

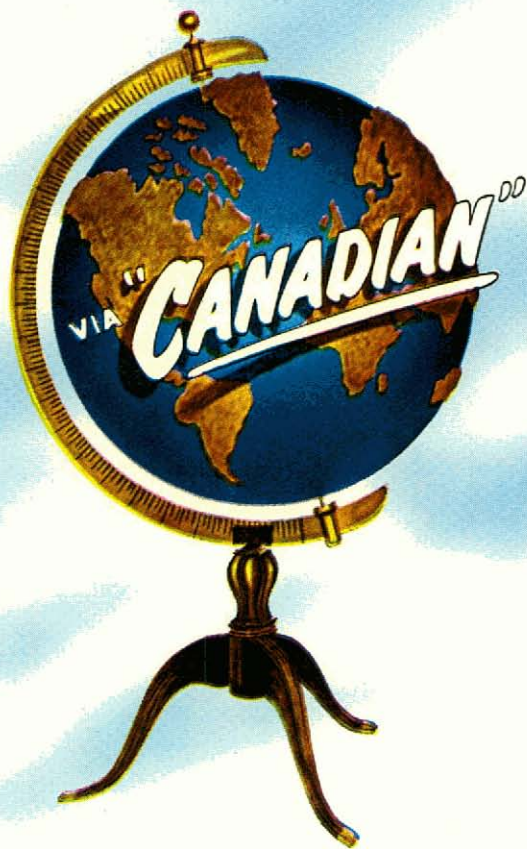


19th Annual Report

FOR THE YEAR ENDED MARCH 31, 1969

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

"THE WORLD AT YOUR CALL"



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

BOARD OF DIRECTORS

Chairman D. F. BOWIE

President and General Manager,
Canadian Overseas Telecommunication Corporation,
Montreal, Que.

E. BRAGG

President,
Bragg Lumber Company,
Collingwood, N.S.

R. G. LEFRANÇOIS

President,
Nordair Limited,
Montreal, Que.

R. R. LEVINE

Director,
Canadian Converters' Company Limited,
Montreal, Que.

W. S. PIPES

Vancouver, B.C.

G. P. PURCELL

General Manager,
The Canadian Press,
Toronto, Ont.

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 19, 1969.

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

Sir,

This, our Nineteenth Annual Report, covering the fiscal year ended March 31, 1969, 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 March 31st 1969	1968	increase from 1968
Income - - - - -	\$30,499,841	\$24,502,031	24%
Depreciation - - - - -	6,771,869	5,891,961	15%
Interest on Government Advances - - - - -	2,619,786	2,495,059	5%
Income Tax - - - - -	6,195,000	3,970,416	56%
Net Profit for year - - - - -	5,793,304	3,990,716	45%

Financial Statements for the twelve months ended March 31st, 1969, submitted herewith, have been audited by the Auditor General and a copy of his report is included.

The following schedule illustrates the increases in revenue realized by the major services provided by the Corporation.

Telegraph - - - - -	12%
Telephone - - - - -	28%
International Telex - - - - -	65%
Leased Circuits - - - - -	6%

GENERAL

The year ended March 31st, 1969, showed a rate of growth in demand for overseas telecommunications services even greater than that of past years.

Unlike the previous fiscal year, which encompassed the country's Centennial celebrations, visits by many Heads of State, EXPO 67 and the Pan-American Games, no events of special significance occurred in Canada requiring special arrangements to cater for occasional heavy upswings in traffic and the increases achieved during the past year can, therefore, be attributed simply to normal growth. There were, however, two occurrences during the year which, from a traffic point of view, probably largely offset each other and these were the postal strike in Canada in August 1968 which created heavy demand for service and, more recently, a strike of telecommunications operators in the British Post Office which cut off our telegraph services with Britain for a number of days.

Construction of the Corporation's new earth station at Mill Village, N.S., was completed and the station was brought into service for Trans-Atlantic operations on February 7th through the INTELSAT III Satellite which was placed in orbit over the Atlantic by the International Satellite Consortium in December, 1968. We are currently operating 50 circuits via the Satellite and, as we no longer have any Trans-Atlantic cable capacity available, growth in traffic in the Atlantic area will call for still greater use of this medium.

A similar lack of spare cable circuits in the Commonwealth Pacific Cable Systems to New Zealand, Australia and South East Asia made it necessary for us to take up facilities in the INTELSAT Pacific Satellite which we are at present reaching via the American earth station at Jamesburg, California. Planning is proceeding for the provision of an earth station in British Columbia to enable Canada to reach the Satellite directly for the purpose of providing additional capacity to countries in the Pacific area generally.

