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# ANNUAL REPORT

FORD MOTOR COMPANY OF CANADA, LIMITED

WINDSOR, ONTARIO

YEAR ENDED DECEMBER 31st, 1947

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NOTICE OF ANNUAL MEETING

TO THE SHAREHOLDERS:

Notice is hereby given that the annual meeting of shareholders of Ford Motor Company of Canada, Limited will be held at the head office of the company at Windsor, Ontario on the 26th day of April, 1948, at three-thirty o'clock p.m., eastern daylight saving time (two-thirty o'clock p.m., eastern standard time), to receive the annual reports, for the election of directors, and for the transaction of such other business as may properly come before the meeting.

The close of business April 12th, 1948, has been fixed as a record date for the determination of the shareholders entitled to vote at the meeting.

Only registered owners of class "B" shares are entitled to vote. Any such shareholder, unable to attend the meeting in person, is requested to complete and return the form of "Appointment of Proxy".

"Appointment of Proxy" forms should be deposited at the head office of the company not later than forty-eight (48) hours before the time of holding the meeting.

F. G. BATTERS,

Secretary

Windsor, Ontario,  
April 12th, 1948.

Head Office and Factory

WINDSOR, ONTARIO

Canadian Branches

HALIFAX, N.S.	SAINT JOHN, N.B.	MONTREAL, QUE.
TORONTO, ONT.	WINNIPEG, MAN.	REGINA, SASK.
CALGARY, ALTA.	VANCOUVER, B.C.	

Overseas Subsidiary Companies

FORD MOTOR COMPANY OF SOUTH AFRICA, LIMITED,  
Port Elizabeth, South Africa.

FORD MOTOR COMPANY OF AUSTRALIA (PTY) LIMITED,  
Geelong, Australia.  
with branches at Sydney, Brisbane, Adelaide and Fremantle.

FORD MANUFACTURING COMPANY OF AUSTRALIA (PTY) LIMITED,  
Geelong, Australia.

FORD MOTOR COMPANY OF INDIA, LIMITED,  
Bombay, India.  
with branches at Calcutta and Madras, India, and Colombo, Ceylon.

FORD MOTOR COMPANY OF MALAYA, LIMITED,  
Singapore.

FORD MOTOR COMPANY OF NEW ZEALAND, LIMITED,  
Lower Hutt, New Zealand.

BOARD OF DIRECTORS

E. R. BREECH	R. S. BRIDGE
HENRY FORD II	D. B. GREIG
G. G. KEW	R. M. SALE

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OFFICERS

D. B. GREIG, *President*

R. M. SALE, *Vice-President*

G. G. KEW, *Treasurer*

F. G. BATTERS, *Secretary and Assistant Treasurer*

G. G. DEWAR, *Assistant Secretary*

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AUDITORS

CLARKSON, GORDON & CO.

## DIRECTORS' REPORT

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*To the Shareholders of Ford Motor Company of Canada, Limited:*

The Board of Directors submits herewith the annual report of your company for the year ended December 31st, 1947, together with the report of your auditors.

### **Sales**

Total sales for the year amounted to \$149,304,072, being 46.8 per cent greater than the total for 1946 and two and one-half times that of 1929, the highest pre-war year. The average annual sales volume for the five pre-war years 1935-1939 was \$44,171,141. Included in the 1947 total are sales of replacement parts for servicing vehicles amounting to \$28,428,997, comparable with \$19,492,188 in 1946 and a 1935-1939 average of \$3,883,505.

The number of passenger cars, trucks and buses sold in 1947 was 101,918, and in addition your company marketed 7,800 tractors. The comparable figures for 1946 were 79,314 and 6,393 respectively, and for the average of 1935-1939 were 68,763 and 361.

Of the total number of passenger cars and trucks sold by your company in 1947, 59.6 per cent were marketed in Canada and 40.4 per cent were shipped to the company's export markets.

Your company continued to be the largest Canadian exporter of cars and trucks with total export shipments of 41,141 units in 1947 as compared with 42,852 units in 1946 and the 1935-1939 average of 38,619.

