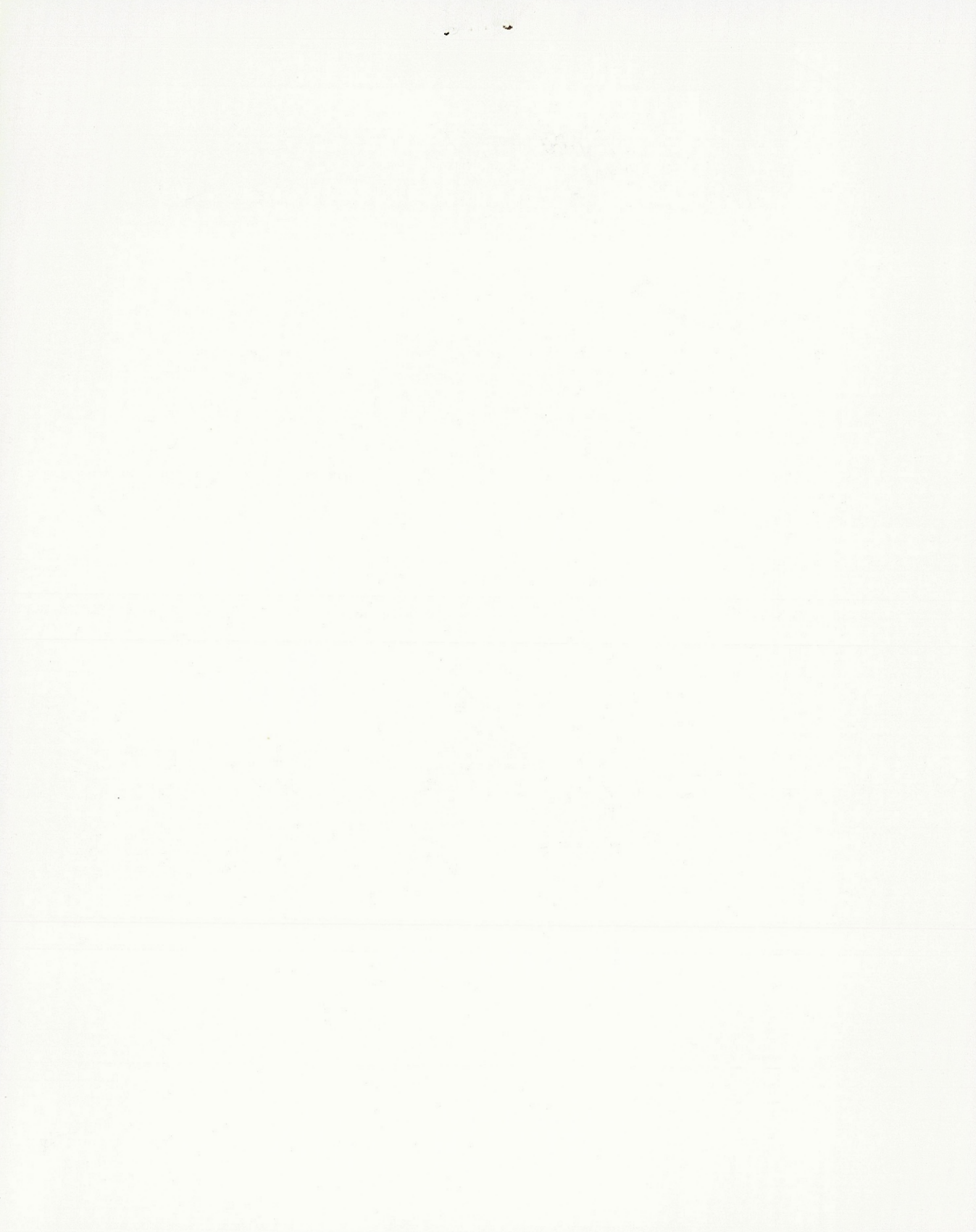




20th Annual Report

FOR THE YEAR ENDED MARCH 31, 1970

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION



"THE WORLD AT YOUR CALL"



