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COMPETITION FOR AIR SERVICES

Requests by Canadian air lines to operate new international air routes will be considered on their merits, Transport Minister George Hees announced in a speech at Timmins, Ontario.

The Minister also said that in future, when a new trans-border route to the United States is available for operation, the most suitable carrier will be selected. At present all the Canadian scheduled services to the United States are provided by T.C.A.

Mr. Hees stated that the gradual introduction of competition in domestic scheduled air services should not be denied. It must, however, be regulated, and should be introduced only where economic conditions indicate that more than one operator can carry on successfully without government subsidy.

The Minister said, in part:

"At the end of World War II, Trans-Canada Airlines was to be the only Canadian operator to provide international services. After the war, however, Canadian Pacific Airlines became interested in developing international services, and over a period of years certain ad hoc decisions were apparently taken as a result of which Canadian Pacific Airlines was authorized to operate certain international routes. However, every international route not specifically allocated to C.P.A. was reserved for T.C.A.

"Both these companies have proven themselves successful and efficient international operators. Both have had to fly in direct competition with the largest international

airlines in the world. Both should continue to expand in the international field. Requests put forward in the future will be treated on their merits, and additional international routes or points of call may be authorized after taking full account of the need for new services; the Canadian traffic available; the foreign services that may have to be granted on a reciprocal basis; and the effect on existing Canadian services.

"It is not intended to place T.C.A., C.P.A., or other Canadian airlines in competition with each other in the international field. International routes are set up by reciprocal agreement with other foreign countries, and provide rights for foreign airlines to operate over the same or equivalent routes. Therefore, plenty of competition already exists in the international field without the duplication which would result if Canadian airlines were made directly competitive over the same international routes....

"The foregoing remarks have related to trans-oceanic and intercontinental routes. I would like to deal now with trans-border routes between Canada and the United States. At present all the Canadian scheduled services to the United States are provided by T.C.A. In future, where a new transborder route to the United States is available for operation, the most suitable Canadian carrier will be selected.

"The possibility of more air routes between Canada and the United States is dependent upon

negotiations with the United States government. Here, matters have for some time been at a standstill. Fuller development of transborder services between Canada and the United States will not be possible until agreement with Washington can be reached. Earlier attempts to persuade United States aviation authorities to re-open discussions on a basis designed to provide more transborder services for both United States and Canadian carriers have met with little success but new discussions have now been arranged to take place during the coming weeks.

"As for domestic aviation, I have proceeded on the assumption that competition is a valuable stimulus to more efficient operation and to the provision of better service to the public.

"However, if business available is not sufficient or barely sufficient to provide an airline operator with a chance of operating on a self-sustaining basis, there is no point in attempting to create competition which can only result in either deterioration of services or an increase in rates due to lack of enough business to cover costs. While competition is desirable, it must be regulated, and should be introduced only where economic conditions indicate that more than one operator can carry on successfully without government subsidy.

"The rapid growth of aviation in Canada has led to a multiplication of traffic several times over. A few years ago one transcontinental flight a day with twelve passengers was considered a bold venture; now we accept as normal eight daily transcontinental flights with aircraft carrying forty or more passengers. Yet Canada has a relatively small population compared with that of the United States, and my review has revealed that even in the United States, competition is far less widespread than is popularly believed.

"I have also studied the position of T.C.A. I am satisfied that it is providing good service for the public. Comments about mistakes in baggage handling and errors in its passenger reservations system have been examined. I have found that there has been great improvement recently, and that by statistical check, the T.C.A. record is as good, and indeed better, than figures for United States airlines. Any reservations system which has to handle hundreds of thousands of passengers in the course of a year, and where bookings are made, cancelled and changed by the passenger with scant regard for the difficulties caused for the airline, can never be completely foolproof. However, the T.C.A. percentage of error is very low. I feel that at least some of the criticism would not have arisen if the passengers involved had had some experience with other airlines.

