

SASKATCHEWAN TELECOMMUNICATIONS

Annual Report 1970



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Regina, Saskatchewan,
March 1, 1971.

To His Honour,
The Honourable Stephen Worobetz, M.C., M.D.,
C.R.C.S.(C)
Lieutenant Governor of the
Province of Saskatchewan.

Sir:

I have the honour to submit herewith the annual report of Saskatchewan Telecommunications for the year ending December 31, 1970 including the financial statement therefor, duly certified by the Provincial Auditor, and in the form approved by the Treasury Board, all in accordance with the Saskatchewan Telecommunications Act.

I have the honour to be Sir,
Your obedient servant,

Minister of Telephones and Chairman
Saskatchewan Telecommunications.

SASKATCHEWAN
TELECOMMUNICATIONS

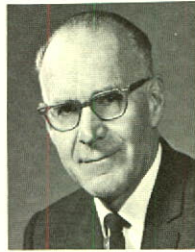
2350 ALBERT STREET,
REGINA, SASKATCHEWAN

SASK TEL **HIGHLIGHTS** Annual Report 1970

- SASK TEL phones in service increased by 2.6% to 314,981 at the end of 1970.
- Long distance messages originating in Saskatchewan increased by 3.4% to 18,896,000 in the year.
- Twenty exchanges were converted to dial operation.
- Twenty-three exchanges were connected to the Direct Distance Dialing network.
- A three million dollar 4A Crossbar project for toll switching was put in service in Saskatoon.
- A two million dollar "unserved area" program brought telephone service to scattered areas in northwestern Saskatchewan.
- The value of telephone property increased by \$11,442,350 to \$229,150,171.
- Operating revenues increased by 7.3%; operating expenses by 9.5%.
- Net income amounted to \$11,718,116.
- \$5,850,000 was appropriated as a dividend for the Province of Saskatchewan.

DIRECTORS*

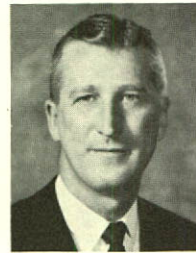
HON. GORDON B. GRANT — Chairman
 HON. W. J. PATTERSON — Regina
 W. E. CLARKE, Esq. — Regina
 A. HARPER, Esq. — Onion Lake
 B. H. HEPFNER, Esq. — Richmond
 A. G. STEWART, Esq. — Regina
 R. A. YOUNG, Esq. — Saskatoon



Hon. Gordon B. Grant



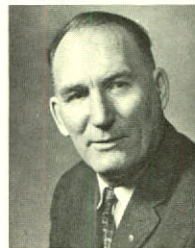
Hon. W. J. Patterson



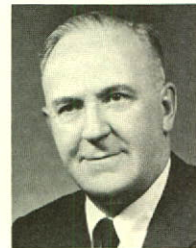
W. E. Clarke



A. Harper



B. H. Hepfner



A. G. Stewart



R. A. Young

OFFICERS*

General Manager — G. D. McCORMICK
 Assistant General Manager —
 Operations — A. G. THOMAS
 Comptroller — A. L. M. NELSON
 Personnel and Public Relations
 Manager — J. HOUSTON
 General Counsel and Secretary to the
 Board — T. A. HOWE
 Chief Engineer — S. F. LEE
 General Commercial Manager —
 F. A. DEGENSTEIN
 General Plant Manager —
 H. E. FREBERG
 General Traffic Manager —
 E. A. McKILLOP



G. D. McCormick



A. G. Thomas



A. L. M. Nelson



J. Houston



T. A. Howe



S. F. Lee



F. A. Degenstein



H. E. Freberg



E. A. McKillop

*as at December 31, 1970

Annual Report 1970

Review of Activities

In 1970 SASK TEL recorded significant progress in meeting the various needs for telecommunications service in the province. Over 8,000 telephones were added to its exchanges; dial service was extended to a number of communities; DDD services were made available to more of its subscribers; revenues increased; long distance volume exceeded the 1969 total by over 600,000 originating messages; and new offerings to business customers were announced. This was achieved despite economic pressures caused by continuing inflation and high interest costs.

The 1970's will be a decade of accelerating change, a period of rapidly shifting social, economic and technological environments, an era that will present SASK TEL and the telecommunications industry with unprecedented challenges.

New and emerging technologies, such as satellites, electronic switching, digital transmission, lasers and video phones, will have to be integrated with existing facilities to cover all types of communications requirements. SASK TEL is preparing itself for such eventualities.

Saskatchewan Telecommunications continues to play its part as a member of the communications industry in Telecommission studies.

These studies were established by the federal Department of Communications for the purpose of developing a national telecommunications policy for Canada.

Similarly, SASK TEL, as part of the Trans Canada Telephone System, continues to participate in Telesat Canada in the development of Canada's domestic satellite system which will play a major role in the development of Canada's north country. While the costs of carrying out this development are extremely high, the telecommunications carriers realize that this is a project of vital national significance.

LOCAL SERVICE INCREASED AND IMPROVED

While the number of telephones increased significantly in the established exchange areas, SASK TEL's "Unserved Area Program" reached more rural homes in 1970 than in any previous year.

By the end of the year, over forty area projects had been completed in the province introducing "first time" telephone service to more than 2,500 farms since the program was begun in 1966. Over 800 were served in 1970. The program is designed to provide telephone service for those parts of rural Saskatchewan which are outside the range of rural telephone companies.

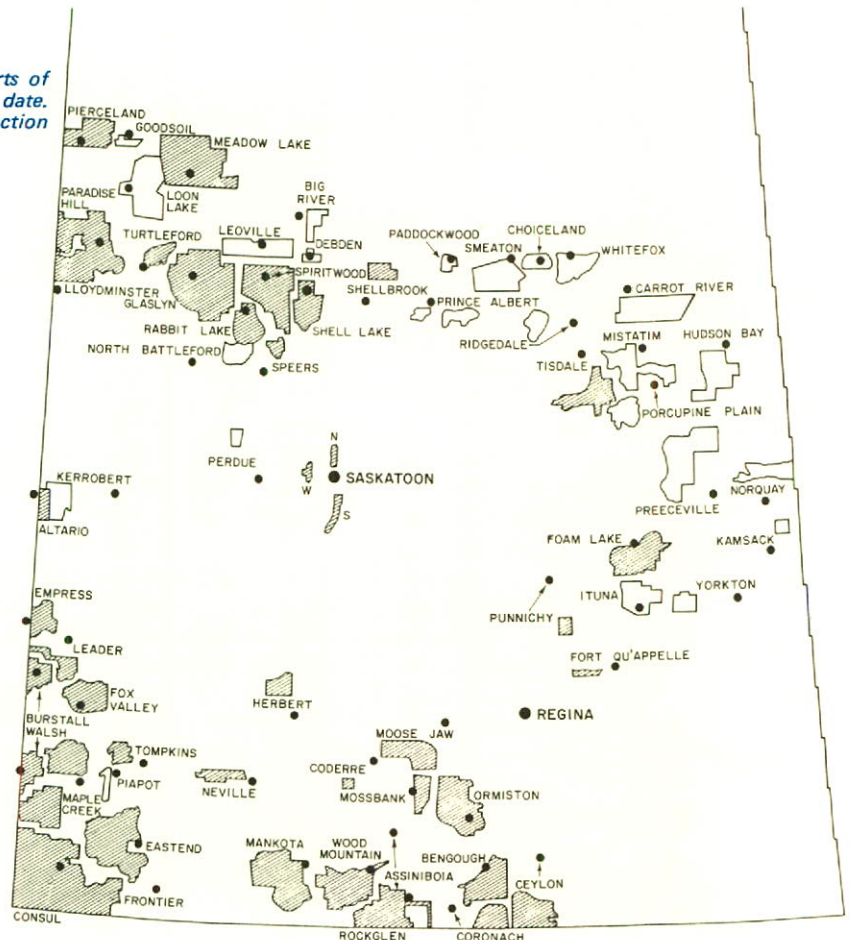
To date, SASK TEL has spent over five million dollars on the "Unserved Area Program", well over two million dollars of which was spent during 1970. Over 85 persons, in addition to regular SASK TEL staff, were employed for various periods to work on the projects.

