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# Canada Weekly

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## Government spending proposals cut in the fight against inflation

A \$1.5-billion cut in proposed government expenditures was announced by Prime Minister Pierre Trudeau on national television on December 18 as part of the battle of inflation which, he said, would "be tough on a lot of people".

Included in the restraints were the termination of government funding for Information Canada, the Company of Young Canadians, Opportunities for Youth, a restriction on the budget of the Local Initiatives Program and a one-year suspension of the cost-of-living adjustment to family allowances which will hold federal payment at \$22.08 a month for each child.

Detailed regulations governing the movement of prices and incomes were tabled earlier in the evening by Treasury Board President Jean Chrétien, who said that, despite restraints, government spending would rise "by several billions next year". Passages from the Prime Minister's address follow:

\* \* \* \*

Today the Government has asked Parliament for the authority to impose a special levy on export profits earned by Canadian companies which sell their products in foreign countries, at world prices. In this way, exporting companies will be subject to the same profit restraint as companies which sell all their products in Canada, at controlled prices. This levy has not been designed to increase government revenue, but rather to ensure the creation of more jobs for Canadians, and to ensure the fairness of the anti-inflation program.

We have also asked Parliament today for the authority to increase the income tax on the highest income earners in the country, through the imposition of a surtax. In general, the tax payable on all taxable income in excess of \$30,000 will increase by 10 per cent next year. We are requiring this as a contribution to our program of national restraint by those Canadians who are best able to carry the burden.

### Board activities

The Anti-Inflation Board is organized and operating. It has already made its views known on issues relating to teachers, firemen, the aircraft-manufacturing and mining industries, and corporate dividends. It has ordered more than 100 of Canada's largest companies to give the Board 30 days' notice of planned price increases, so

that such increases can be prevented if they are found to be unjustified.

\* \* \* \*

Prices will be closely monitored, and increases will not be allowed to exceed net cost increases. Firms unable to allocate their costs to individual products will be required to limit price increases so as to achieve net pre-tax profits no higher than 95 per cent of the average of the last five years. But not all increased costs will be passed on to the consumer. The regulations contain a detailed list of non-allowable costs, such as capital losses, non-typical losses, and the reinvestment of profits.

\* \* \* \*

Some spending cuts will be tough on a lot of people. We will be forced to deny improvements in services which many people want. Every Canadian will feel the impact.

Let me now give you some examples of the way in which restraint is going to affect the way we live and work here in Ottawa, some examples of programs which are being eliminated entirely, and some examples of programs whose budgets are going to be held within strict limits.

### High level salary cuts

The Government, with the support of the Liberal caucus, will ask Parliament tomorrow to cancel the 7 percent salary increase which members of par-

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liament, senators, and cabinet ministers are scheduled to receive on January 1. I am confident that members of the opposition parties will support this salary freeze as an example of personal restraint.

The salaries of senior civil servants will be frozen for the next 15 months, together with the salaries of federal and provincial supreme court judges, senior officers of the armed forces and the Royal Canadian Mounted Police, senior executives of Crown corporations such as the Canadian National Railway, Air Canada and the Canadian Broadcasting Corporation, and the senior executives of all government boards, commissions and agencies.

During the next 15 months, there will not be any increase in the authorized number of man-years in senior executive categories.

The federal civil service will be held to an annual growth rate of 1.5 per cent, well below the growth rate experienced in recent years. In fact, this means that most government departments will actually reduce the number of their employees, because in a few priority areas, like the anti-inflation program and law enforcement, more people will have to be hired.

I am reducing the size of my own staff, the Prime Minister's office, by 10 per cent.

All government departments have been ordered to severely restrict travel and administrative expenses, as well as their budgets for work done by outside consultants. The Government will drastically restrain its purchase of office furniture and automobiles.

\* \* \* \*

It is with a sense of personal sadness that I tell you that all Federal Government funding of the Company of Young Canadians will be terminated, with a resulting saving of \$6 million.

The Opportunities for Youth Program will also be terminated, at a saving of \$36 million.

Information Canada will be disbanded, although some of its essential functions, like the book shops, will be integrated into other government departments. This will produce a net saving of at least \$5 million.