The Canada-Bermuda Cable System, which will terminate at Mill Village, N.S., is still in the course of construction — its completion being delayed owing to some further problems in the manufacture of the new type repeaters. It is, however, expected to be ready for service early in 1970.

Our computerized automatic telegraph message switching equipment, which was brought into service in Montreal in April last year, produced some initial problems but, after some weeks of necessary adjustments, it has proved to be entirely satisfactory in every respect and has virtually eliminated delays previously encountered in manual handling at Montreal.

THE PRESIDENT'S REPORT (CONTINUED)

The rate of growth in the Telex service has proved to be much more rapid than could have been reasonably forecast and it has consequently been difficult to maintain the right pace for the provision of necessary additional equipment. The introduction of the one minute minimum charge for telex calls with a number of countries greatly increased demand for service and was perhaps the main contributor to the problem.

We have planned for the installation of computerized automatic telex switching equipment which will have such increased capacity and flexibility as to ensure on-demand service for the user.

Present technological developments cause rapid obsolescence in electronic equipment and it is, therefore, important that we avoid over-provision while nevertheless ensuring that sufficient equipment is available to cope with demands for telex service. We are confident that the steps currently being taken will achieve this.

The Corporation, as Canada's designated entity in the international telecommunications satellite field, continued to play an active part as a member of the Interim Communications Satellite Committee and to contribute to the extent of its agreed proportion to the financing of the construction of the INTELSAT III Series of Satellites and their launching. Before the end of 1969, in addition to the Satellites over the Pacific and Atlantic oceans, one will be in orbit over the Indian Ocean, thus completing a global system. Insofar as Canada is concerned, however, we shall not be able to "see" the Indian Ocean Satellite either from Mill Village or from our planned West Coast Station and our communications with countries in that area will, of necessity, have to continue to be made through Britain or Australia.

The 1964 Agreements between Governments establishing Interim Arrangements for a Global Commercial Communications Satellite System called for the Interim Committee to produce, before the first of January 1969, recommendations concerning definitive arrangements for an international global system to supersede the interim arrangements and for an international Conference to be convened by the Government of the United States of America within three months following submission of the report. Such a Conference was held in Washington between February 24th and March 22nd and was attended by representatives of 66 Governments, Members of the INTELSAT Consortium, and representatives of some 20 non-member Governments, as Observers. It was not possible to reach agreement on all matters in the time available and the Conference is now scheduled to reconvene in Washington in November but, in the meantime, Preparatory Committee meetings are to be held with the view to producing some reconciliation of differing viewpoints. The Corporation participated in the Canadian Delegation at the Conference and will also assist on the Preparatory Committee.

In conformity with the terms of the Commonwealth Telegraphs Agreement 1948, the Commonwealth Telecommunications Board was established with headquarters in London and all signatories to the Agreement were entitled to a seat on the Board — in each case a permanent representative located in London. It became clear a few years ago that the procedures of the Board were such that too many delays were encountered in obtaining agreed views on matters of mutual interest to the signatory countries. After appropriate studies and negotiations a new Commonwealth Telecommunications Organization has been set up with the unanimous agreement of all the Governments concerned and this became effective on April 1st, 1969, following immediately upon the termination of the Commonwealth Telecommunications Board on March 31st. It is expected that the new Organization, composed of representatives of operating entities in direct contact amongst themselves, will speed up the processes of consultation and agreement on matters of concern to all Partners. The Corporation represents Canada on the Council of the new Organization.

Arising from Canada's membership in the International Telecommunications Union, the Corporation, in collaboration with the Department of Communications, participates in a considerable number of meetings each year in different countries.

In order to accommodate all of these requirements in the international field — and these appear to be increasing steadily each year — it became necessary to strengthen our middle management level so that work could be better distributed and certain responsibilities suitably delegated. Results of the changes are proving satisfactory.

Taking a look at the future, which we can continue to regard with confidence in the anticipation of steady growth, we look forward in particular to the extension of fully automatic working in both telephone and telex services. Within the foreseeable future, customer dialling for both of these services will be in operation in many of our international relationships and we expect that these advances will make it possible to arrange for appropriate reductions in the rates charged to the users.

SERVICES

As indicated on the first page of this Report, all our major services showed substantial increases as compared with the previous year.

