



BELOIT

⚠ DANGER ⚠  
KEEP OFF  
WHEN REEL  
IS RUNNING

KEEP WORK PLACE  
SAFE -  
KEEP  
WEPPER BOARD  
OFF WALKWAY

**Abitibi**

1961 ANNUAL REPORT

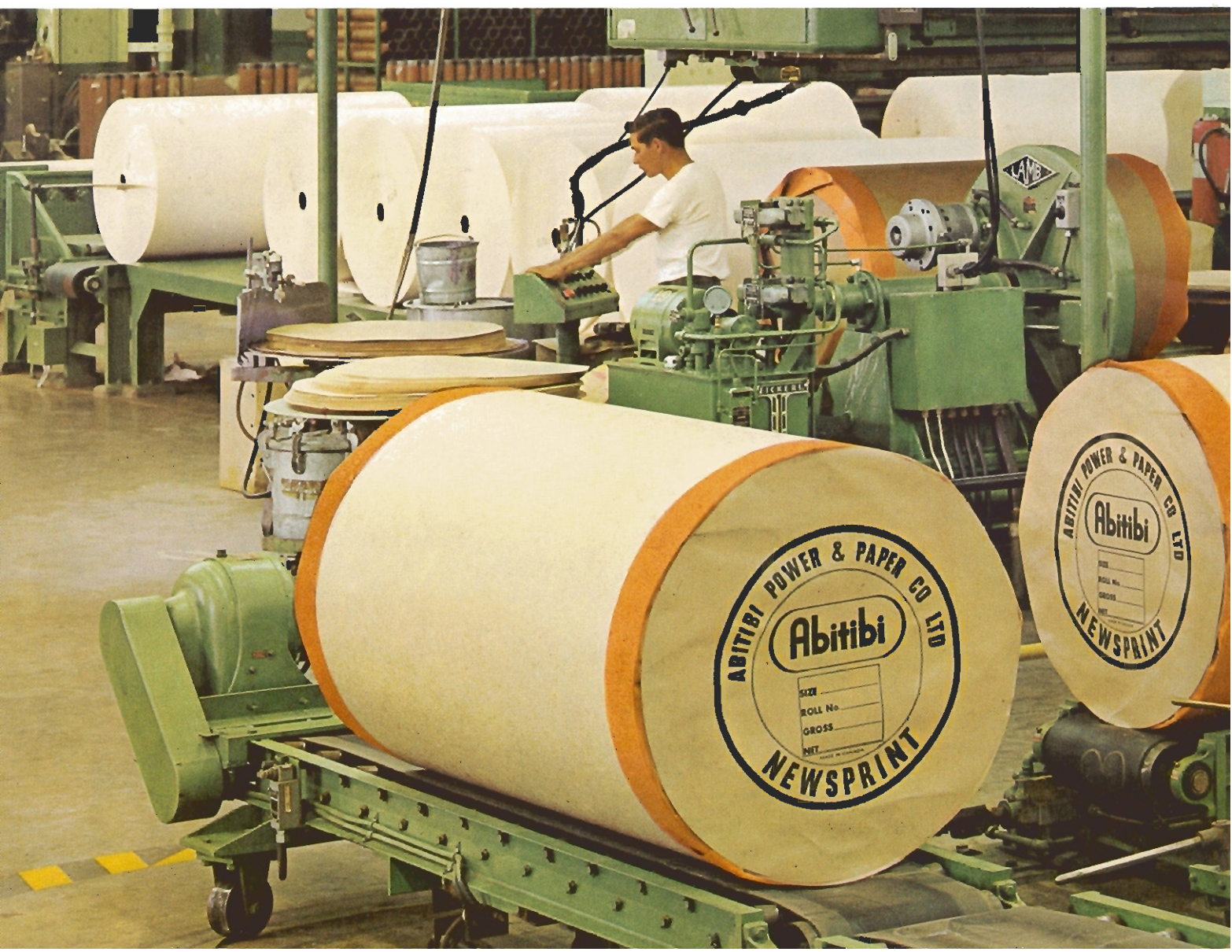


# 1961 ANNUAL REPORT

ABITIBI POWER & PAPER COMPANY, LIMITED

FOR

◀ The cover illustration is the high-speed paper machine at Fort William Division which produces newsprint 276 inches in width operating in excess of 2,100 feet per minute.





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*The Annual General Meeting of Shareholders will be held at the Royal York Hotel in the City of Toronto on Thursday, the twelfth day of April, 1962 at the hour of eleven-thirty in the forenoon.*

## THE YEAR ENDED DECEMBER 31

*See page 10 for details of the automatic roll handling and wrapping at 100 ft. per minute. Most of the newsprint rolls shipped from the mill are 40 inches in diameter and weigh 1.8 million lbs.*







## ABITIBI POWER & PAPER COMPANY, LIMITED

Incorporated under the Companies Act (Canada)

Executive Offices—408 University Avenue, Toronto, Canada

### DIRECTORS

DOUGLAS W. AMBRIDGE

President  
Abitibi Power & Paper Company, Limited  
Toronto, Canada

HARRY J. CARMICHAEL

Industrialist  
St. Catharines, Canada

C. ANTOINE GEOFFRION, Q.C.

Geoffrion & Prud'homme  
Montreal, Canada

ALLAN GRAYDON, Q.C.

Blake, Cassels & Graydon  
Toronto, Canada

CHARLES L. GUNDY

President  
Wood, Gundy & Company Limited  
Toronto, Canada

T. RODGIE MCLAGAN

President  
Canada Steamship Lines, Limited  
Montreal, Canada

ROBERT H. REID

President and Managing Director  
London Life Insurance Company  
London, Canada

JOSEPH P. RIPLEY

Chairman  
Harriman Ripley & Co. Incorporated  
New York, U.S.A.

PAUL E. ROBERTS

Executive Vice-President  
Abitibi Power & Paper Company, Limited  
Toronto, Canada

ROY H. THOMSON

Publisher  
London, England

JOHN S. D. TORY, Q.C.

Tory, Arnold, DesLauriers & Binnington  
Toronto, Canada

WILLIAM H. SMITH

Honorary Director

### OFFICERS

DOUGLAS W. AMBRIDGE, President

PAUL E. ROBERTS, Executive Vice-President

ROBERT E. E. COSTELLO, Vice-President  
(Development, Engineering & Services)

E. EDWARD GRAINGER, Vice-President (Woodlands)

ARTHUR P. JEWETT, Vice-President (Sales)

ERNEST W. MCBRIDE, Vice-President (Manufacturing)

C. HARRY ROSIER, Vice-President (Board Products)

W. STANLEY ROTHWELL, F.C.A., Vice-President and Treasurer

J. ELLIOT COTTRELLE, Vice-President

CRAIG DICK, Secretary

### MANAGEMENT COMMITTEE

DOUGLAS W. AMBRIDGE, Chairman

GEORGE M. BRAIN

LESLIE CLEMINSON

ROBERT E. E. COSTELLO

J. ELLIOT COTTRELLE

E. EDWARD GRAINGER

ARTHUR P. JEWETT

ERNEST W. MCBRIDE

PAUL E. ROBERTS

C. HARRY ROSIER

W. STANLEY ROTHWELL

### TRANSFER AGENTS

Montreal Trust Company  
Toronto, Montreal and Vancouver, Canada

First National City Trust Company  
New York, U.S.A.

### AUDITORS

Price Waterhouse & Co., Toronto, Canada

### REGISTRARS

Canada Permanent Toronto General Trust Company  
Toronto and Vancouver, Canada

The Eastern Trust Company  
Montreal, Canada

The First National City Bank of New York  
New York, U.S.A.





