

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

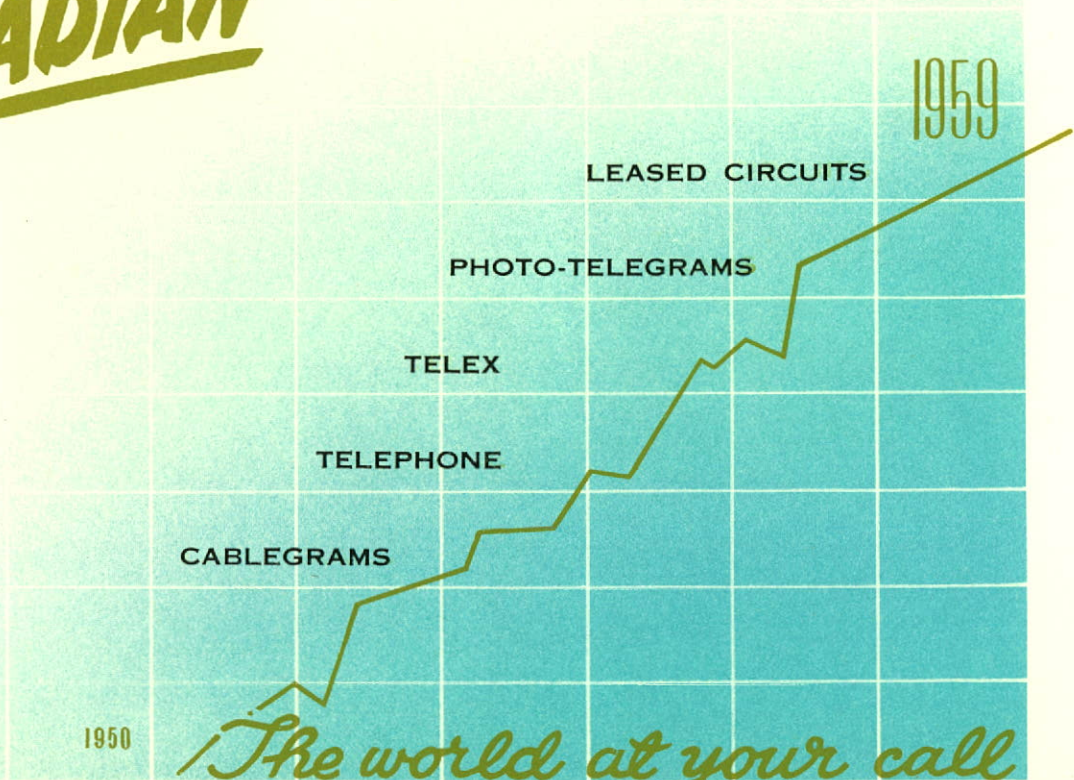
9th annual report

FOR THE YEAR ENDED MARCH 31, 1959

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VIA "CANADIAN"



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Canadian Overseas Telecommunication Corporation

625 Belmont Street, Montreal

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G. A. COWAN	TRAFFIC PRODUCTION MANAGER
L. A. HARROLD A. W. QUIRK	ASSISTANT TO THE VICE-PRESIDENT PURCHASING AGENT

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The President's Report

June 16th, 1959.

Honourable George H. Hees,
Minister of Transport,
Ottawa, Canada.

Sir,

The Ninth Annual Report, covering the fiscal year April 1st, 1958, to March 31st, 1959, is herewith submitted on behalf of the Board of Directors, in accordance with the requirements of the Financial Administration Act.

FINANCIAL

The net profit for the twelve months ended March 31st, 1959, amounted to \$625,703, after providing \$565,426 for Income Tax and \$446,206 for interest on Government Advances. Income rose by 13%.

At the Commonwealth Telecommunications Conference held in London last year it was decided that:

- a) The present financial arrangements of the Commonwealth Telecommunications System were not suitable for the accommodation of such large new assets as the new trans-Atlantic cables and it was recommended, therefore, that they be not included in the existing scheme;
- b) Nevertheless, the basic principles of the common-user system were considered so valuable that it was recommended that they should be preserved for the benefit of all participants in the "round-the-world" cable system, referred to later in this report, and it was recommended that Commonwealth Governments should consider the setting up of a new Wayleave Account in respect of the intra-Commonwealth "round-the-world" system. The new account would broadly have the same features as the old but, initially, the only parties to it would be the United Kingdom and Canada, owners of the trans-Atlantic cables which constitute the first segment of the proposed system.