The 1970 year-end "gift phone" sales campaign brought an increase in phones greater than in any previous campaign. This, coupled with the increase in subscribers associated with the introduction of dial service, accounted for a substantial portion of the increase of phones in service.

Telephones in service increased by 8,098 or 2.6% to attain a year-end total of 314,981. To accomplish this, 94,527 telephones were installed or connected, and 86,429 were disconnected during the year.

The number of rural telephone company owned telephones for which SASK TEL provides switching facilities declined by 521 to 51,062. In part, this is the result of the transfer of some 180 telephones in eight small urban centres from rural company service to SASK TEL. There are approximately 580 rural company owned phones being switched in non-system exchanges.

SASK TEL's Unserved Area Program reaches into many parts of the province. The shaded areas show those completed to date. Those in outline are the rural areas scheduled for construction in 1971-73.



LONG DISTANCE USAGE GROWS

In spite of the apparently adverse economy, the number of long distance messages placed by Saskatchewan telephone users was more than 620,000 greater in 1970 than in the previous year. The volume for the year was 18,896,000 of which more than 8½ million were customer dialed. In addition, SASK TEL's voice network carried calls across the province and calls originating elsewhere and terminating in Saskatchewan. WATS (Wide Area Telephone Service) and TWX (Teletypewriter Exchange Service) services continue to grow as business customers turn to these specialized services to meet their needs.

During 1970, twenty-three exchanges were added to the Direct Distance Dialing network. In the year nearly 45% of originating long distance calls were dialed by the customer compared with 41% in the previous year.

In the last quarter of 1970, facilities were installed to enable telephone users to dial long distance calls to Hawaii. At the same time a new lower rate schedule to that state was introduced.

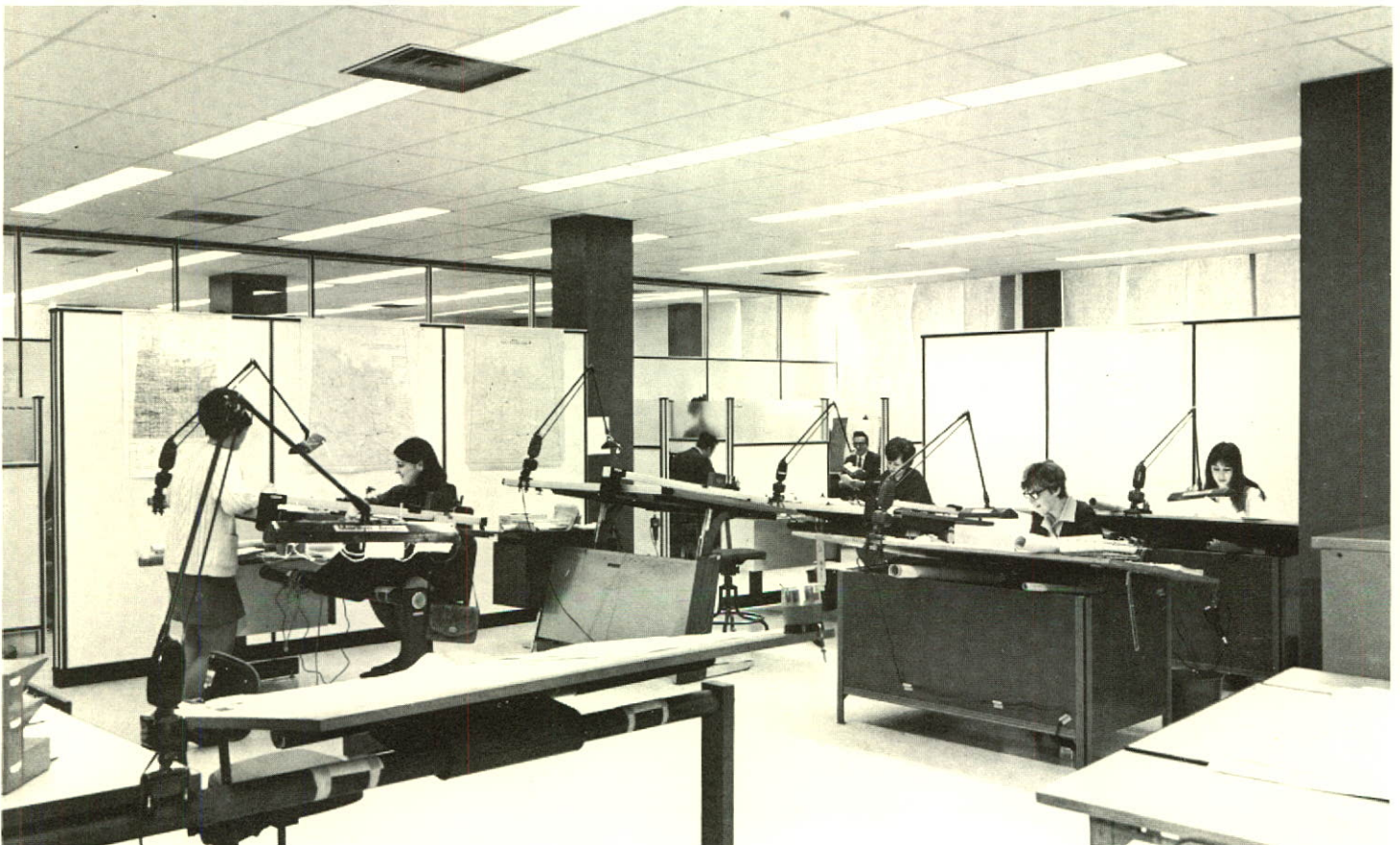
The response to the program whereby SASK TEL undertakes to bill and collect toll charges directly from rural telephone subscribers exceeded expectations. At the year end, SASK TEL was billing and collecting long distance charges from more than 22,500 or almost 45% of rural company telephone subscribers.

FACILITIES EXPANDED

In excess of \$22,000,000 was spent in 1970 on buildings and equipment to keep pace with growth and to modernize the system's facilities.

Major building extensions were completed and new equipment installed at Saskatoon and Yorkton. In North Battleford, work commenced on a building to house SASK TEL's district offices there and to release space in the present building for future equipment extensions. The house, which had provided part of SASK TEL's office facilities, because of its historic significance as the home of one of the district's pioneer doctors, was donated to the Saskatchewan French Canadian Cultural Association and through their auspices forms part of the Pioneer Village complex at the Western Development Museum in North Battleford. Microwave repeater buildings were enlarged

Plans for SASK TEL's wide-spread construction programs are developed in the company's engineering department. Shown here are new quarters for the north division's drafting service in the recently completed Saskatoon building addition.