## HIGHLIGHTS

	1961	1960
Paper, board and pulp produced.....	1,049,495 tons	1,077,686 tons
Net sales.....	\$147,587,462	\$146,339,604
Taxes on income.....	\$ 14,557,000	\$ 13,800,000
Net earnings.....	\$ 13,710,636	\$ 12,266,288
Per common share.....	\$ 3.18	\$ 2.83
Dividends on preferred shares.....	\$ 453,504	\$ 471,199
Dividends on common shares.....	\$ 7,077,577	\$ 7,077,579
Per common share.....	\$ 1.70	\$ 1.70
Invested in properties, plant and equipment....	\$ 9,729,078	\$ 10,340,956
Working capital at end of year.....	\$ 41,043,429	\$ 38,577,940
Number of shareholders—common shares.....	18,832	18,731
Number of shareholders—preferred shares.....	2,931	3,120





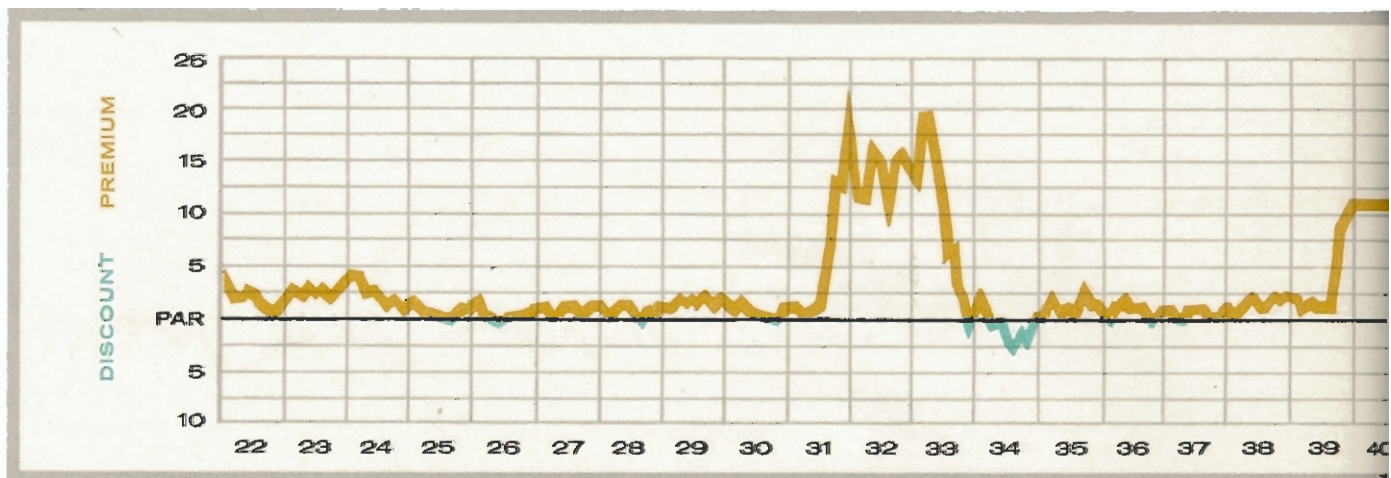
*D. W. Ambridge, President*

## REPORT TO THE SHAREHOLDERS

During the year under review, despite many difficulties and disappointments, net sales of \$147,587,462 were the highest in the Company's history and net earnings of \$13,710,636 show an improvement of 11.8% in comparison with 1960. The largest single factor contributing to the increase in net earnings was the change in the exchange rate on the Canadian dollar in comparison with the average rate for 1960.

The pulp and paper industry throughout the world has never been so well equipped to serve its customers as it is now. Another way to say this is that there is overcapacity in most exporting nations of the world and there developed during the year some very stiff competition, particularly in the market pulp industry. However, the general economic climate in the western world has certainly improved in recent months and the availability of this surplus capacity will be a strong factor in making possible an increase in the consumption of pulp and paper products, especially in countries outside of North America.

For most of the first half of the year the Canadian dollar traded at a premium but, as a result of the action finally taken by the Federal Government in June 1961, the value of the Canadian dollar fell and at the end of the year





it traded at a discount of more than 4%. This has been most helpful and it is entirely likely that the improved economic climate which we see in Canada today results largely from the abolition of an overvalued Canadian dollar.

Another helpful move on the part of the Federal Government was its offer to assist the Ontario Government in removing from the backs of the forest industries in Ontario the burden of the iniquitous logging tax. It has finally been recognized by the financial authorities of both the Federal and Ontario Governments that this tax is grossly unfair and discriminatory and it is to be hoped that it will soon be a thing of the past.

#### PRODUCTION AND SALES

The total output of all Abitibi mills during 1961 amounted to 1,049,495 tons which is 2.6% less than in 1960. The decrease in output was due entirely to a decline in sales of newsprint paper. During the year several mergers took place in the industry and the result of this and other developments was a loss to this Company of a substantial tonnage of newsprint sales. There is, however, reason to believe that this condition is temporary.

It is worthy of note that the price of newsprint delivered in New York City, a basic figure in the pulp and paper world, has not changed since March 1957. Surely this is a good example

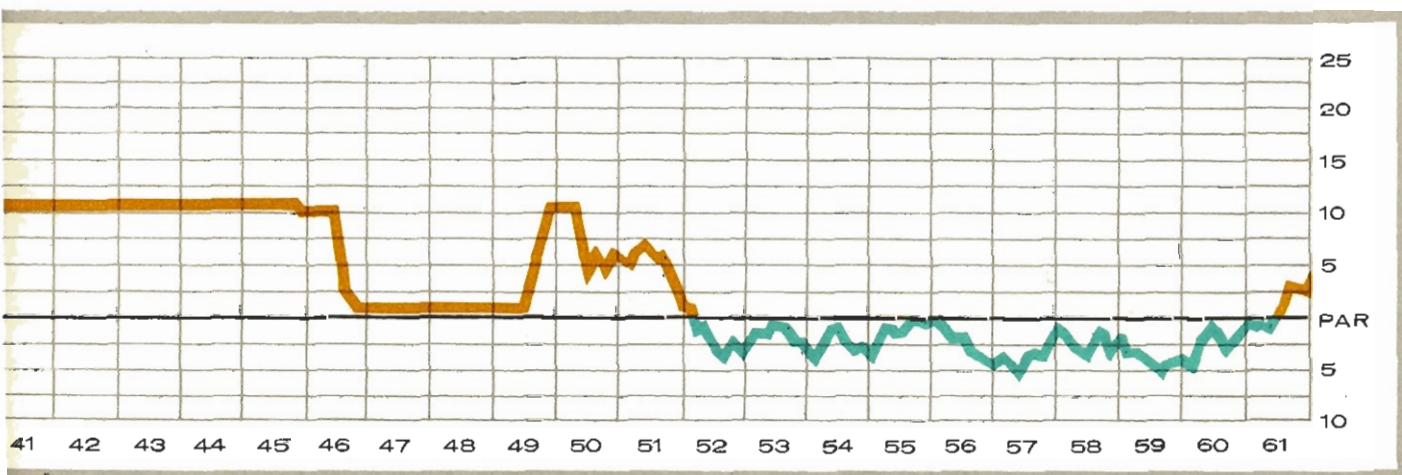
of the economic stability which is so important to the western way of life.

The Company's fine paper business is conducted by its wholly-owned subsidiary, Provincial Paper, Limited. In 1961 the production of fine papers was 117,332 tons, an increase of 4.6% over production in the preceding year. Provincial Paper, Limited has been making great progress in the last few years and there have been further additions and improvements in its plants.

Our operations at Sturgeon Falls continued to progress. The demand increases each year for the grades of hardboard in which Sturgeon Falls specializes and our hardboard facilities are now fully occupied in meeting the requirements of our customers. Shipments of Platewood, another product of Sturgeon Falls, were somewhat less in 1961 than in 1960 due principally to slack conditions in the industries which use this very excellent material. There are indications that the demand for Platewood will increase in the months ahead.

A year ago we commented on the difficulties which were being encountered at Smooth Rock Falls in the marketing of bleached sulphite pulp. Since last year's report was written the problem has become somewhat less urgent by reason of vigorous measures taken to hold or reduce costs with the co-operation of employees at this division. World markets for wood pulps of all grades are still unsatisfactory and the long-term out-

EXCHANGE RATE ON CONVERSION OF U.S. DOLLARS — 1922-1961









**PRODUCTION FOR SALE—*in tons***

	<b>Newsprint Paper</b>	<b>Fine and Printing Papers</b>	<b>Building and Paper Boards</b>	<b>Bleached Sulphite and other Pulps</b>	<b>Total</b>
1952	726,840	72,039	49,229	69,334	917,442
1953	728,039	75,506	52,847	57,835	914,227
1954	772,247	74,593	43,484	63,617	953,941
1955	793,560	85,972	56,679	65,504	1,001,715
1956	815,830	98,038	65,185	67,377	1,046,430
1957	765,533	101,952	69,103	63,516	1,000,104
1958	692,781	96,905	114,202	51,446	955,334
1959	735,215	107,884	138,754	44,008	1,025,861
1960	780,043	112,137	144,834	40,672	1,077,686
1961	741,978	117,332	145,833	44,352	1,049,495

look for our Smooth Rock Falls mill cannot be regarded as encouraging.

Included in this report is a chart showing the distribution of our 1961 sales between three principal areas, namely, Canada, the United States and overseas markets. Many of our shareholders will be interested to know that 38% of our total sales were in Canada. The United States, of course, is still far and away our most important market and 54% of our sales were in that market. The remaining 8% were to customers in the United Kingdom, continental Europe, South America and elsewhere in the world.

#### **COSTS OF PRODUCTION**

The constant upward pressure on manufacturing costs continued in 1961 and cost control was given close attention by all management personnel.

In a market supplied by an industry which has substantial overcapacity, in other words a buyer's market, the demand for quality is inevitably both insistent and discriminating. We made many moves during 1961 to maintain or improve quality of all our products even though cost increases were involved. We consider it most important that the quality and service requirements of our customers be met as fully and

precisely as our ever increasing technical skills will permit.