Generally, this decision has the effect of the Commonwealth countries, other than the United Kingdom and Canada, not bearing directly any of the annual expense of these assets for the time being at least. On the other hand, our share of the expense of operating the old system has decreased as a result of our reduced use of it. As a further result of this modification which is retroactive to September 25th, 1956 — the opening date of the Trans-Atlantic Telephone Cable — our reported surpluses for 1956/57 and 1957/58 have been reduced appropriately.

Due to a recent change in the Income Tax Act, the Corporation's provision for Income Tax has increased substantially for the year ended March 31st, 1959. As this change was made retroactive to the taxation year 1957, an adjustment for the last two years has been made in the Statement of Surplus.

Our accounts for the year under review incorporate the effect of the changes noted above. For purposes of

comparison, the figures shown in the following summary for the year ended March 31st, 1958, give effect to the adjustments, for that year, reflected in the Statement of Surplus.

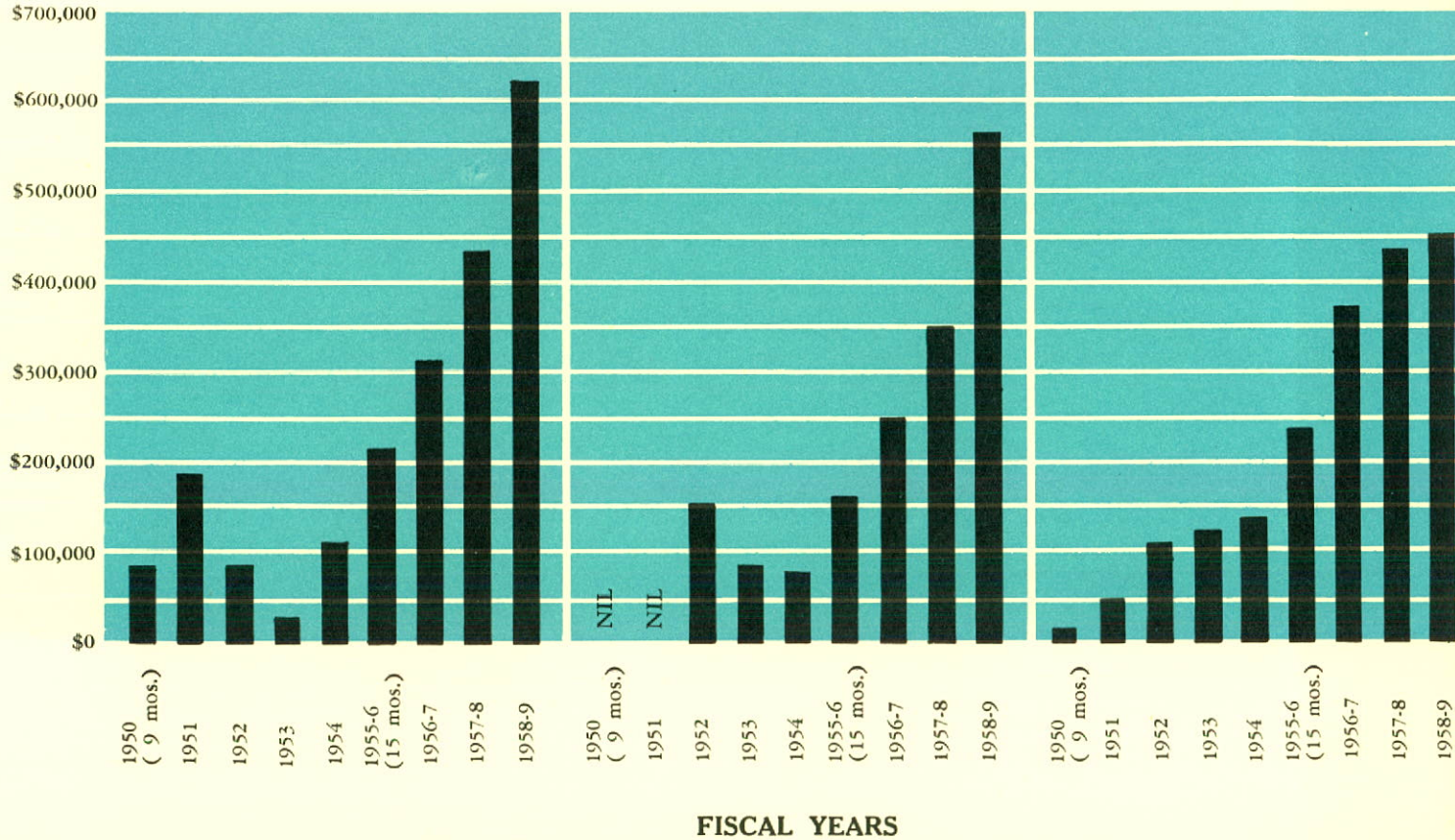
	Year ended March 31 1959	Year ended March 31 1958
Income	\$4,773,194	\$4,230,365
Expense:		
Operating	3,200,578	3,080,484
Administrative & General	234,511	210,541
Traffic Solicitation, Advertising & Publicity	146,976	147,536
Total Expense	<u>3,582,065</u>	<u>3,438,561</u>
Profit before provision for Income Tax	1,191,129	791,804
Provision for Income Tax	565,426	358,206
Net Profit for Year	<u><u>625,703</u></u>	<u><u>433,598</u></u>

