

Canadian Overseas Telecommunication Corporation

Fifth Annual Report
1954



VIA *"CANADIAN"*

CANADIAN OVERSEAS
TELECOMMUNICATION
CORPORATION

BOARD OF DIRECTORS

CHAIRMAN

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

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

LT.-COL. HENRI GAGNON, *Quebec, Que.*

MAJOR JAMES HAMILTON, *Vancouver, B.C.*

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

MANAGEMENT

President and General Manager: DOUGLAS F. BOWIE

Vice-President and Secretary: RICHARD J. CASSIDY

Chief Engineer: R. G. GRIFFITH

Traffic Manager: JAMES R. LAMB

Manager, Personnel and Public Relations: CHARLES A. O'BRIEN

Assistant-Treasurer: L. A. HARROLD

Executive Offices: 211 St. Sacramento St., Montreal, P.Q.

TRAFFIC

Traffic Production Manager: GORDON A. COWAN

Asst. Traffic Manager (Tariffs): E. J. RYALL

Asst. Traffic Manager (Traffic): H. L. BISAILLON

Superintendent (Operations): A. R. CARDNO

ENGINEERING

Deputy Chief Engineer: H. C. PENDLE

Asst. Chief Engineer (Wireless): F. A. SMITH

Branch Engineer: K. L. SPARK

ACCOUNTING

Chief Accountant: C. S. GREGORY

BRANCHES

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

Halifax, N.S.: W. D. FOWLIE, *Manager-Engineer*

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

Drummondville, Que.: E. A. McWILLIAM, *Engineer-in-charge*

Yamachiche, Que.: C. H. R. BIRD, *Engineer-in-charge*

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

Bamfield, B.C.: G. M. ATKINS, *Manager-Engineer*

THE PRESIDENT'S REPORT

March 30th, 1955.

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

Sir,

In accordance with the requirements of the Financial Administration Act, the fifth annual report, covering the calendar year 1954, is now submitted on behalf of the Board of Directors.

FINANCIAL

The net profit for the year, after provision for income tax and interest on Government advances, amounts to \$107,727. Revenue increased by \$56,058 and expenses decreased by \$26,736, resulting in \$82,794 more profit being reported than in the previous year. The decrease in expenses arises principally because the amount of \$62,440 added to reserve for obsolescence and increased cost of replacement of capital assets has been provided out of surplus this year instead of being recorded as an expense, as was done in previous years. The overall increase in other expenses amounted to \$35,704.

Since its inception the Corporation has recorded depreciation in its accounts computed on the straight line basis in keeping with the practice agreed between the participants in the Commonwealth Telecommunications Network. From January 1, 1952, when the Corporation first became liable for income tax, to December 31, 1953, the Department of National Revenue allowed depreciation expense, calculated on the diminishing balance basis, provided such amount was recorded in the accounts. During this period the amount included as an expense was less than that which would have been provided on the diminishing balance basis, therefore, income tax was based on the amount of depreciation provided in the accounts. As a result of a change in regulations, the Corporation may, for income tax purposes, calculate depreciation on a diminishing balance basis even though the amount exceeds that presently included in expense. By reason of the benefit accorded by this change in regulation, the amount provided for income tax in 1954 is \$15,648 less than would have been necessary on the previous basis.

As a consequence of taking over the Canadian staff of Cable and Wireless Limited, the Corporation assumed certain obligations arising from their membership in pension funds originally established in the United Kingdom. Provision has been made for estimated liability in this respect and the amount so far

provided — \$350,908 — consists of \$335,968 deposited with the Montreal Trust Company plus \$14,940 interest thereon. The amount of \$388,462 on deposit exceeds the aforementioned provision of \$350,908 by \$37,554, which represents an over-deposit made immediately prior to the end of the year.

Financial Statements for the year ended December 31, 1954, submitted herewith, have been audited by the Auditor General and his report is also included.

TELEGRAPH TRAFFIC

Revenue from telegraph services increased by 4%. There has been a steady increase in traffic of Canadian origin during the past five years and in 1954 traffic originating in foreign countries transiting our routes and destined to points beyond Canada reversed the previous trend and showed an important increase.

TRANSATLANTIC TELEPHONE SERVICE

Radio propagation conditions were a little better with the result that the number of calls originating in Canada increased by 6% and revenue by about 9%. Existing capacity is fully occupied as the volume of business is at present limited by the number of hours daily during which operating conditions are satisfactory. It is forecast that these will be progressively more favourable during the next few years with the expectation, therefore, of increased revenues from this service.

NEWFOUNDLAND - MAINLAND TELEPHONE SERVICE

The volume of business arising from this source continues to increase, fully justifying the provision of additional circuits during the past year and the introduction of new facilities scheduled for 1956.