#### **EARNINGS, DIVIDENDS AND EQUITY**

Earnings in 1961 after providing for dividends on preferred shares were \$3.18 per common share. This compares with \$2.83 in 1960 and \$2.72 in 1959. As previously noted the increase in earnings was chiefly due to the improvement in the relative value of the Canadian dollar and to holding in check rising costs of production so that the change in the exchange rate could reflect in improved earnings. Another important factor was the performance of Abitibi Corporation whose board mill at Alpena, Michigan, had its best year since it began operations some four years ago.

Dividends on preferred shares during 1961 at the fixed rate of 4½% per annum amounted to \$453,504 as compared with \$471,199 in 1960. The reduction is due to the retirement during the year of 13,606 preferred shares through operation of the retirement fund.

Dividends on common shares were at the annual rate of \$1.70 per share, a rate which has been maintained continuously since 1956 in spite of lower earnings in the intervening years.

The total equity in the Company of all share-



holders at the close of the year as shown by the consolidated balance sheet is \$138,263,416. The book value of each common share again increased and now stands at \$30.83 as compared with \$29.35 per share at the close of 1960.

#### FINANCIAL POSITION

The Company's working capital at the close of 1961 amounted to \$41,043,429, an increase of \$2,465,489 during the year. This is adequate for our present scale of operations. The amount invested in inventories decreased by \$3,337,962 which is the result of close control over raw materials and supplies, particularly pulpwood. Liquid resources show an improvement in comparison with 1960.

During 1961 we retired First Mortgage Bonds of a par value of \$2,333,500. Sinking fund obligations falling due in 1962 have been discharged by the advance purchase of bonds with the exception of a balance of \$253,000 relating mostly to Series "C" bonds. Each of the three series of bonds carries with it an obligation to retire a proportion of the issue each year. The total annual retirement obligation fluctuates somewhat according to earnings and for the year 1961 was equal to 20% of net earnings.

Par value of preferred shares retired during 1961 was \$340,150 and at the close of the year

the par value of outstanding preferred shares was \$9,908,425 being the remainder of an original issue of \$13,750,000. Aggregate redemptions to date are somewhat in excess of our retirement obligations and will serve to reduce the amount required to be set aside for this purpose in 1962.

#### ABITIBI CORPORATION

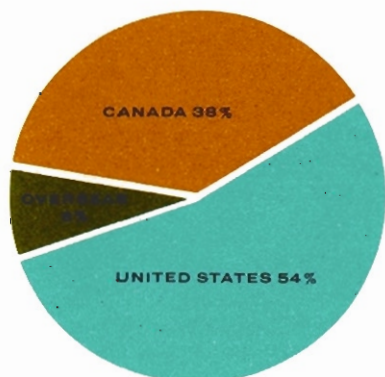
There was a substantial improvement in the operations of Abitibi Corporation in 1961. This wholly-owned subsidiary company operates a hardboard and insulation board mill at Alpena, Michigan. The improvement came about as a result of the success which attended our efforts to produce higher quality and more profitable grades of the various products which the mill is capable of producing. Several new products were introduced and were well received.

While the earnings of this subsidiary cannot yet be regarded as wholly satisfactory there is no doubt that the success of the venture is now assured.

#### PROPERTIES, PLANT AND EQUIPMENT

Capital expenditures on properties, plant and equipment (other than logging equipment and development) were \$9,729,078 which compares with \$10,340,956 in 1960. While all of our mill properties shared in the improvement program carried out during the year, the more important

#### DISTRIBUTION OF 1961 SALES BY PRINCIPAL MARKETS



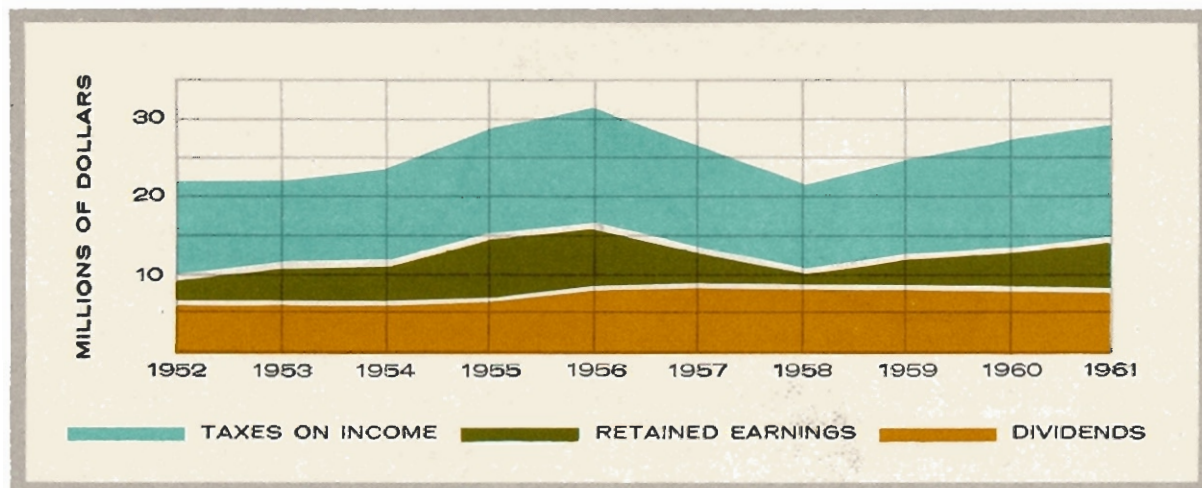
Canadian sales consist of newsprint, fine papers, machine coated and groundwood printing papers, bleached sulphite pulp, hardboards, particle boards, corrugating medium and corrugated cartons.

United States sales include hardboard and insulation boards manufactured at Alpena, Michigan, in addition to newsprint and bleached sulphite pulp from Canada.

In overseas markets, the company sells newsprint, fine papers and corrugating medium.



## EARNINGS, TAXES ON INCOME AND DIVIDENDS



projects under way or completed during 1961 were as follows:

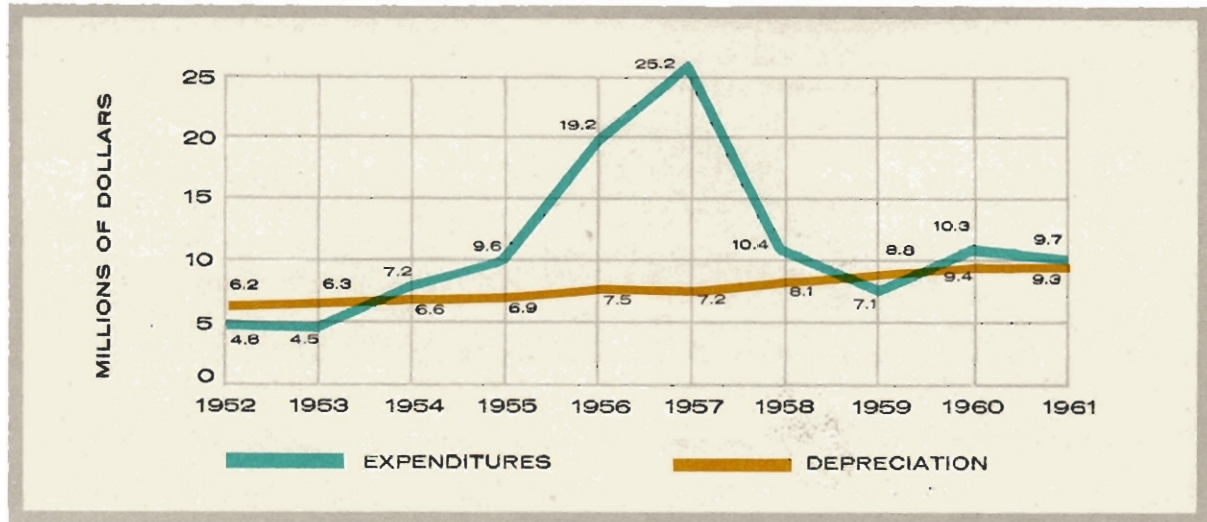
- (a) At the Thorold mill of Provincial Paper, Limited we completed the installation of a new paper machine and construction of supporting facilities. This program was excellently carried out and the new machine came into operation late in 1961. This project increases the fine paper capacity of Provincial Paper, Limited by about 25,000 tons per annum and improves the ability of our fine paper division to serve the growing requirements of its customers. As a result of this installation we expect our volume of fine paper business to show an increase during the coming year although it is unlikely that full utilization of this additional capacity will be realized for some time to come.
- (b) An announcement was made several months ago of our intention to convert the Port Arthur mill of Provincial Paper, Limited to the trailing blade method for coating magazine and printing papers. This is a major undertaking involving the expenditure of an amount in excess of \$2,500,000. While construction was commenced in 1961, the major part of this program will be carried out in 1962. Developments in recent years in paper coating techniques have demonstrated conclusively that a superior product can be obtained by the trailing blade method. We have been experimenting with this method for several years and can now ensure that Canadian publishers and printers will be furnished with top quality coated papers for use in magazines and related fields. Trailing blade coated papers from this mill will be available to the trade in the second half of 1962.
- (c) At Beaupré, Quebec, we installed modern bark handling and burning equipment to overcome a bark disposal problem and to obtain maximum utilization from raw material that would otherwise be wasted.
- (d) The major undertaking at Alpena during 1961 was the installation of an additional boiler, made necessary by increasing demands for the products of the mill and to improve the efficiency of bark and waste disposal.
- (e) Replacements and improvements were made throughout the Company in screening, refining, agitating, processing and finishing equipment, all with the objective of ensuring that the products from our mills are equal or superior in quality to the best produced elsewhere in the industry.
- (f) Paper machine improvements were made at a number of our divisions including Iroquois Falls, Thunder Bay and Beaupré.

