

THE GOODYEAR TIRE & RUBBER COMPANY

OF CANADA, LIMITED

NEW TORONTO, ONTARIO



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ANNUAL REPORT

1932

The Goodyear Tire & Rubber Company
of Canada, Limited

ANNUAL REPORT

TO THE SHAREHOLDERS

For the Fiscal Year ended December 31st, 1932

New Toronto, Ontario

ANNUAL REPORT OF THE DIRECTORS
OF
The Goodyear Tire & Rubber Company
of Canada, Limited

New Toronto, February 10th, 1933.

To the Shareholders:—

Your Board of Directors submits a Consolidated Balance Sheet of the GOODYEAR TIRE & RUBBER COMPANY OF CANADA, LIMITED and its subsidiary companies, certified by your Auditors, which sets forth the results of the operations for the year ended December 31st, 1932 and the financial position of the combined companies.

The combined profits from the operations for the year 1932 amount to \$1,463,653.10 after deducting provisions for income and all other taxes, but before providing for depreciation. Notwithstanding the reduced volume of production, a reserve has been set aside for the full amount of depreciation at rates equal to those used in previous years, including the peak years of 1927 to 1929; on this basis there has been deducted from the amount of the combined profits as mentioned above, a reserve of \$745,900.43 for depreciation on buildings and equipment, leaving a balance of profits of \$717,752.67.

The accumulated reserve for depreciation is now \$5,982,079.07 and is equivalent to over 50% of the total investment in buildings and plants. The manufacturing equipment of the rubber plants (which constitutes 75% of the total investment in equipment of all companies) stands on your books at a net value of 22% of cost including installation. Insofar as the financial position of your Company is concerned, it was considered immaterial, at this time, whether any excessive provision for depreciation in 1932 were reflected in an increase in the accumulated reserve or in the surplus account.

All bad and doubtful accounts have been written off as usual and a reserve of \$80,449.74 is carried forward which is considered adequate. Inventories of finished product, goods in process, raw materials on hand and on commitment have been written down to the basis of cost or market, whichever was the lower as of December 31st, 1932. In addition, pale crepe rubber, in stock and in manufactured products, quoted at 4c per pound, has been written down to 3¼c per pound, the market price on No. 1 smoked sheets.

The decrease in the net profits for the year 1932 as compared with 1931, when they amounted to \$1,450,011.52, after providing for depreciation was caused by several factors:

Severe fluctuation in market prices of crude materials during the fiscal year.

Reduction in export business.

Reduction in domestic business.

Increased unit costs as a result of reduced production.

High premium on United States funds required for purchases.

Increased demand for lower priced tires.

Heavier credit losses.

Increased taxation.

During the fiscal year rubber decreased 42% from the high. Cotton decreased from 9-1/5c per pound to 5c per pound, a decrease of over 45%.

The Canadian Rubber Industry, for the calendar year 1932, showed a reduction of 45% in export business as compared with the sales of the previous year. Your Company being a large exporter of rubber products was adversely affected by these decreases. The causes of the decrease in export business were mainly inadequate exchange facilities, depreciation of currency in foreign countries, high tariffs and boycotts.

If we had dealt with our annual adjustment of inventories in respect of foreign business on the same basis as in the previous years, our total profits before depreciation would have been \$1,682,311.09, and our net profits \$936,410.66 instead of \$717,752.67, as shown on the attached Balance Sheet.

Compared with 1931, the Canadian Rubber Industry showed a decline of 21% in unit sales of tires to the domestic trade, and other lines of rubber products have shown a similar decrease. However, your Company has more than maintained its relative position in the Industry and has, in fact, slightly increased its share of the available domestic business.

Your Company is a large supplier of tires to car manufacturers. The car and truck production in Canada for 1932 as compared with 1931 shows a marked reduction, as indicated by the following figures:—

| | 1931 | 1932 |
|----------------------|--------|--------|
| Passenger cars | 69,826 | 42,202 |
| Trucks | 13,830 | 7,876 |

As a result of these factors your production of rubber products in 1932 was considerably decreased. This resulted in a corresponding increase in unit costs.

The discount on the Canadian dollar which for the year 1932 averaged 12% as compared with 4%, the average for 1931, is a direct addition to cost of production and in proportion reduces your net profits for the year.