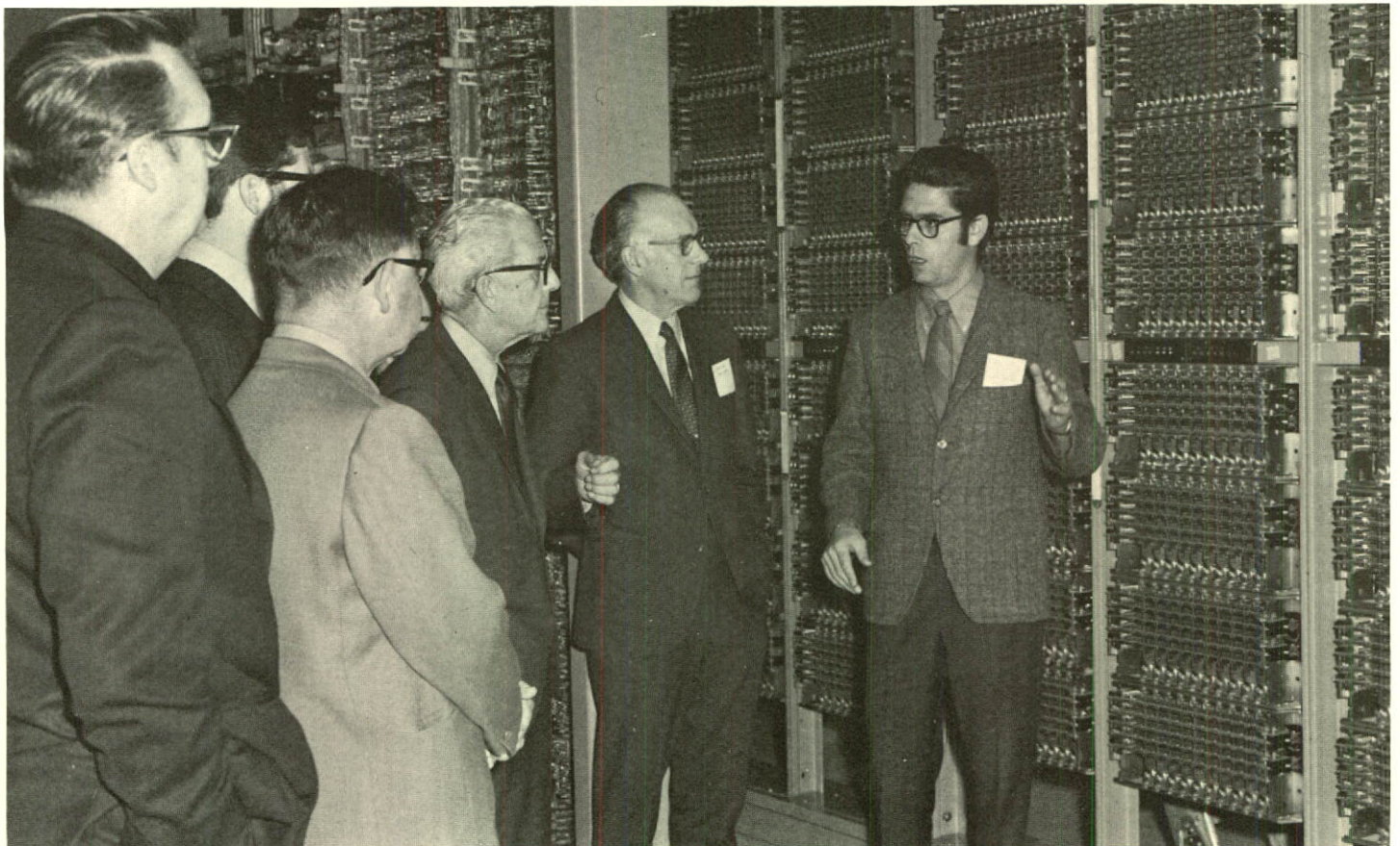
to accommodate increased equipment on the Saskatchewan section of the main trans-Canada microwave route.

A major installation undertaken by SASK TEL was the 4A Crossbar machine which went into service in Saskatoon on September 20th. This three million dollar project provides for the switching of all long distance traffic in Saskatoon and connecting exchanges. It releases equipment formerly used for both local and long distance switching to meet the demands for local service. The new machine is capable of adaptation to provide a variety of services, including data, to meet the future needs of north central Saskatchewan.

Automatic switching was installed in twenty exchanges to provide dial service for 3,480 SASK TEL subscribers and 1,895 rural telephone company subscribers served by those exchanges. The net result was to increase the proportion of SASK TEL phones with dial service from 95.5% to 96.6% and rural company phones from 80.6% to 85.8%. Of the 359 switching centres operated by SASK TEL, 245 are dial and 144 manual offices. Over 260 other small urban communities are served through the automatic offices located in nearby centres.

To obtain the benefits of higher reliability and lower maintenance costs, SASK TEL continued its program to install radio and buried cable facilities. Over 95% of the toll facilities at year end were derived from radio and buried cable systems. Some 468 route miles were added to the microwave radio system in the province. This brings the total route mileage in service to 4,657 miles. A record of 934 miles of cable was buried during 1970. Of this, 344 miles are for exchange service, 245 miles for long distance service, and 345 miles for the provisioning of service to "Unserved Areas".

The intricacies of the new 4A Crossbar toll switching machine in Saskatoon are explained to visitors and company officials. Now over 84% of the phones in Saskatchewan have access to the Direct Distance Dialing network.



MULTICOM FOR BUSINESS

During 1970 SASK TEL in consort with the other members of the Trans-Canada Telephone System introduced MULTICOM, a high speed switched data communications service capable of transmitting data across the country at speeds up to 60,000 words a minute on a "pay-as-you-use" basis.

The introduction of MULTICOM is illustrative of the continuous planning and development of services and systems designed to move more and more information at greater and greater speeds in any form — voice, picture, or data.

