

THE CONSUMERS' GAS
COMPANY
OF TORONTO

NINETY-THIRD
ANNUAL REPORT

1941

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The Consumers' Gas Company
~ of Toronto ~
Ninety-Third Annual Report

Year ended 30th September, 1941

The Consumers' Gas Company of Toronto

BOARD OF DIRECTORS

President

A. L. BISHOP

President, The Coniagas Mines, Limited
Director, The Manufacturers Life Insurance Company
Director, The Consolidated Mining and Smelting Company of Canada, Limited

Vice-President

COLONEL J. F. MICHIE

President, Michie & Company
Vice-President, Imperial Bank of Canada
Vice-President, Confederation Life Association

Directors

F. G. OSLER

President, Canada Permanent Mortgage Corporation
Director, The Dominion Bank
Director, The Steel Company of Canada, Limited

M. R. GOODERHAM

President, Manufacturers Life Insurance Company
President, Alexandra Apartments Limited

HERBERT HORSFALL

President and Managing Director, Canada Wire and Cable Company, Limited
Vice-President, Lake St. John Power & Paper Company, Limited
Director, Imperial Bank of Canada

His Worship the Mayor of Toronto

FRED. J. CONBOY, D.D.S.

C. S. MACDONALD

President, Confederation Life Association
Director, Barclays Bank (Canada)
Director, Toronto General Trusts Corporation

W. C. LAIDLAW

President, R. Laidlaw Lumber Company, Limited
Director, Imperial Bank of Canada
Director, Canada and Dominion Sugar Company, Limited

F. S. CORRIGAN

Vice-President and General Manager, General Steel Wares Limited
Director, North American Life Assurance Company
Director, Canada Permanent Mortgage Corporation

EDWARD J. TUCKER

General Manager and Secretary,
The Consumers' Gas Company of Toronto

Ninety-Third Annual Report of the Directors of The Consumers' Gas Company of Toronto

TO THE SHAREHOLDERS:

Your Directors present herewith the Ninety-third Annual Report of the operations of the Company, together with the Financial Statements for the year ended September 30th, 1941.

Having regard to the sharp increases which have taken place in the cost of gas coal, in wages paid for labour, and in taxation; and to the difficulty of carrying on business against a background of changing conditions, the financial results shown cannot be regarded as other than satisfactory.

The revenue, expenses and operating results are summarized as follows:—

Gross Earnings.....	\$7,575,864.60
Operating Expenses and Taxes.....	5,540,088.73
Net Earnings.....	\$2,035,775.87
Interest Earnings.....	78,657.98
Transferred from Reserve Fund....	241,458.57
	<hr/>
	\$2,355,892.42
Dividends.....	\$1,237,192.00
Transferred to Plant and Buildings Renewal Fund.....	1,118,700.42
	<hr/>
	<u>\$2,355,892.42</u>

The revenue from gas sales amounted to \$5,536,848, an increase of \$251,061, over the sales of last year. The sales of gas for domestic purposes were well maintained, while the demand for gas for industrial use was greater than in any previous year in the history of the Company.

The Sales Departments of the Company have continued to direct their efforts towards stimulating the use of gas for domestic and industrial purposes. The Home Service Department, through its activities, has supplemented these efforts with gratifying results. The revenue from the sale of gas appliances amounted to \$349,400, an increase of \$59,307, or 20 per cent. over last year.

Operating expenses, including taxes, amounted to \$5,540,088, as compared with \$5,333,324, in 1940, an increase of \$206,764.

The cost of gas coal was further increased on April 1st last as a consequence of granting higher wage scales to workers at the mines. The establishment by the United States Government of guaranteed minimum prices for coal; the high rate of exchange payable on remittances to the United States which has prevailed since the beginning of the war; the imposition by the Dominion Government of an exchange tax of 10 per cent. on imports; and the increase in miners' wages, have all combined to increase the annual cost of coal laid down at the Works by \$260,000, over the cost of two years ago.

The cost of exchange on remittances to the United States during the year was \$125,434.

Payrolls and salaries for the year amounted to \$1,841,084.

Agreement has been reached with the staffs of the Manufacturing and Distribution Departments as to

wages, working conditions, and the payment of the Cost-of-Living Bonus as provided by the terms of the Government Order-in-Council No. 7440. The various office staffs have also been granted bonuses to compensate them for increases in the cost of living.

The Company is proud to report that ninety members of its staff are now serving in the Canadian Active Service Forces. These men have been assured of re-employment upon their return to civil life.