The company's passenger car and truck sales in the Canadian market in 1947 numbered 60,777, exceeding the previous year's total by 66.6 per cent and representing 26.2 per cent of all passenger cars and trucks wholesaled in Canada in 1947. Your company again sold more trucks in Canada in 1947 than any other manufacturer, with 29.4 per cent of all wholesale truck sales in the Dominion. The company also accounted for 24.8 per cent of all wholesale passenger car sales in Canada in 1947.

### **Profits**

Net profit after provision of \$2,000,000 against the contingency of a decline in inventory values was \$5,996,003, equivalent to \$3.61 per share. This compares with a net loss of \$239,448 in 1946 and a 1935-1939 average profit of \$3,067,293 or \$1.84 per share.

Net profit in 1947 was equal to 4.01 per cent of sales volume. The figures for the two post-war years 1946 and 1947 combined show net profit of 2.29 per cent of the sales volume for the two years, while the comparable ratio for the average of 1935-1939 was 6.94 per cent.

The operating profit for 1947 was \$12,920,708, which compares with an operating loss of \$2,322,830 in 1946. The increased earnings resulted principally from sustained high level production throughout the year, improvement in manufacturing efficiency, and upward adjustments of both export and domestic prices.

Dividends received from overseas subsidiary companies amounted to \$1,136,344 and were \$92,110 greater than in 1946. Dividends were not paid by the Australian and South African companies in 1947 because of their having to conserve their funds for the financing of plant expansion projects.

Profit on the sale of fixed assets and investments in 1947 was \$35,182. The previous year's figure of \$645,163 was abnormally high as the result of the profitable sale of property in Toronto no longer required by the company.

The total profit before taxes on income and provision against the contingency of a decline in inventory values was \$14,154,003. After provision for taxes on income in Canada of \$6,158,000 and provision of \$2,000,000 against the contingency of a decline in inventory values, the net profit for the year was \$5,996,003.

### ***Income Tax Rates***

The normal corporation tax rate in 1947 was 30 per cent and excess profits tax was levied at the rate of 15 per cent. Additionally, the Province of Ontario levied a tax on corporate income at the rate of 7 per cent. The Excess Profits Tax Act was repealed in 1947 with effect from January 1st, 1948.

### ***Current Assets***

Cash on hand and in banks at December 31st, 1947, amounted to \$11,813,577 as compared with \$6,559,230 at the end of 1946. Bonds of the Dominion of Canada held at December 31st, 1947, amounted to \$6,432,621 as compared with \$175,000 at the end of 1946.

Accounts receivable from trade debtors, subsidiary companies, and the Dominion Government for drawback and refund of customs duties, were normal and all current at the end of the year.

*Continued on page 11*

STATEMENT OF INCOME AND EXPENDITURE

For the year ended December 31st, 1947

(With a comparative statement for the year ended December 31st, 1946)

	1947	1946
Operating profit or loss of the Canadian factory and branches after all operating charges (1) . . . . .	\$ 12,920,708	\$ 2,322,830 (Loss)
Dividends (less tax withheld at source) received from overseas subsidiary companies . . . . .	1,136,344	1,044,234
Profit on sale of fixed assets and investments . . . . .	35,182	645,163
Interest on bonds . . . . .	61,769	13,985
Profit or loss before taxes on income and provision against the contingency of decline in inventory values . . . . .	<u>14,154,003</u>	<u>619,448 (Loss)</u>
Estimated amount of 1945 taxes recoverable as a result of 1946 loss . . . . .	—	380,000
Provision for taxes on income in Canada . . . . .	6,158,000	—
Provision against the contingency of decline in inventory values . . . . .	2,000,000	—
	<u>8,158,000</u>	
Net profit or loss for the year after above provisions . . . . .	<u>\$ 5,996,003</u>	<u>\$ 239,448 (Loss)</u>

(1) Included in operating charges for 1947 are the following items: provision for depreciation \$1,404,392, executive officers' remuneration \$208,142, solicitors' fees \$20,575, and directors' fees \$2,553.