Owing to the decreased purchasing power of the public, there was an increase in demand for lower priced tires, a larger market for second hand or used tires and more old tires were repaired than there would have been under normal conditions. All of these factors had the effect of reducing both the dollar and unit volume of sales.

As to credit losses, when either individual or collective incomes decrease, so purchasing power declines, payments become slower and insolvency increases. These conditions affected the rubber industry in about the same ratio as they have affected other businesses.

During the past year new taxes have been imposed and other taxes have increased. In April last the rate of sales tax was increased from 4% to 6% and the excise tax on all importations was increased from 1% to 3%. In the Province of Ontario, the Corporations' tax was extended to include a revenue tax in addition to the tax on capital. Municipal taxes have also been increased.

The total amount of taxes paid by your Company for the year 1932, exclusive of Federal Income tax and duties paid on imported materials, has been increased over 35%, notwithstanding that the Rubber Industry shows a decrease in dollar sales of approximately 30% as compared with those of 1931.

By reference to the Balance Sheet it will be seen that the cash on hand amounted to \$684,544.08 and that the current assets include \$5,873,488.37 in call loans and Government Bonds. These Bonds, which include a large percentage of Canadian Government Bonds, have been written down to markets as of December 31st, in accordance with our usual practice.

The total current assets amount to \$10,337,926.62 compared with current liabilities (including ample reserves for income and other taxes) aggregating only \$276,073.60 representing accounts not yet due for payment, or a ratio of 37 to 1 as compared with the ratio of 25 to 1 a year ago. Cash on hand alone is approximately two and one half times the total current liabilities, notwithstanding that we have reduced our cash and reserves by a prepayment of Federal Income Taxes to the amount of \$44,028.32.

Economies in the cost of distribution and in operations have been made throughout the year. The effect of these economies will be more apparent in your statement for 1933.

The working capital of the Company was increased during the year by \$77,006.04 after paying both Preferred and Common dividends aggregating \$1,152,893.50, retiring Bonds of Good-year Cotton Co. of Canada, Limited, in accordance with the sinking fund requirements, redeeming \$85,000.00 of Preferred stock of the Rubber Company and providing necessary additions to plant and equipment of \$134,785.09.

As above stated, Preferred dividends at the rate of 7% per annum amounting to \$509,743.50 were disbursed and in addition dividends at the rate of \$5.00 per share per annum, amounting to \$643,150.00 were paid to the Common shareholders. In as much as the surplus carried forward this year amounts to \$7,230,-421.98, it is apparent that the payment of these dividends was fully justified.

The year 1932 has brought to all industries and financial institutions a greater than ordinary burden; falling prices to even lower than cost have lessened income and depleted capital. We may be prone to the idea that the industries in which we personally are engaged have had the greatest burden, but this is not always true. I think it does not apply to the Canadian Rubber Industry.

We commend the Canadian Industry for the just, sane and stabilized basis on which it has operated. This may be better appreciated when you compare the Rubber Industry of Canada with that of most all other countries. It has been our aim over a period of years to deal fairly with the public, our shareholders, the Governments and with those engaged in the industry. It does not take much intelligence to tear down an industry, but it takes careful thought and continuous effort to build an industry.

Established industries are a National asset and, therefore, all peoples and Governments should preserve and foster these assets.

On behalf of the Board,

C. H. CARLISLE,
President and General Manager.

THE GOODYEAR TIRE & RUBBER and SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

CURRENT AND WORKING ASSETS:

| | | |
|--------------------------------------------|---------------------|----------------|
| Cash | \$ 684,544.08 | |
| Call loans, and Government bonds at market | <u>5,873,488.37</u> | \$6,558,032.45 |

| | | |
|--------------------------------------------|------------------|--------------|
| Accounts receivable | \$1,460,571.52 | |
| Less—Reserve for bad and doubtful accounts | <u>80,449.74</u> | 1,380,121.78 |

| | | |
|----------------------------------------------------|---------------------|-----------------|
| Inventories at cost or market, whichever is lower: | | |
| Finished goods | \$1,091,547.20 | |
| Goods in process | 145,277.12 | |
| Raw materials and supplies | <u>1,162,948.07</u> | 2,399,772.39 |
| | | \$10,337,926.62 |

MISCELLANEOUS INVESTMENTS:

| | | |
|------------------|--|------------|
| Stocks and bonds | | 123,586.42 |
|------------------|--|------------|

