



14th Annual  
Report

FOR THE YEAR ENDED MARCH 31, 1964

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 <i>(Appointed December 27, 1963)</i>	Toronto, Ont.
N. E. HARDY	Toronto, Ont.
H. HUSBAND <i>(Appointed March 15, 1964)</i>	Vancouver, B.C.
R. LEFRANCOIS <i>(Appointed December 27, 1963)</i>	Montreal, Que.
P. PELLETIER	Montreal, Que.
G. P. PURCELL	Toronto, Ont.
G. E. MARTIN <i>(Term Expired March 14, 1964)</i>	Halifax, N.S.

## MANAGEMENT

D. F. BOWIE	<i>President and General Manager</i>
R. G. GRIFFITH, P. Eng.	<i>Vice-President and Chief Engineer (retired November 29, 1963)</i>
G. M. WATERHOUSE, C.A.	<i>Assistant General Manager, Finance</i>
C. S. GREGORY	<i>Assistant General Manager and Secretary</i>
J. R. LAMB	<i>Assistant General Manager, Traffic and Operations</i>
E. ELIASEN	<i>Assistant General Manager, Engineering</i>

**CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION**

625 BELMONT STREET, MONTREAL 3

## THE PRESIDENT'S REPORT

June 25, 1964.

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

Sir,

The Fourteenth Annual Report, covering the fiscal year ended March 31st, 1964, 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 March 31 1964	1963	Increase over 1963
Income - - - - -	\$14,277,714	\$12,320,698	16%
Depreciation - - - - -	2,855,082	2,376,349	20%
Interest on Government Advances - - - - -	2,586,288	1,971,300	31%
Income Tax - - - - -	2,365,071	1,970,669	20%
Net Profit for Year - - - - -	2,385,455	2,007,563	19%

Financial Statements for the twelve months ended March 31st, 1964, 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 in revenue realized by the major services provided by the Corporation:

Telegraph - - - - -	6%
Telephone - - - - -	17%
International Telex - - - - -	13%
Leased Circuits - - - - -	20%

### GENERAL

An event of historical significance in the field of telecommunications took place during the year under review when our joint Pacific project with Britain, Australia and New Zealand was completed. The Commonwealth Pacific Cable System (COMPAC), a multi-channel, multi-purpose cable between Canada and New Zealand and Australia via Hawaii and Fiji — a distance of over 8,000 miles — was placed in service on December 2nd, 1963. Simultaneous ceremonies marking the occasion took place in London, Wellington, Sydney and Ottawa during which Her Majesty The Queen, speaking from London, formally opened the Cable. Following Her Majesty's

address, the Prime Ministers of the four participating countries shared the first conversations by means of a four-way Conference call.

A large portion of Canada's investment in this project was paid to Canadian industry for the production of cotton tapes and a share of the copper, polythene and aluminum required in the manufacture of the cable.

Inter-connection between the Atlantic and Pacific cable systems is provided by means of micro-wave facilities leased from the Bell Telephone Company of Canada/Québec Téléphone between Grosses Roches and Montreal and from the Canadian National/Canadian Pacific Railway Companies between Montreal and Vancouver.

The extension of the COMPAC System into South East Asia, mentioned in last year's Report, is proceeding according to schedule and this next link in the Commonwealth round-the-world cable system is expected to be in service in 1966.

Direct telephone, telex and telegraph services were established by radio in August 1963, between Montreal and Rio de Janeiro.

A Commonwealth Financial Review Conference was held in New Delhi during January and February 1964, at which senior officers of the Corporation participated. The Conference recommended that the present financial arrangements be retained, with certain minor modifications, for a further period of two years, until March 31st, 1966, during which time Commonwealth Governments, individually and in association with the Commonwealth Telecommunications Board, should urgently study the question of future financial arrangements, bearing in mind the rapid developments imminent in international telecommunications, and by that time be prepared to consider adjustments to existing arrangements to accommodate such developments.

In last year's Report, it was indicated that the North Atlantic telephone cable systems were being used to capacity and that consideration was being given to expansion by means of Satellite systems as well as by cable. During the year under review, there have been a number of international meetings on the subject of communications by Satellites which officers of the Corporation have attended as members of Canadian Delegations. It is expected that the Corporation will share in the cost of the Space segment of such a system and will construct a suitable Ground Station in Eastern Canada.

