

1951

Second Annual Report

Canadian Overseas Telecommunication Corporation

WORLD-WIDE CABLE AND RADIO TELEGRAPH SERVICE



VIA "CANADIAN"

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WORLD-WIDE CABLE AND RADIO TELEGRAPH SERVICE

1951

Second Annual Report



VIA **"CANADIAN"**

CANADIAN OVERSEAS
TELECOMMUNICATION
CORPORATION

WORLD-WIDE CABLE AND RADIO TELEGRAPH SERVICE

**Board
of
Directors**

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

R. M. BROPHY, Toronto, Ont.

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

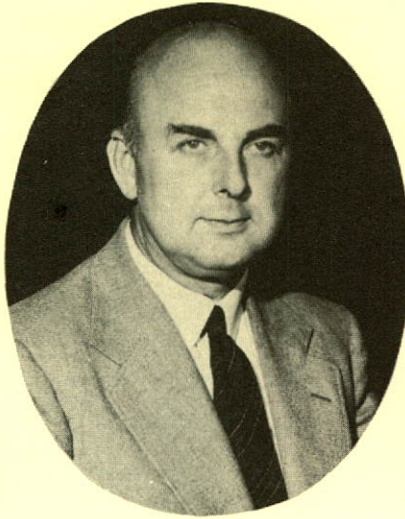
MAJOR J. H. HAMILTON, Vancouver, B.C.

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

Management



L. STANLEY PAYNE
Chief Engineer



DOUGLAS F. BOWIE
President and General Manager



RICHARD J. CASSIDY
Secretary-Treasurer



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



JAMES R. LAMB
Traffic Manager

MONTREAL

Traffic Production Manager G. A. Cowan
Asst. Traffic Manager (Tariffs) E. J. Ryall
Asst. Traffic Manager (Traffic).....H. L. Bisailon
Superintendent (Operations) A. R. Cardno
Assistant Engineer (Cable) W. D. Fowlie
Assistant Engineer (Radio) F. A. Smith
Assistant to Secretary-Treas. L. A. Harrold
Chief Accountant C. S. Gregory

TORONTO, ONT.

Branch Manager J. B. Hicks

VANCOUVER, B.C.

Branch Manager J. W. Perry

HARBOUR GRACE, NFLD.

Officer in charge D. M. Burke

HALIFAX, N.S.

Manager H. C. Pendle

DRUMMONDVILLE, QUE.

Engineer-in-charge E. A. McWilliam

YAMACHICHE, QUE.

Engineer-in-charge C. H. R. Bird

BAMFIELD, B.C.

Manager A. Heath

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

211 ST. SACRAMENT STREET — MONTREAL, 1

March 24, 1952.

THE 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 Second Annual Report for the calendar year 1951 is herewith submitted on behalf of the Board of Directors.

It is a pleasure to record a net profit of \$195,680.00, after provision for interest charges, depreciation, obsolescence and increased cost of replacement.

Whereas the First Report covered only nine months, from April 1st, 1950, at which date the Corporation began operations as a unit within the Commonwealth Telecommunications System, this Second Annual Report covers a complete twelve months.

It was propitious for this Corporation to have been established at a time when Canada's international stature was undergoing great expansion and her position vis-a-vis the rest of the world has naturally had an important bearing on the volume of the country's overseas telecommunications.

The unstable condition of international affairs and the erratic trend of world trade render it difficult to assess with any degree of accuracy the reason for fluctuations in the use of overseas telecommunications. The generally recognized basis of world trade upon which trends could formerly be judged and assessed has had to be discarded for the time being at least and the situation reviewed in the light of current unsettled conditions. Canada's position as one of the premier trading nations of the world would, under normal conditions, have had an even more important bearing on the volume of telecommunications to and from this country had it not been that import restrictions and financial controls imposed by some countries largely precluded any particularly spectacular advance through the medium of foreign trade.

Attention may be directed, however, to some other factors whose influence on traffic has not hitherto perhaps been sufficiently recognized.