Direct taxes applicable to the year's operations, which include Municipal property taxes, Dominion Income and Excess Profits Taxes, and Ontario Corporations Tax, amounted to \$771,968, an increase over 1940 of \$125,470. Comparable figures for past years are as follows:

1941	\$771,968
1931	\$486,157
1921	\$304,147

It will be appreciated that taxes levied against the Company constitute a direct charge against the consumers of gas, being included in their accounts for service. From every dollar received from the sale of gas in 1941, the taxing authorities collected an amount of 13.94 cents. The corresponding figures for 1931 and 1921 were 8.3 cents and 5.2 cents respectively.

All the properties of the Company have been maintained in good physical condition and up to a high standard of operating efficiency. The expenditures during the year for repairs and renewals amounted to \$474,325.

Early in the year the Directors decided, for reasons set forth in a letter mailed to Shareholders on March 10th,

to discontinue for the present the payment of the maximum dividend of 10 per cent., and for the quarter ending March 31st, as well as for subsequent quarters in the year, declared a dividend at the rate of 8 per cent. per annum on the par value of the paid-up Capital Stock.

The Directors regret to record the death on August 26th, of their honoured colleague Brig.-General C. H. Mitchell, C.B., C.M.G., D.S.O., who during the three years he was a member of the Board, gave freely of his talents in the direction of the Company's affairs.

Mr. A. R. Auld, a Director of the Company from September 15th, 1924, found it necessary on September 30th last, owing to his advanced age, to tender his resignation as a Director. Mr. Auld had at all times rendered valuable services to the Company, and the Directors regret very much his retirement.

The vacancies on the Directorate were filled by the election to the Board of Mr. Herbert Horsfall, M.E., and Mr. Frederick S. Corrigan.

All of which is respectfully submitted,

A. L. BISHOP,
President.

The Consumers' Gas Company *of* Toronto

Statement of Income

For Year ended September 30th, 1941

GROSS OPERATING REVENUE:	
Gas Sales.....	\$5,536,848.17
Residuals Produced.....	1,678,039.06
Merchandise Sold.....	349,400.77
Miscellaneous Revenue.....	11,576.60
	\$7,575,864.60
Production, Distribution and Administration Expenses and Taxes.....	5,540,088.73
NET OPERATING INCOME.....	2,035,775.87
INTEREST EARNINGS NET.....	78,657.98
TOTAL NET INCOME before provision for Plant and Buildings Renewal Fund.....	2,114,433.85
Dividends on Capital Stock.....	1,237,192.00
	\$877,241.85
Transferred from Reserve Fund.....	241,458.57
	\$1,118,700.42
Transferred to Plant and Buildings Renewal Fund	\$1,118,700.42

The Consumers' Gas Company of Toronto

Balance Sheet

September 30th, 1941

LIABILITIES

ASSETS

Capital Stock.....	\$14,555,200.00
Reserve Fund.....	4,713,961.63
Plant and Buildings Renewal Fund:	
Amount at Credit October 1, 1940. \$7,102,745.87	
Less Repairs and Renewals..... 474,325.14	
	\$6,628,420.73
Appropriation Authorized by Statute..... 1,118,700.42	
	7,747,121.15
Reserved for Dividend No. 366.....	291,104.00
Provision for Exchange and Dominion and Ontario Government Taxation.....	380,169.43
Accounts Payable.....	601,460.58
	\$28,289,016.79

Real Estate, Plant and Equipment.....	\$23,256,022.52
Investment in Dominion of Canada and Province of Ontario Bonds (At Cost).....	1,984,579.12
Materials and Supplies.....	1,690,467.17
Cash in Bank and Offices.....	121,807.78
Accounts Receivable, after making provision for Doubtful Accounts.....	1,096,279.99
Interest Accrued, not due.....	34,039.59
Prepaid Taxes and Insurance.....	105,820.62
	\$28,289,016.79

Approved on behalf of the Board of Directors

(Signed) A. L. BISHOP,
President.

(Signed) EDWARD J. TUCKER,
Director and General Manager.

We have audited the accounts of The Consumers' Gas Company of Toronto for the year ended 30th September, 1941, and in the conduct of the work have received all of the information and explanations we have required.

We report that, in our opinion, the above balance sheet fairly represents, in accordance with accepted principles of accounting appropriately applied and consistently maintained, the financial position of the Company at 30th September, 1941, according to the best of our information and as shown by the books of the Company.

GUNN, ROBERTS & COMPANY,
Chartered Accountants

TORONTO, NOVEMBER 7th, 1941.

Proceedings *of the* Ninety-Third Annual Meeting

The Ninety-third Annual General Meeting of the Shareholders of The Consumers' Gas Company of Toronto, was held at the Company's Auditorium, 55 Adelaide Street East, on Monday, November 17th, 1941, at noon.

