

C
Stock

Canadian Overseas Telecommunication Corporation

1952

Third Annual Report

...



PURVIS HALL
LIBRARIES
MAY 11 '52
MCGILL UNIVERSITY

WORLD-WIDE CABLE AND RADIO TELEGRAPH SERVICE



VIA

"CANADIAN"

BOARD
OF
DIRECTORS

D. F. BOWIE, Town of Mount Royal (*Chairman*)

R. M. BROPHY, Toronto, Ont.

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

MAJOR J. H. HAMILTON, Vancouver, B.C.

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

MANAGEMENT

DOUGLAS F. BOWIE,
President and General Manager.

RICHARD J. CASSIDY,
Secretary - Treasurer.

L. STANLEY PAYNE,
Chief Engineer.

JAMES R. LAMB,
Traffic Manager.

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

L. A. HARROLD,
Assistant — Treasurer.

Executive Offices — 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

H. C. PENDLE, *Deputy Chief Engineer.*
F. A. SMITH, *Asst. Chief Engineer (Wireless)*
K. L. SPARK, *Branch Engineer*

ACCOUNTING

C. S. GREGORY, *Chief Accountant*

BRANCHES

HARBOUR GRACE, NFLD.
Manager-Engineer.

G. H. RYDE.

DRUMMONDVILLE, QUE.
Engineer-in-charge.

E. A. McWILLIAM.

HALIFAX, N.S.
Manager-Engineer.

W. D. FOWLIE.

YAMACHICHE, QUE.
Engineer-in-charge.

C. H. R. BIRD.

TORONTO, ONT.
Branch Manager,

J. B. HICKS.

VANCOUVER, B.C.
Branch Manager.

J. W. PERRY.

BAMFIELD, B.C.
Manager-Engineer.

G. M. ATKINS.

Canadian Overseas Telecommunication Corporation

March 30th, 1953.

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

Sir,

In accordance with the requirements of Section 23 of the Canadian Overseas Telecommunication Corporation Act, the third annual report for the calendar year 1952, is now submitted on behalf of the Board of Directors.

The amount of \$82,093 is shown in this report as excess of income over expense which indicates that our position in the competitive field in which we operate has been well sustained in spite of reduced income from certain sources over which we have no control. Besides the well-known factors of rising costs for equipment, materials and wages, new financial considerations have had to be taken into account.

Arising from changes in the Income Tax Act, the Corporation became liable, for the first time in 1952, for income tax which amounted to \$148,791 and this sum will, therefore, be paid to the Receiver General in the form of income tax instead of profit as in previous years.

As a result of its absorption in 1950 of 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. In order to determine the extent to which the Corporation should properly assume obligations connected therewith, actuarial advice has been sought. It has not, as yet, been possible to obtain a final recommendation but as an interim measure in order to safeguard our position, it has been recommended that a total of \$92,294 be reserved to provide for any responsibility the Corporation may have to date with respect to deficiencies in pension funds. The deficiencies mentioned have arisen from such causes as devaluation of sterling and the substantial wage increases which have necessarily been made since the end of the war.

Taking into consideration the full effect of these two items not hitherto brought into our accounts, the results of operations during 1952 compare favourably with those in 1951. This has been achieved so far in the face of steadily rising costs and without resort to an upward revision of rates, but if this trend is maintained, it will mean that increases will become necessary.

An expanding demand for our services from Canadian sources has been a noteworthy feature of the year and it is reasonable to assume that the steady development of the nation and the quality of service which, with the co-operation of our overseas associates, we are able to render to the community are directly responsible for this favourable condition. We are constantly aware that, in the interests of Canada, we have the obligation to develop service to the public to the highest possible level and in order to accommodate growing demands, which are more and more in evidence throughout the country, our programme providing for improved and additional facilities is being carried out as rapidly as possible.