The impressive development of Canada's voice in the councils of world affairs has produced other sources of business. A glance at the map of the world showing

links of the cable, radio-telegraph and radio-telephone services connecting with the Corporation's outlets, immediately stresses the strategic value of Canada's overseas telecommunication facilities. To every known destination of importance the Corporation is able to provide immediate contact with Canada's diplomatic and trade representatives abroad.

The growth of Canada's civil aviation has placed further demands upon the Corporation's services brought about by changes in the character of communications with countries on air-line routes. The year under review has been notable because of practical accomplishment in the handling of traffic and circuits hitherto operated by air-line companies. Other plans are under consideration and the Corporation is making preparations to meet the demands which foreseeable developments in international civil aviation are likely to place upon it in the future.

Whether or not the unsettled international political atmosphere has had a retarding effect on normal business, it is nevertheless true that industrial preparedness programmes and defence production needs of countries of the western world have created a demand for communications from new and different sources. There is no evidence to indicate any prospective reversal of the rising trend in overseas telecommunications generally.

In confident anticipation of a prosperous future for the nation and, guided by the vital objective of providing for adequate telecommunication channels to meet that prospect, the Corporation has prepared suitable plans for the expansion of existing services as well as for the introduction within the scope of the Commonwealth Telecommunications Scheme a measure of independent security for Canada through additional facilities designed to ensure maintenance of operations.

TELEGRAPH TRAFFIC

An increase in revenue of approximately 30% has been achieved during the year, attributable to three main factors:

- (a) an improved volume of messages of Canadian origin,
- (b) the abolition of government preferential rates in some relations, and,
- (c) a heavier flow of traffic transiting Canada from foreign origins and destined to Commonwealth points in the Pacific.

TRANS-ATLANTIC TELEPHONE SERVICE

A reduction of 2.4% in the number of paid minutes resulted during 1951. This is entirely attributable to the adverse radio conditions pertaining during the latter half of the year. It is, however, expected that the steadily rising demand for this service will continue and steps have been taken to provide for additional capacity as well as to improve existing facilities as much as possible in order to cater for the anticipated increase.

NEWFOUNDLAND TELEPHONE SERVICE

This section of the Corporation's business shows an important increase of 20% in the number of paid minutes during the year as compared with 1950 and indicates a healthy condition for which extra capacity will be necessary in the near future.

WEST INDIES TELEPHONE SERVICE

Compared with the previous year a decrease of 14% in the number of paid minutes resulted, but it is considered that this only reflects a lack of normal business transactions between the Islands and Canada owing to sundry trading restrictions.

RADIO PICTURE SERVICE

The Corporation provides this type of service, but there is at present very little demand for it. This was, of course, increased during the recent Royal Tour and, generally speaking, it is only on occasion of newsworthy events that much use is made of this service.

STAFF

A new labour contract replacing the two separate contracts previously in force between Cable and Wireless Limited and Canadian Marconi Company and their respective operators was agreed upon and duly approved. The new contract took into consideration benefits and working conditions under both the predecessor companies as well as an adjustment in salary scales.

A Group Insurance Scheme was approved and introduced on November 1st, 1951. A Plan for a Pension Scheme has been under consideration for some time and it is expected that this matter will be finalized within a few weeks and a scheme made operative very shortly thereafter.

The measures taken under these headings have provided the staff with satisfactory conditions of employment which, it is considered, should go far towards ensuring continuing co-operation between the management and the staff and also future enrolments.

DEVELOPMENTS

Plans for the co-ordination of cable and radio operations in the Head Office of the Corporation, and referred to in our First Report, were completed and the new Central Telegraph Office was officially inaugurated on December 14, 1951.

Reference has been made in the press to restoration, during 1952, of a trans-Atlantic cable between Cornwall, England and Harbour Grace, Newfoundland, and Halifax, N.S. It is expected that this will be completed during the coming summer at which time our telegraph operations in Newfoundland will be re-established on their former basis.

EXECUTIVE CHANGES

It is with profound regret that it is necessary to record the death of the Corporation's first President and General Manager, Mr. D. L. Howard, on June 6th, 1951, after approximately 15 months in office.

Mr. D. F. Bowie was appointed as his successor by order of the Governor in Council, effective August 1st, 1951.

