

J. Francis

REPORT
OF THE
DIRECTORS TO THE SHAREHOLDERS
OF
THE BELL TELEPHONE COMPANY
OF CANADA

For the Year ended 31st December,

1923

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THE BELL TELEPHONE COMPANY of CANADA

Officers

L. B. McFARLANE
President

C. F. SISE
Vice-President and General Manager

K. J. DUNSTAN
Vice-President

W. H. BLACK
Secretary

WM. GEORGE SLACK
Treasurer

E. PALM
Comptroller

Directors

*THOS. AHEARN - - - - -	OTTAWA
*W. F. ANGUS - - - - -	MONTREAL
*GEO. CAVERHILL - - - - -	MONTREAL
EDWARD K. HALL - - - - -	NEW YORK
*L. B. McFARLANE - - - - -	MONTREAL
GEO. D. MILNE - - - - -	LEXINGTON, MASS.
*F. W. MOLSON - - - - -	MONTREAL
GLYN OSLER, K.C. - - - - -	TORONTO
*JOHN W. ROSS - - - - -	MONTREAL
*C. F. SISE - - - - -	MONTREAL
H. B. THAYER - - - - -	NEW YORK
GEO. H. THOMSON - - - - -	QUEBEC

*Members of Executive Committee

FORTY-FOURTH ANNUAL REPORT
OF THE DIRECTORS
FOR THE YEAR ENDED 31st DECEMBER, 1923

TO THE SHAREHOLDERS:

Your Directors herewith submit their Report for the year ended 31st December, 1923.

The accompanying statements of assets and liabilities and earnings and expenses have been duly audited by the Shareholders' Auditor and exhibit the results of the business for the year.

GENERAL RESULTS

Taking the broad view of obligation to the owners of the property and to the public, your Directors are able to report that the results for 1923 are better than those of 1922. This appears not only in the financial return upon the year's operations, but in the important matters of the number of customers served; in the volume of use, evident in both local and long distance business; and in the quality of the service.

NET TELEPHONE EARNINGS

The Telephone revenues for 1923 were	\$22,225,714.24
The Telephone expenses for 1923 were	<u>18,044,455.87</u>
Net.....	\$ 4,181,258.37

To this amount were added sundry net earnings, and after provision for bond and other interest, the usual 8 per cent dividend, and appropriation for the Benefit Fund, the amount carried to surplus is \$474,037.77.

REQUIREMENTS OF THE TELEPHONE INDUSTRY

The success of your Company's undertaking lies in the provision of adequate service in its own territory, with connection beyond that area, at rates which will insure the widest possible public use, while giving the investor an adequate return upon his money, with due protection for his property, to an extent which should insure the steady inflow of sufficient new capital to meet the demand for extension.

CERTAINTY OF DEMAND

Our growth is a general recognition that telephone service is not merely useful but actually indispensable in modern life, and that its value far exceeds its cost to the user.

Service is now required of us in homes and small places of business which, a few years ago, could not have been considered as a possible market. Thus, within our present boundaries, the telephone field is broadening daily; therefore, we are obliged to meet demands for a rapidly growing local service.

DEVELOPMENT OF TOLL BUSINESS

Our sales effort and supporting publicity were directed to increasing the systematic use of our toll lines, and have resulted in a substantial growth in toll revenue and in stimulating the public confidence in the long distance service.

While the number of local calls in 1923 increased 6.3 per cent over 1922, the long distance calls increased 11.4 per cent.

INCREASE IN STATIONS

During 1923 there were placed in new locations, by addition or transfer, 120,084 telephones, and there were

removed by cancellation or transfer 68,066, resulting in a net growth of 52,018.

This is the highest record of net growth in the Company's history, and indicates the extent to which new facilities were put into use—earning revenue.

The erection of new telephone plant has made rapid progress, and, except in a very few places where work is still under way, new services can now be furnished.

Every new telephone placed increases the service value of every other telephone and adds a user of long distance service.

ADDITIONS TO PLANT

To provide for growth, a central office was opened at Walkerville, Ont.; Oakville exchange was converted from magneto to common battery system; extensive additions were made to switchboard and other equipment at Montreal, Toronto, Stratford, Three Rivers and many other central offices.

There were also substantial additions to outside plant.