Financial Statements for the twelve months ended March 31st, 1959, submitted herewith, have been audited by the Auditor General and his report is included.

NET PROFITS

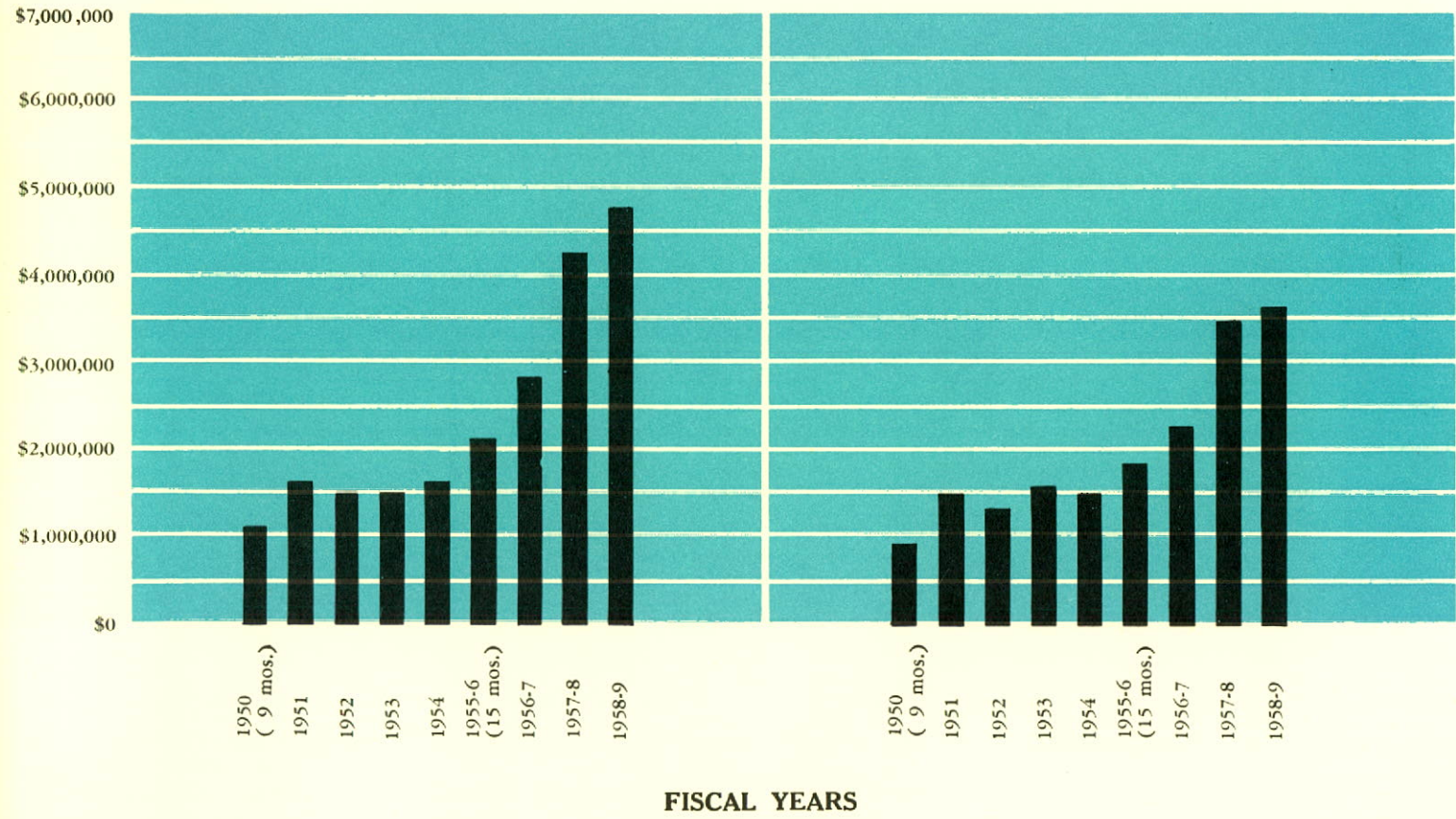
INCOME TAX

INTEREST CHARGES



ANNUAL REVENUE

ANNUAL EXPENSES



OPERATIONS

TELEGRAPH SERVICES

Overall telegraph revenue decreased by approximately 2%. This arose from a considerable reduction in traffic originating in foreign countries transiting Canada and destined to points beyond. We have no means of controlling the volume of this traffic and it is therefore always liable to be a doubtful factor.

Public telegraph traffic of Canadian origin increased by 3%. During the early part of the year, returns reflected some uncertainty but, latterly, business improved and in the end we achieved the small increase noted. This is regarded as significant as greater use continues to be made of our telex, telephone and leased circuit services by the heavier users. All these services compete directly for the public telegraph traffic and even a modest increase in revenue from the latter, therefore, indicates a healthy condition.

A direct radiotelegraph service between Montreal and Rome was opened in April, 1958, and results show an important increase in traffic affected by the new facility.

TELEPHONE SERVICES

Trans-Atlantic

Public use of this service over the trans-Atlantic cable route continued to grow and showed an 11% increase over the previous year. As indicated elsewhere in this report, we were deprived of the use of the cable for a full eight days and although all of our radio equipment and facilities were pressed into service during the period, we were not able to carry anything like a normal amount of calls. This reduced to some extent the increased volume which had been expected.

Trans-Pacific

The number of calls on this route to Australia and New Zealand continues to grow and, during the year under review, revenue increased by 21%.



Newfoundland

Additional circuits were introduced during the year and business handled reflected a further 46% increase. It is of interest to note that available capacity is now more than twenty times greater than when the corporation assumed responsibility for this service in 1950.

West Indies

In conformity with the general pattern of growth in the use of the telephone by the public, the year shows an increase of 33% over the previous period.

INTERNATIONAL TELEX

There is a continuing and steadily growing demand for this type of service and a 25% increase in revenue was achieved.

LEASED CIRCUITS

Although probably retarded to some degree by economic factors affecting business generally and result-

ing in anticipated leases not materializing quite as quickly as had been forecast, nevertheless, new leases produced an important increase in revenue from this source amounting to 32%.

PROGRAMME SERVICES

This service, which provides high quality voice transmissions for broadcasting purposes, was in heavy demand throughout the year which resulted in an increase amounting to 116%.

PICTURE TRANSMISSIONS

As there were no exceptionally newsworthy events in Canada calling for the use of this service during the year under review, revenue diminished from last year's peak to a more normal level. This service is considered as being one which must be provided from the point of view of public service and national prestige but not as being financially attractive.

