



Bulletin

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PROGRESS IN THE FIGHT AGAINST INFLATION

The following passages are from a recent address by Mr. John H. Young, Chairman, Prices and Incomes Commission, to the Ottawa South Kiwanis Club:

A few weeks ago at a federal-provincial conference in Winnipeg the Prices and Incomes Commission proposed a figure of 6 per cent as a reasonable upper limit for annual wage and salary increases granted in present circumstances. The Commission indicated that it did not intend this to be taken as an inflexible rule equally applicable in all situations. Pay increases beyond the 6 per cent figure could be regarded as justified in various types of exceptional cases such as those of relatively low-paid workers, of labour shortages, of special productivity gains due to the elimination of restrictive work practices, of promotions and of extreme instances of catch-up problems. On the other hand, it would also have to be recognized that there might be many cases in which employees would be unable to obtain annual pay increases as large as 6 per cent. In general, the figure proposed by the Commission implied a significant

moderation of the recent annual rate of increase of about 7 to 8 per cent in average weekly wage and salary earnings, and of 8 to 9 per cent in average base rates of pay under major collective agreements.

Now, as you probably know, the Commission itself has no powers to compel anyone to follow its advice or suggestions. In approaching the federal and provincial governments with this proposal the Commission wanted to find out to what extent it could expect governmental support for its efforts to persuade employers and employees of the need to limit the size of wage and salary increases as part of a broader effort to limit increases in prices and money incomes generally. On the whole, the response of the governments represented at the conference has been sympathetic to this initiative, although the degree to which particular governments have felt able to support the Commission's objective in practical terms is not uniform and is subject to qualifications and reservations of various kinds. As might have been expected, the Commission's proposal has been received by most employee groups with something less than enthusiasm, and a good deal of public attention has been given to the numerous instances in which pay increases well in excess of 6 per cent have been granted by employers to their employees.

Many people have concluded from these events that the Commission's attempt to exert a limiting influence on the size of wage and salary increases raises too many practical problems and has attracted too little effective support to achieve meaningful results. This may indeed turn out to be the case, although I myself would regard such a conclusion as decidedly premature. If the size of wage and salary increases should fail to moderate over the next several months, I think people would be forced to conclude that the problem was unlikely to go away automatically, and that we were going to have to think a good deal harder than we have to date about how we are to come to grips with it.

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EFFORTS PROVING FRUITFUL

In the meantime a variety of recent economic evidence has come to hand which bears directly on the Commission's efforts to help get the inflation of recent years under better control with as little disruption of output growth and employment levels as possible.

The news from the price front is unquestionably encouraging. In June 1970, the consumer price index in Canada stood 3.2 percent higher than a year earlier. Over the previous 12-month period the increase had been 5.2 percent.

There is some difficulty in taking a reliable reading of the annual rate of increase in the index over any short period, partly because there is some seasonal pattern in price behaviour and partly because of the irregularity of movements in food prices. On careful examination, however, it looks as though the underlying annual rate of increase in consumer prices from the fourth quarter of last year to the second quarter of this year averaged out at between 3 and 3.5 per cent. This compares with an annual rate of increase of 5 to 5.5 per cent over the corresponding period a year earlier. The general impression of a marked slowing down of the rate of increase in consumer prices in recent months from what we were seeing a year ago holds, whether one looks at the total index or at the index for all items other than food prices.

COMPARISON WITH OTHER COUNTRIES

A second point of some interest is that the recent rate of increase of consumer prices has been much less rapid in Canada than in the United States, or indeed in most other industrial countries in the Western world. The 3.2 percent increase in the consumer price index in Canada over the last 12 months may be compared with corresponding increases of 6 per cent in the United States, 5.6 per cent in the United Kingdom, 5.7 per cent in France, 8.3 per cent in Japan, 5 per cent in Italy and 3.8 per cent in Germany. The fact that consumer prices in Canada have been rising less rapidly than in the United States is not a new development, since this has been the case since 1967. It is noteworthy, however, that the difference between the rates of price increase in the two countries has rarely if ever been as large as in recent months. It is a development that requires explanation by those who have been telling us all along that inflation is a world-wide problem about which Canadians can do little through their own efforts, and who regard it as inevitable that prices should rise in Canada at about the same rate as in the United States and other industrial countries.

