

A N N U A L R E P O R T



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THE GOODYEAR TIRE & RUBBER COMPANY OF CANADA, LIMITED









FOR FORTY CONSECUTIVE YEARS IT HAS BEEN TRUE



MORE PEOPLE RIDE ON GOODYEAR TIRES THAN ON ANY OTHER KIND



# **A N N U A L R E P O R T**

**TO THE SHAREHOLDERS**

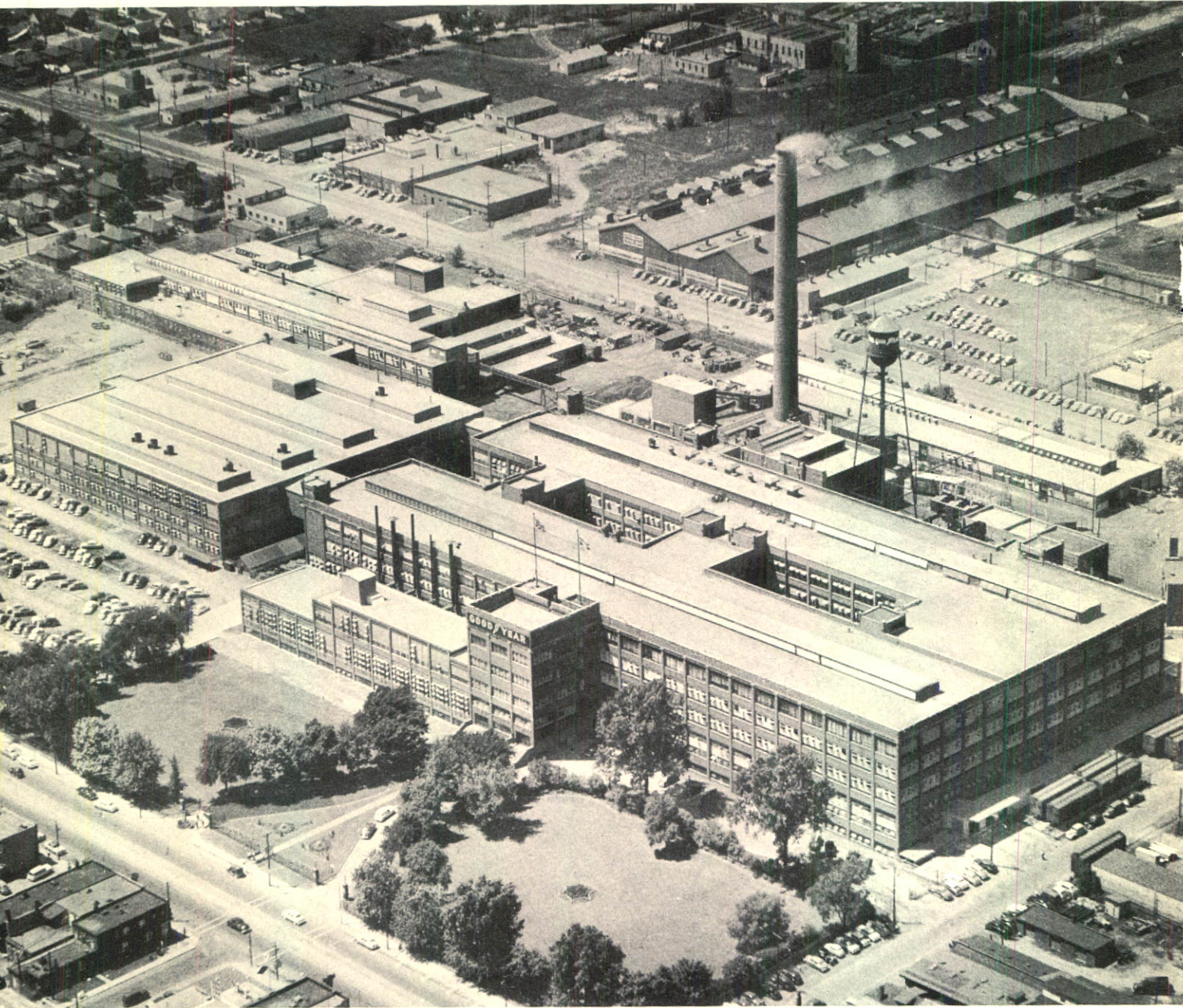
**THE GOODYEAR TIRE & RUBBER**

**COMPANY OF CANADA • LIMITED**

**NEW TORONTO • ONTARIO**

**FOR THE FISCAL YEAR ENDED DECEMBER 31 1954**





*Head Office and plant site at New Toronto. The latest addition to the tire plant, built to house the special equipment for production of Goodyear's exclusive 3-T tire fabrics, can be seen at the front of the main building left of the entrance. The new electronic slab cure of the Airfoam plant, top left, was placed in operation when the necessary building addition was completed last Spring.*



## **GENERAL OFFICES**

NEW TORONTO, ONT.

## **FACTORIES**

NEW TORONTO, ONT.

BOWMANVILLE, ONT.

QUEBEC CITY, QUE.

## **COTTON PLANT**

ST. HYACINTHE, QUE.

## **BRANCHES**

MONCTON, N.B.

St. George St. and 10th St.

QUEBEC, QUE.

204 Dorchester St.

MONTREAL, QUE.

2050 Côte de Liesse Road

TORONTO, ONT.

622 Fleet St. West

LONDON, ONT.

539 Richmond St.

WINNIPEG, MAN.

Sargent Ave. and Madison St.

REGINA, SASK.

2410 Dewdney Ave.

SASKATOON, SASK.

302 Pacific Ave.

CALGARY, ALTA.

238-11th Ave. East

EDMONTON, ALTA.

10355-105th St.

VANCOUVER, B.C.

1004 Hamilton St.

## **WHOLESALE DISTRIBUTORS**

HALIFAX, N.S.

Maritime Accessories Limited, Sackville and South Park Sts.

ST. JOHN'S, NFLD.

A. E. Hickman Company Limited

## **BOARD OF DIRECTORS**

P. W. LITCHFIELD, *Chairman*, AKRON

R. C. BERKINSHAW, C.B.E., TORONTO

P. A. THOMSON, MONTREAL

P. E. H. LEROY, AKRON

