

Fourth
Annual Report
1953

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Canadian Overseas Telecommunication Corporation

VIA CANADIAN

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

<i>President and General Manager</i>	DOUGLAS F. BOWIE
<i>Secretary-Treasurer</i>	RICHARD J. CASSIDY
<i>Chief Engineer</i>	L. STANLEY PAYNE
<i>Traffic Manager</i>	JAMES R. LAMB
<i>Manager, Personnel and Public Relations</i>	CHARLES A. O'BRIEN
<i>Assistant-Treasurer</i>	L. A. HARROLD

Executive Offices — 211 St. Sacrament St. — Montreal, P.Q.

Traffic

<i>Traffic Production Manager</i>	GORDON A. COWAN
<i>Asst. Traffic Manager (Tariffs)</i>	E. J. RYALL
<i>Asst. Traffic Manager (Traffic)</i>	H. L. BISAILLON
<i>Superintendent (Operations)</i>	A. R. CARDNO

Engineering

<i>Deputy Chief Engineer</i>	H. C. PENDLE
<i>Asst. Chief Engineer (Wireless)</i>	F. A. SMITH
<i>Branch Engineer</i>	K. L. SPARK

Accounting

<i>Chief Accountant</i>	C. S. GREGORY
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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

Canadian Overseas Telecommunication Corporation

March 29th, 1954.

HONOURABLE LIONEL CHEVRIER, Q.C., M.P.,
Minister of Transport,
Ottawa.

Sir,

In accordance with the requirements of the Financial Administration Act, the fourth annual report, covering the calendar year 1953, is now submitted on behalf of the Board of Directors.

A profit of \$24,933 was realized after provision for income tax and interest on Government advances.

The results of the year may be regarded as satisfactory as we avoided resort to rate increases in spite of steadily rising operating costs. As a point of fact, telephone rates between Newfoundland and the Mainland were reduced in December 1952 and the past year, therefore, was the first during which those lower rates applied. On the other hand, the increasing cost of telegraph operations makes it apparent that some adjustment in rates cannot much longer be deferred.

The attention of Management has again been taken up in large measure with consideration of and giving effect to engineering developments and new techniques so that the country may have at its disposal efficient and economical telecommunication services. In this connection the following items are of special interest :

- (a) Negotiations for the construction and installation of a transatlantic telephone cable were concluded in 1953 with the British Post Office, the American Telephone and Telegraph Company and the Eastern Telephone and Telegraph Company. This, the most important of recent developments in the telecommunication field, will provide for the Canadian user stable telephone service with Great Britain and the Continent of Europe as well as greatly increased telegraph capacity. The new facilities are scheduled to be completed and available for use at the end of 1956 at which time we shall change over transatlantic telephone operations from radio to cable and, as a result, we expect to provide overseas telephone service equal in quality and comparable in speed of connection with that to which we are accustomed within Canada. It is confidently anticipated that these improved facilities will produce immediate and continuing demand for service with corresponding benefit to the Corporation.

- (b) In preparation for the completion of the renewal of the direct telegraph cable between Canada and the United Kingdom mentioned in last year's report, the Corporation's offices at Harbour Grace, Newfoundland, were closed and operations transferred to our new building in St. John's. Necessary repeater apparatus has been installed in the building in order to utilize the route between United Kingdom and Montreal, as well as to facilitate handling a large volume of press material from New Zealand and Australia to the United Kingdom during the visit of Her Majesty The Queen. It is expected that local traffic operations in St. John's will commence within a few weeks. As a result of this renewal, the capacity of the cable has been more than doubled, which represents an important addition to transatlantic facilities.
- (c) Arrangements for the provision of extra capacity for telephone service with Newfoundland were made and four channels are now in operation across the Cabot Strait in addition to the direct circuits between Montreal and St. John's, the whole resulting in a much improved position. Continued attention is being paid to requirements between Newfoundland and the Mainland and it is intended that an ample number of spare circuits will be introduced into that section of the projected transatlantic telephone cable which will run between Newfoundland and Nova Scotia in order to provide for future needs.
- (d) In addition to the foregoing, arrangements were concluded to provide for alternate routing of Newfoundland telephone calls.

TELEGRAPH TRAFFIC

Telegraph messages of Canadian origin showed an increase of $2\frac{1}{2}\%$ as compared with 1952. In considering this figure, attention is drawn to the fact that press messages decreased by 40% and civil aviation traffic by $3\frac{1}{2}\%$. A comparison of business from ordinary commercial organizations reveals an increase of 6% and this demand from such sources is one of the most encouraging features of the year's operations. Telegraph traffic from other than Canadian sources was maintained at approximately last year's level.

TRANSATLANTIC TELEPHONE SERVICE

In spite of a continuing deterioration in radio conditions during 1953, the number of calls from Canada increased by $2\frac{1}{2}\%$ as compared with the previous year although the number of paid minutes was reduced by approximately 1%, the average length of calls being somewhat less. With the installation of the new telephone cable referred to above, the element of uncertainty, due to varying radio conditions, will be removed and with it the feeling of dissatisfaction currently experienced because of uncontrollable circumstances.

