



# 15th Annual Report

FOR THE YEAR ENDED MARCH 31, 1965

**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	Town of Mount Royal, Que.
R. M. BROPHY	Toronto, Ont.
G. S. COWAN <i>(Appointed March 16, 1965)</i>	Halifax, N.S.
H. HUSBAND	Vancouver, B.C.
R. LEFRANÇOIS	Montreal, Que.
G. P. PURCELL	Toronto, Ont.
R. THERRIEN <i>(Appointed March 16, 1965)</i>	Quebec, Que.
N. E. HARDY <i>(Term expired March 14, 1965)</i>	Toronto, Ont.
P. PELLETIER <i>(Term expired March 14, 1965)</i>	Montreal, Que.

## MANAGEMENT

- D. F. BOWIE *President and General Manager*
- G. M. WATERHOUSE, C.A. *Vice-President, Finance*
- C. S. GREGORY *Vice-President and Secretary*
- J. R. LAMB *Assistant General Manager, Traffic and Operations*
- E. ELIASSEN, M.Sc., P. ENG. *Assistant General Manager, Engineering*

**CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION**

625 BELMONT STREET, MONTREAL 3

# THE PRESIDENT'S REPORT

June 25, 1965.

HONOURABLE J. W. PICKERSGILL,  
MINISTER OF TRANSPORT,  
OTTAWA, CANADA.

Sir,

The Fifteenth Annual Report, covering the fiscal year ended March 31st, 1965, is herewith submitted on behalf of the Board of Directors, in accordance with the requirements of the Financial Administration Act.

## FINANCIAL

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

	Year ended 1965	March 31 1964	Percentage increase/ decrease over 1964
Income - - - - -	\$15,354,717	\$14,277,714	8%
Depreciation - - - - -	4,016,168	2,855,082	41%
Interest on Government Advances - - - - -	2,706,069	2,586,288	5%
Income Tax - - - - -	2,201,057	2,365,071	(1%)
Net Profit for Year - - - - -	2,221,358	2,385,455	(1%)

Financial Statements for the twelve months ended March 31st, 1965, submitted herewith, have been audited by the Auditor General and a copy of his report is included.

The following schedule illustrates the percentage of increases/decreases in revenue realized by the major services provided by the Corporation:

Telegraph - - - - -	33%
Telephone - - - - -	31%
International Telex - - - - -	45%
Leased Circuits - - - - -	(10%)

## GENERAL

The year under review was one of steady growth although, at the same time, there was a comparative lull in the introduction of new facilities. Considerable planning with respect to provision for future needs was, nevertheless, in progress.

The Commonwealth Pacific Cable System (COMPAC) between Canada and New Zealand and Australia via Hawaii and Fiji was in operation for its first full fiscal year and the cost of carrying our share in this system has been reflected in increased expenses. This was expected but it is satisfactory to note that it has not resulted in a large reduction in the net position. The introduction of substantial new facilities carries with it an added burden of expense but, with a con-

tinuing increased demand for overseas services, the Corporation looks ahead with confidence in its ability to carry out, on a sound economic basis, its planned expansion programme designed to provide high quality service between Canada and an ever-increasing number of other nations of the world.

With the exception of the completion and the opening of two segments of the South East Asia Cable System (SEACOM) between Jesselton and Singapore and between Jesselton and Hong Kong, no additional cable capacity has been introduced during the past year. The system is now scheduled for completion in early 1967 by the laying of cables between Cairns, Australia — Madang, New Guinea — Guam and Hong Kong. Canada will then be linked directly by high grade cable circuits to the important centres in that whole area.

The attention of Management during the past year has largely been directed to Canadian participation in the global communications satellite system. On August 20th, 1964, in Washington, D.C., Canada, along with the representatives of the Governments and of the operating entities of 17 other countries which were prepared to share in the production and operation of such a system, signed the Interim and Special Agreements, which had been negotiated between Governments over many months. This Corporation was designated by the Government of Canada as the operating entity for Canada.

In its initial stages the system, which contemplates one geo-stationary satellite placed at an altitude of 22,300 miles above the earth, (Early Bird), will only be operated across the North Atlantic. Experience gained from this operation will permit determination of the type of system which will be practical for a complete global system to which the signatories to the Agreements are committed.