E. J. THOMAS, AKRON

A. W. DENNY, TORONTO

H. G. HARPER, TORONTO

## **OFFICERS**

R. C. BERKINSHAW, *President and General Manager*

A. W. DENNY, *Vice-President*

H. G. HARPER, *Vice-President*

R. W. RICHARDS, *Vice-President*

C. B. COOPER, *General Sales Manager*

D. C. CARLISLE, *Treasurer*

K. E. KENNEDY, *Secretary and General Counsel*

J. G. WILLIAMS, *Comptroller*

J. W. PHILP, *Assistant Treasurer*

G. G. MERRITT, *Assistant Treasurer*

A. E. ROBINETTE, *Assistant Secretary*

C. W. J. EVANS, *Assistant Comptroller*

W. N. FERGUSON, *Assistant Comptroller*



# ANNUAL REPORT OF THE DIRECTORS

## TO THE SHAREHOLDERS:

Your Directors are pleased to submit the consolidated balance sheet of the Company and its subsidiaries as of December 31 1954 and the consolidated statements of profit and loss, and earnings retained and used in the business which set forth the financial position of the consolidated companies and the result of their operations for the year 1954. The report of the Company's auditors, Price Waterhouse & Co., is also attached.

The consolidated net profit for the year amounted to \$2,476,961, which after providing for dividends on the preferred shares outstanding, is equivalent to \$8.48 per share on the outstanding common stock. This compares with \$4,797,204, equivalent to \$17.49 per share for 1953.

This decrease in net profits is principally attributable to reductions in the selling prices of tires and tubes which were put into effect early in 1954; a substantial rise in the laid-down cost of crude rubber during the last quarter of the year and increased cost of employees benefits under the Company's health and welfare program. The selling prices of tires, tubes and other rubber products were increased in February of this year.