CABLEGRAMS • TELEPHONE • INTERNATIONAL TELEX
PHOTO-TELEGRAMS • LEASED CIRCUITS

BOARD OF DIRECTORS

<i>Chairman</i> D. F. BOWIE	President and General Manager, Canadian Overseas Telecommunication Corporation, Montreal, Que.
GILLIS PURCELL	Toronto, Ont.
W. S. PIPES	Vancouver, B.C.
E. BRAGG	President, Bragg Lumber Company, Collingwood, N.S.
R. R. LEVINE	Director, Canadian Converters' Company Limited, Montreal, Que.
R. G. LEFRANÇOIS	President, Nordair Limited, Montreal, Que. (term expired December 26, 1969)
F. MERCIER, Q.C.	Stikeman Elliott Tamaki Mercier & Robb, Montreal, Que. (appointed July 10, 1969)
GILLES BERGERON	Assistant Deputy Minister, Department of Communications, Ottawa, Ont. (appointed January 29, 1970)

MANAGEMENT

D. F. BOWIE	<i>President and General Manager</i>
G. M. WATERHOUSE, C.A.	<i>Vice-President, Finance</i>
C. S. GREGORY	<i>Vice-President and Secretary</i>
E. ELIASSEN, M.Sc., ENG.	<i>Vice-President, Engineering and Operations</i>

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

625 BELMONT STREET, MONTREAL 101

THE PRESIDENT'S REPORT

June 18, 1970.

THE HONOURABLE ERIC W. KIERANS,
MINISTER OF COMMUNICATIONS,
OTTAWA.

Sir,

This, our Twentieth Annual Report, covering the fiscal year ended 31st March, 1970, is submitted on behalf of the Board of Directors.

FINANCIAL

The main items for the period under review, as well as those for the previous year, appear in the following summary:

	Year ended 1970	March 31 1969	Increase (decrease) from 1969
Income - - - - -	\$33,155,108	\$30,499,841	9%
Depreciation - - - - -	7,255,017	6,771,869	7%
Interest on Government Advances - - - - -	2,457,920	2,619,786	(6%)
Income Tax - - - - -	6,470,000	6,195,000	4%
Net Profit for Year - - - - -	6,132,444	5,793,304	6%

Financial Statements for the twelve months ended March 31st, 1970, submitted herewith, have been audited by the Auditor General and a copy of his report is included.

The following schedule illustrates the increases (decreases) in revenue realized by the major services provided by the Corporation:

Telegraph - - - - -	2%
Telephone - - - - -	16%
International Telex - - -	22%
Leased Circuits - - - -	(3%)

GENERAL

Although a 9% increase in income was achieved during the year ended March 31st, 1970, the rate of growth was slower than that of recent years due, in part, to loss of revenue from certain transit traffic formerly circulating through Canada from some foreign countries to Commonwealth destinations but now being routed directly via satellite. This had been anticipated and, as more countries establish earth stations and initiate direct operations, we can expect a steady lessening of the use of our facilities for transit purposes. Cancellation of some leases to foreign carriers for similar reasons, as well as reductions in some rates for leases, also contributed to the slower overall growth in revenue.

The computerized automatic telex switching equipment, referred to in last year's Report and now being installed, is expected to be in service about October 1st, 1970. This will eliminate the delays currently being encountered due to congestion, will enable us to cope with the rapid development of this service and provide for full automation of the call ticketing, or charging, process.

Our Trans-Atlantic and Trans-Pacific telephone cable systems have been used to the full extent of their capacity for some time and we continue to make increasing use of the Atlantic and the Pacific area satellites to accommodate growth in traffic on these routes. At the end of the fiscal year we were operating 86 circuits through our Mill Village, N.S. Earth Station and the Atlantic satellite and 13 circuits through the Pacific satellite, which we continue to reach by means of rented facilities in the American Earth Station at Jamesburg, California, pending the construction of our own earth station on Vancouver Island, which we plan to have in operation during 1972.

