



CANADA

CANADIAN WEEKLY BULLETIN

INFORMATION DIVISION • DEPARTMENT OF EXTERNAL AFFAIRS • OTTAWA, CANADA

Vol. 22 No. 50

December 13, 1967

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NATO AND A CHANGING EUROPE

The following excerpts are from an address by Prime Minister Lester B. Pearson at the Mansion House, London, England, on November 27:

...The economic problems you face today are not unique to Britain. They confront in varying degrees and at various times all states. Britain has had longer experience than most of us in finding solutions (often they have had to be improvised) for these problems. We've all benefited in the past from your practical genius in the art of government, in its economic as well as its political aspects. I am confident that this genius - with the hard work that alone makes genius effective - will enable Britain to overcome present difficulties.

I hope, also, that we shall all learn something from these difficulties because their significance goes beyond your boundaries. In particular we should now realize, if we didn't realize it before, that co-operation between nations in finance, monetary policy, and economics, is almost as important as it is for defence and security. And its breakdown can be almost as disastrous.

In my own country (and not for the first time, as anyone familiar with Canadian history knows), we are also facing problems - economic problems, financial problems, but especially problems of federalism and national unity. They are our problems, to be solved, as they will be solved, by us and not by outside intervention in our domestic affairs. Let me add that no country in the world has the possibility of a greater future than ours, and no country is more likely to realize that future.

We are trying to find a strong and enduring foundation for political unity and individual oppor-

tunity within social, cultural, and geographic diversity. And it's not an easy problem to solve. But this search is not confined to Canada. It is part of the larger search for new dimensions of individual freedom and personal opportunity in a world where man's fantastic technological and scientific progress has only emphasized the primitive character of so much of his social and political behaviour. That is why I believe it to be a chief purpose of the members of the Commonwealth today to work together in the knowledge that the fundamental needs and aspirations of man are universal - whatever his language, whatever the colour of his skin, whatever his race or his country. And this purpose, as I have just said, is wider than our own country, wider than our Commonwealth. It encompasses the family of man, and its full recognition should be the basis of international relations on this small and crowded planet. But the contemporary world gives little evidence that such a basis is likely to get general acceptance in the immediate future.

We had a vision of what might be done at San Francisco in 1945. That vision soon disappeared and the cold war came and destroyed the hope that the United Nations would soon ensure freedom, fraternity and security for all men. As a second best, you remember, we formed a regional coalition spanning the Atlantic Ocean - a coalition through which member states could work together for political co-operation and collective defence. This was another postwar dream, this Atlantic dream - the building of an Atlantic community of interdependent states willing to pool their sovereignty in the interests of their security and their progress.

ROLE OF NATO

We ask ourselves why has NATO not realized more fully these hopes and these aspirations. Well, I might mention one or two reasons – there are many – for this. NATO concentrated on the single, if vitally important task, of collective military defence. It was not able to take effective measures for collective political action. National decisions were rarely subordinated to collective decisions, or national policy to collective policy. The United States, whose power dominated the alliance, largely determined the strategy and policy on which collective defence was based. The other members, it should be added, would probably not have acted differently if they had had the same super-power.

France, in due course, repudiated the whole ideal of collective security, falling back on the old and, as I believe, discredited doctrine of national defence by national action – co-ordinated, if you like, in a military alliance but with national sovereignty unimpaired. There are governments that still think that nationalism is not only sacred, which it is, but is sufficient which it is not, and that national problems can be solved within purely national terms of reference. The lessons of history are depressing because they are usually learned too late, even by those who have suffered most from the failure so to learn.

There are other reasons for NATO's inability to realize its full collective potential. One of these, paradoxically, is its success in helping to lessen the fear of an attack on Western Europe. This reduction of tension and fear is not only a tribute to NATO, it's a danger for NATO. After all, fear was the father of the North Atlantic Treaty. And now, with the European member states, stronger and more confident, with the Eastern European members of the Warsaw Pact more independent, the Soviet supremacy in the Communist world challenged by a bitterly hostile Peking, collective security, though essential as ever, has lost some of its immediate urgency. Fear of attack has lessened so we may feel that it is safe to relax.