Evidence of a much slower rate of price increase is also to be found in the area of wholesale prices, where the index for commodities other than farm products has declined for two months running and currently stands only 2.3 percent higher than a year ago. An increasing number of industry selling-price indexes have registered declines in recent months

and in the case of certain basic commodities sold on world markets, notably copper and other metals, the weakening of prices that has emerged in the last month or two has been quite dramatic.

Signs that inflationary pressures have reached their peak and now are receding are not confined to the behaviour of the price indexes for consumer goods and industrial commodities. As everyone is aware, there has been a sharp fall in common stock prices over the last year, and more recently we have seen declines in money market rates of interest, bond yields, bank-lending rates and mortgage rates. In many urban areas of the country the long upward climb of real estate values has given way to a temporary pause, and even the relentless rise in rents has shown some hesitation in many of our major cities.

The other side of the coin is that the growth of employment and output has now become quite sluggish and that the level of unemployment has risen sharply, even after allowance for the indirect effect of a number of major work stoppages arising out of industrial disputes. Over a wide range of business activity firms now are confronted with a weak market demand for their products and increasingly limited opportunities for raising their prices. At the same time, their unit costs are under strong upward pressure from the combination of steeply rising rates of pay and the abnormally low rate of productivity improvement which occurs when production volume stops rising or declines. As a result, profit margins have come under strong pressure in a growing number of industries, and the profits-squeeze is in turn having a dampening effect on the hiring and expansion plans of many business firms.

OUTLOOK ENCOURAGING

What are we to make of all this? So far as inflationary pressures are concerned the situation that we face today looks very different indeed from the appearance of things a year ago. There now are increasing grounds for believing that the inflation which raged on through the second half of the 60s has been, at least temporarily, checked and that over the next several months we should be able to make some further progress towards greater price stability. The improvement in the price situation that we have seen so far has been made possible partly by the squeeze on profits and partly by the absence this year of widespread increases in provincial sales taxes. In the months ahead we could get further relief from a slowing rate of price increase in the United States, from the softness in world commodity prices, and from the effects of the moderate appreciation which has occurred in the exchange rate for the Canadian dollar.

Looking back over the last year I think it is fair to say that the Commission's efforts to arouse the public to the dangers of unrestrained price and income increases have not fallen entirely on deaf ears. If we had been able to do more along these lines we think it would have been helpful in getting inflation

TRANSATLANTIC TRIPLET PIGLETS

Three healthy pigs have been born in Britain, although their parents were in Canada at the time.

The event, which was the culmination of a transatlantic transfer of fertilized eggs from pigs in Canada to a sow in England, began at the Canada Department of Agriculture's Animal Diseases Research Institute at Hull, Quebec on March 16, when, at the same time, mother pigs over 3,000 miles away in Weybridge, England, were prepared as recipients.

On March 16, three donor pigs were bred at the ADRI. On March 19, their fertilized eggs were removed, placed in a liquid medium, flown by jet to a sow at the Central Veterinary Laboratory, run by the British Ministry of Agriculture at Weybridge. The time lapse for transportation was about 16 hours.

The British veterinarians recently reported the birth of three, healthy, full-term piglets following the transfer of 34 fertilized eggs to the foster mother.

POTENTIAL FOR INDUSTRY

The success of this egg-transfer marks the beginning of what could grow into a large and important international industry.

The most likely practical application of the technique would be the transfer of fertilized eggs from European breeds of cattle to North American animals. Canadian farmers are currently paying thousands of dollars for live animals in Europe, then paying more thousands of dollars and waiting for almost a year to bring them through the strict quarantine necessary to prevent the spread of disease to Canada.

This was the second attempt at a transfer of pig eggs from Canada to England. The first had been unsuccessful, and an England-to-Japan attempt was also unsuccessful.

Successful transfers in both pigs and cattle have been conducted at several research centres



Ministry of Agriculture, Britain.

British "foster mother" sow and the three Canadian-bred piglets born in Weybridge, England.

round the world, including one — also involving a single sow — from the University of Illinois to Macdonald College in Quebec.

Researchers on both sides of the Atlantic say that the use of egg transfers compared to the importation of live animals would undoubtedly reduce the risk of introducing exotic diseases. Extensive research, however, on the transmission of disease by eggs will have to be conducted before the present strict quarantine regulations could be modified for the importation of eggs.