Major J. H. Hamilton's initial term of office as Director expired on March 14th, 1951, and he was re-appointed for a further term of three years immediately thereafter.

FINANCIAL STATEMENT

The Financial Statements of the Corporation for the year ended December 31, 1951, submitted herewith, have been audited by the Auditor General whose report also appears herein, in accordance with the requirements of Section 22 of the Canadian Overseas Telecommunication Corporation Act.

At the outset your attention was drawn to the fact that the first report covered only nine months whereas this Second Annual Report covers a full year. Moreover in 1950 the predecessor companies operated the assets for the account of the Corporation for the period April 1st to June 7th when expropriation actually took place and a management fee was paid to those companies for their services during that time. In 1951, however, the Corporation exercised control of all aspects of its operations for the whole year. It will be appreciated, therefore, that financial results as given in the Statements for each year are not readily comparable according to normally accepted methods.

The increase in traffic receipts was partially offset by heavy additional expenses arising principally from a general revision of salary scales and the introduction of the forty-hour week, as well as increased cost of materials.

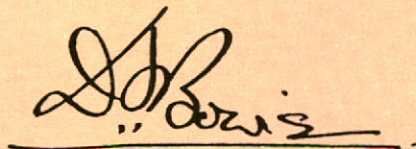
The value of lands, buildings and equipment are shown at cost except for those expropriated assets for which settlement has not yet been reached. In respect to the latter, an arbitrary amount is included in Accounts Payable to provide for this liability. After settlement, this amount will require adjustment as will the relative amounts shown as a reserve for depreciation.

Expenses for the nine months of operation in 1950 include a provision of \$80,000.00 for adjustment in the Corporation's share of the Commonwealth Telecommunications Network expense. The Corporation has not yet been assessed for its final share of aggregate expenses of the Network for the fiscal year ended March 31, 1951. It has, however, not been considered advisable to set aside any additional funds on this account.

As required by Section 19 of the Act, an amount equal to the excess of income over expenses for the year ended December 31, 1951 — \$195,680.00 — will be paid to the Receiver General of Canada.

ACKNOWLEDGMENT

In conclusion, it is a pleasure to record appreciation of the loyal support and generous co-operation rendered to the Corporation by all its officers and staff during the past year and to say that we look forward to a robust and healthy future born of our united determination to attain for Canada a foremost place in the world of communications.

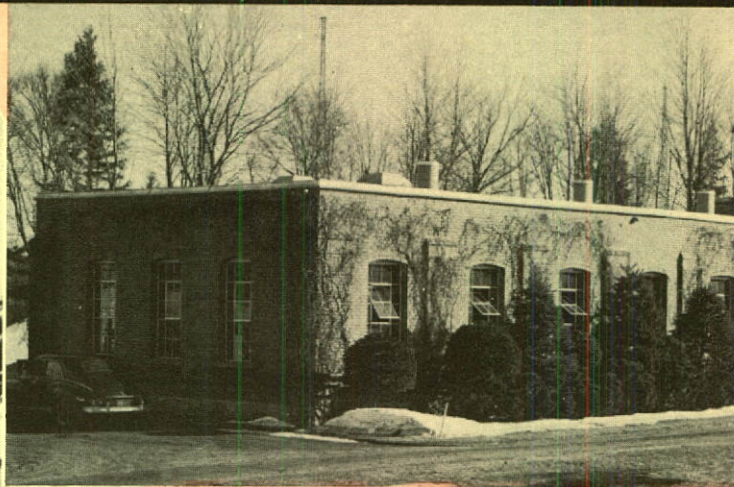


President.

D. F. BOWIE, Town of Mount Royal, Que.
R. M. BROPHY, Toronto, Ontario.
LT. COL. HENRI GAGNON, Quebec, Quebec.
MAJOR J. H. HAMILTON, Vancouver, B.C.
LT. CDR. C. P. EDWARDS, Ottawa, Ontario.



