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1950 / FIRST ANNUAL REPORT

VIA **"CANADIAN"**

**CANADIAN OVERSEAS
TELECOMMUNICATION
CORPORATION**

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WORLD WIDE CABLE AND RADIO TELEGRAPH SERVICE

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1950 / FIRST ANNUAL REPORT

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**CANADIAN OVERSEAS
TELECOMMUNICATION
CORPORATION**

WORLD WIDE CABLE AND RADIO TELEGRAPH SERVICE

**BOARD
OF
DIRECTORS**



D. L. Howard, Westmount Que. (Chairman)
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

MANAGEMENT

President and General Manager

D. L. Howard

Executive Assistant to the President & General Manager

D. F. Bowie

Secretary-Treasurer

R. J. Cassidy

Chief Engineer

L. S. Payne

Manager, Personnel & Public Relations

C. A. O'Brien

CANADIAN OVERSEAS
TELECOMMUNICATION
CORPORATION

211 ST. SACRAMENT STREET — MONTREAL, 1

March 31st, 1951

The Honourable Lionel Chevrier, K.C., M.P.,
Minister of Transport,
Ottawa.

Sir,

In accordance with the requirements of Section 23 of the Canadian Overseas Telecommunication Corporation Act, the First Annual Report of this Corporation is now submitted. This report covers the period January 1st, 1950 to December 31st, 1950.

Inasmuch as this is the first report, it is appropriate to make reference to the events leading up to the inauguration of this new Crown Corporation. Parliamentary sanction of the Canadian Overseas Telecommunication Corporation Act (1949) paralleled similar action on the part of other Governments of the Commonwealth, which was designed to set up National Bodies for the purpose of consolidating and strengthening the radio and cable systems of the Commonwealth.

The Commonwealth Telegraphs Conference held in Australia in 1942 recommended that the Commonwealth Communications Council undertake a complete review and study of the communications system of the Commonwealth, its main purpose being the production of a plan which would ensure future provision for the development of wireless communication and proper co-ordination between wireless and cable communication.

The Council, in reporting its findings, suggested that it had become imperative to consolidate and strengthen the wireless and cable systems of the Commonwealth, and, unanimously recommended public ownership by all the Commonwealth Governments of their respective overseas telecommunication services.

In its report, the Commonwealth Communications Council further indicated that this step would realize the main principle of the Statute of Westminster—namely, the establishment of partnership rather than control by one partner of the others, and at the same time, local sovereignty would be safeguarded.

As a result of this recommendation, an Agreement titled "Commonwealth Telegraphs Agreement", was signed by the representatives of the Commonwealth Governments on May 11, 1948. Under the provisions of this Agreement, each Partner Government was committed:

- (a) to acquire the external telecommunication assets operating within its territory with the exception of "Cable Heads".
- (b) to nominate an existing Department or establish a public corporation to be known as "The National Body" for the purpose of acquiring, operating and maintaining such assets.
- (c) to representation on a "Commonwealth Telecommunications Board".

In consequence, the "Commonwealth Telecommunications Board" replaced the Commonwealth Communications Council.

Ratification by Canada of the Commonwealth Telegraphs Agreement provided this country with a seat on the Commonwealth Telecommunications Board, our representative being Major J. H. Tudhope, and Canada now has a voice in determining policy concerning matters affecting World-wide as well as Commonwealth telecommunications. Canada also became obligated thereby to establish an organization for the purpose of acquiring, operating and maintaining the overseas telecommunication services in Canada operated by Cable and Wireless Limited and Canadian Marconi Company, and, the Corporation was brought into being.

Although it was not until June 7th, 1950, that the Corporation was able to proceed with the authorized expropriation of the assets in Canada of Cable and Wireless Limited and Canadian Marconi Company, it is considered opportune to bring to your notice that, despite the short time which elapsed from the date of expropriation to the end of the fiscal year, the obvious difficulties attendant upon such proceedings together with merging and co-ordinating operations and staff of the two predecessor companies, adminis-

tration has been such that obligations under the provisions of the Commonwealth Telegraphs Agreement are being met and services maintained and developed to meet present and anticipated future needs.

The employees of the predecessor companies have been taken over by the Corporation and have shown keen interest in the welfare of the Corporation, a fact which augurs well for maintaining a high spirit of co-operation and well-being. They have readily joined with Management in the task of forging co-operative and collective action towards attaining for Canada a position of leadership in the field of world telecommunications.

Before dealing with the specific aspects of operations, and the attendant financial segments within the structure of the Corporation, as outlined in the following pages of this initial report, I must emphasize that we have to bear in mind our position in a highly competitive field. The Management, in conducting its everyday business, must never lose sight of the fact that Canada's position, in the field of telecommunications, is vastly more complex and difficult compared with that of other Partner Governments, in that this Corporation has to compete with other telecommunications services, which are privately owned. Our future policy and the quality of our service must, therefore, be developed having regard to that fact.

