



C. Stank

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

FOR THE YEAR ENDED MARCH 31, 1963

**CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION**

---





"THE WORLD AT YOUR CALL"



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

## BOARD OF DIRECTORS

*Chairman* D. F. BOWIE

*Town of Mount Royal, Que.*

N. E. HARDY

*Toronto, Ont.*

G. E. MARTIN

*Halifax, N.S.*

P. PELLETIER

*Montreal, Que.*

G. P. PURCELL

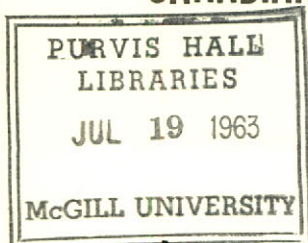
*Toronto, Ont.*

## MANAGEMENT

D. F. BOWIE	<i>President and General Manager</i>
R. G. GRIFFITH, P. Eng.	<i>Vice-President and Chief Engineer</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>

## CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

625 BELMONT STREET, MONTREAL 3



## THE PRESIDENT'S REPORT

June 25, 1963

HONOURABLE GEORGE MCILRAITH,  
MINISTER OF TRANSPORT,  
OTTAWA, CANADA.

Sir,

The Thirteenth Annual Report, covering the fiscal year ended March 31st, 1963, 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		Percentage increase over 1962
	1963	1962	
Income - - - - -	\$12,320,698	\$9,484,410	30%
Depreciation - - - - -	2,376,349	1,708,931	39%
Interest on Government Advances - - - - -	1,971,300	1,516,046	30%
Income Tax - - - - -	1,970,669	1,658,311	19%
Net Profit for Year - - - - -	2,007,563	1,665,379	21%

Financial Statements for the twelve months ended March 31st, 1963, 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 various services provided by the Corporation :

Telegraph - - - - -	10%
Telephone - - - - -	17%
International Telex - - - - -	20%
Leased Circuits - - - - -	52%

### GENERAL

This report covers the first full year of operation of the multi-channel multi-purpose cable between Canada and Britain (CANTAT) which was opened for service on December 19th, 1961 and also the first full year during which the reduced telephone rates between Canada and Britain and Eire were in force. It is a pleasure to record that these two factors combined to produce



results which have more than justified the decisions taken to provide the new facilities and at the same time to make rates more attractive to the user.

In last year's report, comment was made to the effect that the initial 60 circuits in the new cable were then fully occupied and that additional equipment would be provided to increase the capacity to 80 circuits. This was done and the additional circuits are now profitably in use.

It was also indicated in that report that the position even then called for early consideration of expansion of North Atlantic capacity. The matter is currently under discussion with officials of your Department and is being looked at in the light of the anticipated development of world telecommunications by means of Satellite Systems as well as by cable.

Towards the end of the fiscal year the Corporation acquired the right of use of an appropriate number of circuits in a cable between Jamaica and U.S.A. and extended to Montreal. These came into service on February 19th, 1963, and we are now able to provide rapid and high quality service between Canada and Jamaica.

Direct telegraph and telex service was established with Peru by radio from Montreal, thus eliminating intermediate retransmissions and greatly speeding up service.

The cable system between Canada, Greenland and Iceland (ICECAN) with extensions to Britain and Europe was brought into service on January 1st, 1963, but has unfortunately suffered several mishaps owing to unusually heavy iceberg movements near the shores of Greenland. Steps are being taken to improve the protection of the cable from the action of icebergs and to reduce interruptions to a minimum.

The construction and installation of the Commonwealth Pacific Cable System (COMPAC) between Vancouver and Auckland, New Zealand and Sydney, Australia via Hawaii and Fiji is on schedule and it is expected that the whole System will be brought into service at the beginning of December next. The TASMAR Section between Auckland and Sydney was opened for service on July 9th, 1962 and the Fiji - Auckland Section on December 3rd, 1962.