"On the other hand, some of the difficulties in the past have arisen from the fact that T.C.A. acquisition of aircraft did not keep

abreast of the growth in passenger traffic, and T.C.A. had too few aircraft for the passengers travelling. This type of situation inevitably led to some booking errors, as well as complaints from people unable to reserve seats.

"This situation has been corrected by an extensive and farsighted programme on the part of T.C.A. for the acquisition of new equipment. T.C.A. was the first airline to introduce turbine-powered aircraft in North America and has a pattern of equipment orders outstanding which will in the next four years give it a fleet composed entirely of pure jet and turbine-propeller aircraft, with the older piston types available for sale or for reserve work. T.C.A. then will have six to eight D.C.-8 pure jet aircraft, twenty to twenty-four Vanguards, and over fifty Viscounts, with a total carrying ability far in excess of what it possesses today, in addition to the present piston-engine types which it may retain for reserve purposes.

"T.C.A. also has a good record in the matter of keeping costs, and therefore rates, down, and has indeed made decreases in numerous cases during a period when the general cost structure of the economy has been increasing rapidly including its recent announcement of further reductions in domestic tourist fares. If this record is to be maintained, T.C.A. must have adequate opportunities for further growth.

"Nevertheless, I am satisfied that the gradual introduction of some measure of competition in our domestic scheduled services should not be denied. With the present volume of flying and the rate of aviation growth in Canada, it may be introduced gradually without major detrimental effects to existing operations, and as it comes into effect, it should bring benefits for both the public and the airlines, providing the changes are made with caution and on a gradual basis.

"The primary responsibility for development of this policy of gradual introduction of competition will rest with the Air Transport Board.

"There is one other point that I wish to mention. I have already indicated my belief that the gradual introduction of competition will be a good thing for the Canadian public and for Canadian aviation as a whole, including T.C.A. T.C.A. will continue to play a very important role in domestic aviation. If T.C.A. is to be faced by some competition, it will not be fair to place burdens upon T.C.A. which are not borne by the private airlines.

"There may be an understandable tendency for private airlines seeking competitive routes to take the best of the traffic by serving only the points of heaviest traffic volume. T.C.A. has constructed a national network which services most important Canadian points, including a number where the traffic volume is very light. These represent an

ALBERTA'S FOREST INDUSTRY

Alberta's primary forest industry is utilizing an ever increasing volume and variety of woods for manufacturing process. Until a few years ago, woods operations were confined to saw timber, railroad ties, telephone poles and mine props. Now diversification is the theme in utilization of forest products. Poplar, long the weed tree of Alberta forests, has emerged as the foundation growth for three large plywood plants employing 500 workers. One plant has been operating at Grande Prairie since 1953; the other two opened in Edmonton late in 1956. This product has found ready acceptance with the building trade. For furniture and musical instrument making, poplar plywood is considered superior to that made from fir.

Vast tracts of poplar and spruce stands unsuited for saw timber or pole production are basic supply of a burgeoning pulp and paper industry. Early in 1957 North West Pulp and Power Limited began production of sulphate kraft pulp in a \$50 million plant at Hinton. The firm employs 500 workers in plant operations and another 1,500 in the woods. A second company is in the process of organizing a comparable pulp project in the adjacent Whitecourt area also northwest of Edmonton.

Growing importance of forestry in Alberta is reflected in the steady rise of its net value of production. In 1938 it contributed a net production value of \$1,112,000 to the provincial economy; by 1946 the figure rose to \$4,643,000; went on to \$9,445,000 in 1951 and in 1956 reached \$12,000,000.

RECORD BORDER CROSSINGS

Highway traffic crossing the border between Canada and the United States reached a record volume in 1957, according to The Dominion Bureau of Statistics. Aggregate crossings increased almost 4 per cent to 17,982,400 from 1956's previous high total of 17,341,800. This compares with an increase of 9 per cent in 1956 over 1955. Crossings comprised 9,300,300 foreign vehicles entering Canada versus 9,046,500 a year earlier and 8,682,100 returning Canadian vehicles against 8,295,400.