Pending the construction of a more sophisticated type of antenna, expected to be completed in 1966, the Corporation will make use of the earth station now being built for the Department of Transport at Mill Village, N.S., which is expected to become operational in the late Fall of this year. The Corporation's antenna will be constructed in the same area.

It is still premature to forecast the full impact of the utilization of the satellite system as some unknown factors still remain — principal among which is the length of life of a satellite in orbit. If, as is hoped and expected, a reasonable life does materialize and satisfactory quality of voice transmission is achieved, there is no doubt that the advent of this type of telecommunications medium will have profound effects on the future of the Corporation's business — the ultimate being the prospect of immediate connections between all countries all over the world. Live international television broadcasts will also become available.

Other current planning includes the provision, in association with Cable and Wireless (West Indies) Limited, of high quality telephone service by means of cable and tropospheric scatter systems with Barbados, Antigua, St. Lucia, Trinidad, St. Kitts, Montserrat, Dominica, St. Vincent and Grenada. These new facilities are expected to be available in 1966.

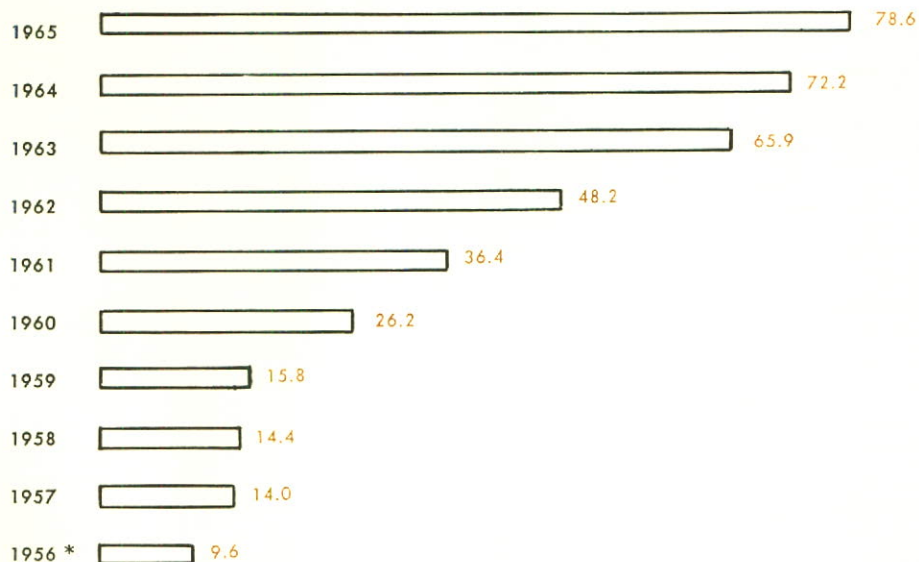
Telephone service with Japan by cable was introduced in December last, replacing the former high frequency radio facilities and providing much more reliable service. This was achieved by the inter-connection at the Corporation's station in Hawaii of the COMPAC Cable and the Trans Pacific Cable, the latter owned jointly by the American Telephone and Telegraph Company and the Kokusai Denshin Denwa Company of Tokyo.

In last year's report we made mention of experimentation in the area off the Newfoundland Coast with the view to determining the feasibility of burying our trans-Atlantic cables and thus protecting them against trawling. Unfortunately, soundings and other tests have shown that such a plan is not practical in that area and attention is now being directed towards other possibilities of providing protection.

The Icebreaker-Cable Ship, C.C.G.S. JOHN CABOT, built to the order of the Department of Transport for the Corporation's use, has been completed and will be commissioned in a few weeks. After a period of crew training, the ship will be brought into service in the western Atlantic in the Fall of this year.

Arrangements were concluded with the Trans-Canada Telephone System to integrate their domestic TWX System with our international telex network and operations commenced in February of this year. This will provide more diversity for the user in Canada.

