

THE CONSUMERS' GAS
COMPANY
OF TORONTO

NINETIETH

ANNUAL REPORT

1938

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The Consumers' Gas Company
 of Toronto

Ninetieth Annual Report

Year ended 30th September, 1938

The Consumers' Gas Company *of* Toronto

DIRECTORS

A. R. AULD COLONEL A. L. BISHOP

T. BRADSHAW L. GOLDMAN W. C. LAIDLAW

C. S. MACDONALD COLONEL J. F. MICHIE

BRIG.-GENERAL C. H. MITCHELL F. G. OSLER

HIS WORSHIP THE MAYOR

EDWARD J. TUCKER General Manager and Secretary

Ninetieth Annual Report of the
Directors of The Consumers' Gas
Company of Toronto

TO THE SHAREHOLDERS:

Your Directors present herewith the Ninetieth Annual Report of the operations of the Company together with the Financial Statements for the year ended September 30th, 1938.

The gross revenue for the year amounted to \$7,271,547.45, while Operating Expenses which include taxes, insurance and provision for bad debts, aggregated \$5,046,024.71.

The net income after provision for Plant and Buildings Renewal Fund amounted to \$1,239,379.07.

Constant scrutiny of all controllable expenditures was exercised throughout the year in order to effect such reductions as were possible without lowering the quality of the service rendered.

The cost of gas coal was further increased during the year by the action of the United States Interstate Commerce Commission, which, on November 15th, 1937, authorized an increase in the rail freight rate on coal of ten cents per net ton. It is regrettable that from the standpoints of cost and suitability to the Company's operations, the only practicable source of supply of our gas coal is the United States.

The amount of direct Taxes applicable to the year's operations was \$571,313.47, an increase over the

preceding year of \$35,193.19. In addition, Customs Duties, Excise Tax, Sales Tax, Fees and Licenses paid during the year amounted to \$349,155.08.

The total of the last two preceding items, namely \$920,468.55, is equal for the year just closed to:—

\$ 5.94 for each customer served.
or \$719.67 for each employee.
or 48½c. for each dollar of wages paid.
or \$ 6.32 for each share of capital stock issued.

Wages and Salaries for the year totalled \$1,894,999.93 and the average number of individuals engaged throughout the year was 1,279.

Because of the current popular interest in the problem of Employee Relations in industry, a brief statement of the Company's employment record appears to be timely.

The Company has throughout its 90 years of public service always paid fair wages and maintained reasonable working conditions, both being above what is generally considered standard industrial practice, and in 1937 granted to all wage roll employees one week's vacation without loss of pay.

Employment with the Company has not only had the very desirable feature of permanence over the years but in the main it is steady from week to week. Individual earnings are for the most part constant from week to week. These conditions are met with in only a few industrial concerns; in most trades and industries there are often intermittent periods of unemployment.

The long service records of the male employees of the Company give ample proof that they have been satisfied with conditions with respect to rates of pay, hours of work and continuity of employment. If better jobs could have been secured elsewhere the employees would

have taken advantage of the fact and the following record of service would not have been possible of attainment:

Years of Service	No. of Employees
Up to 5	107
5 to 10	247
10 to 20	499
Over 20	286
	<hr/>
	1,139

It will be noted that 785 employees or nearly 70 per cent. of the total have been with the Company for 10 years and upwards.

The following statement shows the ages of the male employees:—

Age in Years	No. of Employees
Under 40	400
40 to 60	587
Over 60	152
	<hr/>
	1,139

The fact that there are 152 men now on the payrolls who are over 60 years of age is sufficient evidence that the Company does not discharge its employees merely because of advancing years.

Particular attention has been given to the man who after long years of service, had become incapacitated for further work either by reason of advanced age or sickness. It can be stated that no such employee has been allowed to leave his job without the Company voluntarily making provision for his support.

During the eight depression years, 1931 to 1938, a period which for the most part was marked by the prevalence of adverse industrial conditions and in which many thousands were unable to obtain employment, the

Company paid out in wages and salaries a total of \$15,419,966.05 and gave constant employment to some 1,296 individuals.

Through the steady employment provided by the operations of the Company an important contribution is made to the community life of the City in lessening the burden of unemployment relief, not only by the regular payment of wages directly to the Company's own employees, but also by the employment provided in those industrial establishments with which the Company places orders for the supply of the materials and equipment it requires.

Expenditures on Capital Account during the year consisted mainly of the cost of extensions of mains and services into many districts in and adjacent to Toronto where building activity was taking place.

