

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

For the Year ended 31st December,

1922



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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:

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

*Members of Executive Committee.

FORTY-THIRD ANNUAL REPORT
OF THE DIRECTORS
FOR THE YEAR ENDED DECEMBER 31st, 1922

TO THE SHAREHOLDERS:—

Your directors feel that in the following pages will be found material dealing with the progress of your Company of more than casual interest.

The telephone industry, from romantic beginnings, has developed into one of the vital factors in the life of the community, and the stockholders of the Bell Telephone Company of Canada will be well repaid in following closely the development of the telephone art as reflected in the expansion of their own property.

KEEPING THE PUBLIC INFORMED

The goodwill of our patrons and their co-operation in our efforts to provide the highest grade of service, are of prime importance and are growing steadily as our field of operations is enlarged. But the welfare of the Company is in a very special sense the concern of its stockholders who occupy, for the most part, the dual relation of customers and owners! To them we look for an alert and zealous interest in the development of the system. Their support in our efforts to keep the public informed as to the true status of the telephone industry is invaluable.

ADDITIONS TO PLANT

During the year gross additions to the plant amounted to \$8,175,976 for new construction and general equipment in order to provide increased facilities or to replace

worn out or inadequate equipment. The main items were:

Land and Buildings	\$163,763
Central Office Apparatus and Subscribers' Telephones	4,030,206
Exchange and Toll Lines	3,614,635

We restored to some extent the depleted reserve plant requisite to meet promptly calls upon us for new service, which continue unabated.

A number of unfilled orders are still held because of shortage of facilities. This, with the abnormal demand for new service, calls for an unusually large construction programme in 1923.

Your property is in good physical condition, and the volume of traffic is constantly increasing.

INSTALLATIONS

The installation at new locations in 1922 of 123,032 services, with a net gain for the year of close upon 34,000 telephones, indicates the extraordinary activity of your construction and installation forces. This increase is particularly noteworthy when we recall that during the first five months of the year, due both to lack of new capital and the great difficulty in procuring apparatus and material, very little progress could be made.

STOCKHOLDERS INCREASE

To distribute more widely the ownership of shares is not only to strengthen the financial foundations of your Company and to create better relationships, but to encourage the habit of thrift and a broader knowledge of investment.

During the year the number of shareholders increased to 8,339—a gain of over 87 per cent. They now number over 9,400.

CAPITAL STOCK INCREASE

The Capital Stock increased during the year from \$26,818,000 to \$32,049,000—or by \$5,231,000. Of this additional stock, \$5,000,000 was disposed of through a syndicate of bond dealers, one of the conditions of the sale being that a special effort should be made to secure widespread distribution. Twenty-six thousand eight hundred dollars of the balance was issued to the North Huron Telephone Company in payment for their plant and undertaking, and the remainder to employees under the first stock purchase plan for employees.

The proceeds of this issue are being converted as speedily as possible into revenue-earning plant.

STOCK OFFERING TO SHAREHOLDERS

On the 17th of November your Directors, acting under the powers conferred upon them by the shareholders, offered to each shareholder of record at the close of business on Thursday, the 30th of November, one share of new stock at par for each five shares of stock then held.

Option was given to pay for this stock in full, or in quarterly payments of \$25 per share.

The offering was highly successful, practically the whole of the \$6,408,000 being subscribed. Ninety-five per cent of the subscriptions were paid in full. This issue has resulted in a further gain of 460 shareholders.

EMPLOYEES BECOME SHAREHOLDERS

Efforts toward the promotion of employees' welfare have taken many forms. One of the most beneficial

from all viewpoints has been the encouragement of thrift and saving.

The plan under which, in 1920, we offered our employees an opportunity to purchase stock by deductions from wages has been brought to a conclusion. The final deductions were made in the December payroll. The result was entirely satisfactory. Over twenty-two hundred employees took advantage of the opportunity afforded them, subscribing for 8,500 shares of stock!

A further stock-offering to employees was authorized and announced on the first of May last. There followed immediate subscriptions from 3,868 employees for \$1,189,300 of stock. On the 31st of December the number of employees subscribing under this plan was 4,318 and the par value of the shares being paid for by regular deductions from wages is \$1,414,800.

The advantages, especially to a public service organization, of such a substantial body of employees becoming partners in the business, are self-evident.