Considerable attention has been directed towards resolution of the problem of cable interruptions in the North Atlantic. Strongly reinforced cable has been introduced in the Greenland area where there is the ever present danger of grounding icebergs and holes have also been bored in certain areas and the cable passed through these holes into deeper and, it is believed, safer waters. In the Newfoundland area experiments are being undertaken with the view to burying the cables in areas where there are known to be concentrations of fishing. At present it is not possible to forecast the results but we are hopeful that a satisfactory solution will be found.

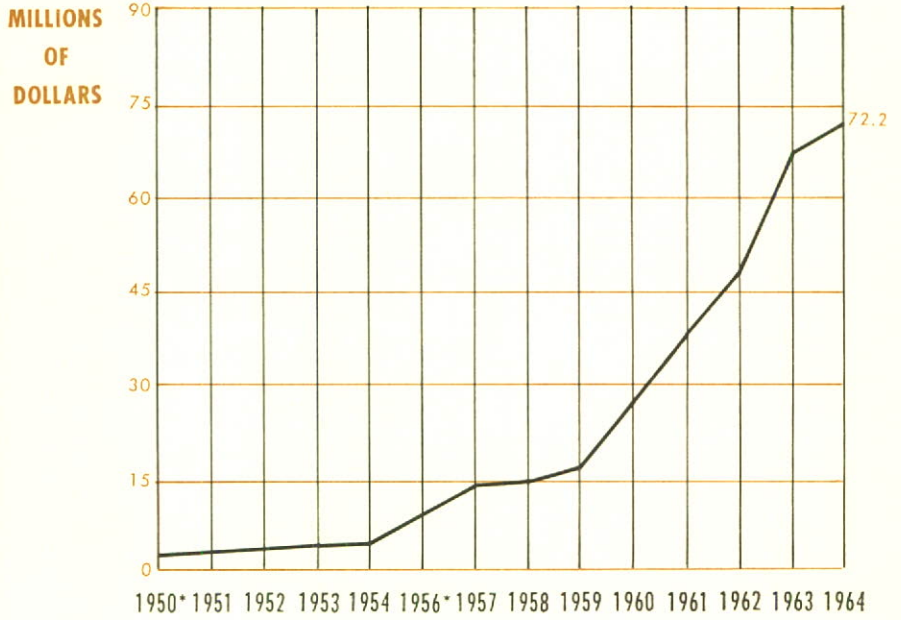
The Department of Transport's new Icebreaker/Cable Repair Ship, now approaching completion and expected to be ready for service in the Spring of 1965, will then be available to the Corporation for cable repair work in the North Atlantic, at present being carried out under charter arrangements.

The Corporation has been accepted as a private operating agency of the International Telegraph and Telephone Consultative Committee and the International Radio Consultative Committee of the International Telecommunications Union and is now actively participating in the work of these Committees.

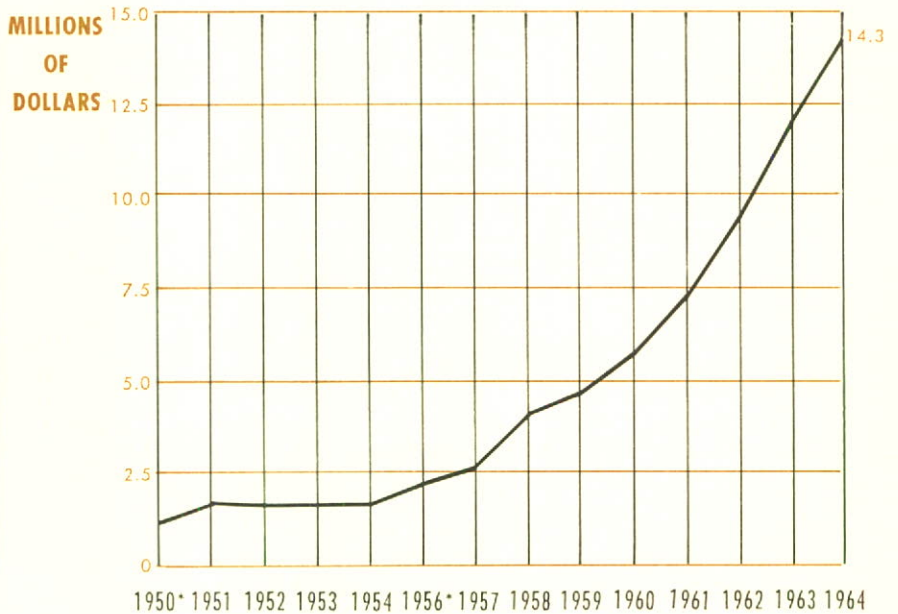
Resulting from certain changes to the C.O.T.C. Act, which were approved by the Governor in Council in December 1963, the Board of Directors of the Corporation has been increased from five to seven members.