### FORESTRY

Outlays during 1961 for mechanical equip-



## CAPITAL EXPENDITURES AND DEPRECIATION PROPERTIES, PLANT AND EQUIPMENT



ment, access roads, river improvements, etc. in our timber areas amounted to \$594,279, a considerable reduction from 1960. Production programs were curtailed somewhat in the past season to effect a reduction in pulpwood inventories. There have been far reaching changes in recent years in production and delivery methods throughout our woodlands operations and we expect this evolution will continue in the years to come.

While losses of valuable forest stands by destructive fires were very serious indeed in the Canadian provinces where we hold limits, we were extremely fortunate during 1961 in that damage from fires in our concession areas was not at all substantial.

### RESEARCH AND DEVELOPMENT

Fifteen years have now passed since the decision was taken to establish a research division to pursue the search for basic knowledge of all kinds relating to the conversion of cellulose raw materials into saleable products such as pulps, papers, building boards, etc.

In the intervening years we have acquired a depth of knowledge concerning cellulose materials, species utilization, waste recovery, pulping processes, paper characteristics and in all fields connected with the manufacture of paper. A very considerable part of our research has

been of a pioneering nature. The Research Division has had an important influence on our processing and manufacturing methods and a number of its developments have been patented.

Our expansion and diversification in the board field is a direct result of the knowledge acquired through pioneering research.

### BOARD OF DIRECTORS

No review of 1961 activities would be complete unless it included a well deserved tribute to three former directors who contributed greatly to the Company's progress since 1946.

Your Directors were saddened by the sudden death in May 1961 of Edward W. Bickle who had been a Director for fifteen years. No single director made a more valuable contribution to the Company's advancement during this period of time.

During 1961 we reluctantly accepted resignations from Hon. Edouard Asselin, Q.C., and William H. Smith as directors of the Company.

Mr. Asselin served as a director for more than thirteen years prior to his retirement. His counsel on many matters was particularly valuable.

Mr. Smith joined the Abitibi organization in 1914 and his service was continuous from that time. He was made a Vice-President and Director in 1946. Because of his exceptionally

long record of service and the high regard in which he is held by his fellow directors and associates in the Company, he was elected an Honorary Director when he decided that he could no longer actively serve the Company whose affairs had occupied so much of his time for more than forty-six years.

Additions to the Board of Directors during 1961 were Roy H. Thomson, who was elected at the Annual General Meeting in April, and C. Antoine Geoffrion and Paul E. Roberts who were appointed to the Board in the interval since the last Annual General Meeting.

#### OFFICERS

There have been a number of changes in executive officer personnel during the past year.

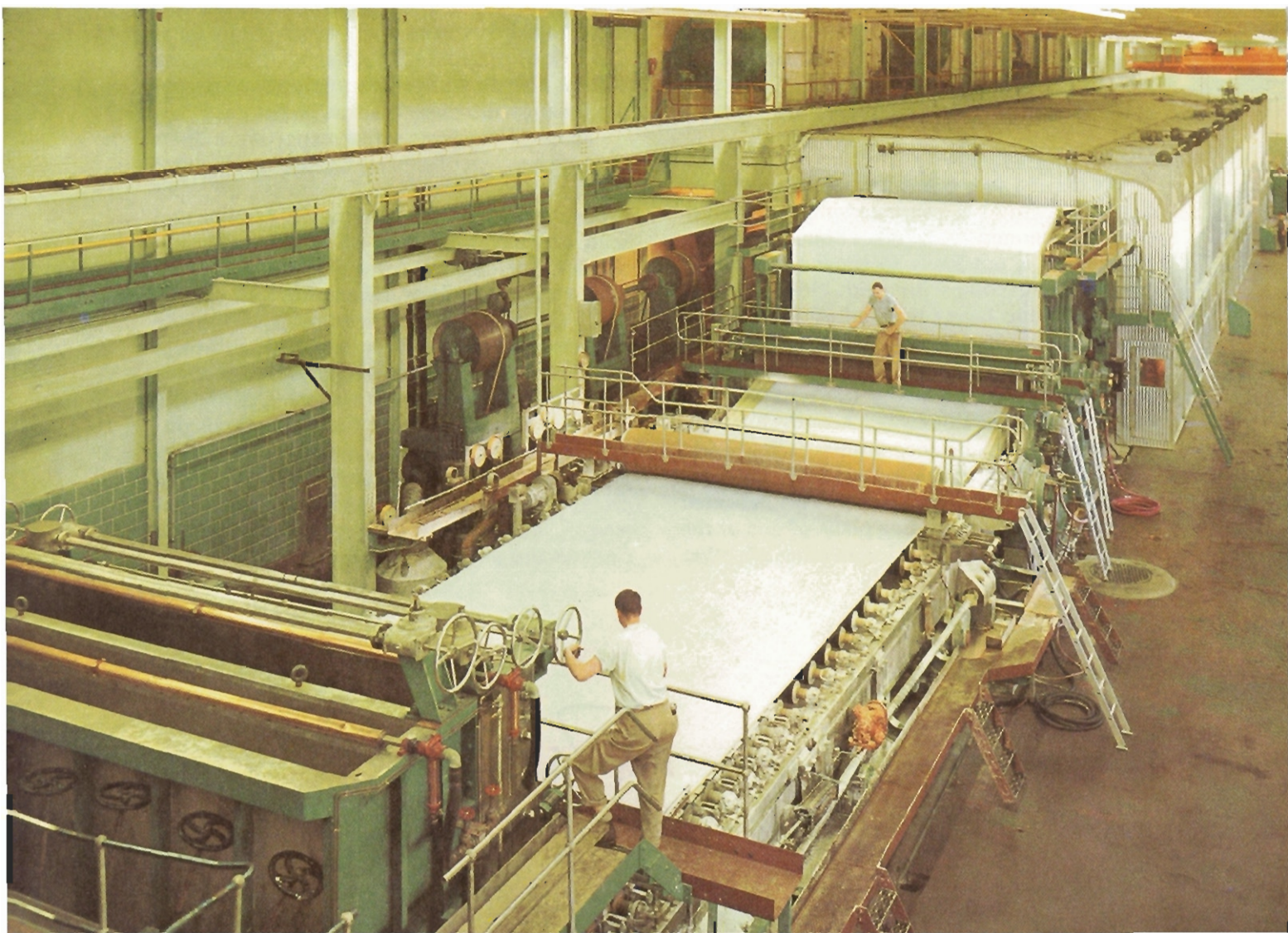
In July 1961 Robert J. Askin, a Vice-Presi-

dent since 1950 and Executive Vice-President since 1959 died suddenly. Mr. Askin, a man of unusual energy and ability, served Abitibi in many capacities for more than forty years. His experience and thorough understanding of Abitibi affairs was of great value to his associates and close friends throughout the Company.

Appointments during 1961 to the rank of Vice-President were Robert E. E. Costello (Development, Engineering and Services), C. Harry Rosier (Board Products) and J. Elliot Cottrelle.

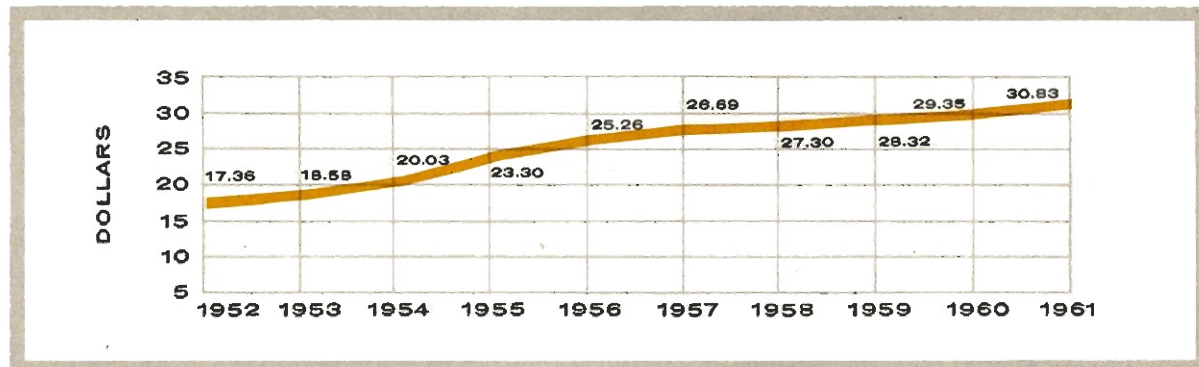
#### EMPLOYEE RELATIONS

It is well known that the relationship between the Company and its employees is one of mutual regard and respect, and the record of the past many, many years bears witness that this is so.