Other government programs, while not being eliminated, will be given less money next year than we had planned, and in some cases, less than they

would need in order to respond adequately to growing public demand for government services.

The Treasury Board's budget for the Public Service bilingualism program will be cut by 20 per cent. It will be \$10 million lower next year than it is this year.

The Canada Manpower Training Program will be changed. Training allowances will not be indexed and the rules for eligibility will be modified. This will mean that expenditures next year will be \$20 million less than they would otherwise have been.

The Local Initiatives Program will undergo major changes. Its budget for next winter will be \$35 million less than this winter. I must point out, however, that the Government is very concerned about the possible impact of spending cuts upon rates of unemployment throughout the country. We will be watching this situation very closely. Should the need arise, we will not hesitate to intervene to stimulate employment.

#### Aid budget limit

For one year, the budget increase for foreign aid will be limited to 10 per cent — less than half the annual rate of increase during the past five years.

The Department of External Affairs will be required to finance any badly needed new post abroad by reducing the expenses of existing posts.

The Government will introduce legislation to produce a saving of \$10 million on its contribution to crop insurance.

Government grants to industry for research and development will be at least \$9 million lower next year than they are this year.

Grants for research in medicine, the physical sciences, the humanities and social sciences will be frozen at this year's levels.

The Department of National Defence will reduce its headquarters staff by 10 per cent, thereby saving \$5 million in civilian salaries, and releasing military personnel for essential duties outside the national capital area.

Family allowance payments, which are ordinarily increased each year to compensate for the rising cost of living, will remain at the same level next year as they are now. This decision to suspend indexing for one

year will reduce Government spending plans for next year by more than \$200 million.

The Department of Public Works budget for the construction of new government buildings will be \$30 million lower next year than this year.

\* \* \* \*

I cannot promise you that the battle will be won in a matter of months. It will take time for a program of national restraint, in company with appropriate fiscal, monetary and other policies, to exert a real impact upon the rate of inflation. It will take time for us to accept self-discipline as normal and expected behaviour, rather than as heroic sacrifice. It will take time for us to learn to reduce our expectations; but we must retain our resolve.

We are in for a long struggle.

This is the blunt truth which must be realized by every Canadian. For Canada and the world have entered a new economic era, filled with both danger and hope.

\* \* \* \*

#### Bennett beats Barrett in B.C.

Premier Dave Barrett's New Democratic government in British Columbia was defeated on December 11 by the Social Creditists, led by Bill Bennett, son of W.A.C. Bennett, who had been the B.C. premier for 20 years until 1972.

Of the 55 seats in the provincial legislature, the Socreds won 37, New Democrats 16 and the Liberals and Conservatives one each. In the 1972 election, the New Democratic Party won 38 seats, Social Credit, 10.

In the December 1975 election, although the NDP polled 39.2 per cent of the popular vote, almost the same as in 1972 (39.59), most of the 1972 Liberal and Conservative support went to the Socreds, who polled 49.2 per cent of the popular vote, compared to 31.16 per cent in 1972.

Premier Barrett was narrowly beaten in his own riding of Coquitlam, Vancouver, by George Kerster, a used car dealer. Barrett had 17,823 votes, Kerster, 17,990. A recount was probable. Seven members of the NDP cabinet also lost their seats. This was the first time a socialist government had been defeated after only one term of office.

### Mr. MacEachen co-chairs international energy conference

The Secretary of State for External Affairs, Allan MacEachen, shared the chairmanship of the Conference on International Economic Co-operation with Dr. Manuel Pérez Guerrero of Venezuela in Paris, which convened on December 16.

The conference, opened by President Valéry Giscard d'Estaing of France, brought together foreign ministers of industrialized states and oil-producing and developing countries. Mr. Giscard d'Estaing appealed for greater justice in organizing the world economy.

Mr. MacEachen stated that the conference was a "unique event" and was "the beginning of a crucial dialogue

aimed at establishing a sound basis for economic co-operation" for all countries.

United States Secretary of State Henry Kissinger called on the oil-producing countries to reduce oil prices and use the revenues to aid the needy countries that would face, he said, a deficit of some \$35 billion in 1976.