On the other hand, audio and television programmes and facsimile transmissions showed decreases, but these were anticipated because of the comparative lack of newsworthy events in Canada this year as compared with Centennial Year. They represent, however, only a very small portion of our total earnings.

THE PRESIDENT'S REPORT (CONTINUED)

STAFF

The agreement with our technical and operating employees expired on September 30th, 1968, and a new agreement was written covering the period ending September 30th, 1969. The agreement with our clerical staff expired on March 31st, 1969, and, after re-certification through the Labour Relations Board, negotiations are in progress towards a revised agreement.

ACKNOWLEDGMENT

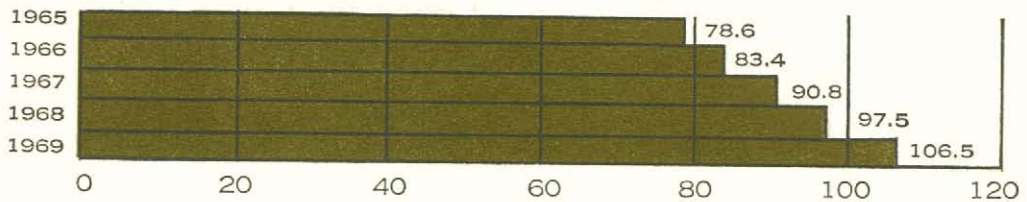
Our appreciation and thanks are due to all our employees for their co-operation and loyal efforts during the past year and it is once again a great pleasure to make this a matter of record.

A handwritten signature in cursive script, appearing to read "J. Louis", is written over a horizontal line. The signature is positioned to the right of the center of the page.

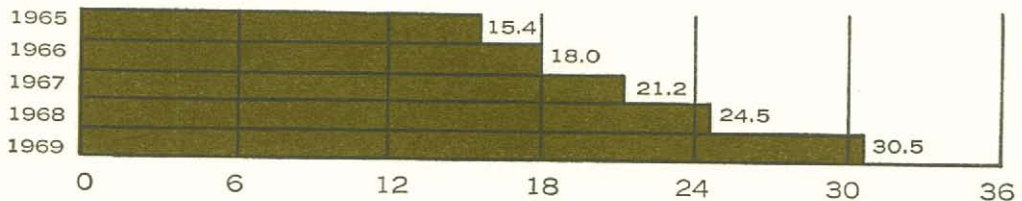
President.

YEAR ENDED
MARCH 31st

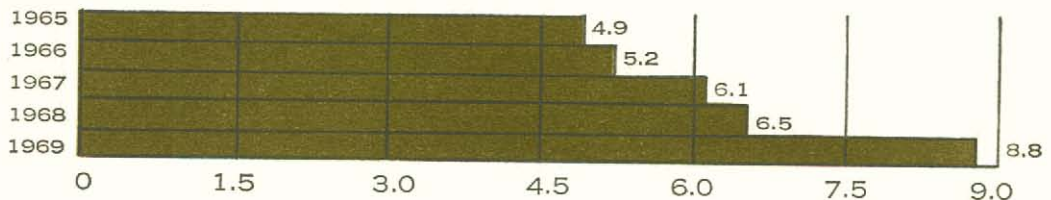
CAPITAL INVESTMENT



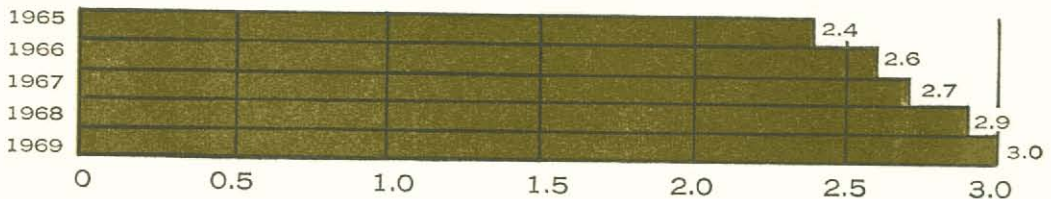
ANNUAL REVENUE



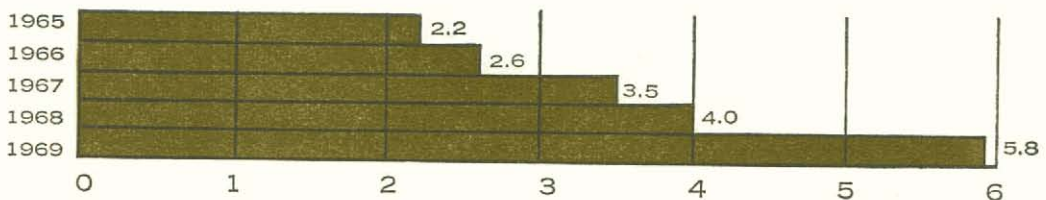
INTEREST CHARGES & INCOME TAX



REPAYMENT OF GOVERNMENT ADVANCES



NET PROFIT



MILLIONS OF DOLLARS

CANADIAN OVERSEAS TELECO

(ESTABLISHED BY THE CANADIAN OVERSEAS)