The gross additions to plant for the year amounted to \$12,698,582.83 of which the following are the principal items already made available for service:

Land and Buildings	\$457,909.28
Central Office Apparatus and Subscribers' Telephones	\$4,668,478.96
Exchange and Toll Lines	\$4,626,785.88

FINANCING FOR THE YEAR'S WORK—1923

The large undertakings of the year required heavy capital outlay.

Under the authority previously given to your Directors there were issued during the year 78,804 shares.

61,553 of these were taken up by the shareholders.

4,751 shares were bought by employees under the Plan authorized in May, 1922.

12,500 shares were sold in one block in England at the market price.

PLANS FOR 1924

As announced, the requirements of 1924 are to be provided for by the sale to shareholders at par of one new share for each five shares held. This stock is to be paid for by instalments, in order that provision of the capital may keep pace with the progress of the construction work for which it is required.

Growing business and the special requirements of telephone service compel the erection and extension of telephone buildings.

Construction was begun in 1923 on "Lancaster," in Montreal, and "Elgin," in Toronto, the two largest telephone buildings in Canada to house automatic exchanges. They, with four buildings in other cities, are scheduled for completion in 1924. Extensions to buildings were made at five other points.

In the eastern section of Toronto, the "Grover" automatic equipment will be put in service this year, to be followed by the "Elgin" downtown office.

Work was begun in 1923 on a Toronto-Hamilton toll cable, the first link in a back-bone toll cable plant, in an area where road routes are congested. It will be used first between Toronto and Hamilton and will function later with extensions towards London and Niagara Falls.

The extent of our toll line system, which has connections to eastern and western provinces, to the United States, and to Cuba, is shown on the map accompanying this report.

There are also shown the toll lines and offices of the companies in Ontario and Quebec with which we exchange services. Our relations with these systems are mutually advantageous.

SERVICE CONTRACT

The extensive work completed and proposed, the large expenditures involved, and the complexities of modern telephone systems, compel careful and informed planning so that effective and economical action may be taken. This applies not only to plant and engineering work, but throughout all departments.

We have been aided in solving these problems and have avoided heavy experimental expense through the advice and assistance received under a contract with the American Telephone and Telegraph Company, entered into during the year.

Under this agreement we are entitled to receive from that company the benefit of the research and development work carried on by it; patents and technical assistance thereon; counsel and help in Engineering, Accounting, Legal, Financial, Traffic, Plant, Commercial and other matters pertaining to the development of the art and business.

We thus have access to the recorded experience of other large systems and to assembled and tested information which a single operating company could not alone compile, a service which has already proved of great and continuing value.

RADIO CONTRACT

An agreement has been concluded with the Canadian General Electric Company, the Northern Electric Company, The Marconi Wireless Telegraph Company, the Canadian Westinghouse and the International Western Electric Company, covering the use by all for radio purposes of the respective patents of each concern. Under the terms of the agreement, each of the companies agrees to the use of its patents by the others within the natural field of such other company.

The Marconi Company will have the use of all the patents for wireless telegraph purposes; The Bell Telephone Company of Canada for the purposes of public telephone communication; and the manufacturing companies, including the Marconi Company, for the purpose of manufacture and sale.

The agreement is for ten years, and includes a traffic arrangement between the Marconi Company and our Company for interchange of part wire and part wireless messages. By this combination, a telephone user—when arrangements are completed—will be able to speak by wire through the nearest land station of the Marconi Company and thence by wireless with a person on board ship on the rivers, lakes or in mid-ocean. In course of time subscribers here may also be able to speak by telephone to persons in Great Britain or the Continent.

WIRELESS TELEPHONY

Our technical officers have followed closely the development of wireless telephony.

The use of the wire telephone system will prevail wherever physical and economic conditions make

possible its construction and maintenance, but wireless may be a valuable supplement in special circumstances.

So far as can now be predicted, the field of wireless telephony will be that of broadcasting national or other announcements of public interest, and for private use where wires are not available.

PUBLIC INFORMATION

Through the press, addresses by employees, demonstrations before public bodies and by invitations to our exchanges, we have continued our policy of telling the public freely of our service problems.

There is evident benefit from these frank statements, both in general understanding of telephone service and in more effective use thereof. This ready response of the public is helpful and encouraging, and is much appreciated.

PENSION AND BENEFIT PLAN

There are now fifty-two persons on the pension roll, a net increase of nine during the year. With increasing years and numbers there is a cumulative liability on this and the Death Benefit account, to provide for which the Benefit Fund has been increased to \$722,752.00.