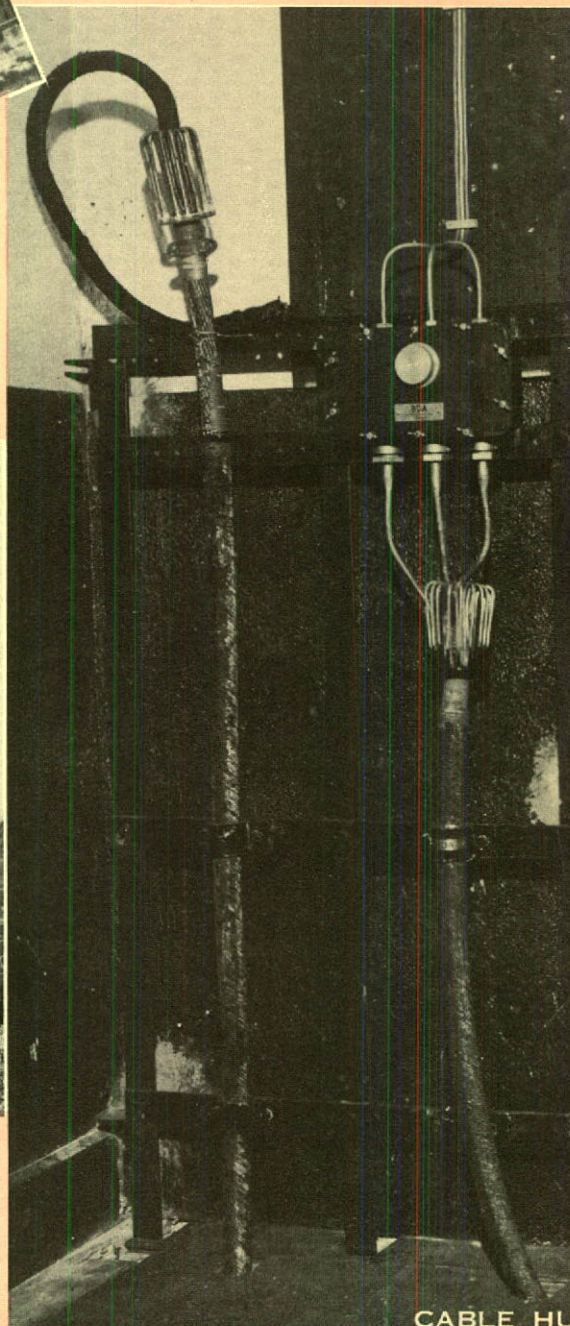
HARBOUR GRACE, NFLD.



DRUMMOND



YAMACHICHE, QUE.