WEST INDIES TELEPHONE SERVICE

There was a further increase in the number of paid minutes on this route and although the total volume is still small it indicates a steadily rising demand for service.

DEVELOPMENTS

TRANSATLANTIC

As far as can be foreseen at present the new facilities in the transatlantic telephone cable will be available on or about the scheduled date of December 1st, 1956, and terminal operations in connection with it and the services to be derived therefrom have been the subject of careful planning.

MONTREAL

New as well as expanded services arising from the above-mentioned development — in addition to those from other projects in our expansion programme now in the course of completion — indicated the need for much more space than can be provided in our existing head office building. In order to accommodate the current and foreseeable needs of Canada's overseas telecommunications, provision has been made to erect a suitable building which will be located at Belmont and University Streets and is scheduled for completion and occupation in the Fall of 1956.

Improvements and extensions to the overseas radio stations are progressing according to plans which, combined with the additional facilities to become available in the transatlantic telephone cable, will give us greatly increased flexibility of operations and will permit further expansion of service.

NEWFOUNDLAND

Arrangements have been made and engineering plans completed whereby that section of the transatlantic telephone cable between Newfoundland and the Mainland will carry twenty-four additional telephone circuits, over and above the scheduled transatlantic capacity, for use to and from Newfoundland — thereby ensuring adequate and efficient service for the immediately foreseeable needs of the Province.

VANCOUVER

Suitable sites for the radio receiving and transmitting stations planned for the West Coast have been secured as has one for a city office in Vancouver. When construction and installations are completed, our current cable operating functions at Bamfield on Vancouver Island will be reduced and the majority transferred to the projected city office where they will be co-ordinated with the new radio operations. Existing radio circuits between Montreal and Australia will then be abandoned in favour of the Vancouver-Australia and New Zealand route. Included in this development will be the provision of direct telephone service between Canada and those countries. At present such calls are routed via the United States. Building plans are ready and it is expected that installation will be completed in time for the new operations to commence during the Fall of 1956.

EXECUTIVE CHANGES

Major James Hamilton was re-appointed as Director for a further term of three years, effective March 15th, 1954.

Mr. R. J. Cassidy, formerly Secretary-Treasurer, was appointed Vice-President by order of the Governor in Council, effective November 1st, 1954. He still retains his position as Secretary.

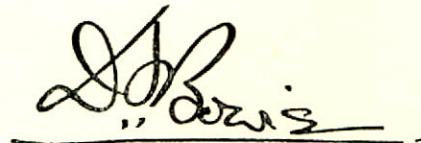
Mr. R. G. Griffith was appointed Chief Engineer on May 1st, 1954, replacing Mr. L. S. Payne who retired on pension.

STAFF

The agreement between the Corporation and its clerical employees expired on March 31st and was renegotiated to provide for appropriate salary adjustments. The agreement between the Corporation and its technical and operating employees expired on September 30th and is now before a duly appointed Conciliation Board.

ACKNOWLEDGMENT

It is a pleasure to record our appreciation of the wholehearted efforts of all our officers and staff which contributed greatly to the successful results obtained during the year.



D. F. Bowie
President

D. F. Bowie, Town of Mount Royal, Que.
R. M. Brophy, Toronto, Ontario.
Lt. Col. Henri Gagnon, Quebec, Que.
Major James Hamilton, Vancouver, B.C.
Lt. Cdr. C. P. Edwards, Ottawa, Ont.

Canadian Overseas Telecommunication Corporation

(Established by the Canadian Overseas Telecommunication Corporation Act)

Balance Sheet as at December 31, 1954

ASSETS

Cash	\$ 310,020
Accounts Receivable, etc.	277,410
Prepaid Expenses:	
Inventory of operating supplies and stationery, at cost	\$95,901
Circuit rentals, etc., prepaid	<u>6,781</u>
	102,682
Recoverable from Commonwealth Tele-communications Board in respect of loss on disposal of fixed assets used for purposes of Commonwealth Network	28,738
On deposit with Trust Company in connection with Corporation's liability with respect to actuarial deficiencies in pension funds for employees participating in pension plans of predecessor company (see contra)	388,462
Capital Assets, at cost, less accumulated provision for depreciation (Schedule "A")	3,721,147
	<u><u>4,828,459</u></u>

Certified:

