

THE CONSUMERS' GAS
COMPANY
OF TORONTO

NINETY-SECOND
ANNUAL REPORT

1940

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The Consumers' Gas Company
~ of Toronto ~

Ninety-Second Annual Report

Year ended 30th September, 1940

The Consumers' Gas Company *of* Toronto

DIRECTORS

A. R. AULD

A. L. BISHOP

M. R. GOODERHAM

W. C. LAIDLAW

C. S. MACDONALD

COLONEL J. F. MICHIE

BRIG.-GENERAL C. H. MITCHELL

F. G. OSLER

E. J. TUCKER

HIS WORSHIP THE MAYOR

EDWARD J. TUCKER

General Manager and Secretary

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

TO THE SHAREHOLDERS:

Your Directors present herewith the Ninety-second Annual Report of the operations of the Company, together with the Financial Statements for the year ended September 30th, 1940.

The financial results of the Company's operations in 1940 show unmistakably the effect of a number of adverse factors brought about by the war.

Notwithstanding the unusual conditions which have existed, the output of gas has been well maintained, and the quantity of coke sold was 35 per cent. greater than that sold in 1939.

The gross operating revenue for the year amounted to \$7,271,118, and exceeded by \$124,136, the amount required to meet operating expenses, taxes, actual repairs and renewals and the regular dividend.

Operating expenses, including taxes, amounted to \$5,334,324, and compare with \$5,148,300 in 1939.

Increases in the cost of coal, and of other necessary materials, the higher wages paid for labour, and greatly increased taxation have added materially to the operating costs. The additional expenditure is principally of an uncontrollable class and is related directly to

Canada's war effort. The Shareholders will realize that these are matters beyond the control of the Directors.

As a protection against possible sabotage, special guards are being continued on duty at the Manufacturing Plants. The cost to the Company of this precautionary measure last year was \$21,900.

Upon the declaration of war, the exchange rate on United States funds rose to 11 per cent. The cost to the Company of exchange on remittances to the United States during the year was \$129,777. This amount represents an additional item of expense not encountered in recent years but which is unavoidable since unfortunately the United States is the only practical source of the Company's coal supply.

The total amount charged in the accounts for the year for direct taxes, which includes property taxes, Dominion Income and Excess Profits Tax and Ontario Corporations Tax, reached a level higher than in any previous year, the total being \$646,498, an increase over last year of \$97,241. For every dollar received from the sale of gas 12.2 cents were paid to the taxing authorities. The corresponding figures for 1930 and 1920 were 7.2 cents and 4.8 cents respectively.

The following summary shows the total effect of the items of increased expenditure referred to in the three preceding paragraphs:

Protection of Plants.....	\$ 21,900
Exchange on United States Funds.....	129,777
Taxes.....	97,241
	<hr/>
TOTAL.....	<u>\$248,918</u>

Changes in Dominion Government taxation were made during the year as follows:

Under the provisions of the War Budget, passed on September 12th, 1939, the Income Tax on corporations was increased from 15 per cent. to 18 per cent., the increased rate to apply to the income of 1940.

The Dominion Budget, presented June 24th, 1940, provided:

- (1) That the Income Tax and Excess Profits Tax together, should not be less than 30 per cent. This rate to apply on income earned after January 1st, 1940.
- (2) That, effective June 24th, 1940, a War Exchange Tax of 10 per cent. on the invoice price, plus exchange, would be levied on all goods imported, other than goods entering under the British Preferential Tariff.

The full effect of this latter item of taxation will not be felt until next year.

On February 24, 1940, the Ontario Corporations Tax was amended to temporarily increase the tax on the net income of corporations from 2 per cent. to 5 per cent., for a period of two years, commencing January 1st, 1939, and terminating December 31st, 1940.

In view of this added burden, the attention of the Shareholders is directed to the fact that the position of the Company with respect to taxation is entirely different from that of its principal competitor, the Toronto Hydro-Electric System, whose properties are virtually tax free. The freedom from taxation enjoyed by that System places an unfair handicap upon the Company in meeting the intense competition encountered from that source.