With satellite communications available in the Pacific area, it became unnecessary to maintain High Frequency Radio services as back-up for the Pacific cable system and as a consequence, we have closed our radio receiving and transmitting stations at Ladner and Cloverdale, B.C. The relatively small number of staff involved in this move will be taken care of through normal retirements and in general reorganization. It is planned to transfer redundant equipment from the West Coast to the Eastern area where we still have a limited requirement for this type of radio service.

As a consequence of the shortage of cable capacity referred to earlier in this Report, we are studying the feasibility of participating with other countries in the construction and laying of a large capacity cable system on the heavy traffic volume North Atlantic route designed to take care of our

THE PRESIDENT'S REPORT (CONTINUED)

needs in the future and to provide a reasonable balance between cable and satellite facilities with the object of maintaining, to the greatest extent possible, full capability in the event of failure of either system.

Completion of the Canada-Bermuda Telephone Cable System (CANBER) has been further delayed due to difficulties in the manufacture of submersible repeaters but it is now expected that it will be in service by the end of 1970.

In order to meet the increasing demand for Canadian terminal and Commonwealth transit services through Canada to the Eastern Caribbean, we acquired Indefeasible Right of User in a number of circuits in the American-owned Florida-St. Thomas, V.I. Telephone Cable System with extensions from the latter to countries in that area. In due course, these will be further supplemented by extensions from the Canada-Bermuda Cable System.

In last year's Report reference was made to the Plenipotentiary Conference on Definitive Arrangements for the International Telecommunications Satellite Consortium which was held in Washington, D.C., from February 24th to March 31st, 1969. Three sessions of the Preparatory Committee set up by that Conference were held during the Summer and Fall of last year. Officers of the Corporation participated in the Preparatory Committee sessions and also in the resumed Conference which met in Washington, D.C., from February 16th to March 20th, 1970. Unfortunately it did not prove possible to reach agreement on some of the major issues involved and, prior to a further resumption of the Plenipotentiary Conference towards the end of this year, an Intersessional Working Group will convene during the coming Summer having the task of endeavouring to resolve differences of views and preparing a single set of recommended texts of draft intergovernmental and operating agreements for consideration by the Plenipotentiary Conference when it resumes.

The Commonwealth Telecommunications Council held its fourth meeting in London during the month of April, 1969 — the first subsequent to the termination of its predecessor, the Commonwealth Telecommunications Board, on March 31st of that year. It is already clear that the new Organization functions more rapidly and efficiently and is a decided improvement on the former arrangements. The Corporation represents Canada on the Council.

As a result of the successful conclusion of negotiations between the Corporation and the Administrations in Great Britain and eighteen other European countries and with the Trans-Canada Telephone System, the Directors approved substantial reductions in Trans-Atlantic telephone, telex/TWX and leased circuit rates. The reductions, which had been forecast in last year's Report, came into effect with Great Britain on March 1st and with other European countries on April 1st, 1970. The Directors decided to take this step in order to pass on to the users some of the benefits of a successful operation and to encourage and facilitate international communications. It is our expectation that, as a consequence of this initial step, it will, in due course, be possible to arrange for comparable reductions in rates with other countries whose concurrence must first be obtained.

SERVICES

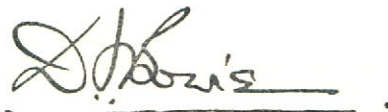
As indicated earlier in this Report, the rate of growth in our major services was somewhat lower than in previous years. Nevertheless, in the light of the factors mentioned earlier in this Report, increases of 16% in telephone revenue and 22% in telex revenue are considered satisfactory.