Another advantage of this technique lies in the opportunity of obtaining from genetically superior stock a much larger number of progeny than would be the case where a normal gestation period occurred.

CANADIAN BAND AT EDINBURGH

A 56-piece composite pipe and drum band is representing Canada at this year's annual military tattoo in Edinburgh.

The band, composed of pipers and drummers from the Argyll and Sutherland Highlanders, Hamilton, Ontario, the Highland Fusiliers of Canada, Kitchener, Ontario, the Lorne Scots, Brampton, Ontario, and The Queen's Own Cameron Highlanders, Winnipeg, performs a special composition which is a "Salute to Canada", by Warrant Officer John B. Kerr of CFB Rockcliffe, Ontario.

Leading the band, which returns to Canada on September 13, are Pipe Major Archie Cairns of Ottawa and drum major G.C. Walford of CFB Petawawa, Ontario.

FOREIGN TRADE

The surplus of \$1,246 million in Canada's merchandise trade in the first half of 1970 was almost double that for the whole of 1969 and equalled that for the entire previous year. Exports for the first six months of 1970 totalled \$8,443 million, 16 per cent higher than the figure for 1969, while imports rose only 2 per cent to \$7,196 million. The United States' share of Canadian exports declined from 71 per cent to 67 per cent, more in line with the average for the first half of the four most recent years, while the U.S. share of Canada's imports narrowed marginally to 73 per cent.

Among the commodities that contributed to the higher exports were wheat, barley, meat, rapeseed, iron ores, pulp, newsprint, fertilizers, chemicals,

crude petroleum, copper, nickel and other non-ferrous metals, and automotive products.

Changes in the imports were distributed over many commodities. Imports of industrial machinery, aircraft, office machines and electronic computers rose significantly, while imports of agricultural machinery, passenger automobiles and vehicle parts declined.

After adjustment for seasonal variation, monthly exports and imports have fluctuated within a fairly narrow range in 1970. Both exports and imports declined 3 per cent from May to June.

YOUTH HOSTEL TASK FORCE

The Welfare Grants Division of the Department of National Health and Welfare has awarded a grant of \$22,490 for the operation of a national hostel task force to promote the establishment of hostels for young transients and to collect and disseminate information about such services in the summer of 1970.

Co-ordinator of the task force is 22-year-old Patrick Esmonde-White of Ottawa. The task force staff of three works out of the Canadian Welfare Council office in Ottawa and its co-ordinating committee of 18 represents 14 Canadian cities from Victoria, British Columbia to St. John's, Newfoundland.

"The formation of the task force follows directly on recommendations made in the Canadian Welfare Council national consultation on transient youth held at Ste. Adele, Quebec," Mr. Esmonde-White said. "One of the most urgent, immediate needs for transient young people noted in the consultation and in the report of the Canadian Welfare Council's transient youth inquiry that preceded it, was the need for safe, clean, comfortable and inexpensive accommodation."

The hostel program received a boost on July 9 with the announcement by the Secretary of State, Mr. Gerard Pelletier, that \$200,000 would be granted for youth hostels in armouries across Canada. "But that is just a beginning," Mr. Esmonde-White commented. "The national consultation recommended not only shelter but medical counselling and referral services to make the travelling experience a positive rather than a disintegrative one." Because of the tremendously large number of young people on the roads this summer, the task force's aim is to alleviate the immediate situation. Mr. Esmonde-White said that he hoped the need for a more permanent system of hostels would be recognized.

LAKE NAMED FOR PIONEERING JUDGE

A lake in the Northwest Territories is to be named for the late Mr. Justice John Howard Sissons, the first Justice of the Northwest Territories, known to Canadian Indians and Eskimos as the man who represented justice in the North.

Mr. John Turner, Minister of Justice, and Mr. Jean Chrétien, Minister of Indian Affairs and Northern Development, in a recent joint announcement, said that a lake measuring 75 square miles in the Keewatin District would be named after Justice Sissons, who died in July last year, to commemorate his many historic court decisions which set a new pattern in establishing justice between the often conflicting cultures of the white man and the Indian and Eskimo.

In his book *Judge of the Far North*, Justice Sissons said that his constant aim in bringing white man's law to the Indians and Eskimos was "to establish their rights on the basis of their own customs". To the Eskimos he became known as Ekoktoegee, "The One Who Listens to Things".