Incoming foreign vehicles consisted of 2,555,100 units entering on travellers' vehicle permits (2,484,400 a year earlier), 6,287,100 local or non-permit entries - a new record (6,111,100 - previous peak), and 458,200 foreign commercial vehicles (450,900). Re-entries of vehicles registered in Canada comprised 1,425,100 units abroad more than 24 hours (1,346,600), 6,629,600 vehicles absent 24 hours or less (6,309,500), and 627,400 commercial vehicles (639,300).

Forestry and its allied industries furnish employment for 8,000 to 9,000 persons with a payroll estimated at \$25 million to \$28 million. Sawmills alone employ an average of 3,000 men a year, with a payroll of \$5.5 million. Their gross production value averages \$24 million annually. Work in the sawmills is seasonal, confined mainly to the months of December, January, February and March. Employment fluctuates from 4,000 in the peak month of February to fewer than 500 in May.

In the furniture industry, 82 establishments have a working force of more than 600 with a payroll of nearly \$2 million. Their gross production value is in the neighborhood of \$6 million a year. Gross value of products turned out by 122 sash, door and planing mills is \$22 million. Working force is 1,850 and their annual payroll is \$5 million. Miscellaneous industries using wood, such as box factories and morticians' supply firms, number 23, employing 451 persons. Payroll is over \$1 million. Gross production value exceeds \$2 million.

In 1941 the gross production value of wood and paper products combined totalled \$13,981,714. By 1951 the figure for wood products alone had climbed to \$51,207,703, while the 1956 figure is estimated at \$62,000,000.

Timber production fluctuates from year to year but the over-all trend is steadily upward. From a low of 182,407,992 board feet in 1943-44 production has risen to an all-time high of 430,000,000 board feet in 1955. Production in 1956 receded to 385,000,000 board feet.

Volume of crossings in December declined slightly (0.3 per cent) to 1,117,500 vehicles from the 1956 December total of 1,121,300, number of foreign vehicles falling to 505,600 units from 505,800 and returning Canadian vehicles to 611,900 from 615,500. Volume of non-permit or local entries in the month dropped to 382,900 units from 390,100 a year earlier, but travel permit entries rose to 84,600 units from 78,400 and foreign commercial traffic to 38,200 units from 37,300. Re-entries of vehicles registered in Canada consisted of 490,200 units abroad 24 hours or less versus 481,700, 75,000 abroad more than 24 hours against 77,700, and 46,600 commercial vehicles against 56,100.

Entries of foreign travellers by rail, bus, boat and plane dropped in November to 59,539 from 63,147 in the corresponding month of 1956 but January-November entries increased to 1,460,082 from 1,386,685. Canadians returning by these means of transportation fell in number in November to 80,898 from 81,252 but cumulative entries rose to 1,244,070 from 1,239,198.

CANADIAN CATTLE INDUSTRY

R.K. Bennett, Head of the Livestock Merchandising Section of the Canada Department of Agriculture, says that at the present time indications are that 1958 should be a reasonably good year for Canadian cattlemen. There are at least 100,000 fewer head of cattle on feed in Canada than a year ago and according to a United States Department of Agriculture survey, the number of cattle and calves on feed in the United States at January 1, 1958, was 3 per cent less than last year. This indicates a reduction in the number of cattle to be slaughtered in that country this year.

In 1957 American feeders imported about 204,000 head of feeder cattle from Canada. Mr. Bennett says this was partially due to the fact that the severe drought in the United States had been broken in most areas and many ranchers who would have sold cattle last fall if the drought had continued, were instead in the market to buy. Furthermore, the Americans have a record supply of corn and other feed grains, a situation conducive to cattle feeding. Shipments up to date this year indicate that this strong demand for Canadian feeder cattle is still continuing.

The production of beef in Ontario is based, to a considerable extent, on the purchase of feeder cattle from western Canada. In 1957 Ontario farmers purchased approximately 85 per cent of their feeder cattle and calves from the west. Last year Ontario marketed nearly 700,000 head at public stockyards and packing plants, which meant that feeders bought from the west made up about 25 per cent of all the cattle marketed in Ontario.