D. F. Bowie
President and General Manager

J. Hamilton
Director

H. Gagnon
Director

LIABILITIES

Accounts Payable and Accrued Liabilities		\$ 244,368
Provision for Income Tax		19,764
Balance in suspense with respect to profits recorded to December 31, 1952		96,910
Provision for liability with respect to actuarial deficiencies in pension funds (see contra) ..		350,908
Reserve for obsolescence and increased cost of replacement of capital assets		280,980
		992,930
Capital:		
Advances from the Government of Canada under Section 14 of the Act.....		\$3,768,781
Surplus		
Balance as at January 1, 1954	\$ 21,461	
Add: Net profit for the year ended December 31, 1954, per Statement of Income and Expense	107,727	
	129,188	
Deduct: Amount transferred to reserve for obsolescence and increased cost of replacement of capital assets	62,440	
	66,748	
		3,835,529
		4,828,459

Certified in accordance with my report dated March 28, 1955 to the Minister of Transport, under section 87 of the Financial Administration Act.

Watson Sellar
Auditor General of Canada

Schedule "A"

Capital Assets as at December 31, 1954

	Cost	Accumulated Provision for Depreciation	Depreciated Value
Land	\$ 287,449	\$	\$ 287,449
Buildings	1,306,769	128,406	1,178,363
Fencing and water supply system	107,255	10,037	97,218
Masts, aeriels and feeders	684,009	158,966	525,043
Transmitters, receivers and other technical equipment	1,605,730	430,459	1,175,271
Power plant and landline	354,179	23,261	330,918
Furniture and equipment	135,914	45,176	90,738
Motor vehicles and field equipment	20,820	19,884	936
Undistributed and miscellaneous	63,518	28,307	35,211
	<u>4,565,643</u>	<u>844,496</u>	<u>3,721,147</u>

VIA "CANADIAN"

Canadian Overseas Telecommunication Corporation

STATEMENT OF INCOME AND EXPENSE

for the Year Ended December 31, 1954

	<u>1 9 5 4</u>		<u>1 9 5 3</u>
Income			
Traffic	\$1,622,884		\$1,565,670
Miscellaneous	7,316		8,472
	<u>1,630,200</u>		<u>1,574,142</u>
Expense			
Operating	\$1,551,149		\$1,504,067
Less: Portion applicable to Commonwealth Network ...	1,066,096		1,029,333
	<u>485,053</u>		<u>474,734</u>
Add: Corporation's share of Commonwealth Network expenses (estimated)	636,644	1,121,697	617,440
			1,092,174
Administrative and General	285,134		273,233
Less: Portion applicable to Commonwealth Network ...	88,539		89,556
	<u>196,595</u>		<u>183,677</u>
Add: Corporation's share of Commonwealth Telecommu- nications Board's expenses (estimated)	3,791	200,386	3,589
			187,266
Traffic Solicitation, Advertising and Publicity		113,194	108,564
		<u>1,435,277</u>	<u>1,388,004</u>
		<u>194,923</u>	<u>186,138</u>
Operating Profit			
Deduct:			
Interest on Advances	131,561		120,236
Less: Portion applicable to Commonwealth Network	106,971	24,590	95,572
Loss on disposal of capital assets	7,310		24,664
Less: Portion applicable to Commonwealth Network	6,929	381	
Provision for Income Tax		62,225	74,101
Provision for obsolescence and increased cost of equip- ment replacements			62,440
		<u>87,196</u>	<u>161,205</u>
Net Profit		<u>\$107,727</u>	<u>\$24,933</u>

Notes: The amount shown for operating expenses includes \$209,924 charged for depreciation, of which \$176,043 is applicable to the Commonwealth Network.

The amount shown for administrative and general expenses includes \$53,336 for remuneration of executives, \$450 for directors' fees and \$1,684 for legal expenses.

AUDITOR GENERAL'S REPORT

Ottawa, March 28, 1955.

The Honourable George C. Marler,
Minister of Transport,
OTTAWA.

Sir:

The accounts and financial statements of Canadian Overseas Telecommunication Corporation have been examined for the year ended December 31, 1954, and a set of the financial statements is attached.

The Canadian Overseas Telecommunication Corporation Act was amended by c.13, Statutes 1952-53, one of the amendments repealing the provision which required annual surrenders of profit to the Receiver General. An accounting change during the year under review, was to record the \$62,440 addition to the reserve for obsolescence and increased cost of replacement of capital assets as a direct charge to surplus instead of as a deduction from operating profit before arriving at the net profit for the year, as was the previous practice. In the audit view, the change is appropriate, and is noted only because of the direction in section 87 of the Financial Administration Act to report whether the financial statements were prepared on a basis consistent with that of the preceding year. In further compliance with requirements of that section, 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) 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
 - (ii) 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.



Construction plans are underway for the new headquarters building of the Corporation to be erected in Montreal. It will be situated at the corner of University and Belmont Streets.