



# 12th Annual Report

FOR THE YEAR ENDED MARCH 31, 1962

**CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION**



"THE WORLD AT YOUR CALL"



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## BOARD OF DIRECTORS

<i>Chairman</i> D. F. BOWIE	<i>Town of Mount Royal, Que.</i>
N. E. HARDY	<i>Toronto, Ont.</i>
G. E. MARTIN	<i>Halifax, N.S.</i>
P. PELLETIER	<i>Montreal, Que.</i>
G. P. PURCELL	<i>Toronto, Ont.</i>



## 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>Comptroller</i>
J. R. LAMB	<i>Traffic Manager</i>
C. S. GREGORY	<i>Secretary</i>

**CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION**

625 BELMONT STREET, MONTREAL 3

# THE PRESIDENT'S REPORT

June 21st, 1962.

TO THE HONOURABLE,  
THE MINISTER OF TRANSPORT,  
OTTAWA, CANADA.

Sir,

The Twelfth Annual Report, covering the fiscal year ended March 31st, 1962, 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	
	1962	1961
Income - - - - -	\$9,484,410	\$7,273,647
Interest on Government Advances - - - - -	1,516,046	1,163,354
Income Tax - - - - -	1,658,311	1,332,413
Net Profit for Year - - - - -	1,665,379	1,363,751

Financial Statements for the twelve months ended March 31st, 1962, submitted herewith, have been audited by the Auditor General and a copy of his report is included.

### REVENUE

Overall revenue increased by 30% compared with the previous year. The following schedule illustrates the percentage of increase realized by the various services provided by the Corporation:

Telegraph - - - - -	4%
Telephone - - - - -	6%
International Telex - - - - -	16%
Leased Circuits - - - - -	90%
Programme Transmissions - - - - -	4%
Picture Transmissions - - - - -	12%

### EXPENSE

Although most items under this heading increased to some extent, those for depreciation and interest charges on new cables and equipment, repairs to submarine cables, and rental of additional landlines constituted the major part of the increase of 32.5% over the previous year.

## GENERAL

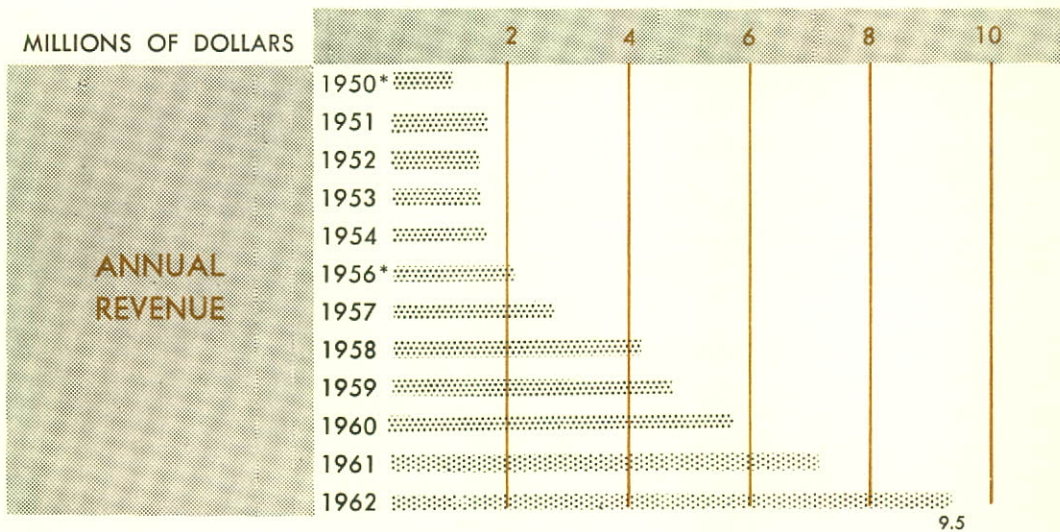
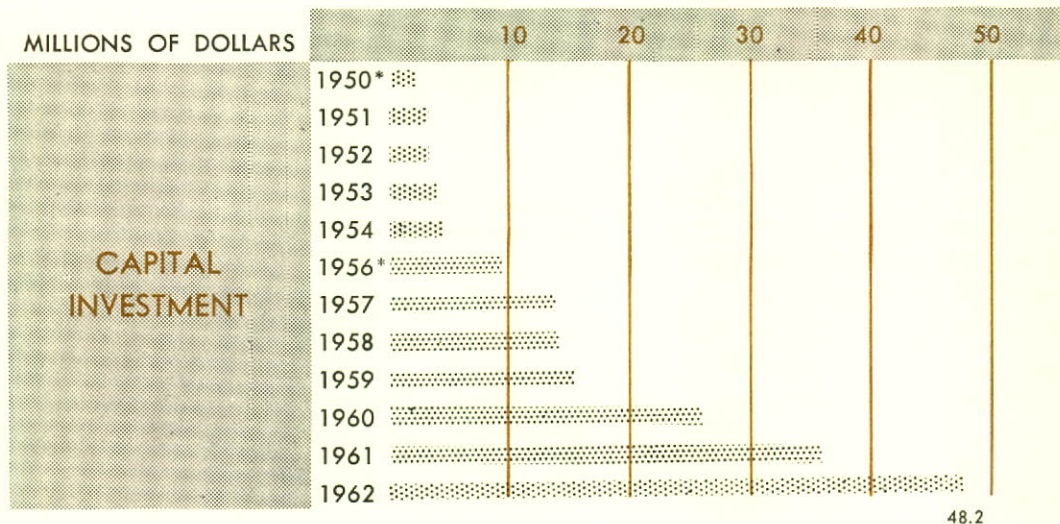
The new multi-channel, multi-purpose cable between Canada and Britain (CANTAT) was officially opened by Her Majesty The Queen in a conversation with the The Right Honourable John G. Diefenbaker, P.C., Q.C., M.P., Prime Minister of Canada, on December 19th, 1961, and was immediately thereafter turned over to public service, a number of circuits being terminated in Britain and others in certain European centres.