Cattle prices, Mr. Bennett says, are closely tied to United States levels. When cattle are in short supply in this country the price level moves up, but as soon as the price at Toronto rises above the Chicago price to an amount equal to the freight and duty, American cattle start to move into Canada. In other words when beef cattle are moving in from the United States, the United States price sets a ceiling above which Canadian prices do not rise. On the other hand, when Canada has a surplus and is exporting cattle, the Canadian price tends to become the United States price, less the cost of shipping. This reverses the situation and the United States price provides a floor below which Canadian prices do not drop.

The story of cattle marketing in Canada is related to the distribution of human population and the areas where beef cattle are produced. Mr. Bennett points out that only about 27 per cent of all Canadians live in western Canada but the west markets nearly 65 per cent of the cattle. This means that western Canada is a surplus area for beef and the east is a deficiency area where only 35 per cent of the cattle is produced. The result is a continuous movement of live cattle and dressed beef from

the west to the large consuming centres of the east.

The quality of beef breeding herds in Canada has always been reasonably high and in the last ten years the quality of animals on a carcass basis in inspected slaughter has been improved tremendously. In 1948 the number of top grade carcasses (red and blue brand beef) in inspected kill, was little less than 6,000 per week, representing about 15 per cent of the total kill. Last year the weekly average in these top grades was nearly 15,000 head or 39 per cent of the total kill.

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SKIM MILK FOR RELIEF

The Secretary of State for External Affairs has announced that Canada is making available a large quantity of dry skimmed milk for international relief purposes. The Government has accumulated some 30,000,000 lbs. of this product under the agricultural price support programme and will offer substantial quantities as gifts to agencies for international relief which carry out large-scale feeding programmes for mothers and children. Arrangements for distribution will be discussed with agencies such as the Red Cross, the Unitarian Service and the United Nations Children's Fund (UNICEF).

The largest single gift is likely to be made to UNICEF, which distributes very large quantities of dry skimmed milk for mothers and children in countries where sufficient fresh milk is unobtainable. In 1957, UNICEF allocated \$1,267,000 worth of dry skimmed milk throughout the world and the consumption from mid-1957 through mid-1958 is estimated at some 92 million pounds. The exact amount of Canadian dry skimmed milk to be allotted to UNICEF in the forthcoming year will be decided upon after its executive board meets during March and establishes its programme for 1958.

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NEW AIRCRAFT ORDERED

The Minister of National Defence, the Honourable George R. Pearkes, VC, has announced that the Government has ordered ten medium transport aircraft of a new type. These aircraft will considerably modernize the facilities of the R.C.A.F. Air Transport Command.

The aircraft, to be known as the Cosmopolitan, will be built by the Canadair Company of Montreal. It will be an all-Canadian version of the proven Convair liner airframe and will be fitted with new British turboprop "Eland" engines made by Napier Limited.

The civil version of this new combination of engine and airframe is expected to have a world-wide sales appeal and the commencement of this project will allow the Canadian aircraft industry to make new bids in the world aircraft market.

EXTENSIVE SEA EXERCISES

More than 30 warships, three naval air squadrons and 6,300 officers and men of the Royal Canadian Navy will be carrying out major exercises and training cruises in waters ranging from the Caribbean to the China Sea during the next month-and-a-half. It is the most comprehensive spring training programme that has yet been undertaken by the RCN, according to Naval Headquarters.

Eighteen ships, including three Royal Navy submarines under Canadian control, will be operating from the Atlantic Command, while 14 ships will be operating from the Pacific Command.

Major East Coast activities include two joint RCN-United States Navy exercises, followed by an exercise involving RCN and British Home Fleet ships, aircraft and submarines, and aircraft of the Royal and Royal Canadian Air Forces. The First RCN-USN exercise "Springboard", an annual training scheme of the United States Atlantic fleet, has been completed, while the second, concentrating on anti-submarine operations, is now in progress.