Negotiations with Canadian Marconi Company for settlement for the assets expropriated from that Company on June 7th, 1950, were concluded on May 1st, 1952, and agreement was reached in the amount of \$2,500,000. This was in addition to the amount of \$276,761 for the building at 211 St. Sacramento Street, Montreal, purchased as a separate item on September 29th, 1950. As a result of this settlement, the figures in the Balance Sheet under the heading — "Land, Buildings and Equipment" — are actual and no longer estimated.

In our report for 1951, reference was made to the expected restoration during 1952 of the direct cable between Canada and England. This was achieved during August and the cable put back into operation shortly thereafter. A further new section of this route is to be laid during 1953 and, when this has been accomplished, it will provide us with the use of a completely new trans-Atlantic cable having a capacity approximately double that of the one it will replace.

The expansion programme referred to in last year's report has been developed to the extent that the first step, the provision of a new telegraph building in St. John's, Newfoundland, is well advanced and we expect to occupy the premises during the coming Summer to coincide with the cable renewal referred to in the last paragraph. Other items on the programme are in the process of development and will be covered in future reports.

TELEGRAPH TRAFFIC

Compared with 1951, business originating in Canada increased by approximately 4% during the year under review. On the other hand, traffic originating in foreign countries, transiting our routes and destined to points beyond Canada, over which we have no control and the routing of which we are not in a position to influence, decreased by 28%. The overall result was a decrease in total telegraph traffic amounting to approximately 4%. The significant feature, however, is that Canadian business attracted to the Corporation showed a steady improvement which appears to indicate favourable public reaction to the quality of service being rendered and it is further anticipated that, as a result of continuing publicity respecting facilities which we have to offer, this will be maintained. Our operations on behalf of international civil aviation, which commenced in 1951, were entirely successful and telegraph traffic from this source continued to increase.

TRANS-ATLANTIC TELEPHONE SERVICE

A reduction of 14% in the number of paid minutes resulted this year as compared with 1951. Whilst the demand for this service continues to be heavy and would normally produce a consistently rising trend, operating difficulties increased owing to the diminishing quality of radio conditions, with the result that the available amount of time for satisfactory conversation was sharply reduced. Forecasts indicate that improvement in conditions cannot be expected for another year but every engineering technique is being applied in order to obtain maximum use of existing facilities. New and most modern equipment is on order which will be of material importance and value to us in providing for the increased demand.

NEWFOUNDLAND-MAINLAND TELEPHONE SERVICE

Two new channels were brought into service on December 1st, 1952, providing direct connection across the Cabot Strait with the Maritime Provinces and at the same time substantial rate reductions were introduced in order to

bring them more into line with the general pattern of rates across the country. As the additional capacity referred to had only been in use for one month before the end of the year, any accurate estimate of ultimate financial effects cannot be made. It is safe to say, however, that the quality of the service now given over this short distance, combined with the lower rates, will result in greatly increased use of telephone service between the Island and the Maritime Provinces in particular, and the Corporation is happy to have collaborated with other interested parties in making this important advance in the interest of the general public and the business people of Canada. For the year under review, and disregarding the new channels, the number of paid minutes was maintained in spite of deteriorating radio conditions.

WEST INDIES TELEPHONE SERVICE

There was a further slight decrease in the number of paid minutes in 1952 which, however, appears to be of no particular significance as the normal demand for this service is never very heavy.

COMMONWEALTH TELECOMMUNICATIONS BOARD

A review of the Financial Arrangements between Commonwealth countries was held in London during November and December and as a result some modifications were agreed upon which will provide somewhat more equitably for Canada's functions within the Commonwealth Telecommunications System.

STAFF

The agreement between the Corporation and its Employees expired on September 30th and negotiations for a new contract were commenced at their request. A Board of Conciliation was appointed to consider points in dispute which arose during negotiations.

EXECUTIVE CHANGES

Mr. R. M. Brophy's initial term of office as Director expired on March 14th, 1952, and he was reappointed for a further term of three years immediately thereafter.

FINANCIAL STATEMENTS

The Financial Statements of the Corporation for the year ended December 31, 1952, are submitted herewith. The accounts have been audited by the Auditor General and his report is included as required by Section 87 (3) of the Financial Administration Act.

