

EIGHTH ANNUAL REPORT

FOR THE YEAR ENDED MARCH 31, 1958

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

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BOARD OF DIRECTORS

CHAIRMAN

D. F. BOWIE, Town of Mount Royal, Que.

•

R. M. BROPHY, Toronto, Ont.

JAMES HAMILTON, Vancouver, B.C.

C. P. EDWARDS, Ottawa, Ont.

A. F. MERCIER, Quebec, Que.

HEAD OFFICE

625 BELMONT ST., MONTREAL

D. F. BOWIE	PRESIDENT AND GENERAL MANAGER
R. J. CASSIDY, F.C.I.S.	VICE-PRESIDENT & SECRETARY (deceased March 22, 1958)
R. G. GRIFFITH, P. ENG.	CHIEF ENGINEER
F. A. SMITH	Deputy Chief Engineering
K. L. SPARK	Technical Superintendent
G. M. WATERHOUSE, C.A.	COMPTROLLER
C. S. GREGORY	Chief Accountant
J. E. WINCHCOMBE	Manager of Personnel
J. R. LAMB	TRAFFIC MANAGER
E. J. RYALL	Assistant Traffic Manager (Tariffs)
H. L. BISAILLON	Assistant Traffic Manager (Traffic)
A. R. CARDNO	Superintendent of Operations
C. A. O'BRIEN	MANAGER PUBLIC RELATIONS & TRAFFIC DEVELOPMENT
G. A. COWAN	Traffic Production Manager
L. A. HARROLD	ASSISTANT TO THE VICE-PRESIDENT
A. W. QUIRK	Purchasing Agent

BRANCH OFFICES

C. H. RYDE, *Manager, St. John's, Nfld.*

C. H. R. BIRD, *Station Manager, Yamachiche, Que.*

J. W. PERRY, *Manager, Vancouver, B.C.*

W. D. FOWLIE, *Manager, Halifax, N.S.*

J. B. HICKS, *Manager, Toronto, Ont.*

G. M. ATKINS, *Manager, Ladner, B.C.*

E. A. McWILLIAM, *Station Manager, Drummondville, Que.*

G. H. CUNNINGTON, *Manager, Winnipeg, Man.*

H. L. BAXENDALE, *Manager, Bamfield, B.C.*

THE PRESIDENT'S REPORT

May 23rd, 1958.

HONOURABLE GEORGE H. HEES,
Minister of Transport,
Ottawa, Canada.

Sir,

The Eighth Annual Report, covering the period April 1st, 1957, to March 31st, 1958, is herewith submitted on behalf of the Board of Directors, in accordance with the requirements of the Financial Administration Act.

FINANCIAL

The net profit for the twelve months ended March 31st, 1958, amounted to \$631,354, after providing \$378,050 for Income Tax and \$431,978 for interest on Government Advances.

Figures for the period under review, as well as those for the previous year, are shown in the following summary:

	Year ended March 31, 1958	Year ended March 31, 1957
Income	\$4,230,365	\$2,826,984
Expense:		
Operating	2,862,884	1,830,777
Administrative & General	210,541	173,565
Traffic Solicitation, Advertising & Publicity	147,536	144,744
Total Expense	3,220,961	2,149,086
Profit before provision for Income Tax	1,009,404	677,898
Provision for Income Tax	378,050	262,377
Net Profit for Year	631,354	415,521

Income rose by 50%, the increase being derived from every branch of our operations as will be shown later in the report.

Operating expenses rose by 56%; of this, the increase in the Corporation's share of Commonwealth Network expenses accounted for approximately 36%, the balance reflecting increases in payroll, additional cost resulting from a full year's operating of the Trans-Atlantic Telephone Cable System as compared with only a part of the previous year, larger interest payments on Government advances and more circuit rentals.

Financial Statements for the twelve months ended March 31st, 1958, submitted herewith, have been audited by the Auditor General and his report is also included.

Attention is drawn to the fact that a decision of the Commonwealth Telecommunications Board with respect to the inclusion of the Trans-Atlantic Telephone Cable in the Commonwealth Network is still being awaited, but our accounts for the year have been drawn up on the basis of it being included. If, on the other hand, it should be decided to exclude it from the Network, the figures as shown in this report will be subject to modification in due course although it is not anticipated that much change will occur in the net profit. It is expected that a decision will be reached in the near future.

OPERATIONS

TELEGRAPH SERVICES

Receipts from this source increased by 3%, the increases being fairly well spread in all relations. During the final six months of the year traffic generally tended to decline and although continuing to show improvement over the corresponding months of the previous year, the rate of growth slowed down somewhat up to the end of December, since when it has accelerated slightly. This maintenance of telegraph revenue is significant in the light of the fact that international telex service, which we introduced to the country the year before, is in itself a competitor of the regular telegraph service. This, of course, is also true of the telephone.

