



**SIXTH ANNUAL REPORT**

FOR THE YEAR ENDED MARCH 31st, 1956

VIA **"CANADIAN"**

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**Canadian Overseas Telecommunication Corporation**





# BOARD OF DIRECTORS

## CHAIRMAN

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

•

R. M. BROPHY, *Toronto, Ont.*

LT.-COL. HENRI GAGNON, *Quebec, Que.* (Retired March 15, 1956)

JAMES HAMILTON, *Vancouver, B.C.*

LT.-CDR. C. P. EDWARDS, *Ottawa, Ont.*

A. F. MERCIER, *Quebec, Que.*

## MANAGEMENT

DOUGLAS F. BOWIE, *President and General Manager*  
RICHARD J. CASSIDY, F.C.I.S., *Vice-President and Secretary*  
R. G. GRIFFITH, P. Eng., *Chief Engineer*  
GORDON M. WATERHOUSE, C.A., *Comptroller*  
JAMES R. LAMB, *Traffic Manager*  
CHARLES A. O'BRIEN, *Manager, Public Relations and Traffic Development*  
L. A. HARROLD, *Assistant to the Vice-President*  
*Executive Office: 211 St. Sacrament St., Montreal, P.Q.*

## TRAFFIC

GORDON A. COWAN, *Traffic Production Manager*  
E. J. RYALL, *Asst. Traffic Manager (Tariffs)*  
H. L. BISAILLON, *Asst. Traffic Manager (Traffic)*  
A. R. CARDNO, *Superintendent (Operations)*

## ENGINEERING

F. A. SMITH, *Deputy Chief of Engineering Department*  
K. L. SPARK, *Technical Superintendent*

## ACCOUNTING

C. S. GREGORY, *Chief Accountant*

## BRANCHES

C. H. RYDE, *Manager, St. John's, Nfld.*  
W. D. FOWLIE, *Manager, Halifax, N.S.*  
J. B. HICKS, *Manager, Toronto, Ont.*  
E. A. McWILLIAM, *Station Manager, Drummondville, Que.*  
C. H. R. BIRD, *Station Manager, Yamachiche, Que.*  
J. W. PERRY, *Manager, Vancouver, B.C.*  
G. M. ATKINS, *Manager, Bamfield, B.C.*

# THE PRESIDENT'S REPORT

June 22nd, 1956.

HONOURABLE GEORGE C. MARLER,  
Minister of Transport,  
Ottawa, Ontario.

Sir,

In accordance with the requirements of the Financial Administration Act, the Sixth Annual Report, covering the period January 1st, 1955 to March 31st, 1956, is herewith submitted on behalf of the Board of Directors.

Your attention is drawn to the fact that the fiscal year of the Corporation has been changed by authority of the Governor in Council from December 31st to March 31st and this report therefore covers a fifteen month period.

This change was made in order to have our fiscal year coincide with that of other Members of the Commonwealth Telecommunications Board and thereby avoid the compilation of two sets of annual statements.

## FINANCIAL

The net profit for the fifteen months ended March 31st, 1956, after provision for income tax and interest on Government advances, amounted to \$217,158.

The provision for income tax, calculated on a basis consistent with that used for the previous fiscal year, amounted to \$151,754. Interest on Government advances amounted to \$233,299, of which \$79,789 was capitalized.

Herewith is a summary of Operating results:

	15 months ended March 31, 1956	12 months ended December 31, 1954
Income .....	\$ 2,166,431	\$ 1,630,200
Expense:		
Operating .....	1,463,024	1,146,668
Administrative & General .....	186,900	200,386
Traffic Solicitation, Advertising & Publicity .....	147,595	113,194
Total Expense .....	\$ 1,797,519	\$ 1,460,248
Profit before Income Tax .....	368,912	169,952
Provision for Income Tax .....	151,754	62,225
Net Profit for Period .....	\$ 217,158	\$ 107,727

The overall expense for Operating and for Traffic Solicitation, Advertising and Publicity, remained at approximately the same level.

The overall decrease in Administrative and General expenses arises principally because increases in salaries and cost of materials were more than offset by decreases in other expenses and economies and by the recovery of certain general administrative expenses for work in connection with the Transatlantic Telephone Cable project.

Financial Statements for the 15 months ended March 31st, 1956, submitted herewith, have been audited by the Auditor General and his report is also included.

#### TELEGRAPH SERVICES

Telegraph traffic increased by 5% for the twelve months ended December 31st, 1955. During the three months ended March 31st, 1956, the balance of the fiscal year under review, traffic increased by 8% as compared with the same period in 1955.