The Financial Statements are presented in a form slightly different from those of the previous years. In accordance with the Financial Administration Act, to which the Corporation became subject in 1952, the Balance Sheet and the Statement of Income and Expense have been drawn up to contain such information as is required in the case of a company incorporated under "The Companies Act, 1934".

Income for the year, including \$10,785 from investments and bank interest, amounts to \$1,579,272 and represents a decrease of \$87,253 compared with the previous year — brought about by the reduced volume of transit telegraph traffic and of overseas telephone traffic for reasons given earlier in this report. Income from investments and bank interest increased by \$8,547.

This year, as well as in the two previous years, certain expenses have necessarily been estimated. Nevertheless, some items which have been included as estimates in previous years have now been replaced by actual amounts and

the consequent adjustments are reflected in the amount of \$36,354 under the heading "Prior Years' Adjustments" on the Statement of Income and Expense. This also includes the amount provided during the current year in respect of estimated pension deficiencies for 1950 and 1951 pending determination of the Corporation's liability.

Total expenses for 1951 as shown on the Statement of Income and Expenses for that year were \$1,448,237; from this amount must be deducted \$46,316 representing adjustments which have now been made. The expenses for 1952 amounting to \$1,384,742 (\$1,355,354 plus interest on Government Advances \$29,388) show an overall decrease of \$17,179 as compared with the adjusted figure of \$1,401,921 for 1951. Wages and material costs continued to increase but these were more than offset by 1) a reduction in the amount set aside for obsolescence and increased cost of replacements and 2) a decrease in the Corporation's share of the Commonwealth Network expenses.

The provision of \$148,791 for income tax, which might at first sight appear to be high, includes tax on \$62,440 for the item of obsolescence and increased cost of replacements and on \$34,936 for past service pension fund deficiencies.

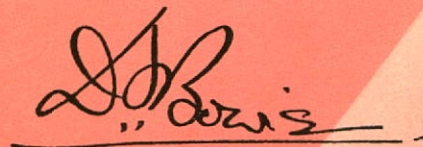
It will be noted that the Balance Sheet records an item of \$203,601 representing provision for pension deficiencies — the Corporation's share amounting to \$92,294 with the balance for the account of the Commonwealth Network in accordance with the financial arrangements under which the Corporation operates as a unit in the Network.

The expenses of the Commonwealth Network for the period April 1, 1951 to March 31, 1952 have not, as yet, been collated for the purpose of determining the amount to be contributed by each National Body. Nevertheless, it has not been considered necessary to set aside anything in excess of the \$80,000 already reserved for the purpose of possible adjustments in the Corporation's share of this expense.

As required by Section 19 of the Act, an amount equal to the excess of income over expense for the year ended December 31, 1952 — \$82,093 — will be paid to the Receiver General of Canada.

ACKNOWLEDGMENTS

Once again it is a pleasure to record appreciation of the active and loyal support of all our officers and staff and in confident anticipation of the united efforts of all in the future, the Corporation expects to continue to consolidate and strengthen its position in the ever expanding sphere of Canadian telecommunications services.



President

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

Canadian Overseas

(Established by the Canadian Overseas)

Assets

Cash on Hand and in Banks		\$ 210,387
Investments — Government of Canada Bonds, at amortized cost (market value \$391,400)		396,616
Accounts Receivable, after providing for accounts considered bad.....		507,043
Prepaid Expenses:		
Inventory of operating supplies and stationery, at cost	\$ 79,993	
Other	11,725	
		<u>91,718</u>
Land, Buildings and Equipment, at cost	3,399,097	
Less, Accumulated allowances for —		
Depreciation	\$ 462,970	
Obsolescence and increased cost of replacements	156,100	
		<u>619,070</u>
		<u>2,780,027</u>
		<u>\$3,985,791</u>

Certified:

D. F. BOWIE,
President and General Manager.

Approved on behalf of the Board:

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

Telecommunication Corporation

Telecommunication Corporation Act)

