of our participation in centennial programs and in the Telephone Pavilion at Expo 67, we are able to contribute to Canada's advancement and effectiveness among the nations of the world.



1

1. Mrs. Cécile Wong, recipient of one of Bell Canada's Centennial Fellowships, is working for a doctorate in mathematics at the University of Montreal.

2. Counselling groups of young people in the Junior Achievement Program, interested Company people help tomorrow's adults gain business experience and first-hand knowledge of the principles of enterprise.

3. More than 6,000,000 Expo visitors lined up to see the stirring film "Canada '67", at the pavilion of The Telephone Association of Canada.



2



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4. Wearing her own centennial project, a young visitor tries out the experimental Picturephone set in the exhibit area of the Telephone Pavilion at Expo 67.

5. At great personal risk, Mrs. Mary Dolores Tobin, Toronto Traffic Department employee, saved the life of a child drowning in the Welland Canal.

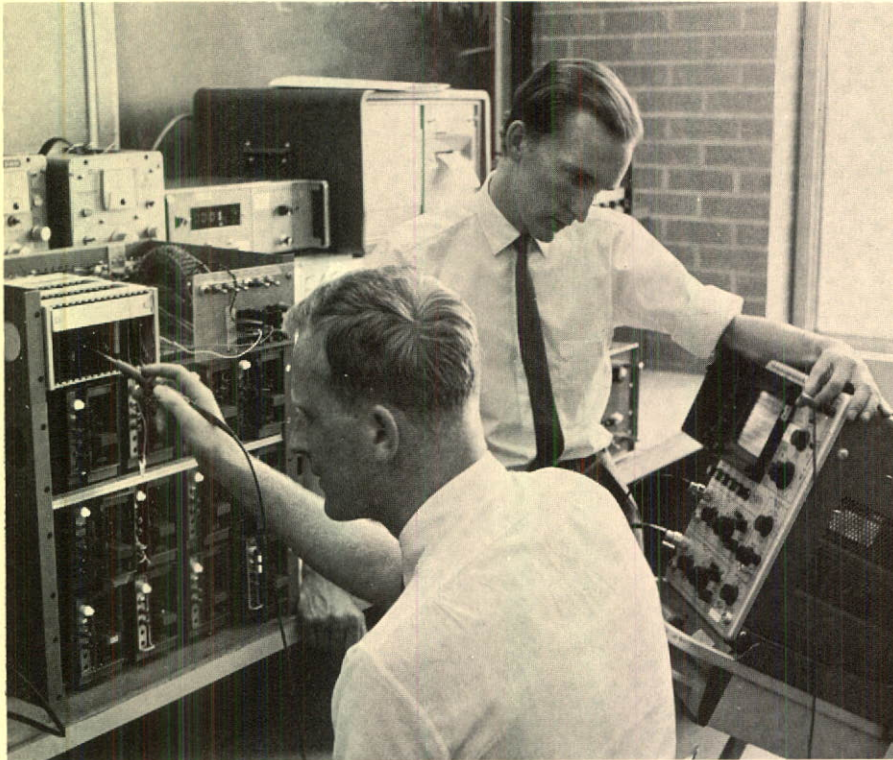


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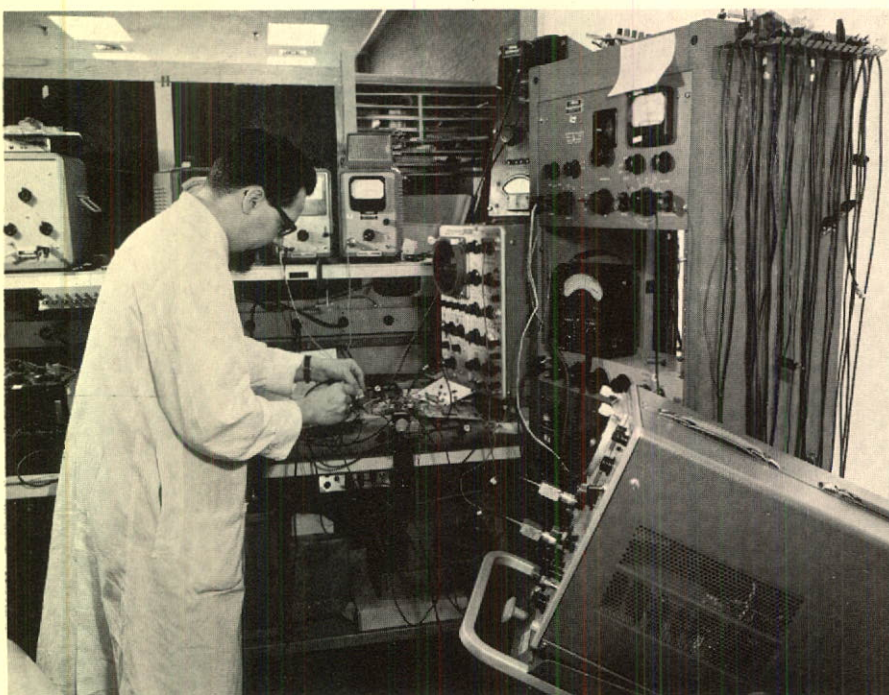