STAFF

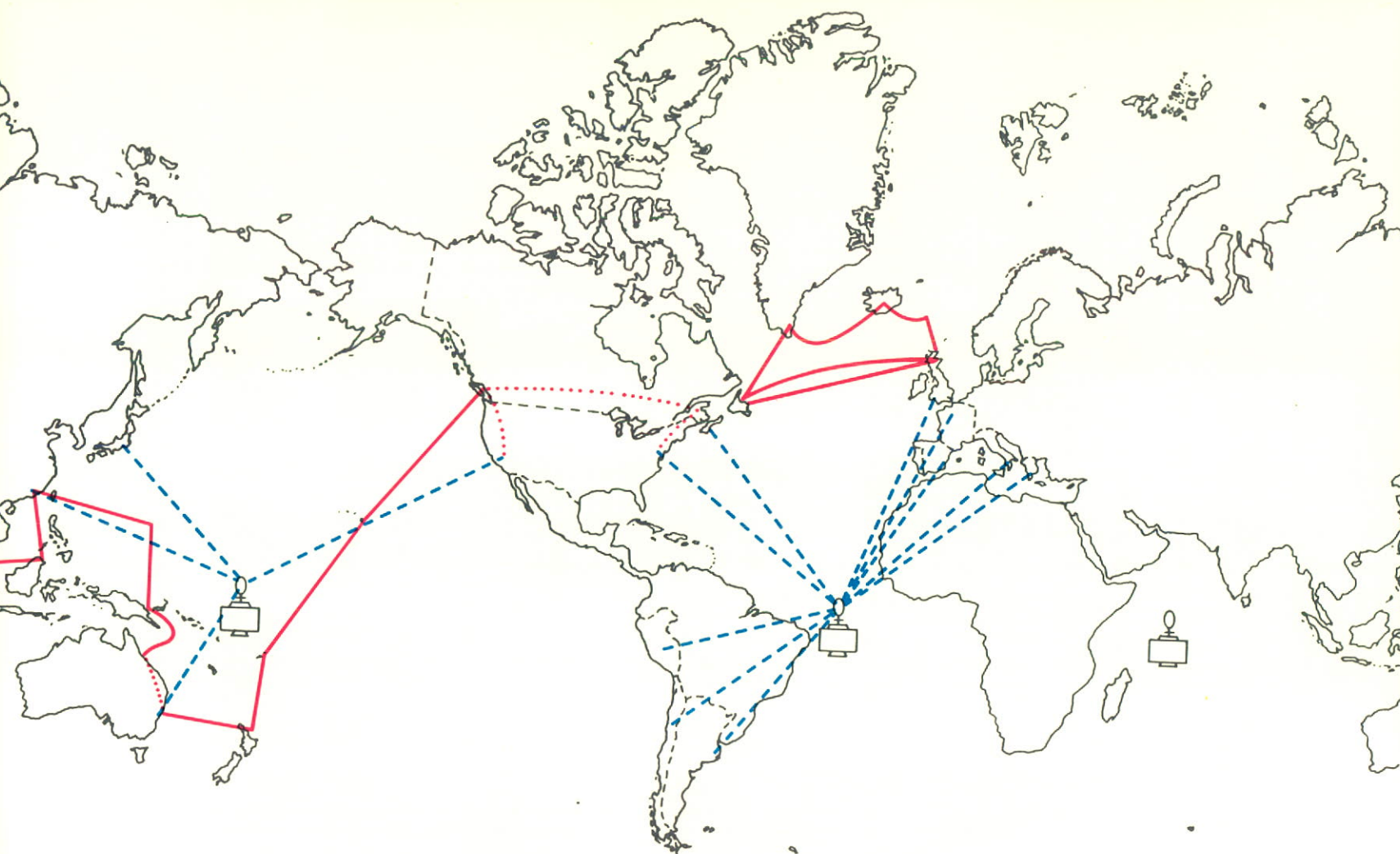
The agreement with our technical and operating employees expired on September 30th, 1969 and a new agreement has been written for a two-year period ending September 30th, 1971. The agreement with our clerical staff expired on March 31st, 1970, and negotiations towards a new agreement for a term of two years ending March 31st, 1972, have been concluded.

ACKNOWLEDGMENT

The continuing cooperation and loyal effort of our staff at all locations is gratefully acknowledged.

