

The  
Consumers' Gas  
Company  
of Toronto



Eighty-Ninth  
Annual Report

1937

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The Consumers' Gas Company  
        *of* Toronto

Eighty-Ninth Annual Report

Year ended 30th September, 1937

The Consumers' Gas Company  
*of* Toronto

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DIRECTORS

A. R. AULD

T. BRADSHAW

A. H. CAMPBELL

L. GOLDMAN

W. C. LAIDLAW

C. S. MACDONALD

COLONEL J. F. MICHIE

F. G. OSLER

T. H. WOOD

HIS WORSHIP THE MAYOR

EDWARD J. TUCKER      General Manager and Secretary

Eighty-Ninth Annual Report *of the*  
*Directors of The Consumers' Gas*  
*Company of Toronto*

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TO THE SHAREHOLDERS:

Your Directors present herewith the Eighty-ninth Annual Report of the operations of the Company together with the Financial Statements for the year ended September 30th, 1937.

The gross earnings for the year amounted to \$7,126,384.58 as compared with \$7,126,103.99 for the previous year.

The revenue from the sale of gas for 1937 was \$5,319,527.84, an increase of \$92,764.89 as compared with 1936.

The value of residuals produced was \$152,042.84 less than that of the preceding year. The production of residuals, coke, tar and ammonia, is effected in the process of coal gas manufacture, the quantities produced in any year being proportionate to the quantity of coal carbonized. During the year one-half of the coal gas plant at Station "B" Works was shut down for a period of three months in order to carry out necessary repairs and renewals, and as a consequence, the total quantity of coal carbonized was considerably below that of last year.

The sales of gas appliances amounted to \$309,142.06, an increase over the sales of the preceding year of \$56,244.42 or 22 per cent., and an increase over the sales of 1934 of 84 per cent. In addition to the selling of

appliances the sales department has energetically continued its efforts throughout the year to stimulate the use of gas for domestic and industrial purposes.

Operating Expenses, including Taxes, amounted to \$5,173,194.62. The high prices of raw materials and other commodities required in the Company's operations which have prevailed during recent years were further increased in 1937.

The enactment of the Social Security Act in the United States and increased wage scales granted to coal miners were responsible for a substantial increase in the cost of coal in 1937.

The Bituminous Coal Act, which is designed to regulate the coal industry in the United States, was passed by the government of that country on April 26th, 1937. It is anticipated that the prices for coal, which a commission appointed under the Act is empowered to determine, will be considerably higher on future purchases than the prices now being paid by the Company.

During the year your Directors decided to re-establish the wage rates which were in effect prior to May, 1932, and in keeping with the Company's long established policy of according to its employees fair treatment and reasonable working conditions, they granted to all wage roll employees, not heretofore receiving holidays, one week's vacation with pay.

The Company paid in wages and salaries to its employees during the year an amount of \$1,846,044.69. The average number of employees on the payroll was 1,292.

Taxation in one form or another constitutes an important factor in the price of gas. The total amount charged in the accounts for the year for direct taxes, which include Dominion Income Tax, Ontario Corporations Tax, Workmen's Compensation Tax and Municipal Property Tax, was \$536,120.28.

Customs Duties, Excise Tax, Sales Tax, Fees and Licenses paid by the Company during the year amounted to \$356,255.99.

The total amount of Taxes and Customs Duties, etc., for 1937 was \$892,376.27, whereas the amount of the corresponding items in 1927 was \$551,215.19. The figures show that in the ten year period the annual cost of these items has increased \$341,161.08.

After carefully considering the financial position of the Company and having regard to the greatly increased taxes and customs duties, the continued high cost of raw materials and other items of expense, and the prospect of having to meet further increases in the cost of coal, your Directors were reluctantly compelled to increase the price of gas by 1 cent per 100 cubic feet, in order to preserve the financial integrity of the Company and to maintain a high standard of service to the public.

No important additions were made to the manufacturing plant during the year. Extensions to the distribution system were carried out only where there was a reasonable demand for gas service.

During the year there was expended the sum of \$588,415.47 for the purpose of maintaining the manufacturing plants and other properties and equipment of the Company in good physical condition.