BALANCE SHEET AS

(with comparative figures)

ASSETS

	1969	1968
Current:		
Cash - - - - -	\$ 364,283	\$ 549,282
Short-term deposit receipts - - - - -	10,397,500	4,500,000
Due in respect of sale of Right of User in COMPAC Cable System - - - - -	—	2,471,362
Accounts Receivable - - - - -	7,730,484	7,031,093
Prepaid Expense - - - - -	261,354	404,784
	<u>18,753,621</u>	<u>14,956,521</u>
Capital Assets, at cost: (Note 1)		
Land, with improvements - - - - -	1,195,323	1,161,099
Buildings - - - - -	8,975,649	10,450,321
Telephone cable systems - - - - -	57,184,892	55,945,209
Transmitters, receivers and other technical equipment - - - - -	38,573,909	29,429,234
Office furniture and equipment - - - - -	601,017	534,111
	<u>106,530,790</u>	<u>97,519,974</u>
Less: Accumulated depreciation - - - - -	36,237,106	29,512,897
	<u>70,293,684</u>	<u>68,007,077</u>
	<u>89,047,305</u>	<u>82,963,598</u>

The accompanying notes are an integral

Certified: **D. F. BOWIE**
President and General Manager

Approved: **R. LEVINE**
Director

ROLAND G. LEFRANÇOIS
Director

COMMUNICATION CORPORATION

(TELECOMMUNICATION CORPORATION ACT)

AT MARCH 31, 1969

(as at March 31, 1968)

LIABILITIES

	1969	1968
Current:		
Accounts Payable - - - - -	\$ 5,051,627	\$ 3,873,063
Income and other taxes - - - - -	2,633,913	955,395
Estimated amount due Commonwealth Network - - - -	390,474	237,573
	<u>8,076,014</u>	<u>5,066,031</u>
Deferred income taxes (Note 2) - - - - -	<u>2,570,518</u>	<u>2,249,995</u>
Proprietary Equity of Canada:		
Advances under section 14 of the Act (Note 3) - - - - -	<u>49,343,154</u>	<u>52,383,257</u>
Surplus:		
Balance at beginning of the year - - - - -	23,264,315	19,246,493
Net Income for the year, per Statement of Income and Expense - - - - -	5,793,304	3,990,716
Prior years' adjustment - - - - -	—	27,106
Balance at end of year - - - - -	<u>29,057,619</u>	<u>23,264,315</u>
	<u>78,400,773</u>	<u>75,647,572</u>
	<u>89,047,305</u>	<u>82,963,598</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 4, 1969 to the Minister of Communications.

A. M. HENDERSON
Auditor General of Canada

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

STATEMENT OF INCOME AND EXPENSE FOR THE YEAR ENDED MARCH 31, 1969

(with comparative figures for the year ended March 31, 1968)

	1969	1968
Income —		
Telegraph, telephone, telex, circuit rentals, satellite, etc. - -	\$30,499,841	<u>\$24,502,031</u>
Expense —		
Operating salaries and wages - - - - -	\$ 4,563,470	4,466,474
Rental of circuits, etc. - - - - -	2,993,233	2,620,877
Interest (after capitalizing \$46,747) - - - - -	2,573,039	2,432,942
Administrative salaries - - - - -	1,448,700	1,232,677
Maintenance and repairs —		
plant and equipment - - - - -	1,954,395	1,072,707
Employees' welfare benefits - - - - -	368,565	308,481
Other operating and administrative expense - -	863,033	730,836
Depreciation - - - - -	6,771,869	5,891,961
	<u>21,536,304</u>	<u>18,756,955</u>
Deduct: Estimated amount recoverable from Commonwealth Network — excess of appli- cable expenditures over Corporation's share of total Commonwealth Network expense - -	3,024,767	2,216,056
	18,511,537	16,540,899
	11,988,304	7,961,132
Provision for income tax (Note 2) - - - - -	6,195,000	3,970,416
Net Income - - - - -	<u>5,793,304</u>	<u>3,990,716</u>