Aside from providing the much needed increase in capacity to Britain, direct circuits for telephone, telegraph and telex purposes were set up with Norway - Denmark - Sweden - Netherlands - France - Germany - Switzerland and Italy and for telex service with Belgium. Prior to this, switching or retransmissions in London had been necessary in most cases. These direct operations have greatly speeded up communications between Canada and those countries and are proving of considerable benefit to the users at both ends.

Recognizing the Corporation's financial capability, the Directors authorized a 25% reduction in telephone rates between Canada and Britain which came into effect on November 1st, 1961, timed to coincide with the target date for the new cable. The rate to Eire was similarly reduced on January 1st, 1962. It was considered that, with the increased capacity available in the new cable, we could accommodate the additional traffic which it was contemplated would be engendered by lower charges. Although, owing to the delayed opening of the cable, we had only three months of operating under these new conditions prior to the end of the fiscal year, it is clear that these actions on the part of the Corporation have appealed to the public and it is a pleasure to report that additional business has more than compensated for the reduction in rates and that Trans-Atlantic telephone revenue finished ahead of last year. The question of reductions to other countries is still in the discussion stage.

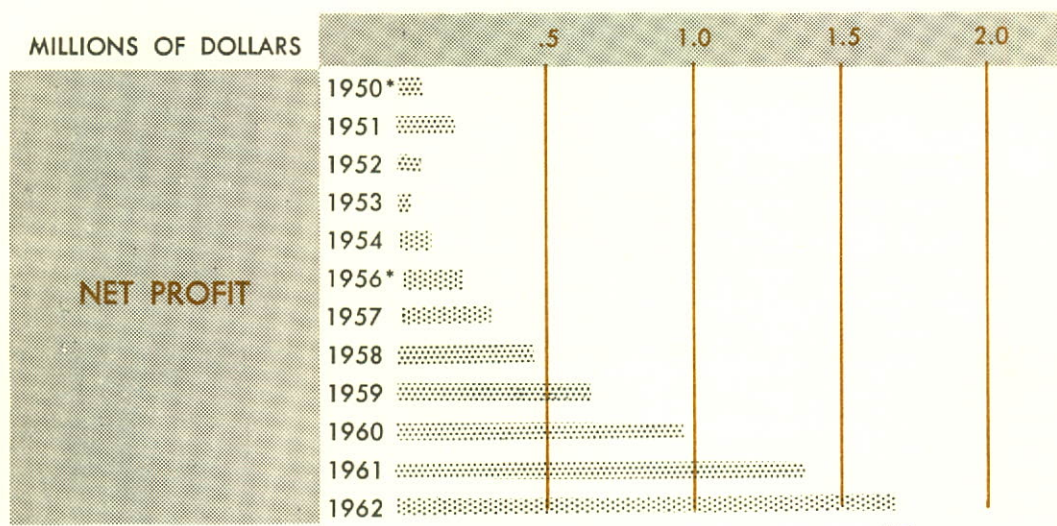
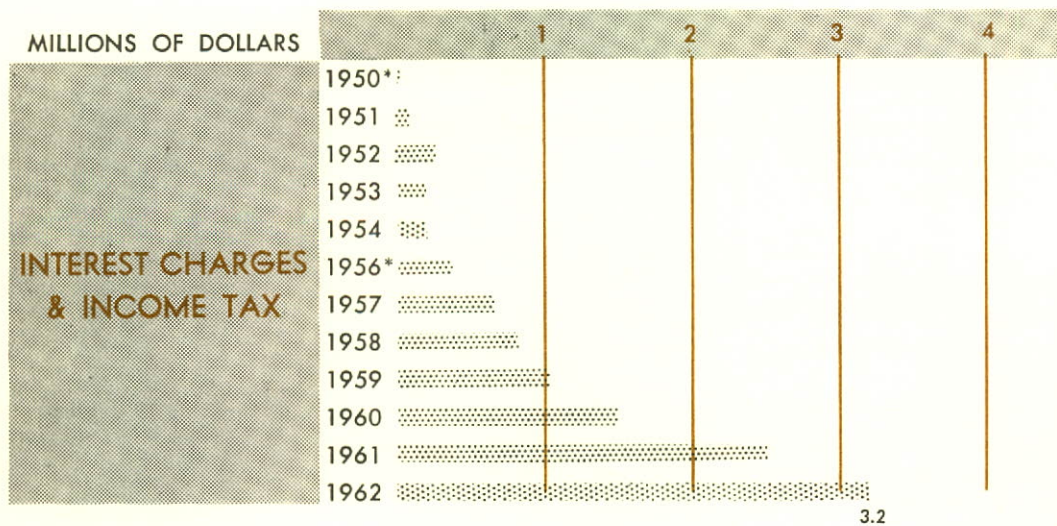
The CANTAT cable, initially equipped to produce 60 voice circuits, is already completely occupied in meeting general Canadian requirements, in providing leases to an important number of heavy users and leases to some American communications companies. This has forced the provision of additional equipment to raise the capacity up to the maximum of 80 circuits very much sooner than had been planned, and installation will be completed during the late summer. It is already clear, however, that we must consider at an early date further expansion of voice facilities across the North Atlantic.





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





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

## THE PRESIDENT'S REPORT (CONTINUED)

Direct telephone, telegraph and telex services were inaugurated between Canada and Argentina by radio on November 29th, 1961, thus eliminating switching or retransmissions at intermediate points.