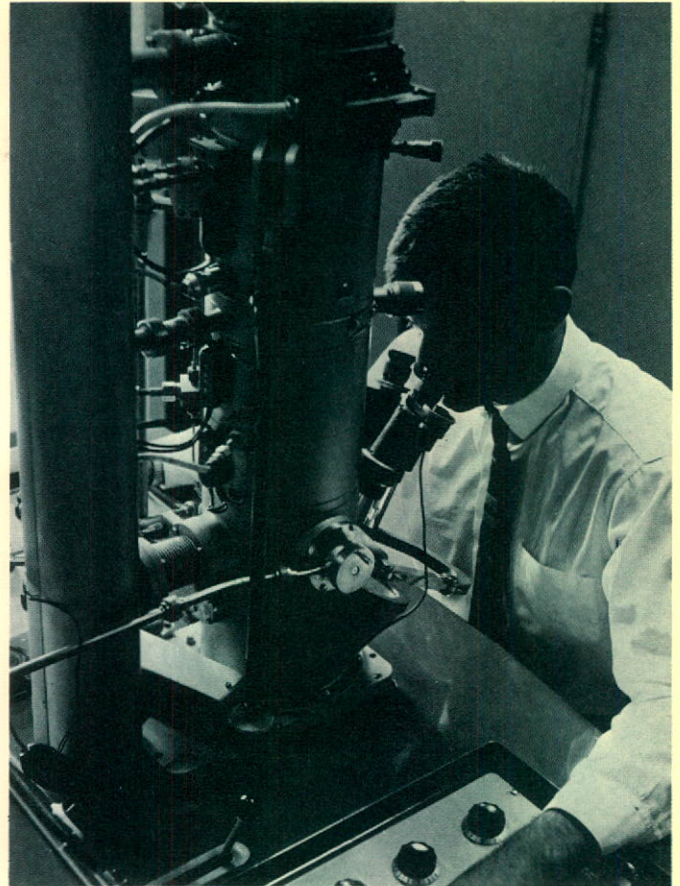
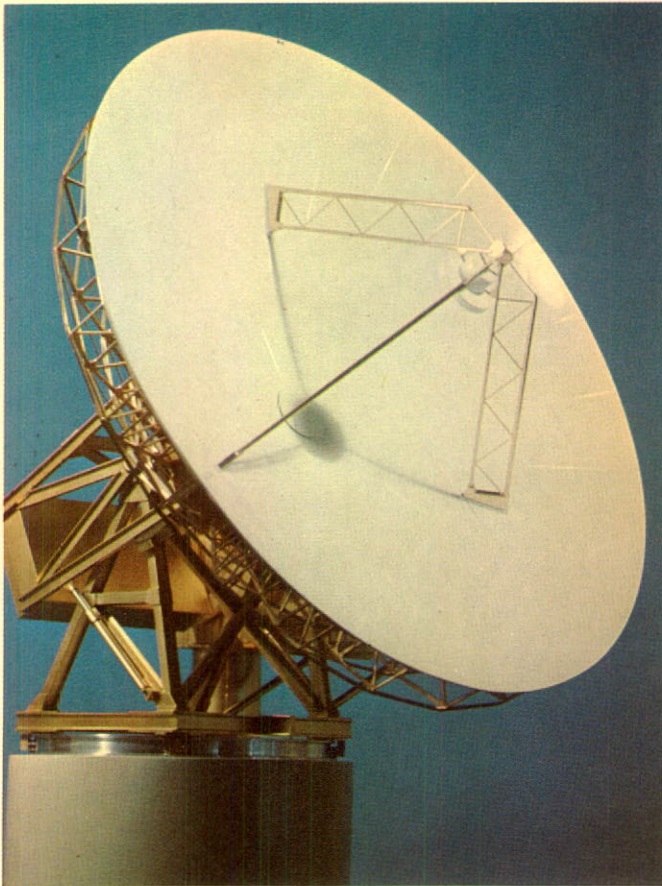
RESEARCH AND DEVELOPMENT IN CANADA

Maintaining leadership in the provision of modern, efficient communications services, engineers and scientists of Bell Canada and the Northern Electric Company are constantly engaged in research and development of those techniques and devices likely to be of greatest use to the Canadian telecommunications industry and its Canadian customers.

Some of man's most revolutionary and most progressive discoveries in recent years have been in the field of telecommunications. They have opened up a new world of specialized services to add to the scope, efficiency and convenience of telecommunications methods and equipment which have evolved from the basic telephone transmission principle first enunciated in 1874 by Alexander Graham Bell.

Characteristic of the Bell Canada operation is planning which anticipates customer need. Equally important are the ability and willingness to take reasonable risk in supporting new ideas in technique and equipment. A practical example is the experimental Bell Canada earth station, now under construction, which has been planned as part of a proposed communications satellite system carrying telephone, television, data and other telecommunications services to remote parts of Canada's North.





3

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1. High standards of quality in design, materials and workmanship are required if the communications system is to provide reliable service. Being tested for performance at the research laboratories in Ottawa is a Northern Electric ferreed switch, the basic building block of the present-day electronic switching system.

2. Under development in this laboratory is a new type of electronic circuit designed to meet special needs of customers in Canada.

3. The antenna for the experimental earth station at Bouchette, designed and built in Canada, will test satellite relay of telecommunications under conditions to be met in Canada's Far North.

4. This powerful electron microscope in use at the Northern Electric research and development laboratories, is capable of providing magnification up to one million times.

5. Manufacture of microminiature integrated circuits involves the exacting preparation, on a light table, of a plastic master mask. The design of the mask is then reduced photographically 200 to 500 times.



FITTING SATISFACTION TO NEED

An essential part of good service is expert marketing—the imaginative fitting of satisfaction to need, of problem with solution.

Success in this field is perhaps best measured in the continuing satisfaction of discriminating customers. Appreciating the skill and experience of the sales specialist, the over-all quality of systems and equipment recommended, and the integrity of the company behind them, the satisfied customer acknowledges good value received.

The Bell Canada marketing representative has been trained to understand and appraise a customer's

requirements, however individual or complex they may be. He brings to his task a thorough knowledge of the features of modern communications systems, and the creative ability to apply them in the development of services to solve new business problems.

A revolutionary new approach to an understanding of the implications of our modern "information explosion" is the Company's Communications Seminar where leaders of business, industry, education and government can observe and discuss the potentialities of services and equipment designed for use in the over-all management of information. It offers a first-hand look at the latest

message and data transmission devices and suggests how modern communications systems can help increase the efficiency and effectiveness of business operations.

Bell Canada will have the Seminar in operation in Montreal in the Spring of 1968. Equipped with the latest instructional aids and audio-visual devices—as well as with the most up-to-date communications equipment—the Seminar will be available to serve not only Bell Canada customers, but also those of associated companies and systems from coast to coast.



