

THE CONSUMERS' GAS
COMPANY
OF TORONTO

NINETY-FIRST
ANNUAL REPORT

1939

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The Consumers' Gas Company
 of Toronto

Ninety-First Annual Report

Year ended 30th September, 1939

The Consumers' Gas Company
of Toronto

DIRECTORS

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

F. G. OSLER

HIS WORSHIP THE MAYOR

EDWARD J. TUCKER General Manager and Secretary

Ninety-First Annual Report *of the*
Directors *of* The Consumers' Gas
Company *of* Toronto

To THE SHAREHOLDERS:

Your Directors present herewith the Ninety-first Annual Report of the operations of the Company, together with the Financial Statements for the year ended September 30th, 1939.

The gross operating revenue for the year amounted to \$7,398,587, which exceeded by \$283,221, the amount required to meet operating expenses, taxes, actual repairs and renewals and the regular dividend.

In addition to its advertising and promotion activities for the stimulation of the use of gas among all classes of customers, the Company has endeavoured to promote the sale of gas for cooking, water heating, refrigeration and house heating, by making available to its customers the most modern, attractive and efficient gas-burning appliances. The sales of such appliances during the year have been substantially increased, while the sales of appliances for the last seven months of the year exceeded those of the corresponding period in the previous year by 49 per cent.

Operating expenses including Taxes amounted to \$5,148,300 and compare with \$5,046,024 in 1938. The increase for the year of \$102,276 is attributable mainly to the larger quantity of coal carbonized and is more than

offset by an increase of \$155,408 in the value of residuals produced.

Taxes embracing Property Taxes, Dominion Income Tax and Ontario Corporations Tax, amounted to \$549,063, or an average of over \$10,560 per week. By the provisions of the War Budget passed by the House of Commons on September 12th last, the Dominion Income Tax on Corporations was increased from 15 to 18 per cent. The increased rate will first apply to the earnings of the Company for the year which will end September 30th, 1940.

Total payrolls amounted to \$1,871,024. The general scale of wages and salaries has been maintained and conditions of employment further improved. At the close of the year there were 1,236 employees on the payrolls, of whom 76 per cent. had been in the service of the Company for ten years or more.

During the year 31 employees, who had long terms of service to their credit, were placed on the pension list. There are now 45 former employees receiving pensions from the Company.

It was not necessary during 1939 to make any additions to the manufacturing plants. Capital expenditures were confined almost entirely to the extension of gas mains and the installation of gas services to cover districts in which new buildings were being erected.

Expenditures for the upkeep of the various properties and plants totalled \$511,544. This sum was charged against the Plant and Buildings Renewal Fund to which Fund there was transferred from earnings the statutory appropriation of \$1,093,074, leaving a balance of \$581,529 to be added to the Fund. In order to transfer the full appropriation to the Plant and Buildings Renewal Fund

it was necessary to draw upon the Reserve Fund to the extent of \$298,308.

For many years the Company has carried insurance policies in amounts considered by the Directors sufficient to afford reasonable protection against possible losses from fire, explosions and public liability and property damage accruing by reason of the Company's operations. Upon the declaration of war, guards were placed on duty at the Manufacturing Plants and other protective measures were taken against possible sabotage.

At the end of the year there were 4,340 shareholders of whom 55 per cent. were women. The average holdings per shareholder was 33 shares.

All of which is respectfully submitted,

T. BRADSHAW,
President.

The Consumers' Gas Company *of* Toronto

Statement of Income

For Year ended September 30th, 1939

GROSS OPERATING REVENUE:

Gas Sales.....	\$5,393,007.88
Residuals Produced.....	1,640,444.97
Merchandise Sold.....	269,646.43
Miscellaneous Revenue.....	7,016.04
	<hr/>
	\$7,310,115.32

Production, Distribution and Administration Expenses and Taxes.....	5,148,300.64
	<hr/>

NET OPERATING INCOME.....	2,161,814.68
INTEREST EARNINGS NET.....	88,471.77
	<hr/>

TOTAL NET INCOME before provision for Plant and Buildings Renewal Fund.....	2,250,286.45
Dividends on Capital Stock.....	1,455,520.00
	<hr/>
	\$794,766.45