STORM DAMAGE

During the winter of 1921-22, sleet storms did record damage to our lines and service. Outlays totalling \$1,199,189 were necessary to effect repairs, and there was a revenue loss estimated at \$65,000. Cost of these repairs was met out of the reserve set aside for the purpose, and is not reflected in the expense statement for the year.

Such experiences emphasize the wisdom of our practice of setting aside monthly out of revenue such an amount as will take care of storm damage as above, as well as the original cost of plant taken out of service through wear and tear, obsolescence, and inadequacy due to the constant expansion of the system.

PLANNING FOR THE FUTURE

During the year a forecast, based on a study of the requirements of the business for the five years beginning with 1922, was prepared and adopted as a guide in extending the physical plant of the Company and forecasting the necessary financial arrangements.

The fundamental plans prepared by our engineers and underlying all extensions of the system are of the utmost value in determining the locations, especially in the larger cities, of central offices, the capacity of the equipment and the boundaries of the areas to be served. They enable us also to determine in advance the capacity and direction of the underground conduit and aerial cable system to the end that all subscribers may be served by the most economical distribution of wire. Such plans, anticipating development for fifteen years to come, are prepared and kept up-to-date for practically all the cities and more important towns in our territory.

THE AUTOMATIC SYSTEM

The automatic method of telephone operation has been the subject of exhaustive study by our engineers, as a result of which, a policy looking to its gradual adoption has been decided upon. In the larger cities, automatic apparatus will be used for additional offices as they are needed, as well as to replace worn out manual equipment.

Orders have been placed with the manufacturers for automatic apparatus to equip two new Toronto offices—"Grover", to serve part of the eastern section of the City, for which a building is now under construction at Main Street and Kingston Road; and "Elgin" adjoining our Adelaide building. The "Grover" automatic exchange will be in operation early in 1924, and "Elgin" a few months later.

CABLE DEVELOPMENT

Improvements lately made in transmitters, receivers and other apparatus in use in our plant have enabled us to use cable containing wires of finer gauge. This means more wires in a given size of cable—some cables now in use contain 1200 pairs of wires—and has resulted in a sensible reduction in the conductor cost of cable.

In effecting these economies, the standards of transmission have not been impaired.

UNIVERSAL SERVICE

Increased Long Distance revenue can best be secured by giving a dependable service. Our policy of using uniform standards in the construction, operation and maintenance of the system has permitted the adoption of new methods and devices without costly outlays in alterations and replacements, and has created a system of such character and flexibility as to effectively function with the Bell System throughout America in providing universal service. Our present aim in transmission is not volume but improved quality. This will be reflected in our service.

CONNECTING SYSTEMS

A gratifying feature of the Company's operations is the harmonious relations with connecting companies, serving for the most part rural communities. We have arrangements for interchange of business with 784 such companies, serving 119,821 subscribers. During the past year we have held at convenient points throughout our territory a series of conferences with officials, representatives and employees of these connecting systems, at which helpful discussion of the problems of administration, operating methods, maintenance and construction served to bring us all into closer co-operation.

EMPLOYEES' PENSION AND BENEFIT PLAN

The actuarial report of the Employees' Benefit Fund, which was undertaken in 1921, has been completed and acted upon by the Board.

The report indicated that the reserve of \$500,000 was less than the actuarial requirements to care for the pensions which were accruing. The data on which the actuary based his findings were not considered decisive, or as indicating the exact amount which should stand in the reserve.

The figures available covered too short a period, and it is admitted that wages and service conditions based on the period from 1917 to 1921 were abnormal, including as they do a war-time period and a period of post-war readjustment.

It was clearly indicated, however, that the present reserve was inadequate, and an amendment to By-Law No. 16, which created the fund, will be presented for confirmation at the Annual Meeting. This amendment to the By-Law provides that any unexpended portion of the two per cent of the annual payroll, which is the limit within which the fund must operate, shall in future be added to the Fund.

Another actuarial examination of the fund is due to be made at the end of 1925, when more complete data based upon further operation of the plan will be available.

During the year the net charge to expenses on account of the Pension and Benefit Plan was \$200,780, which amount, being 1.62%, of the payrolls, was voted by the Directors in accordance with the By-Law in order to restore the Fund to \$500,000. During the year eleven Sickness Death Benefits, 348 Accident

Benefits (including two fatal accidents) and 1,902 Sickness Benefits were granted. Thirteen additional Pensions have been granted, and one Pensioner has died, the number of Pensions at present in force being forty-three.