**CAPITAL INVESTMENT**

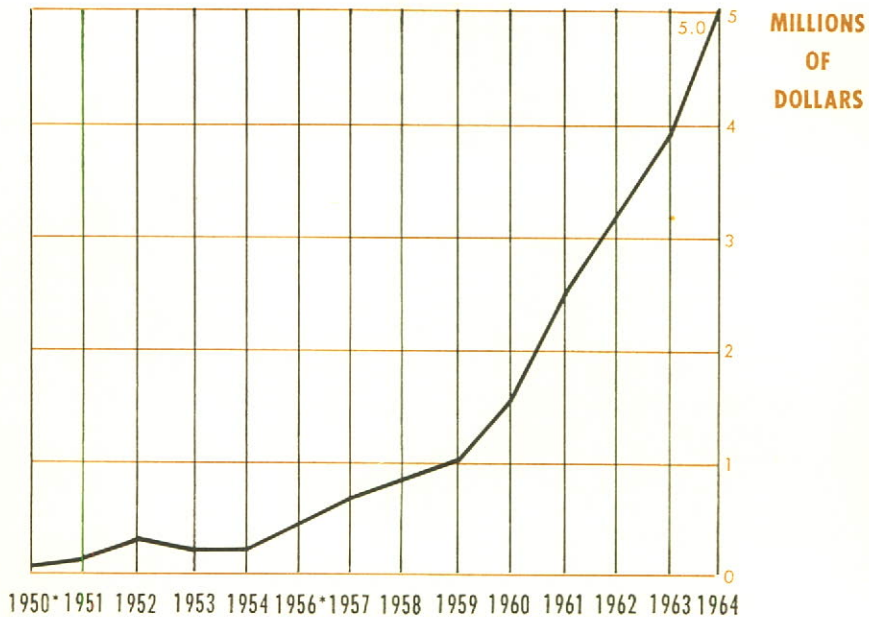


**ANNUAL REVENUE**

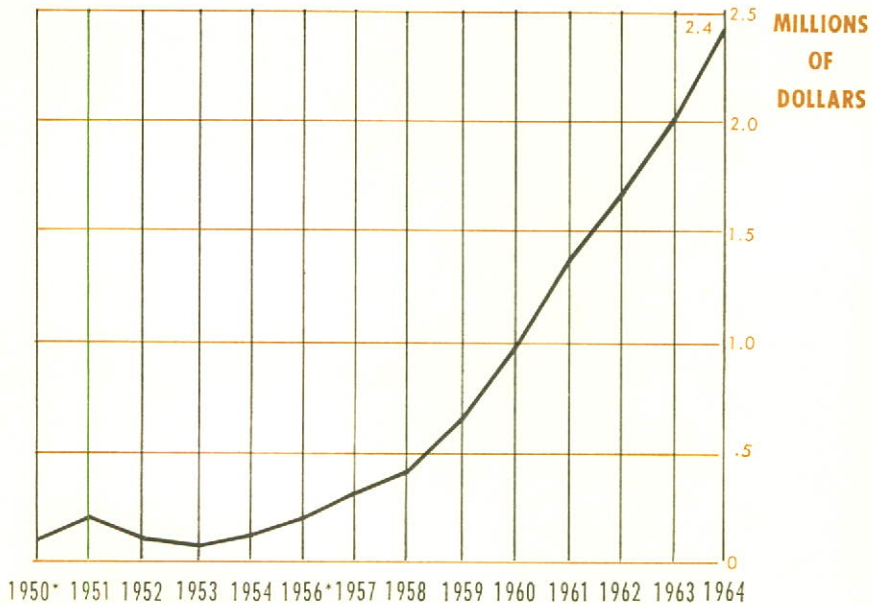


\*NOTE: 1950: 9 MONTHS. 1956: 15 MONTHS.