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

CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. As at March 31, 1969, the estimated cost of completing capital projects, as approved by Order in Council P.C. 1969-888 dated May 1, 1969, amounted to approximately \$19,172,000 of which \$14,256,700 relates to the year ending March 31, 1970.
2. 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 effect of this procedure is to defer payment of income taxes until future years when depreciation charges will exceed capital cost allowances.
3. The advances from the Government of 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, 1969 totalled \$3,040,103 and instalments falling due for repayment during the year ending March 31, 1970 aggregate \$3,423,803.
4. Included in the expenses for 1968-69 are: remuneration of executive officers, \$116,705; and directors' fees, \$1,800.

AUDITOR'S REPORT

Ottawa, June 4, 1969

THE HONOURABLE ERIC KIERANS,
MINISTER OF COMMUNICATIONS,
OTTAWA.

Sir,

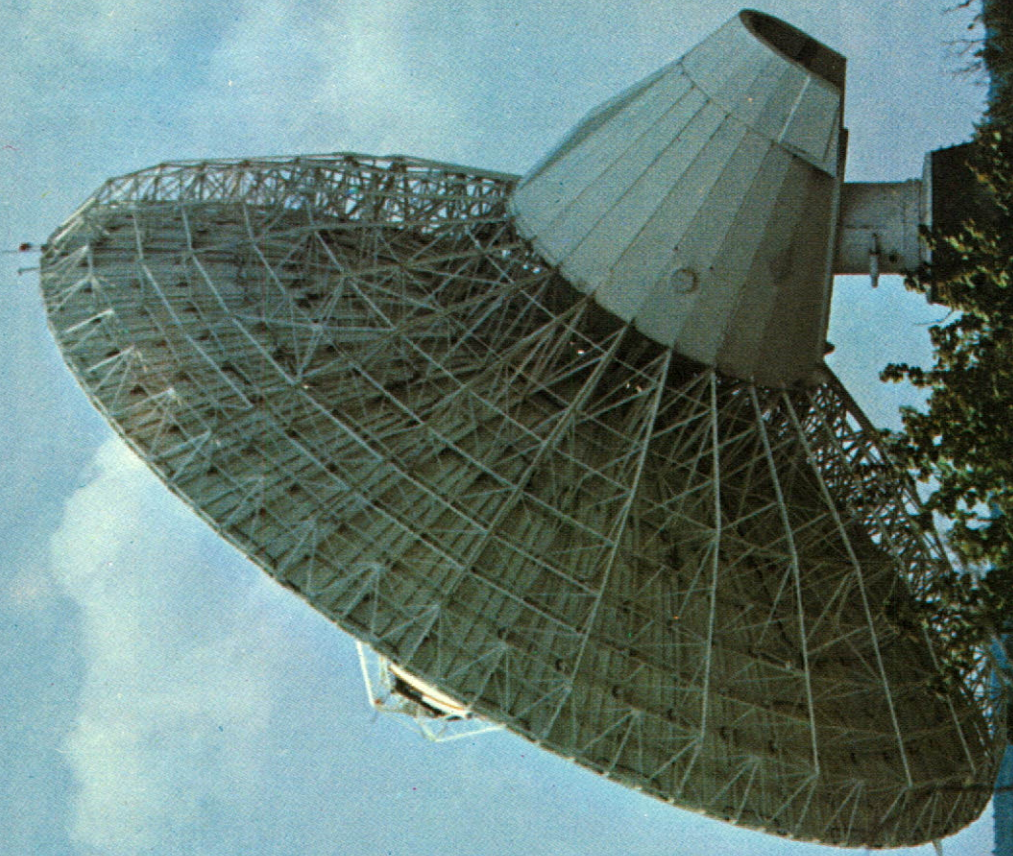
I have examined the accounts and financial statements of the Canadian Overseas Telecommunication Corporation for the year ended March 31, 1969. In compliance with the requirements of section 87 of the Financial Administration Act, I report that, in my opinion:

- (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,

A. M. HENDERSON,
Auditor General of Canada.

C.O.T.C.'s satellite earth station antenna
at Mill Village, N.S.
Diameter - 95 feet.



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
Area Manager, Eastern Area

R. R. Y. HILL
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