Representatives agreed to set up four commissions to "pursue an intensified international dialogue" on energy, raw materials, development. Mr. MacEachen and Dr. Pérez Guerrero will review the terms of reference of the commissions and all commission assignments at a meeting on January 26.

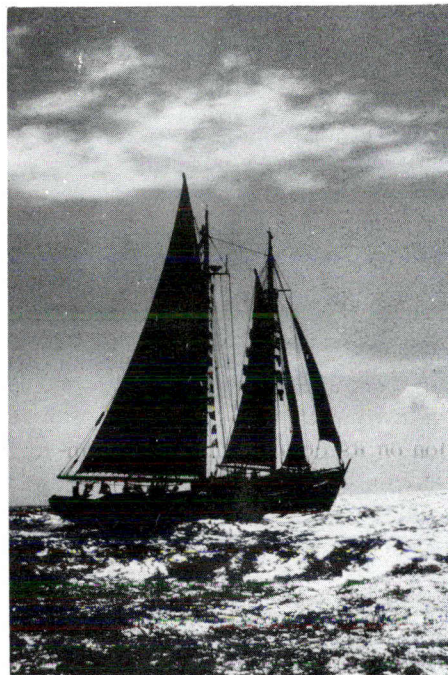
### Fisheries-conservation ship Europe bound

A new European itinerary for the Canadian fisheries-exhibit ship, the *Norma & Gladys*, has been agreed on by the Federal Government and the government of the province of Newfoundland (see *Canada Weekly* dated August 27, 1975). The ship's original world trip, including a visit to Japan, was changed owing to scheduling problems and budgetary cutbacks by the two governments which are joint sponsors of the project.

The traditional fishing schooner will visit many countries with which Canada is negotiating both bilaterally and at the on-going Law of the Sea Conference the basis of co-operation necessary for the effective implementation of the 200-mile fisheries control zone.

The vessel will carry her exhibit promoting fisheries conservation and management to ports in Spain, Italy, Portugal, France, the Netherlands, Germany, Norway, Sweden, Finland, Britain and possibly the U.S.S.R. and Poland.

Not only will the schooner and exhibit be open to the general public, but chosen audiences, mainly concerned with conservation and marine-resource management, will be invited aboard. In addition, the ship will be used as part of a trade, investment and tourist promotion program that will be undertaken in Europe by the government of Newfoundland.



*The Norma & Gladys on the high seas.*

### U.S.S.R./Canada fisheries pact

Canada and the U.S.S.R. have concluded an agreement on fisheries, effective immediately, announced Secretary of State for External Affairs Allan MacEachen on December 22.

The accord, signed the same day by Mr. MacEachen and Soviet Ambassador A.N. Yakovlev, provides for the estab-

lishment of a Canada/U.S.S.R. joint fisheries consultative commission and the appointment of a Soviet fisheries official in Halifax, Nova Scotia.

Among the functions assigned to the four-member commission — two from each country — will be the facilitation of co-ordination of statistical and scientific information, the improvement of bilateral co-operation under the scheme of Joint International Enforcement of the International Commission for the Northwest Atlantic Fisheries, a regular exchange of information with regard to areas of concentration of fishing operations of both countries, and the promotion of other co-operative measures for the purpose of preventing damage to fishing gear and facilitating the settlement of any claims arising from such damage.

Among the functions of the Soviet fisheries official, who will reside in Halifax, will be the regular exchange of statistical and other information with regard to fishing operations conducted in the Northwest Atlantic off Canada's coast and the comparison of such information with estimated catch data by species, sub-areas and statistical areas, as well as the regular provision of data concerning the number of Soviet vessels operating within the area.

### Canada increases commitment to NATO

Defence Minister James Richardson told his North Atlantic Treaty Organization colleagues at a two-day annual defence planning committee meeting in Brussels on December 10 that recent Canadian Government decisions on defence matters "constitute a strong reaffirmation of Canada's commitment to collective security".

Along with new developments he had announced in Canada on November 27, Mr. Richardson also said that "in addition, we will be providing sufficient modern tanks to enable us to increase the tank strength of the armoured regiment from two squadrons to three, with a total of 57 gun tanks and eight specialists' tanks, thus giving us the equipment in Europe to field a full brigade group".