**INTEREST CHARGES & INCOME TAX**



**NET PROFIT**

\*NOTE: 1950: 9 MONTHS. 1956: 15 MONTHS.

## THE PRESIDENT'S REPORT (CONTINUED)

### SERVICES

#### TELEGRAPH

The increase of 6% in telegraph revenue is considered satisfactory. This service, as has been mentioned in other years, has heavy competition both from other carriers operating in Canada and from our own telephone and telex services.

#### TELEPHONE

For the second successive year, this service has produced a revenue increase of 17%.

#### TRANS-ATLANTIC

Demand for service continues to increase and the need for additional capacity is becoming acute, particularly so since the opening of the COMPAC Cable which requires a number of trans-Atlantic cable circuits to be available for direct connections between Britain and Australia and New Zealand.

#### TRANS-PACIFIC

The introduction of high quality cable circuits between Australia and New Zealand and Canada has provided the public with service comparable to that across the Atlantic and, as expected, revenue from this source has increased sharply. For the first full three months of COMPAC operation, our telephone traffic revenue increased 222% compared with the same period last year.

#### NEWFOUNDLAND

Additional circuits were provided for this service during the year. The steady rise in the use of this service has resulted in an important revenue increase.

#### BERMUDA

In order to satisfy a heavy demand, the Corporation acquired the right of use of further circuits in the Bermuda/U.S.A. Cable and these circuits are being used profitably for both Canadian and other Commonwealth traffic.

#### JAMAICA

The right of use of circuits in the Jamaica/U.S.A. Cable, which was acquired towards the end of the previous fiscal year, has produced substantial revenue for the Corporation.

#### ST. PIERRE AND MIQUELON

The improvement in service between Canada and the Islands, referred to in last year's Report, is still under consideration with the Administration of the Islands. A first step in this improve-

ment has been taken by the Administration and present indications are that they will be in a position to place new equipment in service towards the end of this year.

#### INTERNATIONAL TELEX

Canadian telex subscribers are now able to reach 83 countries via the Corporation's facilities, 8 having been added during the period under review. The growth of this service continues a steady upward trend.

#### LEASED CIRCUITS

Although this service continues to produce a major portion of the Corporation's revenue, the increase of 20% was not as substantial as in recent years. The leases of certain facilities in the CANTAT Cable to American communication carriers were terminated during the year, and these circuits are now being used for Commonwealth traffic between Britain and Australia and New Zealand.

#### PROGRAMME TRANSMISSION

Greater use of this service was made during the year, resulting in an increase in revenue of 11% as compared with the previous period. It should be noted however that this service is not a significant revenue producer.

#### PICTURE TRANSMISSIONS

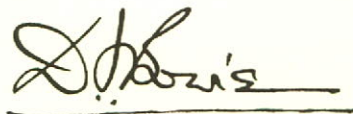
There was a very small revenue decrease compared with the previous year.

## STAFF

The agreement with our technical and operating employees expired on September 30th, 1963, and a new agreement was written covering the period ending September 30th, 1964. The agreement with our clerical staff expires on March 31st, 1965.

## ACKNOWLEDGMENT

It is a great pleasure to record a wholehearted expression of appreciation to all our officers and staff at all locations, including Hawaii, for their co-operation during the past year, which saw the completion of yet another major project with the extension of the Commonwealth Telephone Cable System to New Zealand and Australia.



President.



# CANADIAN OVERSEAS TELECO

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## BALANCE SHEET AS

*(with comparative figures*

### ASSETS

	1964	1963
Cash - - - - -	\$ 2,440,799	\$ 957,073
Accounts Receivable - - - - -	4,736,614	2,241,349
Estimated Amount Recoverable from Commonwealth Network - -	1,471,838	519,034
Prepaid Expenses - - - - -	63,352	157,849
Capital Assets, at cost: (Note 1)		
Land, with improvements - - - - -	\$ 1,132,337	1,122,144
Buildings - - - - -	4,163,481	3,974,464
Telephone cable systems - - - - -	57,948,826	54,207,018
Transmitters, receivers and other technical equipment - - - - -	8,681,597	6,405,001
Office furniture and equipment, etc. - - -	274,692	240,583
	72,200,933	65,949,210
Less: Accumulated depreciation - - -	10,909,690	7,956,787
	61,291,243	57,992,423
	70,003,846	61,867,728

The accompanying notes are an inte

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

Approved: GILLIS PURCELL  
Director.