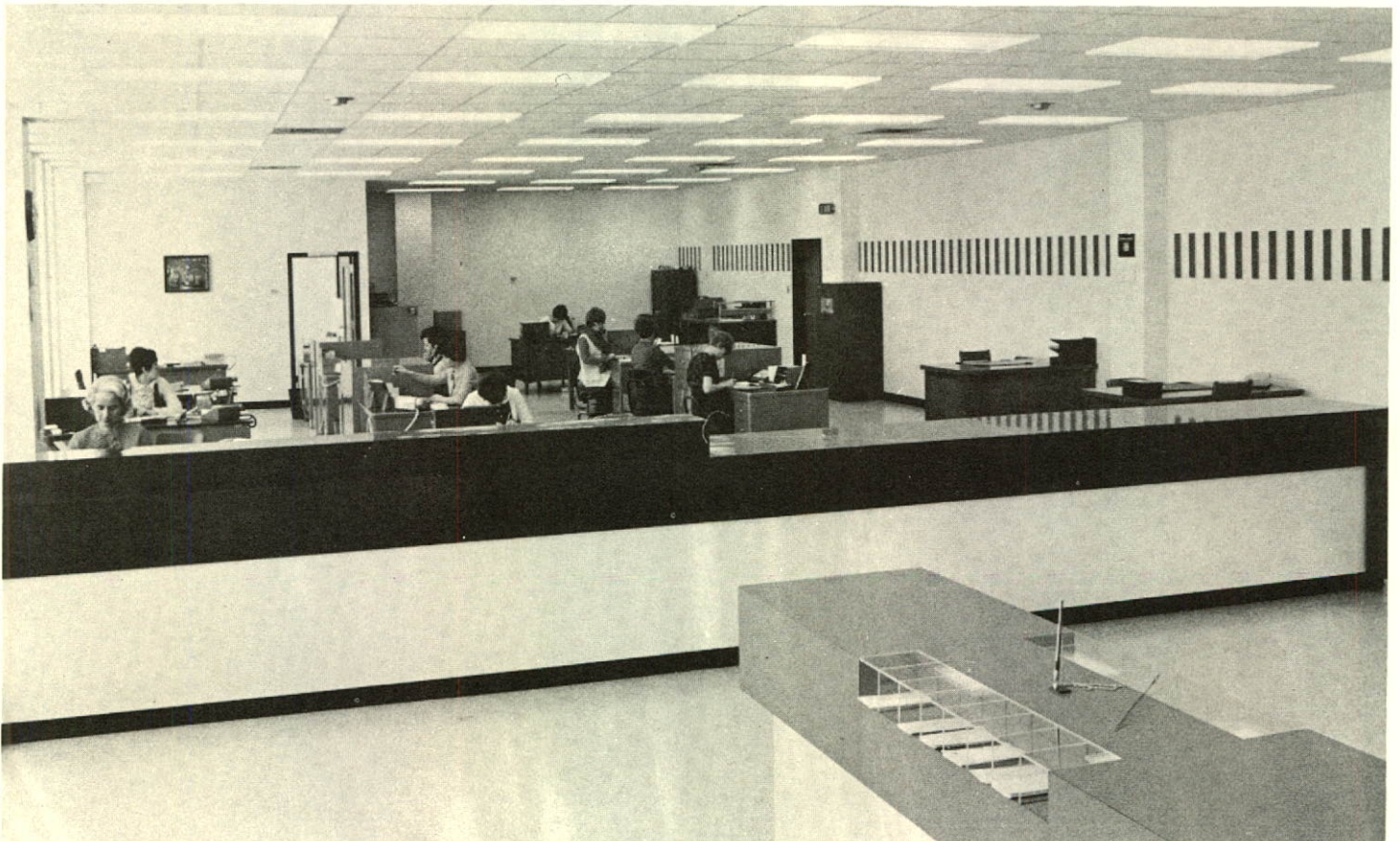
SERVICES FOR BUSINESS SUBSCRIBERS

A number of other major installations completed in 1970 demonstrate the diversification of SASK TEL's business service offerings. These include new and sophisticated private exchange facilities to complement Air Canada's ticket reservation system for its offices in downtown Regina and Saskatoon and the airports in those cities. At the Provincial Correctional Centre, Regina, SASK TEL expanded the centre's communication facilities with the installation of an eleven-camera closed-circuit television system and a ninety-line telephone switchboard. The new system makes the centre's communication set-up one of the most advanced in Western Canada.

Of general interest and of considerable importance to the medical profession is the "Dial Access" medical information service, first of its kind in Canada, now in operation in Saskatchewan. "Dial Access" utilizes the telephone network and voice tape libraries to aid the province's physicians to keep abreast of the latest information in the medical field. The Continuing Medical Education department of the medical school in Saskatoon is the sponsor of this program.

SASK TEL provides both general and private mobile telephone service throughout the province. The number of vehicles with radio telephone equipment increased by 105 for a year-end total of 1,112. The system operates 108 base stations, up 14 from last year, at twenty locations in the province to provide these two classes of service.

New and attractive quarters were provided for the public business office in the recently extended Yorkton building. The extension provides space for the expansion of local and long distance switching facilities to serve the exchanges operating within the district.



PERSONNEL

While the telecommunications industry is becoming increasingly capital intensive, it is the application of company personnel to their duties which continues to make SASK TEL's accomplishments possible. At the year-end, there were 1,190 men and 1,244 women employed in SASK TEL.

Both supervisory and technical training programs were maintained. Employees continued to participate in off-hours courses of study in various institutions of higher learning for which SASK TEL shared in the cost.

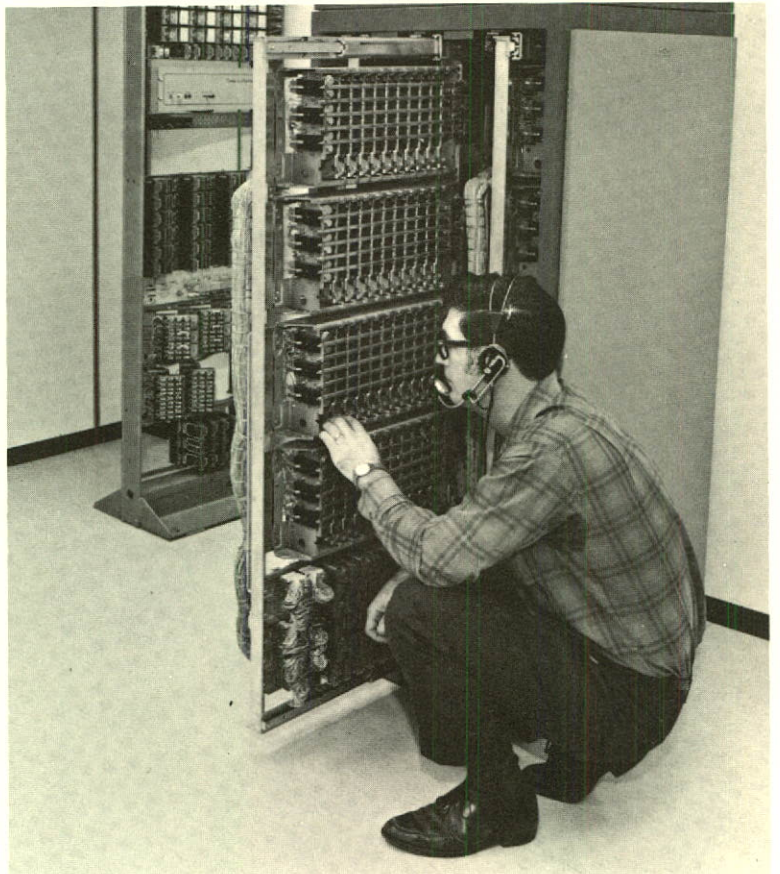
During the year, a two-year agreement (October 1, 1969-September 30, 1971) was concluded with the Communications Workers of America and meetings held to discuss matters of mutual interest.

SASK TEL is participating in the University of Saskatchewan, Regina Campus-sponsored Co-operative Engineering Education plan. Under the plan, SASK TEL is providing one full time job in its engineering department for two university students. Each attends university for one semester and works one semester, on an alternating basis.

Many employees put their skills to use in community activities. Some are active in health and welfare fund drives; others are active in the programs of service agencies.

A number of technically oriented staff participate in the community service to the Emergency Measures Organization through their membership in the Amateur Radio Association. A greater number — all employees with over twenty-one years service in the telephone industry — do community work through the Saskatchewan Chapter of the Telephone Pioneers of America. The extension of a manual telephone system in the crippled children's Camp Easter Seal at Watrous was one of their major projects during the year. The year 1971 has been declared in the industry to be Pioneer Year to mark the organization's 60th anniversary and to emphasize its community work.

During the year, twenty-five private branch exchanges were installed in customer premises to provide for the switching of calls from extension telephones. The automatic equipment shown here is part of one of these installations.



FINANCIAL

Operating revenues in 1970 amounted to over \$50.5 million, an increase of nearly \$3.5 million (7.3%) over the previous year's figure. Toll service revenues were up \$2.7 million (9.7%) from the 1969 level and constituted 61% of total revenues in 1970. Again, as in 1969, the added toll revenues were derived mainly from toll service crossing the provincial borders although gains were also realized in the intra-province toll category. Local service revenues increased by \$554,000 (3.2%) while other revenues comprising mainly directory advertising reflected a gain of \$161,000 (9.6%).

Operating expenses totalled \$33.8 million, an increase of \$2.9 million (9.5%) over the 1969 figure. Depreciation charges for the year were up by some \$900,000 due mainly to the increased plant in service, although changes in the depreciation rates resulted in additional charges of \$147,000. Salary and wage costs charged to operations accounted for an increase of \$1.2 million. Through a change in accounting practice introduced in 1970, vacation pay will henceforth be recorded as an expense of the period during which it is earned rather than of the period in which it is paid, as previously. This change resulted in the recording of additional salary and wage costs of \$0.5 million in 1970, the transition year. This amount represents the accrued vacation pay liability at the year end.