Expropriation

On June 7th, 1950, by authority of Orders-in-Council, P.C. 2775 and P.C. 2776, the Corporation expropriated the external telecommunications assets in Canada, (with the exception of "Cable Heads"), owned by Cable and Wireless Limited and Canadian Marconi Company. Negotiations in connection with payment for these assets have been carried on and I am pleased to report that a mutually satisfactory agreement has now been reached with Cable and Wireless Limited. Negotiations with Canadian Marconi Company still continue but a settlement is expected in the near future.

The Corporation negotiated purchase of the building at 211 St. Sacramento Street from Canadian Marconi Company and this property is now the Head Office of the Corporation.

Description of Services

As a result of the expropriation of these external telecommunications assets, the Corporation now operates the Canadian terminals of cables across the Atlantic and Pacific and with the West Indies through Bermuda. Radiotelegraph services are maintained between Montreal and the United Kingdom, Australia, Barbados, New York, St. Pierre and Miquelon,

and radiotelephone services with and via the United Kingdom and the West Indies.

Co-ordination of Wireless and Cable Services

The cable facilities expropriated from Cable and Wireless Limited in Montreal are at present located at 204 Hospital Street. We are, however, actively engaged in providing for the unification of both radio and cable services in our Head Office at 211 St. Sacrament Street. These plans are well advanced and, despite some difficulties in obtaining essential materials at this time, it is confidently anticipated that unification of operations will be accomplished within the next few weeks.

Rates

As a result of decisions taken at the International Telegraph and Telephone Conference, held in Paris in 1949, a considerable revision of the classifications of telegrams and tariffs took place. These came into effect on July 1st, some three weeks after the Corporation had commenced operations. In making the changes called for by the decisions of the Paris Conference, the Corporation's policy was based on the premise that in adjusting the rate structure, revenues should be maintained substantially at the same level.

Message Forms

In keeping with the significance of a wholly Canadian Corporation, a new telegraph blank was designed bearing the Corporation's routing instructions. These instructions are designated through the use of the term "VIA CANADIAN", which has produced very favourable public reaction and results.

I am happy to be able to report increased public acceptance of the Corporation's services which is evidenced by a steadily increasing volume of traffic. It is confidently anticipated that the new slogan "VIA CANADIAN" will serve further to encourage the use of the Corporation's facilities because of its pointed reference to the Canadian composition of the Corporation.

Staff

Prior to the commencement of operations a letter was directed to employees of the predecessor companies engaged in overseas' operations indicating that the Corporation was desirous of retaining their services and giving a broad outline of the intentions of the Corporation insofar as conditions of continuing employment were concerned.

As a result of certification of Canadian Communications Association, Local No. 6, Radio and

Cables Department, ACA-CCL, on February 16th, 1951, as the bargaining agent for the employees of the Corporation, negotiations with the Union Committee were undertaken. At the time of submitting this report, Management and Union are optimistic that agreement will be reached in the immediate future.

Active steps have been taken to inaugurate a Group Insurance Plan and a Pension Fund, and at the last meeting of the Board of Directors approval was given to the adoption of the schemes submitted.

Financial Statement

In conformity with Section 22 of the Canadian Overseas Telecommunication Corporation Act, the accounts of the Corporation, audited by the Auditor General, are submitted herewith, along with his report.

The Act came into force on January 1st, 1950, as fixed by Order-in-Council P.C. 6565, dated December 29th, 1949. In consequence, the statement of Income and Expenditure is for the period January 1st to December 31st, 1950, but the Corporation began operations as a unit in the Commonwealth Telecommunications network as of April 1st, 1950. Inasmuch as the expropriation of the external telecommunications assets

of the Canadian Marconi Company and the Canadian facilities of Cable and Wireless Limited did not take place until June 7th, 1950, the predecessor companies operated the assets for the account of the Corporation from April 1st, 1950, to the date of expropriation.

The value of lands, buildings and equipment shown on the Balance Sheet as \$2,757,318.29 includes an arbitrary figure in respect of expropriated assets for which settlements have not yet been reached. Correspondingly, an arbitrary amount is included in Accounts Payable to provide for this liability. After settlement, these amounts will require readjustment as will the reserve for depreciation.

The provision of \$80,000.00 for adjustments in the Corporation's share of Commonwealth Telecommunications network expense (Appendix A), has been included as an expense of operation. The adjustments are those which may be necessary when the Corporation is assessed for its share of the aggregate expense of the Commonwealth Telecommunications system. The system's fiscal year ends March 31st.