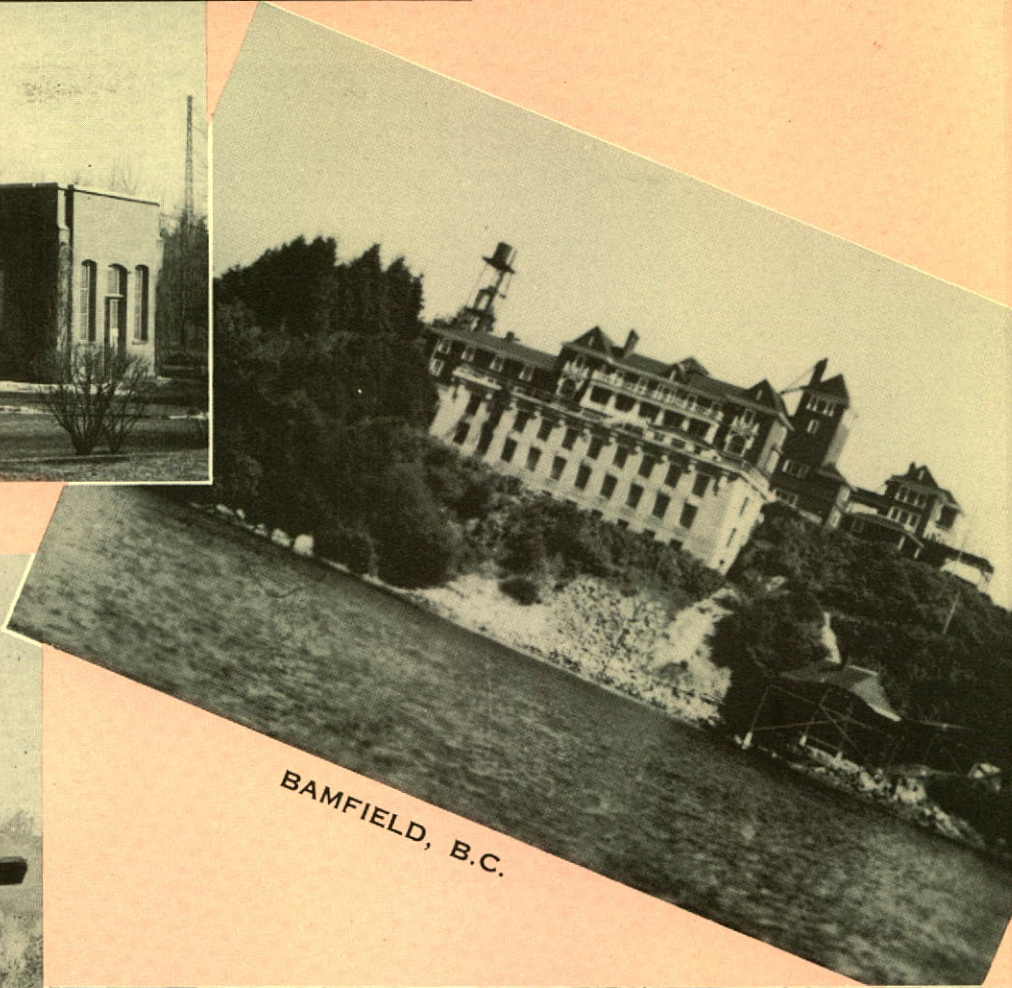


CABLE H

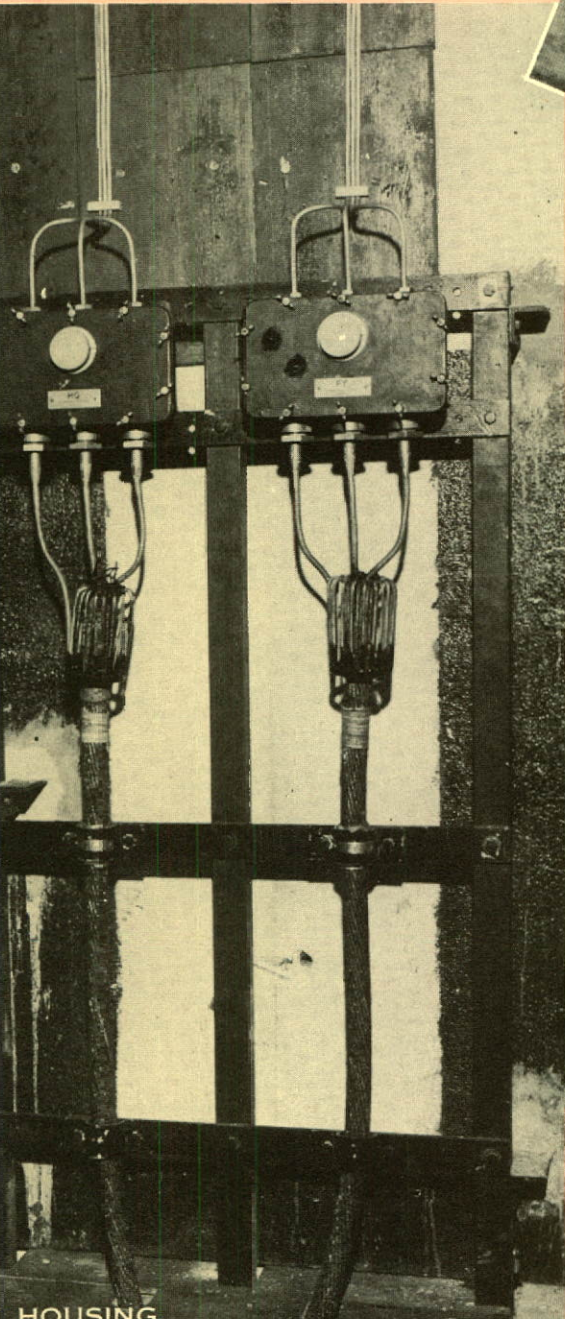
CROSS CANADA



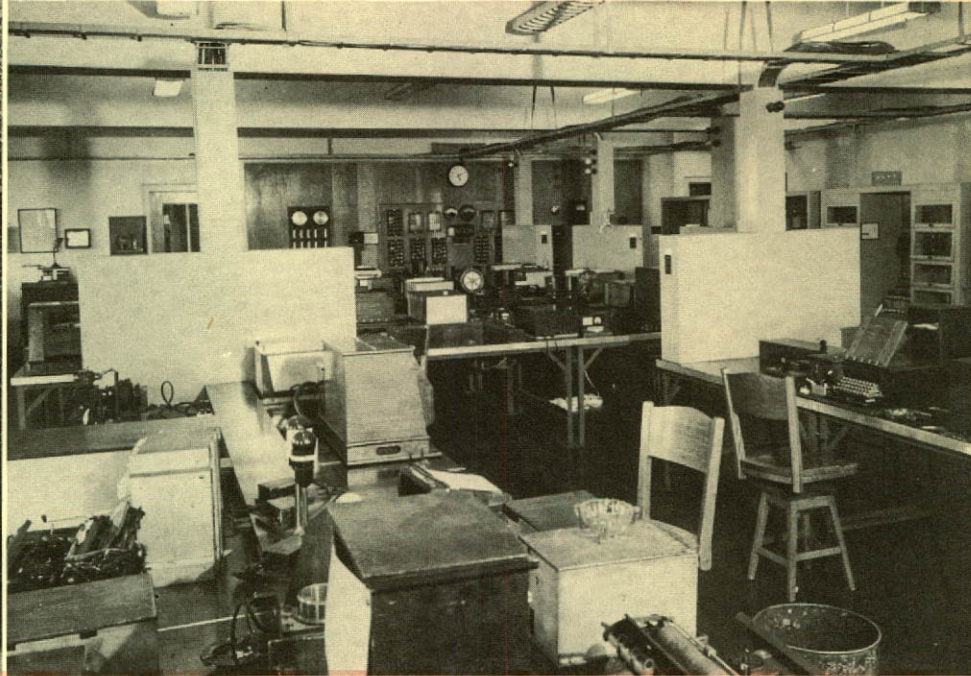
VILLE, QUE.



BAMFIELD, B.C.



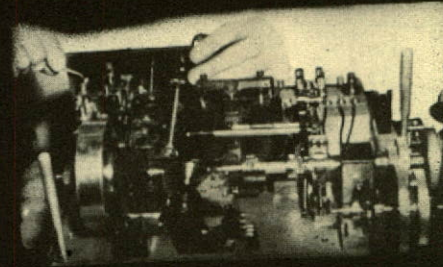
HOUSING



HALIFAX, N.S.



MONTREAL—Headquarters of the Corporation located at 211 St. Sacrament Street also houses the only communications centre of its kind in Canada. Occupying some 6,000 square feet of floor space on the second floor of the four storey building, wireless and cable services function side by side which provide a flexibility of operations to permit continuity of service under any conditions. Side by side, these two services practically eliminate the main elements of risk, delay and uncertainty.



VIA
CANADIAN

Canadian Overseas Telecommunication Corporation

BARBADOS

NEW YORK

LONDON



Canadian Overseas Telecommunication

(Established by the Canadian Overseas Telecommunication Corporation Act)

Assets

Cash on Hand and in Banks	\$ 396,216
Investments — Government of Canada Bonds, at amortized cost (market value \$393,600)	394,888
Accounts Receivable	270,257
Prepaid Expenses:	
Inventory of operating supplies and stationery, at cost	\$ 64,450
Rent, insurance, etc.	3,273
	<hr/>
	67,723
Lands, Buildings and Equipment*	3,131,332
Less: Reserved for depreciation, obsolescence and increased cost of replacements	365,539
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	2,765,793
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	3,894,877
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D. F. BOWIE.

President and General Manager.

Approved on behalf of the Board

R. M. BROPHY, *Director.*

C. P. EDWARDS, *Director.*

NOTE: *Expropriated fixed assets for which settlement has not yet been reached are included at provisional worth; other fixed assets are included at cost.