2,311 Sickness Benefits were granted in 1923, an increase of 409 over 1922.

DISTINGUISHED SERVICE AWARDS

Early in the year 1923 your Board decided that the Company would recognize acts of courage and devotion to fellow employees, the Company or the public, performed by its employees during the course of their

occupation. In accordance with the plan that was adopted the Company made suitable awards to eight of our employees—five women and three men—who performed distinguished services or outstanding acts during the years 1921 and 1922.

CHANGE IN BY-LAWS

You will be asked to confirm a change in By-law No. II, to cover the method of wage payment by cheque to permanent employees.

CHANGES IN THE BOARD

Early in the year Mr. Hugh Paton expressed his desire to retire from the Board, in order to lessen his responsibilities. The Board was very reluctant to accept his resignation but, finally, upon Mr. Paton's renewed request, did so on the 14th of November.

As the Senior Director of the Company, having joined the Board on the 26th of February, 1891, Mr. Paton possesses a complete knowledge of its history and policy and a thorough grasp of its problems, making his judgment on all matters of great value to the Board.

While acceding to his wish to retire, Mr. Paton's colleagues did so with sincere regret, for both personal and official reasons.

Mr. John W. Ross, LL.D., of Montreal, was appointed by the Board for the balance of the term.

STAFF

The past year's achievements have been made possible by the splendid morale of our forces, fostered and maintained by employee organizations, and by the example of the supervisory employees.

The work of the staff in carrying out the policies determined by the Board has been most effective and the thanks of this Board are given for loyal service to the Company and to the telephone-using Public.

C. F. SISE,
Vice-President and General Manager.

L. B. McFARLANE,
President.

MONTREAL, 13th February, 1924.

COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES

ASSETS

	December 31, 1922	December 31, 1923	Increase
Real Estate.....	\$ 5,404,258.41	\$ 5,841,545.02	\$ 437,286.61
Telephone Plant, etc.....	61,606,515.97	70,549,571.95	8,943,055.98
Furniture, Tools and Supplies...	2,411,603.80	3,013,845.46	602,241.66
Cash.....	1,208,279.40	654,036.08	554,243.32*
Marketable Securities (Dominion Gov't Bonds).....	1,550,675.00	3,088,820.45	1,538,145.45
Bills and Accounts Receivable..	1,269,559.31	2,184,077.28	914,517.97
Prepayments.....	118,948.01	148,547.79	29,599.78
Unamortized Bond Discount...	160,505.03	89,169.47	71,335.56*
Investment Securities.....	2,817,257.45	2,797,718.45	19,539.00*
	<u>\$76,547,602.38</u>	<u>\$88,367,331.95</u>	<u>\$11,819,729.57</u>

LIABILITIES

Capital Stock Issued.....	\$32,049,000.00	\$39,929,400.00	\$ 7,880,400.00
Bonds 1925 { 5% \$11,250,000.00 7% 5,500,000.00}	16,750,000.00	16,750,000.00
Accounts Payable.....	938,233.29	2,317,726.20	1,379,492.91
Accrued Liabilities not due.....	1,483,021.55	1,850,638.00	367,616.45
Unearned Revenue.....	19,037.46	18,854.12	183.34*
Prepaid Stock Subscriptions....	569,250.00	569,250.00*
Employees' Benefit Fund.....	500,000.00	722,752.45	222,752.45
Reserve for Depreciation, etc...	18,988,490.83	20,614,892.55	1,626,401.72
Surplus.....	5,250,569.25	6,163,068.63	912,499.38
	<u>\$76,547,602.38</u>	<u>\$88,367,331.95</u>	<u>\$11,819,729.57</u>

*—Decrease.

