



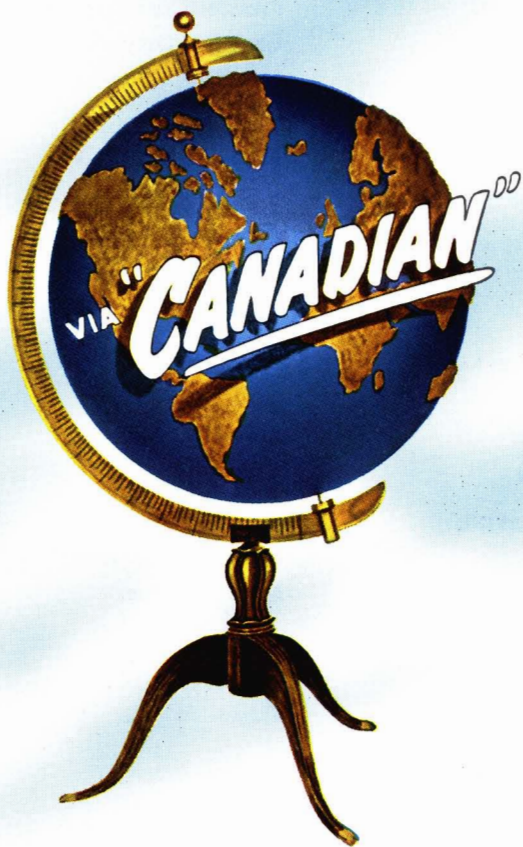
# 18<sup>th</sup> Annual Report

FOR THE YEAR ENDED MARCH 31, 1968

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.

ELMER BRAGG

President,  
Bragg Lumber Company,  
Collingwood, N.S.  
(appointed November 7, 1967)

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.

R. THERRIEN

Consulting Engineer,  
Réal Therrien & Associés,  
Quebec, Que.  
(term expired March 15, 1968)

## 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., P.ENG.	<i>Vice-President, Engineering and Operations</i>
J. R. LAMB	<i>Assistant General Manager, Traffic and Operations (retired June 21, 1967)</i>

**CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION**

625 BELMONT STREET, MONTREAL 3

# THE PRESIDENT'S REPORT

June 27, 1968

HONOURABLE PAUL T. HELLYER,  
MINISTER OF TRANSPORT,  
OTTAWA.

Sir,

This, our Eighteenth Annual Report, covering the fiscal year ended March 31st, 1968, 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 31 1968	1967	increase (decrease)	
			from 1967	
Income - - - - -	\$24,502,031	\$21,212,533	16%	30,499,841.
Depreciation - - - - -	5,891,961	5,282,439	12%	6,771,869.
Interest on Government Advances -	2,495,059	2,554,838	(2%)	2,619,786.
Income Tax - - - - -	3,970,416	3,529,413	12%	6,195,000.
Net Profit for year - - - - -	3,990,716	3,549,713	12%	5,793,304.

Financial Statements for the twelve months ended March 31st, 1968, 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 - - - - -	17%
Telephone - - - - -	15%
International Telex - - - - -	24%
Leased Circuits - - - - -	(4%)

## GENERAL

Overseas telecommunications during the fiscal year ended March 31st, 1968, showed a steady growth over the previous year but available capacity was adequate efficiently to handle all traffic offered. Further planning and equipment already on order will ensure that the latter condition is maintained.

Centennial Year and the visits to Canada of many Heads of State, Expo 67 and the Pan-American Games in Winnipeg gave a boost to traffic generally and consequently called for a number of special arrangements as well as deployment of staff and equipment to appropriate locations in order to provide direct communications from on site. All these special operations were carried out successfully.

Installation of the Time Assignment Speech Interpolation equipment, referred to in last year's Report, was duly completed and has provided much needed relief in the form of additional capacity across both the Atlantic and the Pacific. This extra capacity has enabled us to keep pace with rising public telephone, telegraph and telex requirements.