Balance Sheet as at December 31, 1952

Liabilities and Capital

Liabilities

Accounts Payable and Accrued Charges		\$ 77,248
Receiver General of Canada:		
Corporation's income tax	\$ 83,891	
Interest on advances	29,914	
Employees' income tax	8,984	
Unemployment insurance	1,279	
		<hr/>
		124,068
Reserved for:		
Possible adjustment of the Corporation's provisional share of Commonwealth Network expenses, etc.	80,000	
Actuarial deficiencies in pension funds, estimated	203,601	
		<hr/>
		283,601
		<hr/>
		\$ 484,917

Capital

Government of Canada — Advances under Section 14 of the Act		3,418,781
Excess of Income over Expense, per Schedule I		82,093
		<hr/>
		3,500,874
		<hr/>
		\$3,985,791
		<hr/>

Signed for purposes of identification only and subject to my Report, 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, 1952

Income

Receipts from traffic	\$1,565,587	
Sundry	2,900	
		<u>\$1,568,487</u>

Expense

Operating (not including \$1,082,739 recoverable from the Commonwealth Network)	469,345	
Corporation's share of the Commonwealth Network's total expenses, estimated	544,075	
Share of Commonwealth Telecommunications Board's expenses.....	2,027	
Reserved for obsolescence and increased cost of equipment replacements	62,440	
Traffic solicitation, advertising and publicity	99,092	
(a) Administrative and general (not including \$102,356 recoverable from the Commonwealth Network)	178,375	
		<u>1,355,354</u>
(b) Profit from operations		213,133
Income from Investments and Bank Interest		10,785
		<u>223,918</u>
Deduct —		
Interest on Government of Canada advances to the Corporation (not including \$71,842 recoverable from the Commonwealth Network)	29,388	
Provision for Corporation's Income Tax	148,791	
		<u>178,179</u>
		45,739
Prior Years' Adjustments, re:		
Final settlement for expropriated assets	60,893	
Commonwealth Network business	25,273	
		<u>86,166</u>
Deduct, Estimated actuarial deficiencies in pension funds.....	49,812	
		<u>36,354</u>
Excess of Income over Expense, per Balance Sheet		<u>82,093</u>

Notes: (a) The overall Administrative and General Expense of \$280,731 (\$102,356 - \$178,375) includes (1) remuneration of executives \$49,148, (2) directors' fees \$350 and (3) legal expenses \$1,335.

(b) The allowance for depreciation for the year is \$191,091; of this \$32,645 is included among the expenses of the Corporation and the remainder, being applicable to assets of the Commonwealth Network, forms 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 28, 1953.

Dear Mr. Chevrier:

Re: Canadian Overseas Telecommunication Corporation

Having completed the audit of the accounts of the Corporation for the fiscal year ended December 31, 1952, 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 Certified Financial Statement forwarded herewith.

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

1. *Possible Adjustment of Corporation's Provisional Share of Commonwealth Network Expenses, etc.* \$80,000. Since the Corporation's share of the Commonwealth Network's total expenses will not be determined until the expenses of all the participating bodies have been consolidated and pro-rated, the relative charges to operations are subject to adjustment and, as it is not practicable to pre-determine what will be the amount of the ultimate adjustment, the Management has decided to continue the reserve of \$80,000 provided formerly for this purpose.