The Toronto Hydro-Electric System in its report for the year 1939, stated that the total taxes paid amounted to only \$39,378, and revenue from the sale of electricity, \$13,106,213. Taxes paid, therefore, equalled three-tenths of one cent for each dollar of revenue. As stated above, this Company's taxes for 1940 amounted to 12.2 cents per dollar of gas revenue.

Total payrolls amounted to \$1,843,539, and at the close of the year the employees numbered 1,106.

During the year a further group of 56 employees, having long terms of employment with the Company, were retired on pension. There are now 88 former employees on the Company's gratuity list.

Forty-four members of the Company's staff are now serving in the Canadian Active Service Forces, while many others are training with Non-permanent Active Militia units.

The properties and plants of the Company have been kept up in their usual high state of operating efficiency. Expenditures on repairs and renewals last year amounted to \$441,224.

Adequate insurance is maintained on all plants and buildings against possible loss from fire or explosion. In addition, insurance policies are carried to afford reasonable protection against claims of public liability and property damage which might arise by reason of the Company's operations.

Early in the year the Directors engaged the services of the Stone and Webster Engineering Corporation of New York to make an investigation of the gas manufacturing plants and their operation.

The reputation of this firm is of the highest, and their wide experience in operating and managing gas plants and other utilities makes them eminently qualified to report authoritatively upon all matters relating to gas plant operations.

Their study disclosed no substantial deficiencies, but produced a number of valuable recommendations and suggestions with respect to operation which have been acted upon. The consequent improvement in operating results, and the economies thereby effected, have been well marked in recent months, but the full benefit of these will accrue during the coming year.

With regard to the plants themselves the investigating engineers had this to say:

"The design and construction of the buildings used for housing the equipment at both Station 'A' and Station 'B' is of the highest type and the plants of your Company, may, particularly with respect to general appearance, be classed among the finest on the continent.

"Referring to Station 'A', the generating equipment consists of 13 settings of Glover-West benches of modern design. This type of plant is also widely used in the United States and several of our plants utilize equipment of this type so that we are entirely familiar with the details of its construction and operation. We consider it the best type of gas-making equipment for plants of moderate size.

"The water gas generating units were of a type with which we were not familiar but of a design which embodies some of the features of the latest development in carburetted water gas sets made in this

country (U.S.A.). It should lend itself to very efficient operation.

“From a technical point of view, the plants merit the highest commendation.

“Of the general condition of the plant and its equipment, as far as we could observe, we can only speak in terms of highest praise for the thoroughness in which the maintenance work has been done.”

The Directors have to record with deep regret, the death, on June 11th, 1940, of their esteemed colleague, Mr. L. Goldman, who, during the 20 years he was a member of the Board, rendered valuable services to the Company.

The vacancy on the Directorate, occasioned by the death of Mr. Goldman, was filled by the election to the Board of Mr. M. R. Gooderham.

All of which is respectfully submitted.

A. L. BISHOP,
President.

The Consumers' Gas Company *of* Toronto

Statement of Income

For Year ended September 30th, 1940

GROSS OPERATING REVENUE:

Gas Sales.....	\$5,285,786.87	
Residuals Produced.....	1,685,444.90	
Merchandise Sold.....	290,093.44	
Miscellaneous Revenue.....	9,792.62	
	<hr/>	\$7,271,117.83
Production, Distribution and Administration Expenses and Taxes.....		5,334,324.44
		<hr/>
NET OPERATING INCOME.....		1,936,793.39
INTEREST EARNINGS NET.....		84,086.65
		<hr/>
TOTAL NET INCOME before provision for Plant and Buildings Renewal Fund.....		2,020,880.04
Dividends on Capital Stock.....		1,455,520.00
		<hr/>
		\$565,360.04
Transferred from Reserve Fund.....		537,347.10
		<hr/>
		\$1,102,707.14
Transferred to Plant and Buildings Renewal Fund		<u><u>\$1,102,707.14</u></u>