The manufacturing plants, distribution system and other properties of the Company have been well maintained in good physical condition, there having been spent on repairs and renewals during the year the sum of \$639,147.82.

No additional capital stock was required to be issued during the year. The par value of the share capital outstanding at the end of the year was \$14,555,200.00, which was owned by 4,126 shareholders, the average holding of each shareholder being 35 shares.

Notwithstanding the reference made in last year's report to the rate of return which shareholders receive on their investment in the Company's shares, evidence came to light during the year that there still exists in the minds of some individuals a complete misunderstanding of the matter.

Since attention has recently been directed to the subject in such a manner as to leave the impression on the public mind that the shareholder receives a return of 10 per cent. on his investment, a word of explanation might seem to be in order.

At the time of its incorporation in the year 1848, no restriction was placed upon the Company in the conduct of its business with the exception that the power of paying dividends was limited to ten per cent. per annum upon the paid-up capital. This rate of dividend was considered at the time to be a fair one, having in mind the risk involved, because it was by no means certain that the venture would be a success, and further it was the same rate that was being allowed to similar undertakings in England.

When, in the year 1887, fifty-one years ago, the Company sought power to increase its Capital Stock, it was recognized that, in view of the success that had attended the Company's operations, it was not necessary that a dividend rate of ten per cent. should apply to the new stock to be authorized. It was then agreed between the City of Toronto and the Company that, instead of changing the dividend to a lower rate, the same result would be attained if the stock were sold by public auction to the highest bidder and the old rate of ten per cent. retained but payable on the par value only. Thus a purchaser, bidding, say, \$200.00 for one share of Capital Stock of the par value of \$100.00, would receive an annual dividend of \$10.00, or a return on his investment of five per cent. The last sale of this Company's Capital Stock was made in February, 1937, by public tender, and the average price realized was \$201.15, for each share of \$100 par value. The average return to the purchaser was therefore 4.97 per cent. and this rate of return is the maximum

that the Company will pay for the capital so raised and all that the purchasers can receive on their investments.

The statement so frequently made, that the shareholder receives a return of ten per cent. on his investment is, therefore, entirely erroneous.

The Directors have to record with deep regret the death on April 30th, 1938, of their esteemed colleague Mr. Thomas H. Wood, who during the fifteen years he was a member of the Board, rendered valuable services to the Company.

Mr. A. H. Campbell, a Director of the Company from May 15th, 1905, member of the Executive Committee from October 26th, 1906, and Vice-President from November 5th, 1934, to February 7th, 1938, found it necessary on September 15th last, owing to failing health, to tender his resignation as a Director. Mr. Campbell had at all times given freely of his talents in the direction of the Company's affairs and the Directors regret very much his retirement.

On February 7th, 1938, Colonel J. F. Michie was elected Vice-President of the Company upon Mr. A. H. Campbell's resignation from that office.

The vacancies on the Directorate were filled by the election to the Board of Brig.-General C. H. Mitchell and Colonel A. L. Bishop.

All of which is respectfully submitted,

T. BRADSHAW,
President.

The Consumers' Gas Company *of* Toronto

Statement of Income

For Year ended September 30th, 1938

GROSS OPERATING REVENUE:

Gas Sales.....	\$5,562,835.69
Residuals Produced.....	1,485,036.81
Merchandise Sold.....	216,446.08
Miscellaneous Revenue.....	7,228.87
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	\$7,271,547.45

Production, Distribution and Administration

Expenses and Taxes.....	5,046,024.71
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NET OPERATING INCOME.....	\$2,225,522.74
INTEREST EARNINGS NET.....	94,498.77
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TOTAL NET INCOME before provision for Plant and Buildings Renewal Fund.....	\$2,320,021.51
Dividends on Capital Stock.....	1,455,520.00
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	\$864,501.51
Transferred from Reserve Fund.....	216,140.93
	<hr/>

	\$1,080,642.44
Transferred to Plant and Buildings Renewal Fund	\$1,080,642.44
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The Consumers' Gas Balance September

LIABILITIES

Capital Stock.....	\$14,555,200.00
Reserve Fund.....	5,791,075.47
Plant and Buildings Renewal Fund:	
Amount at Credit October 1, 1937.	\$5,418,238.23
Less Repairs and Renewals.....	639,147.82
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	\$4,779,090.41
Appropriation Authorized by	
Statute.....	1,080,642.44
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	5,859,732.85
Reserved for Dividend No. 354.....	363,880.00
Provision for Dominion and Ontario Government Taxation	157,820.92
Accounts Payable.....	348,757.53
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	\$27,076,466.77
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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, 1938

ASSETS

Real Estate, Plant and Equipment.....	\$22,480,182.90
Investment in Dominion of Canada, Province of Ontario and City of Toronto Debentures (At Cost).....	1,984,829.60
Materials and Supplies.....	1,127,583.46
Cash in Bank and Offices.....	415,307.77
Accounts Receivable, after making provision for Doubtful Accounts.....	924,301.88
Interest Accrued, not due.....	34,824.13
Prepaid Taxes and Insurance.....	109,437.03
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	<u><u>\$27,076,466.77</u></u>

We have audited the accounts of The Consumers' Gas Company of Toronto for the year ended 30th September, 1938, and in the conduct of the work have received all of the information and explanations we have required.