As demands for trans-Atlantic service increased, additional circuits were also taken up in the Satellite System. The Corporation is now operating 35 circuits through the Atlantic Satellites and the Mill Village earth station is currently operating on a twenty-four hours per day basis. As foreseen in last year's Report, revenues from our Satellite operations were only slightly less than expenses. Under an agreement with the Communications Satellite Corporation (COMSAT), Mill Village works with one Satellite (INTELSAT I) and the American Station at Andover, Maine, with another (INTELSAT II) and each station carries traffic for certain specific areas in Europe regardless of its origin in Canada or U.S.A. This arrangement currently favours the Corporation from a revenue point of view but when a second American Atlantic earth station becomes operational, revenue from this source is likely to change. Anticipated traffic growth should establish the profitability of the operation.

The second satellite earth station at Mill Village is now in the process of construction by the RCA Victor Company and is expected to be ready for service early in 1969.

So far we have not found it necessary to utilize the Pacific Satellites but, in view of traffic growth and the need for provision of backup for the Commonwealth Pacific Cable route, we anticipate starting to make use of them during the current fiscal year. In the initial stages we shall reach the Satellites through the American earth station at Brewster Flat, Washington, pending the possible construction of our own earth station on the West Coast.

## THE PRESIDENT'S REPORT (CONTINUED)

The Corporation, in its role as Canada's designated entity in the international telecommunications satellite field and representative on the Interim Communications Satellite Committee, has played an active part on this Committee and on all its advisory sub-committees. We are sharing in the production by the Committee of recommendations covering arrangements for a Definitive Global System to replace the Interim System at present in operation. The recommendations produced by the Committee will be submitted to all National Governments for their consideration prior to and at a conference to be called by the Government of the United States in Washington in March 1969, with the objective of completing arrangements for a comprehensive global system by the end of next year.

Considerable progress has been made in the planning, design and construction of the new cable system to connect Canada directly with Bermuda but, owing to some technical problems arising with respect to the new type of repeaters being used — which have now been cleared — the ready-for-service date is expected to be delayed beyond the original target date of early 1969.

Although some considerable delay was encountered before the computerized automatic telegraph message switching equipment could be accepted and taken over from the suppliers, we were able to accept it tentatively during March for final trial purposes. It went into operation early in April and it is expected to provide much improved service in all respects as well as substantially to reduce the costs of our telegraph operations.

On March 27th, the Corporation played its part in the inauguration of overseas dataphone service required by Polymer Corporation between Sarnia, Ontario and Fribourg, Switzerland. This was a first for Canada, Polymer Corporation, Bell Canada and the Corporation and is the forerunner of what is expected to be a substantial demand for this type of service in the future.

As in past years, representatives from the Corporation participated in a number of meetings of the Commonwealth Telecommunications Council, Commonwealth Cable Management Committee, the International Telegraph and Telephone Consultative Committee Study and Working Groups in addition to those of the Interim Communications Satellite Committee and its sub-committees. It is a special pleasure to be able to record that Mr. G. M. Waterhouse, Vice-President, Finance, has been elected Chairman of the Advisory Sub-committee on Finance.



After 46 and 48 years respectively of service in the telecommunications field, the Corporation reluctantly lost the experience — through retirement — of Mr. J. R. Lamb, Assistant General Manager, Traffic and Operations and Mr. A. M. Wolfe, Manager, Commercial Division. As positive steps in the process of reorganization essential to enable the Corporation to keep up with the continuing rapid changes in the telecommunications field, Mr. E. Eliassen was appointed Vice-President, Engineering and Operations and Messrs. D. V. Doran-Veevers and J. S. Crispin were appointed Chief Engineers, the former in charge of Operations and the latter Equipment and Installation.

## **SERVICES**

### **TELEGRAPH**

There was a very satisfactory increase of 17% in total telegraph revenues derived from greater acceptance of the Corporation's services by Canadian users and by our overseas connections.

### **TELEPHONE**

Revenues from this service continued to rise in almost all relations reflecting a maintenance of a steady annual growth. The increase amounted to 15%. Direct operations via Satellite were introduced with Spain and Greece, making a total of nine European countries now being served by Satellite.