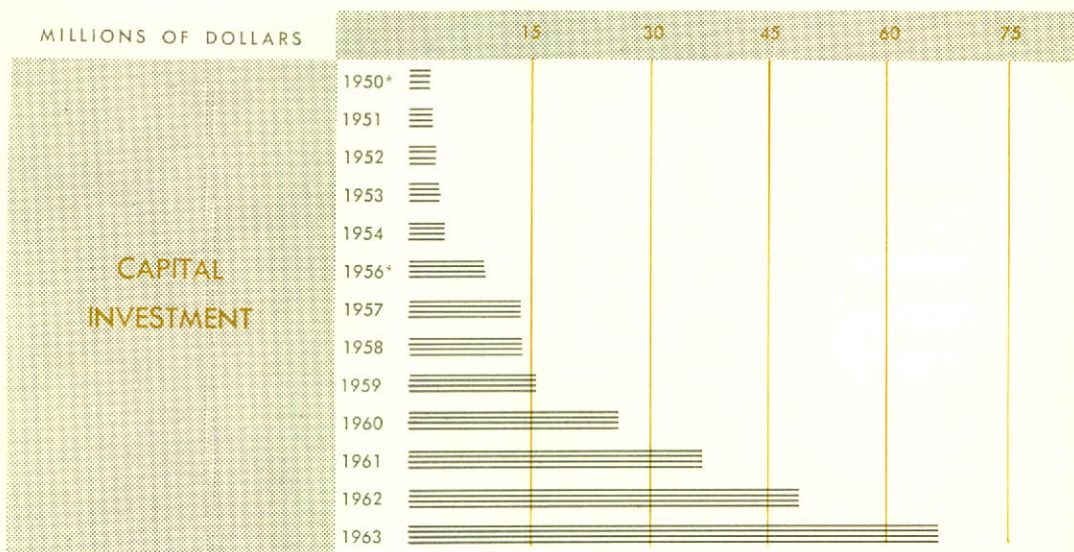
(A joint project with Britain, Australia and New Zealand)

The extension of the COMPAC System into South East Asia points at New Guinea, Borneo, Singapore, Malaya and Hong Kong (SEACOM) is being planned and should be ready for service by 1966. As in the case of COMPAC, a large part of Canada's investment in this part of the Commonwealth System will be used for the purchase in Canada of polythene, aluminum, copper and cotton tapes required for the construction of the cables.

(A joint project with Britain, Australia, New Zealand, the Federation of Malaya and Singapore)

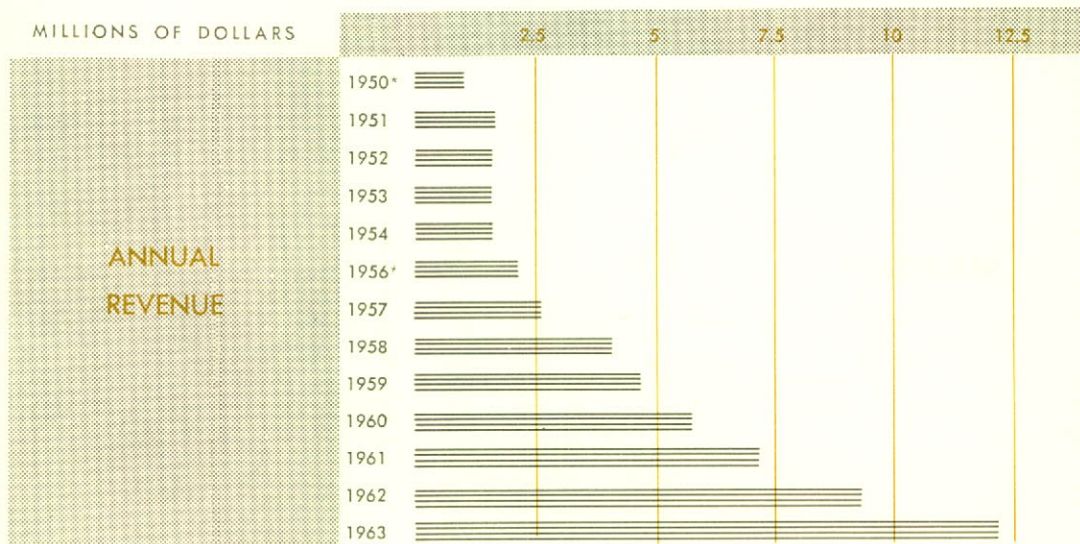
An important step was taken during the year under review when, culminating lengthy negotiations, it was finally possible for agreement to be reached between the Corporation and Canadian Pacific Telegraphs and Canadian National Telegraphs whereby there would be an exchange of public message traffic between the Corporation and Canadian National Telegraphs. Previously