Approved for Board of Directors,

F. W. MOLSON,
Director.

C. F. SISE,
Director.

E. PALM,
Comptroller.

**COMPARATIVE STATEMENT OF EARNINGS AND EXPENSES
FOR THE YEARS 1922 AND 1923**

	1922	1923	Increase
Telephone Revenues.....	\$20,245,822. 92	\$22,225,714. 24	\$ 1,979,891. 32
Operation Expenses.....	\$ 9,495,098. 14	\$10,293,340. 50	\$ 798,242. 36
Current Maintenance.....	3,201,020. 86	3,412,384. 37	211,363. 51
Depreciation.....	2,967,506. 00	3,356,411. 00	388,905. 00
Taxes.....	821,357. 64	982,320. 00	160,962. 36
Total Telephone Expenses.....	<u>\$16,484,982. 64</u>	<u>\$18,044,455. 87</u>	<u>\$ 1,559,473. 23</u>
Net Telephone Earnings.....	\$ 3,760,840. 28	\$ 4,181,258. 37	\$ 420,418. 09
Sundry Net Earnings.....	208,471. 87	695,876. 27	487,404. 40
Total Net Earnings.....	<u>\$ 3,969,312. 15</u>	<u>\$ 4,877,134. 64</u>	<u>\$ 907,822. 49</u>
Deduct Interest.....	1,035,644. 28	1,067,175. 92	31,531. 64
Net Income.....	<u>\$ 2,933,667. 87</u>	<u>\$ 3,809,958. 72</u>	<u>\$ 876,290. 85</u>
Deduct Dividends 8%.....	2,457,740. 00	3,135,920. 95	678,180. 95
Balance.....	<u>\$ 475,927. 87</u>	<u>\$ 674,037. 77</u>	<u>\$ 198,109. 90</u>
Appropriation for Employees' Benefit Fund.....	200,000. 00	200,000. 00
Balance to Surplus.....	<u>\$ 475,927. 87</u>	<u>\$ 474,037. 77</u>	<u>\$ 1,890. 10*</u>

*—Decrease.

E. PALM,
Comptroller.

THE PRESIDENT AND DIRECTORS,
THE BELL TELEPHONE COMPANY OF CANADA.

We have examined the financial books and records of The Bell Telephone Company of Canada for the year ended 31st December, 1923, and have obtained all the information and explanations required by us.

In our opinion the above Balance Sheet and relative statement of Earnings and Expenses are properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs, according to the information and explanations received by us, and as shown by the books of the Company.

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

Montreal, 12th February, 1924.

STATISTICS

	At December 31, 1923	Increase during year
Number of Company Stations.....	486,241	52,018
Number of Connecting and Miscellaneous Stations.....	122,122	2,301
Total Stations.....	608,363	54,319

Number of Miles of Wire		1,306,481
Number of Employees, 31st December, 1923.....		12,738

Average Daily Connections 1923—Exchange		3,435,811
Average Daily Connections 1923—Long Distance		38,389

The following statements show the growth and revenue of the Company in five-year periods, beginning at 1900, and for 1923:

Year	Central Offices	Number of Subscriber Stations	Long Distance Wire Miles	Pole Miles
1900	343	40,094	21,350	6,525
1905	526	82,351	37,082	8,645
1910	508	138,370	54,133	8,861
1915	449	242,784	79,908	9,297
1920	413	376,361	102,187	9,549
1923	380	486,241	107,317	9,705

UNDERGROUND

Year	Miles Conduit	Miles Single Duct	Miles Cable	Miles Wire
1900	47	321	157	30,686
1905	100	573	264	94,132
1910	191	1,015	453	208,956
1915	300	1,860	820	450,665
1920	626	2,396	1,142	641,053
1923	681	2,742	1,293	839,493

TOTAL ASSETS, AND PERCENTAGE OF NET EARNINGS THERE TO, IN
FIVE-YEAR PERIODS, AND FOR 1923

Year	Total Assets (Excluding Cash, Receivables, Prepayments and Bond Discount)	Exchange Revenue	Long Distance Revenue	Misc. Revenue and Revenue from Outside Investments	Expenses	Net Earnings	% Net Earnings to Total Assets
1900	\$ 7,498,762	\$ 1,137,660	\$ 359,801	\$ 116,801	\$ 1,177,582	\$ 436,680	5.8%
1905	14,062,605	2,342,870	901,367	273,357	2,512,696	1,004,898	7.1
1910	22,541,382	3,838,019	1,415,352	257,314	3,781,109	1,729,576	7.6
1915	39,789,807	7,156,302	2,306,536	171,836	7,412,689	2,221,985	5.6
1920	62,050,089	11,748,513	4,764,872	663,479	16,295,341	881,523	1.4
1923	85,291,501	15,971,692	5,877,402	1,072,496	18,044,455	4,877,135	5.7

DIAGRAM
 SHOWING THE GROWTH IN
TELEPHONES
 OWNED BY
The Bell Telephone Co.
 OF CANADA.
 FROM
DEC. 31, 1880 - DEC. 31, 1923