N. E. HARDY,  
Director.

# COMMUNICATION CORPORATION

(TELECOMMUNICATION CORPORATION ACT)

AT MARCH 31, 1964

(as at March 31, 1963)

## LIABILITIES

	1964	1963
Accounts Payable - - - - -	\$ 1,509,343	\$ 2,769,982
Income Tax Payable - - - - -	1,317,294	1,177,347
Accumulated Tax Reduction Applicable to Future Years (Note 2) -	1,397,961	973,851
	<hr/>	<hr/>
	4,224,598	4,921,180
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Capital:		
Advances from the Government of Canada under section 14 of the Act - - - - -	55,461,660	49,320,747
Surplus:		
Balance as at April 1, 1963 - - - - -	\$ 7,625,801	
Add: Prior years' adjustments (Note 3) - -	306,332	
Net profit for the year ended March 31, 1964, per Statement of Income and Expense - - - - -	2,385,455	
	<hr/>	
Balance as at March 31, 1964 - - - - -	10,317,588	7,625,801
	<hr/>	<hr/>
	65,779,248	
	<hr/>	<hr/>
	70,003,846	61,867,728
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gral 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 18, 1964 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, 1964

(with comparative figures for the year ended March 31, 1963)

	1964	1963
Income —		
Telegraph, telephone, telex, circuit rentals, etc. - - - -	\$14,277,714	<u>\$12,320,698</u>
Expense —		
Operating salaries and wages - - - -	\$ 2,362,781	1,948,131
Administrative salaries - - - -	563,754	483,396
Employees' welfare benefits - - - -	178,530	159,685
Rental of circuits, etc. - - - -	1,996,056	1,376,876
Operation and maintenance of Head Office building - - - -	282,211	274,049
Maintenance and repairs — plant and equipment	843,757	776,903
Interest (after capitalizing \$899,384) - -	1,686,904	1,339,145
Depreciation - - - -	2,855,082	2,376,349
Other operating and administrative expenses -	574,886	516,301
	<u>11,343,961</u>	<u>9,250,835</u>
Deduct: Estimated amount recoverable from Commonwealth Network—excess of applicable expenditures over Corporation's share of total Commonwealth Network expenses - - -	1,816,773	1,024,626
	<u>9,527,188</u>	<u>8,226,209</u>
	4,750,526	4,094,489
Deduct: Cost of additional pension benefits in respect of past service for employees formerly participating in pension plans of predecessor companies - - - -	—	116,257
Profit before Income Tax - - - -	4,750,526	3,978,232
Deduct: Income tax (Note 2) - - - -	2,365,071	1,970,669
Net Profit for Year - - - -	<u>2,385,455</u>	<u>2,007,563</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, 1964, the estimated cost of completing capital projects, as approved by Order in Council P.C. 1964-860 dated June 11, 1964, amounted to approximately \$28,600,000, of which \$10,400,000 relates to the year ending March 31, 1965.
  2. Income tax 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 \$424,110 was deferred to future years.
  3. The addition to surplus of \$306,332 represents a net adjustment of the amount recoverable from the Commonwealth Network for the years ended March 31, 1957 to 1963, inclusive.
  4. Included in the expenses for 1964 are: remuneration of executive officers, \$99,783; directors' fees, \$1,200; and legal expenses, \$2,199.
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## AUDITOR'S REPORT

Ottawa, June 18, 1964

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, 1964. 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.

## OFFICERS

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

H. L. BISAILLON  
*Traffic Manager*

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

L. A. HARROLD  
*Property Manager*

J. E. WINCHCOMBE  
*Manager of Personnel*

A. W. QUIRK  
*Purchasing Agent*

A. M. WOLFE  
*Manager, Traffic Production*

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

T. E. LADEROUTE  
*Special Studies*

## BRANCH OFFICES

Corner Brook, Nfld.