MILLIONS OF DOLLARS



65.9

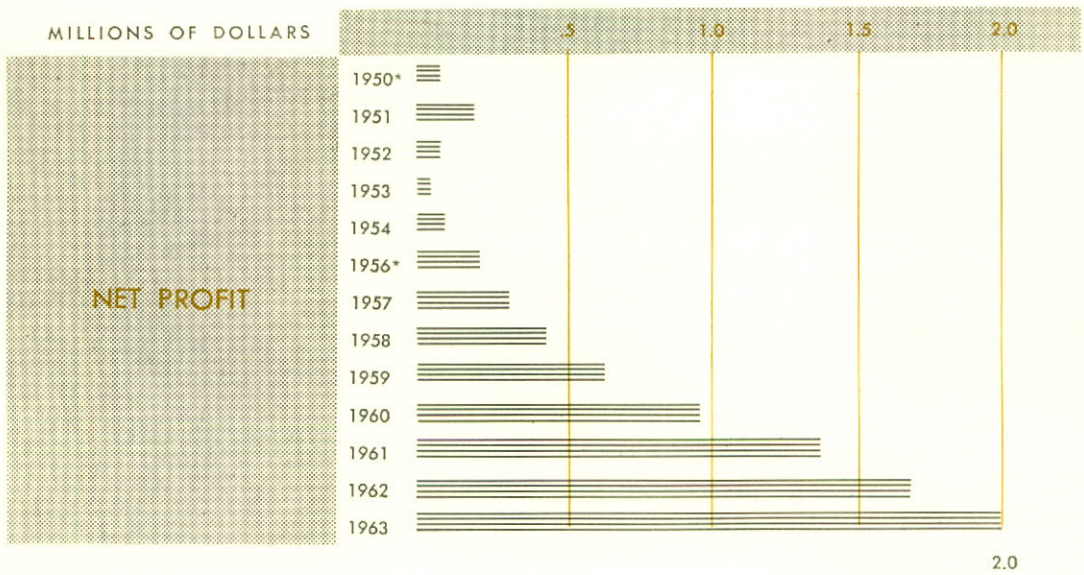
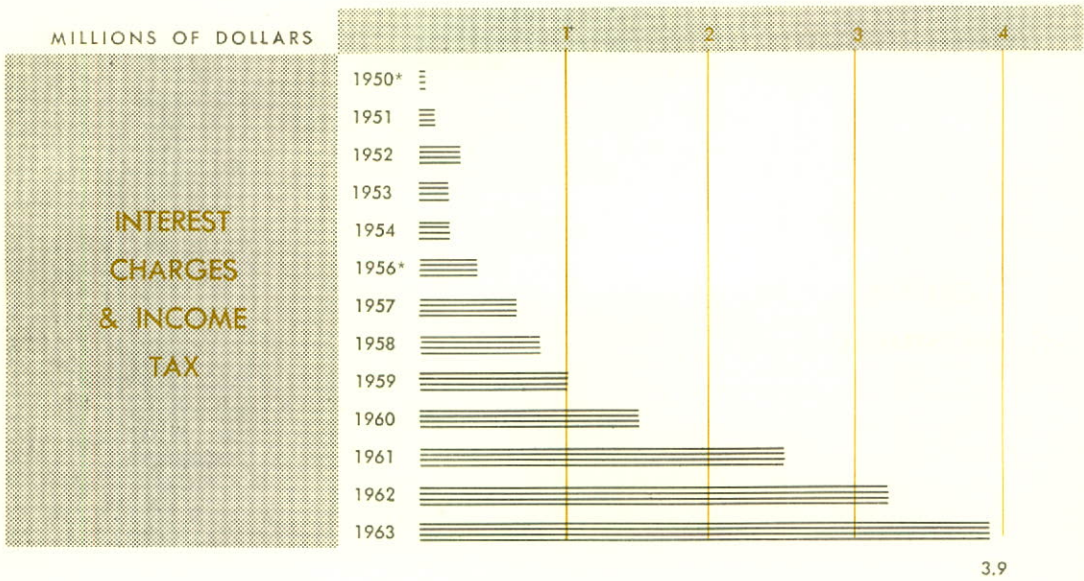
MILLIONS OF DOLLARS



12.3

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





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

## THE PRESIDENT'S REPORT (CONTINUED)

the Corporation connected exclusively with Canadian Pacific but we now have traffic agreements with both companies and our service is available to and from all places in Canada.

On July 1st, 1962, our leased circuit rates between Canada and Britain were reduced between 15% and 36% according to the type of operation being performed by the lessee.

### SERVICES

#### TELEGRAPH

The total number of telegraph messages handled increased by 8% which, in a large measure, was due to the new traffic exchange agreement with Canadian National Telegraphs. Our competitors in the telegraph field are very active and competition is heavy. Leased circuits and telex service which we ourselves provide also draw heavily on this traffic from the larger organizations and a continuing increase in message traffic is therefore considered satisfactory.