SASK TEL's share of pension benefits costs for the year amounted to \$1.5 million, an increase of \$590,000 over the 1969 figure. In 1970, the corporation undertook a program of making sufficient additional payments into the Superannuation Fund over a twenty-five year period to ensure that the fund will remain adequate to meet its future pension obligations. An additional \$475,000 was provided for this purpose in 1970.

Grants in lieu of taxes for the year amounted to \$582,000, an increase of some \$23,000. These grants are paid to urban and rural municipalities and are based on the standard assessments and mill rates as applied to corporation property located throughout the province.

It is almost an annual occurrence that somewhere in the province SASK TEL employees are faced with the major task of repairing storm damage. To protect against this, the company is expanding its buried cable and radio facilities. Less than 5% of SASK TEL toll circuits now remain on open wire.



Other income amounted to \$612,000, an increase of \$192,000. This increase is due mainly to interest earned on short term investments.

The net cost of borrowed capital amounted to \$5.6 million, a decrease of \$228,000 from the previous year. Interest costs on borrowed capital increased by \$303,000 but this was more than offset by a sinking fund earnings increase of \$531,000, reflecting in part higher yields on investments. Also in 1970, the Canadian dollar was freed to fluctuate on the international exchange market and very quickly rose in value from the pegged level of approximately 92 cents U.S. Consequently, and in contrast to the prior years' practice, the corporation did not make a provision in 1970 for exchange costs on maturing advances repayable in U.S. funds since the accumulated provision of \$1.2 million at year end was adequate at the prevailing exchange rates.

Net income for the year amounted to \$11.7 million, an increase of approximately \$1 million over the previous year's figure. One half of the net income, i.e. \$5,850,000 was appropriated as a dividend to the Province of Saskatchewan.

Construction expenditures for the year amounted to \$22.4 million, marginally down from that of the previous year. Taking into account plant retired during the year, the total investment in plant increased by \$11.4 million and amounted to \$229,150,000 at year end.

As a member of the Trans-Canada Telephone System, the corporation acquired 33,300 common shares in Telesat Canada at a cost of \$333,000. SASK TEL is committed to acquire a further 66,600 shares at a cost of \$666,000 by means of equal quarterly instalments commencing April 1, 1971.

New capital advances received in 1970 amounted to \$9.8 million and were derived from Canada Pension Plan funds borrowed by the province. The average annual interest cost of this capital to the corporation is 8.1%.

Under a modified sinking fund policy advances totalling \$24.2 million were retired prior to maturity through cancellation of Province of Saskatchewan bonds held in the Sinking Funds. This resulted in additional Sinking Fund earnings of nearly \$1.6 million which will be taken into income over the remaining original lives of the provincial bond issues involved.

AUDITOR'S REPORT

I have examined the balance sheet of Saskatchewan Telecommunications as at December 31, 1970 and the statements of income and source and disposition of funds for the year then ended. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion these financial statements, read in conjunction with notes numbered 1 to 9 thereto, present fairly the financial position of Saskatchewan Telecommunications as at December 31, 1970 and the results of its operations and the source and disposition of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Regina, Saskatchewan
February 17, 1971.



R. C. Hodsmen, F.C.A.,
Provincial Auditor

Saskatchewan Telecommunications

STATEMENT OF INCOME

For the Year Ended December 31, 1970 (1969)

	1970	1969
OPERATING REVENUES		
Local Service	\$ 17,982,336	\$ 17,427,915
Toll Service	30,978,883	28,249,646
Other Revenues (Note 1)	1,838,903	1,677,692
Less: Uncollectible Operating Revenues	<u>254,001</u>	<u>260,454</u>
TOTAL OPERATING REVENUES	\$ 50,546,121	\$ 47,094,799
OPERATING EXPENSES		
Maintenance	\$ 7,971,125	\$ 7,172,315
Depreciation	11,850,212	10,950,447
Traffic	5,213,614	5,318,435
Commercial and Marketing	2,993,500	2,766,409
General Administration	2,646,862	2,665,573
Grants in Lieu of Taxes	582,340	559,363
Other Expenses (Note 2)	<u>2,563,020</u>	<u>1,459,408</u>
TOTAL OPERATING EXPENSES (Note 3) .	\$ 33,820,673	\$ 30,891,950
NET OPERATING REVENUE	\$ 16,725,448	\$ 16,202,849
OTHER INCOME	611,868	420,225
	<u>\$ 17,337,316</u>	<u>\$ 16,623,074</u>
INTEREST AND OTHER DEDUCTIONS (Note 4)	5,619,200	5,847,196
NET INCOME FOR THE YEAR	\$ 11,718,116	\$ 10,775,878
DIVIDEND — Government of Saskatchewan ..	5,850,000	5,400,000
NET INCOME AFTER DIVIDEND		
— transferred to retained earnings	<u>\$ 5,868,116</u>	<u>\$ 5,375,878</u>

The accompanying notes are an integral part of the financial statements.

Saskatchewan Telecommunications
BALANCE SHEET
as at December 31, 1970 (1969)

ASSETS

	1970	1969
TELEPHONE PROPERTY		
Land and Buildings (at cost)	\$ 25,682,736	\$ 24,805,688
Telephone Plant and Equipment (at cost)	<u>201,869,086</u>	<u>189,473,210</u>
	\$ 227,551,822	\$ 214,278,898
Less: Accumulated Depreciation	<u>71,683,633</u>	<u>67,208,822</u>
	\$ 155,868,189	\$ 147,070,076
Construction in Progress	<u>1,598,349</u>	<u>3,428,923</u>
	\$ 157,466,538	\$ 150,498,999
 INVESTMENT — Telesat Canada (Note 5)	 \$ 333,000	 —

CURRENT ASSETS

Cash and Temporary Cash Investments	\$ 139,505	\$ 125,807
Accounts Receivable (less allowance for doubtful accounts)	6,407,014	5,881,724
Materials and Supplies (at cost)	3,591,504	2,929,132
Prepayments	<u>533,665</u>	<u>494,766</u>
	\$ 10,671,688	\$ 9,431,429

DEFERRED CHARGES

Unamortized Discount on Advances	\$ 1,103,961	\$ 1,227,068
	<u>\$ 169,575,187</u>	<u>\$ 161,157,496</u>

The accompanying notes are an integral part of the financial statements.

LIABILITIES

1970

1969

LONG TERM LIABILITIES AND RETAINED EARNINGS

Advances from the Government of Saskatchewan (Note 9)	\$ 132,101,625	\$ 147,831,422
Less: Equity in Sinking Funds (Note 9)	<u>31,536,807</u>	<u>47,846,626</u>
	\$ 100,564,818	\$ 99,984,796

Less: Sinking Fund Payments and Repayment of Advances, due within one year (Note 6)	<u>5,445,019</u>	<u>4,640,522</u>
	\$ 95,119,799	\$ 95,344,274
Retained Earnings	<u>43,514,175</u>	<u>37,646,059</u>
	\$ 138,633,974	\$ 132,990,333

BANK NOTES PAYABLE (Note 7)	\$ 10,800,000	\$ 11,800,000
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CURRENT LIABILITIES

Interest Accrued on Advances	\$ 1,974,878	\$ 2,109,662
Accounts Payable	<u>4,653,128</u>	<u>3,608,619</u>
Dividend — Government of Saskatchewan	<u>5,850,000</u>	<u>5,400,000</u>
Service Billed in Advance	<u>644,584</u>	<u>608,360</u>
Sinking Fund Payments and Repayment of Advances, due within one year	<u>5,445,019</u>	<u>4,640,522</u>
	\$ 18,567,609	\$ 16,367,163