He was first appointed in 1955 as the first judge of the Northwest Territories court and served in the North until his retirement in 1966. During these years his area of responsibility covered a third of Canada's land mass and he often flew thousands of miles over frozen tundra in adverse weather to bring justice to the people.

Judge Sissons Lake lies in the silent barrens of the eastern Northwest Territories and is located about 75 miles west of the settlement of Baker Lake.

NRC SEMINARS ON MEASUREMENT

The National Research Council of Canada has scheduled annual seminars to help industry keep abreast of new techniques involving basic units of physical measurement.

By law, NRC has responsibility for maintaining the six basic units of physical measurement for mass, length, time, temperature, electric current and luminous intensity. These provide standards for use in industry and science.

The first seminar, to be held in October will deal with measurement of moderately high accuracy and precision in the field of light and colour. It will be designed mainly for representatives of the textile, paint, pulp and paper and lighting industries. Speakers include Professor Eugene Allen of the Centre for Surface and Coatings Research, Lehigh University, Lehigh, Pennsylvania; Wolfgang Budde, Dr. A.R. Robertson, Dr. C.L. Sanders and Dr. Gunter Wyszczeki, all of NRC.

Dr. Wyszczeki, head of the Radiation Optics Section of the Division of Physics, is in charge of the seminar. "We are planning five years ahead. We will have annual seminars and repeat a subject every four to six years. Changes in measurement techniques and turnover of seminar participants should provide a continual updating of information and a broadening of the pool of people knowledgeable in techniques for Canadian industry," he said.

The seminar in 1971 will deal with temperature measurement. In 1972 the subject will be electrical measurements; in 1973 noise and other acoustic measurements; and in 1974 length and other mechanical measurements.

SUPPORT SHIP LAUNCHED

The 22,000-ton operational support ship HMCS *Preserver* was commissioned on August 7 at Saint John, New Brunswick. Mr. J.E. Dubé, Minister of Veterans Affairs, was the guest of honour at the ceremony.

The *Preserver* is the second of two operational support ships built at Saint John for service with Maritime Command. The first, HMCS *Protecteur*, was commissioned there last August.

The ships were designed to increase the range and endurance of Canada's fleet by providing a wide range of replenishment at sea. They are also capable of supporting land operations.

The design of *Preserver* and *Protecteur* shows many improvements over the first ship in the program, HMCS *Provider*, which was commissioned seven years ago. The new ships will add greatly to the capability of the fleet to effect high-speed transfer of stores and fuels at sea in all weather.

Captain Mark W. Mayo, of Saint John, N.B., will command the *Preserver*, which carries a complement of 270 officers and men.



HMCS *Preserver*

GROUP OF SEVEN STAMP

The Canada Post Office will mark the fiftieth anniversary of the Group of Seven with the issue of a six-cent commemorative stamp on September 18.

The design chosen is a reproduction of the painting *Isles of Spruce*, by Arthur Lismer, who was one of the founding members of the Group. To retain the proportionate dimensions of the original painting, the stamp will be a new size — 30 mm. x 36 mm.

The stamp will be printed by five-colour lithography using yellow, red, blue, black and a special shade of green. Thirty-six million of the stamps will be printed by Ashton-Potter Limited of Toronto, making this the first commemorative issue to be produced by a printing firm outside Ottawa.

The Group of Seven, formed in 1920 by seven



distinguished Canadian artists, shared a common interest in their approach to portraying the Canadian landscape. The chief characteristic of their work was stated by Arthur Lismer in 1924: "It is design. We bring out everything in the landscape as a matter of design and also, of course, of colour. We have got away from French Impressionism."

Besides Lismer, the original members of the Group of Seven were Lawren Harris, A.Y. Jackson, F.H. Varley, J.E.H. MacDonald, Frank Johnston and Franklin Carmichael. Five of these artists were survivors of an earlier group known as the "Algonquin School", of which Tom Thompson had been a member until his death in 1917.

SALE OF BANKRUPTCY ASSETS

The Superintendent of Bankruptcy of the Department of Consumer and Corporate Affairs recently announced the introduction of certain measures aimed at regulating the disposition of bankruptcy assets and at exercising a closer surveillance over some of the expenditures by trustees licensed under the Bankruptcy Act.