On February 17th last, your Directors, in accordance with the terms of the Supplementary Letters Patent granted November 26th, 1928, sold by tender to the highest bidders, 5,000 shares of the Company's capital stock having a par value of \$500,000.00. The total proceeds from the sale amounted to \$1,005,772.00. The average price realized was \$201.15 per share, and therefore the average rate of return which the purchasers receive on their investments, based upon the current dividend, is 4.97 per cent. per annum.

The share capital outstanding consists of 145,552 shares of Common Stock of a par value of \$100.00 each, a total value of \$14,555,200.00. The Shareholders now number 3,977, ninety-two per cent. of whom reside in Canada.

All of which is respectfully submitted.

T. BRADSHAW,  
*President.*

# The Consumers' Gas Company *of Toronto*

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## Statement of Income and Profit and Loss For Year ended September 30th, 1937

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### GROSS EARNINGS:

Gas Sales.....	\$5,319,527.84
Residuals Produced.....	1,488,016.84
Merchandise Sold.....	309,142.06
Miscellaneous Revenue.....	9,697.84
	<hr/>
	\$7,126,384.58

### Production, Distribution and Administration

Expenses and Taxes.....	5,173,194.62
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NET EARNINGS.....	\$1,953,189.96
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INTEREST EARNINGS NET.....	92,777.76
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	\$2,045,967.72
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Dividends on Capital Stock.....	1,436,766.93
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	\$609,200.79
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Transferred from Reserve Fund.....	460,991.12
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	\$1,070,191.91
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Transferred to Plant and Buildings Renewal Fund	<hr/> \$1,070,191.91
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# The Consumers' Gas Balance September

## LIABILITIES

Capital Stock.....	\$14,555,200.00
Reserve Fund.....	6,007,216.40
Plant and Buildings Renewal Fund:	
Amount at Credit October 1, 1936.	\$4,936,461.79
Less Repairs and Renewals.....	588,415.47
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	\$4,348,046.32
Appropriation from Earnings,	
Authorized by Statute.....	1,070,191.91
	<hr/>
	5,418,238.23
Reserved for Dividend No. 350.....	363,880.00
Provision for Dominion and Ontario Government Taxation .....	105,461.26
Accounts Payable.....	<hr/> 339,992.76
	<hr/>
	\$26,789,988.65
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Approved on behalf of the Board of Directors.

(Signed) T. BRADSHAW,  
*President.*

(Signed) EDWARD J. TUCKER,  
*General Manager.*

# Company of Toronto

## Sheet

30th, 1937

### ASSETS

Real Estate, Plant and Equipment.....	\$22,258,388.11
Investment in Dominion of Canada, Province of Ontario and City of Toronto Debentures.....	1,984,886.72
Materials and Supplies.....	1,212,281.40
Cash in Bank and Offices.....	288,632.52
Accounts Receivable, after making provision for Doubtful Accounts.....	901,937.59
Interest Accrued, not due.....	34,824.13
Prepaid Taxes and Insurance.....	109,038.18
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	\$26,789,988.65
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We have audited the accounts and vouchers of The Consumers' Gas Company of Toronto, for the year ended September 30th, 1937. Our requirements as Auditors have been complied with and in our opinion the above Balance Sheet sets forth a correct statement of the Company's affairs as shown by its books.

(Signed) GUNN, ROBERTS & COMPANY,  
*Chartered Accountants.*

TORONTO, NOVEMBER 2ND, 1937.

## Proceedings *of the* Eighty-Ninth Annual Meeting

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The Eighty-ninth Annual General Meeting of the Shareholders of The Consumers' Gas Company of Toronto, was held at the Company's Auditorium, 55 Adelaide Street East, on Monday, November 8th, 1937, at noon.