ACCIDENT PREVENTION AND FIRST AID

During the year 1922 there were 203 "lost time" accidents to employees as compared with 254 in 1921, this reduction having been achieved by the hearty co-operation of the entire force in the Company's plan of Accident Prevention.

A Bell Telephone Centre of the St. John Ambulance Association has been organized, and instruction in first aid to the injured is being given to 1,104 male employees in their own time, enrolled in 44 classes at 30 points in the Company's territory.

SELLING LONG DISTANCE SERVICE

Our employees in the field, aided by moderate but persistent publicity, have carried on a vigorous canvass for the building up of Long Distance business. By close and intelligent studies of the business of our patrons—their products, their markets, their selling methods, the adequacy or otherwise of their telephone equipment—we have been able to plan with them extensive Long Distance telephone selling campaigns. The result has been not only added revenue both for them and for this Company, but a new conception of the value of the telephone as an economical and efficient sales agent. Indeed, in this field it is apparent that the full possibilities of the telephone have not yet been realized. As our representatives develop our sales programme, our Long Distance revenues should show steady and substantial growth.

HELPFUL CO-OPERATION

On the principle that an informed public can be relied upon to be sympathetic and helpful in seconding our efforts to provide an adequate and satisfactory service, we have endeavoured to persistently tell our story—through the press, by lectures and public demonstrations, and by inviting the public, subscribers, and shareholders to visit our central offices. The result has been wide-spread appreciation of the problems of modern telephone development and a growing co-operation with our employees in the everyday work of giving telephone service.

THANKS TO THE STAFF

It is a pleasure again to record our appreciation of the splendid work of the entire staff. The creditable showing during the year was due to the hearty co-operation of employees in making effective the economies and the intensive plans of development that have been carried out.

C. F. SISE,

Vice-President and General Manager.

L. B. McFARLANE,

President.

MONTREAL, 1st February, 1923.

COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES

ASSETS

	December 31, 1921	December 31, 1922	Increase
Real Estate.....	\$ 5,249,272.46	\$ 5,404,258.41	\$ 154,985.95
Telephone Plant, etc.....	56,272,635.99	61,606,515.97	5,333,879.98
Furniture, Tools and Supplies....	2,050,303.52	2,411,603.80	361,300.28
Cash.....	390,823.94	1,208,279.40	817,455.46
Bills and Accounts Receivable ...	1,610,798.83	1,269,559.31	341,239.52*
Prepaid Expenses.....	211,209.68	118,948.01	92,261.67*
Unamortized Bond Discount.....	231,840.59	160,505.03	71,335.56*
Investments.....	2,767,757.45	4,367,932.45	1,600,175.00
	<u>\$68,784,642.46</u>	<u>\$76,547,602.38</u>	<u>\$ 7,762,959.92</u>

LIABILITIES

Capital Stock Issued.....	\$26,818,000.00	\$32,049,000.00	\$ 5,231,000.00
Bonds 1925 (5% \$11,250,000) ... } (7% 5,500,000).... }	16,750,000.00	16,750,000.00
Accounts Payable.....	936,656.11	938,233.29	1,577.18
Accrued Liabilities not due.....	1,258,472.38	1,483,021.55	224,549.17
Unearned Revenue.....	20,114.20	19,037.46	1,076.74*
Prepaid Stock Subscriptions.....	569,250.00	569,250.00
Employees' Benefit Fund.....	500,000.00	500,000.00
Surplus and Reserves.....	22,501,399.77	24,239,060.08	1,737,660.31
	<u>\$68,784,642.46</u>	<u>\$76,547,602.38</u>	<u>\$ 7,762,959.92</u>

*—Decrease.

Approved for Board of Directors,
W. F. ANGUS,
Director.

E. PALM,
Comptroller.

GEO. CAVERHILL,
Director.