From now on, trustees selling assets by public tender are required to open at a special meeting all tenders that have been received. All persons who have tendered on the assets being sold may attend this meeting.

While few cases of tampering with tenders have been exposed during the past few years, the opportunity to do so has created a feeling of uneasiness among the persons tendering on bankruptcy sales. The new requirement will help remove any doubt in the minds of the public and, particularly, of those frequently involved in purchasing bankruptcy assets from trustees.

The Superintendent of Bankruptcy has also been aware of the concern expressed by both creditors and debtors in the matter of the high cost of bankruptcy administration. In recent years, a much closer surveillance has been exercised by his officers over the expenditures of trustees in administering a bankrupt's estate, including fees by solicitors and trustees.

The amounts of these fees are taxed by the bankruptcy courts and, recently, the Superintendent of

Bankruptcy has made representations before the Court in a number of cases where it was considered that charges were excessive. These representations have resulted, in most cases, in a reduction of the fees claimed by the solicitors and the trustees.

In addition, arrangements were made by the Superintendent of Bankruptcy with the Queen's Printer whereby, through a modification in the form of publication in the *Canada Gazette* of the notice of bankruptcy and also of the notice of a bankrupt's discharge, a considerably lower rate has been charged for these notices since last January. Savings in excess of \$100,000 a year are expected to be realized for the creditors.

CAE AIR-LINE SALE

CAE Industries Ltd. has finished preliminary negotiations to sell its wholly-owned subsidiary B.C. Air Lines Limited to Pacific Western Airlines Ltd. of Vancouver.

CAE President C. Douglas Reekie said that the sale, contingent upon the necessary approval by the Canadian Government, should be completed this month.

He indicated that BCA was something of an anomaly in the CAE family of industrial companies, being the only one of its nine major subsidiaries directly serving a consumer market. "All other divisions in CAE are engaged in the manufacturing and selling of products and services to industry rather than the individual consumer," he stated. "After considerable study we have decided to divest ourselves of BCA and to concentrate our resources and manpower at this time on the continuing development of those many products and services which we provide to industry in Canada and around the world."

Both PWA and BCA serve several common points in the interior of British Columbia.

CAE is a Canadian-owned and operated company employing almost 3,500 people in diverse operations across Canada and in Western Europe.

PROGRESS IN THE FIGHT AGAINST INFLATION

(Continued from P. 2)

under control more quickly and with less painful temporary side-effects on production and employment.

RISK OF RECURRENCE

For some months now the Government and the central bank in this country, as in the United States, have taken a number of steps to ease budgetary and credit

policy so as to move the economy back on to a path of stronger growth and expanding job opportunities. It is important that we continue to move in this direction, but it is also important that in doing so we try to avoid the risk of giving inflation a new lease on life later on.

This is not likely to be easy. The ebbing of inflationary pressures that now is occurring is taking place in an economic environment of abnormally slow economic growth, high unemployment and sharply contracting profit margins, none of which can or should be regarded as a permanent feature of the situation. As economic activity recovers and these conditions change, we will need to keep a sharp eye to our defences against a revival of the inflationary process.

It is in this context that we must continue to be concerned about the magnitude of the increases in labour costs that we are building into our future costs of production. Wage and salary increases averaging more than 8 per cent a year are much larger than the long-term average increase in output per person employed, which is about 2.5 to 3 per cent a year in the commercial non-farm sector of the economy.

What this means is that in order to increase their annual production by 2.5 to 3 per cent, business firms in Canada on the average are having to pay something like an additional 8 per cent in annual payroll costs for their labour requirements....

The difference, of course, has to come from somewhere, and if market demand were strong enough business firms would almost certainly pass their unit labour cost increases straight back to the final consumer - who in all likelihood is himself a wage or salary earner - in the form of higher prices. For the time being, of course, the ability of business firms to do this is limited by the weakness of market demand for their products and by the Commission's price-restraint program, under which price increases are only regarded as justified if they produce less revenue than the amount needed to cover cost increases.

The extent to which business firms can continue to absorb part of the sharp rise in their labour costs at the expense of their profit position is not unlimited, however. As their profit margins decline, firms try to save on their labour costs by hiring fewer workers and are forced to cut back on their expansion plans.

The result is likely to continue to pose a dilemma for economic policy unless the average size of wage and salary increases soon begins to fall back more closely into line with the average rate of productivity improvement....

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