The profits for the year have been applied as set out in the following summary:

### DISPOSITION OF FUNDS:

#### Dividends—

On four per cent preferred stock.....	\$ 296,252	
On common stock (\$6.00 per share).....	1,543,560	
		\$1,839,812
Preferred stock redeemed and cancelled.....		78,150
Expenditures on plant and equipment (net).....		3,469,153
Increase in investments and other assets.....		197,505
		\$5,584,620

### FUNDS PROVIDED:

Consolidated net profit for the year.....	\$2,476,961	
Surplus of subsidiary companies consolidated for the first time.....	206,817	
Depreciation not involving cash payment during period....	2,136,244	
		4,820,022
Total funds provided.....		
Balance representing a decrease in working capital.....		\$ 764,598

The accounts of a number of small wholly-owned subsidiary companies have been consolidated this year for the first time and the financial statements now include the accounts of all subsidiary companies; also certain minor changes in the form and content of these statements have been made to conform with the provisions of the new Ontario Corporations Act.

Inventories of raw materials, work in process and finished goods have been thoroughly reviewed and have been valued on the basis of the lower of average cost or market except in the case of unprocessed rubber on hand or in transit which, in accordance with the Company's practice, was valued at cost as determined by the last-in, first-out method of accounting.

Net capital expenditures during the year amounted to \$3,469,153 which represents chiefly the cost of additions to plant and equipment for the improvement of production facilities at New Toronto.

A major addition to the tire plant was completed and provided space for installation of our new 3-T unit to treat tire fabrics under a process involving time, temperature and tension. This exclusive Goodyear process is considered one of the greatest developments in tire fabrics since Goodyear brought out its famous Supertwist Cord some thirty years ago. The addition to the tire plant provided further improvements in plant lay-out and production flow along with increased production capacity with the most modern and efficient equipment.

The Airfoam plant was extended to house a new electronic slab cure, which was placed in operation early in the year.

Extensions and improvements were also made in your Company's branch and other facilities for the distribution of its products to meet the growing market demand. The companies have no major construction projects under way at the present time.

The balance of \$505,956 arising out of the credits received in respect of employees withdrawing from the contributory pension plans, included in reserve for contingencies at the end of 1953, was transferred to earned surplus in the year under review. The increased cost of employee benefits, to which reference has previously been made, amounted to approximately \$445,000.

During the year, your Company introduced the Goodyear all-new tubeless tire to the Canadian market, a step which coincided with the adoption of tubeless tires as standard equipment in the Canadian automotive industry.

The introduction of the new tubeless tire was in keeping with your Company's policy with regard to the development and sale of new products. Any new product must offer either better quality for the same money or the same qualities for less money. The Goodyear tubeless tire is priced competitively with the conventional tire-tube assembly, yet gives increased blowout protection, less tire trouble and a longer lasting tire. Public acceptance of the new Goodyear tubeless tire reflects the reputation of your Company for building better products.



Unit sales of tires in the replacement market showed an increase over 1953 and there was an improvement in the export market for your Company's products, but these improved factors were offset by a considerable reduction in the number of tires sold to car manufacturers as original equipment as a result of a decrease in production of new automobiles and trucks by the automotive industry.

Sales of industrial rubber products were well maintained and were equal in total dollar volume to those of the previous year.

The comparative reduction in the over-all dollar volume of your Company's sales was due in the main to relatively lower prices of tires, tubes and accessories as a result of the highly competitive conditions prevailing in this industry as well as the moderate decline in business activity which Canada experienced during 1954 and is still experiencing as it heads into 1955.

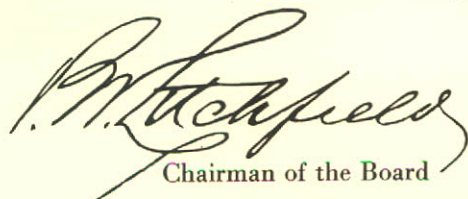
Taxes of all kinds paid by your Company in 1954 amounted to \$9,728,660, which is equivalent to \$37.82 per share of issued common stock, or over four times the net earnings per share.