NEWFOUNDLAND - MAINLAND TELEPHONE SERVICE

As forecast in the report for 1952, the important rate reductions introduced on December 1st of that year, combined with the opening of additional circuits across the Cabot Strait, produced a considerable increase in calls, the total being more than double that of previous years.

WEST INDIES TELEPHONE SERVICE

Whilst the normal number of calls between Canada and the West Indies is never very heavy, it is, nevertheless, noteworthy that an increase of 21% in the number of paid minutes resulted during 1953.

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION ACT

The Canadian Overseas Telecommunication Corporation Act was amended by Act of Parliament during the year to bring it into line with the requirements of the Financial Administration Act and to adjust it to suit needs of the Corporation which had become apparent as the result of experience gained during the first three years of operation.

DIRECTORS

Lt. Col. Henri Gagnon and Lt. Cdr. C. P. Edwards were reappointed Directors for a further term of three years, effective March 15th, 1953.

STAFF

The agreement between the Corporation and its operating and technical employees expired in September and, by mutual consent, was renewed without change for a further period of one year. The agreement with our clerical employees which expired on March 31st was renegotiated to provide a suitable salary adjustment.

FINANCIAL STATEMENTS

The Financial Statements of the Corporation for the year ended December 31, 1953, submitted herewith, have been audited by the Auditor General and his report is included herein, as required by Section 87 of the Financial Administration Act.

Traffic receipts showed little variation; these amounted to \$1,565,670, representing an increase of \$83 over the previous year.

Operating expenses totalled \$1,388,004 as compared with \$1,292,914 in 1952. The additional expense is due principally to an increase of \$73,365 in the Corporation's share of Commonwealth Network expenses and increases in wages of approximately \$50,000. These were partially offset by savings effected by reason of changes in operations; the overall result being an expenditure of \$95,090 in excess of the previous year's figure.

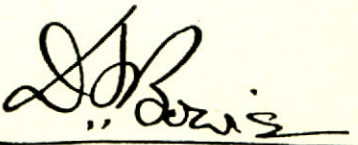
The position as regards Pension Funds, as noted in last year's report, remains substantially the same and negotiations with the Trustees of the United Kingdom Funds and Cable and Wireless Limited still continue.

As a result of the collation of the expenses of the Commonwealth Network for the period April 1, 1951 to March 31, 1952, the Corporation received a refund amounting to \$20,517. This and other adjustments produce a net additional profit of \$28,789 for 1952 and prior years and this amount will be paid over to the Receiver General.

The expenses of the Commonwealth Network for the period April 1, 1952 to March 31, 1953, have not, as yet, been collated. Notwithstanding the refund noted above, it is not considered advisable at this time to reduce the amount of \$80,000 reserved for possible adjustment of the Corporation's share of Network expenses, since it is not unlikely that normal expenses of the Network for prior years may yet be increased when other National Bodies, who are partners with us in the Commonwealth Telecommunications System, make adjustments with respect to pensions similar to those effected by the Corporation.

ACKNOWLEDGMENT

In concluding this report, it is indeed a pleasure to express appreciation to all our officers and staff for their loyal and whole-hearted contributions to the success of the Corporation during 1953.


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 Act)

Balance Sheet as at December 31, 1953

ASSETS

Cash on Hand and in Banks			\$ 412,591
Accounts Receivable, after providing for accounts considered bad			456,545
Prepaid Expenses:			
Inventory of Operating Supplies and Stationery, at cost		\$ 89,494	
Other		7,056	
			<hr/>
			96,550
Pension moneys on deposit			262,773
Land, Buildings and Equipment, at cost		4,017,520	
Deduct: Accumulated Allowances for:			
Depreciation	\$ 647,222		
Obsolescence and increased cost of replacements	218,540		
		<hr/>	
		865,762	
			<hr/>
			3,151,758
			<hr/>
			\$4,380,217

Certified:

D. F. BOWIE,
President and General Manager.

Approved on behalf of the Board:

R. M. BROPHY, *Director.*
C. P. EDWARDS, *Director.*

LIABILITIES & CAPITAL

LIABILITIES			
Accounts Payable and Accrued Charges		\$ 85,973	
Construction Contractors:			
Security Deposit	\$ 19,845		
Holdbacks	40,171		
		60,016	
Receiver General of Canada:			
Income Tax:			
Corporation	31,666		
Employees	8,992		
Interest on Advances	30,494		
Unemployment Insurance	1,272		
		72,424	
Reserved for:			
Possible adjustment of the Corporation's provisional share of Commonwealth Network expenses, etc.	80,000		
Actuarial deficiencies in pension funds, estimated	262,773		
		342,773	
			\$561,186
CAPITAL			
Government of Canada — Advances under Section 14 of the Act		3,768,781	
Excess of Income over Expense:			
For the year per Schedule 1	24,933		
Prior years to be remitted to the Receiver General	28,789		
	53,722		
Loss on disposal of Fixed Assets	3,472		
		50,250	
			3,819,031
			<u>\$4,380,217</u>

Signed for the purpose of identification only and subject to my Report (copy herewith) to the Minister of Transport.