Corresponding items charged in 1946 were: provision for depreciation \$1,535,504, executive officers' remuneration \$175,100, solicitors' fees \$30,182, and directors' fees \$3,000.



## STATEMENT OF EARNED SURPLUS

For the year ended December 31st, 1947

(With a comparative statement for the year ended December 31st, 1946)

	1947	1946
Earned surplus at beginning of year . . . . .	\$ 30,300,140	\$ 30,535,481
Net profit or loss as per statement of income and expenditure . . . . .	5,996,003	239,448 (Loss)
Final settlement of war contract termination claims including profit thereon, less pro- vision for income taxes . . . . .	448,375	—
Reinstatement of amount of investment in shares of Ford Motor Company of Malaya, Limited written off in 1941 . . . . .	—	418,847
	<u>36,744,518</u>	<u>30,714,880</u>
Less:		
Dividends paid on		
Class "A" shares . . . . .	1,986,200	397,240
Class "B" shares . . . . .	87,500	17,500
	<u>2,073,700</u>	<u>414,740</u>
Earned surplus at end of year . . . . .	<u>\$ 34,670,818</u>	<u>\$ 30,300,140</u>

# F O R D M O T O R C O M P A N Y

## B A L A N C E

D E C E M B E R

A S S E T S	(With comparative balances)	
	1947	1946
<b>CURRENT ASSETS</b>		
Cash on hand and in banks . . . . .	\$ 11,813,577	\$ 6,559,230
Bonds of the Dominion of Canada at cost less amortization of premium . . . . .	6,432,621	175,000
(Market value December 31st, 1947 . . \$6,435,565)		
<b>Accounts Receivable</b>		
Dominion Government contracts . . . . .	—	1,168,921
Trade accounts . . . . .	4,154,091	4,929,598
Overseas subsidiary companies . . . . .	3,211,399	4,872,678
Drawback and refund of customs duties . . . . .	970,300	870,117
Taxes recoverable on 1945 income . . . . .	—	380,000
Inventories . . . . . \$21,659,072		17,320,746
(As determined and certified by Company officials, based on physical count at July 31st, adjusted to Decem- ber 31st, and priced at not more than the lower of cost or market value.)		
Less provision against the con- tingency of decline in inven- tory values . . . . . 2,000,000	19,659,072	—
	46,241,060	36,276,290
<b>OTHER ASSETS</b>		
Prepaid expenses and deferred charges . . . . .	1,895,123	610,490
Portion of taxes on income refundable under the Excess Profits Tax Act . . . . .	1,703,000	1,703,000
Shares of subsidiary companies, at cost . . . . .	11,623,733	11,623,733
	15,221,856	13,937,223
<b>FIXED ASSETS</b>		
Land, buildings, machinery and equip- ment, at cost . . . . .	47,887,478	46,475,114
Patents . . . . .	1	1
	\$109,350,395	\$ 96,688,628

This is the balance sheet referred to in our report to the shareholders of January 24th, 1948.

CLARKSON, GORDON & CO.,

Chartered Accountants

# Y O F C A N A D A, L I M I T E D

## S H E E T

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For 31st, 1947

(as at December 31st, 1946)

### LIABILITIES

1947

1946

#### CURRENT LIABILITIES

Accounts payable and accrued charges . . . . .	\$ 11,409,022	\$ 10,902,664
Due to an overseas subsidiary company . . . . .	494,121	405,107
Sales, excise and income taxes in Canada . . . . .	7,445,102	702,614
	19,348,245	12,010,385

#### RESERVES

For depreciation of buildings, machinery and equipment . . . . .	36,452,232	35,499,003
General Reserve . . . . .	5,500,000	5,500,000
	41,952,232	40,999,003

#### CAPITAL

##### Authorized:

- 1,900,000 shares class "A" no par value
- 100,000 shares class "B" no par value

##### Issued:

1,588,960 shares class "A" no par value } 70,000 shares class "B" no par value }	13,379,100	13,379,100
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EARNED SURPLUS . . . . .	34,670,818	30,300,140
	\$109,350,395	\$ 96,688,628