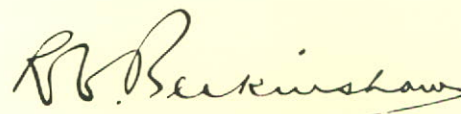
The present method of application of sales and excise taxes amounting to a total of 20% on tires and tubes, is of serious concern to this Company as a manufacturer of standard brand products, since it discriminates in favor of such products when specially manufactured for any large distributor and sold under his own private brand name. We have endeavored to obtain some relief from this inequity and will continue our efforts in that direction. We also express our hope that the Federal Government will see its way clear to eliminate the excise tax on tires and tubes and, indeed, on automotive products in general as essential commodities in the Canadian economy.

To all those employees in our factories, offices and in the field who have so loyally devoted their energies and abilities to the furtherance of the Company's interest, the Directors express their sincere appreciation and gratefully acknowledge the continued interest and support of the shareholders.

Having in mind the public acceptance of our products due to their high standard of quality and service, we face the future with great expectations and are confident that your Company will get its full share of the available business in 1955.

On behalf of the Board,

  
Chairman of the Board

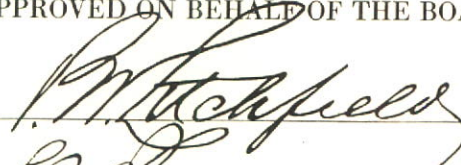
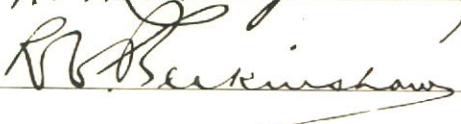
  
President and General Manager

February 24, 1955.

THE GOODYEAR TIRE & RUBBER COMPANY OF

CONSOLIDATED

A S S E T S

	December 31 1954	December 31 1953
<b>CURRENT ASSETS:</b>		
Cash.....	\$ 548,626	\$ 1,520,434
Accounts receivable, less provision for bad debts—1954— \$575,743; 1953—\$623,234.....	8,795,364	7,661,134
Inventories at cost (partly last-in, first-out) or market which- ever is lower.....	18,062,370	16,536,536
<b>TOTAL CURRENT ASSETS.....</b>	<b>\$27,406,360</b>	<b>\$25,718,104</b>
<b>INVESTMENTS AND OTHER ASSETS:</b>		
Mortgages, agreements of sale, etc.....	\$ 775,188	\$ 729,428
Deferred charges to future operations.....	321,809	170,064
	<b>\$ 1,096,997</b>	<b>\$ 899,492</b>
<b>PROPERTY ACCOUNTS:</b>		
Land, buildings, machinery and equipment at cost.....	\$35,729,668	\$32,718,499
Less—Depreciation.....	24,409,089	22,730,829
	<b>\$11,320,579</b>	<b>\$ 9,987,670</b>
<b>APPROVED ON BEHALF OF THE BOARD:</b>		
 _____ Director		
 _____ Director		
	<u><u>\$39,823,936</u></u>	<u><u>\$36,605,266</u></u>



CANADA, LIMITED AND SUBSIDIARY COMPANIES

BALANCE SHEET

LIABILITIES

	December 31 1954	December 31 1953
	<u>          </u>	<u>          </u>
CURRENT LIABILITIES:		
Bank loan and overdraft.....	\$ 2,606,866	\$ —
Accounts payable.....	4,316,037	3,686,291
Accrued income and other taxes payable.....	1,621,017	2,403,993
Preferred stock dividend payable.....	73,970	74,752
	<u>          </u>	<u>          </u>
TOTAL CURRENT LIABILITIES.....	\$ 8,617,890	\$ 6,165,036
SHAREHOLDERS' EQUITY:		
Capital Stock:		
Four per cent. Cumulative Redeemable Sinking Fund Preferred Stock (par value \$50.00 per share; redeemable on call at \$53.00 per share):		
Authorized and outstanding—1954—147,940 shares; 1953—149,503 shares.....	\$ 7,397,000	\$ 7,475,150
Common stock, no par value:		
Authorized — 290,660 shares; issued — 257,260 shares	128,630	128,630
Capital Surplus.....	692,350	692,350
Reserve for Contingencies.....	1,000,000	1,505,956
Earned Surplus.....	21,988,066	20,638,144
	<u>          </u>	<u>          </u>
	\$31,206,046	\$30,440,230
	<u>          </u>	<u>          </u>
	<u><u>\$39,823,936</u></u>	<u><u>\$36,605,266</u></u>