The European – indeed, the whole world – situation has become fluid. The polarization of all power between the U.S.S.R., determining the policy of the Communist world, and the U.S.A., dominating that of the democracies, has been altered on the Communist side by Peking and on the Atlantic side by Paris, which hoped to develop a strong and independent European third force of which it would be the leader.

In short, the political and military realities on which NATO was originally founded have changed. The threat to Western Europe was, if not superseded, at least supplemented by tensions and conflicts in other parts of the world, in the Middle East, in Africa, and above all, in Southeast Asia, where these tensions exploded into bloody and confused war in Vietnam. There was no Atlantic solidarity in policy for these areas and, to this extent, NATO ceased to meet the vital requirements of some of its members.

NATO, ...having accomplished its original strategic purpose, as it did (and thank God that it did), has not yet been able to adapt itself adequately to changing conditions both strategic and politi-

cal. But the need for such adaptation is recognized and is now being faced. If any changes are to be effective, they must take into account the fact that Western Europe has emerged from the postwar condition of political and economic weakness into a position of strength and confidence, grateful for the American support and assistance which has done so much to bring this about but with the desire for a greater share in the control of the alliance and its policies.

Undoubtedly, a greater immediate menace to NATO is the threatened conflict between two of NATO's members, Greece and Turkey, over Cyprus, which is a member of the Commonwealth. It is to be hoped that this conflict, senseless as it would be, can be averted. I think it can, on terms honourable and acceptable to the three governments concerned. We have more hope than we had a day or so ago that this can be done. If it were not averted then armed conflict between two NATO members using military equipment provided by other members for other collective defence purposes could have a fatal effect on the NATO alliance.

One other point. If arrangements are agreed on to avert conflict, which call for a stronger United Nations force – and both our countries are serving in that force now – to supervise their carrying out and to maintain security on the island during that period, then these arrangements must also provide that this United Nations force has the necessary authority and support to discharge its mandate. We must not again have the United Nations force called on to discharge a new responsibility without adequate means for that purpose – political, juridical and military.

EUROPEAN UNITY

I have been talking about NATO and a changing Europe, and a changing world. These changes are not only a challenge for NATO. They are, as I see it, also a challenge for progress toward a European unity which would include Britain – a Europe with a political, economic and defence role of its own, but one which should remain closely associated with the United States and Canada in a European North American partnership.

The idea of a strong and united Europe is surely a wise one, but only if it can be worked out without isolation from North America. That is why, as I see it, Britain should be a central and integral part of the new Europe, politically and economically. I see this as something which need not weaken ties across the Atlantic or with the rest of the Commonwealth. I see it rather as something which would help prevent Europe from becoming an isolated third force. If you like, I see Britain in the role of a link between Europe and America, the position which has so often been given to Canada in relations between this country and the United States. Maybe we can give you some advice on how to perform that role! Feeling this way, I naturally think it is wrong and unwise for any European country to oppose or put unnecessary obstacles in the way of Britain playing a full and constructive part, as I am sure it would be, in the evolution of a united Europe....

INCOME, CIGARETTES AND LIQUOR TO COST MORE

In a statement to the House of Commons on November 30, Mr. Mitchell Sharp, Minister of Finance, announced that personal income tax would be raised, by a 5 per cent surcharge, effective January 1, 1968. He also announced increases in the taxes on spirits, beer, wine, cigarettes, cigars and tobacco, by approximately 10 per cent, to be effective immediately.

In addition, corporations, which at present pay taxes in 12 monthly instalments beginning in the fifth month of the financial year, must now start paying in the third month.

Part of Mr. Sharp's statement follows:

...I come now to my tax proposals. My first proposal relates to the personal income tax. I am asking the House to approve a special surtax of 5 per cent of the amount of the basic tax assessed on an individual in excess of \$100. This surtax will take effect January 1 and would remain I expect until we have completed the transition to a slower rate of growth of expenditures or until economic and financial conditions call for a change in our fiscal policy.

This change will be made in such a manner as not to affect provincial revenues. As was done in 1965, I propose that the maximum change in tax resulting from this amendment be limited to \$600. The surtax is so defined that it will not apply to single persons with incomes of less than \$2,000 a year nor to a married man with two children having an income of less than \$3,600. The increase in tax for a married man with two children and a typical income of, say, \$100 a week would be 23 cents a week....