Later, the defence minister told a news conference that the decision on tanks would be made "in a matter of months, certainly before the summer".

He also said that the combat capability of the brigade group would be enhanced still further "by increasing the strength of the artillery regiment by six self-propelled guns, thereby raising its total artillery strength from 18 to 24 guns".

"At the same time," he said, Canada would be "implementing an approved program to improve these guns, in accordance with one of SACEUR's (Supreme Allied Command, Europe) proposals, by the installation of longer barrels to provide increased range, and consequently improve our artillery support".

The minister also said that "not only will we be maintaining our stationed manpower at its current level, but we will also be increasing the strength of the reinforcements which will be flown over from Canada, to ensure that our brigade and its equipment is fully manned to war strength in time of crisis".

#### Substantial budget increase

Mr. Richardson also told his NATO colleagues that the budget estimates for the Canadian defence department for the fiscal year 1975-76 had already been "increased substantially by supplementary funding to a total of almost \$3 billion, representing an increase of 18.7 per cent over the fiscal year 1974-75".

He added that "our estimates for 1976-77 will rise by a further 12.4 per cent to \$3.345 billion". He said that "in terms of the NATO definition, our defence expenditures will have risen from \$2.834 billion to \$3.350 billion in 1975-76, and are tentatively estimated to rise to more than \$3.75 billion in 1976-77".

Referring to capital expenditures for equipment, Mr. Richardson said that they would rise in 1976-77 to approximately \$460 million from the currently forecast figure of \$334 million in 1975-76.



Defence Minister James Richardson

The Canadian defence minister added that "Canada would provide full details of the revised force plans to the major NATO commanders and the international staff in the course of the normal consultations in the coming year".

At the conclusion of the two-day session in Brussels, NATO defence ministers officially commended Canada for its new defence policy.

In the final *communiqué* they stated that they welcomed the statement by Defence Minister James Richardson "on decisions taken regarding the re-equipment and modernization of Canadian forces".

Mr. Richardson commented that if NATO's major objective of creating a deterrent to war were more widely understood there would be more public support for the alliance.

Canada has decided on a new fleet of long-range patrol aircraft costing \$950 million, will maintain its manpower strength in Europe and provide forces with modern and effective tanks.

#### Panarctic strikes oil in Arctic Islands

Panarctic Oils Limited recently made a significant oil strike which indicates the possibility of the first commercial deposits found in the Canadian Arctic Islands, states Northern Affairs Affairs Minister Judd Buchanan.

The well, Panarctic Bent Horn F-72A on Cameron Island, flowed high grade crude oil at the rate of 3,000 barrels a day on a long-term drill stem test conducted in October.

Cameron Island, located at the latitude of 76 degrees between the north end of Bathurst Island and the Sabine Peninsula of Melville Island, lies 300 miles northwest of Boothia Peninsula.

Charles R. Hetherington, president and chief executive officer of Panarctic Oils Limited, said the new well was directionally drilled to a location about one mile south of the Panarctic Bent Horn N-72 well, which is completed as a 500-barrel-a-day oil producer.

#### Diplomatic appointments

The Secretary of State for External Affairs, Allan J. MacEachen, has announced the following diplomatic appointments which will take effect during the coming weeks.

Thomas Paul Malone, Ambassador to Israel and concurrently High Commissioner to Cyprus, to be Ambassador to Finland.

Mr. Malone replaces Ernerst Côté who is retiring.

Jack F. Godsell, Director-General, Commonwealth Africa Bilateral Program, Canadian International Development Agency, to be High Commissioner in Bangladesh.

Mr. Godsell replaces Robert W. McLaren, whose appointment as High Commissioner in Tanzania was announced earlier.

#### Canada continues peacekeeping in the Middle East

Following a request from the Secretary-General of the United Nations, Canada will continue participation in the UN peacekeeping forces in the Middle East, until October 24, 1976 in the case of the United Nations Emer-

gency Force (UNEF) and until May 31, 1976 with the United Nations Disengagement Observer Force (UNDOF).

The Canadian participation coincides with the mandate renewal dates recently set by the Security Council for

these two Middle East forces.