REAL ESTATE, BUILDINGS, PLANT, MACHINERY AND EQUIPMENT:

12,277,358.76

DEFERRED CHARGES TO OPERATIONS:

| | | |
|--------------------------------------------|--|-----------|
| Insurance, taxes and rents paid in advance | | 38,831.74 |
|--------------------------------------------|--|-----------|

\$22,777,703.54

COMPANY OF CANADA, LIMITED

Y COMPANIES

DECEMBER 31, 1932

LIABILITIES

CURRENT LIABILITIES:

| | | | |
|------------------------------------|----|------------------|--|
| Current accounts payable | \$ | 198,731.47 | |
| Reserve for income and other taxes | | <u>77,342.13</u> | |

RESERVES:

| | | | |
|---------------------------------------------------------------|----|------------------|---------------|
| For depreciation of buildings, plant, machinery and equipment | \$ | 5,982,079.07 | \$ 276,073.60 |
| For raw material commitments | | <u>85,130.89</u> | |

SIX PER CENT. FIRST MORTGAGE SINKING FUND GOLD BONDS DUE SEPTEMBER 1, 1949, OF THE GOODYEAR COTTON CO. OF CANADA LIMITED: 6,067,209.96

| | | | |
|-----------------------|----|--------------|--|
| Authorized and issued | \$ | 2,000,000.00 | |
|-----------------------|----|--------------|--|

Less—

| | | | |
|-------------|-------------------|------------|--|
| Redeemed | \$100,000.00 | | |
| In treasury | <u>548,500.00</u> | 648,500.00 | |

CAPITAL STOCK:

Seven per cent. Cumulative Preferred Stock:
Authorized—195,000 shares of \$100.00 each 1,351,500.00

| | | | |
|--------------------------------|----|------------------------|--|
| Issued and fully paid— | | <u>\$19,500,000.00</u> | |
| 79,498 shares of \$100.00 each | \$ | 7,949,800.00 | |
| Less—Redeemed 6,890 shares | | <u>689,000.00</u> | |

Common Stock: 7,260,800.00

| | | | |
|------------------------------------------------------------------------------------|----|-------------------|--|
| Authorized—145,330 shares of no par value of which 128,630 shares have been issued | \$ | 128,630.00 | |
| Capital Surplus | | <u>463,068.00</u> | |

SURPLUS:

Balance as of January 1, 1932 \$ 7,665,562.81

Profit for the year ending December 31, 1932, before providing for depreciation, but after deducting income tax \$1,463,653.10

| | | | |
|-------------------------------|-------------------|------------|--|
| Less—Reserve for depreciation | <u>745,900.43</u> | 717,752.67 | |
|-------------------------------|-------------------|------------|--|

Deduct—Dividends: \$ 8,383,315.48

On seven per cent. Preferred Stock \$ 509,743.50

| | | | |
|------------------------------|-------------------|---------------------|--|
| On no par value Common Stock | <u>643,150.00</u> | <u>1,152,893.50</u> | |
|------------------------------|-------------------|---------------------|--|

7,230,421.98

\$22,777,703.54

PRICE, WATERHOUSE & CO.

Chartered Accountants

ROYAL BANK BUILDING

TORONTO, CANADA

February 9, 1933.

To the Shareholders of

THE GOODYEAR TIRE AND RUBBER COMPANY
OF CANADA, LIMITED:

We have examined the books and accounts of The Goodyear Tire and Rubber Company of Canada, Limited and its subsidiary companies for the year ending December 31, 1932.

We have satisfied ourselves that all charges to Property Accounts are in respect of actual additions, and sufficient provision has been made for accruing depreciation. The stocks on hand have been taken and valued by the Companies at cost or market prices, whichever were lower; the bad debt reserve is considered sufficient to provide for all doubtful accounts; the bank balances and call loans were confirmed by certificates, and we have taken all reasonable precautions to satisfy ourselves that all liabilities as at December 31, 1932 are included in the Balance Sheet.

And we report that, in our opinion, the annexed Consolidated Balance Sheet is drawn up so as to show the true financial position of the Company and its subsidiaries as of that date and the results from the operations for the year ending December 31, 1932 according to the best of our information and the explanations given to us and as shown by the books of the Companies.

PRICE, WATERHOUSE & CO.,
Auditors.