1. An essential part of Bell Canada's Communications Seminar is a fully operational workshop.

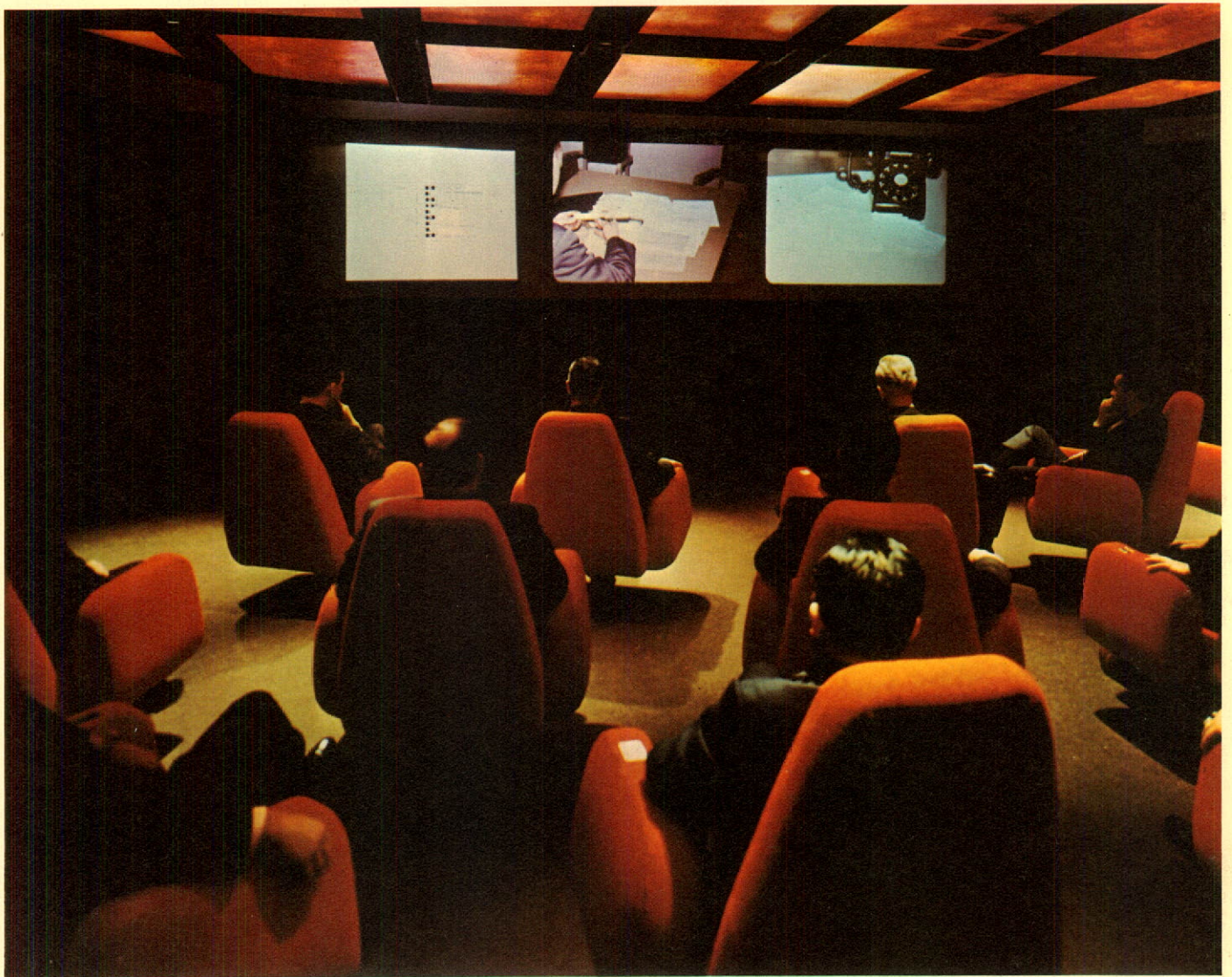
2. The latest in home telephones is the Touch-Tone Princess set.

3. In the Seminar theatre, the most modern instructional aids and audio-visual devices are employed.

4. The 900 PBX provides a flexible communications system for modern business, and offers new facilities such as a memory bank and executive priority.

5. The DATASPEED terminal transmits information from punched paper tape over the telephone network, at speeds of more than 1,000 words per minute.





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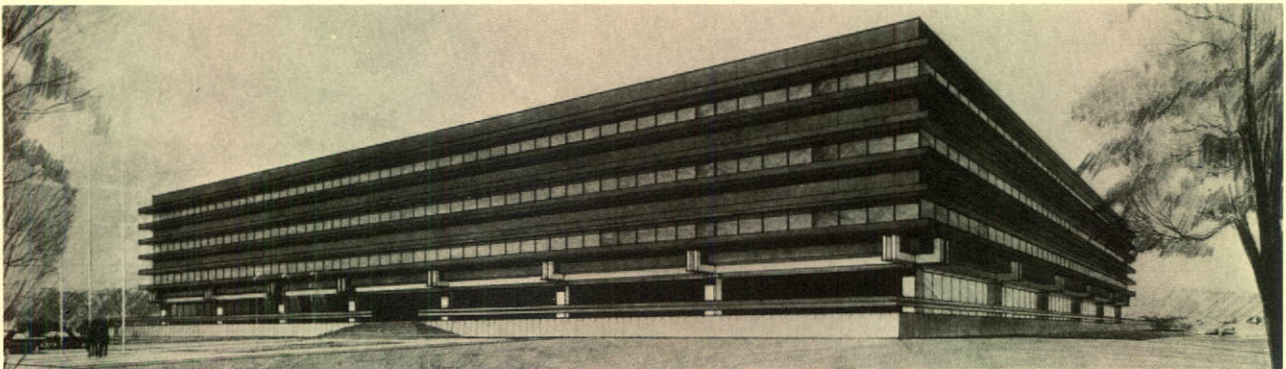
THE SPLICER IS BELL CANADA

Whether in offices or switching centres, in man-holes or at other key points along the electronic highway, Bell Canada people are on the job 24 hours a day to assure reliable, high quality communications services. This is essentially a business of people—people who are interested in the customers they serve and the work they have chosen to do, and who have prepared themselves to do their jobs well.

The telephone installer stopping his truck to rescue a stranded motorist, the helpful voice of the operator, and the competence of other Company representatives—these are familiar things to most Canadians. Backing them behind the scenes, and equally important to the ultimate satisfaction of our customers, are construction crews, repairmen and other technical people, accounting and treasury employees, researchers, equipment specialists, engineers, managers, and the rest of the “telephone” people who make up Bell Canada.