A radio telegraph link was opened in November, 1955, between Canada and Germany and traffic with Germany is now handled on the direct circuit, resulting in an important increase in revenue, as this direct route attracts new business in addition to that formerly handled through foreign relay points.

Traffic originating in foreign countries transiting our routes and destined to points beyond Canada continued to follow the upward trend reported for previous years.

#### TELEPHONE SERVICES TRANSATLANTIC

Radio propagation conditions continued to improve making it possible to extend considerably the average number of working hours per day. In addition, the two radiotelephone circuits already in use were augmented by a third in the latter part of November and a fourth in the latter part of December. As a result the number of calls originating in Canada increased by 32% during the twelve months ended December 31st, 1955, and in the three months ended March 31st, 1956, increased by 98% as compared with the same quarter in the year 1955.

#### NEWFOUNDLAND

The number of calls between the Island and the Mainland increased by 32% during the 12 months ended December 31st, 1955, and in the three months ended March 31st, 1956, by 8% as compared with the same quarter in the year 1955. An additional circuit was provided in November, 1955, to accommodate the increasing demand. Indications are that the volume of business arising from this source will continue to increase although not at the rate experienced hitherto.

## WEST INDIES

The volume of business on this route is still small but the number of calls continues to increase.

## DEVELOPMENTS

### TRANSATLANTIC CABLE

The installation of the Transatlantic Telephone Cable, in which the Corporation is a joint owner with the British Post Office, American Telephone and Telegraph Company and Eastern Telephone and Telegraph Company, should be completed and its services in operation by the end of October next — some few weeks earlier than originally anticipated. We look forward to its inauguration with considerable enthusiasm as we believe it to be the most important overseas telecommunication development since the laying of the original telegraph cable over ninety years ago. Our share in this cable will provide for Canada services and facilities for which there has been a steadily increasing need during recent years. In addition to high quality telephone service, we shall offer picture transmissions — broadcast programmes — customer-to-customer teleprinter services — leased telegraph circuits for the use of private customers and we shall also introduce a multiplicity of new telegraph circuits in sufficient numbers to meet adequately the needs of Canadian users for some years to come. We are confident that the services so being provided will take care of foreseeable public demands and that the users will be completely satisfied with the quality and quantity of service available to them.

Twenty-four additional telephone circuits between Newfoundland and the Mainland are also being provided and will be ready for introduction into service as required simultaneously with the transatlantic facilities.

Upon completion of the whole project Canada will have overseas communications unsurpassed anywhere in the world and we are confident that public acceptance of the services to be offered will be such as to ensure that the Corporation will continue to report profits on a reasonable scale.

### MONTREAL HEAD OFFICE BUILDING

Our new building at Belmont and University Streets in Montreal is well on the way to completion and is scheduled to be turned over at the beginning of September, after which all our Montreal operations will be transferred to the new location. Terminal installations for the new services are already being carried out in the new building and will be ready to receive the connections from the Transatlantic telephone cable when it is completed.



## VANCOUVER RADIO STATIONS AND CENTRAL OFFICE

The buildings required for this project covering Trans-Pacific operations have been completed, equipment installation is already taking place and the whole — as at present contemplated — will be ready for operation in the early Fall. As well as providing direct telephone service with Australia and New Zealand and customer-to-customer teleprinter services, these new radio stations will form an important additional link in the Commonwealth Telecommunications Network and will reinforce existing Pacific cable routes.

## EXECUTIVE CHANGES

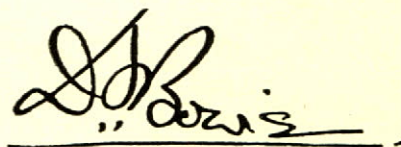
Mr. G. M. Waterhouse was appointed Comptroller on September 1st, 1955.

## STAFF

The Agreement between the Corporation and its technical and operating employees expired on September 30th, 1954 and after conciliation proceedings a new agreement was written covering a two-year period ending September 30th, 1956.

## ACKNOWLEDGMENTS

It is once more a pleasure to record our appreciation of the loyal efforts contributed by all our officers and staff in connection with both current operations and project developments.

A handwritten signature in black ink, appearing to read "J. F. Bowie", written over a horizontal line.

*President.*

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

R. M. Brophy, Toronto, Ont.

Lt. Cdr. C. P. Edwards, Ottawa, Ont.

James Hamilton, Vancouver, B.C.