DEFERRED CREDITS

Unamortized Gain on Retirement of Advances before maturity (Note 8)	\$ 1,573,604	—
	<u>\$ 169,575,187</u>	<u>\$ 161,157,496</u>

Saskatchewan Telecommunications

STATEMENT OF SOURCE AND DISPOSITION OF FUNDS

For the Year Ended December 31, 1970 (1969)

SOURCE OF FUNDS	1970	1969
Operations		
Net Income for the Year	\$ 11,718,116	\$ 10,775,878
Add: Depreciation and Other		
Non-Cash Items (Net)	8,857,267	8,726,548
	<u>\$ 20,575,383</u>	<u>\$ 19,502,426</u>
Advances from the Government of		
Saskatchewan	9,806,000	10,100,000
Decrease in Working Capital	960,187	1,408,352
	<u>\$ 31,341,570</u>	<u>\$ 31,010,778</u>
DISPOSITION OF FUNDS		
Construction Expenditures		
Gross Construction Expenditures	\$ 22,418,014	\$ 22,866,417
Less: Net Salvage Value of Plant		
Retired, Capital Contributions		
and Non-Cash Charges to Construction .	3,684,089	3,986,160
	<u>\$ 18,733,925</u>	<u>\$ 18,880,257</u>
Investment — Telesat Canada	333,000	—
Net Change in Bank Notes Payable	1,000,000	2,000,000
Sinking Fund Payments and Advance		
Repayments	5,424,645	4,730,521
Dividend — Government of Saskatchewan	5,850,000	5,400,000
	<u>\$ 31,341,570</u>	<u>\$ 31,010,778</u>

Saskatchewan Telecommunications

NOTES TO FINANCIAL STATEMENTS

NOTE 1— OTHER REVENUES

Other Revenues comprise the following:

	1970	1969
Directory Advertising	\$ 1,023,767	\$ 928,672
Rural Company Connecting Fees	460,548	459,769
Rent and Other	354,588	289,251
	<u>\$ 1,838,903</u>	<u>\$ 1,677,692</u>

NOTE 2— OTHER EXPENSES

Other Expenses comprise the following:

	1970	1969
Superannuation and Canada Pension Plan	(1) \$ 1,456,368	\$ 867,019
Operating Rents	72,125	124,460
Insurance	41,059	47,249
Other	(2) 993,468	420,680
	<u>\$ 2,563,020</u>	<u>\$ 1,459,408</u>

(1) During 1970 the corporation undertook to make sufficient additional payments into the Superannuation Fund over a twenty-five year period to ensure that the Fund will remain adequate to meet its future pension obligations. An additional amount of \$474,441 was provided for this purpose during the year.

(2) Commencing in 1970 salary and wage costs representing vacation pay are recorded as an expense of the period in which they are earned rather than in the period in which they are paid. Consequently for 1970 only, Other Expenses includes an additional amount of \$498,091 which is the accrued vacation pay liability at the year end.

NOTE 3— TOTAL OPERATING EXPENSES

Expenditures for the Administration of the Department of Telephones in the amount of \$211,032 in 1970 (\$198,450 in 1969) and Other Assistance to Rural Telephone Companies in the amount of \$47,124 in 1970 (\$39,764 in 1969) are not included as they are reimbursable by grants from the Consolidated Fund of the Province.

NOTE 4— INTEREST AND OTHER DEDUCTIONS

Interest and Other Deductions Comprise the following:

	1970	1969
Interest on Advances	\$ 7,659,605	\$ 7,204,121
Amortization of Discount	123,107	123,538
Other Charges and Credits	(14,983)	162,000
Bank Notes and Other Interest	868,714	843,848
	<u>\$ 8,636,443</u>	<u>\$ 8,333,507</u>
Less: Sinking Fund Earnings	3,017,243	2,486,311
	<u>\$ 5,619,200</u>	<u>\$ 5,847,196</u>

NOTE 5— INVESTMENT — TELESAT CANADA

As a member of the Trans-Canada Telephone System, Sask Tel is committed to subscribe and pay for 99,900 common shares, no par value, of Telesat Canada at an issue price of \$10 each. One third of these shares were acquired in 1970. The balance of the share purchase commitment is to be discharged in four equal quarterly instalments commencing April 1, 1971.

NOTE 6— SINKING FUND PAYMENTS AND REPAYMENT OF ADVANCES, DUE WITHIN ONE YEAR

	1970	1969
Sinking Fund Payments	\$ 4,581,217	\$ 4,377,037
Repayment of Advances — Net of Sinking Fund Equity	863,802	263,485
	<u>\$ 5,445,019</u>	<u>\$ 4,640,522</u>

The advances from the Government of Saskatchewan include a requirement for the corporation to pay annually into a sinking fund administered by the province an amount equal to 3% of the advances made.

NOTE 7— BANK NOTES PAYABLE

Bank notes payable represent intermediate capital financing under a \$15 million bank line of credit. The notes bear interest at the prime bank rate plus ¼ of 1% on amounts owing up to \$10 million and at the prime rate on amounts borrowed in excess of that level.

NOTE 8— UNAMORTIZED GAIN ON RETIREMENT OF ADVANCES BEFORE MATURITY

Under a modified sinking fund policy, advances totalling \$24,218,949 were retired prior to maturity through cancellation of Province of Saskatchewan bonds held in the Sinking Funds. The book value of these investments amounted to \$22,630,362, and the resulting gain of \$1,588,587 will be amortized over the remaining life of the advances. An amount of \$14,983 was amortized and included as earnings in 1970.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9—ADVANCES FROM THE GOVERNMENT OF SASKATCHEWAN

Percent	Due Date		1970		1969	
			Advance	Sinking Fund Equity	Advance	Sinking Fund Equity
3½	Aug. 15, 1970	(1)	\$ —	\$ —	\$ 818,375	\$ 1,021,893
3½	Aug. 15, 1970	(1)	—	—	456,338	—
3½	Nov. 1, 1971	(1)	2,300,000	1,447,143	2,300,000	1,294,922
3½	April 15, 1972		1,681,950	888,061	3,000,000	1,986,680
4	April 1, 1973	(1)	2,266,334	1,140,986	5,000,000	3,514,454
3½	June 1, 1974	(1)	2,953,743	1,668,766	4,650,000	2,998,900
3½	Jan. 3, 1975		2,812,000	1,630,690	4,000,000	2,483,559
3½	May 15, 1975		1,937,250	1,035,561	3,000,000	1,855,493
3½	Oct. 1, 1975		558,850	266,133	1,000,000	626,914
3½	Jan. 2, 1976	(1)	4,227,500	1,944,455	6,250,000	3,472,885
4½	Nov. 1, 1976		1,245,875	491,429	2,000,000	1,099,609
4½	April 1, 1977		4,402,000	1,429,496	7,000,000	3,542,052
2½	July 1, 1970-77	(2)	82,916	—	93,580	—
5½	Oct. 15, 1977		2,920,178	997,814	4,500,000	2,231,714
5½	June 1, 1978		5,000,000	1,296,850	5,000,000	1,075,111
5	Sept. 30, 1979		3,000,000	1,187,711	3,000,000	1,036,735
6	Oct. 1, 1979		7,500,000	3,386,185	7,500,000	2,962,790
5½	Oct. 16, 1981		5,444,687	1,011,232	7,000,000	2,091,851
5½	Nov. 15, 1982		3,829,333	426,181	5,000,000	1,260,716
5	Sept. 1, 1983		10,800,000	5,339,042	10,800,000	4,729,830
4½	Jan. 2, 1984	(1)	3,701,600	1,082,159	5,000,000	1,959,957
5½	Jan. 15, 1984		6,982,000	887,547	8,000,000	1,429,424
5½	July 15, 1985		4,169,250	329,599	5,000,000	864,602
5½	Dec. 1, 1985		7,762,500	840,388	9,000,000	1,534,066
5.605	Sept. 1, 1986		2,022,000	—	2,022,000	—
5.725	Oct. 3, 1986		1,881,000	—	1,881,000	—
5.635	Nov. 1, 1986		1,924,000	1,257,410	1,924,000	907,888
5.635	Dec. 1, 1986		1,574,000	—	1,574,000	—
5.735	Jan. 4, 1987		1,910,000	—	1,910,000	—
6	March 1, 1987		4,606,000	197,402	5,000,000	327,723
5.605	June 1, 1987		772,000	75,511	772,000	48,477
6.565	Sept. 3, 1988		1,223,000	—	1,223,000	—
6.525	Oct. 1, 1988		777,000	313,803	777,000	150,998
7.295	Feb. 3, 1989		1,500,000	—	1,500,000	—
7.235	March 4, 1989		1,500,000	—	1,500,000	—
7.595	Sept. 2, 1989		3,701,000	213,000	3,701,000	—
7.725	Oct. 1, 1989		3,399,000	—	3,399,000	—
4.875	Oct. 1, 1990	(1)	8,680,000	752,253	10,000,000	1,337,383
8.125	Sept. 1, 1990		3,677,000	—	—	—
8.105	Oct. 1, 1990		3,337,000	—	—	—
8.035	Nov. 2, 1990		2,792,000	—	—	—
			<u>\$ 130,852,966</u>	<u>\$ 31,536,807</u>	<u>\$ 146,551,293</u>	<u>\$ 47,846,626</u>
Provisions for Exchange on Advances Repayable in United States Dollars			(3)			
			1,248,659	—	1,280,129	—
			<u>\$ 132,101,625</u>	<u>\$ 31,536,807</u>	<u>\$ 147,831,422</u>	<u>\$ 47,846,626</u>