COMPARATIVE STATEMENT OF EARNINGS AND EXPENSES FOR THE YEARS 1921 AND 1922

	1921	1922	Increase
Telephone Revenues.....	\$18,561,829.01	\$20,245,822.92	\$ 1,683,993.91
Operation Expense	\$ 9,545,898.72	\$ 9,495,098.14	\$ 50,800.58*
Current Maintenance	3,829,322.09	3,201,020.86	628,301.23*
Depreciation	2,549,715.00	2,967,506.00	417,791.00
Taxes	595,000.00	821,357.64	226,357.64
Total Telephone Expenses.....	\$16,519,935.81	\$16,484,982.64	\$ 34,953.17*
Net Telephone Earnings	\$ 2,041,893.20	\$ 3,760,840.28	\$ 1,718,947.08
Sundry Net Earnings	\$ 234,527.56	\$ 208,471.87	\$ 26,055.69*
Total Net Earnings.....	2,276,420.76	3,969,312.15	1,692,891.39
Deduct Interest	\$ 1,168,800.38	\$ 1,035,644.28	\$ 133,156.10*
Balance	1,107,620.38	2,933,667.87	1,826,047.49
Deduct Dividends 8%	\$ 1,883,630.00	\$ 2,457,740.00	\$ 574,110.00
	Debit		
Balance Carried to Surplus.....	\$ 776,009.62	\$ 475,927.87	\$ 1,251,937.49

*—Decrease

E. PALM,
Comptroller.

THE PRESIDENT AND DIRECTORS,
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, 1922, 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,
Montreal, 2nd February, 1923. Auditors.

STATISTICS

	At December 31, 1922	Increase during year
Number of Company Stations.....	434,223	33,946
Number of Connecting and Miscellaneous Stations.....	<u>119,821</u>	<u>2,226</u>
Total Stations.....	554,044	36,172

Number of Miles of Wire.....	1,150,669
Number of Employees, 31st December, 1922.....	11,331

Average Daily Connections 1922—Exchange.....	3,224,215
Average Daily Connections 1922—Long Distance.....	32,965

The following statements show the growth and revenue of the Company in five-year periods, beginning at 1900, and for 1922:—

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
1922	391	434,223	104,551	9,668