A. F. Mercier, Quebec, Que.

# Canadian Overseas Telecommunication Corporation

(Established by the Canadian Overseas Telecommunication Corporation Act)

## Balance Sheet as at March 31, 1956

(with comparative figures as at December 31, 1954)

<b>ASSETS</b>	March 31. 1956	December 31 1954
Cash .....	\$ 312,398	\$ 310,020
Accounts Receivable .....	307,488	277,410
Prepaid Expenses:		
Inventory of operating supplies and stationery, at cost.....	\$ 94,514	95,901
Circuit rentals, etc. ....	12,966	6,781
	<u>107,480</u>	
Recoverable from Commonwealth Network, in respect of loss on disposal of capital assets used for purposes of the Network.....	43,216	28,738
Bonds held as Contractor's Security Deposit (contra).....	50,000	—
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).....	460,283	388,462
Capital Assets, at cost:		
Land, with improvements .....	939,667	392,175
Buildings .....	3,049,310	1,271,439
Trans Atlantic Cable .....	2,624,647	193,877
Transmitters, receivers and other technical equipment.....	2,839,685	2,487,900
Other .....	189,036	220,252
	<u>9,642,345</u>	<u>4,565,643</u>
Less: Accumulated provisions for depreciation .....	1,099,986	844,496
	<u>8,542,359</u>	<u>3,721,147</u>
	<u>9,823,224</u>	<u>4,828,459</u>

Certified:

(Sgd.) D. F. Bowie

.....  
*President and General Manager*

Approved:

(Sgd.) R. M. Brophy

.....  
*Director*

(Sgd.) C. P. Edwards

.....  
*Director*

<b>LIABILITIES</b>	<u>March 31,</u> 1956	<u>December 31,</u> 1954
Accounts Payable .....	\$ 106,457	\$ 166,344
Accrued Liabilities .....	437,083	172,409
Provision for Income Tax .....	71,953	19,764
Contractors' Holdbacks .....	82,562	2,525
Contractor's Security Deposit .....	50,000	—
Provision for actuarial deficiencies in pension funds for employees participating in pension plans of predecessor company .....	460,283	350,908
Reserve for obsolescence and increased cost of replacement of capital assets .....	280,980	280,980
	<u>1,489,318</u>	<u>992,930</u>
Capital:		
Advances from the Government of Canada under section 14 of the Act .....	\$8,050,000	3,768,781
Surplus, per Statement of Surplus .....	283,906	66,748
	<u>8,333,906</u>	
	<u>9,823,224</u>	<u>4,828,459</u>

Certified in accordance with my report dated June 21, 1956 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 15 months ended March 31, 1956

Balance as at January 1, 1955 .....	\$ 66,748
Add: Net profit for the 15 months ended March 31, 1956, per Statement of Income and Expense .....	<u>217,158</u>
Balance as at March 31, 1956 .....	<u><u>283,906</u></u>

VIA "CANADIAN"

# Canadian Overseas Telecommunication Corporation

## Statement of Income and Expense for the 15 months ended March 31, 1956

(with comparative figures for the 12 months ended December 31, 1954 — Note 1)

	15 months ended March 31, 1956	12 months ended December 31, 1954
<b><u>Income</u></b>	<b>\$2,166,431</b>	<b>\$1,630,200</b>
<b><u>Expense</u></b>		
Operating: .....	\$2,162,606	1,690,020
Deduct: Portion applicable to Commonwealth Network	1,561,818	1,179,996
	600,788	510,024
Add: Corporation's share of Commonwealth Network expenses (estimated) .....	862,236	636,644
	1,463,024	1,146,668
Administrative and General: .....	319,644	285,134
Deduct: Portion applicable to Commonwealth Network	136,392	88,539
	183,252	196,595
Add: Corporation's share of Commonwealth Telecom- munications Board's expenses (estimated)	3,648	3,791
	186,900	200,386
Traffic Solicitation, Advertising and Publicity .....	147,595	113,194
	1,797,519	1,460,248
Profit before Income Tax .....	368,912	169,952
Provision for Income Tax .....	151,754	62,225
<b><u>Net Profit for Period</u></b>	<b>217,158</b>	<b>107,727</b>

### Notes:

- (1) The Corporation's financial year-end was changed from December 31st to March 31st.
- (2) The amounts shown for expense for the period ended March 31, 1956 include \$272,733 for depreciation, \$77,494 for remuneration of executives, \$600 for directors' fees, and \$2,042 for legal expenses.

Ottawa, June 21, 1956.

The Honourable G. C. Marler,  
Minister of Transport,  
Ottawa.

Sir,

The accounts and financial statements of the Canadian Overseas Telecommunication Corporation have been examined for the fifteen months ended March 31, 1956, and a set of the financial statements is attached. By Order-in-Council P.C. 1955-62 of January 13, 1955 the Corporation's financial year-end was changed from December 31st to March 31st. In compliance with the requirements of section 87 of the Financial Administration Act, I now 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 period, 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 period; 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.