The RCN-Royal Navy exercise will include practice in almost all phases of maritime warfare. Known as "Maple Royal", the exercise will be divided into two phases, in between which 13 participating British units will visit Halifax, March 14 to 18.

In addition, RCN ships are carrying out general sea training, including that of new entries; and sea trials in connection with naval research.

East Coast units taking part in some or all of the exercises and training activities include the aircraft carrier Bonaventure; the destroyer escorts Algonquin, Micmac, Haida and Nootka of the First Canadian Escort Squadron; the destroyer escorts St. Laurent, Assiniboine and Ottawa of the Third Canadian Escort Squadron; the frigates Outremont, Lauzon, La Hull-oise and Swansea of the Seventh Canadian Escort Squadron; the submarine Alcide, Alliance and Amphion of the RN's Sixth Submarine Squadron, based on Halifax; VS881, an anti-submarine air squadron; VF871, a squadron of Banshee jet fighters; HS50, an experimental anti-submarine helicopter squadron; the destroyer escorts Sioux and Crusader, and the

frigate Lanark.

Ports being visited by the East Coast units include San Juan, Puerto Rico; Mayport, Miami, Jacksonville and Fort Lauderdale, Florida; Charleston, South Carolina; Philadelphia, Boston and New London, Connecticut; Guantanamo, Cuba; St. Thomas, Virgin Islands; Kingston, Jamaica; and Bermuda.

On the Pacific Coast, major activities include the conclusion of one training cruise for cadets of HMCS Venture, junior officers' training establishment at Esquimalt, and the beginning of a second; a series of joint RCN-USN convoy, anti-submarine and minesweeping exercises and a training cruise to ports in the Orient.

Five destroyer escorts of the Second Canadian Escort Squadron are in Japan after having carried out a convoy exercise with USN units en route from Pearl Harbor. After stops at Yokosuka and Tokyo, the squadron will proceed to Hong Kong, Saigon and Okinawa before the return voyage and further exercises with the USN. The Canadian ships are the destroyer escorts Crescent, Cayuga, Skeena, Fraser and Margaree.

The cruiser Ontario has arrived home from a training cruise to Central America for 68 first-year cadets from HMCS Venture, officer-cadet training establishment at Esquimalt. She was accompanied by two frigates of the Fourth Canadian Escort Squadron, HMC Ships Sussexvale and Ste. Therese, which joined her in San Diego. The other two ships of the Fourth Squadron, the Settler and Antigonish, sailed north for Kodiak and anti-submarine exercises with the USN in Alaskan waters.

The Ontario is scheduled to put to sea again on February 24 on a two-month cruise to the South Pacific for 48 second-year Venture cadets. Among the points to be visited will be the Hawaiian and Fiji Islands, and Sydney, Australia. The cruiser is scheduled to return to her Esquimalt base on May 5.

Closer to home, the Esquimalt-based coastal minesweepers Fortune, James Bay, Miramichi and Cowichan of the Second Canadian Minesweeping squadron began a series of minesweeping exercises in local waters.

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CONFERENCE ON SEA LAW

The Department of External Affairs has announced the composition of the Canadian Delegation to the International Conference on the Law of the Sea which commences in Geneva, Switzerland on February 24.

The Honourable George A. Drew, P.C., C.C., High Commissioner for Canada in London, will be chairman of the delegation. Other delegates are: M.H. Wershof, Q.C., Canadian Permanent Representative of the European Office of the

United Nations, Geneva; Marcel Cadieux, Legal Adviser and Assistant Under-Secretary of State for External Affairs; R.G. Robertson, Deputy Minister of Northern Affairs and National Resources; S.V. Ozere, Assistant Deputy Minister of Fisheries; L.J. Leavey, Legal Adviser, Canadian Maritime Commission; and Professor G.F. Curtis, Dean of the Law School of the University of British Columbia.

The Secretary of the delegation will be M.W. Cunningham of the Privy Council Office. Advisers will be drawn from various depart-

ments in Ottawa and from the Permanent Mission in Geneva.