Present: G. R. Anderson, A. M. Bethune, A. L. Bishop, Walter Collins, F. S. Corrigan, F. W. Coyne, J. E. Davies, R. H. Eldon, Miss S. Forster, Walter Gillespie, M. R. Gooderham, S. G. Green, Lt.-Col. W. D. Greer, Edmund Gunn, Mrs. Mary Hadfield, F. A. Harrison, Wm. C. Herriman, George Johnston (Duggan Ave.), George Johnston (Gladstone Ave.), R. L. J. Jones, Major E. R. M. Kirkpatrick, W. C. Laidlaw, Mrs. Emma Lamont, F. G. Logan, B. S. Long, R. D. Lundy, C. S. Macdonald, Miss I. J. Macdougall, R. J. Maclennan, A. C. McCollum, Col. J. F. Michie, J. P. Milnes, Frank Morison, W. P. Morse, Jas. Nicholson, W. M. Oliver, F. G. Osler, Mrs. Mildred V. Parker, J. P. Patterson, W. Philpot, A. K. Pringle, A. M. Robinson, T. F. R. Struthers, Miss Bella B. Struthers, Mrs. Margaret Tomblin, E. J. Tucker, Mrs. Elizabeth Vanstone, J. D. von Maur, Joseph Walmsley, John L. Walton, A. M. G. Wickens.

The President, Mr. A. L. Bishop, was called to the Chair.

The General Manager, Mr. Edward J. Tucker, presented the Annual Report of the Directors and the

Financial Statements, and reviewed the items appearing in the Income Account and Balance Sheet.

In moving the adoption of the Annual Report of the Directors, the President, Mr. A. L. Bishop, said:

Another eventful year has passed and notwithstanding the unusual conditions which have existed as a result of the war, we are able to record satisfactory progress in all important branches of the Company's operations.

During the year the Directors had many difficult problems to consider, for not only has the Company been faced with sharply rising costs and taxes, but operations had to be carried on under all the burdens which a country at war must necessarily impose upon its industrial concerns.

We have added to the Plant and Buildings Renewal Fund an amount of \$644,375, but to do this it was necessary for us to draw upon the Reserve Fund for an amount of \$241,458. The net addition to our funds was, therefore, \$402,917.

The improvement in revenue from gas sales noted in the report is due in part to the demands of industrial establishments engaged in the production of materials of war.

The Company has considerable reserve gas manufacturing capacity, and, therefore, is in a favourable position to meet any extraordinary demand which might arise on account of any acceleration in the rate of war production, without having to incur large capital expenditures for new plant.

The sale of gas for domestic purposes has been well maintained this year. Recent growth in the number of

gas house heating units installed should result in a further increase in the number of these installations. Experience has proved that when gas house heating equipment has been installed in a home there has followed a greater use of gas for other domestic purposes.

There has been a substantial increase in the number of modern gas appliances sold. It is very important to the Company's business that old and obsolete gas appliances should be replaced by new and efficient ones. However, to enforce the Country's prior claim to the available metals of construction, the Government has deemed it expedient to discourage the manufacture of domestic gas appliances by placing an excise tax of 25 per cent. on gas stoves, heaters, water-heaters and refrigerators. To conserve foreign exchange, the Government has prohibited the importation of all gas apparatus designed for cooking or for heating buildings, as well as refrigerators and air-conditioning units. In a further effort to reduce the purchase of household equipment the Government has instituted regulations designed to discourage instalment buying.

These governmental regulations will without doubt result in a definite curtailment of the number of appliances available for sale. However, stocks on hand, together with deliveries we expect to receive, will substantially meet our requirements for another year.

In this matter, as well as in any other matter affecting the conduct of the war, it is our intention to co-operate with the Government. We shall not be guilty of evading these war regulations, as we realize that our first duty in these days is to help the Country successfully through the greatest struggle in its history.

The wisdom of the policy followed by the Company in maintaining reserve stocks of coal was again amply

demonstrated during the past year when coal mining operations in the United States were suspended for five weeks, while a new wage agreement was being negotiated between the Coal Companies and the Labour Union representing the miners. The increase in miners' wages granted by the terms of settlement of the strike caused an increase in the price which the Company had to pay for its coal, while the cessation of mining for so long a period brought about transportation complications by the consequent shortening of the lake navigation season.

Notwithstanding the pressing demands for coal in their own country, our coal suppliers in the United States have given us excellent service, and at the close of navigation we shall have stored in Canada sufficient tonnage for our requirements until the end of next May.