## COMMON STOCK EQUITY PER SHARE



As younger men come to the Company and rise in due course to positions of trust and responsibility, there continues to be evidenced the spirit of mutual respect which is the hall-mark of the Company.

The Directors take this opportunity to extend well deserved thanks to all members of the Abitibi team for their interest and efforts which made further progress possible during 1961.

### OUTLOOK

As the new year opens it would seem that we can look forward to continued improvement in general economic conditions although business momentum is not likely to show a substantial acceleration in comparison with 1961. There are many problems facing this and other industries and economic conditions in 1962 will be influenced by the manner in which governments, industrial leaders and labour leaders face up to and solve the difficulties which are now foreseen.

One of the major uncertainties facing world trade stems from Britain's proposed entry into the European Common Market. This indicated major change in the trading plans of one of the great powers of the world is causing all other

nations to review their positions and decide on the best course to pursue if Britain's entry is successfully negotiated. The pulp and paper industry of Canada may be affected to some extent if Britain enters the Common Market but it is to be hoped that Britain will be allowed a duty-free newsprint quota so that Canadian producers will be able to compete in the market on approximately the same basis as in the past.

Most of the large paper exporting nations have surplus manufacturing capacities somewhat similar to those existing in Canada and all paper exporting nations are striving to acquire and hold an increasing share of world trade. The outlook, therefore, is for a continuation of intense competition in world markets.

If the pulp and paper industry of Canada is to increase its prosperity in 1962 it must meet world competition at existing price levels and it must keep its costs under control. Quality will continue to be a most important requirement.

We in Abitibi look forward to some improvement in volume of business in 1962 based on our quality of product and a conviction that we can compete with other producers, both in Canada and abroad.

On behalf of the Board,

Toronto, February 1, 1962.

President

## CONSOLIDATED EARNINGS

	Year Ended December 31	
	1961	1960
Net sales.....	\$147,587,462	\$146,339,604
Cost of products sold and all expenses except items shown below..	107,399,941	108,519,352
	<u>\$ 40,187,521</u>	<u>\$ 37,820,252</u>
Interest and other income.....	707,628	1,017,954
	<u>\$ 40,895,149</u>	<u>\$ 38,838,206</u>
Provision for depreciation.....	\$ 9,275,166	\$ 9,356,819
Provision for depletion.....	75,000	120,000
Employees' retirement income plan.....	1,399,962	1,385,263
Interest on funded debt.....	1,828,793	1,869,249
Discount and expense on funded debt.....	48,592	40,587
	<u>\$ 12,627,513</u>	<u>\$ 12,771,918</u>
Earnings before taxes on income.....	\$ 28,267,636	\$ 26,066,288
Taxes on income.....	14,557,000	13,800,000
	<u>14,557,000</u>	<u>13,800,000</u>
Net earnings.....	<u>\$ 13,710,636</u>	<u>\$ 12,266,288</u>

## CONSOLIDATED EARNED SURPLUS

	Year Ended December 31	
	1961	1960
Earned Surplus at beginning of year.....	\$ 85,700,741	\$ 81,427,772
Net earnings for the year.....	13,710,636	12,266,288
Transfer of amount previously carried as a general reserve against accounts receivable.....	—	879,181
	<u>\$ 99,411,377</u>	<u>\$ 94,573,241</u>
Dividends on preferred shares.....	\$ 453,504	\$ 471,199
Dividends on common shares.....	7,077,577	7,077,579
(being the dividends paid on April 1st, July 1st, October 1st and payable January 1st)		
Excess of cost of investment in subsidiary company over the value of its net tangible assets.....	—	1,323,722
	<u>\$ 7,531,081</u>	<u>\$ 8,872,500</u>
Earned Surplus at end of year.....	<u>\$ 91,880,296</u>	<u>\$ 85,700,741</u>

*Abitibi Power & Paper Company, Limited and subsidiary companies*



## CONSOLIDATED BALANCE SHEET

### ASSETS

	December 31	
	1961	1960
<b>CURRENT ASSETS:</b>		
Cash.....	\$ 6,200,437	\$ 4,428,435
Short term investments, at cost, which is approximate market value.....	5,799,017	2,936,212
Accounts receivable, less allowance of \$129,482 (\$92,625 in 1960).....	20,498,108	19,911,516
Inventories of pulpwood, supplies and products at cost, and expenditures on current logging operations.....	29,703,285	33,041,247
Prepaid insurance and other expenses.....	907,121	774,097
	<u>\$ 63,107,968</u>	<u>\$ 61,091,507</u>
 <b>CAPITAL ASSETS:</b>		
Properties, plant and equipment—at gross physical values as at April 30, 1946 (as reported by Coverdale & Colpitts, Consulting Engineers) plus subsequent additions at cost.....	\$245,425,926	\$236,434,321
Less—Accumulated depreciation.....	134,974,406	126,372,258
	<u>\$110,451,520</u>	<u>\$110,062,063</u>
Logging equipment and development, at amortized cost.....	2,082,735	2,443,057
Woodlands, both freehold and leasehold, and water power rights, less accumulated depletion of \$4,874,846 (\$4,799,846 in 1960).....	16,451,337	16,525,407
	<u>\$128,985,592</u>	<u>\$129,030,527</u>
 <b>OTHER ASSETS:</b>		
Unamortized bond discount and expense.....	\$ 202,964	\$ 251,556
Miscellaneous investments and other assets.....	5,441,431	4,461,488
	<u>\$ 5,644,395</u>	<u>\$ 4,713,044</u>
 <b>APPROVED ON BEHALF OF THE BOARD:</b>		
D. W. AMBRIDGE, <i>Director</i>		
P. E. ROBERTS, <i>Director</i>		
	<u>\$197,737,955</u>	<u>\$194,835,078</u>

## *LIABILITIES*

	December 31	
	1961	1960
<b>CURRENT LIABILITIES:</b>		
Accounts payable.....	\$ 11,402,701	\$ 11,934,729
Dividends payable January 1st.....	1,881,412	1,885,034
Interest accrued on funded debt.....	468,420	491,860
Income and other taxes.....	8,059,006	8,102,944
Payments on funded debt due within one year.....	253,000	99,000
	\$ 22,064,539	\$ 22,513,567
 <b>FUNDED DEBT (Note 2):</b>		
3½% First Mortgage Twenty-Year (Sinking Fund) Bonds, Series "A", maturing April 1, 1967.....	\$ 4,497,500	\$ 6,407,000
4 % First Mortgage Sinking Fund Bonds, Series "B", maturing July 15, 1974...	8,565,500	8,890,500
6¼% First Mortgage Sinking Fund Bonds, Series "C", maturing November 15, 1977.....	9,600,000	9,699,000
4½% Convertible Debentures, Series "A", maturing September 15, 1966.....	15,000,000	15,000,000
	\$ 37,663,000	\$ 39,996,500
Less—Amount included with current liabilities.....	253,000	99,000
	\$ 37,410,000	\$ 39,897,500
Total Liabilities.....	\$ 59,474,539	\$ 62,411,067

## *SHAREHOLDERS' EQUITY*

### **PREFERRED SHARES:**

Authorized: 1,000,000 shares par value \$25 each issuable in series (550,000 shares issued; 153,663 shares redeemed and cancelled—Note 3)

Outstanding: 396,337 4½% Cumulative Redeemable Preferred Shares  
(409,943 shares in 1960).....

\$ 9,908,425    \$ 10,248,575

### **COMMON SHARES:**

Authorized: 6,000,000 shares without nominal or par value (Note 4)

Issued: 4,163,218 shares.....

36,474,695    36,474,695

**EARNED SURPLUS.....**

91,880,296    85,700,741

\$138,263,416    \$132,424,011

\$197,737,955    \$194,835,078



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Transactions in other currencies are restated in Canadian dollars at exchange rates in effect when the transactions took place with the exception that current balances are restated at exchange rates in effect at the close of business on December 31st.
2. In accordance with terms of the Trust Deed securing the outstanding First Mortgage Bonds, the company may not issue further First Mortgage Bonds until all Series "A" Bonds have been retired or the holders thereof have consented. Subject to this and other provisions of the Trust Deed, the aggregate amount of First Mortgage Bonds outstanding at any one time may be increased to \$100,000,000.  
  