The Consumers' Gas

Balance

September

LIABILITIES

Capital Stock.....	\$14,555,200.00	
Reserve Fund.....	4,955,420.20	
Plant and Buildings Renewal Fund:		
Amount at Credit October 1, 1939.	\$6,441,262.67	
Less Repairs and Renewals.....	441,223.94	
	<hr/>	
	\$6,000,038.73	
Appropriation Authorized by		
Statute.....	1,102,707.14	
	<hr/>	7,102,745.87
Reserved for Dividend No. 362.....		363,880.00
Provision for Exchange and Dominion and Ontario		
Government Taxation.....		245,519.91
Accounts Payable.....		450,597.56
Bank Advance.....		387,533.84
		<hr/>
		<u>\$28,060,897.38</u>

Approved on behalf of the Board of Directors

(Signed) A. L. BISHOP,
President.

(Signed) EDWARD J. TUCKER,
Director and General Manager.

Company of Toronto

Sheet

30th, 1940

ASSETS

Real Estate, Plant and Equipment.....	\$22,979,252.71
Investment in Dominion of Canada and Province of Ontario Bonds (At Cost).....	1,984,636.24
Materials and Supplies.....	1,927,434.92
Cash in Bank and Offices.....	14,173.00
Accounts Receivable, after making provision for Doubtful Accounts.....	1,013,681.35
Interest Accrued, not due.....	34,039.59
Prepaid Taxes and Insurance.....	107,679.57

\$28,060,897.38

We have audited the accounts of The Consumers' Gas Company of Toronto for the year ended 30th September, 1940, 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, 1940, according to the best of our information and as shown by the books of the Company.

GUNN, ROBERTS & COMPANY,
Chartered Accountants.

TORONTO, NOVEMBER 7th, 1940.

Proceedings *of the* Ninety-Second Annual Meeting

The Ninety-second 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 18th, 1940, at noon.

Present: Dr. R. M. Bateman, A. L. Bishop, Jas. Carolan, F. W. Coyne, Walter Gillespie, M. R. Gooderham, Lt.-Col. W. D. Greer, F. A. Harrison, B. H. Hills, E. G. Jackman, Geo. Johnston, J. G. Johnston, Col. A. E. Kirkpatrick, W. C. Laidlaw, Mrs. Emma Lamont, F. G. Logan, Miss M. W. Logan, B. S. Long, R. D. Lundy, C. S. Macdonald, Miss I. J. Macdougall, R. J. Maclellan, Col. J. F. Michie, J. P. Milnes, 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, L. V. Rorke, Ralph Skelton, Miss Florence E. Spragge, Mrs. Pauline E. Stapells, T. F. R. Struthers, Miss Bella B. Struthers, D. L. Tarlton, Mrs. Margaret Tomblin, E. J. Tucker, J. D. Von Maur, Jos. Walmsley, A. M. G. Wickens, .

The President, Mr. A. L. Bishop, was called to the Chair.

The General Manager, Mr. Edward J. Tucker, presented the Annual Report of the Directors and the Financial Statements, and reviewed the items appearing in the Income Account and Balance Sheet.

In moving the adoption of the Annual Report of the Directors, the President, Mr. A. L. Bishop, said:

Before proceeding to comment on the operations of the year, I should like to welcome to membership on the Board, Mr. M. R. Gooderham, K.C.

The Directors' Report, which has just been presented to you in its usual brief and concise form, sets forth the figures and facts in sufficient detail to enable you to visualize the results of the year's operations and the financial standing of the Company.

The net financial result shows that we have a surplus of revenue of \$124,136.10 after meeting greatly increased operating expenses and taxes, taking care of all necessary repairs and renewals to plants and properties, and paying the regular dividend.

Behind the figures, however, there is a record of achievement in many phases of the Company's business which a superficial examination of the report fails to disclose.

Considering the exceptional difficulties under which the working of the Company has been carried on during the year, the results shown cannot do other than reflect great credit on those charged with the responsibility of directing the operations.

While it has been possible to effect considerable savings by the practice of economy and by improvement in methods of operation, these savings, unfortunately, have been more than offset by rising commodity costs and by the imposition of a number of unusual expense items of an uncontrollable nature.