#### TELEPHONE

All services showed important increases and it is of particular interest to note the following :

##### TRANS-ATLANTIC

Calls increased by 40%. Revenue increased by 13%.

Increases in the number of calls for the three previous years amounted to 18%, 12% and 20% and the above-mentioned figures therefore clearly indicate the effect of the 25% reduction in the rates between Canada and Britain and Eire and the availability of extra channels.

Current capacity allows for rapid service but it is evident that, with a continuation of the growth trend, we shall be facing a shortage of circuits which will be accentuated when the Pacific and South East Asia Systems are brought into service. We shall then be required to provide transit functions in Canada for services between Britain and Europe and Australia, New Zealand and South East Asia.

##### TRANS-PACIFIC

Existing shortage of circuits will be eliminated with the inauguration of the new cable system next December.

##### NEWFOUNDLAND

The anticipated requirement for more capacity noted in last year's report has been met but we are still not running ahead of demand. The situation is under constant review and appropriate steps are being taken.

##### BERMUDA

There are definite indications that it is necessary for us to acquire the right of use of further circuits in the Bermuda/U.S.A. cable to meet Canadian and Commonwealth requirements for service with Bermuda and arrangements to that end are being made.

#### ST. PIERRE AND MIQUELON

Although the very small volume of calls with the Islands remains stable, there is evidence that improvement in availability of service will result in increased business. The situation is currently under consideration with the Administration of the Islands.

#### INTERNATIONAL TELEX

Growth continues to be steady as this service is extended to more and more countries. We now serve 75 countries.

#### LEASED CIRCUITS

Once again there was a large increase in demand for facilities as a number of circuits were leased to American communication carriers to assist them to meet their requirements between U.S.A. - Britain and Europe. A number of these leases will cease when a planned system direct from U.S.A. to Britain and Europe is completed during the course of this year but at that time we shall need all the restored capacity to provide for Canadian and Commonwealth needs. Important leases have been provided, amongst others, for Air Traffic Control, certain airline companies and a news agency.

#### PROGRAMME TRANSMISSIONS

Although more time was sold, this service showed a decrease in revenue this year which is accounted for by larger dollar outpayments overseas.

#### PICTURE TRANSMISSIONS

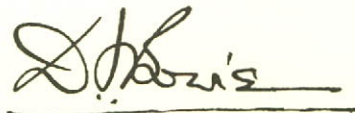
A decrease in revenue occurred but this is regularly only a spasmodic producer depending almost entirely on the occurrence of special events either in Canada or Overseas and no significance is attached to the decline in revenue and we are able to meet all demands at present.

### STAFF

The agreement with our technical and operating employees expired on September 30th, 1962, and a new agreement was written covering the period ending September 30th, 1963. The agreement with our clerical staff expires on March 31st, 1965.

### ACKNOWLEDGMENT

It is a pleasure to record a wholehearted expression of appreciation to all our officers and staff for their loyal co-operation during the year, which once again, as in past years, called for special effort on the part of everyone.



President.



# CANADIAN OVERSEAS TELECOM

(ESTABLISHED BY THE CANADIAN OVERSEAS TELECOM)

## BALANCE SHEET AS AT

(with comparative figures)

ASSETS		1963	1962
Cash - - - - -		\$ 957,073	\$ 783,911
Treasury Bills of Canada - - - - -		—	2,382,888
Accounts Receivable - - - - -		2,241,349	1,015,216
Estimated Amount Recoverable from Commonwealth Network - -		519,034	358,311
Prepaid Expenses—Inventories of operating supplies, stationery, etc. at cost - - - - -		157,849	164,069
Cash and Investments held in trust for actuarial deficiencies in pension funds for employees participating in pension plans of predecessor company (Note 1) - - - - -		—	937,493
Capital Assets, at cost: (Note 2)			
Land, with improvements - - - - -	\$ 1,122,144		1,121,033
Buildings - - - - -	3,974,464		3,963,476
Telephone cable systems (including cable systems under construction \$18,893,968) - - - - -	54,207,018		36,980,420
Transmitters, receivers and other technical equipment - - - - -	6,405,001		5,955,314
Office furniture and equipment, etc. - - - - -	240,583		224,664
	<u>65,949,210</u>		<u>48,244,907</u>
Less: Accumulated depreciation - - - - -	7,956,787		5,631,241
		<u>57,992,423</u>	<u>42,613,666</u>
		<u>61,867,728</u>	<u>48,255,554</u>

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

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

Approved: G. E. MARTIN,  
Director.