Transferred from Reserve Fund.....	298,308.17
	<hr/>

Transferred to Plant and Buildings Renewal Fund	\$1,093,074.62
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The Consumers' Gas

Balance

September

LIABILITIES

Capital Stock.....	\$14,555,200.00
Reserve Fund.....	5,492,767.30
Plant and Buildings Renewal Fund:	
Amount at Credit October 1, 1938.	\$5,859,732.85
Less Repairs and Renewals.....	511,544.80
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	\$5,348,188.05
Appropriation Authorized by	
Statute.....	1,093,074.62
	<hr/>
6,441,262.67	
Reserved for Dividend No. 358.....	363,880.00
Provision for Exchange and Dominion and Ontario Government Taxation.....	177,756.31
Accounts Payable.....	524,080.48
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	\$27,554,946.76

Approved on behalf of the Board of Directors

(Signed) J. F. MICHIE,
Vice-President

(Signed) EDWARD J. TUCKER,
General Manager

Company of Toronto

Sheet

30th, 1939

ASSETS

Real Estate, Plant and Equipment.....	\$22,729,681.11
Investment in Dominion of Canada, Province of Ontario and City of Toronto Debentures (At Cost).....	1,984,772.48
Materials and Supplies.....	1,390,238.67
Cash in Bank and Offices.....	330,098.41
Accounts Receivable, after making provision for Doubtful Accounts.....	979,700.77
Interest Accrued, not due.....	34,824.13
Prepaid Taxes and Insurance.....	105,631.19
	<hr/>
	<u>\$27,554,946.76</u>

We have audited the accounts of The Consumers' Gas Company of Toronto for the year ended 30th September, 1939 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, 1939, according to the best of our information and as shown by the books of the Company.

GUNN, ROBERTS & COMPANY,
Chartered Accountants.

TORONTO, NOVEMBER 7TH, 1939

Proceedings *of the* Ninety-First Annual Meeting

The Ninety-first 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 12th, 1939, at noon.

Present: A. L. Bishop, James Carolan, F. W. Coyne, James Fullerton, Walter Gillespie, Frank A. Harrison, George Johnston, F. G. Logan, C. S. Macdonald, R. J. MacLennan, K.C., Col. J. F. Michie, Brig.-Gen. C. H. Mitchell, W. M. Oliver, F. G. Osler, Miss Bella B. Struthers, T. F. R. Struthers, Mrs. Margaret Tomblin, E. J. Tucker.

The Vice-President, Colonel J. F. Michie, was called to the Chair.

The Chairman referred to the loss which the Company had sustained in the death on the Tenth of November, of the President, Mr. Thomas Bradshaw.

The following resolution, moved by Mr. F. G. Osler and seconded by Mr. W. M. Oliver, was unanimously adopted by a standing vote.

Be it resolved that:

"The Shareholders of The Consumers' Gas Company of Toronto at the Annual General Meeting of the Company assembled, desire to place on record their deep regret at the death on the Tenth of November, 1939, of their honoured President, Mr. Thomas Bradshaw."

"The Shareholders also desire to record their appreciation of the valuable services rendered by Mr. Bradshaw to the Company. As a member of the Board of Directors

from April 7th, 1930, and as President from September 28th, 1936, he gave freely of his great ability and sound judgement to the conduct of the Company's affairs, while his natural sincere and kindly manner won for him the esteem and respect of all who came in contact with him. A man of noble character and possessed of the highest ideals of service and Christian duty he devoted much of his time and talents to the benefit of his fellow men. His example of unselfish devotion and concern for the welfare of his Country and its people will long remain in the memory of those privileged to have known him. In his passing the Company has lost an able leader and the Country an outstanding citizen and a great Canadian."

"The Shareholders further desire to extend to his widow and family their heartfelt sympathy with them in their bereavement."

"That a copy of this resolution be forwarded to Mrs. Bradshaw."