Convertible Debentures may be converted at the option of the holders into common shares at the rate of 21 shares per \$1,000 debenture on or before September 15, 1963; thereafter and prior to September 15, 1966 at the rate of 20 shares.
3. A preferred shares retirement fund is set aside by annual appropriation for the purchase of shares in the market. Purchases have been made in anticipation of the 1962 requirement leaving a balance not exceeding \$247,083 to be set aside on or before April 30, 1962.
4. Of the authorized and unissued common shares, 315,000 shares are reserved for possible conversion of Debentures and 50,000 shares are reserved under a Key Employees' Stock Option Plan adopted in 1959. In accordance with this plan there were 34,467 shares under option at December 31, 1961 at \$38 per share being the market value at date of grant. These options may be exercised in annual installments following fulfillment of service obligations and are for terms not in excess of ten years.
5. Amortization of logging equipment and development in 1961 amounted to \$939,307.
6. For the year 1961 fees of directors not holding salaried positions amounted to \$28,300; counsel and solicitors' fees, salaries and fees of executive officers and directors holding salaried positions amounted to \$500,913.

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## AUDITORS' REPORT

To the Shareholders of  
ABITIBI POWER & PAPER COMPANY, LIMITED:

We have examined the consolidated balance sheet of Abitibi Power & Paper Company, Limited and subsidiary companies as at December 31, 1961 and the statements of consolidated earnings and consolidated earned surplus for the year then ended and have obtained all the information and explanations we have required. 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, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the accompanying consolidated balance sheet and statements of consolidated earnings and consolidated earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1961 and the result of operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.  
Chartered Accountants.

Toronto, February 1, 1962



## SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS:	1961	1960
Net earnings.....	\$13,710,636	\$12,266,288
Non-cash charges for depreciation and depletion deducted in arriving at net earnings.....	9,350,166	9,476,819
Amortization of logging equipment and development.....	939,307	986,728
Cash flow from operations.....	\$24,000,109	\$22,729,835
Disposal of capital assets.....	78,819	337,889
	<u>\$24,078,928</u>	<u>\$23,067,724</u>
APPLICATION OF FUNDS:		
Invested in properties, plant and equipment.....	\$ 9,729,078	\$10,340,956
Expenditures on logging equipment and development.....	594,279	1,666,438
Investment in Pembroke Shook Mills, Limited net of working capital acquired.....	—	3,414,372
Reduction in funded debt.....	2,487,500	734,500
Preferred shares retirement fund.....	330,656	551,162
Dividends on preferred shares.....	453,504	471,199
Dividends on common shares.....	7,077,577	7,077,579
Other items—net.....	940,845	871,709
	<u>\$21,613,439</u>	<u>\$25,127,915</u>
RESULTING IN AN INCREASE OR (DECREASE) IN WORKING CAPITAL OF.....	\$ 2,465,489	\$(2,060,191)
WORKING CAPITAL AT BEGINNING OF YEAR.....	38,577,940	39,758,950
Transfer to surplus of amount previously carried as a general reserve against accounts receivable.....	—	879,181
WORKING CAPITAL AT END OF YEAR.....	<u>\$41,043,429</u>	<u>\$38,577,940</u>

*Abitibi Power & Paper Company, Limited and subsidiary companies*

## TEN YEAR REVIEW

	1961	1960	1959
<b>SALES AND EARNINGS</b>			
Net sales.....	\$147,587,462	\$146,339,604	\$133,813,074
Depreciation and depletion.....	9,350,166	9,476,819	8,928,695
Interest on funded debt.....	1,828,793	1,869,249	2,008,936
Earnings before taxes on income.....	28,267,636	26,066,288	24,525,544
Taxes on income.....	14,557,000	13,800,000	12,700,000
Net earnings.....	13,710,636	12,266,288	11,825,544
Net earnings per common share.....	\$3.18	\$2.83	\$2.72
<b>DIVIDEND RECORD</b>			
On preferred shares.....	\$ 453,504	\$ 471,199	\$ 507,803
On common shares.....	7,077,577	7,077,579	7,077,579
Declared per common share.....	\$1.70	\$1.70	\$1.70
<b>CAPITAL EXPENDITURES</b>			
On properties, plant and equipment.....	\$ 9,729,078	\$ 10,340,956	\$ 7,105,455
On timber limits.....	—	—	—
<b>FINANCIAL POSITION</b>			
Current assets.....	\$ 63,107,968	\$ 61,091,507	\$ 60,070,996
Current liabilities.....	22,064,539	22,513,567	20,312,046
Working capital.....	41,043,429	38,577,940	39,758,950
Capital assets, at net book values.....	128,985,592	129,030,527	126,113,480
Investments and other assets.....	5,644,395	4,713,044	3,498,462
Funded debt and non-current liabilities.....	37,410,000	39,897,500	40,632,000
Appropriation reserves.....	—	—	—
Total equity of shareholders.....	138,263,416	132,424,011	128,738,892
<b>EQUITY OF SHAREHOLDERS</b>			
Equity of preferred shareholders.....	\$ 9,908,425	\$ 10,248,575	\$ 10,836,425
Equity of common shareholders.....	128,354,991	122,175,436	117,902,467
Outstanding common shares.....	4,163,218	4,163,218	4,163,218
Equity per common share.....	\$30.83	\$29.35	\$28.32



*Abitibi Power & Paper Company, Limited and subsidiary companies*

1958	1957	1956	1955	1954	1953	1952
\$123,385,542	\$128,198,755	\$132,497,683	\$123,173,281	\$113,997,836	\$109,768,039	\$107,381,890
8,292,119	7,467,568	7,752,873	7,132,899	6,793,698	6,532,298	6,419,055
2,083,546	1,652,016	1,214,552	1,137,654	1,417,564	1,399,178	1,502,159
20,127,382	25,552,283	31,012,827	28,506,026	23,028,901	21,429,152	21,369,759
10,470,000	13,050,000	15,589,000	14,570,000	12,403,000	11,385,000	12,272,000
9,657,382	12,502,283	15,423,827	13,936,026	10,625,901	10,044,152	9,097,759
\$2.19	\$2.86	\$3.56	\$3.20	\$2.49	\$2.27	\$2.02
<hr/>						
\$ 547,796	\$ 578,441	\$ 605,360	\$ 618,825	\$ 1,176,955	\$ 1,575,624	\$ 1,575,624
7,077,582	7,077,580	6,661,252	5,618,967	4,487,561	3,911,336	3,725,082
\$1.70	\$1.70	\$1.60	\$1.35	\$1.20	\$1.05	\$1.00
<hr/>						
\$ 10,423,905	\$ 25,194,262	\$ 19,165,594	\$ 9,634,629	\$ 7,246,492	\$ 4,539,643	\$ 4,776,602
14,344	53,508	466,299	510,021	—	—	—
<hr/>						
\$ 57,714,700	\$ 62,169,246	\$ 74,057,870	\$ 64,339,974	\$ 60,337,294	\$ 49,454,071	\$ 47,809,617
17,317,852	20,557,436	25,801,233	23,532,028	21,238,097	18,256,392	18,933,172
40,396,848	41,611,810	48,256,637	40,807,946	39,099,197	31,197,679	28,876,445
127,995,218	126,082,118	106,504,498	94,909,259	92,321,519	91,999,647	94,253,791
2,547,639	3,964,105	4,096,523	4,089,988	4,175,621	12,103,461	10,830,859
45,555,500	47,984,000	40,598,000	29,060,000	41,331,700	35,331,500	38,549,000
—	—	—	—	4,500,000	4,500,000	4,500,000
125,384,205	123,674,033	118,259,658	110,747,193	89,764,637	95,469,287	90,912,095
<hr/>						
\$ 11,721,900	\$ 12,552,000	\$ 13,105,250	\$ 13,750,000	\$ 13,750,000	\$ 26,260,400	\$ 26,260,400
113,662,305	111,122,033	105,154,408	96,997,193	76,014,637	69,208,887	64,651,695
4,163,218	4,163,218	4,163,218	4,163,218	3,794,400	3,725,082	3,725,082
\$27.30	\$26.69	\$25.26	\$23.30	\$20.03	\$18.58	\$17.36
<hr/>						

**NEWSPAPER  
READERSHIP  
RESEARCH  
UNDERWRITTEN  
BY ABITIBI  
AND FIVE OTHER  
NEWSPRINT  
PRODUCERS**

The Newsprint Information Committee, headquartered in New York City, is sponsored by a group of six Canadian newsprint companies who are convinced that their interests and those of newspaper publishers are inseparable. In addition to other activities, the Committee financed a newspaper readership study and the findings have now been released to United States and Canadian publishers, advertisers and advertising agencies.

The purpose of this project was to measure the full scope of the daily newspaper reading public. The reason for the Committee's sponsorship of newspaper readership research is well stated by Committee Chairman, D. W. Ambridge, who said, "It is to the interest of newsprint producers to work closely with their prime customer in helping to maintain and better newspapers' competitive position."

In a presentation at New York, an official of the American Newspaper Publishers Association said, "The companies which have underwritten this research have made an outstanding contribution to accurate measurement of the daily newspaper's full dimensions. Advertisers, agencies and newspapers will all benefit from this forward-looking effort."