(1) Repayable in United States Dollars.

(2) Serially Maturing 1970 through 1977.

(3) Advances repayable in United States dollars are recorded on the basis that a U.S. dollar equals a Canadian dollar. During 1970 the U.S. premium of \$31,470 on the August 15, 1970 advance maturity was charged to this account. No amount was provided in 1970 for U.S. premium costs on maturing advances repayable in U.S. funds since the accumulated provision was adequate at prevailing exchange rates. The 1969 provision amounted to \$162,000.

AUTOMATIC SERVICE AND DIRECT DISTANCE DIALING

EXCHANGES CONVERTED TO DIAL OPERATION – 1970

*Big River	*Frontier	*Maymont
*Burstall	*Glaslyn	*Montmartre
*Canwood	*Glenavon	*Osler
*Climax	Herschel	*Paradise Hill
*Debden	*Kenaston	Plenty
*Dundurn	*Lang	*Val Marie
*Elbow	Limerick	

*Exchanges in which Direct Distance Dialing calls can originate; all others are equipped to receive customer dialed calls.

EXCHANGES SCHEDULED FOR DIAL OPERATION – 1971

*Bjorkdale	*Imperial	*Radisson
*Borden	*Lake Alma	*Shell Lake
*Carievale	*Leoville	*Simpson
*Doddsland	*Lestock	***Smiley
*Gainsborough	*Liberty	*Spiritwood
*Hawarden	*Loreburn	*Strongfield
*Holdfast	*Marquis	*Eyebrow – (including
**Ile-a-la-Crosse	*Meath Park	Tugaske and Brownlee)

*Exchanges in which Direct Distance Dialing calls can originate.

**Ile-a-la-Crosse exchange will have local service only.

***Smiley will be equipped to receive customer dialed calls.

EXCHANGES (PREVIOUSLY DIAL) – ADDED TO DDD NETWORK – 1970

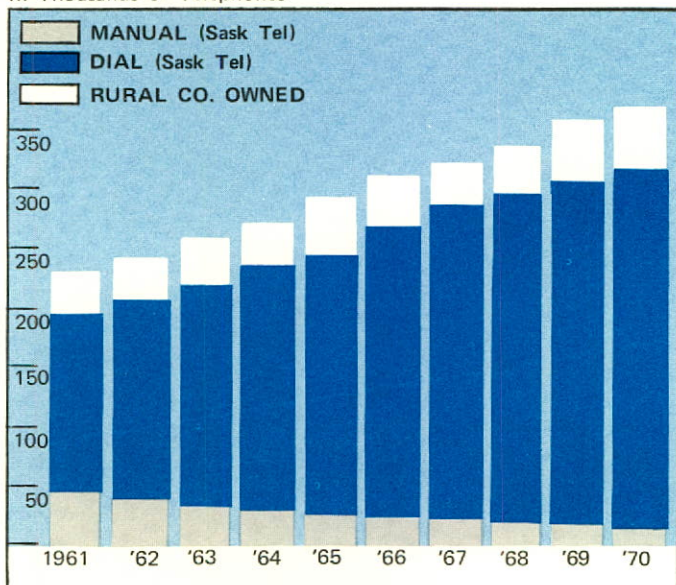
Beechy	Dinsmore	Outlook
Cutbank	Macrorie	Whitewood

DIAL EXCHANGES SCHEDULED FOR DDD – 1971

Assiniboia	Kincaid	Plenty
Bateman	Kipling	Preeceville
Bengough	Kyle	Rocanville
Canora	LaFleche	Rockglen
Coronach	Lanigan	Rosetown
Denzil	Limerick	Salvador
Elrose	Luseland	Sturgis
Gravelbourg	Macklin	Wapella
Herschel	Mankota	Wawota
Invermay	Maryfield	Willow Bunch
Kamsack	Moosomin	Windthorst
Kennedy	Ormiston	Wood Mountain
Kerrobert	Plato	