It was then moved by Mr. Walter Gillespie, seconded by Mr. F. G. Logan and unanimously resolved:

"That this 91st Annual General Meeting of the Shareholders of The Consumers' Gas Company of Toronto stand adjourned until Monday, the 27th day of November, 1939, at 12 o'clock noon, in the Company's Auditorium, 55 Adelaide Street East, Toronto."

The adjourned Ninety-first Annual General Meeting of the Shareholders of The Consumers' Gas Company of Toronto, was held on Monday, November 27th, 1939, at noon.

Present: Chas. H. Anderson, Alex. R. Auld, Dr. R. M. Batemen, A. L. Bishop, W. J. Brickenden, Jas. Carolan, F. W. Coyne, S. G. Curry, Arthur F. Cutten, W. W. Davidson, E. A. Dickinson, Dr. J. A. C. Evans, Miss Sophia Forster, James Fullerton, Walter Gillespie,

S. G. Green, Lt.-Col. W. D. Greer, Edmond Gunn, James Hall, F. A. Harrison, B. H. Hills, E. G. Jackman, C. A. Jefferis, Geo. Johnston, T. R. Jones, Walter Laidlaw, F. G. Logan, Miss M. W. Logan, B. S. Long, R. D. Lundy, C. S. Macdonald, R. J. Maclennan, K.C., A. C. McCollum, Col. J. F. Michie, Brig.-Gen. C. H. Mitchell, W.P. Morse, G. H. Muntz, A. N. Myer, Jas. Nicholson, F. G. Osler, Mrs. Mildred V. Parker, J. P. Patterson, A. M. Robinson, C. A. Ross, E. B. H. Shaver, T. F. R. Struthers, Miss Bella B. Struthers, D. L. Tarlton, Mrs. Anna K. Thompson, Edward J. Tucker, J. D. Von Maur, Joseph Walmsley, Mrs. Adele Warwick, John Watt, Mrs. Charlotte E. Williams.

The Vice-President, Colonel J. F. Michie, in the Chair.

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

You will have noticed from the figures which appear in the statements just presented that an amount of \$298,308 has been withdrawn from the Reserve Fund.

On the other hand there has been added to the Plant and Buildings Renewal Fund an amount of \$581,529.

Thus the net result of this year's operations was the addition to the Company's funds of \$283,221. The corresponding figure for last year was \$216,140, so that 1939 indicates a betterment over 1938 of \$67,081.

With reference to the Operating Expenses there is very little variation from last year to be noted in the principal items.

The cost of coal remained substantially what it was before, labour rates remained unchanged and no new taxes were imposed during the year.

Turning now to the Balance Sheet on the Assets side:

The amount under Real Estate, Plant and Equipment represents the original cost of all Land, Buildings, Manufacturing Plant, Mains, Services and Meters, and all other existing assets which can be classified under this head.

The item of Materials and Supplies consists of stocks on hand of Gas Coal, Gas Oil, Coke and other residuals, repair parts, pipe and fittings, tools, gas appliances and miscellaneous stores which are necessary to insure continuity in operation.

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

From Accounts Receivable a liberal amount has been deducted to cover probable losses from bad debts.

There is little to be said for the other items on the Balance Sheet, their titles are sufficient to indicate their character and scope.

The accounts have been very carefully prepared, and all expenses applicable to the year's operations have been charged against the Income.

All items such as taxes, etc., not yet due for payment, have been included and the liability therefor shown in the balance sheet.

Before moving the adoption of the Report the Vice-President called upon the Manager to read the remarks which the late President had intended making to the Meeting, and which were as follows:

The Directors feel that the report which they have been able to present is one that the shareholders will regard as eminently satisfactory.

The Consumers' Gas Company has now completed its ninety-first year in the public service. All through its

long history the Company has shown a keen desire to live up to its statutory obligations and moral obligations as well, and its record both as to the reliability and quality of the service rendered and the low rates charged for that service, reflects the integrity and good faith which has at all times characterized the administration of the Company's affairs.