As forecast in last year's report, the Corporation acquired the right of use of an appropriate number of circuits in a telephone cable system between Bermuda and U.S.A. and extended to Canada. These came into service on January 8th, 1962, and we are now able to provide reliable and rapid service between Canada and Bermuda.

With the introduction of the CANTAT cable system and the opening of the new system to Bermuda, the operation of two of the old single channel telegraph cables between Halifax, St. John's, Nfld. and Britain and between Halifax and Bermuda has been discontinued. The St. John's Station has been closed down and Halifax remains on a standby basis for the time being. The maintenance and operation of the old type single channel telegraph cables had become uneconomical and their continuance no longer practical.

The Commonwealth Pacific Cable System between Vancouver and Auckland, N.Z. and Sydney, Australia, via Hawaii and Fiji is proceeding according to plans. The first section between Auckland and Sydney will be completed early this summer and its official opening is scheduled for July 9th. The target date for the completion and opening of the remainder of the System to Vancouver is mid-December 1963 and it is confidently expected that this date will be met.

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

The construction and installation of a 24 voice channel cable system between Canada — Greenland and Iceland with onward connections to the United Kingdom and Europe — which is being provided primarily to meet the telecommunications needs of civil aviation — is proceeding on schedule and will be opened in the fall of this year.

(a joint project with the Great Northern Telegraph Company of Denmark)

At a conference held in Kuala Lumpur, Malaya, during July 1961, a recommendation was made to the Governments concerned to extend the Commonwealth Pacific Telephone Cable System from Australia to New Guinea, North Borneo, Singapore, Malaya and Hong Kong. All the Governments have now approved the project and it is scheduled for completion in 1966.

(a joint project of Britain, Canada, Australia, New Zealand, Singapore and Malaya)

The Corporation is also participating in research into the possibilities of the establishment of a world-wide system of communication by means of Satellites.



## SERVICES

### TELEGRAPH

The steady increase in telegraph revenue in the face of heavy competition is very satisfactory. The introduction of direct working to a number of countries, as mentioned in the General section of this report, undoubtedly greatly influenced the result.