A handwritten signature in dark ink, appearing to read "J. H. Lewis", is written over a horizontal line. The signature is fluid and cursive.

President.



CABLE ROUTES = —————

SATELLITE = - - - - -

Comprising a total of 495 circuits for telephone, telex and telegraph services between Canada and 33 countries.

CAPITAL INVESTMENT 

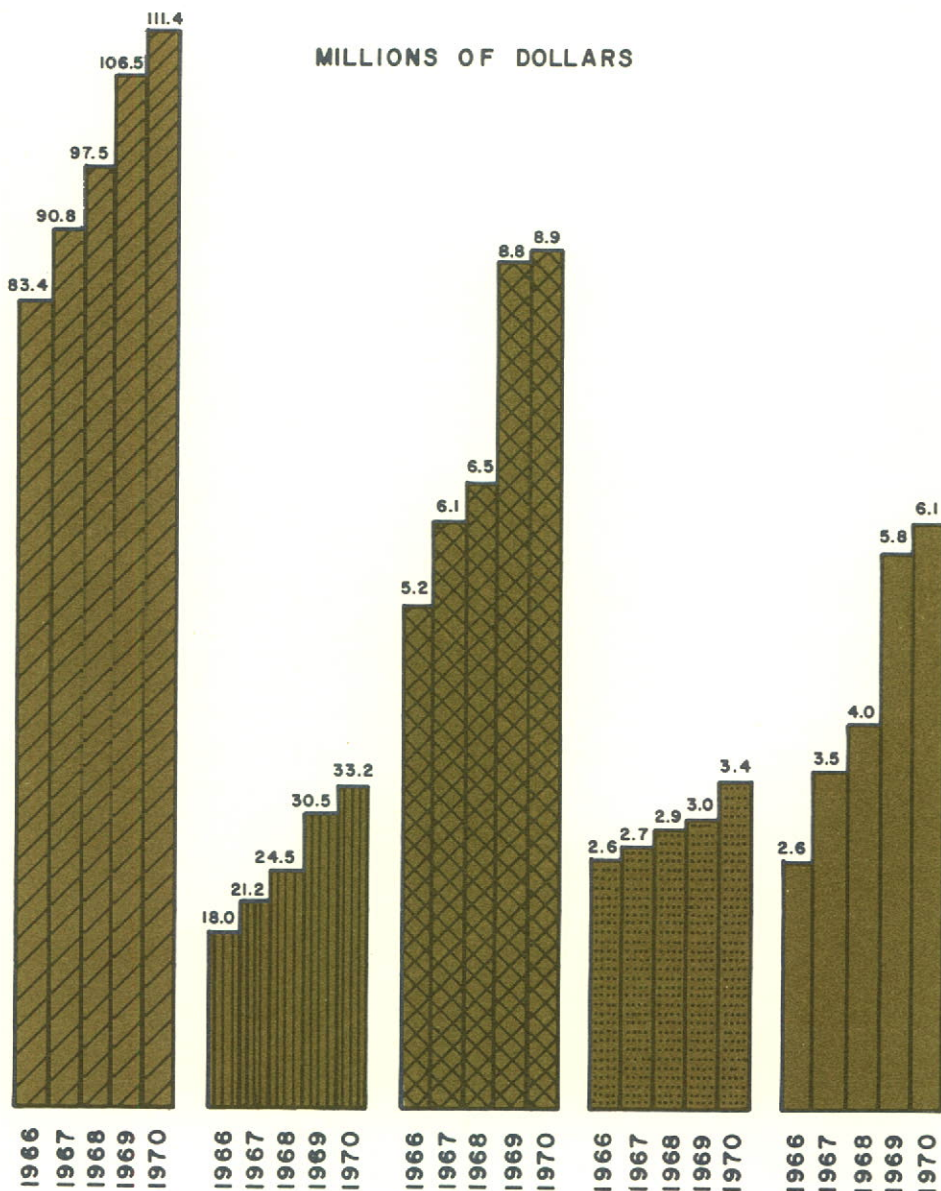
ANNUAL REVENUE 

INTEREST CHARGES & INCOME TAX 

REPAYMENT OF GOVERNMENT ADVANCES 

NET PROFIT 

MILLIONS OF DOLLARS



YEAR ENDED MARCH 31st.