Canada shares with Poland the logistics-support role for UNEF in the Sinai and UNDOF in the Golan Heights. Approximately 1,000 Canadians are serving in the two contingents - about 850 in the Emergency Force and some 150 in the Disengagement Observer Force.

### Old whalebone preservation reveals the story of Eskimo past

The development of whalebone carving in Canadian Arctic communities during the past five years has added another quality to the Eskimo arts and crafts industry. In a relatively short time, a growing number of native craftsmen have emerged together with an increasing number of art buyers who wish to add whalebone pieces to their collections of stone and ivory carvings.

The expanding market, however, has endangered the study of Eskimo history, since the whalebones used for recent carvings are being gathered from ancient Eskimo ruins that contain almost all the information known about ancestors living about 1,000 years ago.

#### Conservation project

The Archaeological Survey of Canada (National Museum of Man) and the Department of Indian and Northern Affairs are jointly sponsoring the Thule Archaeology Conservation Project, under the direction of Dr. Allen P. McCartney.

The program, which will last from 1975 to 1979, is designed to mitigate the impact of disturbance by today's Eskimos at ancient (Thule culture) village sites. It will attempt to survey the sites, especially those adjoining modern Eskimo settlements where whalebone sculpting has developed, to



Pile of whalebones at Spence Bay to be used for carving.



Dr. Allen McCartney, director of the Thule Archaeology Conservation Pro-

ject, examines the remains of whalebone houses at Resolute Bay.

determine the amount of damage, to excavate whalebones, to collect, analyze and report on the anthropological, zoological and other relevant data and to provide whalebones to Eskimo communities for the use of carvers.

Reports will be published in Inuit (Eskimo) language publications and excavated material will be exhibited in Inuit communities. Native participation is invited in the project.

#### Thule culture

Thule Eskimo peoples and culture were so named and first studied by Danish archaeologist Therkel Mathiassen in the 1920s; the term "Thule" came from the trading station at Thule, northwestern Greenland.

Unlike the Dorset Eskimos, who occupied much of Canada's northern shores prior to about A.D. 900, the Thule Eskimos especially adopted a whale-hunting culture during A.D. 900-1200. Besides eating the blubber and meat of large bowhead and possibly other whale species, Thule people used various whalebones in the construction of their large winter houses. Long jaw bones and other skull pieces plus ribs, shoulder blades and vertebrae were used to support sod roofs or were used as part of walls. When the large sod-covered igloos eventually collapsed into jumbled heaps of bones, boulders and sod, the whalebones were

exposed and over time were bleached by weathering. Besides the bones used in house construction, Thule sites have whalebones scattered around the house depressions. These are the remains of whale carcass pieces taken to the communities for food and as a source of bone for making tools, sled runners and other equipment.

Eskimos today look to these ancient settlement ruins as sources of whale bones to carve. The aged bones carve easily and their mottled brown, grey and white surface colours are appealing to the artistic eye. By disturbing these bones, however, modern Eskimos at the same time remove forever the possibility of making these bones "speak" about the past. In rooting out bones from collapsed houses, damage is done to the walls in which they are set and the arrangement of fallen roofs that can tell the archaeologist how the house was built. Removing bones still buried in the ruins also disturbs the natural order of implements and household articles used or stored in the original house. Taking the bones from the ground surface outside the houses prevents scientists and today's Eskimos from learning about the kinds and ages of whales hunted in the past.

#### Impact on industry

The transitional period covered by the conservation project is one which will

entail controlling the whalebone market and emphasizing alternative sources for bone or alternative materials to carve, such as stone. To avoid the complete shutdown of the market thereby sharply curtailing the economic return to many community co-operatives, excavated whalebones will be provided to Eskimo carvers for the duration of the project. Since whalebones once studied are generally of no further use in the interpretation of Thule sites, they may be used for artistic carvings.

However, whalebone sources are finite as well as culturally important; not enough whalebones exist to sustain the industry indefinitely. Therefore, during the project, every effort will be made to study the feasibility of substituting non-site bones from sources such as nineteenth century whaling stations, which also are limited in quantity and distribution. To successfully resolve the economic transition in the long run, therefore, it will be necessary to substitute soapstone or other non-cultural materials for whalebone. In this way, the economic well-being of Eskimo craft production will no longer be in conflict with preserving the history of Eskimo culture.

