CANADA

# CANADIAN WEEKLY BULLETIN

INFORMATION DIVISION · DEPARTMENT OF EXTERNAL AFFAIRS · OTTAWA, CANADA

Vol. 18 No. 37 September 11, 1963.

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## NEW DEAL FOR CANADIAN MUNICIPALITIES

*In an address to the Ontario Municipal Association at Kingston on August 27, the Minister of Finance, Mr. Walter L. Gordon, had the following to say concerning the Municipal Development and Loan Fund, for the establishment of which a bill had been introduced in Parliament in June:*

...The constitutional position of the provinces respecting their municipalities was fully recognized in the bill. Despite this, some of the provinces expressed the view that their responsibilities were not sufficiently safeguarded. Following a very successful conference with the provinces in July, the Federal Government proposed to Parliament amendments in the bill which will enable those provinces which so desire to handle all arrangements with the municipalities within their jurisdiction. In such cases the Municipal Development and Loan Board will lend money to the provinces, which, in turn will lend it to the municipalities on exactly the same terms and conditions as they would otherwise have been able to obtain from the Board.

### NO INDEFINITE CONTINUATION

Parliament has approved the sum of $400 million to be made available to municipalities throughout Canada, allocated among the provinces in proportion to their population. It is to be used for projects that will provide additional employment between now and March 31, 1966. By that date it is to be hoped that other, longer-term, measures to sustain employment will be in effect. In any event, the very nature of this particular programme, including the test of new or additional projects to provide additional employment, is such that it is not suitable for indefinite continuation. The emphasis is to be on new projects or accelerated programmes that otherwise would not be proceeded with in the next two and a half years.

I believe that the $400-million Loan Fund can and will make a worthwhile contribution to increasing employment. It is hoped that the fund will increase municipal capital outlays by $600 million over the next 2½ years, thereby providing an estimated 72,000 man-years of jobs on the site and about an equal number of man-years of jobs off-site. This prime objective cannot be achieved, however, unless the municipal projects undertaken as part of this programme are truly additional to what would otherwise have been proceeded with. This test of 'additionality' is the main condition which Parliament has laid down for the administration of the Fund.

### ATTRACTIVE TERMS

The terms on which the loans will be provided are intended to offer a strong inducement to municipalities to take advantage of this assistance to expand or to expedite their capital programmes. First of all the money will be lent at a low rate

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of interest which will not exceed the Government's own borrowing rate by more than ¼ of 1 per cent. For the present quarter of 1963, the Loan Fund rate would, therefore, be somewhere between 5 1/8 and 5 3/8 per cent. The rate will be re-established at the start of each quarter. This means that a municipality will know as soon as a project is approved what its borrowing rate will be for the whole of the project, since the rate will be established as of the date of approval rather than the date when the money is actually loaned.

A second and much more important inducement to municipalities to participate in the programme is incorporated in the 'forgiveness feature' – a provision which is virtually identical with the 'forgiveness' provided for loans for sewage-treatment projects under Part VIB of the National Housing Act. There appears to be a misunderstanding in some quarters about the financial significance of the forgiveness aspect of these loans which needs to be cleared up. Let me give you three examples:

(i) a 20-year loan at 5¼ percent interest with 25 percent forgiveness is equivalent to a 20-year loan at 2.05 percent interest with no forgiveness.

(ii) a 15-year loan at 5¼ percent interest with 25 percent forgiveness is equivalent to a 15-year loan at 1.24 percent interest with no forgiveness.

(iii) a 10-year loan at 5¼ percent interest with 25 percent forgiveness is equivalent to a 10-year loan without interest. (Actually, it is even better than that; it is the equivalent of a 10-year loan plus interest payable to the borrower of 0.32 per cent *per annum.*)

If the loans are serial in type, as I assume many of them will be, the average maturity would be short and the most realistic of these comparisons would be with the 10 and 15 year loans, where the interest equivalent of the forgiveness is greatest.

### ACCEPTABLE PURPOSES

The purposes for which municipalities may borrow from the Fund are very broad. They include municipally-owned water-treatment plants and distribution mains, municipality-owned storm sewers, streets and thoroughfares, municipally-owned buildings, and municipally-owned public transport or transit systems exclusive of rolling stock and similar operating equipment and other types of capital projects, the construction of which will increase employment. Schools may also be financed under the Act if the province concerned so wishes, provided they are truly additional projects that will increase employment.

Loans may be made by the Municipal Development and Loan Board direct to the municipalities concerned, subject to provincial approval of the projects to be undertaken and the financial capability of the municipality concerned. Alternatively, the provinces have the option of granting and administering the loans to their own municipalities subject to such safeguards as are necessary to enable the Municipal Development and Loan Board to report to Parliament that the moneys have been properly loaned according to the purpose of the legislation.