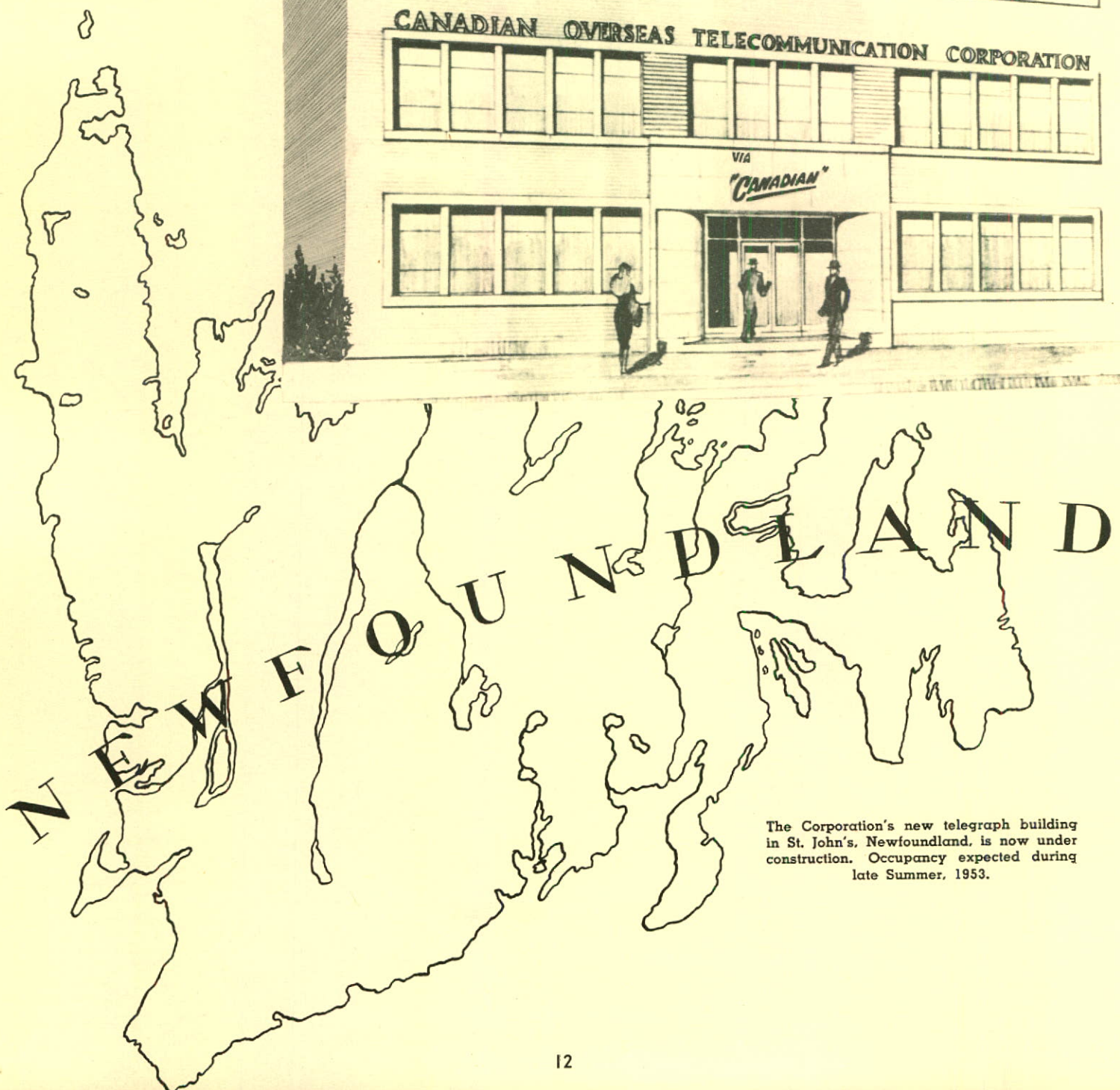
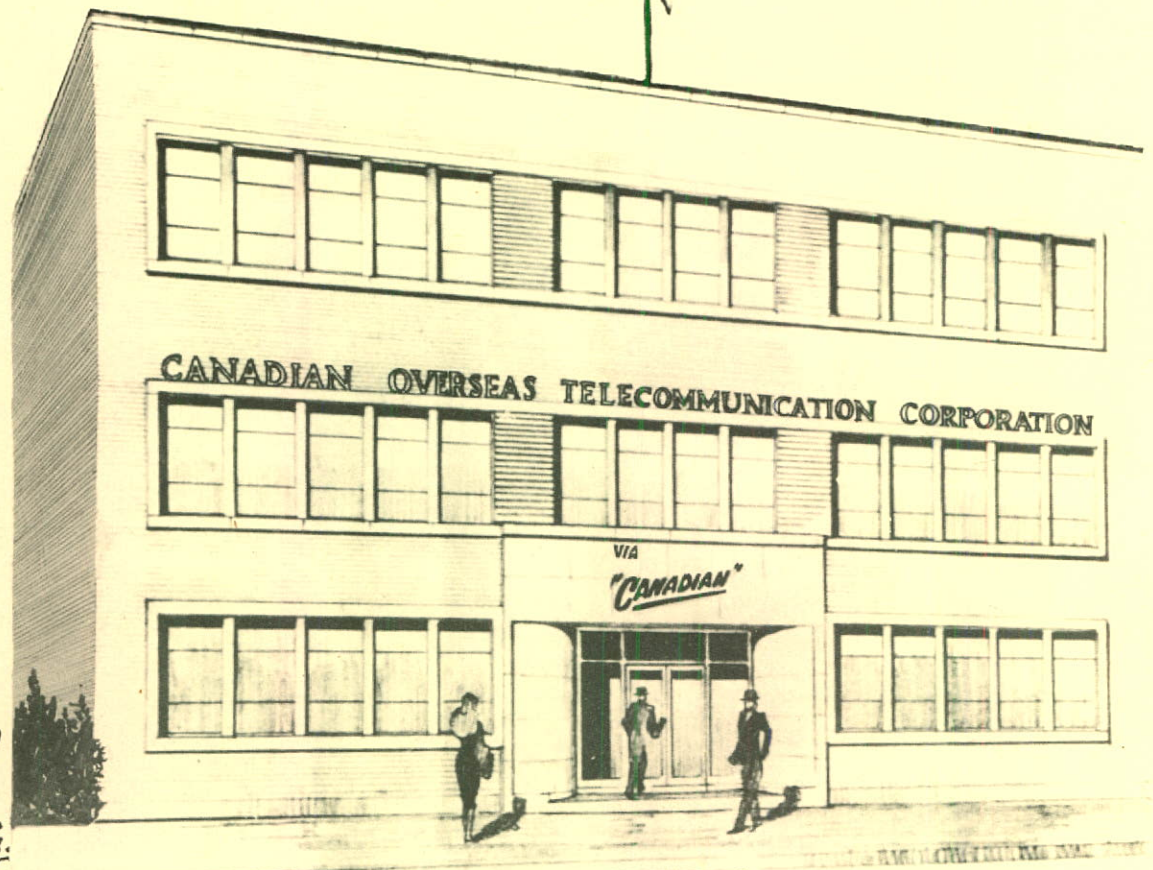
2. *Actuarial Deficiencies in Pension Funds, estimated \$203,601.* Reasons for these deficiencies are: (1) the insufficiency of earlier contributions, by or on behalf of employees, to finance the increased benefits (payable at fixed percentages of earnings during the closing years of employment) to which the employees are entitled as a result of the substantial wage increases granted since the war; (2) the decline in the value of the corpora of the funds, which are in sterling, in relationship to the Canadian dollar because of the devaluation of the pound; and (3) the increase in life expectancy. These deficiencies pertain to both the period before and the period after expropriation of the assets on April 1, 1950, but the extent of the Corporation's responsibility for deficiencies has not yet been definitely determined. However, the estimated amount shown is subject to adjustment on completion of an actuarial review which the Board of Directors has authorized to be undertaken with respect to the funds. The Management has stated that they intend seeking the authority of the Governor in Council before assuming responsibility for any liability in respect of deficiencies.

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 are properly drawn up so as to give a true and fair view of the state of the Corporation's affairs as at December 31, 1952 and of the Corporation's operations, for the fiscal year, respectively;
3. the transactions of the Corporation, that have come under my notice, have been within the Corporation's powers as set forth in the Canadian Overseas Telecommunication Corporation Act and in the Financial Administration Act.

Yours faithfully,
WATSON SELLAR
Auditor General.

The Honourable Lionel Chevrier,
Minister of Transport,
O T T A W A .



The Corporation's new telegraph building in St. John's, Newfoundland, is now under construction. Occupancy expected during late Summer, 1953.