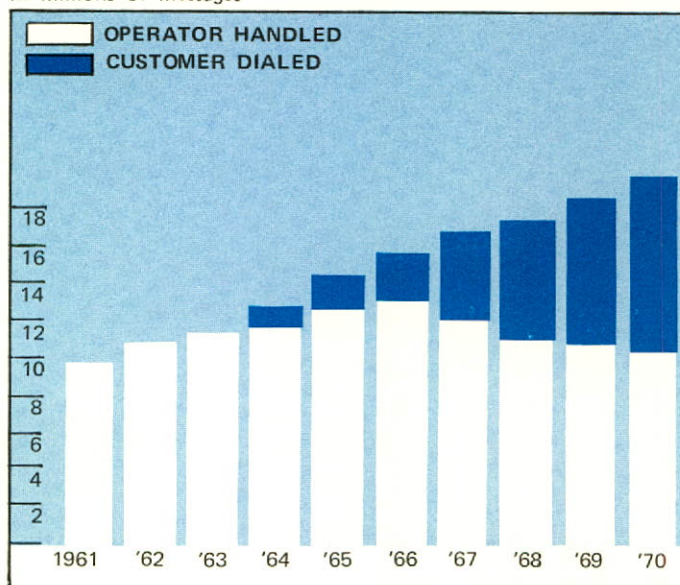
TELEPHONES

SWITCHED BY SASK TEL
In Thousands of Telephones



LONG DISTANCE MESSAGES

ORIGINATING IN SASKATCHEWAN
In Millions of Messages



SASK TEL

TEN-YEAR RECORD OF PROGRESS

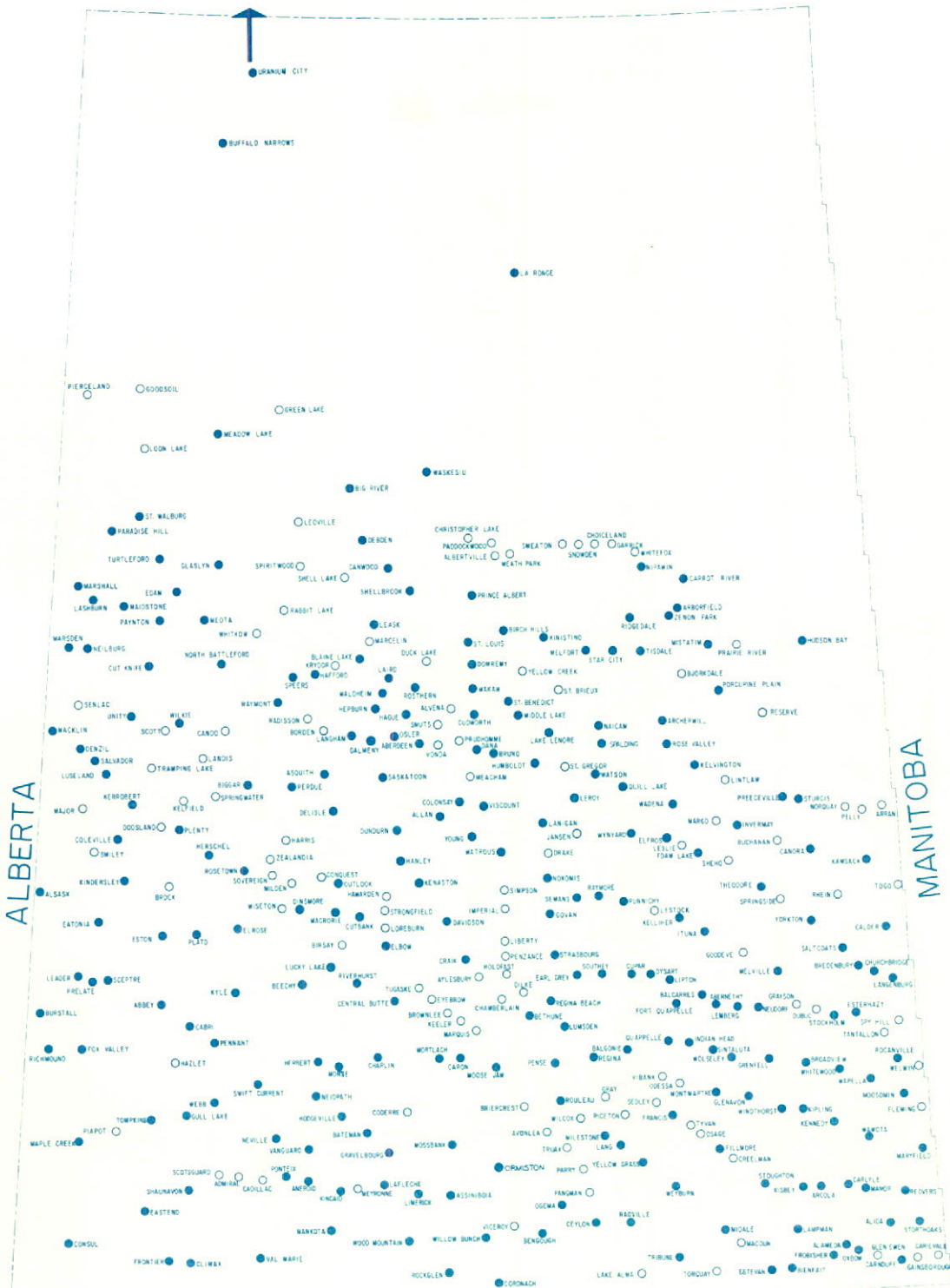
at December 31	1970	1969	1968	1967
TELEPHONES				
Sask Tel Owned	314,981	306,883	297,009	282,022
Percent Dial	96.6%	95.5%	94.4%	92.5%
Connected*	94,527	96,581	94,817	91,802
Net Increase*	8,098	9,874	14,987	16,257
Rural Company Owned (Switched by Sask Tel)	51,062	51,583	52,357	52,815
Percent Dial	85.8%	80.6%	76.8%	68.0%
Telephones Per 100 People	39.3	37.6	36.4	35.1
NUMBER OF EXCHANGES				
	359	370	376	387
NUMBER OF TOLL OFFICES				
	21	42	49	56
LONG DISTANCE MESSAGES				
(Origin — Saskatchewan)*	18,896,000	18,272,000	17,351,000	16,443,000
FINANCE				
Operating Revenues*	\$ 50,546,121	\$ 47,094,799	\$ 43,265,574	\$ 40,137,356
Operating Expenses*	\$ 33,820,673	\$ 30,891,950	\$ 29,101,025	\$ 26,741,176
Interest and Other Deductions* ...	\$ 5,619,200	\$ 5,847,196	\$ 5,730,079	\$ 5,363,953
Net Income*	\$ 11,718,116	\$ 10,775,878	\$ 8,592,856	\$ 8,321,528
Dividend—Government of Saskatchewan*	\$ 5,850,000	\$ 5,400,000	\$ 4,300,000	\$ 4,150,000
Telephone Property	\$229,150,171	\$217,707,821	\$202,533,233	\$189,163,848
Advances from Government of Saskatchewan	\$132,101,625	\$147,831,422	\$137,579,814	\$136,877,940
Debt as a Percent of Year-End Capital	76.7%	80.9%	82.4%	83.5%
EMPLOYEES AND PAYROLL				
Men	1,190	1,174	1,149	1,128
Women	1,244	1,261	1,298	1,319
Total	2,434	2,435	2,447	2,447
Salaries and Wages Earned*	\$ 16,351,550	\$ 15,348,911	\$ 14,398,026	\$ 13,401,193

* For the Year Ended December 31

1966	1965	1964	1963	1962	1961
265,765	247,876	230,289	215,225	202,861	193,120
91.6%	90.4%	89.0%	86.4%	82.9%	80.9%
87,162	83,251	65,342	65,470	45,657	41,864
17,889	17,587	15,064	12,364	9,741	9,819
53,231	52,787	52,553	52,333	52,302	51,268
63.3%	58.0%	51.5%	44.0%	34.4%	25.9%
33.6	31.9	30.6	29.2	28.0	27.1
386	382	380	373	369	366
57	74	83	98	104	118
15,448,000	14,182,000	12,536,000	11,299,000	10,584,000	9,979,000
\$ 36,112,256	\$ 32,554,096	\$ 28,829,557	\$ 25,974,721	\$ 23,624,151	\$ 22,403,716
\$ 24,659,665	\$ 22,131,105	\$ 20,394,380	\$ 18,546,586	\$ 16,915,417	\$ 16,343,959
\$ 4,846,886	\$ 4,519,804	\$ 4,029,851	\$ 3,486,619	\$ 3,304,649	\$ 3,018,709
\$ 6,831,255	\$ 6,182,595	\$ 4,715,591	\$ 4,158,271	\$ 3,670,972	\$ 3,253,555
\$ 3,800,000	\$ 3,932,595	\$ 4,715,591	\$ 4,158,271	\$ 3,670,972	\$ 3,253,555
\$172,411,573	\$157,015,013	\$146,683,866	\$131,930,987	\$120,274,800	\$111,670,577
\$129,043,807	\$122,835,266	\$112,828,161	\$ 97,537,290	\$ 87,847,580	\$ 83,471,317
84.4%	85.5%	85.9%	84.1%	82.6%	81.9%
1,104	1,045	1,014	985	917	875
1,308	1,265	1,167	1,114	1,037	1,047
2,412	2,310	2,181	2,099	1,954	1,922
\$ 12,408,576	\$ 11,432,628	\$ 10,653,451	\$ 9,858,921	\$ 8,954,647	\$ 8,674,285

SASKTEL TELEPHONE EXCHANGES

DIAL ● MANUAL ○



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