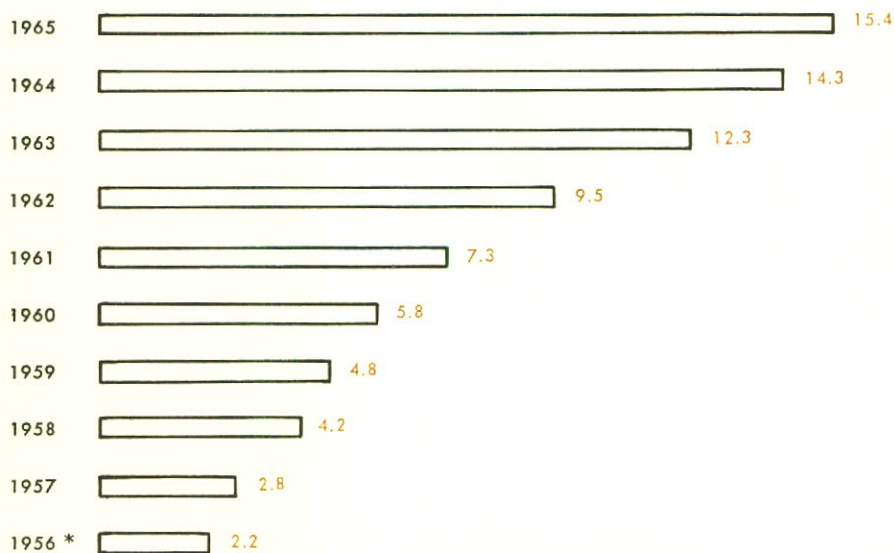
## CAPITAL INVESTMENT



FIGURES IN MILLIONS OF DOLLARS

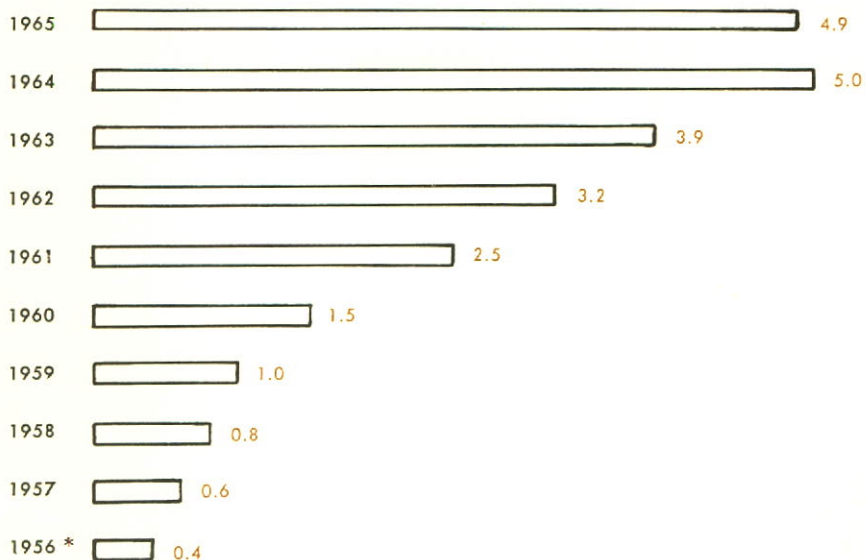
\* 1956 = 15 MONTHS.