Present: C. H. Anderson, A. R. Auld, T. G. L. Barnes, A. M. Bethune, Thomas Bradshaw, E. W. Brown, Jas. Carolan, F. W. Coyne, S. G. Curry, E. A. Dickinson, Mrs. Marcella Fairweather, Walter Gillespie, L. Goldman, Col. G. L. P. Grant-Suttie, Edward Green, Lt.-Col. W. D. Greer, F. A. Harrison, W. C. Harvey, B. H. Hills, C. A. Jefferis, Geo. Johnston, John B. Kay, Mrs. Emma Lamont, Thos. B. Lee, F. G. Logan, R. D. Lundy, C. S. Macdonald, R. G. McLennan, Colonel J. F. Michie, G. H. Muntz, Jas. Nicholson, W. M. Oliver, Lt.-Col. J. E. Osborne, F. G. Osler, Wm. Pakenham, Mrs. Mildred V. Parker, J. C. Reddick, Mrs. Pauline E. Stapells, Miss Bella B. Struthers, Miss Mary K. Struthers, T. F. R. Struthers, Col. Andrew T. Thompson, Edward J. Tucker, J. D. Von Maur, Jos. Walmsley, John Watt, A. T. Wilgress, Miss Helen Wilkinson.

The President, Mr. T. Bradshaw, was called to the Chair.

The General Manager, Mr. Edward J. Tucker, presented the Annual Report of the Directors and the Financial Statements, and made the following comments:

The increased revenue from gas sales of \$92,765.00 is the result of the increase in price which was effective for  $2\frac{1}{2}$  months of the year.

The prices obtainable for Coal Tar and Oil Tar are still much below the prices received five years ago. There

has been some slight improvement in this respect this year and we are looking forward to further betterment next year.

Gas Coal which constitutes the largest item of operating expense unfortunately has to be imported from the United States. The government of that country, for one reason or another, has shown a definite interest in the Bituminous Coal Industry and has enacted legislation with the object of stabilizing that business. In 1934, under the authority of the National Recovery Act, marketing areas were established and selling prices for coal determined for each area. As a consequence of this measure, the price for coal which the Company was compelled to pay upon renewal of its contracts on May 1st, 1934, was exactly 100 per cent. in excess of the price paid one year previously. The National Recovery Act was subsequently declared unconstitutional, and now the Bituminous Coal Act 1936 has been passed, which will constitute the governmental authority for the fixing of coal prices.

In an effort to off-set the increased cost of coal, the Company in 1934, was successful in concluding new arrangements for the transportation and storage of coal which effected considerable saving over the former method of transportation. In addition, the Company, also in 1934, secured a partial drawback of the Customs Duty paid on coal. The savings from these two items of transportation costs and customs duty, have in a large measure balanced the increases which have taken place so far in the price of coal at the mines.

There was little change made in the rates of taxation during the year. The increase over last year of \$26,559.63 in the amount of direct taxes is accounted for, mainly, by the operation of an Amendment to the Ontario Corporations Tax Act, which necessitates the charging of an extra year's tax in the accounts for 1937, amounting to \$24,352.24.

Other items of operating expense do not require any particular comment as they remain fairly constant from year to year.

You will note that in order to carry out fully the Company's statutory obligations relating to the Plant and Buildings Renewal Fund it has been necessary to draw upon the Reserve Fund to the extent of \$460,991.12. The amount transferred from earnings to the Plant and Buildings Renewal Fund was \$1,070,191.91, and of this amount there was spent on repairs and renewals during the year \$588,415.47, leaving the sum of \$481,776.44 to be added to the Fund. The net addition to the Funds for the year was therefore, \$20,785.32.

Speaking of the gas industry as a whole, while it is true that gas as a fuel is now faced with greater competitive conditions than ever before, it can be stated that the industry is in a very sound condition and well organized and equipped to meet the competition offered.

Programmes of Research, National Advertising and National Selling Campaigns, are being sponsored by the gas industry in Great Britain, United States and Canada with excellent results.

The National Advertising Campaign, inaugurated last year by the American Gas Association, in co-operation with appliance manufacturers, will be continued for a second year and contemplates a further expenditure of \$500,000.00 on display advertising.

The wisdom of supporting research work into technical problems relating to the manufacture, distribution and utilization of gas will be recognized by everyone.

In recent years gas burning appliances have been very much improved both in appearance and in operating efficiency. New gas ranges require considerably less gas for the same cooking operations than the old models they replace and in this respect do not contribute to an increase in the use of gas. However, the operation of these more efficient ranges materially strengthens the competitive position of the industry.