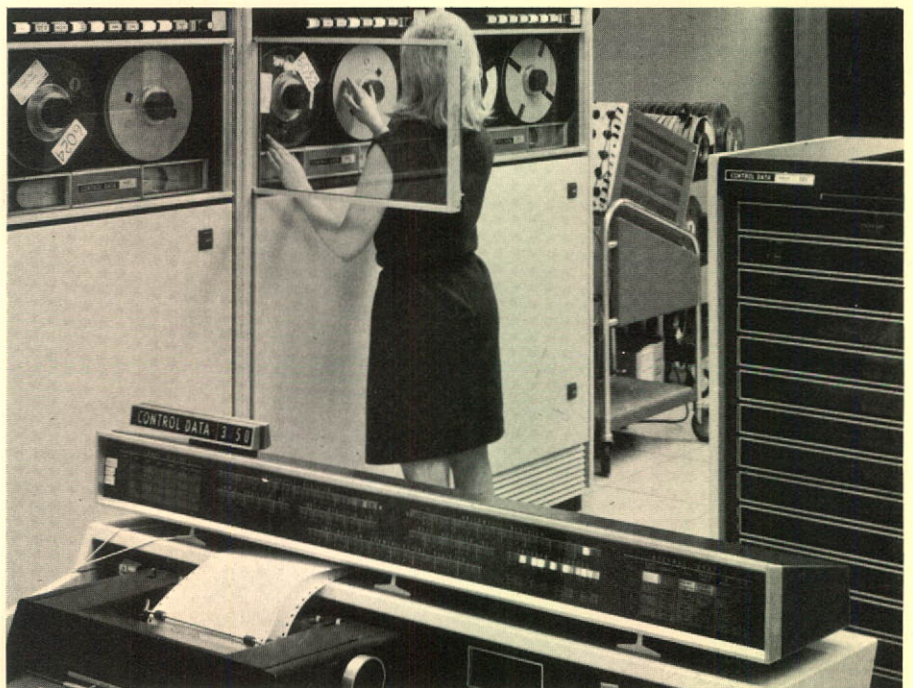
The Company pays particular attention to providing adequate and appropriate training for all employees, not only to improve skill and efficiency, but to help Bell Canada people develop their capacities for more challenging work and greater responsibility.





Some 3,500 Bell Canada men and women will move next year into the attractive buildings of two major data centres now being built at Dorval, near Montreal, and Don Mills, in Metro Toronto. The architect's sketch, above, gives an overall impression of the buildings which will be similar in external appearance.

Functionally designed to house computers and other up-to-date business machines, the buildings have been planned for people as well. Every opportunity has been taken to provide an attractive, efficient working environment in which Bell Canada employees will apply the enormous advantages of a fully-integrated electronic business information system to the more efficient operation of the Company.



BALANCE SHEET**ASSETS**

	<i>(thousands of dollars)</i>	
	<i>December 31, 1967</i>	<i>December 31, 1966</i>
TELEPHONE PROPERTY		
Land, Buildings, Plant and Equipment — at cost (a)	\$3,005,228	\$2,748,866
Less: Accumulated Depreciation	752,210	667,700
	<u>2,253,018</u>	<u>2,081,166</u>
INVESTMENTS		
Subsidiary Companies — at cost (b)	177,788	141,535
Other Companies — at cost (c)	51,877	48,426
Special Refundable Tax	9,449	6,464
	<u>239,114</u>	<u>196,425</u>
CURRENT ASSETS		
Cash	5,024	4,178
Temporary Cash Investments (d)	21,000	58,116
Accounts Receivable (e)	87,908	84,413
Material and Supplies — at cost	24,195	16,425
Prepayments (f)	12,510	11,565
	<u>150,637</u>	<u>174,697</u>
DEFERRED CHARGES		
Unamortized Discount and Expense on Long Term Debt	8,049	6,672
Other	731	873
	<u>8,780</u>	<u>7,545</u>
TOTAL ASSETS	<u>\$2,651,549</u>	<u>\$2,459,833</u>

On behalf of the Board of Directors:

R. C. Scrivener, *Director*.L. G. Rolland, *Director*.

AUDITORS' REPORT

THE SHAREHOLDERS,
THE BELL TELEPHONE COMPANY OF CANADA.

We have examined the balance sheet of The Bell Telephone Company of Canada as at December 31, 1967 and the statements of income, retained earnings and source and disposition of funds for the year then ended. 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 these financial statements present fairly the financial position of the company as at December 31, 1967 and the results of its operations and the source and disposition of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Que.,
February 8, 1968.

TOUCHE, ROSS, BAILEY & SMART
Chartered Accountants.

LIABILITIES

	(thousands of dollars)	
	December 31, 1967	December 31, 1966
SHAREHOLDERS' EQUITY		
Capital Stock (g)	\$ 865,959	\$ 851,875
Premium on Capital Stock (h)	350,896	341,836
Retained Earnings	153,169	131,137
	<u>1,370,024</u>	<u>1,324,848</u>
LONG TERM DEBT		
First Mortgage Bonds (i)	<u>1,070,228</u>	<u>944,803</u>
CURRENT LIABILITIES		
Accounts Payable (j)	45,517	46,800
Advance Billing and Payments for Service	17,565	16,228
Dividend Payable	21,822	21,467
Taxes Accrued	19,730	29,286
Interest Accrued	15,412	13,063
	<u>120,046</u>	<u>126,844</u>
DEFERRED CREDITS		
Income Tax (k)	79,916	50,181
Employees' Savings Plans (l)	10,620	12,375
Unamortized Premium less Expense on Long Term Debt	715	782
	<u>91,251</u>	<u>63,338</u>
TOTAL LIABILITIES	<u>\$2,651,549</u>	<u>\$2,459,833</u>

The notes to financial statements on pages 20,
21 and 22 are an integral part of this statement.