GENERAL

Major planning during the past year has been concerned with the new Canada-United Kingdom multi-channel multi-purpose cable, scheduled for completion in 1961. The need for this system will become acute by that time as we are already utilizing all available capacity in the existing cable during peak hours and demand is steadily rising.

We have recently concluded arrangements for the provision, jointly with the Great Northern Telegraph Company of Denmark, for a telephone cable between Newfoundland and Greenland and Iceland — for ultimate connection with the United Kingdom — primarily to meet the telecommunications requirements of the International Civil Aviation Organization. This project is scheduled for completion by 1962 at the latest and will provide the stability of communications for air operations across the Atlantic Ocean long sought by the civilian air services and now imperative to meet the speed and reliability of communications demanded by the jet age.

A Commonwealth Telecommunications Conference was held in London during June and July, 1958, at which time senior officers of the Corporation assisted as members of the Canadian Delegation and at which decisions were taken to recommend to the various Commonwealth Governments that a "round-the-world" telephone cable network be planned and constructed. The Conference, amongst other items, also recommended some modifications to existing financial arrangements which are referred to in the Financial Section of this report.

On February 21st the Trans-Atlantic Telephone Cable was broken about 200 miles east of Newfoundland and remained out of service for eight days. All our stand-by equipment and resources were brought into operation and in spite of the many difficulties involved, we were able to set up substantial emergency facilities and circuits to take care of leases, public telegraph and telex services although somewhat restricted as regards the latter. Telephone service was partially maintained over radio circuits which functioned well at the beginning of the week but deteriorated badly towards the end.

VIA "CANADIAN"

As a result of this experience, valuable knowledge has been gained which we hope, in conjunction with the addition of certain equipment covered in our budget for the current year, will enable us to carry on more effectively in the event of similar occurrences in the future.

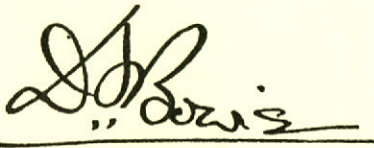
STAFF

The Agreement with our technical and operating employees expired on September 30th, 1958, and a new agreement was written covering a one-year period ending September 30th, 1959.

ACKNOWLEDGMENT

It is a continuing pleasure to include in the report a wholehearted expression of appreciation to all our officers and staff for their excellent work and co-

operation during the year. On this occasion it is proper to make a special reference to the exceptional efforts made by all to maintain services during the recent difficult time when the Trans-Atlantic Telephone Cable was interrupted.



J. B. Lewis

President.

Canadian Overseas Telec

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BALANCE SHEET AS AT MARCH 31, 1959 (wit

ASSETS

	1959	1958
Cash	\$ 910,742	\$ 532,331
Accounts Receivable	826,259	980,086
Estimated amount recoverable from Commonwealth Network	541,412	616,922
Prepaid Expenses — Inventories of operating supplies, stationery, at cost, etc.	120,731	103,430
Cash and Investments held in trust in connection with provision for actuarial deficiencies in pension funds for employees participating in pension plans of predecessor company (contra)	699,850	623,574
Capital Assets, at cost:		
Land, with improvements	\$ 1,012,034	998,517
Buildings	3,976,533	3,878,050
Trans-Atlantic telephone cable systems.....	4,994,254	4,266,779
Transmitters, receivers and other technical equipment	5,580,166	5,006,153
Office furniture and equipment, etc.	236,360	218,956
	<u>15,799,347</u>	<u>14,368,455</u>
Less: Accumulated provisions for depreciation	2,441,496	1,865,538
	<u>13,357,851</u>	<u>12,502,917</u>
	<u>16,456,845</u>	<u>15,359,260</u>

Certified:

D. F. BOWIE,
President and General Manager

Approved:

J. HAMILTON,
Director

P. PELLETIER,
Director

Communication Corporation

(TELECOMMUNICATION CORPORATION ACT)

(Comparative figures as at March 31, 1958)

LIABILITIES

	1959	1958
Accounts Payable	\$ 614,343	\$ 423,746
Provision for Income Tax	336,609	224,358
Cumulative Reduction in Income Tax, deferred to future years	167,333	112,191
Provision for actuarial deficiencies in pension funds for employees participating in pension plans of predecessor company	699,850	623,574
	<u>1,818,135</u>	<u>1,383,869</u>
Capital:		
Advances from the Government of Canada under section 14 of the Act	\$ 12,978,883	12,636,064
Surplus, per Statement of Surplus	<u>1,659,827</u>	1,339,327
	14,638,710	
	<u><u>16,456,845</u></u>	<u><u>15,359,260</u></u>

Certified in accordance with my report dated June 15, 1959, to the Minister of Transport, under section 87 of the Financial Administration Act.