### **TELEX**

The use of this service continues its steady expansion and a satisfactory increase of 24% was achieved.

### **LEASED CIRCUITS**

Revenue from this source declined by some 4% due to some terminations.

### **PROGRAMME TRANSMISSIONS AND FACSIMILE**

Although revenue is normally relatively small, there were large increases from both these services mainly due to the special events which occurred in Canada in 1967.

## THE PRESIDENT'S REPORT (CONTINUED)

### GROWTH IN FACILITIES

The following comparison shows the growth in overseas circuits provided by the Corporation since its inception for telegraph, telex and telephone purposes, as well as for private leases:-

	1950	1966	1968
Telegraph/Telex - - - - -	13	264	577
Telephone - - - - -	3	157	312

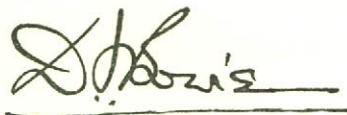
In 1950 circuits were provided only for public telephone and telegraph message traffic. There was no international telex service and private leases were not provided then only becoming available with the Corporation's expansion of facilities commencing in 1956.

### STAFF

The agreement with our technical and operating employees expired on September 30th, 1967, and a new agreement was written covering the period ending September 30th, 1968. The agreement with our clerical staff expired on March 31st, 1968, and a new agreement has been concluded covering the period ending March 31st, 1969.

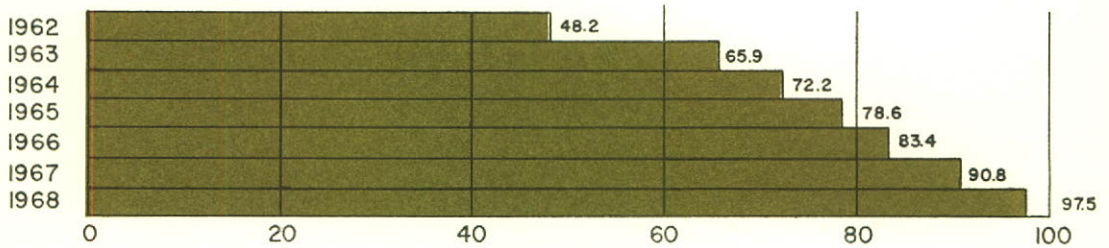
### ACKNOWLEDGMENT

It is again a great pleasure to include a special expression of appreciation to all our officers and staff for their excellent efforts and co-operation during the past year.

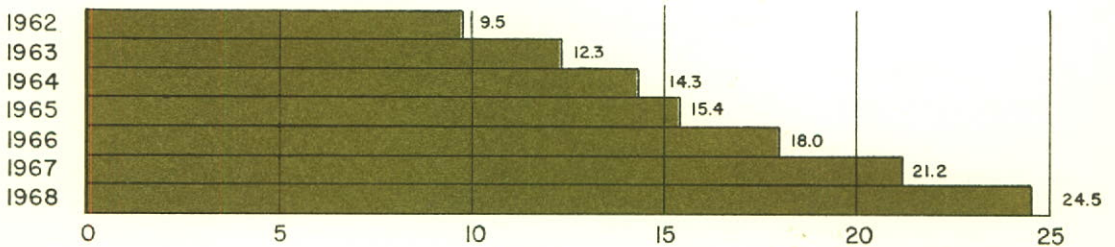


President.