O. Tropea, Comptroller.

INCOME STATEMENT

(thousands of dollars)

OPERATING REVENUES

	Year 1967	Year 1966
Local Service	\$409,989	\$380,744
Long Distance Service	258,944	233,240
Miscellaneous (m)	36,623	34,217
Less: Provision for Uncollectibles	3,520	3,154
	<u>702,036</u>	<u>645,047</u>

OPERATING EXPENSES

Maintenance (n)	123,647	119,127
Depreciation (o)	138,943	127,459
Traffic (p)	45,893	44,986
Marketing and Commercial (q)	51,236	48,677
Other (r)	70,508	66,430
	<u>430,227</u>	<u>406,679</u>

NET OPERATING REVENUES

	<u>271,809</u>	<u>238,368</u>
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OPERATING TAXES

Income Taxes	94,848	84,527
Other Taxes	35,716	29,906
	<u>130,564</u>	<u>114,433</u>

OPERATING INCOME

	<u>141,245</u>	<u>123,935</u>
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OTHER INCOME

Dividends from Subsidiary Companies (b)	12,582	7,950
Dividends and Interest from Other Investments	4,983	2,554
Miscellaneous (s)	2,477	1,494
	<u>20,042</u>	<u>11,998</u>

TOTAL INCOME BEFORE INTEREST CHARGES

	<u>161,287</u>	<u>135,933</u>
--	----------------	----------------

INTEREST CHARGES

Interest on Long Term Debt	51,572	42,389
Other Interest	674	1,177
Amortization of Discount, Premium and Expense on Long Term Debt	504	404
	<u>52,750</u>	<u>43,970</u>

NET INCOME

	<u>\$108,537</u>	<u>\$ 91,963</u>
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NET INCOME PER SHARE

	<u>\$3.16</u>	<u>\$2.98</u>
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The notes to financial statements on pages 20, 21 and 22 are an integral part of this statement.

(Based on average number of shares outstanding)

O. Tropea, Comptroller.

STATEMENT OF RETAINED EARNINGS

(thousands of dollars)

	Year 1967	Year 1966
BALANCE AT BEGINNING OF YEAR	\$131,137	\$116,552
<i>Add:</i> Net Income	108,537	91,963
	<u>239,674</u>	<u>208,515</u>
<i>Deduct:</i> Dividends	85,941	75,859
Miscellaneous Items (net)	564	1,519
	<u>86,505</u>	<u>77,378</u>
BALANCE AT END OF YEAR	<u>\$153,169</u>	<u>\$131,137</u>

STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

(thousands of dollars)

SOURCE OF FUNDS

Operations:

Net Income	\$108,537	\$ 91,963
<i>Add:</i> Depreciation and Other Transactions Not Requiring an Outlay of Funds (net)	138,721	128,208
	<u>247,258</u>	<u>220,171</u>
Proceeds From Stock Issue	—	85,525
Proceeds From Employees' Savings Plans	21,367	21,863
Proceeds From Bond Issues	163,619	149,062
Decrease in Working Capital	17,262	—
Stock Issued to Acquire Shares of Other Telephone Companies	—	59,644
Deferred Income Tax	29,735	484
Miscellaneous Items	500	798
	<u>\$479,741</u>	<u>\$537,547</u>

DISPOSITION OF FUNDS

Construction Expenditures:

Gross Construction Expenditures	\$312,524	\$293,335
<i>Deduct:</i> Charges to Construction Not Requiring an Outlay of Funds	9,282	9,259
	<u>303,242</u>	<u>284,076</u>
Dividends	85,941	75,859
Increase in Working Capital	—	58,765
Redemption of Bonds	40,000	—
Acquisition of Investments	39,704	108,472
Special Refundable Tax	2,985	6,464
Miscellaneous Items	7,869	3,911
	<u>\$479,741</u>	<u>\$537,547</u>

NOTES TO FINANCIAL STATEMENTS

BALANCE SHEET

(a) TELEPHONE PROPERTY

Land, buildings, switching and microwave equipment, poles, wire, cable, underground conduit, telephone apparatus, motor vehicles, office furniture and other equipment.

INVESTMENTS

(b) SUBSIDIARY COMPANIES

Direct ownership, with voting control, in the following companies:

- Northern Electric Company, Limited (100%)
- The New Brunswick Telephone Company, Limited (50.4%)
- Northern Telephone Limited (87.9%)
- The Avalon Telephone Company, Limited (99.6%)
- La Tuque Telephone Company (99.9%)
(Control acquired in July, 1967)
- Télécommunications Richelieu Limitée (99.9%)
- Southern Teleservices Limited (99.6%)
(Control acquired in September, 1967)
- Télécommunications de l'Est Limitée (100%)
- Télébec Inc. (100%)
- The Capital Telephone Company Limited (100%)
- Téléphone Princeville Ltée (94.8%)
(Control acquired in October, 1967)
- La Cie de Téléphone de Disraeli (97.8%)
(Control acquired in October, 1967)
- The North American Telegraph Company (100%)

The accompanying financial statements are prepared on a corporate basis and have not been consolidated with those of subsidiary companies because 1. the operations of The Bell Telephone Company of Canada are subject to regulation by the Railway Transport Committee of the Canadian Transport Commission whereas those of its subsidiary companies are either not regulated or regulated by other jurisdictions, and 2. the business characteristics of Northern Electric Company, Limited, a manufacturing company and the principal subsidiary, are substantially different from those of the telephone companies.

The amount of the Company's proportion of the net earnings of all subsidiaries for the year 1967 is \$6,419,000 and of the retained earnings since acquisition is \$55,948,000 at December 31, 1967.

(c) OTHER COMPANIES: Direct ownership, without voting control, of 52.4% of the common shares and 5.9% of the preferred shares in the Maritime Telegraph and Telephone Company, Limited; market value at December 31, 1967: \$37,194,000.

(d) TEMPORARY CASH INVESTMENTS

Valued at cost or amortized value; market value at December 31, 1967: \$21,000,000.

(e) ACCOUNTS RECEIVABLE

Principally amounts due from customers, after a provision for uncollectibles. Includes \$482,000 receivable from subsidiary companies at December 31, 1967.

(f) PREPAYMENTS

Rents, taxes, insurance, cost of directories and other items applicable to subsequent period.