## CONSOLIDATED PROFIT AND LOSS STATEMENT

	Year ended December 31	
	1954	1953
Profit from operations before providing for depreciation and income taxes.....	\$ 7,333,669	\$10,622,189
Income from investments.....	37,551	34,065
	\$ 7,371,220	\$10,656,254
Deduct:		
Provision for depreciation.....	\$ 2,136,244	\$ 1,986,508
Provision for income taxes.....	2,758,015	3,872,542
	\$ 4,894,259	\$ 5,859,050
Net profit for the year.....	\$ 2,476,961	\$ 4,797,204

## CONSOLIDATED EARNED SURPLUS STATEMENT

	Year ended December 31	
	1954	1953
Balance at beginning of year.....	\$20,638,144	\$17,169,405
Net profit for the year.....	2,476,961	4,797,204
Amount transferred from reserve for contingencies.....	505,956	—
Surplus of subsidiary companies consolidated for the first time.....	206,817	—
	\$23,827,878	\$21,966,609
Deduct:		
Dividends:		
On four per cent. preferred stock.....	\$ 296,252	\$ 299,425
On common stock.....	1,543,560	1,029,040
	\$ 1,839,812	\$ 1,328,465
Balance at end of year.....	\$21,988,066	\$20,638,144

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The accounts receivable at December 31 1954 include \$724,106 due from affiliated companies and an amount of \$196,395 due to affiliated companies is included in accounts payable. These balances represent current accounts arising in the normal course of business.
2. The bank loan and overdraft includes an amount of \$172,548 representing a bank loan to and secured by the assets of a subsidiary company.
3. One of the consolidated subsidiary companies has a contingent liability of \$284,000 in respect of trade acceptances under discount.
4. Rentals payable under leases expiring more than three years from December 31 1954, aggregate approximately \$300,000 annually.



# A U D I T O R S ' R E P O R T

**PRICE WATERHOUSE & CO.**

ROYAL BANK BUILDING  
TORONTO

January 28 1955.

To the Shareholders of

**THE GOODYEAR TIRE & RUBBER COMPANY  
OF CANADA, LIMITED:**

We have examined the consolidated balance sheet of The Goodyear Tire & Rubber Company of Canada, Limited and its subsidiary companies as at December 31 1954 and the related consolidated statements of profit and loss and earned surplus for the year ended on that date. 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, the accompanying consolidated balance sheet and related consolidated statements of profit and loss and earned surplus present fairly the consolidated financial position of the companies as at December 31 1954 and the results of their operations for the year ended on that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Price Waterhouse Co.*  
Auditors.

## GOODYEAR'S TUBELESS TIRE STORY

One of the greatest advances in automotive history was made known last Fall when car manufacturers announced that their 1955 cars would have tubeless tires as standard equipment.

Before the automobile manufacturers made public their program for tubeless tires, Goodyear announced production of a tubeless tire of radically new concept, designed and built throughout to hold air without a heavy tube-like liner.

Although your Company only announced production of its new tubeless tire in 1954, Goodyear's tubeless tire story goes back to 1903 when Mr. P. W. Litchfield, Chairman of the Board, was granted a patent covering such a tire.

There is nothing new about the tubeless tire principle. Your Company has always known that a tubeless tire, properly developed, would give blow-out and puncture protection of a kind never possible before, thus affording a greatly increased margin of safety. The problem was to combine these advantages at a reasonable price.