## ANNUAL REVENUE





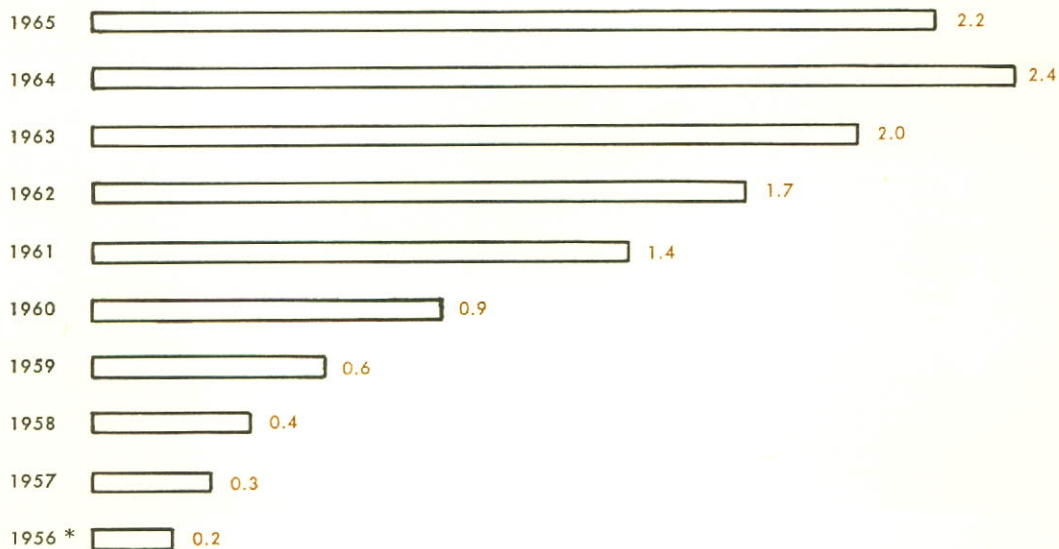
## INTEREST CHARGES & INCOME TAX



FIGURES IN MILLIONS OF DOLLARS

\* 1956 = 15 MONTHS.

## NET PROFIT



## SERVICES

## TELEGRAPH

The large increase in revenue from our telegraph operations was due to our handling substantial additional Canadian traffic and also to new settlement arrangements for certain streams of transit traffic.

## TELEPHONE

A substantial increase from our overall telephone operations was obtained this year.

## TRANS-ATLANTIC

With some minor exceptions all our trans-Atlantic direct operations showed important revenue increases with the result that the availability of circuits via the Early Bird Satellite at an early date is becoming increasingly important to relieve current pressure on capacity.

## TRANS-PACIFIC

As a direct result of a full year's operation of the COMPAC cable, our revenues derived from service between Canada and Australia and New Zealand increased by almost 100%, and there was also a large increase from our operations with Japan.

## NEWFOUNDLAND

The rate of growth in this connection slowed down as compared with past years but there was still an important revenue increase of 9%.

## BERMUDA

Revenues from this source increased by 18%.

## JAMAICA

Owing to expanded demand two additional circuits were brought into operation during the year and a 48% increase resulted.

Our direct operations with Argentina, Brazil, Barbados and St. Pierre and Miquelon all produced substantial increases.

## INTERNATIONAL TELEX

This service is now available between Canada and 106 countries and, during the past year, revenues rose by 45%.

## LEASED CIRCUITS

As mentioned in last year's report, certain facilities in our cables which had been leased by American carriers were no longer required by them and consequently there was a reduction of 10% in revenues from this source. The circuits thus released were, of course, put to use for our own purposes.

## PROGRAMME TRANSMISSION

An increase in revenue of 7% resulted from the year's operation.

## PICTURE TRANSMISSIONS

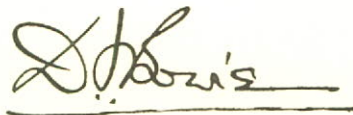
There is a very limited requirement for this service and although there was a 66% increase in revenue it is of minor significance.

## STAFF

The agreement with our technical and operating employees expired on September 30th, 1964, and a new agreement was written covering the period ending September 30th, 1965. The agreement with our clerical staff expired on March 31st, 1965 and a new one covering the period to March 31st, 1967, was written.

## ACKNOWLEDGMENT

It is once 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.

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.

# CANADIAN OVERSEAS TELECO

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## BALANCE SHEET AS

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### ASSETS

	1965	1964
Cash - - - - -	\$ 1,779,100	\$ 2,440,799
Treasury Bills of Canada — at cost - - - - -	2,476,500	—
Accounts Receivable - - - - -	3,240,839	4,736,614
Estimated Amount Recoverable from Commonwealth Network - -	265,691	1,471,838
Prepaid Expenses - - - - -	288,916	63,352
Capital Assets, at cost: (Note 1)		
Land, with improvements - - - - -	\$ 1,136,278	1,132,337
Buildings - - - - -	4,536,858	4,163,481
Telephone cable systems - - - - -	63,288,085	57,948,826
Transmitters, receivers and other technical equipment - - - - -	9,214,563	8,681,597
Office furniture and equipment, etc. - - - - -	426,718	274,692
	<hr/>	<hr/>
	78,602,502	72,200,933
Less: Accumulated Depreciation - - - - -	14,890,312	10,909,690
	<hr/>	<hr/>
	63,712,190	61,291,243
	<hr/>	<hr/>
	71,763,236	70,003,846
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The accompanying notes are an integral

Certified: D. F. BOWIE  
President and General Manager

Approved: GILLIS PURCELL  
Director.