### Household facilities and equipment

According to a 1975 survey by Statistics Canada, more than half of Canada's households have colour television sets. From April 1974 to April 1975, households with colour TV sets increased to 53.4 per cent of Canada's 6,703,000 households from 44.5 per cent. The number of households with black-and-white sets decreased to 67.8 per cent from 73.3 per cent in 1974.

The latest survey also showed that:

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*Ähnliche Ausgaben dieses Informationsblatts erscheinen auch in deutscher Sprache unter dem Titel Profil Kanada.*

households with two or more cars increased to 23.0 per cent from 21.6 per cent in 1974; single-automobile households decreased to 55.9 per cent from 56.4 per cent; households with automatic dishwashers increased to 15.2 per cent from 12.9 per cent; home ownership dropped to 62.0 per cent, down from 62.8 per cent; it was 63.6 per cent in 1971.

There were adult-size bicycles in 33.8 per cent of all households, up from 30.4 per cent in 1974; households with FM radio receivers increased to 75.7 per cent from 71.7 per cent.

The survey showed that 99.3 per cent of Canadian homes have electric refrigerators, 98.3 per cent have radios, 96.4 per cent have telephones and 96.7 per cent have a hot water supply. Three items were included for the first time in the 1975 survey. They showed that 40.4 per cent of all households have cable TV service, 5.0 per cent have motorcycles and 0.8 per cent have microwave ovens.

### Health grants to Bangladesh

Two grants to Bangladesh – to help control a communicable disease at present plaguing that country, and for the functional evaluation of a model health project – were announced last month by the president of the International Development Research Centre, Dr. W. David Hopper.

A grant of \$170,000, over three years, to the Cholera Research Laboratory (CRL) in Dacca, will support research into shigella, a gastrointestinal disease that has reached epidemic proportions in Bangladesh in the last few years. The CRL research team plans to study the factors affecting the transmission and severity of the illness, and will attempt to devise a simple and effective method of therapy which could be applicable to other epidemic areas. A diagnostic and treatment centre will be set up within the existing rural health dispensary in Teknaf in southern Chittagong District.

The second grant, \$50,000, will enable the Christian Commission for Development to do a functional analysis of the third and fourth years of operation of the Companyanj Health Project in Noakhali District on the Bay of Bengal. Two one-year fellow-

ships will facilitate the transition of the health project to Bangalee leadership.

The Companyanj Health Project is a joint venture of the Government of Bangladesh and the Christian Commission for Development, the national affiliate of the World Council of Churches. The evaluation will provide the Government of Bangladesh with recommendations for integrating and modifying the national health service to include the family-planning program.

### Historical war books

Two new titles in the Canadian War Museum's series of historical publications, edited by John Swettenham, have been published by Hakkert Press, Toronto. *Canada's Fighting Ships* by K.R. Macpherson and *Canada's Nursing Sisters* by Colonel G.W.L. Nicholson, are the twelfth and thirteenth books produced in the series since 1968.

*Canada's Fighting Ships* (136 pages, 70 photographs, \$15.95) is the story of the ships of the Royal Canadian Navy. The RCN was organized amid controversy in 1910. Its initial fleet consisted of two former British cruisers, and its first submarines were acquired by British Columbia rather than the Federal Government. Nevertheless, the fleet expanded until, by 1943, Canada possessed the third-largest allied navy.

K.R. Macpherson, a former naval telegraphist is now supervisor of the private manuscripts division, Ontario Archives. He is Canadian editor for the quarterly magazine *Warships International* and co-author of the book *Rural Ontario*.

*Canada's Nursing Sisters* (176 pages, 79 photographs, \$12.95) is the first book to relate the full story of Canadian military nursing, from the Northwest Rebellion of 1885 through the South African War, two world wars, and Korea.

Colonel G.W.L. Nicholson, a former director of the Canadian army historical section, is the author of many works including *The White Cross in Canada*, dealing with the St. John Ambulance Corps. Among his other works are *The Canadians in Italy*, *The Gunners of Canada* (the story of the Royal Canadian Artillery), and a two-volume account of Newfoundland military history.