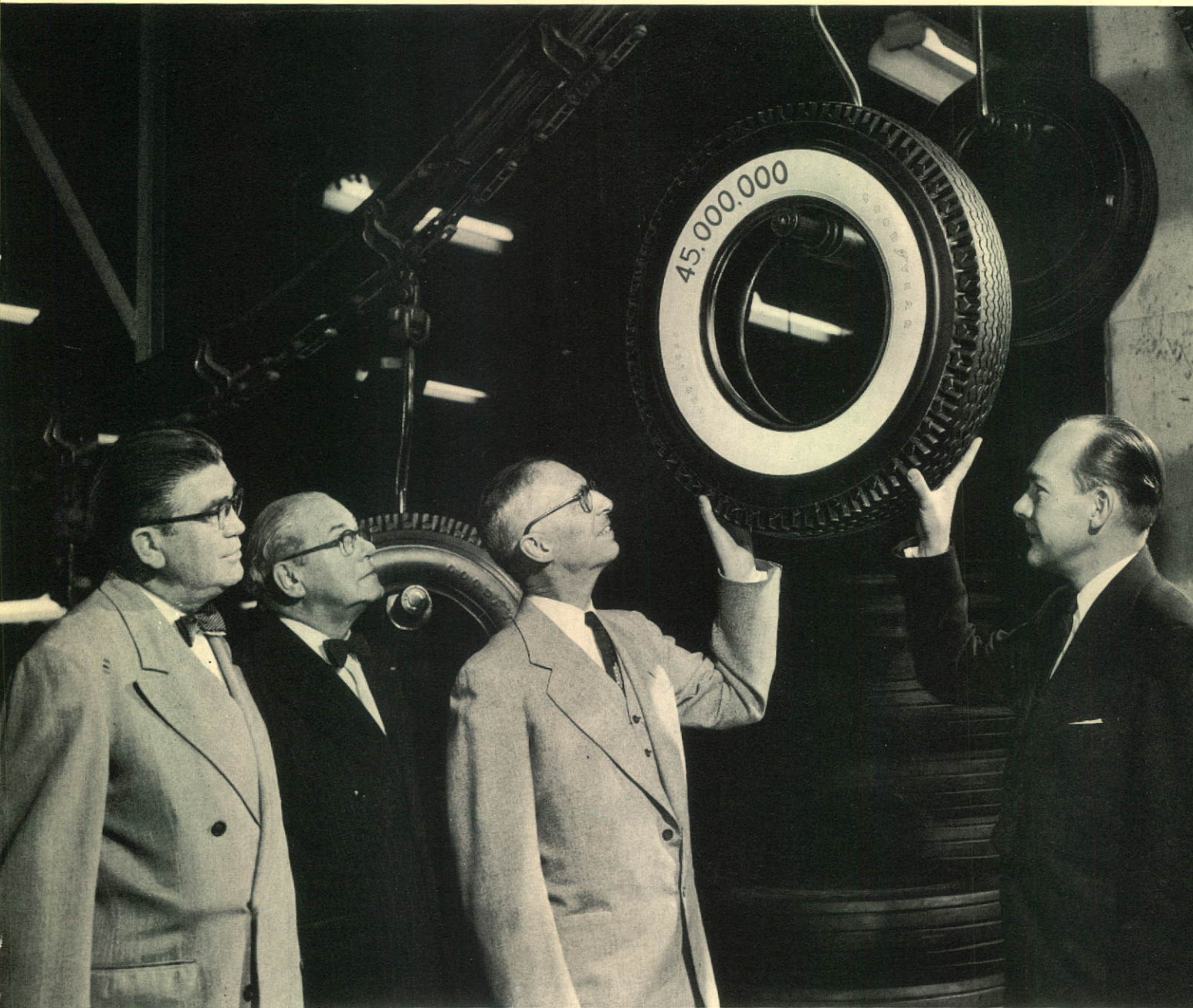
Goodyear continued its exhaustive research and experimentation with the tubeless principle. Many tubeless tires were developed and tested by Goodyear, but none of them met the fundamental requirements established many years ago by your Company as essential for a new product, "it must give equal quality at lower price or better quality at equal price."

Goodyear's new tubeless tire does meet with the basic requirements for a new product, and is the result of five years of intensive research and development.

Goodyear's new tubeless tire is in itself the air container. The body of the tire is impervious to the passage of air under pressure and requires no heavy inner liner to make it airtight.