Even better and more efficient ranges will be available shortly. Working in co-operation, the American Gas Association and the Association of Gas Appliance Manufacturers, have adopted new and higher standards of performance for gas ranges.

Early in 1938 ranges capable of complying with the standards adopted will be manufactured and placed on the market.

So far as our own Company is concerned it has been its policy for many years to prosecute an active and progressive sales policy.

Sales of gas burning appliances last year were 22 per cent. ahead of the previous year and 84 per cent. ahead of the sales of 1934. The efforts of our Sales Department are supported by a programme of well prepared advertising, as well as by the activities of the Home Service Department.

Some of us are too prone to over-emphasize the competition that gas must meet from electricity. While it is true that competition from this source is growing, a proper appreciation of all the facts leads one to the conclusion that gas will not only continue to occupy its important role in the economic scheme of things, but should be able to largely increase its sphere of public usefulness.

In moving the adoption of the Annual Report of the Directors, the President said:

Before formally moving the adoption of the Report which has been submitted for your approval, I should like to refer to one or two of the more important items.

The excellent credit the Company enjoys has enabled us to make favourable arrangements for funds required from time to time for Capital Expenditures. At the close of our last fiscal year, advances from our bankers had amounted to \$495,000.00. This amount represented Capital Expenditures made after the exhaustion of the funds provided by the previous sale of capital stock, in March 1932. Your Directors considered it prudent to place the financing of these advances on a permanent basis, and in February last decided to take advantage of the favourable state of the money market to offer for sale Five Thousand (5,000) shares of the Company's capital stock. As stated in the Report the average price realized was \$201.15 for each share of \$100.00 par value—a very satisfactory one from the standpoint of the Company and

the consumer, and one which indicates the high regard in which the Company's stock is held. The average rate of return to the purchasers, based on the current dividend, is the modest percentage of 4.97.

The statement has frequently been made and the public generally has gained the impression, that the Shareholder's investment in the Company yields them a net return of 10%—the dividend paid. No statement could be further from the fact. For the past fifty years the Company has secured its capital requirements by sales of its shares conducted in accordance with conditions prescribed by the statutes relating to the Company. The prices realized from these sales have been influenced by the conditions existing at the time of each sale and consequently the return which the Shareholders received on the new capital has closely paralleled the yields available on somewhat similar investments.

The utmost endeavour has at all times been made by the Directors to keep the price of gas to consumers as low as possible. You will recall that in April 1931 the Directors voluntarily reduced the price of gas. Since that date, however, and as set forth in annual reports, large increases have taken place in taxation and in the cost of practically every item entering into the expense of producing gas. The recent advance in the price of gas was made solely because of increase in the cost of production, and only after it had become clearly evident that it was unavoidable.

I would like to point out to the Shareholders that the present price of gas in Toronto, compared with the prices charged in twenty important cities located in the North Eastern United States, is 14 per cent. lower in Toronto than in the average of the cities considered. This record is the more noteworthy when it is borne in mind that practically all the important gas manufacturing apparatus required for the Company's plants has to be imported from Great Britain or the United States, which of course adds materially to its cost as the result of heavy freight charges and customs duties. Then again, coal has to be imported from the United States, upon which there is a

customs duty of 75 cents per ton and an excise tax of 3 per cent. In addition to this duty there is a freight charge of 85 cents per ton for transportation within Canadian territory, making a total extra charge on coal alone of \$1.70 per ton as compared with the cost to United States gas companies.

An important feature of the Company's business is the ever increasing use of gas for industrial undertakings. The application of gas to manufacturing processes receives special attention by the Company. It will be gratifying to the Shareholders to know that the volume of gas sold for use in industrial plants in 1937 was greater than that sold in any previous year and exceeded the volume sold in 1936 by nine per cent.