### TELEPHONE

All services in operation in earlier years — Trans-Atlantic, Trans-Pacific, Newfoundland and West Indies — continued the upward trend and showed satisfactory increases and new connections with Bermuda and Argentina are developing as expected.

### TRANS-ATLANTIC

Demand continued to rise and during the first nine months of the year substantial delays were common. However, with the opening of the new cable between Canada and Britain, considerable additional capacity became available to us which relieved the position.

### TRANS-PACIFIC

The rising demand for service from Canada with Australia, New Zealand and Japan continued during the past year and in addition the through system between Britain and New Zealand and Australia was put to much greater use than heretofore — an additional circuit between Montreal and Vancouver being provided for this purpose.

### NEWFOUNDLAND

In order to permit proper handling of the strong growth in traffic which continued without let-up during the year, additions to the existing network were clearly indicated and steps are being taken to provide accordingly.

### WEST INDIES

The upward trend in use of telephone services also continued in this relation.

### ST. PIERRE AND MIQUELON

Traffic revenue in this relation remained stable as compared with the previous year.

### INTERNATIONAL TELEX

Revenue from this service showed a further important increase and additional circuits were used to help speed up service. New terminal equipment has been ordered with the view to the introduction of semi-automatic working as soon as possible.

#### LEASED CIRCUITS

A very substantial increase in demand for facilities arose as a result of the completion of the new cable system and produced a large increase in revenue.

#### PROGRAMME TRANSMISSIONS

The use of facilities for this purpose brought a small increase and it is expected that with increased Trans-Atlantic capacity available, we shall be in a position to meet all demands.

#### PICTURE TRANSMISSIONS

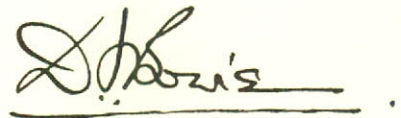
These produced a 12% increase but the service still remains a spasmodic revenue producer and demand only arises on the occasion of special events with an overseas interest.

### STAFF

The agreement with our technical and operating employees expired on September 30th, 1961 and a new agreement was written covering the period ending September 30th, 1962. The agreement with our clerical staff expired on March 31st, 1962 and a new one written covering the period ending March 31st, 1965.

### ACKNOWLEDGMENT

During the past year, we completed some of the major items of the Corporation's development plans—the achievement of which called for considerable extra effort on the part of all our employees. It is a great pleasure to record a wholehearted expression of appreciation and thanks to all our officers and staff for their excellent co-operation and loyal efforts during the year.

A handwritten signature in dark ink, appearing to read "J. H. Lewis", is written over a horizontal line. The signature is cursive and somewhat stylized.

President.





*... "I now declare open this telephone cable linking Britain and Canada. I feel sure that it will help to strengthen the ties between the peoples of the Commonwealth. May it be used at all times to promote peace, happiness and prosperity."*

(Her Majesty Queen Elizabeth in conversation with Prime Minister Diefenbaker opening the new trans-Atlantic telecommunications cable, December 19, 1961.)



# CANADIAN OVERSEAS TELECO

(ESTABLISHED BY THE CANADIAN OVERSEAS

## BALANCE SHEET AS

*(with comparative figures)*

### A S S E T S

	1962	1961
Cash - - - - -	\$ 783,911	\$ 3,621,979
Treasury Bills of Canada - - - - -	2,382,888	—
Accounts Receivable - - - - -	1,015,216	2,036,315
Estimated Amount Recoverable from Commonwealth Network	358,311	142,561
Prepaid Expenses — Inventories of operating supplies, stationery, etc., at cost - - - - -	164,069	122,038
Cash and Investments (market value \$1,016,969) held in trust in connection with provision for actuarial deficiencies in pension funds for employees participating in pension plans of predecessor company (contra) - - - - -	937,493	867,517
Capital Assets, at cost:		
Land, with improvements - - - - -	\$ 1,121,033	1,096,311
Buildings - - - - -	3,963,476	3,963,024
Telephone cable systems (including cable systems under construction, \$5,649,308) - - - - -	36,980,420	25,150,952
Transmitters, receivers and other technical equipment - - - - -	5,955,314	5,971,496
Office furniture and equipment, etc. - - - - -	224,664	218,195
	48,244,907	36,399,978
Less: Accumulated depreciation - - - - -	5,631,241	3,990,738
	42,613,666	32,409,240
	48,255,554	39,199,650

NOTE: As at March 31, 1962, the estimated cost of completing approved capital projects amounted to approximately \$30,000,000, of which \$18,600,000 relates to the year ending March 31, 1963.