PAUL PELLETIER,  
Director.

# COMMUNICATION CORPORATION

(TELECOMMUNICATION CORPORATION ACT)

**T MARCH 31, 1963**

(as at March 31, 1962)

## LIABILITIES

	1963	1962
Accounts Payable - - - - -	\$ 2,769,982	\$ 2,281,843
Income Tax Payable - - - - -	1,177,347	691,593
Accumulated Tax Reduction Applicable to Future Years (Note 3) -	973,851	808,235
Provision for actuarial deficiencies in pension funds for employees participating in pension plans of predecessor company (Note 1) -	—	937,493
	<u>4,921,180</u>	<u>4,719,164</u>
Capital :		
Advances from the Government of Canada under section 14 of the Act - - - - -	\$49,320,747	37,918,152
Surplus :		
Balance as at April 1, 1962 - -	\$ 5,618,238	
Add : Net Profit for the year ended March 31, 1963, per Statement of Income and Expense - - -	<u>2,007,563</u>	
Balance as at March 31, 1963 - - - -	<u>7,625,801</u>	5,618,238
	<u>56,946,548</u>	
	<u>61,867,728</u>	<u>48,255,554</u>

ral 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 12, 1963 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, 1963

(with comparative figures for the year ended March 31, 1962)

	1963	1962
Income —		
Telegraph, telephone, telex, circuit rentals, etc. - - - -	\$12,320,698	<u>\$ 9,484,410</u>
Expense —		
Operating salaries and wages - - - - -	\$ 1,948,131	1,764,790
Administrative salaries - - - - -	483,396	398,595
Employees' welfare benefits - - - - -	159,685	141,068
Rental of circuits, etc. - - - - -	1,376,876	1,134,945
Operation and maintenance of Head Office building - - - - -	274,049	274,208
Maintenance and repairs—plant and equipment	776,903	514,613
Interest (after capitalizing \$632,155) - -	1,339,145	920,909
Depreciation - - - - -	2,376,349	1,708,931
Other operating and administrative expenses -	516,301	372,956
	<u>9,250,835</u>	<u>7,231,015</u>
Deduct: Estimated amount recoverable from Commonwealth Network—excess of applicable expenditures over Corporation's share of total Commonwealth Network expenses - -	1,024,626	1,164,109
	<u>8,226,209</u>	<u>6,066,906</u>
	4,094,489	3,417,504
Deduct: Cost of additional pension benefits in respect of past service for employees formerly participating in pension plans of predecessor companies - - - - -	116,257	93,814
Profit before Income Tax - - - - -	3,978,232	3,323,690
Deduct: Income Tax (Note 3) - - - - -	1,970,669	1,658,311
Net Profit for Year - - - - -	<u>2,007,563</u>	<u>1,665,379</u>

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



# CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

## NOTES TO FINANCIAL STATEMENTS

1. The cash and investments formerly held in trust for actuarial deficiencies in pension funds for employees participating in pension plans of predecessor company were liquidated during the year. Following payment into the pension funds of the predecessor company in respect of former employees who are in receipt of pensions and those employees who elected to continue under the predecessor company pension plans, the balance was transferred to the Public Service Superannuation Account of the Government of Canada, in accordance with the Regulations respecting the Transfer of the Pensions of Employees of the Canadian Overseas Telecommunication Corporation, effective November 1, 1961, as set forth in Order in Council P.C. 1961-1556 dated October 26, 1961.
2. As at March 31, 1963, the estimated cost of completing capital projects, as approved by Order in Council P.C. 1963-803 dated May 27, 1963, amounted to approximately \$23,400,000, of which \$14,400,000 relates to the year ending March 31, 1964.
3. 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, income tax otherwise payable for the year was reduced by \$165,616. The accumulated amount by which income tax otherwise payable has been reduced in this manner is \$973,851.
4. Included in the expenses for 1963 are: remuneration of executive officers, \$84,382; directors' fees, \$2,055; legal expenses, \$1,428.

## AUDITOR'S REPORT

Ottawa, June 12, 1963.

THE HONOURABLE G. J. MCLRAITH,  
MINISTER OF TRANSPORT,  
OTTAWA.