(g) CAPITAL STOCK

Par Value:	\$25.00 per share.	
Authorized:	by charter	— 40,000,000 shares.
	by shareholders	— 40,000,000 shares.
Outstanding:	at January 1, 1967	34,075,000 shares
	issued for cash in 1967	563,357 shares
	at December 31, 1967	<u>34,638,357 shares</u>

(h) PREMIUM ON CAPITAL STOCK

	Year 1967	Year 1966
Balance at Beginning of Year	\$341,836,000	\$273,130,000
Premium on shares issued during the year	9,060,000	68,706,000
Balance at End of Year	<u>\$350,896,000</u>	<u>\$341,836,000</u>

(i) **LONG TERM DEBT**

FIRST MORTGAGE BONDS at December 31, 1967

<i>Maturity Date</i>	<i>Rate of Interest</i>	<i>Series</i>	
December 1, 1970 . .	4 % . .	L . .	\$ 16,000,000
January 2, 1972 . .	4 ³ / ₄ % . .	N . .	20,000,000*
March 15, 1972 . .	5 % . .	O . .	20,000,000
February 15, 1973 . .	3 ¹ / ₄ % . .	F . .	35,000,000
April 1, 1974 . .	6 ¹ / ₄ % . .	S . .	25,000,000
June 1, 1975 . .	3 ³ / ₈ % . .	G . .	40,000,000
May 1, 1976 . .	3 ¹ / ₂ % . .	I . .	40,000,000
March 1, 1977 . .	3 % . .	E . .	35,000,000
January 2, 1978 . .	6 ¹ / ₄ % . .	R . .	35,000,000
May 15, 1979 . .	3 ³ / ₄ % . .	K . .	40,000,000
July 2, 1980 . .	5 ¹ / ₄ % . .	Q . .	30,000,000
April 1, 1981 . .	6 % . .	AC . .	13,500,000
June 1, 1981 . .	4 % . .	M . .	24,000,000
January 2, 1982 . .	5 ¹ / ₂ % . .	V . .	40,000,000
August 2, 1982 . .	5 ³ / ₄ % . .	T . .	50,000,000
March 15, 1983 . .	4 ¹ / ₄ % . .	P . .	50,000,000*
June 15, 1984 . .	5 ¹ / ₂ % . .	W . .	30,000,000
October 1, 1984 . .	5 ³ / ₄ % . .	Y . .	30,000,000
January 2, 1986 . .	6 % . .	U . .	35,000,000
July 15, 1987 . .	6 ¹ / ₈ % . .	AE . .	35,000,000
May 1, 1988 . .	4 ⁷ / ₈ % . .	X . .	50,000,000*
November 1, 1988 . .	6 ¹ / ₄ % . .	AH . .	50,000,000
October 1, 1989 . .	4.80% . .	Z . .	50,000,000*
February 1, 1990 . .	6 ³ / ₈ % . .	AG . .	30,000,000
April 1, 1991 . .	6 % . .	AD . .	26,500,000
September 15, 1992 . .	6 ³ / ₄ % . .	AI . .	45,000,000
September 1, 1995 . .	4.85% . .	AA . .	50,000,000*
December 1, 1995 . .	4.85% . .	AB . .	28,000,000*
October 14, 1996 . .	6 % . .	AF . .	44,000,000*
December 1, 1997 . .	6.60% . .	AJ . .	35,510,000*

Exchange premium less discount, at time of issue,
of bonds payable in United States funds . . . 17,718,000

TOTAL BONDS \$1,070,228,000

*Payable in United States funds

(j) **ACCOUNTS PAYABLE**

Amounts owing for supplies, equipment, payrolls and other items.
Includes \$16,300,000 payable to subsidiary companies at December 31, 1967.

DEFERRED CREDITS

- (k) **INCOME TAX:** reduction in income taxes, for appropriation in future years, due to depreciation deducted for tax purposes being in excess of that included in operating expenses for the years 1954 to 1957 inclusive and 1967.

(l) **EMPLOYEES' SAVINGS PLANS:**

Employees' Stock Plan — \$374,000: instalments paid by employees subscribing for 11,217 shares of capital stock at December 31, 1967, with interest thereon. The subscription prices are not more than \$36.00 and \$42.00 per share depending on the date of filing, and shares are issued at various dates within 3¹/₂ years of the date of the initial instalment payment. This Plan was superseded on July 1, 1966 by the Employees' Savings Plan but existing subscriptions, if not converted to the Savings Plan, will be completed under the terms of the Stock Plan.

Employees' Savings Plan — \$10,246,000: amounts to the credit of employees, with interest thereon, for the purchase of shares of capital stock of the Company. The purchase price per share is 85% of the market value as determined under the Plan. Shares of capital stock are issued upon completion of the regular payment period which is June 30 each year.

INCOME STATEMENT

OPERATING REVENUES

- (m) **MISCELLANEOUS:** principally from directory advertising.

OPERATING EXPENSES

- (n) **MAINTENANCE:** cost of inspection, repairs and rearrangements required to keep the Company's property in good operating condition.
- (o) **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.
- (p) **TRAFFIC:** costs, principally operators' wages, incurred in handling telephone calls.
- (q) **MARKETING AND COMMERCIAL:** sales expense, advertising, cost of directories, and costs incurred in business relations with customers.
- (r) **OTHER:** general office salaries and expenses, benefit payments, provision for service pensions, operating rents and other general expenses.

OTHER INCOME

- (s) **MISCELLANEOUS:** principally interest on plant under construction.

NOTES TO FINANCIAL STATEMENTS (continued)

REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Year 1967: Total remuneration received by the Directors from the Company and its subsidiary companies, including salaries of those Directors who were employees of the companies, was \$488,000. Total remuneration received from the companies by senior officers who were not Directors of the Company amounted to \$929,000.

PLAN FOR EMPLOYEES' PENSIONS

The latest actuarial valuation made during 1967 of the Plan for Employees' Pensions has established the unfunded liability at \$22,077,000 at December 31, 1966. This amount is being funded by equal payments over a 25 year period beginning with 1967. Payments are charged against operations in the years in which they are made.

COMMITMENTS

As provided for in the Agreement signed on November 20, 1967 for the private placement of \$51,000,000 in United States funds of its First Mortgage 6.60% Bonds, Series AJ, the remaining \$15,490,000 was issued and paid for on February 1, 1968.