ROLAND G. LEFRANÇOIS  
Director.

# COMMUNICATION CORPORATION

(TELECOMMUNICATION CORPORATION ACT)

AT MARCH 31, 1965

(figures as at March 31, 1964)

## LIABILITIES

	1965	1964
Accounts Payable - - - - -	\$ 1,798,559	\$ 1,509,343
Income Tax and Sales Tax Payable - - - - -	776,405	1,317,294
Accumulated Tax Reduction Applicable to Future Years (Note 2) -	1,595,282	1,397,961
	<u>4,170,246</u>	<u>4,224,598</u>
Capital:		
Advances from the Government of Canada under section 14 of the Act (Note 3) - - - - -	55,054,044	55,461,660
Surplus:		
Balance as at April 1, 1964 - - - - -	\$10,317,588	
Add:		
Net profit for the year ended March 31, 1965, per Statement of Income and Expense - - - - -	<u>2,221,358</u>	
Balance as at March 31, 1965 - - - - -	12,538,946	10,317,588
	<u>67,592,990</u>	
	<u>71,763,236</u>	<u>70,003,846</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 21, 1965 to the Minister of Transport.

GEORGE LONG  
for  
Auditor General of Canada

# CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

## STATEMENT OF INCOME AND EXPENSE FOR THE YEAR ENDED MARCH 31, 1965

(with comparative figures for the year ended March 31, 1964)

	1965	1964
Income —		
Telegraph, telephone, telex, circuit rentals, etc. - - - -	\$15,354,717	\$14,277,714
Expense —		
Operating salaries and wages - - - -	\$ 2,684,686	2,362,781
Administrative salaries - - - -	754,104	563,754
Employees' welfare benefits - - - -	174,226	178,530
Rental of circuits, etc. - - - -	1,893,551	1,996,056
Operation and maintenance of Head Office building - - - -	313,635	282,211
Maintenance and repairs — plant and equipment	1,518,263	843,757
Interest (after capitalizing \$101,580) - - - -	2,604,489	1,686,904
Depreciation - - - -	4,016,168	2,855,082
Other operating and administrative expenses -	672,586	574,886
	<u>14,631,708</u>	<u>11,343,961</u>
Deduct: Esitimated amount recoverable from Commonwealth Network—excess of applicable expenditures over Corporation's share of total Commonwealth Network expenses - - - -	3,699,406	1,816,773
	<u>10,932,302</u>	<u>9,527,188</u>
Profit before Income Tax - - - -	4,422,415	4,750,526
Deduct: Income Tax (Note 2) - - - -	2,201,057	2,365,071
Net Profit for Year - - - -	<u><u>2,221,358</u></u>	<u><u>2,385,455</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, 1965, the estimated cost of completing capital projects, as approved by Order in Council P.C. 1965-957 dated May 25, 1965, amounted to approximately \$30,930,000 of which \$18,700,000 relates to the year ending March 31, 1966.
  2. Income tax charged against income was calculated on the basis of the depreciation provided in the accounts rather than using the capital cost allowances claimed for tax purposes. In consequence, the payment of income tax amounting to \$197,321 was deferred 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, 1965 totalled \$2,407,616 and instalments falling due for repayment during the year ending March 31, 1966 aggregate \$2,531,615.
  4. Included in the expenses for 1965 are: remuneration of executive officers, \$99,314; directors' fees, \$1,600; and legal expenses, \$630.
-

# AUDITOR'S REPORT

Ottawa, June 21, 1965.

THE HONOURABLE J. W. PICKERSGILL,  
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, 1965. 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

R. E. CLOUTIER, B. Com., C.A.  
*Comptroller*

C. A. O'BRIEN  
*Manager, Public Relations*

A. D. HAWKINS  
*Manager of Personnel*

A. M. WOLFE  
*Manager, Commercial Division*

R. MURRAY  
*Executive Assistant, International Relations*

H. L. BISAILLON  
*Traffic Manager*

L. A. HARROLD  
*Property Manager*

A. W. QUIRK  
*Purchasing Agent*

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

T. E. LADEROUTE  
*Special Studies*

## BRANCH OFFICES

Corner Brook, Nfld.

Halifax, 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