CANADIAN OVERSEAS TELECO

(ESTABLISHED BY THE CANADIAN OVERSEAS)

BALANCE SHEET AS

(with comparative figures)

ASSETS

	1970	1969
Current:		
Cash - - - - -	\$ 1,471,912	\$ 364,283
Short-term deposit receipts - - - - -	9,800,000	10,397,500
Estimated amount recoverable from Commonwealth Network (Note 1) - - - - -	598,824	(390,474)
Accounts receivable - - - - -	6,747,803	7,730,484
Prepaid expense - - - - -	289,705	261,354
	<u>18,908,244</u>	<u>18,363,147</u>
Capital Assets, at cost: (Note 2)		
Land, with improvements - - - - -	1,217,884	1,195,323
Buildings - - - - -	9,082,924	8,975,649
Cable systems - - - - -	58,060,560	57,184,892
International satellite system (Space segment) - - - - -	6,786,776	4,674,779
Transmitters, receivers and other technical equipment - - -	35,614,789	33,899,130
Office furniture and equipment - - - - -	624,999	601,017
	<u>111,387,932</u>	<u>106,530,790</u>
Less: Accumulated depreciation - - - - -	43,085,181	36,237,106
	<u>68,302,751</u>	<u>70,293,684</u>
	<u>87,210,995</u>	<u>88,656,831</u>

The accompanying notes are an integral

Certified: D. F. BOWIE
President and General Manager

Approved: FRANÇOIS MERCIER
Director

C. E. BRAGG
Director

COMMUNICATION CORPORATION

(TELECOMMUNICATION CORPORATION ACT)

AT MARCH 31, 1970

as at March 31, 1969)

LIABILITIES

	1970	1969
Current:		
Accounts payable - - - - -	\$ 3,066,413	\$ 5,051,627
Income and other taxes - - - - -	850,020	2,633,913
	<u>3,916,433</u>	<u>7,685,540</u>
Deferred income taxes (Note 3) - - - - -	<u>2,404,688</u>	<u>2,570,518</u>
Proprietary Equity of Canada:		
Advances under section 14 of the Act (Note 4) - - - - -	<u>45,919,351</u>	<u>49,343,154</u>
Surplus:		
Balance at beginning of the year - - - - -	29,057,619	23,264,315
Less: Prior year's adjustment of excess of applicable expenditures over Corporation's share of total Commonwealth Network expense less income tax thereon	219,540	—
	<u>28,838,079</u>	<u>23,264,315</u>
Add: Net Income for the year, per Statement of Income and Expense - - - - -	6,132,444	5,793,304
Balance at end of the year - - - - -	<u>34,970,523</u>	<u>29,057,619</u>
	<u>80,889,874</u>	<u>78,400,773</u>
	<u>87,210,995</u>	<u>88,656,831</u>

part of the financial statements.

I have examined the above Balance Sheet and the related Statement of Income and Expense and have reported thereon under date of June 11, 1970 to the Minister of Communications.

GEORGE LONG

for

Auditor General of Canada.

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

STATEMENT OF INCOME AND EXPENSE FOR THE YEAR ENDED MARCH 31, 1970

(with comparative figures for the year ended March 31, 1969)