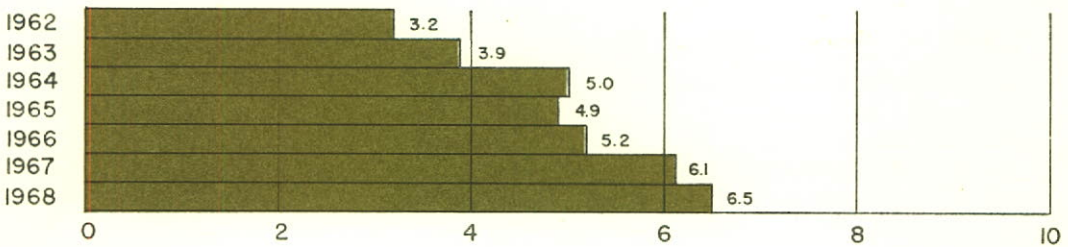
## CAPITAL INVESTMENT



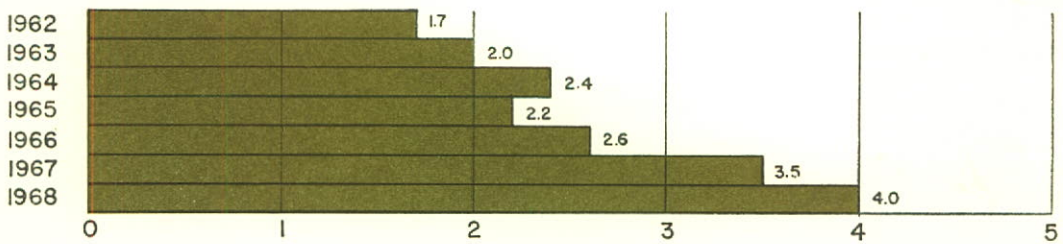
## ANNUAL REVENUE



## INTEREST CHARGES & INCOME TAX



## NET PROFIT



MILLIONS OF DOLLARS

# CANADIAN OVERSEAS TELECO

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## BALANCE SHEET AS

(with comparative figures)

### ASSETS

	1968	1967
Cash - - - - -	\$ 549,282	\$ 1,156,537
Term Deposit Receipts — at cost - - - - -	4,500,000	1,000,000
Amount due from sale of rights in Compac Cable System - - - - -	2,471,362	—
Accounts Receivable - - - - -	7,031,093	5,499,721
Prepaid Expenses - - - - -	404,784	277,545
Capital Assets, at cost: (Note 1)		
Land, with improvements - - - - -	\$ 1,161,099	1,140,312
Buildings - - - - -	10,450,321	7,723,122
Telephone cable systems - - - - -	55,945,209	57,898,963
Transmitters, receivers and other technical equipment - - - - -	29,429,234	23,493,441
Office furniture and equipment, etc. - - - - -	534,111	538,395
	<u>97,519,974</u>	<u>90,794,233</u>
Less: Accumulated Depreciation - - - - -	<u>29,512,897</u>	<u>24,317,594</u>
	<u>68,007,077</u>	<u>66,476,639</u>
	<u>82,963,598</u>	<u>74,410,442</u>

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

Certified: D. F. BOWIE  
President and General Manager

Approved: ROLAND G. LEFRANÇOIS  
Director

W. S. PIPES  
Director

# COMMUNICATION CORPORATION

(TELECOMMUNICATION CORPORATION ACT)

AT MARCH 31, 1968

(as at March 31, 1967)

## LIABILITIES

	1968	1967
Accounts Payable - - - - -	\$ 3,873,063	\$ 2,014,386
Income Tax and Sales Tax Payable - - - - -	955,395	2,257,276
Accumulated Tax Reductions applicable to future years (Note 2)	2,249,995	1,847,288
Estimated Amount Due Commonwealth Network - - - - -	<u>237,573</u>	<u>(728,846)</u>
	<u>7,316,026</u>	<u>5,390,104</u>
<b>Capital:</b>		
Advances from the Government of Canada under section 14 of the Act (Note 3) - - - - -	52,383,257	49,773,845
<b>Surplus:</b>		
Balance as at April 1, 1967 - - - - -	\$19,246,493	
<b>Add:</b>		
Net profit for the year ended March 31, 1968, per Statement of Income and Expense - - - - -	3,990,716	
Prior Years' Adjustment (Note 5) - -	<u>27,106</u>	
Balance as at March 31, 1968 - - - - -	<u>23,264,315</u>	19,246,493
	<u>75,647,572</u>	
	<u>82,963,598</u>	<u>74,410,442</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 20, 1968 to the Minister of Transport.