### PROVINCIAL DECISIONS AWAITED

The members of the Municipal Development and Loan Board have been appointed and the Board is now ready to go to work just as soon as the provinces decide which of the alternatives they wish to follow. Thus far two provinces have told us definitely that they have decided to have the Board lend directly to their municipalities. The Province of Quebec wishes to take advantage of the other alternative, and therefore the Board will deal with the province and the province with the municipalities. A special session of the Quebec Legislature was called to approve the necessary legislation. The next step will be for the province to enter into a formal agreement with the Board. This is expected to be completed promptly.

In addition to Quebec, two other provinces have indicated that they wish to administer the Loan Fund themselves. Five provinces, including Ontario, have not yet advised the Federal Government how they wish to proceed in this matter.

### ONTARIO SHARE OF FUND

If the Ontario share of the Loan Fund – some $135 million – is provincially administered, all of the municipal contacts will be with the Province of Ontario. The province would assume responsibility – subject to the terms of an agreement with the Federal Government – for deciding which projects qualify under the provisions of the Act and for allocating the loan moneys. The province would itself, or through an agency, make the loans to its municipalities for each project and forgive the required 25 percent share. The Federal Government would lend an equal sum to the province for each project on the same terms and with equal forgiveness.

An arrangement of this kind might require provincial legislation before it could be made effective, as was the case in Quebec. In this event it would seem doubtful if such legislation would now be passed in time to get the maximum number of new projects, and the new jobs that would go with them, under way this coming winter.

If the Province of Ontario decides not to administer these loans itself, however, the Ontario share of the Fund could be handled by the Municipal Development and Loan Board direct. The Board will shortly be ready to deal with applications without delay if that is what the provincial authorities wish. I should point out that, if this is the procedure decided upon for Ontario, the province would still have to give its approval to each application for a loan and would be responsible for transmitting all applications to the Municipal Development and Loan Board in Ottawa

In concluding these remarks, I should like to stress the importance of an early start on projects

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## CANADA IN CHILEAN PROJECT

Mr. Mitchell Sharp, the Minister of Trade and Commerce, has announced the signing of a long-term export-financing agreement with South America's largest pulp and paper manufacturer, Compania Manufacturera de Papeles y Cartones, S.A.

A loan of $5.7 million is being provided through the Export Credits Insurance Corporation to finance the purchase of Canadian capital equipment and engineering services for a pulp-mill expansion project in Chile. The $34-million project is being financed by Canada, the Inter-American Development Bank, the International Finance Corporation and the borrower.

### ORDERS PLACED IN CANADA

Nearly $20 million in foreign exchange will be required for the project. Orders to be placed in Canada are expected to be substantially in excess of the Canadian loan. Equipment orders totalling over $3 million have already been placed with Canadian suppliers, and negotiations are now under way with others for such major components as boilers, barking drums, pulp-conveyor, evaporator and washing and bleaching equipment. H.A. Simons (International) Ltd., Vancouver, has been appointed as consulting engineer for the project as a whole.

In making the announcement, Mr. Sharp said that the special significance of such joint financial ventures was that they offered Canadian exporters of capital goods and services a chance to increase the scope of their foreign markets by participating in very large projects that Canada could not finance on its own.

The financing agreement calls for repayment of the loan in 25 semi-annual instalments, beginning in three years. This brings the total value of the contracts signed under the long-term financing facilities offered by the Export Credits Insurance Corporation to $127.7 million.

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## FOREST-FIRE FIGURES

The forest area burned in Canada to the end of July this season have been estimated as well below the total recorded at the same time last year.

National forest-fire statistics issued monthly by the federal Department of Forestry reveal that 81,000 acres were burned in 1,843 fires during July, bringing the seasonal total to 269,000 acres, the result of 4,882 fires. By the end of July last year, 4,439 fires had swept through 436,000 acres of woodland.

The breakdown for the current season shows that 4,793 forest fires, with an estimated area of 248,000 acres, were reported in the provinces and 89 fires, totalling 21,000 acres, in the Yukon and Northwest Territories. In July 1,797 fires burned 70,000 acres in the provinces, and 46 fires in the Yukon and Northwest Territories encompassed 11,000 acres of forest.

## TYRONE GUTHRIE AWARDS, 1963

Grants totalling $3,000, financed by the Tyrone Guthrie Award Fund, were recently announced for two members of the company and staff of the Shakespearean Festival, Stratford, Ontario.

Garrick Hagon, an actor, and Ed Kotanen of the Festival Theatre's property department, both of Toronto, have each been awarded $1,500 by the Tyrone Guthrie Award Committee. Two of the Committee – Michael Langham, artistic director, and Tom Patterson, founder and planning consultant of the Festival – are permanent members. The four non-permanent members are Jack Hutt, production stage manager, and three senior members of the acting company – William Needles, Mervyn Blake and Max Helpmann.

### ORIGIN OF AWARDS

The money for these awards, which is to be used for theatre study, is the result of the annual Guthrie Award benefit performance – this year, a matinee presentation of "Timon of Athens" on August 2. The Fund itself was established by the acting company in 1954 as a token of appreciation for the leadership of Sir Tyrone Guthrie, first artistic director of the Festival. Approximately $45,000 have been awarded to actors and other theatrical personnel since then.