Taxes continue to be an increasingly important factor in the cost of doing business, and in this connection I should like once again to direct your attention to the unfairness of the circumstances which compel this Company to contribute huge sums of money to the country's wartime financial requirements, and at the same time meet the severe tax-subsidized competition offered by its principal competitor, the Toronto Hydro-Electric System.

By comparison with our own, our competitor's position in regard to taxes is extraordinarily favoured. However, it is our opinion that every business, whether publicly or privately owned, should stand on its own feet in these days.

In the matter of the physical condition of the Company's plants and properties, the Directors have adhered to their established policy, even under present difficult conditions, of requiring complete upkeep at all times.

Expenditures for this purpose during the year amount to \$474,325. Much of the material required for the renewal of our coal gas retorts has in the past been secured in England from the builders of our plants. Anticipating some possible difficulty in effecting delivery, steps have already been taken to secure the material and parts for renewals at Station "B" Works, which we expect to carry out in 1943 and 1944. It will be appreciated that any restriction of necessary expenditures for maintenance which might lead to disintegration of your investment would be false economy indeed.

You will be interested to know that gas was first supplied in Toronto on the 28th of December, 1841, by the City of Toronto Gas, Light and Water Company, whose plant was purchased by this Company on its incorporation in 1848 for the sum of £22,000. From careful investigation it would appear that, while there have been local stoppages due to frost, broken mains, etc., there has not even been a momentary interruption to the general gas supply to the City since that date—a period of one hundred years.

May I take this opportunity of welcoming to membership on the Board of Directors, Mr. Herbert Horsfall and Mr. Frederick S. Corrigan, who were elected to fill the vacancies occasioned by the death of Brig.-General C. H. Mitchell and the retirement of Mr. A. R. Auld.

We appreciate the spirit of co-operation and loyalty displayed by members of the staff throughout the year. They have had a most arduous task in carrying out the operations of the Company and it is in considerable measure due to their energetic efforts that we are able to record such satisfactory results.

I now have pleasure in moving:

"That the Ninety-third Annual Report, now submitted, be adopted, and that the same, together with the detailed statements read therewith, be printed, and a copy thereof forwarded to each of the Shareholders."

Seconding the Resolution for the adoption of the Report, the Vice-President, Colonel J. F. Michie, said:

It is unnecessary for me to speak at length on the report which has just been presented to you.

No doubt you will have noted with satisfaction the increase recorded in the sale of gas. We are supplying gas in huge volumes to manufacturing concerns engaged in making war supplies and these manufacturers have a thorough appreciation of the value and importance of gas in their operations. We have every justification for hope that much of our wartime gains in industrial gas sales will accrue to us as permanent business when peace once more reigns.

While we are glad to be able to assist the war effort by meeting the gas requirements of the war industries, we are not overlooking the fact that the domestic use of gas is still the major portion of our business, and our Sales and Home Service Departments are continuing their efforts to encourage the use of gas in the home.

The Home Service Department, while carrying on the routine work of giving cooking lectures, broadcasting cooking talks over the radio and demonstrating gas appliances in customers' homes, took advantage of an opportunity to render a valuable national war service, by teaching housewives to conserve food and to preserve fruits and vegetables, as well as to select and use home-grown products.

They also co-operated with the Government in promoting the consumption of surplus stocks of food which had accumulated by reason of the restriction of the export market.

For instance, women's groups were told of Canada's wheat surplus—radio talks were also given over to the same subject, and thousands of recipes calling for the use of flour were printed and distributed.

Next, the women were told of the huge supply of Nova Scotia canned lobster for which there was no export market. In like manner the Home Service Department co-operated with the Government during Apple Week in Ontario, and they had the gratification of being told by an official that nowhere had the Government received finer support than from this Company.

In all this work the use of gas in the preparation of food was appropriately stressed.

The young ladies who comprise this department have done good work with one eye on their Country's need and the other on the promotion of the sale of gas for the Company.

In view of the many difficulties encountered in these trying times I think you will agree with me that the report of the past year's operations is a good one, and I have much pleasure in seconding the resolution for its adoption.

The resolution for the adoption of the Report was carried unanimously.

Messrs. Gunn, Roberts and Company, Chartered Accountants, were appointed Auditors for the ensuing year.

Messrs. W. Gillespie and F. G. Logan, being appointed Scrutineers, reported the unanimous election of the following gentlemen as Directors for the ensuing year: A. L. Bishop, F. S. Corrigan, M. R. Gooderham, H. Horsfall, W. C. Laidlaw, C. S. Macdonald, Colonel J. F. Michie, F. G. Osler, E. J. Tucker.

At a meeting of the Board held subsequently, Mr. A. L. Bishop and Colonel J. F. Michie were unanimously elected President and Vice-President respectively for the coming year.

