

The Bell Telephone Company and the American Company

THE relationship between the Bell Telephone Company of Canada and the American Telephone and Telegraph Company consists of:—

1. stock—the American company owns thirty-one per cent of Bell Telephone Company shares.
2. contract—the Bell Telephone Company owns a contract by which the American company supplies research products and other services on a sliding scale of payment.

The stock relationship has existed since the Canadian company began in 1880. One-third of the \$400,000 needed to form the company was not available until the American company agreed to provide it.

The contract was made in 1923 to put dealings between the two companies on a definite business basis. It may be terminated at the end of 1932 if the Canadian company so desires.

effect of stock relationship

THE telephone system in Ontario and Quebec today is owned by 15,300 shareholders. Of these, 95 per cent live in Canada and own 62 per cent of the total shares.

The largest individual holding is 1510 shares which is one quarter of one per cent of the total. The average individual holding is 27 shares, which yield an income of \$216 a year.

The Bell Telephone Company is thus a great enterprise which has become thoroughly democratized and to this the American relationship has contributed two definite advantages:

First, it has been a source of new money for development. The American company, as a shareholder has never failed to respond, in good times or bad, when money was needed to extend the system to meet public demands upon it.

Secondly, it has been a safeguard against exploitation. Attempts on the part of promoters to secure control of the telephone system have failed because the American holding of the company's shares has been in the hands of men who are interested in the telephone business for the progress of the industry and not for its financial exploitation.

effect of the contract

THE Bell Telephone Company has secured three chief advantages by the contract of 1923:—

First, it obtains all products of the Bell laboratories, which are the largest industrial research laboratories in the world, with a staff of five thousand. No single company could hope to support such an organization. It is possible only by co-operation of many associated companies.

One example of research work is the "loading coil" which has eliminated the need for heavy wires increasing in size with distance. This has saved millions of dollars. Similar discoveries have saved other millions for the telephone user and given him a better telephone. The research clause of the contract alone more than balances the contract fee.

Secondly, the Canadian company has rights to the use of all inventions. The American company now owns more than 5,000 patents essential in every phase of telephone operation. The contract gives the Canadian company use of these patents and places the American company under obligation to take out Canadian patents on any new inventions the Canadian company wishes.

Thirdly, the contract gives the Canadian company a steady supply of reports and statistics regarding new operating methods under trial by the associated companies of the American system.

Dangerous experiments are thus avoided. When the Canadian company makes a change in method it is to a well tested method and the services of specialists from the American company are available, by contract, to assist in making it. An example of this is the change from manual to dial system.

Both in the stock holding and in the contract provisions Canadian telephone users are protected and assisted by the relationship with the American company.



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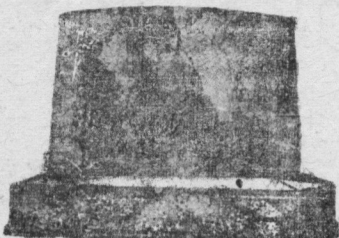
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