WATSON SELLAR
Auditor General of Canada

Canadian Overseas Telecommunication Corporation

Statement of Surplus for the year ended March 31, 1959

Balance as at April 1, 1958		\$ 1,339,327
Deduct: Prior years' adjustments —		
Additional share of Commonwealth Network expenses for years ended March 31, 1957 and 1958 (after allowing \$157,700 for income tax adjustment thereon)	\$ 177,800	
Additional provision for income tax in respect of the years ended March 31, 1957 and 1958 arising from amendment of the Income Tax Act having retroactive effect	132,700	
	<u>310,500</u>	
Less:		
Final settlement with the Commonwealth Network for year ended March 31, 1956	\$ 13,172	
Adjustment of real estate taxes	18,337	
Other miscellaneous adjustments (net)	<u>1,020</u>	
	<u>32,529</u>	
		<u>277,971</u>
		1,061,356
Deduct:		
Loss on disposal of capital assets	11,582	
Adjustment of cumulative reduction in income tax deferred to future years — resulting from additional provision for income tax in respect of prior years	<u>15,650</u>	
		<u>27,232</u>
		1,034,124
Add:		
Net profit for the year ended March 31, 1959, per Statement of Income and Expense		<u>625,703</u>
Balance as at March 31, 1959		<u><u>1,659,827</u></u>

Canadian Overseas Telecommunication Corporation

Statement of Income and Expense for the year ended March 31, 1959

(with comparative figures for the year ended March 31, 1958, after giving effect to adjustments for that year reflected in the Statement of Surplus)

	1959	1958
Income	\$ 4,773,194	\$ 4,230,365
Expense		
Operating	\$ 3,924,325	3,634,209
Deduct: Portion applicable to Commonwealth Network	2,398,770	2,169,013
	1,525,555	1,465,196
Add: Corporation's share of Commonwealth Network expenses (estimated)	1,675,023	1,615,288
	3,200,578	3,080,484
Administrative and General	384,836	345,937
Deduct: Portion applicable to Commonwealth Network	153,981	139,521
	230,855	206,416
Add: Corporation's share of Commonwealth Telecommunica- tions Board's expenses (estimated)	3,656	4,125
	234,511	210,541
Traffic Solicitation, Advertising and Publicity	146,976	147,536
	3,582,065	3,438,561
Profit before Provision for Income Tax	1,191,129	791,804
Provision for Income Tax	565,426	358,206
Net Profit for Year	625,703	433,598

Notes: (1) Included in the above expenses for 1959, are: depreciation, \$614,048; remuneration of executive officers, \$81,567; directors' fees, \$700; and legal expenses, \$1,167.

(2) The Provision for Income Tax is calculated by using the amounts of depreciation provided in the accounts rather than using the capital cost allowances claimed for tax purposes. In consequence, the provision exceeded income tax payable for the year by \$37,643.

Ottawa, June 15, 1959.

The Honourable George Hees,
Minister of Transport,
Ottawa.

Sir,

The accounts and financial statements of the Canadian Overseas Telecommunication Corporation have been examined for the year ended March 31, 1959. In order to permit fair comparison, the figures for the year ended March 31, 1958, in the Statement of Income and Expense, have been adjusted to reflect adjustments recorded in the Statement of Surplus in respect of the additional share of Commonwealth Network expenses now estimated to be payable. In compliance with the requirements of section 87 of the Financial Administration Act, I now report that, in my opinion:

- (a) proper books of account have been kept by the Corporation;
- (b) the financial statements of the Corporation
 - (i) were prepared on a basis consistent with that of the preceding year and are in agreement with the books of account,
 - (ii) 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
 - (iii) 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.