As required by Section 19 of the Act, an amount equal to the excess of income over expenditure for the year ended December 31st, 1950—\$87,470.00—will be paid to the Receiver General of Canada.

Acknowledgments

In closing this report, I wish to pay tribute to the Officials of the Department of Transport for their unfailing assistance and guidance during the formative stages of the Corporation, and, we are equally grateful to the Officers of the Department of Finance for their wise and valued counsel. I have been assured of their continued co-operation in the future.

In conclusion, it is my pleasant duty to express appreciation to the Officers and Employees of the Corporation for their loyal support.

Yours faithfully,



Chairman, Board of Directors.

D. L. Howard, Westmount, Que. (Chairman)

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

Canadian Overseas Telecommunication

ASSETS

Cash on hand and in banks	\$ 307,077.10	
Accounts Receivable		397,648.05
Prepaid Expense:		
Inventory of operating supplies, at cost	\$ 53,198.59	
Stationery and unexpired insurance	<u>8,888.24</u>	
		62,086.83
Lands, buildings and equipment	2,757,318.29	
Less: Provision for depreciation	<u>87,350.56</u>	
		2,669,967.73
		<u><u>\$3,436,779.71</u></u>

Approved on behalf of the Board.

R. M. BROPHY, *Director.*

C. P. EDWARDS, *Director.*

LIABILITIES AND CAPITAL

Liabilities:

Accounts Payable and Accrued Charges	\$2,714,481.90
Reserve for fire loss	3,066.81
Provision for adjustments in Corporation's share of Commonwealth Communications network expense, etc.	80,000.00

Capital:

The Government of Canada—Advances under Section 14 of the Canadian Overseas Telecommunication Corporation Act	\$ 551,761.00
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Excess of income over expenditure for the year ended December 31, 1950, per Appendix B.	<u>87,470.00</u>
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639,231.00

\$3,436,779.71

I have examined the accounts of the Canadian Overseas Telecommunication Corporation for the period from its inception, January 1, 1950, to December 31, 1950; and have obtained all the information and explanations I have required. 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, 1950, according to the best of my information and the explanations given to me and as shown by the books of the Corporation, subject to the qualifications in my report of even date.

MARCH 31, 1951.

WATSON SELLAR,
Auditor General.

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

Statement of Income and Expenditure
for the year ended
December 31, 1950

Income from operations		\$1,021,121.81
Deduct:		
Operating Expense:		
Direct	\$ 261,962.38	
Share of Commonwealth Network Expense	\$358,018.80	
Provision for adjustments	<u>80,000.00</u>	
		<u>438,018.80</u>
		<u>699,981.18</u>
Operating Profit		321,140.63
Deduct:		
Other Expenses:		
Administration	279,124.22	
Less: Sundry Revenue	869.90	
Allowance for Administration of Commonwealth Network in Canada	<u>112,415.46</u>	
		<u>113,285.36</u>
		165,838.86
Traffic Solicitation	66,053.73	
Share of Commonwealth Tele- communication Board's Expense	<u>1,778.04</u>	
		<u>233,670.63</u>
Excess of Income over Expenditure		<u>\$ 87,470.00</u>

AUDITOR GENERAL'S REPORT

Ottawa, March 31, 1951

The President and Directors,
Canadian Overseas Tele-
communication Corporation,
Montreal, P.Q.

Gentlemen:

The accounts of the Corporation have been audited to December 31, 1950.

Submitted herewith are the following statements:

Balance Sheet as at December 31, 1950, to which my certificate is attached.

Statement of Income and Expenditure for the year ended December 31, 1950; the date of the Corporation's inception was January 1, 1950, although the Directors were not appointed until a date in March, and actual operations did not commence until June.

Lands, Buildings and Equipment are shown on the Balance Sheet at a value of \$2,757,318.00. By far the greater portion of this total represents amounts estimated by, or on behalf of the Corporation, to be the value of assets expropriated from predecessor companies. All settlements had not been consummated at December 31, 1950, nor up to the time of certifying the accounts for the year.

A reserve of \$87,350.00 for depreciation of the above assets has been provided. This is an arbitrary amount which will require adjustment after settlements are arrived at for the assets expropriated.

Provision for Adjustments. The first collation of expenses incurred by the National Bodies of all the Partner Governments, in connection with the Commonwealth common-user system of telecommunications, will be to March 31, 1951. To December 31, 1950, there has been included in operating expenses the sum of \$358,019.00, based on tentative arrangements with the Commonwealth Telecommunications Board.

When the Corporation is assessed for its share of the aggregate expenses of the National Bodies, the \$358,019.00 may require revision; for this purpose an estimated \$80,000.00 has been included as a liability and as an operating expense.

Yours faithfully,

Original signed by

WATSON SELLAR,
Auditor General of Canada.