It is not necessary for me to review in detail the figures of the financial statement, the General Manager has already done that. He has pointed out that in order to carry out in full the provisions of our statutes relating to the Plant and Buildings Renewal Fund, it was necessary to draw upon the Reserve Fund to the extent of \$298,308, but that after deducting the actual expenditures on repairs and renewals of plant, from the amount set aside from the earnings for that purpose, there remained a surplus of \$581,529, which was added to the Plant and Buildings Fund.

The year's working resulted in our being enabled to make an addition to our funds of \$283,221; a betterment over last year of \$57,868, and a betterment over two years ago of \$262,436.

While the income from gas sales has shown some diminution from last year, the comparatively slight decline compares favourably by contrast with the recession experienced in other industries. We are hopeful that any increase in industrial activity, whether resulting from the prosecution of the war or otherwise, will soon reflect itself in an increase in the sales of gas to those industrial customers whose gas consumption is largely subject to the influence of economic conditions.

Definite progress was made during the year in our efforts to promote the widest possible use of gas. The greater sale of gas appliances, especially during the last

seven months of the year, offers striking proof of this statement.

While it is true that the increased efficiency of the new gas appliances leads to a decrease in the volume of gas required for cooking and other domestic uses, it is nevertheless essential that wasteful, inefficient appliances must be replaced if we are to retain our domestic business. The competition of other fuels is so intense that the failure to promote the sale of modern equipment may mean the ultimate loss of a large proportion of our residential load.

In January last, the Company inaugurated a programme having as its object the development of the use of gas for house-heating. The number of installations gained as a result of this effort is highly gratifying and the general interest displayed augurs well for the future development of this business. We may confidently anticipate further and material increases in the number of these installations. An additional benefit which accrues from the installation of house-heating equipment in a home is that it usually leads to greater use of gas in that home for other domestic purposes.

Plans have been completed whereby we shall intensify our efforts toward gaining a larger portion of the domestic water-heating business. It is our intention shortly to offer to our customers, hot water service, including use of the appliance and the gas required to operate it, at fixed monthly rates which will vary with the quantity of hot water the heaters are capable of providing. We are hopeful that by this plan we shall meet more effectively the severe competition offered by other fuels.

Quite frequently of late we have been asked the question, "How will the war affect the Company's

business?" The question is a natural one, but unfortunately it is not possible to be definite in one's answer. None of us can predict how long the war will last or its probable scope or intensity. So far we have not been directly affected to any extent, but no doubt in the coming year the Company will be faced with complicated and urgent problems arising out of the war, which we shall have to meet and surmount. With our experience in the last war we are probably better prepared to meet any emergencies which may arise.

Up to date the number of war enlistments from the Staff is not important. Those employees who have enlisted for active military service are men with military experience who will no doubt give a good account of themselves. Our best wishes follow them.

Assurance has been given to all permanent employees who enlist, that positions will be made available to them if they wish to return to the Company's service upon demobilization.

With regard to enlistments the Dominion Government has declared that for the purpose of the Defence of Canada, gas service is an essential industry and that men whose services are deemed by the authorities to be indispensable in the Company's operations, will be exempt from military duty.

The War Budget passed by the Dominion Government on September 12th last, increased the Income Tax payable by Corporations by twenty per cent. This additional tax will first apply to the fiscal year ending in 1940. A tax on excess profits was also instituted, but the business of this Company would not ordinarily be affected by this tax. Another provision of the Budget which applied directly to the Company's business was the removal of "Gas used in dwellings" from the list of items exempted

from sales tax. All gas used in dwellings on and after September 12th became subject to 8 per cent. sales tax.

This provision, of which the Company had no prior intimation, suddenly placed a tremendous load on the staffs of the Customer's Accounting and other departments of the Company. The situation was met in a most efficient manner and all ranks concerned are deserving of the highest commendation.

The War Budget is an obvious necessity and the demands made upon everybody's income and everybody's work are accepted by all as a proper contribution to the business of war. Particularly is this true of this Company. Nevertheless our energies will be directed to carrying on our business as far as possible in the normal way and to rendering efficient gas service to our customers.

You will be glad to know that before the close of lake navigation, we shall be well stocked with sufficient coal to meet our requirements for some months to come. We carbonize on the average 850 tons of coal per day and gasify 5,500 gallons of oil.