The closest attention has been given by the Directors and the Management to the practice of economy in the Company's operations where this could be done without affecting the dependability or high character of the service rendered to our customers. It is quite possible to make so-called savings which might do great damage to your investment while seeming to lower cost, for instance by restricting expenditures for maintenance of the physical property. To follow such a course would be false economy. The expenditures on repairs and renewals in 1937 were somewhat higher than in the preceding year, due to the carrying out of extensive repairs to the coal gas plant at Station "B" Works, the cost of which was approximately \$74,000.00.

It has been intimated that industry has more and more in recent years set its face against the employment of men who are over 40 years of age, and that this attitude on the part of industry has contributed materially towards labour unrest. In this Company no such policy has prevailed. You will be interested to know that seventy-six per cent. of the men employed at our manufacturing plants are over 40 years of age, and that 90 per cent. of these men have been in the Company's service for 10 years or more, while 34 per cent. have been with us for 20 years or more. The long service records of our workmen are evidence of the quality and type of our employees, and of

the satisfactory manner in which they perform their duties; while on the other hand it is an indication that they appreciate the fact that conditions with respect to rates of pay, hours of work and continuity of employment, are at least as good with the Company as can be met with elsewhere.

I should like on behalf of the Board of Directors to acknowledge with appreciation the efficient and loyal services rendered by the employees in the conduct of the Company's affairs throughout the past year. The whole-hearted co-operation of the entire staff, which is so essential in a Company rendering general service to the public, has been extended at all times, and our thanks are due to them.

Seconding the Resolution for the adoption of the Report, Colonel J. F. Michie said:

The President and General Manager have dealt quite fully with the matters referred to in the Report.

There is one important item, however, which although mentioned incidentally, receives the careful consideration of your Directors, and that is the extension of gas mains to make gas service available in newly developed districts, both within and outside the City Limits.

The extensive use of the automobile is responsible in a large measure for the spreading out of the population in the City of Toronto and the overflowing of the population into districts beyond the City's borders.

Some idea of this trend will be gained from a study of the official figures of population.

During the period from 1923 to 1935, a matter of 12 years, the population East of Greenwood Avenue, within the City, Ward 8, increased 26,600.

The district North of the Old Belt Line Railway, Ward 9, increased 45,500.

The Northwest portion of the City, Ward 7, increased 9,600.

The total increase for the 3 Wards, 7, 8 and 9, was 81,700, compared with a net increase of 17,800 for the other 6 Wards of the City.

In other words, 82% of the total increase in the population of Toronto, during the past 12 years, has taken place in the outlying portions of the City.

The population of the Township of York has increased from 60,000 in 1923 to 124,000 in 1935, an increase in 12 years of over 100 per cent., while other townships and municipalities adjoining Toronto show similar growth.

It is absolutely essential if the Company is to maintain its business that we should be ready to extend our pipes to give service wherever the demand for gas indicates that it is a reasonable thing to do.

Our distribution system is designed so that these extensions can be made with a minimum of capital expenditure.

Fear has been expressed in some quarters that the extensions of our mains into the built up suburban districts, place an unfair burden upon consumers in the City and were largely responsible for the recent increase in the price of gas.

In order to allay such fear, the Company, at the City's request, submitted its books and records to the City Auditor for examination and in his report upon his findings the City Auditor stated definitely that the extensions of gas mains beyond the City Limits were not an appreciable factor in the increase in the price of gas. He also stated that the Company's policy with respect to the supply of gas in suburban areas was not different from that of a number of other gas companies where he had made enquiry.

The Shareholders may feel assured that careful thought is given to any project where the expenditure of capital is involved.

The Resolution for the adoption of the Report was carried unanimously.

Messrs. Gunn, Roberts and Company, Chartered Accountants, were appointed Auditors for the ensuing year.

Messrs. W. Gillespie and F. G. Logan, being appointed Scrutineers, reported the unanimous election of the following gentlemen as Directors for the ensuing year: A. R. Auld, T. Bradshaw, A. H. Campbell, L. Goldman, W. C. Laidlaw, C. S. Macdonald, Colonel J. F. Michie, F. G. Osler, and T. H. Wood.

At a meeting of the Board held subsequently, Mr. T. Bradshaw and Mr. A. H. Campbell were unanimously re-elected President and Vice-President respectively for the coming year.