Balance Sheet as at December 31, 1951

Liabilities and Capital

Liabilities

Accounts Payable and Accrued Charges		\$1,741,031
Receiver General of Canada:		
Interest on advances	\$ 16,336	
Employees' income tax	8,799	
Unemployment insurance	1,270	
		<u>26,405</u>
Provision for Adjustment of Corporation's Share of Commonwealth Telecommunications Network Expenses, etc.		80,000
		<u>1,847,436</u>

Capital

Government of Canada — Advances under Section 14 of the Act	1,851,761	
Excess of Income over Expenses, for the year ended December 31, 1951, per Schedule I	195,680	
		<u>2,047,441</u>
		<u>3,894,877</u>

I have examined the accounts of the Canadian Overseas Telecommunication Corporation for the year ended December 31, 1951, and having obtained all the information and explanations I have required I certify, subject to the attached report, that, in my opinion, the above Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Corporation's affairs as at December 31, 1951, according to the best of my information and the explanations given to me and as shown by the books of the Corporation.

WATSON SELLAR.

Auditor General of Canada.

Canadian Overseas Telecommunication Corporation

Statement of Income and Expenses for the year ended December 31, 1951

Income

Receipts from traffic	\$ 1,662,727	
Interest on investments, etc.	2,238	
Sundry	1,560	
		1,666,525

Expenses

Operating —		
Expended in Canada	\$ 1,295,109	
Less, Portion recoverable from Commonwealth network	886,412	
		408,697
Corporation's share of Commonwealth network's total expenses, estimated	603,767	
Share of Commonwealth Telecommunications Board's expenses	3,723	
Reserve for obsolescence and increased cost of equipment replacements	93,660	
Traffic Solicitation, Advertising and Publicity	105,799	
Administration and General —		
Expended in Canada	395,885	
Less, Portion recoverable from Commonwealth network	163,294	
		232,591
		1,448,237
		218,288

Deduct

Prior year's adjustments —		
Interest	25,675	
Less, Previously reserved for fire loss	3,067	
		22,608

Excess of Income over Expenses per Balance Sheet	195,680
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Auditor General's Report

Ottawa, March 27th, 1952.

The President and Directors,
Canadian Overseas Telecommunication Corporation,
Montreal, P.Q.

Gentlemen:

The accounts of the Canadian Overseas Telecommunication Corporation having been audited under my direction, for the fiscal year ended December 31, 1951, I forward herewith the Balance Sheet, as at the date of closing, supported by the Statement of Income and Expenses for the year.

The following comments are pertinent:

Lands, Buildings and Equipment \$3,131,332. For the most part this sum represents the value, estimated on behalf of the Corporation, of assets expropriated from a predecessor company. The basis on which final settlement is to be made has yet to be determined.

Reserved for Depreciation, Obsolescence and Increased Cost of Replacements \$365,539. This includes \$271,879 for depreciation and \$93,660 for obsolescence and increased cost of equipment replacements. The portion of the \$271,879 which relates to the expropriated assets referred to in the preceding paragraph, having been arbitrarily determined, is subject to adjustment when final settlement for the assets is reached. The Reserve for obsolescence is intended to meet the estimated additional cost of providing, in or about the year 1956, new equipment of more modern design to replace certain equipment now becoming obsolete. Present indications are that the Reserve will require to be augmented in the interim at the rate of \$62,440 per annum.

Provision for Adjustment of Corporation's Share of Commonwealth Telecommunications Network Expense \$80,000. As noted in last year's report, March 31, 1951 was the date to which the network expenses incurred by the National Bodies of the various Partner Governments were to have been collated and the amount contributable by each body determined. To date, the Corporation has not been advised of the results of the collation or of the amount of its share of the expenses. Pending receipt of this advice, the provision of \$80,000, made in 1950, remains unchanged. The Management consider it unnecessary to vary this provision in respect of the adjustments which will be required later regarding the provisional figures used in this connection for the period April 1—December 31, 1951.

Yours faithfully,

WATSON SELLAR.
Auditor General of Canada.