I might give a typical example, taking a current taxpayer with two family-allowance children. The increase in the tax for a man with a \$5,000-annual income is \$10 a year; with a \$7,000-annual income, \$29 a year; with a \$10,000-annual income, \$64 a year, and with a \$15,000-annual income \$145 a year. This gives an index of the incidence of this tax.

My officials estimate that this surtax will increase our revenues in the fiscal year 1968-69 by \$185 million: the effect on the current year will be to increase our revenues by approximately \$25 million.

LIQUOR AND TOBACCO

My second proposal is to increase the taxes on liquor and tobacco. The effect of the proposed changes would be generally to raise the weight of the federal tax on spirits, beer, wine, cigarettes, cigars and tobacco by approximately 10 per cent, effective immediately. This would be implemented by a number of measures.

The rate of excise duty on spirits distilled in Canada would be increased by \$1.25 per proof gallon. For most spirits this would mean an increase from \$13 to \$14.25. The excise duty on beer would increase from 38 cents a gallon to 42 cents a gallon. It will also be necessary to provide increases of the same amounts in the tariff on imported liquors and beer.

A special excise tax would be applied to wines, both imported and domestic. The rate would be 2½ cents a gallon on wines containing not more than

7 per cent of alcohol, and 5 cents a gallon on wines containing more than 7 per cent of alcohol.

On tobacco and tobacco products we levy both excise and duties and excise taxes. We propose to use the excise taxes to obtain the increase necessary. The rate of excise tax on cigarettes would be increased to 3 cents on each five cigarettes from the present 2½ cents, that on manufactured tobacco to 90 cents a pound from 80 cents, and that on cigars to 17½ per cent from 15 per cent.

In all, it is estimated that these changes on liquor and tobacco will increase our revenues in fiscal 1968-69 by approximately \$95 million and in the current year by approximately \$20 million....

CORPORATION TAX

...Corporations presently begin the payment of their tax in the fifth month of the taxation year to which it relates, and complete these payments four months after the end of the year. This timetable of payments, which was advanced in 1963 and 1964, still contrasts with that of individuals who have income tax deducted from their wages each pay day. We have decided to reduce further the difference between corporations and individuals.

In future, corporations will be required to make their first instalment payment in the third month of their taxation year and complete their payments on account of their estimated tax by the second month following the year.

SPECIAL REFUNDABLE TAX

Honourable members will recall that in 1966, as a measure to restrain the boom in capital expenditures then in progress, we introduced a refundable tax on cash profits. Under the law, the payments must be refunded with interest not later than 36 months after they were due, or after they were received if they were late. They could be repaid as much as 18 months earlier if the Government so decided. Consequently the amount collected - some \$230 million in all - must be repaid some time between today and June 1970. Clearly, it would be difficult to make repayment in the next few months, but I believe we should not put off the repayment entirely until the last possible date for that would add seriously to the burdens to be faced during the 1969-70 fiscal year. I believe the measure I have proposed in regard to corporation taxes will provide us with enough cash receipts to permit us to repay a substantial amount of the refundable tax during 1968-69.

We now propose to begin the refunding process in June of 1968, refunding then the payments received before June 30, 1966. Every second month thereafter we will refund one month's receipts; in August 1968 we will refund payments received in July 1966; in October 1968, receipts of August 1966, and so on until February 1970. The final payments will be made in May 1967, as the law requires, and late payments.

In order to reduce administrative costs, we should refund with our first payments in June the total amount received from those corporations whose aggregate refundable tax did not exceed \$1,000. We will be asking Parliament for authority to do this.

INCREASE IN REVENUES

The substantial proposals which I have put forward would increase our revenues in the current fiscal year by some \$45 million and, together with the reductions in expenditures to be announced, will hold our budgetary deficit this year close to that forecast in the budget of June 1. It will hold our estimated over-all cash requirements for the current year — apart from any changes in our foreign-exchange reserves after today — to about \$1,550 million. This will leave us with a substantial amount to borrow from now until the 1st of April, but I regard that as manageable....

INTERNATIONAL FILM WEEKS

A grant of \$30,000 from the Canada Council will make possible the holding of international film weeks in nine centres in Quebec, New Brunswick and Ontario. The award, made at a recent meeting of the Council, goes to the Montreal International Film Festival, organizers of the showings.