Material contractual obligations in respect of long term leases, principally covering building space, amounted to \$69,406,000 at December 31, 1967. Related rentals incurred for the year 1967 amounted to \$1,149,000 and the minimum amount applicable to the next five years is \$13,867,000 of which \$1,319,000 is applicable to the year 1968.

CHARTER AMENDMENT

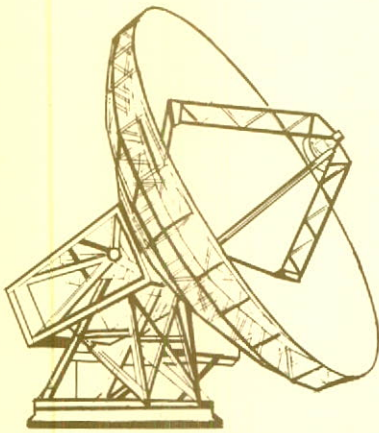
The Company has filed a petition with the Parliament of Canada for an Act to amend its Act of Incorporation which would increase its authorized capital stock from \$1,000,000,000 to \$1,750,000,000 and grant the right to issue part of its capital stock as preferred shares.

AT DECEMBER 31		1967
TELEPHONE FACTS		
Bell Canada telephones in service		5,152,101
Connected during the year*		1,277,238
Net increase*		283,709
Telephones per 100 persons		44
Local calls—daily average*		30,000,000
Long Distance calls—daily average*		612,000
PEOPLE and PAYROLL		
Number of employees		38,123
Total Bell Canada payroll*		\$ 236,781,000
LAND, BUILDINGS, PLANT and EQUIPMENT		
Value at cost		\$3,005,228,000
Accumulated depreciation		\$ 752,210,000
Construction expenditures*		\$ 312,524,000
OPERATING RESULTS		
Operating revenues*		\$ 702,036,000
Operating expenses*		\$ 430,227,000
Operating taxes*		\$ 130,564,000
Net income*		\$ 108,537,000
Net income per share*		\$3.16
Dividends per share*		\$2.50
Per cent return on total capital*		6.8
OTHER FINANCIAL ITEMS		
Shareholders' equity		\$1,370,024,000
Equity per share		\$39.55
Long term debt		\$1,070,228,000
Bell Canada shareholders		259,001
Shares outstanding — average*		34,376,205
Per cent shares held in Canada		94.9

*for the year ended December 31

THE TELEPHONE STORY 1967-1958

1966	1965	1964	1963	1962	1961	1960	1959	1958
4,868,392 1,264,825 290,819 43 28,577,000 565,000	4,577,573 1,178,788 264,996 41 26,817,000 536,000	4,312,577 1,067,648 222,475 40 25,525,000 495,000	4,090,102 997,727 199,472 39 24,458,000 468,000	3,890,630 962,600 195,523 39 23,464,000 440,000	3,695,107 903,583 180,100 38 22,279,000 409,000	3,515,007 873,428 184,130 37 21,277,000 391,000	3,330,877 857,788 190,528 36 20,573,000 378,000	3,140,349 785,121 185,465 35 19,468,000 361,000
40,008 \$ 225,437,000	38,320 \$ 200,236,000	35,890 \$ 187,081,000	35,441 \$ 179,297,000	35,086 \$ 170,471,000	34,302 \$ 161,859,000	35,656 \$ 159,029,000	37,158 \$ 155,156,000	39,321 \$ 154,612,000
\$2,748,866,000 \$ 667,700,000 \$ 293,335,000	\$2,519,326,000 \$ 596,256,000 \$ 242,458,000	\$2,337,429,000 \$ 533,053,000 \$ 233,533,000	\$2,172,448,000 \$ 485,318,000 \$ 234,088,000	\$2,000,944,000 \$ 442,500,000 \$ 219,357,000	\$1,842,548,000 \$ 408,430,000 \$ 192,579,000	\$1,697,921,000 \$ 370,334,000 \$ 207,662,000	\$1,534,463,000 \$ 337,556,000 \$ 196,104,000	\$1,378,274,000 \$ 305,707,000 \$ 183,168,000
\$ 645,047,000 \$ 406,679,000 \$ 114,433,000 \$ 91,963,000 \$2.98 \$2.43 6.5	\$ 592,961,000 \$ 372,318,000 \$ 106,101,000 \$ 86,525,000 \$2.92 \$2.20 6.6	\$ 542,772,000 \$ 343,366,000 \$ 96,037,000 \$ 77,739,000 \$2.71 \$2.20 6.3	\$ 502,977,000 \$ 325,795,000 \$ 84,833,000 \$ 68,294,000 \$2.58 \$2.20 6.1	\$ 470,995,000 \$ 301,857,000 \$ 81,601,000 \$ 65,285,000 \$2.66 \$2.20 6.3	\$ 433,657,000 \$ 282,488,000 \$ 73,483,000 \$ 57,691,000 \$2.50 \$2.20 6.0	\$ 404,848,000 \$ 270,428,000 \$ 64,731,000 \$ 53,512,000 \$2.52 \$2.20 6.0	\$ 376,605,000 \$ 256,232,000 \$ 59,082,000 \$ 50,284,000 \$2.48 \$2.05 5.9	\$ 328,818,000 \$ 239,303,000 \$ 42,020,000 \$ 38,899,000 \$2.15 \$2.00 5.3
\$1,324,848,000 \$38.88 \$ 944,803,000 255,449 30,866,790 94.6	\$1,134,982,000 \$38.07 \$ 794,353,000 213,939 29,604,077 93.7	\$1,098,245,000 \$37.37 \$ 735,000,000 207,150 28,638,374 93.6	\$ 981,211,000 \$36.80 \$ 710,000,000 195,037 26,449,506 93.1	\$ 956,839,000 \$36.49 \$ 630,000,000 192,854 24,531,079 93.0	\$ 848,160,000 \$35.72 \$ 570,000,000 178,126 23,084,641 92.2	\$ 751,245,000 \$35.20 \$ 545,000,000 171,288 21,205,613 92.1	\$ 734,400,000 \$34.93 \$ 453,000,000 170,767 20,262,193 92.0	\$ 631,362,000 \$34.72 \$ 423,000,000 157,724 18,090,215 91.8



Ensuring good transmission and an orderly flow of all kinds of communications over the integrated network is the task of network management people. Working at control consoles in Network Management Centres, they regulate the flow of traffic and the performance of the switching machines during peak periods.