It is particularly unfortunate at this time that we are dependent upon the United States for our coal supply. The high rate of exchange on United States funds represents a serious addition to our operating expenses, as, not only does it add to the cost of coal, but also to the freight charges on coal within United States territory. As stated in the report, the total cost of exchange during the year was \$129,777. The total net cost of exchange in the whole of the six years period from 1934 to 1939, was only \$5,500, or less than \$1,000 per year.

Taxes continued their sharp upward trend of recent years, reaching an all-time high figure of \$646,498.

There can be no valid reason for objecting to necessary taxation, especially in war time, but it is a matter of serious concern for this Company, and it is manifestly unfair to the customers of this Company on whom the burden unavoidably falls, that they should be subject to taxes from which electric customers residing in the same territory are exempt. Frequent editorial comment, in recent weeks, favouring a correction of this situation, gives us some hope that ere long the taxing authorities will remove this unfair discrimination.

A number of important operating economies were worked out and instituted during the year, although they are referred to quite incidentally in the report.

For instance, in 1940, for the first time, the coal required for our Station "B" Works was routed by vessel from United States Lake Erie Ports to Toronto Docks, thence by truck to the plant. A considerable saving in transportation cost was effected.

On the subject of the cost of coal—after two unsuccessful attempts in recent years to establish minimum selling prices for coal, the Government of the United States finally issued a schedule of prices which became effective on October 1st, 1940. The new prices represented increases ranging from 4 cents to 24 cents per ton over the prices formerly paid by the Company.

Anticipating the action of the United States Government, the Company made plans to secure early shipment and delivery in Canada of its coal purchases for the year, with the result that there was only a small tonnage undelivered at October 1st, to which the increased prices would apply. The exercise of foresight in this matter has meant a large saving to the Company.

Just prior to the presentation of the Dominion Budget on June 24th, 1940, the Company paid the Customs Duty on its stocks of coal in Bond. By this action the Company avoided the payment of the new Exchange Tax of 10% on imports, thereby saving \$18,570.

Reference is made in the Report to an investigation by Stone and Webster Engineering Corporation of New York, into the gas manufacturing operations, and the extracts from their report which have been quoted will be read by the shareholders with satisfaction.

The phase of their report, however, which gave me the greatest personal interest and satisfaction, was the successful accomplishment of the most difficult task of working out and putting into practice the several suggestions for achieving more efficient and economical operation of the plants. This work was carried out by our own staff, and to Mr. Philpot, Superintendent of

Works, and his assistants, a great deal of credit is due for the manner in which they tackled and overcame the various problems which the job presented.

As a result of their persistent efforts directed towards establishing better technical control over the gas-making process, the yield of gas from the retorts at Station "A" has been increased from about 62,000 to 80,000 cubic feet per retort per day. Furthermore, the average yield of gas per ton of coal carbonized was the highest in the history of the plants.

You will have noticed that fifty-six employees were retired on pension during the year. In the previous year thirty-one men were similarly retired. This action on the part of the Company had a two-fold purpose. First, these elderly and faithful employees were thereby enabled to enjoy a well earned rest, free from financial anxiety, and second, reductions in staff were made possible where this could be done without injustice to the remaining staff, without sacrificing safety, and without impairment in the service rendered the customers.

Sales activities have been vigorously carried on, supported by a programme of advertising in newspapers and other publications, by billboards, by cooking lectures and by appliance exhibitions.

In the past two years a great deal of study has been given to the sales organization with the object of improving the quality of our sales effort.

Refinements in organization have been carried out and the supervisory personnel materially strengthened, while sales and promotion activities have been better directed.

Competition met with is both aggressive and thoroughly alert and if the Company's business is not to suffer, the astute salesmanship of competing fuels must be matched by gas.

The future of the gas business lies in developing and maintaining increased volume of sales, and to this end we must use every sound idea of salesmanship available to us.

The gas industry as a whole is forging ahead steadily with programmes of general research, modernization and perfection of appliances and equipment, as well as national advertising and sales promotion.

As a part of our sales improvement programme, alterations were carried out to the main floor of the head office building to provide space for the display of gas appliances, which was formerly located more or less by itself on the Adelaide Street side of our premises. The value of having this display where it can be seen by the many thousands of customers who pay their accounts each month will be readily apparent to everyone.