The week-long programmes will take place from January to May 1968, in Quebec, Sherbrooke, Jonquière, Rouyn-Noranda, Trois-Rivières, Rimouski, Moncton, London and Sudbury. They follow more modest out-of-town showings organized by the Festival during the past three years.

A new non-profit organization, International Film Weeks, has been formed to handle the touring programme, which has increased greatly. It will work in conjunction with the Montreal International Film Festival. The purpose of the programme is to bring films of high quality to places outside Metropolitan Montreal.

NRC RESEARCH GRANTS

This year is the fiftieth anniversary of National Research Council activity in the support of university research. In the ten years from 1957 to 1967, the Government of Canada, through the Research Council, has provided five times as much money for scholarships and research in the universities as it did in the preceding 40 years.

EXPENDITURES

Annual expenditures for the programme have increased rapidly during the past decade, rising from \$3.1 million in 1957-58 to \$11.5 million in 1962-63, to \$23.9 million in 1965-66, and to \$36.9 million by 1966-67.

The \$17.5-million expenditure for 1966-67 operating grants supported 2,741 professors at an average level of \$6,400; in comparison, 2,196 individuals shared \$11.9 million in 1965-66, for an average level of \$5,400.

About 27 per cent of the funds provided in these grants are spent for salaries of graduate student assistants, 27 per cent for salaries of other as-

sistants, and 46 per cent for equipment and supplies. The number of universities and colleges at which operating grants are held has risen from 21 in 1955-56 to 32 in 1960-61 to 48 in 1966-67.

The \$3.6 million for scholarships and fellowships provided 1,416 postgraduate scholarships held. In comparison, the \$1.3 million expended in 1962-63 covered 562 awards held.

An additional large number of graduate students received varying amounts of remuneration as research assistants employed by university professors who received Council research grants. Altogether these media supported more than 4,900 graduate students.

SCIENCE SCHOLARSHIPS

This extensive programme of student support will continue to expand as university enrolment grows, and facilities for postgraduate study and research are developed in Canada. In recognition of its activities in support of research in the universities during the past 50 years, the National Research Council has established a group of scholarships, called the 1967 Science Scholarships, which are being awarded for the first time in 1967. These awards are intended to encourage young men and women of outstanding intellectual promise to pursue postgraduate studies and research leading to doctorate degrees in science and engineering in Canadian universities, other than the ones from which they have obtained their first degrees. It is hoped that these awards will stimulate exchanges between different cultural and geographical regions of Canada.

CENTENNIAL ESSAY CONTEST

The Canada Permanent Trust Company is sponsoring a centennial writing contest for secondary-school students. Entries either French or English and on any topic, are limited to 2,500 words. They will be judged on imagination and expression by a team of noted writers headed by Earle Birney, poet, educator and critic.

The total prize money is \$5,000: the first prize is \$1,500, the second \$1,000 and the third \$500. Sixteen regional prizes of \$100 and 20 "honourable mentions" of \$25 will also be given.

The three top winners will receive their awards at a special dinner in Toronto on December 15.

OCTOBER FOREST FIRES

According to estimates by the Department of Forestry and Rural Development, there were 190 forest fires throughout Canada in October. Their damage was minimal. In October 1966, there were 296 fires, which damaged some 6,000 acres of forest.

To the end of October this year, there had been an estimated 8,538 forest fires in Canada, which damaged some 1,865,000 acres. During the same period last year there were 7,001 fires which damaged 706,000 acres.

MANITOBA—WEST INDIES TRADE

A four-member task force left Winnipeg for the West Indies last month on a trade mission sponsored by the Manitoba Department of Industry and Commerce.

The purpose of the mission, which is the first such project undertaken by a provincial government, is to make known Manitoba's talent in architecture, engineering and major construction to the economically-growing Caribbean area. The province hopes for an expansion of Manitoba professional services into international operations.

The total value of Canadian professional services involved in foreign projects was \$25 million in 1965 and \$34 million in 1966. Of this 1966 figure, Ontario received \$13.2 million, British Columbia \$11.1 million, Quebec \$9.8 million and the Prairies and Maritimes \$200,000. One hundred Canadian firms were engaged in foreign assignments in 1966. Of these, six were Manitoba firms.