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

Approved: P. PELLETIER,  
Director.  
GILLIS PURCELL,  
Director.

# COMMUNICATION CORPORATION

TELECOMMUNICATION CORPORATION ACT)

AT MARCH 31, 1962

as at March 31, 1961)

## LIABILITIES

	1962	1961
Accounts Payable - - - - -	\$ 2,281,843	\$ 1,594,899
Income Tax Payable - - - - -	691,593	691,534
Accumulated Tax Reduction Applicable to Future Years - -	808,235	406,649
Provision for actuarial deficiencies in pension funds for employees participating in pension plans of predecessor company - -	937,493	867,517
	<u>4,719,164</u>	<u>3,560,599</u>

### Capital:

Advances from the Government of Canada under section 14 of the Act - - - - -	\$37,918,152	31,686,192
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### Surplus:

Balance as at April 1, 1961 - -	\$3,952,859	
Add: Net profit for the year ended March 31, 1962, per Statement of Income and Expense - - - - -	<u>1,665,379</u>	
Balance as at March 31, 1962 -	<u>5,618,238</u>	3,952,859
	<u>43,536,390</u>	
	<u>48,255,554</u>	<u>39,199,650</u>

The above Balance Sheet and the related Statement of Income and Expense have been examined and reported upon under date of June 21, 1962 to the Minister of Transport, as required by section 87 of the Financial Administration Act.

A. M. HENDERSON,  
Auditor General of Canada.

# CANADIAN OVERSEAS TELECOMMUNICATION CORPORATION

## STATEMENT OF INCOME AND EXPENSE FOR THE YEAR ENDED MARCH 31, 1962

(WITH COMPARATIVE FIGURES FOR THE YEAR ENDED MARCH 31, 1961)

Income —	1962	1961
Telegraph, telephone, telex, circuit rentals, etc. - - - -	\$ 9,484,410	<u>\$ 7,273,647</u>
Expense —		
Operating salaries and wages - - - - -	\$ 1,764,790	1,628,808
Administrative salaries - - - - -	398,595	380,803
Employees' welfare benefits - - - - -	141,068	153,268
Rental of circuits, etc. - - - - -	1,134,945	948,914
Operation and maintenance of Head Office building - - - - -	274,208	254,664
Maintenance and repairs — plant and equipment	514,613	285,505
Interest (after capitalizing \$595,137) - - -	920,909	516,641
Depreciation - - - - -	1,708,931	1,055,661
Other operating and administrative expenses -	<u>372,956</u>	<u>311,009</u>
	7,231,015	5,535,273
Deduct: Estimated amount recoverable from Commonwealth Network — excess of applicable expenditures over Corporation's share of total Commonwealth Network expenses - - -	<u>1,164,109</u>	<u>957,790</u>
	6,066,906	4,577,483
	<u>3,417,504</u>	<u>2,696,164</u>
Deduct: Cost of additional pension benefits in respect of past service for employees formerly participating in pension plans of predecessor companies - - - - -	93,814	—
Profit before Provision for Income Tax - - - - -	3,323,690	2,696,164
Deduct: Provision for Income Tax - - - - -	<u>1,658,311</u>	<u>1,332,413</u>
Net Profit for Year - - - - -	<u><u>1,665,379</u></u>	<u><u>1,363,751</u></u>

### Notes:

- (1) Included in the above expenses for 1962, are: remuneration of executive officers, \$75,860; directors' fees, \$2,200; and legal expenses, \$525.
- (2) The Provision for Income Tax is calculated by using the depreciation provided in the accounts rather than using the capital cost allowances claimed for tax purposes. In consequence, the Provision for Income Tax exceeded the amount estimated payable for the year by \$401,585.



## AUDITOR'S REPORT

THE HONOURABLE LEON BALCER,  
MINISTER OF TRANSPORT,  
OTTAWA.

Ottawa, June 21, 1962.

Sir,

The accounts and financial statements of the Canadian Overseas Telecommunication Corporation have been examined for the year ended March 31, 1962. In compliance with the requirements of section 87 of the Financial Administration Act, I now 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

F. A. SMITH  
*Deputy Chief Engineering*

K. L. SPARK  
*Technical Superintendent*

E. J. RYALL  
*Assistant Traffic Manager (Tariffs)*

T. E. LADEROUTE  
*Special Studies*

J. E. WINCHCOMBE  
*Manager of Personnel*

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

L. A. HARROLD  
*Property Manager*

H. L. BISAILLON  
*Assistant Traffic Manager (Traffic)*

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

A. W. QUIRK  
*Purchasing Agent*

## 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.