Some interesting facts revealed by this study are:

At least one newspaper is bought and read daily in more than 43,000,000 United States homes.

In an additional 3,250,000 homes, one or more newspapers are read on a pass-along basis.

Average daily newspaper readership is 95% among the consumer elite and every reader in this group looks at 1.7 newspapers on a typical day.

The newspaper is not normally read in a single sitting. In fact, the typical reader picks up and looks into his paper 2.4 times each day.

Two-thirds of the readers report they go through the paper from the beginning, page by page; the remainder turn first to some particular item, feature, or section, and then return to the beginning.

41% of the total United States daily circulation comes from morning papers and 59% from afternoon papers.

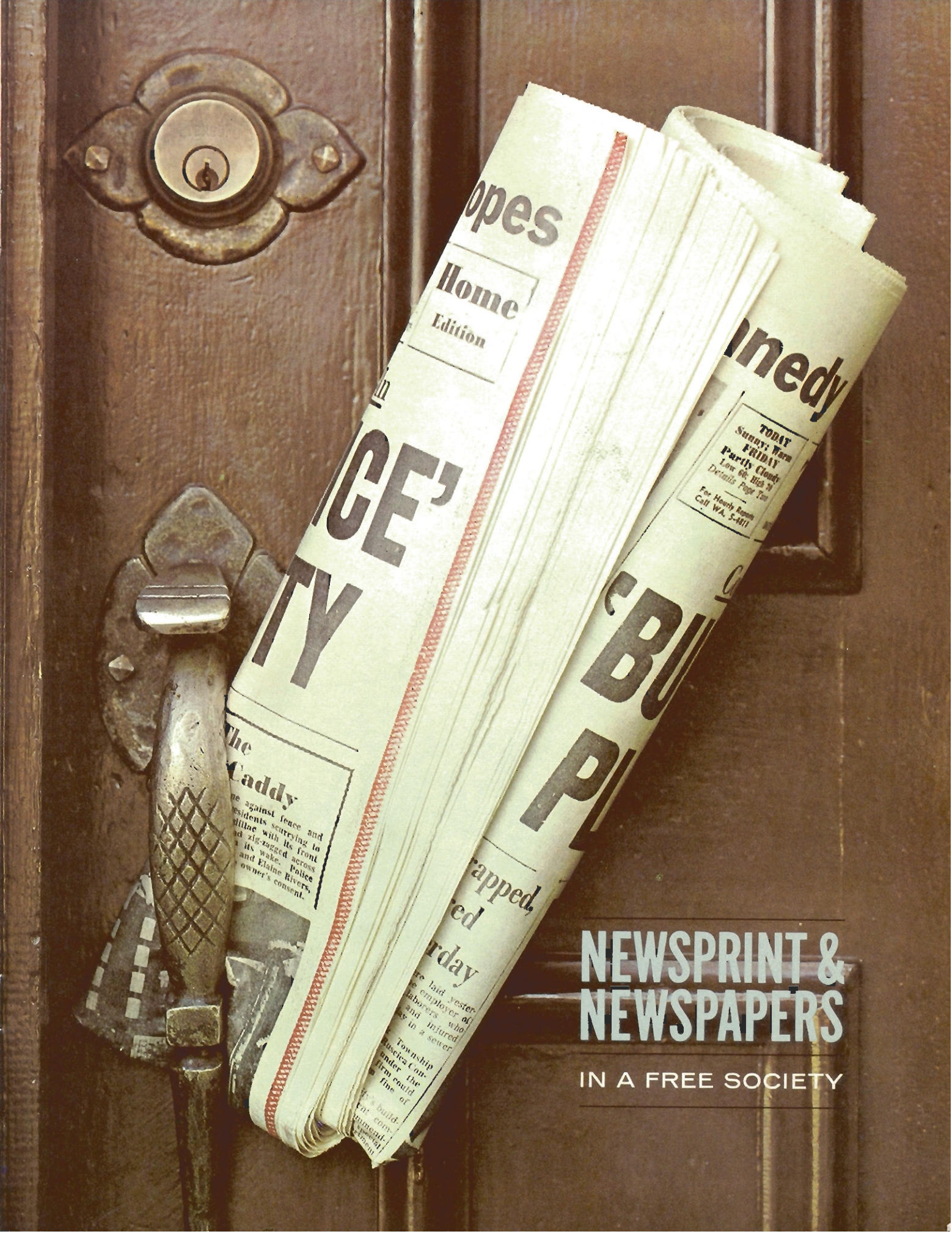
47% of the adult public regularly follow some particular writer, reporter or columnist.

Within three months prior to the survey, 53% of the readers clipped some item out of the newspaper.

23% of those questioned reported they had bought by mail or telephone some specific item advertised.

*Abitibi is a founding member of the Newsprint Information Committee and senior company executives have been prominent in the Committee's program planning.*





Hopes

Home Edition

Washington

Post

Today  
Sunny: Warm  
FRIDAY  
Partly Cloudy  
Low 66, High 70  
Details Page Two  
For Hourly Report  
Call WA. 5-4111

'Caddy'

one against fence and  
residents venturing to  
killac with its front  
and zig-zagged across  
its wake. Police  
and Elaine Rivers,  
owner's consent.

trapped,  
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to employer of  
laborers who  
and injured  
as in a sewer

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# NEWSPRINT & NEWSPAPERS

IN A FREE SOCIETY





At man's own door each day the convenience and reliability of the newspaper in our way of life are amply demonstrated. In the home the newspaper combines the qualities of a welcome guest and a necessary adjunct to the business of living.

A striking picture of the affection for the newspaper in the home emerges from the study sponsored by the Newsprint Information Committee, an organization supported by six Canadian

## THE NEWS OF THE WORLD

newsprint producers. This study was conducted under the supervision of the Bureau of Advertising of the American Newspaper Publishers' Association.

Newspaper publishers have many publics to serve and one measurement of their success is the fact that in the United States daily newspaper subscriptions and sales exceed the number of individual households by nearly five million. By comparison more than four million copies of Canadian daily newspapers are bought every day and, in nine out of ten cases, these newspapers are read in the home.

Reading the newspaper is an established habit in the everyday life of people and it is true that the newspaper's capacity of penetration surpasses every other medium of mass communication. In Canada, more copies of daily newspapers are sold every day than either packages of cigarettes, bottles of milk, or loaves of bread.

Notwithstanding the frequent consolidation of circulations through newspaper mergers in the last quarter century, and despite the impact of electronic communication media, newspapers remain the acknowledged leader in the field of public information.

The population of the United States in the last 25 years increased by 40 percent, while daily newspaper subscriptions and sales advanced by 52 percent. During the same period the Canadian population increased by 63 percent and daily newspaper subscriptions and sales by 76 percent, indicating that the continental circu-



lation trend is consistent.

Even after 12 years of television in the United States, total advertising in that medium is running at a dollar level which is less than half that of newspapers. The gains in newspaper advertising revenue over these 12 years have exceeded the total volume of all television in that period.

The estimated \$170-million dollars spent for Canadian daily newspaper advertising in 1960 was greater by

\$18-million dollars than the combined estimates for television and radio.