In the industrial field of gas utilization, which includes a large variety of manufacturing and processing operations, we have had a busy year. In recent months especially, the Industrial salesmen have been active in plants where the production of war materials and equipment requires heating service. The possible applications of gas to industrial purposes are developing in many hopeful directions.

To those of our employees who are serving in the Canadian Active Service Force, the Directors have given assurance of employment upon their return to civil life.

I am sure our best wishes follow them wherever they may be called upon to serve.

Special donations to organizations rendering war services were granted during the year by your Directors, as follows:—

The Canadian Red Cross Society -	\$3,000.00
Y.M.C.A. - - - - -	250.00
Salvation Army, Knights of Colum- bus and Canadian Legion (Total)	250.00

The total amount of donations has been kept well below the \$15,000 authorized by the Shareholders at the last Annual Meeting.

It is not possible to forecast the future in any detailed way at this time of abnormal uncertainty, neither can one say what additional burdens may be placed upon the Company during the months ahead, either individually or in common with other business concerns, but the Shareholders can be assured that the Directors and Management will continue to do all in their power towards effecting economies without deteriorating the service rendered to customers or sacrificing maintenance to physical property which might detrimentally affect capital values.

To the officers and employees, I should like to express, on behalf of the Directors, appreciation of their loyal and co-operative spirit, and their effective accomplishments in carrying on the operations during the year.

In conclusion I should like to say that I have appreciated the privilege of occupying the office of President of this Company. The past year has been spent mainly in an endeavour to understand the fundamentals of the gas business, in gaining knowledge of the

accomplishments of the past, and becoming acquainted with the problems of the present. I have enjoyed my association with those engaged in the never-ending search of better ways of doing things in order to maintain the affairs of the Company on a stable basis, to improve our service to the public and to increase our sales.

To the General Manager, Mr. Edward J. Tucker, I would like to pay particular tribute of appreciation for his never-failing courtesy and patience to me in giving a more thorough understanding of the intricacies, the scope and obligations of this great public utility.

I now have pleasure in moving:

"That the Ninety-second 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, the Vice-President, Colonel J. F. Michie, said:

The President and General Manager have covered very fully the various matters of interest arising out of the year's operations.

There is one item, however, which stands out prominently among the increased expenditures for the year, namely, the amount of \$129,777 paid for exchange on United States funds.

In reference to this item the Shareholders will be interested to know that for many years the Company's policy with respect to its purchase of materials, equipment and gas appliances, has been to give first consideration to manufacturers and other sources of supply located

in Toronto and district. All things being equal, preference is given to local concerns.

However, in these matters the interests of the Company must be paramount and when it becomes necessary to go outside of the Toronto area, we seek our requirements in Canada. Our next preference is, of course, Great Britain and the British Empire. When these sources are unable to fully meet our needs we turn our attention to our good friends and neighbours to the South.

In the matter of our gas coal supply we have no alternative, but imports from the United States during 1940, other than coal, have been negligible. Of the total gas appliances purchased for sale to our customers more than 92 per cent., by value, were the product of Canadian factories. The main pipes, service pipes, meters and fittings purchased were one hundred per cent. of Canadian manufacture. The Company will continue to adhere to this policy, which in these times takes on the form of a patriotic duty.

Your Directors were more than pleased that Colonel Arthur Bishop consented to take Mr. Bradshaw's place as President.

We are much indebted to him for the energetic manner in which he has undertaken the duties of President. He has taken an intense interest in the affairs of the Company, particularly in the operations of the manufacturing plants where he has been a constant visitor and where his training and experience as an engineer have enabled him to give valuable advice and encouragement, which has been much appreciated by the officials in charge.

I would also like to add a word about your General Manager. He has a wise old head on comparatively young shoulders, shoulders which have to bear a heavy burden of responsibility, but he is equal to all emergencies and has the full confidence of your Directors, Your Company is very fortunate in having at the helm two gentlemen like Colonel Bishop and Mr. Tucker.

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, M. R. Gooderham, 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.