We report that, in our opinion, the above balance sheet fairly represents, in accordance with accepted principles of accounting appropriately applied, and consistently maintained, the financial position of the Company at 30th September, 1938, according to the best of our information, and as shown by the books of the Company.

GUNN, ROBERTS & COMPANY,
Chartered Accountants.

TORONTO, NOVEMBER 9TH, 1938.

Proceedings *of the Ninetieth Annual Meeting*

The Ninetieth 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 14th, 1938, at noon.

Present: Wm. J. Aitchison, C. H. Anderson, John Appleton, A. R. Auld, W. A. Bark, Dr. R. M. Bateman, A. M. Bethune, A. L. Bishop, Mrs. Winifred M. Blizzard, Thomas Bradshaw, Jas. Carolan, T. C. Charlton, F. W. Coyne, S. G. Curry, E. A. Dickinson, Miss Sophia Forster, H. W. A. Foster, Walter Gillespie, L. Goldman, S. G. Green, Lt.-Col. W. D. Greer, Edmond Gunn, Frank A. Harrison, Mrs. Nellie S. Hart, W. C. Herriman, Mrs. Julia Hooper, C. A. Jefferis, Geo. Johnston, Jas. E. Jones, R. L. J. Jones, John B. Kay, W. C. Laidlaw, Mrs. Emma Lamont, F. G. Logan, R. D. Lundy, C. S. Macdonald, K. R. Marshall, His Worship Mayor R. C. Day, Brig.-General C. H. Mitchell, W. P. Morse, Jas. Nicholson, W. M. Oliver, F. G. Osler, A. R. Roberts, Chas. H. Ross, H. W. Russell, J. D. Shields, W. H. Stogdill, Miss Bella Struthers, T. F. R. Struthers, H. B. Tindall, E. J. Tucker, J. D. Von Maur, Rev. W. G. Wallace, Jos. Walmsley, J. L. Walton.

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:

You will have noticed in the Statement of Income, on page 9, that an amount of \$216,140.93 was withdrawn from the Reserve Fund and an amount of \$1,080,642.44 was transferred to the Plant and Buildings Renewal Fund.

Of this latter amount there was spent on Repairs and Renewals during the year \$639,147.82, leaving an unexpended balance of \$441,494.62, which has been added to the Plant and Buildings Renewal Fund.

The net addition to the Funds as a result of the year's operations was therefore \$225,353.69.

Expenditures on Repairs were unusually heavy principally because it was necessary, after six years of continuous operation, day and night, to shut down one half of the Coal Gas Retorts at Station "B" Works for complete renewal. The cost of the work was nearly \$100,000.00 and was carried out entirely by the Company's own workmen.

Other important repair work consisted of overhauling the gas holders at Station "A" Works. In taking gas holders out of service and returning them to service, there is always an element of danger, as certain mixtures of any flammable gas with air are explosive, and their existence at any stage of the operation must be prevented. With the exception of one expert supervisor, this work also was successfully completed by our own workmen.

The largest single item of operating expense is gas coal. In recent years the government of the United States has attempted to stabilize the Bituminous Coal Industry by the fixing of selling prices. After two unsuccessful attempts to establish prices a Commission has been at work again during the current year.

The only increase in the cost of coal encountered during the year consisted of an advance in the freight rate of 10 cents per ton, but owing to the large tonnage purchased, the total added cost to the Company of this apparently small item amounts to over \$30,000.00 annually.

The increase in direct taxes noted in the Report is almost entirely due to the Dominion and Provincial Income Taxes payable on the larger net income for the year as compared with last year.

There are no further items of special import to which I need direct your attention. All possible contingencies have been provided for in the accounts. Liberal allowance has been made to cover anticipated losses from uncollectible bills and provision has been made for all known taxes and other charges.

The inventories of materials and supplies have been very conservatively stated both as to quantities and values.