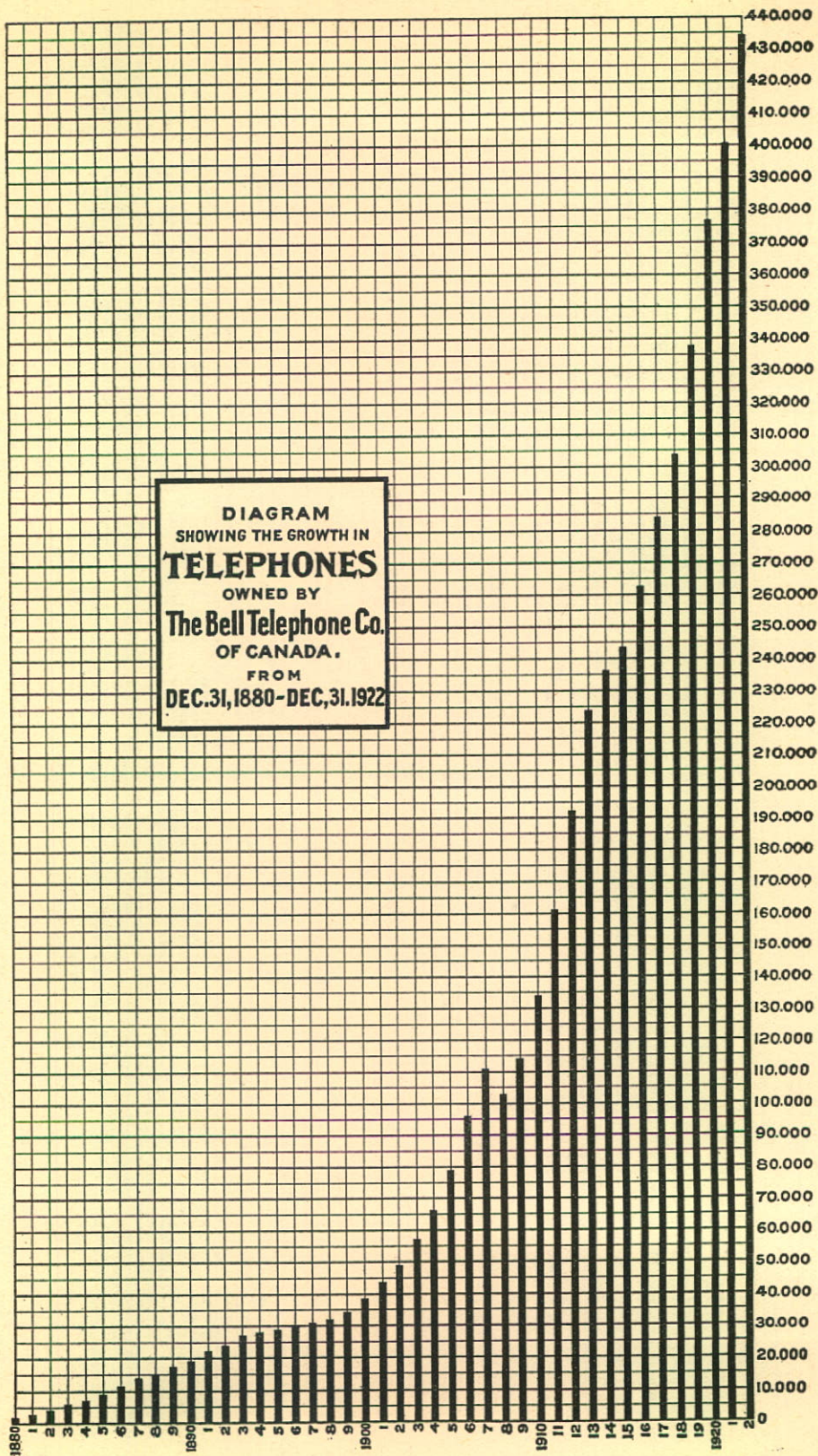
UNDERGROUND

Year	Miles Conduit	Miles		Miles Wire
		Single Duct	Miles Cable	
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
1922	655	2,603	1,249	717,134

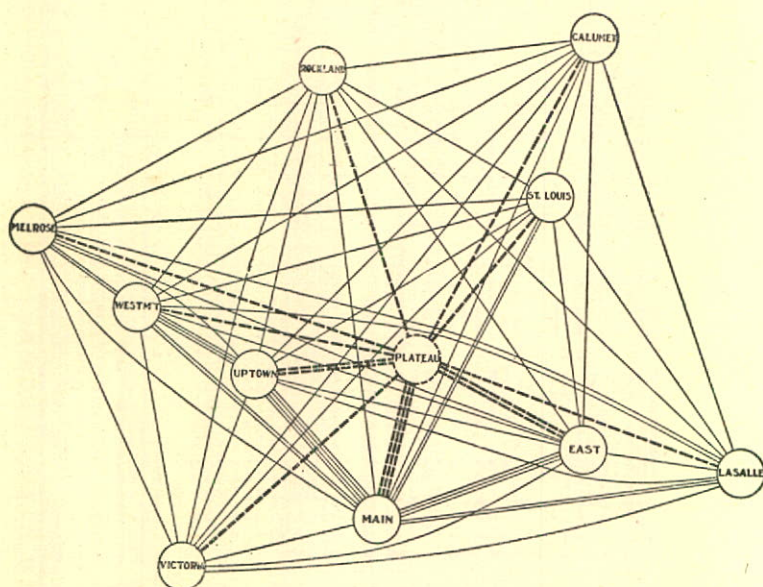
TOTAL ASSETS, AND PERCENTAGE OF NET EARNINGS THERETO, IN FIVE-YEAR
PERIODS, AND FOR 1922.

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
1922	73,790,311	14,497,781	5,416,229	540,284	16,484,982	3,969,312	5.4

DIAGRAM
 SHOWING THE GROWTH IN
TELEPHONES
 OWNED BY
The Bell Telephone Co.
 OF CANADA.
 FROM
 DEC. 31, 1880 - DEC. 31, 1922



TELEPHONE EXCHANGE TRUNK LINES



Each exchange in a big city telephone system has to be linked up by *Trunk Lines* with all other *Exchanges* so that any telephone, no matter where it is located, may be connected instantly with any other. These "trunks" are quite distinct from the lines to the premises of subscribers.

Note the trunk lines connecting together the eleven exchanges in Montreal. *Each line represents a cable capacity of 100 pairs of copper wires.*

The broken lines show the additional trunk lines which had to be added to the Montreal plant when "Plateau" exchange became part of the system. Here too, each line represents 100 pairs of copper wires.



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