A direct radiotelegraph link between Canada and Japan, through our new radio stations at Vancouver, was opened at the end of June, 1957, providing much improved service which brought to the Corporation a substantial amount of traffic which had previously circulated via San Francisco.

Telegraph traffic originating in foreign countries transiting Canada and destined to points beyond continued the steady rise shown in past years although tending to level off during the last half of the year.

TELEPHONE SERVICES

Trans-Atlantic

Service over the new cable continues to develop beyond expectations and, in order to accommodate the growth, new devices were installed enabling us to double the number of circuits previously available to us and these were brought into operation on December 7th, 1957. The extra capacity thus made available assisted materially in catering for a steadily rising requirement which produced an increase of 77%. Plans for a second cable between Canada and the United Kingdom, to which reference was made in last year's report, are progressing according to schedule. If demand continues to grow even at a slower rate, some lack of capacity will arise over the next two or three years but relief from this new cable, which will contain at least sixty circuits, will be provided in 1961.

Trans-Pacific

Service over this route to Australia and New Zealand continues to develop satisfactorily and business handled was more than double that of the previous year.

Newfoundland

As a result of the introduction of additional circuits in step with rising demand and the reduction in rates made in October, 1956, the volume of business between Newfoundland and the Mainland continues the strikingly upward trend of the past few years, reflecting a 58% increase.

West Indies

Conforming to the general pattern for telephone service, the volume on this route continued the rise shown during past years.

INTERNATIONAL TELEX

This service developed steadily and although a proper comparison is not possible as it was only available for the final four months of the previous year, it is clear that it continues to grow more rapidly than had been forecast.

PROGRAMME SERVICES

The use of the Trans-Atlantic Telephone Cable for broadcast purposes was greatly extended during the past year and the exceptional quality of the voice transmissions, as compared with that formerly achieved by radio, has brought with it a steadily growing demand for use of facilities for the purpose.

PICTURE TRANSMISSIONS

The high quality of picture transmissions across the Atlantic by means of the new cable has created the increased demand for this service which was forecast in last year's report. During the course of the visit of Her Majesty The Queen last October, we transmitted 237 pictures to the United Kingdom which were of such quality that they received widespread and very favourable comment.

LEASED CIRCUITS

These also continue in demand and the expected increases in receipts from this source are steadily materializing.

We trust you find the foregoing progress report and financial results for the year under review fully satisfactory. We look forward to the future with confidence in the knowledge that proper steps have been and are being taken to provide adequate overseas telecommunication facilities to meet public demand as it arises in step with the growth and development of the country.

It is with profound regret that it is necessary to record the sudden death on March 22nd, 1958, of Mr. R. J. Cassidy, our Vice-President and Secretary. He had been with the Corporation since its inception in 1950, first in the capacity of Secretary-Treasurer until October 31st, 1954, and then as Vice-President and Secretary. His death is a great loss to the Corporation.

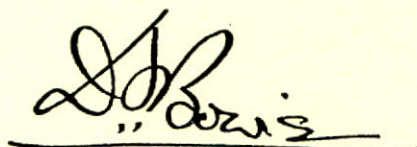
STAFF

The Agreement with our technical and operating employees expired on September 30th, 1957, and a new agreement was written covering a one year period ending September 30th, 1958. That with our clerical employees expired on March 31st, 1958, and a new two year contract was written to be effective April 1st, 1958.

ACKNOWLEDGMENT

It is once again a pleasure to record a wholehearted expression of appreciation to all our officers and staff for their co-operation and loyal efforts during the year just concluded.

D. F. Bowie, Town of Mount Royal, Que.
C. P. Edwards, Ottawa, Ontario
James Hamilton, Vancouver, B.C.
A. F. Mercier, Quebec, Que.


President.

CANADIAN OVERSEAS TELECO

(Established by the Canadian Overseas

Balance Sheet as at
(with comparative figures)

ASSETS

	1958	1957
Cash	\$ 532,331	\$ 397,844
Accounts Receivable	980,086	775,014
Estimated amount recoverable from Commonwealth Network	616,922	301,328
Prepaid Expenses—Inventories of operating supplies, stationery, at cost, etc.	103,430	100,616
Cash and Investments held in trust in connection with provision for actuarial deficiencies in pension funds for employees participating in pension plans of predecessor company (contra)	623,574	544,170
Former Head Office Land, Building and Equipment, at net book value, pending disposal	—	278,924
Capital Assets, at cost:		
Land, with improvements	\$ 998,517	988,249
Buildings	3,878,050	3,795,515
Trans-Atlantic telephone cable system	4,266,779	4,299,771
Transmitters, receivers and other technical equipment	5,006,153	4,347,330
Office furniture and equipment, etc.	218,956	192,391
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	14,368,455	13,623,256
Less: Accumulated provisions for depreciation	1,865,538	1,354,408
	<hr/>	<hr/>
	12,502,917	12,268,848
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	15,359,260	14,666,744
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Certified:

D. F. Bowie
President and General Manager

Approved:

James Hamilton
Director

A. F. Mercier
Director

COMMUNICATION CORPORATION

(Telecommunication Corporation Act)

March 31, 1958

(as at March 31, 1957)

LIABILITIES

	1958	1957
Accounts Payable	\$ 418,978	\$ 526,842
Provision for Income Tax	224,358	152,767
Contractors' Holdbacks	4,768	47,620
Cumulative Reduction in Income Tax, deferred to future years	112,191	65,174
Provision for actuarial deficiencies in pension funds for employees participating in pension plans of predecessor company	623,574	544,170
Reserve for obsolescence and increased cost of replacement of certain capital assets	—	280,980
	<u>1,383,869</u>	<u>1,617,553</u>
Capital:		
Advances from the Government of Canada under section 14 of the Act	\$12,636,064	12,336,064
Surplus, per Statement of Surplus	<u>1,339,327</u>	713,127
	<u>13,975,391</u>	
	<u><u>15,359,260</u></u>	<u><u>14,666,744</u></u>

Certified in accordance with my report dated May 16, 1958 to the
Minister of Transport, under section 87 of the Financial Administration Act.

Watson Sellar
Auditor General of Canada

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

Statement of Surplus for the year ended March 31, 1958

Balance as at April 1, 1957		\$ 713,127
Deduct:		
Prior year's adjustments (net)	\$ 16,410	
Loss on disposal of capital assets	<u>113,624</u>	
		<u>130,034</u>
		583,093
Add: Transfer from reserve for obsolescence and increased cost of replacement of certain capital assets		<u>124,880</u>
		707,973
Add: Net profit for the year ended March 31, 1958, per Statement of Income and Expense		<u>631,354</u>
		1,339,327
Balance as at March 31, 1958		<u><u>1,339,327</u></u>

VIA "CANADIAN"

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

Statement of Income and Expense for the year ended March 31, 1958

(with comparative figures for the year ended March 31, 1957)

	<u>1958</u>	<u>1957</u>
<u>Income</u>	<u>\$4,230,365</u>	<u>\$2,826,984</u>
<u>Expense</u>		
Operating	\$3,634,209	2,600,187
Deduct: Portion applicable to Commonwealth Network	2,169,013	1,794,635
	<u>1,465,196</u>	<u>805,552</u>
Add: Corporation's share of Commonwealth Network expenses (estimated)	1,397,688	1,025,225
	<u>2,862,884</u>	<u>1,830,777</u>
Administrative and General	345,937	289,060
Deduct: Portion applicable to Commonwealth Network	139,521	118,736
	<u>206,416</u>	<u>170,324</u>
Add: Corporation's share of Commonwealth Telecommunications Board's expenses (estimated)	4,125	3,241
	<u>210,541</u>	<u>173,565</u>
Traffic Solicitation, Advertising and Publicity	147,536	144,744
	<u>3,220,961</u>	<u>2,149,086</u>
Profit before Provision for Income Tax	1,009,404	677,898
Provision for Income Tax (see Note 2)	378,050	262,377
Net Profit for Year	<u><u>631,354</u></u>	<u><u>415,521</u></u>

Notes: (1) Included in the above expenses for 1958, are: depreciation, \$565,379; remuneration of executive officers, \$77,765; directors' fees, \$450; and legal expenses, \$1,752.

(2) The Provision for Income Tax is calculated by using the amounts of depreciation provided in the accounts rather than using the capital cost allowances claimed for tax purposes. In consequence, the provision exceeded income tax payable for the year by \$34,875.

Ottawa, May 16, 1958

The Honourable George Hees,
Minister of Transport,
Ottawa.

Sir,

The accounts and financial statements of the Canadian Overseas Telecommunication Corporation have been examined for the year ended March 31, 1958. In compliance with the requirements of section 87 of the Financial Administration Act, I report that, in my opinion:

- (a) proper books of account have been kept by the Corporation;
- (b) the financial statements of the Corporation
 - (i) were prepared on a basis consistent with that of the preceding year and are in agreement with the books of account,
 - (ii) in the case of the balance sheet, give a true and fair view of the state of the Corporation's affairs as at the end of the financial year, and
 - (iii) in the case of the statement of income and expense, give a true and fair view of the income and expense of the Corporation for the financial year; and
- (c) the transactions of the Corporation that have come under my notice have been within the powers of the Corporation under the Financial Administration Act and any other Act applicable to the Corporation.

Yours faithfully,
WATSON SELLAR
Auditor General.