Approved on behalf of the Board,  
R. M. SALE, Director  
G. G. KEW, Director

## AUDITORS' REPORT TO SHAREHOLDERS

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*We have made an examination of the balance sheet of Ford Motor Company of Canada, Limited as at December 31st, 1947 and of the related statements of income and expenditure and earned surplus for the year ended that date. In connection therewith we made substantial tests during the year of the accounting records of the company but did not make a detailed audit of all transactions; we also made a general review of accounting methods and of the operating and income accounts for the year and obtained all the information and explanations we required from the company's officers and employees.*

*We report that in our opinion the accompanying balance sheet and related statements of income and expenditure and earned surplus have been drawn up so as to exhibit a true and correct view of the state of the company's affairs at December 31st, 1947 and of the results of its operations for the year ended on that date according to the best of our information, the explanations given us and as shown by the books.*

*As required by the Dominion Companies Act, Section 114, we report that net profits of subsidiary companies for the year ended December 31st, 1947 have been taken into account only to the extent of the dividends received. The combined profits of the subsidiary companies, as reported to us by their auditors, were in the aggregate in excess of such dividends.*

Clarkson, Gordon & Co.,  
Chartered Accountants.

Toronto, Canada,  
January 24th, 1948.

**DIRECTORS' REPORT**—(Continued from page 5)

Inventories at the end of the year amounted to \$21,659,072, which compares with \$17,320,746 at the end of 1946. The total reflects the substantial increase in volume of sales, higher prices of materials and parts, and the necessity for carrying larger stocks because of abnormal supply conditions. Owing to the sustained rise in prices of materials and components, and the possibility of a reversal of this trend, it was deemed desirable to appropriate \$2,000,000 against the contingency of a decline in inventory values.

Total current assets at December 31st, 1947, were \$46,241,060 or 2.39 times current liabilities, and exceeded total current assets at the end of 1946 by \$9,964,770.

**Other Assets**

Prepaid expenses and deferred charges at the end of 1947 were \$1,895,123 as compared with \$610,490 at December 31st, 1946. The 1947 amount reflects costs incurred for tools for the production of new models.

It is expected that the first payment of \$487,677 on account of taxes refundable to the company under the Excess Profits Tax Act will be received prior to March 31st, 1948. The remaining amount due to the company will be received in two instalments, one in 1949 and the second in 1950.

**Fixed Assets**

Additions were made to fixed assets during the year at a cost of \$1,927,210. Of this sum \$1,706,107 was expended for machinery and equipment. Fixed assets to the value of \$514,846, upon which depreciation in the amount of \$451,162 had accrued, were sold or otherwise disposed of during 1947, being no longer required by the company.

Building sites for projected parts depot buildings were purchased at Toronto and Montreal. Construction of the Toronto parts depot, which will provide 84,000 square feet of floor space, is under way. The cost of the project, including the land and equipment, is estimated at \$775,000.

Plans were approved for a receiving building, 27,000 square feet in area, to be constructed at the west side of Plant No. 4 at Windsor to expand and improve the facilities for unloading and receiving materials delivered by motor transport. The cost of this building, including equipment, is estimated at \$315,312.

### *Liabilities*

Accounts payable and accrued charges totalled \$11,409,022 at the end of 1947 as compared with \$10,902,664 at the end of 1946.

The amount of \$494,121, shown as being due to an overseas subsidiary company, is a credit in favour of Ford Motor Company of Malaya, Limited, arising principally out of collection of claims for merchandise lost during the war. Shipments of goods should in due course offset this credit when the Malayan company resumes operations in its Singapore plant.

The liability for taxes payable in Canada amounting to \$7,445,102 as at December 31st, 1947, consists principally of income tax for that year. This tax liability will be discharged during the first six months of 1948.

### *Earned Surplus*

Earned surplus of \$34,670,818 as at December 31st, 1947, compares with \$30,300,140 at the end of the previous year.

Settlement of war contract termination claims was effected in 1947 and, as the contracts were terminated in prior years, the resulting final adjustment of \$448,375 has been added to earned surplus.