	1970	1969
Income —		
Telegraph, telephone, telex, circuit rentals, satellite, etc. - -	\$33,155,108	\$30,499,841
Expense —		
Operating salaries and wages - - - - -	5,037,675	4,716,694
Administrative salaries - - - - -	1,791,209	1,595,823
Employee benefits - - - - -	474,711	401,937
Depreciation - - - - -	7,255,017	6,771,869
Rental of circuits, etc. - - - - -	4,209,618	2,993,233
Maintenance and repairs — plant and equipment - - - -	2,495,132	1,954,395
Interest - - - - -	2,457,920	2,619,786
Other operating and administrative expense - - - - -	880,662	863,033
	<u>24,601,944</u>	<u>21,916,770</u>
Deduct:		
Estimated amount recoverable from Commonwealth Net- work — excess of applicable expenditures over Corporation's share of total Commonwealth Network expense - - - -	3,275,000	3,024,767
Portion of expense capitalized - - - - -	774,280	380,466
	<u>4,049,280</u>	<u>3,405,233</u>
	<u>20,552,664</u>	<u>18,511,537</u>
	12,602,444	11,988,304
Provision for income tax (Note 3) - - - - -	6,470,000	6,195,000
Net income - - - - -	<u><u>6,132,444</u></u>	<u><u>5,793,304</u></u>

The accompanying notes are an integral part of the financial statements.

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1970

1. The amounts recoverable from Commonwealth Network have been finalized to March 31, 1962, with the recoveries of the succeeding years being reflected on an estimated basis.
2. As at March 31, 1970, the estimated cost of completing capital projects, as approved by Order in Council P.C. 1970-666 dated April 17, 1970, amounted to approximately \$29,100,000 of which \$15,300,000 relates to the year ending March 31, 1971.
3. The Corporation records depreciation in its accounts based on the expected useful life of its capital assets but, in calculating its liability for income tax, claims the maximum capital cost allowance permitted under the Income Tax Act. The deferred income tax account is credited with the income tax payable on the excess of capital cost allowance over depreciation and is charged when the converse prevails. During the year the account was charged with \$165,830.
4. The advances from Canada are repayable in semi-annual instalments over varying periods in accordance with the terms and conditions laid down by the Governor in Council. The repayments during the year ended March 31, 1970 totalled \$3,423,803 and instalments falling due for repayment in the ensuing year aggregate \$3,604,422.
5. Included in the expense for 1969-70 are: remuneration of executive officers, \$112,500; and directors' fees, \$2,000.

AUDITOR'S REPORT

Ottawa, June 11, 1970.

THE HONOURABLE ERIC KIERANS,
MINISTER OF COMMUNICATIONS,
OTTAWA.

Sir,

I have examined the accounts and financial statements of the Canadian Overseas Telecommunication Corporation for the year ended March 31, 1970. In compliance with the requirements of section 87 of the Financial Administration Act, I 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,

GEORGE LONG

for

Auditor General of Canada.

OFFICERS

FINANCE

R. E. CLOUTIER, B.COM., C.A.
Executive Assistant

R. H. Z'GRAGGEN, B.COM., C.A.
Comptroller

A. D. HAWKINS
Manager, Personnel

G. C. BAXTER
Purchasing Agent

SECRETARY, TARIFFS AND TRAFFIC

N. T. BYRNE, R.I.A.
Executive Assistant

F. A. MATTHEWS
Executive Assistant

T. E. LADEROUTE
Special Studies

R. E. GREVILLE
Property Manager

ENGINEERING AND OPERATIONS

D. V. DORAN-VEEVERS, ENG.
Executive Assistant

J. S. CRISPIN, ENG.
Chief Engineer, Engineering Division

C. H. R. BIRD
Chief, Operations Division

K. L. SPARK
Area Manager, Western Area

J. J. VIENNEAU, B.Sc.
Area Manager, Eastern Area

L. P. CRAKANTHROP
Superintendent of Operations

COMMERCIAL DIVISION

M. A. CARON
Manager

BRANCH OFFICES

Corner Brook, Nfld.

St. John's, Nfld.

Halifax, N.S.

Mill Village, N.S.

Grosses Roches, Que.

Yamachiche, Que.

Drummondville, Que.

Toronto, Ont.

Winnipeg, Man.

Vancouver, B.C.

Ladner, B.C.

Port Alberni, B.C.

Keawaula, Hawaii