A. M. HENDERSON,  
Auditor General of Canada.

# CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

## STATEMENT OF INCOME AND EXPENSE FOR THE YEAR ENDED MARCH 31, 1968

(with comparative figures for the year ended March 31, 1967)

	1968	1967
Income —		
Telegraph, telephone, telex, circuit rentals, satellite, etc. - -	\$24,502,031	<u>\$21,212,533</u>
Expense —		
Operating salaries and wages - - - - -	\$ 4,466,474	3,727,717
Administrative salaries - - - - -	1,232,677	1,064,719
Employees' welfare benefits - - - - -	308,481	277,826
Rental of circuits, etc. - - - - -	2,620,877	2,278,836
Maintenance and repairs — plant and equipment -	1,072,707	1,142,429
Interest (after capitalizing \$62,117) - - - - -	2,432,942	2,356,888
Depreciation - - - - -	5,891,961	5,282,439
Other operating and administrative expenses - -	<u>730,836</u>	<u>699,250</u>
	18,756,955	16,830,104
Deduct: Estimated amount recoverable from Commonwealth Network — excess of applicable expenditures over Corporation's share of total Commonwealth Network expenses - - - - -	<u>2,216,056</u>	<u>2,696,697</u>
	<u>16,540,899</u>	<u>14,133,407</u>
Profit before Income Tax - - - - -	7,961,132	7,079,126
Deduct: Income Tax (Note 2) - - - - -	<u>3,970,416</u>	<u>3,529,413</u>
Net Profit for Year - - - - -	<u><u>3,990,716</u></u>	<u><u>3,549,713</u></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, 1968, the estimated cost of completing capital projects, as approved by Order in Council P.C. 1968-830 dated April 30, 1968, amounted to approximately \$26,570,050 of which \$19,087,150 relates to the year ending March 31, 1969.
2. The income taxes payable in respect of the year amount to \$3,695,184. The difference of \$275,232 between this and the taxes charged against income results from claiming for tax purposes an amount greater than the depreciation recorded in the accounts. This difference is applicable to those future periods in which the amounts claimed for tax purposes will be less than the depreciation recorded in the accounts and is accordingly included in the balance sheet in the item "Accumulated Tax Reductions applicable to future years".
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, 1968 totalled \$2,890,588 and instalments falling due for repayment during the year ending March 31, 1969 aggregate \$3,040,103.
4. Included in the expenses for 1967-68 are: remuneration of executive officers, \$121,953; and directors' fees, \$2,200.
5. The addition to surplus of \$27,106 represents a net adjustment of prior years' estimates of the amount recoverable from the Commonwealth Network for the years ended March 31, 1962 and 1965 amounting to \$54,212 less income tax thereon, \$27,106.

# AUDITOR'S REPORT

Ottawa, June 20, 1968

THE HONOURABLE P. T. HELLYER,  
MINISTER OF TRANSPORT,  
OTTAWA.

Sir,

I have examined the accounts and financial statements of the Canadian Overseas Telecommunication Corporation for the year ended March 31, 1968. In compliance with the requirements of section 87 of the Financial Administration Act, I report that, in my opinion:

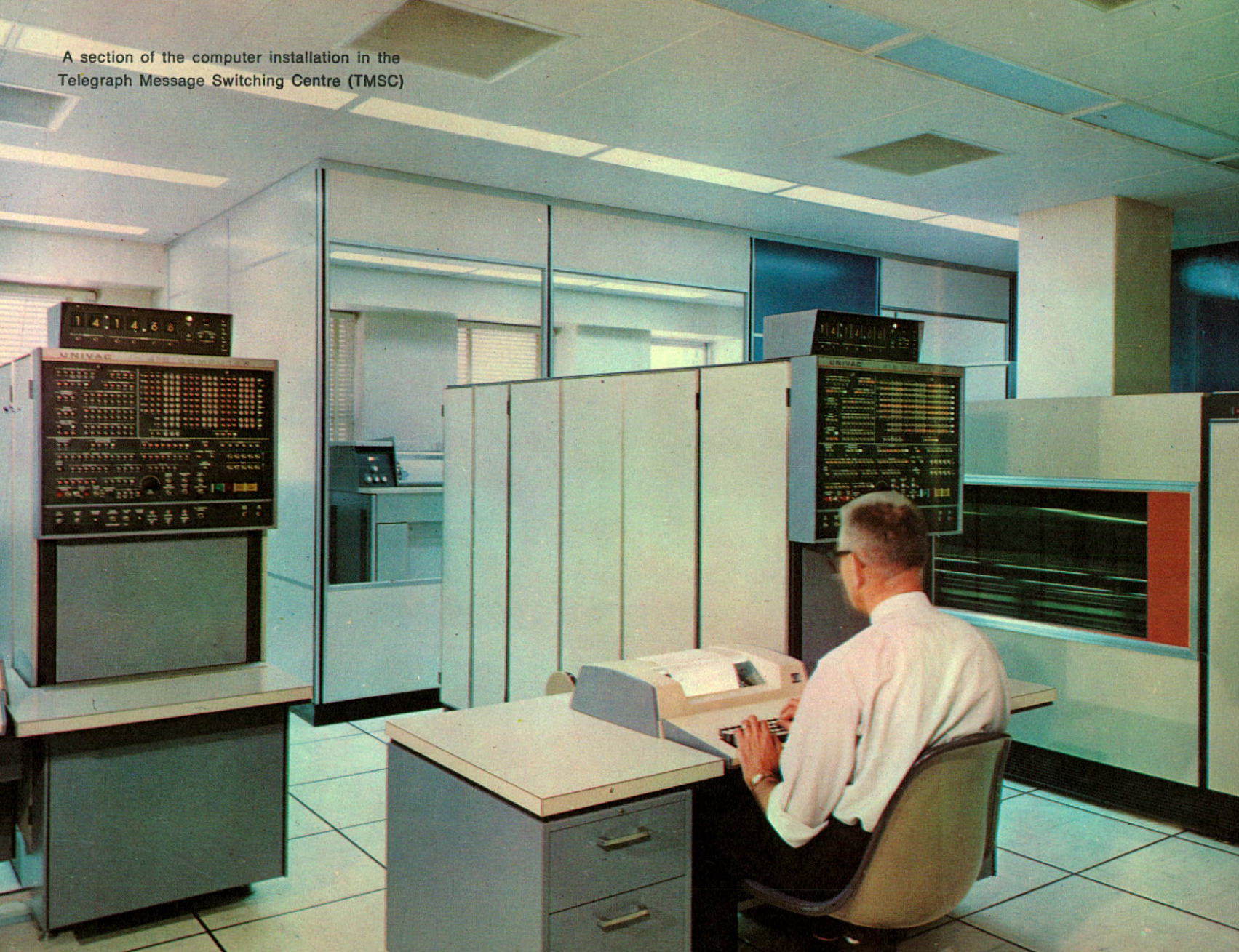
- (a) proper books of account have been kept by the Corporation;
- (b) the financial statements of the Corporation
  - (i) were prepared on a basis consistent with that of the preceding year and are in agreement with the books of account,
  - (ii) in the case of the balance sheet, give a true and fair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



A section of the computer installation in the  
Telegraph Message Switching Centre (TMSC)



## OFFICERS

R. E. CLOUTIER, B.COM., C.A.  
*Comptroller Exec Assist*

J. S. CRISPIN, P.ENG.  
*Chief Engineer, Equipment and  
Installation*

D. V. DORAN-VEEVERS, P.ENG.  
*Chief Engineer, Operations* *Exec Assist*

C. H. R. BIRD *W. Bannan*  
*Area Manager, Eastern Area*

K. L. SPARK  
*Area Manager, Western Area*

T. E. LADEROUTE  
*Special Studies*

N. T. BYRNE  
*Executive Assistant*

F. A. MATTHEWS  
*Executive Assistant*

A. D. HAWKINS  
*Manager, Personnel*

R. E. GREVILLE  
*Property Manager*

A. W. QUIRK *A. Buxton*  
*Purchasing Agent*

R. R. Y. HILL  
*Superintendent of Operations*

A. M. WOLFE *M. C. Wain*  
*Manager, Commercial Division*  
(retired February 29, 1968)

## 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