Four regular quarterly dividends and one extra dividend, each of 25 cents a share, were paid during the year, resulting in a total disbursement of \$2,073,700. In 1946 one dividend of 25 cents a share, amounting to \$414,740, was paid.

### *Subsidiary Companies' Earnings*

The combined profits of the subsidiary companies for the year amounted to \$5,253,475, which compares with \$2,672,832 in 1946.

The combined surpluses of the overseas companies at the end of 1947 were \$15,855,880, an increase of \$4,566,708 over 1946. The profits and surpluses of subsidiary companies are not consolidated with those of your company.

### *Production*

Ford of Canada produced in 1947 more passenger cars and trucks and more replacement parts for the servicing of vehicles than in any peacetime year in its history.

The total of 101,185 cars and trucks produced in 1947 exceeded the previous high mark of 100,651 set in 1926. The 1947 total compares with 80,267 in 1946 and with an average of 68,435 for the five pre-war years 1935-1939.

Of all cars and trucks made in the Dominion in 1947, your company produced 39.4 per cent and continued to be the largest

automotive manufacturer in Canada.

The company's Vancouver assembly plant, which suspended operations in 1941 because of war conditions, resumed production in 1947.

### *Canadian Demand*

The demand for your company's passenger cars and trucks in Canada remained firm at the end of 1947, when dealers in all sections of the Dominion reported substantial numbers of unfilled orders on hand.

### *Increased Capacity*

Extensive rearrangement of manufacturing facilities in the Windsor plants and the installation of new tools and equipment were proceeded with during 1947 for the purpose of increasing the productive capacity from 500 to 550 units per day.

Production of new lines of Ford and Mercury trucks was started in December, 1947, and preparations are well advanced for the manufacture of 1949 model passenger cars to be introduced later this year.

### *Employment*

Employment in 1947 reached the highest annual average for any peacetime year in the company's history with 13,579 persons on the rolls as compared with 13,375 in 1946 and 7,442 in 1939. Of the 1947 total, 12,769 persons were engaged in the plants and offices in Windsor and 810 in branch sales offices and parts depots throughout Canada and in the Vancouver assembly plant.

An increase in wage rates of 10 cents per hour was made effective as of July 14th, 1947, bringing the average basic hourly rate to \$1.22. Provision was also made for payment for four statutory holidays annually.

After months of study, a pension plan was prepared and submitted by the company to the bargaining representatives of the hourly rated employees. The plan was rejected by a vote of the employees and subsequently the wage rate increase mentioned in the foregoing paragraph was negotiated.

A revised plan for annual vacations with pay for hourly-rated employees became effective in 1947. Those with less than five years of seniority continued to receive one week's vacation with pay, but those with five or more years of seniority were allowed an additional week's vacation with pay.

Under the contributory group life and disability insurance plan 5,982 claims aggregating \$394,220 were paid during 1947. Included were 79 claims in which amounts averaging \$1,741 were paid to the beneficiaries of deceased employees. The company's share of the cost of the insurance plan in 1947 was 29 per cent of the total, the remainder being contributed by the employees. The plan was broadened December 1st, 1947, to increase the surgical and hospital benefits.

### *Prices*

On December 18th, 1946, the Wartime Prices and Trade Board permitted an increase of 10 per cent in the Canadian retail prices of passenger cars and 7 per cent in the prices of commercial vehicles. Your company's prices were adjusted accordingly at that time.

In March, 1947, with the objective that its action might have an effect in stemming inflationary trends in Canada, your company reduced the retail delivered prices of all models of Ford, Mercury and Monarch passenger cars and Ford and Mercury trucks by \$35. The action did not have the hoped-for result, but your company maintained the reduced prices until October 3rd when upward adjustments were made as the result of steadily increasing costs.

The retail prices of passenger cars in Canada carry an extraordinary burden of taxation. Prior to November 18th, 1947, the car purchaser paid sales tax of 8 per cent and excise tax of 10 per cent of the wholesale price. On that date the government increased the excise tax on passenger cars to 25 per cent of the wholesale price up to \$1,200, 50 per cent on that part of the price between \$1,200 and \$2,000 and 75 per cent on the excess over \$2,000. As an example of the effect of the new rate, the excise tax on a Ford Super DeLuxe Fordor now is \$279.16 which, combined with sales tax of \$89.33, adds a total of \$368.49 to the factory retail price of this model.