Sir,

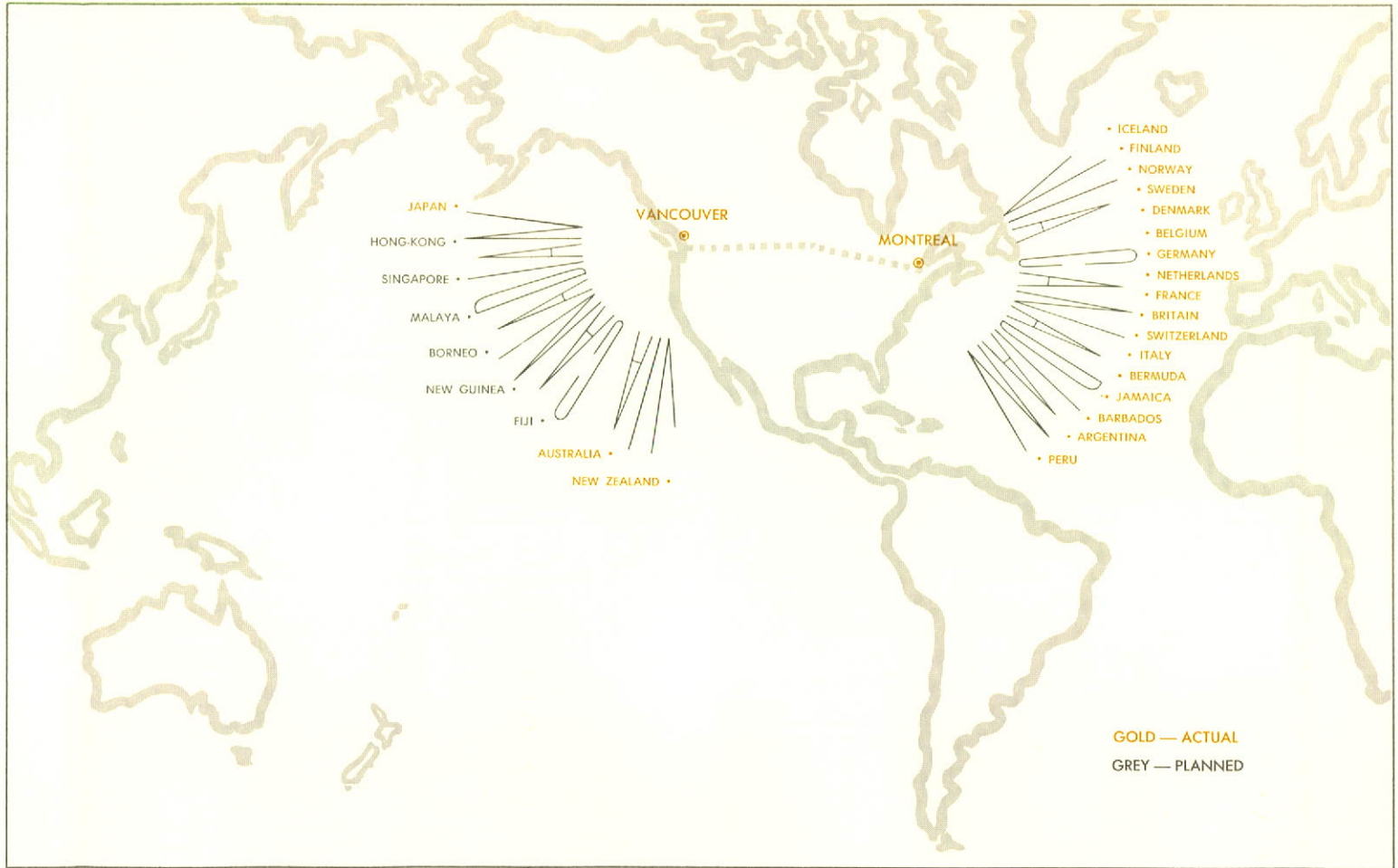
I have examined the accounts and financial statements of the Canadian Overseas Telecommunication Corporation for the year ended March 31, 1963. In compliance with the requirements of section 87 of the Financial Administration Act, I report that, in my opinion :

- (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.

# Direct Services of CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION





## OFFICERS

H. L. BISAILLON  
*Traffic Manager*

L. A. HARROLD  
*Property Manager*

T. E. LADEROUTE  
*Special Studies*

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

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

J. E. WINCHCOMBE  
*Manager of Personnel*

A. W. QUIRK  
*Purchasing Agent*

A. M. WOLFE  
*Manager, Traffic Production*

## 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.