This true tubeless tire was made possible through your Company's development of a new way of stabilizing tire cord—the exclusive Goodyear 3-T Process. The 3-T Process impregnates tire cord with a sealing compound and by electronic control of tension, time and temperature, the density is





*A new Canadian record in tire production was made in the Fall of the year by your Company when its 45,000,000th tire—a Deluxe Super-Cushion tubeless passenger tire—rolled off the production lines.*

*Examining this record tire on the conveyor lines of the Final Inspection Department are, left to right, Mr. J. E. Brack, Division B Superintendent; Mr. H. O. Allman, Plant Manager; Mr. R. C. Berkinshaw, President and General Manager; and Mr. A. W. Denny, Vice-President.*



increased and the cord "set" at maximum strength and resiliency. The 3-T cords are then treated with a rubber adhesive and by special Grip Seal construction are "welded" into a completely airtight tire.

Intensive testing of the new principle and design revealed that Goodyear's tubeless tires were five times better than conventional tires with respect to road delays.

Following the development of the 3-T Process and the proving of the new tires under actual road conditions, your Company proceeded with the installation of the special 3-T equipment, which was necessary before full production of Goodyear's tubeless tire could commence. Only then did your Company make known to the public this great new development in automobile tires.

Following the announcements of the new Goodyear tubeless tire in the newspapers across the country, advertisements appeared from coast to coast timed to coincide with the introduction of the 1955 models of new automobiles.

These advertisements told why the Goodyear tubeless tire, built of exclusive 3-T cord, was the most revolutionary advance in tire building in recent years.

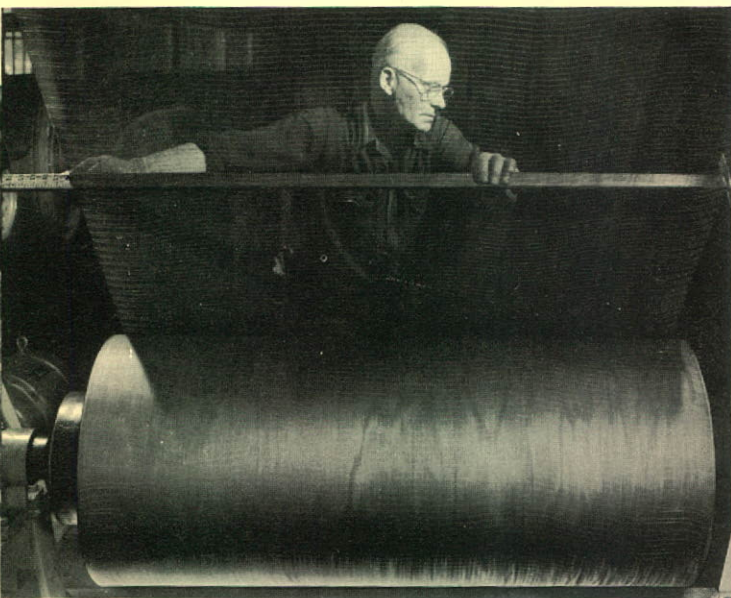
The advertisements told the public of the safety factors in Goodyear's tubeless tires, pointing out that the danger of blowouts was greatly minimized, and that under test, Goodyear's tubeless tires cut road delays due to flats by 80% without the use of any sealant which might shift within the tire and destroy tire balance, or increase running heat and shorten tire life.

Your Company was not content with these great advantages, however. New molds were designed for the Goodyear Super-Cushion Tubeless tire to yield 12% longer tread wear, 15% improved traction and stopping ability, and a quieter running tire.

The new Tubeless Super-Cushion tire is yet another product of your Company marked by the highest standards of quality in the industry and giving to our customers the maximum in tire values.