### *Export Markets*

In many of the territories comprising your company's overseas markets, importations of motor vehicles are subject to quota restrictions owing to shortage of dollars. The quotas established for 1947 were sufficiently high to permit shipment of all the vehicles your company had allotted to export markets in that year. The quotas established for 1948 are lower than those for 1947, and it is estimated that export shipments in 1948 will be about 10 per cent lower than in the year just closed.



There are no quota restrictions in force in South Africa. In 1947 more than 30 per cent of the vehicles exported by your company were shipped to the South African company. For 1948 it is estimated that the South African market will absorb about 45 per cent of your company's exports of vehicles.

The South African company is erecting a new plant at Port Elizabeth, at a cost of \$3,325,000, to replace the existing factory which was built in 1930 and is no longer adequate for that company's needs. The new plant is expected to be ready for occupancy by August, 1948.

The Australian company was unable to accept its full quota of chassis in 1947 owing to strikes in the coal and metal industries in that country and a shortage of sheet steel required for the production of vehicle bodies in Australia. The quota established for 1948, while lower than that for 1947, will permit shipments of chassis about equal in number to shipments in the latter year.

During 1947 the Australian company proceeded with the expansion program referred to in the 1946 Annual Report to provide facilities for the manufacture of additional chassis components. This project was undertaken in response to the Australian government's policy of promoting local manufacture of motor vehicles. It involves an outlay of \$2,400,000 and is progressing as rapidly as locally-made and imported equipment can be procured.

Shipments to India, Malaya, New Zealand and certain direct dealer territories abroad will be substantially reduced in 1948 in comparison with shipments in 1947, because of smaller import quotas.

The political reorganization affecting the entire market territory of Ford Motor Company of India, Limited, which embraces India, Pakistan, Burma and Ceylon, raises major problems which are being closely studied because they may seriously affect future operations in those countries. Action has been taken by the government of India to bring about by progressive stages the complete manufacture of motor vehicles in India by 1955. Ownership and operation of industry by Indian nationals is the objective of the new Indian government.

### ***Control of Imports***

In an endeavour to rectify the severe deficit in Canada's trade balance with the United States, the government of Canada announced on November 17th last the adoption of measures to control the importation of many commodities and articles.

More recently government regulations have been issued with respect to the Canadian automotive industry, under which your company will be allotted a certain sum of United States dollars for the calendar year 1948 to pay for its imports from the United States of materials and parts for the manufacture and servicing of motor vehicles. The sum so allocated would be insufficient to enable your company to carry out its planned production program for this year were we to continue to import generally as in the past. We expect, however, that by aggressively continuing our policy of developing additional sources of supply in Canada, and by other remedial measures, to avoid curtailment of our activities as a result of the new regulations.

The quota basis established by the government results in a drastic reduction in imports of complete motor vehicles. Your company has not been an importer of complete motor vehicles to any substantial degree, importing only 235 Lincoln cars and 182 Ford buses in 1947.

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At the annual meeting of shareholders held on April 28th, 1947, tribute was paid to the memory of the founder of Ford of Canada, Mr. Henry Ford, who died April 7th. Only four months later, on August 10th, your company suffered a second grievous loss, and the nation was bereft of one of its most outstanding citizens, in the passing of the Chairman of your Board, Mr. Wallace R. Campbell, C.B.E. Mr. Campbell had been associated with your company for more than 42 years and had risen through various offices to the Presidency, a position he held until he assumed the Chairmanship of the Board, April 29th, 1946. Mr. Campbell's contribution to the progress and success of your company was of great magnitude, and your directors recorded their recognition of his labours for the company and his sterling personal character, and their deep sympathy for his sorrowing family, in a resolution inscribed on the minutes of the Board of Directors.

On behalf of the Board,

D. B. GRIEG,  
President.

Windsor, Ontario,  
February 23rd, 1948.