#### "We like to read"

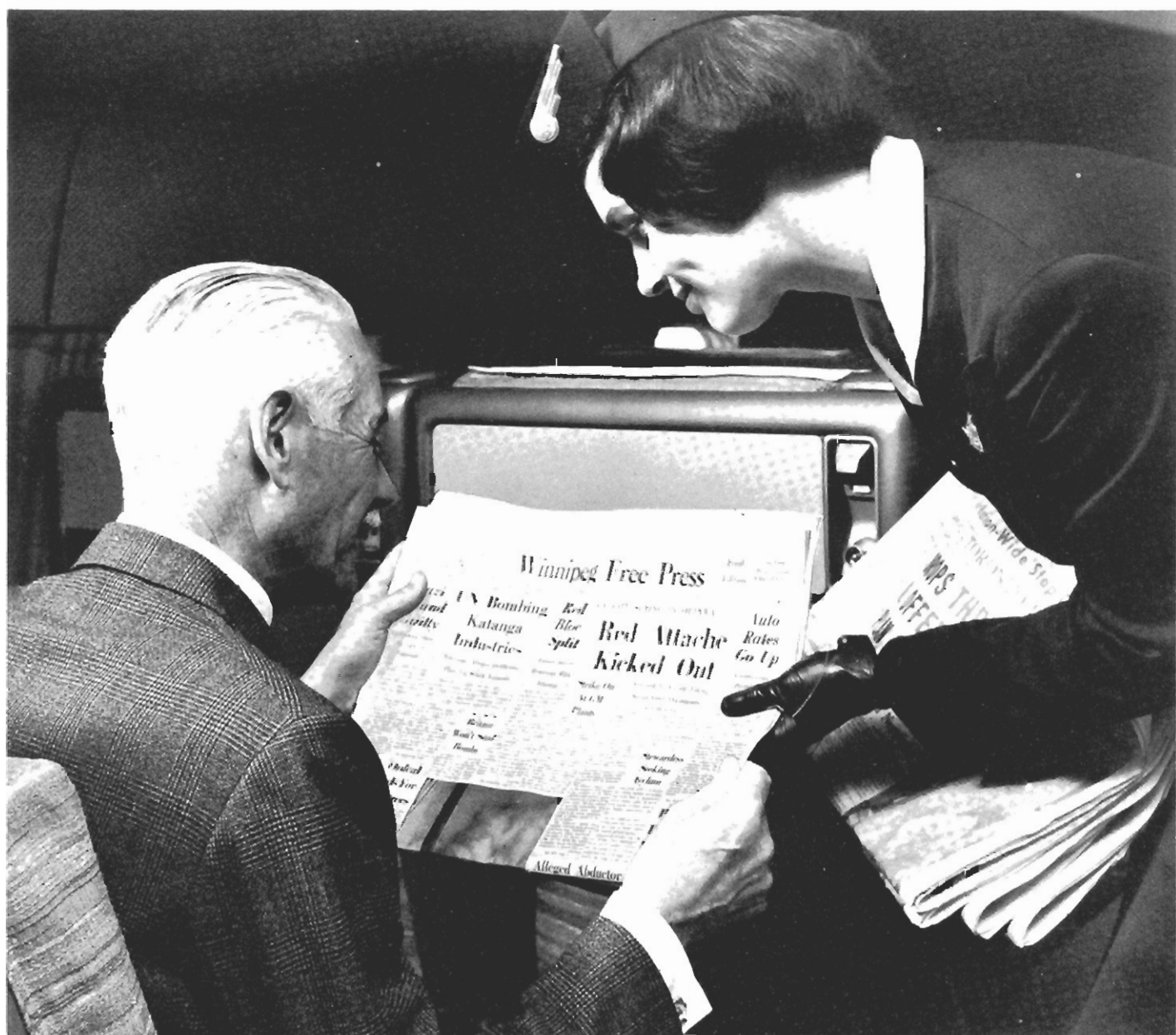
Most housewives—the greatest influence on the buying habits of 58,400,000 North American households—will go along with the survey findings "Even when we don't plan to buy, we like to read the ads."

There is no question that most people

like to read the ads. When somebody wants to buy a house, furniture or groceries, look for a job, sell a car, or find a long-lost relative, the newspaper is the primary medium of advertising. As Franklin Delano Roosevelt observed, without advertising, the standards to a better way of life could not have been raised in the first half of the 20th century.

Advertising has spread the knowledge of higher standards, promoted

## FROM A CITY CORNER...READ ACROSS THE NATION...IN JET LINERS...





IN THE FAVOURITE BARBER SHOP...FOR THE GUIDANCE OF ALERT YOUNG MINDS...





by the offering of new goods and services designed to contribute to a more convenient living.

These are practical considerations of the newspaper's importance in a civilized society but there are other aspects.

"The Voice of Today . . .  
The Herald of Tomorrow"

Many years ago, a well-known New York columnist wrote these words of the newspaper printing press . . . "The Voice of Today . . . The Herald of Tomorrow . . ." This expression neatly fits the newspaper giving faithful service to the institutions of democratic government.

- The newspaper is a durable commodity. Both the what and the why of the news can be read and digested at leisure.
- The newspaper is readily available, does not intrude and claims no "captive audience." It simply invites the reader's interest. The reading of

## IN RUSH HOUR CROWDS...

the newspaper is a wholly voluntary and selective act by the reader.

- The newspaper is the most widely-read example of the printed word, and for the printed word there is no substitute. For the person who would be well-informed on the news and background of events right around home and throughout the world, the reading of the newspaper is a must.
- Through the forum of the editorial page and by reader correspondence, the newspaper formulates public opinion.
- As a good servant in the conduct of public business, the newspaper has a long and distinguished history.

In the United States, freedom of the press was established in the 1791 amendments to the Constitution. In Canada it was reaffirmed in the Bill of







## AT THE COUNTRY MAIL BOXES...DURING THE NOONDAY LUNCH BREAK...

Rights enacted in 1960. There can be no abridgement of the right of discussion of affairs which affect the public interest. If the principle comes under examination from time to time by brilliant minds, it serves only to confirm its value to the democratic system of elective government, and the right of people to be informed.

**"Breath of life  
for parliamentary institutions"**

One of Canada's most illustrious jurists

defined the principle in twenty words. Rendering judgement in 1938 in the celebrated Alberta case in which the province sought to license newspapers, Sir Lyman Duff, then Chief Justice of Canada, said: "The practice of (this) right of free public discussion of public affairs . . . is the breath of life for parliamentary institutions."

In Great Britain, the Royal Commission on the Press said: "Democratic society . . . needs a clear and truthful account of events, of their background

and their causes, a forum for discussion and informed criticism, and a means whereby individuals and groups can express a point of view or advocate a cause."

The pervasive newspaper . . . in 1960 a Canadian government commission inquiring into newspaper operations in Vancouver, B.C. paid this tribute in its report: "The role of the press in our democratic society has been so long established and is so pervasive that it is often taken for granted . . . As far





## IN THE COMFORT OF THE HOME...NEWSPAPERS SERVE THE INTERESTS OF ALL...

ahead as we can see, the public will be heavily dependent on the press as its principal channel of communication."

### The role of newsprint

No less significant is the responsibility of inter-dependent services by the Canadian industry which supplies nearly half the world demand for newsprint.

In 1962, Canadian newsprint mills expect to increase production by 250,000 tons, to a total of seven million tons. Newsprint comes in giant rolls

each of which unravels a length of up to six miles.

While an eight-page standard newspaper may be small by North American standards, it is a fact that from seven million tons of Canadian newsprint there can be printed 112-billion newspapers of such a size. Putting this production into expansive terms of service to humanity, this number of newspapers would be enough to put a copy daily for well over a year into the quarter of a billion homes of the globe where

people can read. In a world which is far from being literate and torn by ideological conflict, the homely virtues of the newspaper become apparent.

By sound forest management and through the wonder combination of wood, water and chemicals, Abitibi for its part supplies from its six newsprint mills in Ontario, Quebec and Manitoba, quality newsprint necessary to the newspaper presses of a free society.



## COMPANIES AND PRODUCTS

### **ABITIBI POWER & PAPER COMPANY, LIMITED**

*Parent company with manufacturing operations in Ontario*

Executive offices - - - - - Toronto, Ont.

Newsprint - - - - - Iroquois Falls, Fort William  
and Port Arthur, Ont.

Newsprint and groundwood papers - Sault Ste. Marie, Ont.

Bleached sulphite pulp - - - Smooth Rock Falls, Ont.

Corrugating medium, hardboards and  
particle boards - - - - - Sturgeon Falls, Ont.

### **ABITIBI SALES COMPANY, LIMITED**

*Sales agent for newsprint, groundwood papers, bleached sulphite pulp, corrugating medium, hardboards and particle boards*

Sales offices - - - - - Toronto, Ont.; Montreal, Que.

Subsidiary company:

ABITIBI SERVICE, INC.

*Serving customers in the United States*

Offices - Dayton, Ohio; New York, N.Y.; Chicago, Ill.

### **ABITIBI CORPORATION**

*Manufacture and sale of hardboards and insulation boards in the United States*

Plant and executive office - - - - - Alpena, Mich.

Sales offices - - - - - Detroit, Mich.; Chicago, Ill.;  
New York, N.Y.

### **PROVINCIAL PAPER, LIMITED**

*Manufacture and sale of fine and printing papers*

Machine coated and groundwood papers - Port Arthur, Ont.

Printing, writing and specialty papers - - Thorold, Ont.

Coated printing and litho papers - - Georgetown, Ont.

Sales offices - - - - - Toronto, Ont.; Montreal, Que.  
and Winnipeg, Man.

### **MANITOBA PAPER COMPANY, LIMITED**

Manufacture of newsprint - - - - - Pine Falls, Man.

### **STE. ANNE PAPER COMPANY, LIMITED**

Manufacture of newsprint - - - - - Beupre, Que.

Subsidiary companies:

ST. ANNE POWER COMPANY

BAIE ST. PAUL LUMBER COMPANY LIMITED

conducting woodlands operations from - - Beupre, Que.

### **PEMBROKE SHOOK MILLS, LIMITED**

Manufacture and sale of

corrugated cartons - - - - - Pembroke, Ont.

### **OTHER SUBSIDIARY COMPANIES**

Abitibi Navigation Company Limited - - Toronto, Ont.

Mattagami Railroad Company - Smooth Rock Falls, Ont.

Geomont Explorations Limited - - - - - Toronto, Ont.

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*The paper grades used in this Annual Report are:*

*Cover—Paragon Brilliant Cover basis 25 x 38—280M; Inside pages—Paragon Brilliant basis 25 x 38—160M;*

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*the fine paper division of ABITIBI POWER & PAPER COMPANY, LIMITED*

*Lithographed in Canada*