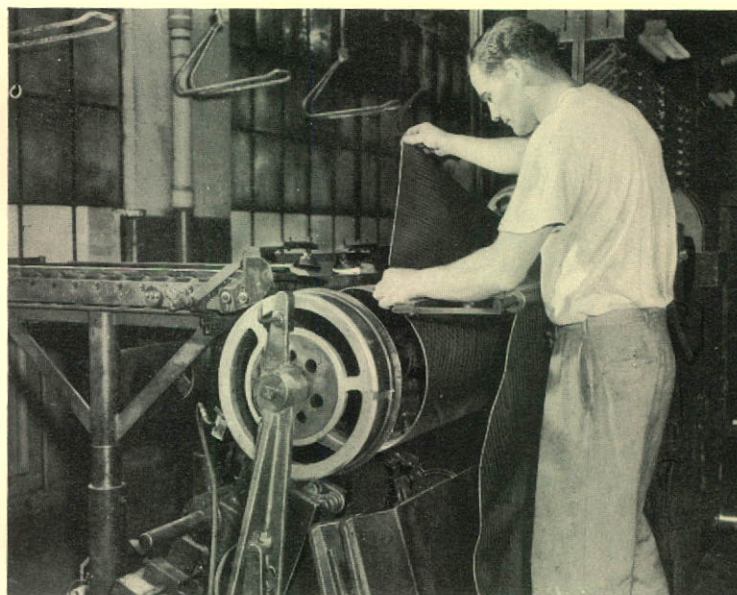
Our sales and advertising programs are now aggressively promoting the exceptional qualities of the new tubeless Super-Cushion tire and will maintain and help to extend Goodyear's position of leadership as the industry enters the new era of tubeless tires.





The basic requirement of Goodyear's "true" tubeless tire is fabric treated under the exclusive 3-T process of time, tension and temperature. A close watch is maintained over the qualities and standards of all materials in Goodyear products.

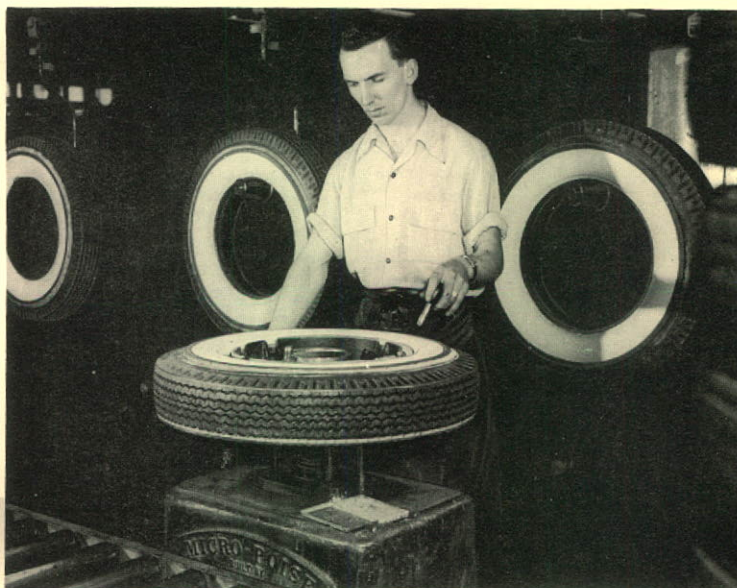
The highest degree of tire building skill is employed to build the special 3-T cord plies, tread stock and sidewalls into "green" tires ready for curing.



In addition to the safety factors of Goodyear's tubeless tires, the new tubeless molds are designed to give 12% longer tread wear and 15% improved traction.



Customer confidence and preference is based upon the highest standards of quality in the industry. Skilled employees in final inspection check each tire thoroughly before it is shipped to our dealers.



THE GREATEST NAME IN RUBBER

**GOOD**  **YEAR**

**TIRES**

**TUBES**

**LIFEGUARDS**

**BATTERIES**

**AUTOMOTIVE ACCESSORIES**

**BELTING**

**HOSE**

**PACKING**

**MOLDED GOODS**

**AIRFOAM**

**PLIOFILM**

**PLIOBOND**

**AVIATION PRODUCTS**

**NEOLITE**

**RUBBER SOLES AND HEELS**



FOR FORTY CONSECUTIVE YEARS IT HAS BEEN TRUE



MORE PEOPLE RIDE ON GOODYEAR TIRES THAN ON ANY OTHER KIND