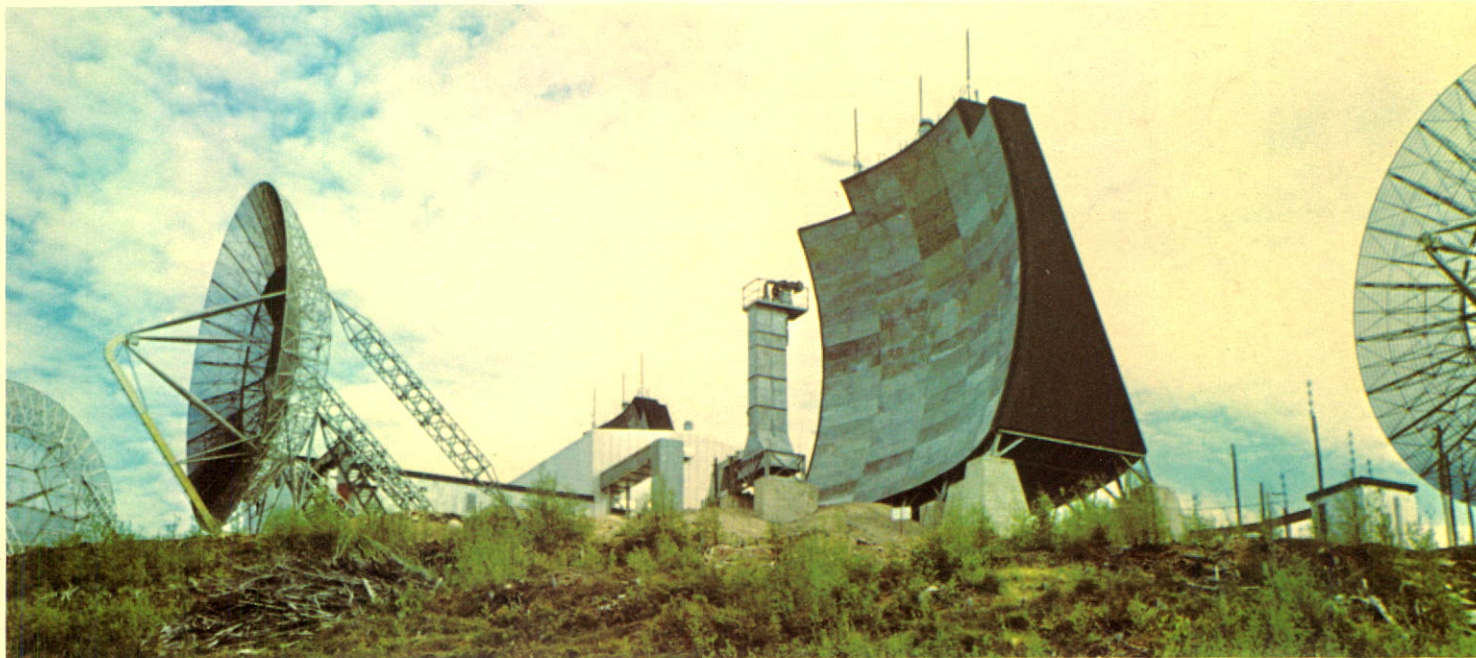
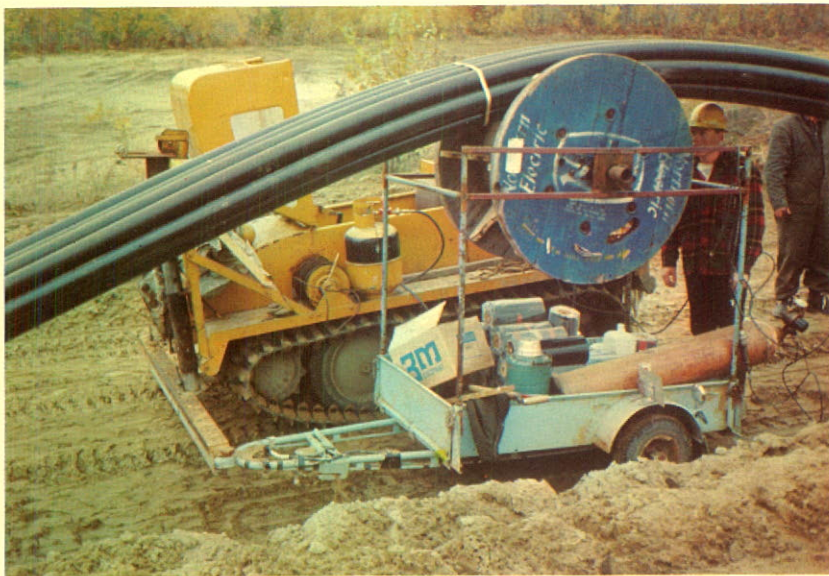
THE INTEGRATED NETWORK

In the sphere of human communications, the telephone has been perhaps unique. Conceived originally as a simple device for transmitting voice sounds over a pair of wires, its evolution has kept pace with the increasing capacity and service sophistication demanded by the public. It has also kept pace with the exacting requirements of business machines and computers capable of processing masses of data in fractions of seconds.

The carefully engineered maze of interconnected communications channels and switching devices, which has won for Canada a position of leadership in world telecommunications, carries many different kinds of intelligence, in a wide variety of forms, for countless different purposes, to serve all the people of Canada.

To do its job well, and with utmost speed and reliability, the Canadian communications network is an integrated one making appropriate use of various transmission facilities — aerial, buried and submarine cables, microwave radio relay, tropospheric scatter systems, high-frequency radio to remote locations. Addition of electronic switching systems to the domestic network is opening new vistas of speed, flexibility and customer convenience. Addition of satellite relay, and other still-to-be-developed transmission techniques, will enable the industry to continue to keep pace with the ever-growing demand for versatile, economical and multi-purpose communications, reaching into every remote part of our country.







Bell Canada, part of
Trans-Canada Telephone System