WATSON SELLAR,
Auditor General of Canada.

Canadian Overseas Telecommunication Corporation

Schedule 1

Statement of Income and Expenses

for the year ended December 31, 1953

	INCOME	1953	1952
Receipts from Traffic		\$1,565,670	\$1,565,587
Sundry		8,472	13,685
		<u>1,574,142</u>	<u>1,579,272</u>
	EXPENSE		
Operating (not including recoverable from the Commonwealth Network \$1,029,333 - 1953 \$1,082,739 - 1952)		474,734	469,345
Corporation's share of the Commonwealth Network's expense, estimated		617,440	544,075
Share of the Commonwealth Telecommunications Board's expenses		3,589	2,027
Traffic solicitation, advertising and publicity		108,564	99,092
(a) Administrative and General (not including recoverable from the Commonwealth Network \$89,556 - 1953, \$102,356 - 1952)		183,677	178,375
		<u>1,388,004</u>	<u>1,292,914</u>
(b) Profit from Operations		186,138	286,358
	DEDUCT		
Interest on Government of Canada advances to the Corporation (not including recoverable from the Commonwealth Network \$95,572 - 1953, \$71,842 - 1952)		24,664	29,388
Provision for income tax		74,101	148,791
		<u>98,765</u>	<u>178,179</u>
		87,373	108,179
Reserved for obsolescence and increased cost of equipment replacements		62,440	62,440
Excess of Income over Expense		<u>\$ 24,933</u>	<u>\$ 45,739</u>

Notes: (a) The overall Administrative and General Expense of \$273,233 (\$89,556 - \$183,677) includes (1) remuneration of executives \$53,365, (2) directors' fees \$450 and (3) legal expenses \$1,554.

(b) The allowance for depreciation for the year is \$189,820, of this \$33,504 is included among the expenses of the Corporation and the remainder, being applicable to assets of The Commonwealth Network, form part of the expenses, noted above, which are recoverable under the terms of the agreement controlling the operation of the network.

Auditor General's Report

Ottawa, March 30, 1954.

Dear Sir,

Re: Canadian Overseas Telecommunication
Corporation

Having completed the audit of the accounts of the above noted Corporation for the fiscal year ended December 31, 1953, I now report to you, in compliance with Section 87 of the Financial Administration Act, the results of the examination both of the accounts and of the Financial Statement forwarded herewith.

The following comments refer to items appearing on the Balance Sheet under the heading "Reserved for":

1. *Possible Adjustment of the Corporation's Provisional Share of the Commonwealth Network Expenses \$80,000.* The Corporation's share of the Network expenses to March 31, 1952, having been established, a refund of \$20,517 of the amount paid provisionally was received during the year. The amount of this refund and the one received previously render questionable the need of such a large reserve. It is anticipated by Management, however, that retroactive supplementary assessments of some magnitude, for prior years, may have to be met as, if and when other Partner National Bodies in the Commonwealth Telecommunications System give effect to required pension fund adjustments such as is mentioned in the next paragraph. No information is available as to what amount may be required in this regard.

2. *Actuarial Deficiencies in Pension Funds \$262,773.* The sum reserved herein, as described in the Report for the fiscal year ended December 31, 1952, represents an increase of \$59,172 over the previous year. This sum was added following completion of, and in conformity with, the results of an actuarial survey of the state of the Funds for the purpose of establishing the amount by which they were deficient. It is noted in last year's Audit Report that the extent of the Corporation's liability for the deficiency (which is sharable by the Network) had not been established. While a settlement has not yet been reached, negotiations are proceeding between the Corporation and the Trustees of the United Kingdom Funds and with Cable and Wireless Limited as to the assumption of the capitalized amount of the deficiency as at April 1, 1950, the date as of which the assets were expropriated. In the meantime, funds amounting to \$262,773 have been deposited provisionally with a Trust company.

Subject to the foregoing, I certify that, in my opinion,

1. proper books of account have been kept by the Corporation;
2. the Financial Statement has been prepared on a basis consistent with that of the preceding year and is in agreement with the books of account; also, the Balance Sheet and the accompanying statement of Income and Expense, respectively, give a true and fair view of the state of the Corporation's affairs as at December 31, 1953 and of the results of the Corporation's operations for the fiscal year;
3. the transactions of the Corporation that have come under my notice have been within its powers as set forth in the Financial Administration Act, the Canadian Overseas Telecommunication Corporation Act and any other Act applicable to the Corporation.

Yours faithfully,
WATSON SELLAR,
Auditor General.

The Honourable Lionel Chevrier,
Minister of Transport,
OTTAWA.

VIA CANADIAN