The Conference in Question has been convened by the Secretary-General following upon a resolution of the General Assembly of the United Nations at its eleventh session. The purpose of the Conference is "to examine the law of the sea, taking account not only of the legal but also the technical, biological, economic and political aspects of the problem, and to embody the results of its work in one or more inter-national conventions or such other instruments as it may deem appropriate". It is also proposed that the Conference should study the question of free access to the sea of landlocked countries, as established by international practice or treaties.

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COMPETITION FOR AIR SERVICES

(Continued from Page 2)

economic burden for T.C.A. since the passengers at these points may not be enough to pay for the cost of T.C.A. service. It is reasonable to expect that private airlines also if granted the advantage of competition should in future assume greater responsibilities for service to points which need air service, but are not self-sustaining. The Air Transport Board will bear these considerations in mind in dealing with applications.

"Also, while competition is something which will effect T.C.A. as the biggest airline operator in Canada, the principle will, of course, apply to any scheduled route. In any case where economic conditions warrant competition on a route now served by a private airline, the door will be equally open for a competitive application to the Board by either T.C.A. or a second private airline."

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CHRISTMAS TREE GRADING

The Christmas tree industry of Canada has taken initial steps to establish national grading standards for Christmas trees. At a meeting in Ottawa a committee representing the industry, federal and provincial governments, and related agencies, and convened by the federal Department of Trade and Commerce, reached agreement on the grades to be adopted and on ways and means to bring these grades into use.

The annual production of Canadian Christmas trees is valued at more than \$8 million and annual exports at over \$6 million. As the bulk of Canadian production is marketed in the United States, the Committee adopted a system of standard grades similar to that recently established in that country. It was agreed that the application of these grades should be voluntary. Since the grading of individual trees will, therefore, be carried out by producers, dealers, shippers or others in the

trade, the Committee decided to prepare a manual on grading. This manual will be supplemented by practical training in the field provided by qualified instructors.

The Committee recommended the establishment of a national Christmas Tree Association to include all persons having an interest in this unique Canadian business.

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MAJOR EVENTS IN 1958

Visitors to Canada this year will find a multitude of major events planned in towns, cities and populated sections all across the country. Feature attractions will include the Nova Scotia Gaelic Mod, at St. Ann's, August 5-10; opening of the 300th anniversary celebrations at Ste. Anne de Beaupré, Québec, May 4; Calgary Stampede and Exhibition at Calgary, Alberta, July 7-12; Frontier Days Rodeo at Swift Current, Saskatchewan, June 30-July 2; Canadian National Sportsmen's Show at Toronto, Ontario, March 14-22; and the Manitoba Provincial Exhibition at Brandon, June 30-July 4.

Apart from the host of other activities planned for Quebec province, this year, French Canada's capital city of Quebec will celebrate its 350th anniversary. There will be year-round festivities in the city to honour the great French explorer Samuel de Champlain who erected the first settlement in 1608.

British Columbia, too, is celebrating its 100th birthday in 1958, and every community in the province will share in the fun. Among the festivities will be an Indian Potlatch at Port Alberni on May 19, a vintage car race at Victoria and a fishing derby at Nanaimo on May 24, and a \$50,000 Centennial Open Golf Tournament at Vancouver from August 27 to September 1.

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NATIONAL PARKS VISITORS

The National Parks of Canada broke all previous attendance records in 1957 when a grand total of 4,045,766 people visited the scenic and national historic parks during the period April 1 to December 31. This was an increase of 400,035 more visitors than were recorded during 1956.

Parks making the largest gains were Banff National Park, Alberta, with an increase of 72,894; Waterton Lakes National Park, Alberta with a gain of 56,406; Jasper National Park, Alberta with a gain of 54,728, and Riding Mountain National Park, Manitoba, an increase of 52,905 visitors.

Banff National Park, Alberta, led all other parks in attendance with 712,338 visitors recorded, followed by Riding Mountain National Park, Manitoba with 587,276 and Point Pelee National Park, Ontario, with 557,859.

Total attendance at the National Historic parks during the period was 318,536.