BOARD OF DIRECTORS

P. W. LITCHFIELD
Chairman
AKRON

C. H. CARLISLE
TORONTO

C. B. McNAUGHT
TORONTO

J. E. McALLISTER
TORONTO

P. A. THOMSON
MONTREAL

C. A. STILLMAN
AKRON

C. C. SLUSSER
AKRON

EXECUTIVE OFFICERS

C. H. CARLISLE
President and ~~General Manager~~

C. B. McNAUGHT
Vice-President

R. C. BERKINSHAW
gm
Assistant to the President
Treasurer and Secretary

W. H. JEEVES
Assistant Treasurer

H. A. TIPPLE
Assistant Secretary and
Assistant Comptroller

O. H. BARRETT
Assistant Secretary
and General Counsel

B. W. LANG
Assistant Comptroller

D. J. McCARTHY
General Sales Manager

E. H. KOKEN
General Superintendent

R. P. D. GRAHAM
Manager, Export Department

The Goodyear Tire & Rubber Company of Canada, Limited

General Offices: NEW TORONTO, ONT.

Factories: { NEW TORONTO, ONT.
 { BOWMANVILLE, ONT.

Cotton Plant: ST. HYACINTHE, QUE.

BRANCHES:

| | |
|------------------|--------------------------------|
| ST. JOHN, N.B. | 83 Prince William St. |
| QUEBEC, QUE. | Cor. Crown and Fleury Sts. |
| MONTREAL, QUE. | 690 St. James St. |
| OTTAWA, ONT. | 246 Queen St. |
| TORONTO, ONT. | 152 Simcoe St. |
| WINDSOR, ONT. | 410 Hanna Ave., E. |
| LONDON, ONT. | 539 Richmond St. |
| WINNIPEG, MAN. | 97 Higgins Ave. |
| REGINA, SASK. | Cor. Broad St. and 6th Ave. |
| SASKATOON, SASK. | Cor. 24th St. and Pacific Ave. |
| EDMONTON, ALTA. | 10229—105th St. |
| CALGARY, ALTA. | 537—8th Ave. West |
| VANCOUVER, B.C. | Cor. Nelson and Hamilton Sts. |

WHOLESALE DISTRIBUTORS

SYDNEY, N.S.—Cape Breton Battery & Vulcanizing Company.

HALIFAX, N.S.—Maritime Accessories Limited.

VICTORIA, B.C.—B. R. Ciceri & Co.

WHOLESALE WAREHOUSES

MONCTON, N.B.—Sumner Tire Service.

HAMILTON, ONT.—A. F. Dell.

KITCHENER, ONT.—M. Berg.

PT. ARTHUR, ONT.—J. A. Nicholson.

BRANDON, MAN.—Gillies & Warren.

YORKTON, SASK.—Ted's Tire Shop.

LETHBRIDGE, ALTA.—H. R. Carson Ltd.

GRAND PRAIRIE, ALTA.—Grand Prairie Garage Co.

In every important Canadian community Goodyear products
are sold by reputable dealers.

PRINCIPAL
GOODYEAR
The Greatest Name in Rubber
PRODUCTS

Tires and Tubes

- TIRES:**—Automobile, Truck, Bus, Airplane, Motorcycle and Tractor.
Solid and Cushion Truck Tires.
- TUBES:**—Automobile, Truck, Bus, Airplane, Motorcycle and Tractor.
- ACCESSORIES:**—For all Pneumatic Type Tires and Tubes, Repair Fabric and Gum, Rims and Parts, Rubber Cements, Tubing, Vulcanizers' Supplies.

Mechanical Rubber Goods

- BELTING:**—Transmission, Industrial Conveyor, Grain Elevator and Conveyor, Ore Elevator, Road Grader Conveyor and other types of belting.
- V BELTS:**—For automobiles, refrigerators, washing machines, etc.
- HOSE:**—Garden, Air Drill, Pneumatic Tool, Steam, Water, Fire, Curb Line, Radiator, Golf, Suction, Miscellaneous.
- PACKINGS:**—Rubber Sheet, Asbestos Sheet.
- MATS:**—Household, Car, Perforated, Cushion Rug, Matting.
- MISCELLANEOUS:**—Ore Chute Lining, Bumpers, Valves, Baby Carriage Tire, Pulp Screen Diaphragms, Wringer Rolls and Molded Goods of various descriptions.

GOODYEAR WINGFOOT RUBBER HEELS AND
SOLES.