The Company is always actively engaged in promoting the use of gas, and its efforts have been backed by judicious advertising. As an indication to you of the general excellence of the Company's advertising copy I should like to say that in a recent month one of our advertisements was selected by competent judges as the outstanding gas company advertisement in America for that month.

In this activity we have the support of the programme of National Advertising of the American Gas Association. This programme is being continued for the third consecutive year and a further \$500,000.00 has been contributed by United States Gas Companies to cover its cost.

In addition to this large advertising expenditure the Gas Industry is to be represented at the New York World's Fair in 1939, by an exhibit which will cost some \$750,000.00. An organization has been formed "to create and stage the finest and most effective exhibit which the industry could devise and produce." This Fair is expected to attract 50 million persons, and the gas industry recognized in it an unprecedented opportunity to portray effectively to a vast number of people the essentiality of its fuel to modern living.

It may interest you to know that the Gas Industry was the first private exhibitor to have its building plans approved and the first private exhibitor to break ground at the Fair site.

Further, gas has been selected exclusively as the fuel to be used for all space heating, water heating and cooking in all the buildings to be operated by the World's Fair Corporation.

The quantities of gas used at the Fair will be enormous and the public will gain the impression that the industry is modern, aggressive and alive to its future opportunities.

I hope every one of you will find it possible to go to the Fair next year and that when you do you will make a point of seeing the Gas Industry's exhibit.

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

It is a pleasure to the Directors to be able to present a report showing such satisfactory results of the year's operations, and I feel that every official and worker, as well as our shareholders, will be gratified with what has been accomplished during the year. Our undertaking is essentially one of public service, and in its conduct and

operation we necessarily rely upon the loyalty and efficiency of our employees, which has again been amply demonstrated during the past year.

The General Manager has reviewed the financial statement in detail, and has pointed out that we were able to make a net addition to our funds of \$225,353.69—an amount which, while falling short of that of some years, is a betterment over that of last year by \$204,568.37.

This improvement has been attained notwithstanding the cost of increasing wages and granting special holiday privileges with pay to employees, as well as the influence of a number of unfavourable factors. Lessened activity in certain industries has affected the temporary use of gas for industrial heating processes; there has been an increase in the amount of taxes to be paid, and in a number of other operating costs. We shall continue, however, to press forward seeking ways and means of continuing the upward trend that we have established this year.

The fact that the annual report just presented is the ninetieth of such reports issued by the Company reminds us that the gas supply is the oldest of Toronto's public utilities.

The streets of Toronto were first lighted with gas on December 28th, 1841, which also happened to be the birthday of the late John Ross Robertson—a most public spirited and highly regarded citizen, whose memory will always remain fresh with us for his generous beneficence, and as the founder of one of Canada's great newspapers, The Evening Telegram. Toronto was the eleventh city on the American continent to use gas lighting. There were no waterworks in Toronto until 1843.

The inauguration of the gas supply marked the City's

celebration of the birth, on November 8th, 1841, of the late King Edward VII, the first son of the then twenty-two year old Queen Victoria. In the issue of the "Toronto Patriot" of January 7th, 1842, the feature story, headed "The Illumination," tells in the following words of the rejoicing in Toronto among its 18,000 inhabitants when city streets shone for the first time with rows of gas lamps:

"At the appointed signal, the tolling of the bell in the cathedral tower, all hands rushed to the windows, and in a few moments some hundred thousand lights flashed out on the bright frozen ground and the clear, cold sky. . . Not a solitary house refused its quota, from the lofty transparencies of the City Hall down to the lowly shanty of the loyal labourer."

Charles Dickens visited Toronto in May, 1842, and writing of his visit in "American Notes" stated that the "town itself was full of life and motion, bustle, business and improvement. The streets were well paved and lighted with gas."

Gas at that time was made and furnished by a company known as "The Toronto Gas Light and Water Company". Its operations however were mainly directed towards the supplying of street lighting.

The service rendered was not all it might have been, and the consumers of gas and other citizens of that time expressed much dissatisfaction on account of the high price, the uncertainty of supply and the poor quality of the gas. Their insistence for improvement led to a meeting being called on September 17th, 1847, to consider the propriety of establishing a new gas light company.

Subsequently, on March 23rd, 1848, your Company, The Consumers' Gas Company of Toronto, was incorporated for the purpose of supplying the City of Toronto

with gas in greater quantity, of better quality, and at a cheaper rate than heretofore.