The wisdom of the policy followed by the Company in maintaining reserve stocks of coal was amply demonstrated during the past year when coal mining operations in the Pennsylvania fields were suspended for six weeks, from April 1st to May 15th, while a new wage agreement was being negotiated between the Coal Companies and the Labour Union representing the Miners. During this period we were enabled to continue our operations without disturbance and without having to pay exorbitant prices for an emergency supply.

In the matter of our coal requirements it is unfortunate that we are dependent upon the United States. However, the possibility of a shortage is fairly remote

unless the war should be prolonged and the demands of other countries for United States coal should greatly increase. In such a case, no doubt the Government of the United States would take steps to ration the available supply, and under any such scheme it is reasonably certain that history would repeat itself, and that this Company's position would receive every consideration by the authorities.

Unfortunately, payments for coal and freight charges on United States railroads have to be made in New York funds, and at the prevailing rate, the item of exchange becomes one of importance. The situation in this respect the shareholders will realize, is one which is beyond the control of the Company, and in order to offset as far as possible the effect of the high rate of exchange during the coming year, the greatest care will be exercised in the purchase of supplies and every endeavour will be made to curtail expenses wherever practicable.

The relations between the Company and its customers continue to be cordial, primarily as a result of the Company's policy of complete frankness with the public with regard to its affairs. Furthermore, the presence of his Worship the Mayor of Toronto on the Board of Directors and the very thorough audit of the Company's books undertaken each year on behalf of the citizens by the City Auditor, free the Company from any suspicion that it has acted otherwise than in the public interest.

The officers and employees have carried out the duties assigned to them throughout the year in an efficient manner. A commendable spirit of loyalty and co-operation has been displayed and on behalf of the Directors I extend to them our warm appreciation.

The Vice-President then presented the following resolution:

"That the Ninety-first 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:

The Presidential address and that of the General Manager have so fully reviewed the matters contained in the Annual Report that further comment from me would seem superfluous.

However, before formally seconding the resolution for the adoption of the report, I would like to refer to one item which I think will interest you, not only as shareholders but also as customers.

One of the essential conditions to successful conduct of the Company's business, is to have satisfied customers. We have the privilege of serving the public by bringing to them the comfort and convenience of gas, and in order to justify our position we must preserve good relations with our customers by putting forward every effort to make the service rendered as free from complaint as possible.

Perhaps the one piece of the Company's property with which the customers come into more intimate contact than any other, and about which they sometimes show the greatest concern, is that much maligned instrument, the Gas Meter.

Notwithstanding the popular opinion to the contrary, the gas meter is a remarkably accurate instrument and is noted for its ability to remain in good operating condition and to retain its accuracy in gas measurement for a number of years without attention. In fact, a gas meter

is as certain to be accurate as a fine watch is to keep good time.

Special precautions are taken by the Company to keep its meters in good condition, and for this purpose the Company maintains a well equipped modern meter repair shop and testing rooms where all repair work and testing of meters is carried out by a force of 49 men. Last year 48,294 meters were passed through our shop for inspection or repair.

In order to protect the consumers of gas from any deficiency of meters to perform correctly, the Dominion Government provides an inspection service, under which every new gas meter is inspected for accuracy before it can be placed in service, and must be removed from service and re-inspected every six years.

Some of you may have noticed an advertisement sponsored by the Department of Trade and Commerce, which appeared recently in the newspapers and in some magazines and trade papers.

The advertisement was designed to inform the public of the Government Inspection Service and stated that Canada was the first country in the world to adopt this protective policy.

Every gas meter in use bears a Government seal which signifies that the meter has been inspected and found correct. The seal also prevents the meter from being tampered with.

Last year the Government tested 28,671 meters belonging to this Company, for which service the Company paid fees amounting to \$17,243.

You will gain some indication of the accuracy of gas meters from the records of the tests of 8,766 meters which

were tested by the Company on being brought into the meter shop after having been in service from 1 to 5 years. These tests showed that the average error of the group was (0.07%) seven one-hundredths of one per cent. slow —that is, in favour of the customers.

Does your watch perform as accurately?

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

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

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