In addition to the awards, money will also be set aside, as in previous years, to provide training in voice, movement and fencing for members of the Company.

Mr. Hagon, who plays Patroclus in this season's production of "Troilus and Cressida", Caphis in "Timon of Athens" and a fop in "Cyrano de Bergerac", was one of the members of the original Festival Company in 1953, when he made his debut as the 12-year-old Prince of Wales in "Richard III". Since that time he has appeared in many television and stage productions in Canada and the United States. Mr. Hagon, who graduated from the University of Toronto this year, plans to use the award to study voice and mime in London, England.

Mr. Kotanen graduated in 1959 with a B.A. degree from the Theatre Arts Department of the University of California. He has worked professionally as a designer and painter in Toronto with the National Ballet, the Canadian Opera Company and the Crest Theatre, as well as in stock companies in Leamington (Ontario), Erie (Pennsylvania) and Rochester (New York). He will use his grant to spend four months in Europe observing theatrical production methods.

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## INDEX OF INDUSTRIAL PRODUCTION

Canada's seasonally-adjusted index of industrial production (1949=100) was virtually unchanged in June from the preceding month at 195.5 *versus* 195.6. An increase of 0.3 per cent in manufacturing (to 174.2 from 173.7) was offset by a decline of almost 2 per cent in mining (to 292.2 from 297.5) and little change in electric power and gas utilities at 358.4 *versus* 358.7.

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This latest development left the total index of production for this year's January-June period higher by almost 5.5 per cent than during the first six months of 1962. During the second quarter, on a seasonally-adjusted basis, total industrial production was higher by about 1.9 per cent than in the first quarter.

### DURABLES

In durable manufactures, which fell marginally in June to 174.7 from 174.8 in May, gains of 1 per cent occurred in wood, iron and steel products and transportation equipment. These were offset by slight declines in both non-ferrous metal products and electrical apparatus and supplies, and a 6 percent decrease in non-metallic mineral products. The latter followed the sharp increase in this group recorded in May. Elsewhere in the detail, iron castings, primary iron and steel and motor vehicles remained high in June.

### NON-DURABLES

The output of non-durables edged slightly more than 0.5 per cent in June (to 173.9 from 172.8) as a result of mixed movements. Gains from 1 per cent to 3 per cent were recorded in chemicals, printing and publishing, foods and beverages, leather products, petroleum refining and rubber and textile products. Tobacco, clothing and paper products were lower in June, the latter owing to a decline in pulp and paper output. Again in this industry, the decline followed an unusually large increase in May.

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## CHINESE TRADE WITH CANADA

The Minister of Trade and Commerce, commenting recently on the new long-term wheat agreement between the Canadian Wheat Board and the Chinese state-trading corporations, said it would mean additional export sales of wheat estimated at between $215 million and $360 million over the next three years. Mr. Sharp said that, under these circumstances, it was natural and reasonable that the Chinese state-trading corporations should wish to sell their products in Canada. However, in the negotiations, the Chinese representatives had recognized that it was in the mutual interest that there should be special arrangements to avoid disruption of markets and damage to Canadian producers. Accordingly, they had undertaken to limit their annual exports to Canada of sensitive items to $7 million. To ensure that Chinese sales would not be concentrated in any particular sector of trade, separate limitations had been established for some 30 items, mostly textile products, within the total limit of $7 million of sensitive items.

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## GOLD PRODUCTION

June production of gold declined 1.7 per cent, to 331,143 fine ounces from 336,807 in the same month last year. With a lone increase in May, output in the January-June period fell 4.3 per cent, to 2,009,422 fine ounces from 2,100,138 in the first half of 1962. Output was larger than a year earlier both in June and the January-June period in the Atlantic Provinces and the Yukon and smaller in Quebec, Ontario, British Columbia and the Northwest Territories. Output in the Prairie Provinces was up in the month and down in the half year.

June production totals were: Atlantic Provinces, 1,821 fine ounces (1,333 in June 1962); Quebec, 77,541 (81,991); Ontario, 193,439 (193,611); Prairie Provinces, 10,177 (9,781); British Columbia, 14,952 (13,234); Yukon, 3,628 (2,614); and the Northwest Territories, 29,585 (34,243).

January-June totals were: Atlantic Provinces, 5,629 fine ounces (5,300 in 1962's first half); Quebec, 483,284 (504,078); Ontario, 1,181,210 (1,245,351); Prairie Provinces, 59,853 (64,756); British Columbia, 82,779 (81,115); Yukon, 4,361 (3,487); and the Northwest Territories, 192,306 (196,051).

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### NEW DEAL FOR CANADIAN MUNICIPALITIES

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to be financed under this new programme, so that a maximum amount of additional employment may be created in this coming winter. I should also like to emphasize how important it is that the municipal officials, by taking advantage of this Fund, do everything they can to increase the level of employment in their communities over the next two and a half years. The success of the Municipal Development and Loan Fund can be of great benefit to all of us. That success will depend primarily on those of you who are responsible for government at the municipal level and upon the co-operation of the provincial governments concerned.

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