Toronto, Ont.

Halifax, N.S.

Winnipeg, Man.

Grosses Roches, Que.

Vancouver, B.C.

Yamachiche, Que.

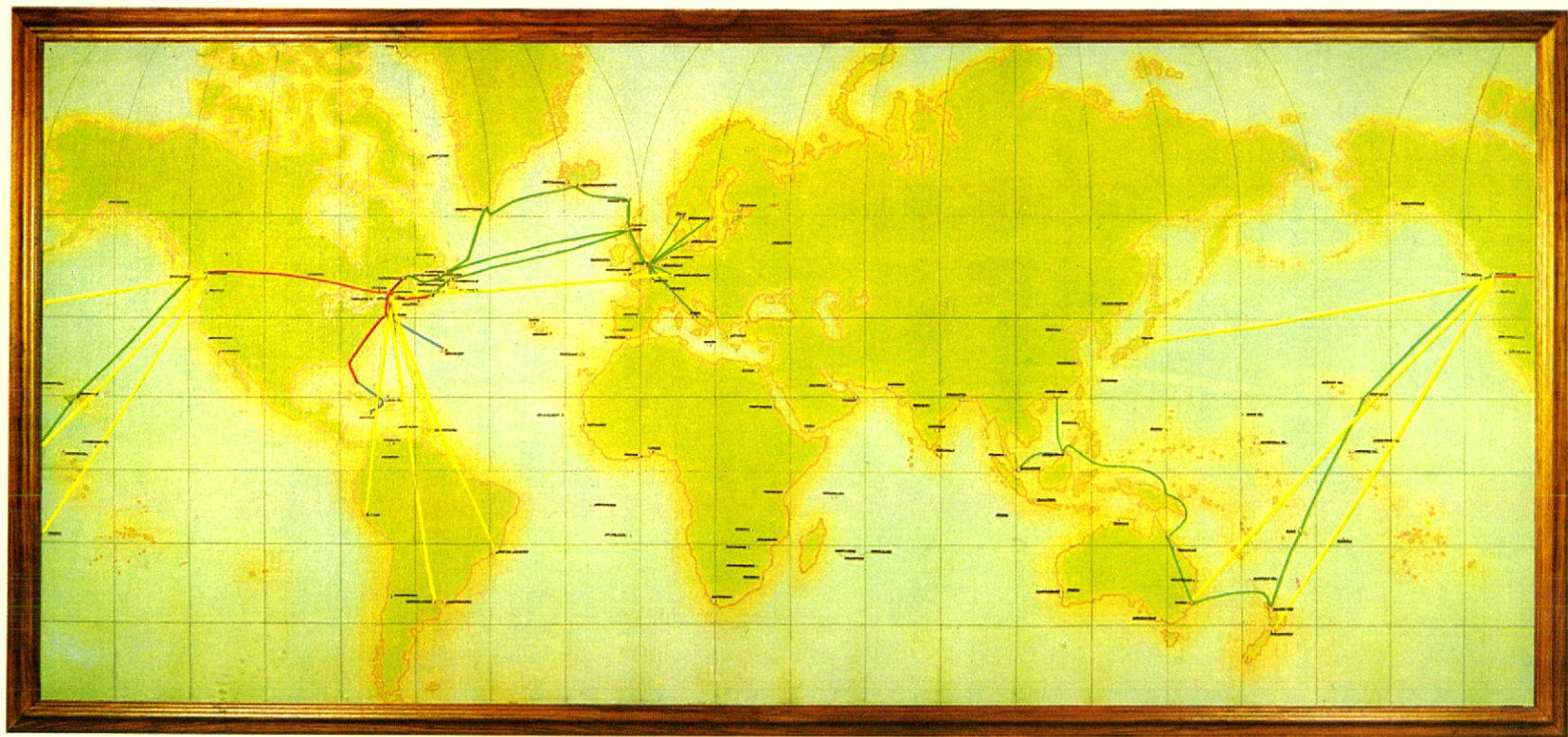
Ladner, B.C.

Drummondville, Que.

Port Alberni, B.C.

Keawaula, Hawaii





**Direct Services of  
CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION**