Anyone familiar with the service and history of the Company will realize that these objectives have been fully maintained, and that year by year we have continued to make progress toward the goal of quantity, quality and economy in gas production. In the words of the first department store advertisement to appear in a Toronto paper, we have offered "energy and attention to the wants of the customers, sound goods and good value". In 90 years there has never been a general failure of the gas supply; distribution facilities have assured constant pressure in all districts served; research activities have re-designed and modernized appliances; careful management has assured fair rates, which are in fact lower than those applying in most American cities. In addition regular and continuous employment, under reasonable working conditions with good average wages, has been afforded a large number of our citizens, now numbering 1,279.

The area now served by the Company extends 17 miles from east to west and 8 miles from the City's waterfront to the north. Every safeguard has to be provided to insure continuity of supply over this large area. When it is considered that the demand upon the gas works never ceases day or night, the Company's record of service is indeed praiseworthy. This record is made possible only by the exercise of unceasing care and vigilance on the part of those responsible for maintaining the plant at all times up to the highest point of operating efficiency.

Another point which I might mention is that during the whole of the ninety years of its history the Company has maintained its original corporate identity. There have been no financial re-organizations of any kind, and

no subsidiary companies have been formed or alliances arranged with other institutions, so that there exists no ground for even the slightest suspicion that through such devices the Company has ever attempted to evade its statutory obligations to the public.

The gas industry was organized more than one hundred years ago and throughout the whole of its history has had to face competition. Gas originally was used solely as a lighting agent. In changing the use of its product from that of a lighting to that of a heating medium, the industry has shown a remarkably ability to adapt itself to changing conditions. It has effected this transition without disturbing the general progress of the industry, and during the process it has registered tremendous growth.

Today this industry is fully awake to the necessity for continued effort to improve the efficiency of gas burning appliances. The substantial amount of research conducted by the gas appliance manufacturers has been supplemented by a vigorous and well planned programme of research and development through the American Gas Association.

In our own Company we are constantly striving for improvement in the efficiency and structural features of gas appliances, particularly with regard to their safety of operation.

During the past year refinements in organization have been effected, especially in our merchandising and sales promotion departments, with the result that the Company is now in a better position than ever before to convince the public of the advantages to be gained by the use of gas in the modern, efficient and attractive appliances which the Company has to offer to its customers.

May I take this opportunity of welcoming to membership on the Board of Directors, Brig.-General C. H. Mitchell and Mr. A. L. Bishop, who were elected to fill the vacancies occasioned by the death of Mr. T. H. Wood and the retirement of Mr. A. H. Campbell.

On behalf of the Board of Directors I desire to express appreciation of the loyal and efficient services rendered by the staff and employees throughout the year. As I have already indicated, our enterprise is one which is performing a public service, and its officers and employees are fully imbued with the spirit and outlook that should be associated with such undertakings.

I now have much pleasure in moving:

"That the ninetieth Annual Report now submitted, be adopted, and that the same together with the detailed statements read therewith, be printed, and a copy thereof forwarded to each of the Shareholders."

Seconding the Resolution for the adoption of the Report, Mr. F. G. Osler said:

To Directors and Shareholders alike it is a cause of regret that our good friend and colleague, Colonel Michie, the Vice-President, is unable to be here today, but a satisfaction to know that he is well on the way to complete recovery from his recent illness.

In his absence it has fallen to my lot to second the resolution for the adoption of the Report, which I trust will commend itself to you as being a satisfactory one.

It is unnecessary to add much to the remarks of the President and of the Manager. You have heard Mr. Bradshaw's reference to the constancy of the service rendered to the public and to the Company's strict observance of the statutory obligations placed upon it by the Act of Incorporation. You may also be interested in hearing of the Company's record in connection with the

manner in which it conforms to certain requirements of the Dominion Government relating to the standard of gas quality.

The standard of heating value of gas to be supplied is determined by the Government through the Department of Trade and Commerce and tests are made each day by Government Inspectors to ascertain that gas being made is of the required quality.

An examination of the Governmental Reports of the past fifteen years showed that during that period not one test of the gas supplied by this Company indicated that it was below the standard, while the average heating value of the gas was well above the Government requirements.

This is a record of performance worth noting.

The Company has never been better equipped to serve its patrons than it is at the present time, and the service rendered, judged by the standards of adequacy, dependability and gas quality, is of a very high order.

I have much pleasure in seconding the resolution for the adoption of the Report.

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, A. L. Bishop, T. Bradshaw, L. Goldman, W. C. Laidlaw, C. S. Macdonald, Colonel J. F. Michie, Brig.-General C. H. Mitchell, and F. G. Osler.

At a meeting of the Board held subsequently, Mr. T. Bradshaw and Colonel J. F. Michie were unanimously re-elected President and Vice-President respectively for the coming year.