NATIONAL CAPITAL AREA VIEWED

As a result of letters sent earlier this year by Prime Minister Pearson to the premiers of Ontario and Quebec, the Federal Government and the governments of Ontario and Quebec have agreed to appoint senior officials to undertake jointly a study with a view to recommending the necessary steps that might be taken co-operatively to develop a national capital area, extending on both sides of the Ottawa River. The study will proceed on the assumption that any recommendation should not involve constitutional change or any alteration of provincial boundaries and that there would be full consultation with all municipal authorities. It has also been agreed that the first meeting of the representatives appointed for this purpose should take place shortly and that a more detailed announcement would be made before the end of the year.

ALBERTA'S GIANT OIL PROJECT

The largest industrial project ever completed in Alberta has gone into operation with the opening of the plant of Great Canadian Oil Sands Limited north of Fort McMurray.

From the start of construction in 1964 to the official opening on September 30, 1967, a total of \$235 million has been invested in this plant, the first of its kind in the world.

It is the first major commercial venture to use the vast petroleum resources of the Athabasca sands, long estimated to contain the largest accumulation of oil in the world, apart from shale oil. The estimated reserve is more than 600 billion barrels, of which 300 billion barrels are considered to be ultimately recoverable.

DAILY YIELD

The oil sands underlie an area of 30,000 square miles. The Great Canadian Oil Sands lease covers 6.6 square miles — twentieth of 1 per cent of the total, yet its reserves are sufficient to operate the plant for 30 years at its initial allowable rate of 45,000 barrels a day.

Everything in this pioneering installation is on a giant scale. After the earth "over-burden" is scraped away from the surface, the exposed oil sands, 150 feet thick, are mined by two huge bucketwheel excavators, 12 storeys high, each weighing 1,700 tons and costing \$3.5 million. The buckets bite out 20 tons of sand with each revolution of the 30-foot wheel, for a total daily production of 108,000 tons.

Six-foot wide conveyor belts, speeding along at 1,000 feet a minute, carry the sand to the elevated bins of the processing plant. By the time the excavators eat their way to the outer limits of the lease, the conveyor belts will have stretched five miles long, and will still be carrying each day as much oil sands as a 16-mile-long railway could haul.

The end-product of the processing-plant, synthetic crude, is a clear, water-like liquid, extremely low in sulphur, nitrogen and oxygen, and an excellent raw material for the manufacture of gasoline, kerosene and heating oil. On its way to market, the synthetic crude enters a new 266-mile, 16-inch pipeline, owned by the company, to Edmonton, to connect with the Interprovincial Pipeline.

TOBACCO CONSUMPTION

Cigarettes entered for consumption in Canada during October numbered 4,051,342,445; last year's October total was 3,894,300,975. Cigars were up to 42,139,140 from 36,103,275. Other tobacco products entered for consumption were as follows: cut tobacco, 1,317,456 pounds (1,323,644 in October 1966); plug tobacco, 70,050 pounds (67,028); snuff, 35,340 pounds (79,876) and Canadian raw leaf tobacco, 50,291 pounds (57,470). Cigarettes released for export during the month numbered 11,166,000 and for ships' stores numbered 33,429,500.

FLYING ACE HONOURED

The late Air-Marshals W.A. ("Billy") Bishop, the Canadian fighter-pilot ace who, in the First World War, led all airmen in the British Commonwealth with 72 victories, was last summer named to the International Aerospace Hall of Fame. Situated in the Aerospace Museum in San Diego, California, the Hall of Fame enshrines the memory of 21 pioneers in aviation.

Air-Marshals Bishop, nicknamed "Hell's Handmaiden" by the enemy, won the VC, DSO, MC and the DFC during his two tours of duty. A native of Owen Sound, Ontario, he was called back to duty in the

Second World War to direct recruiting for the Royal Canadian Air Force. He died at the age of 62 at Palm Beach, Florida in 1956.

A portrait of Billy Bishop was unveiled during the ceremony at San Diego by his son Arthur, who was a *Spittire* pilot during the Second World War.

Included among other prominent aviators named to the Hall of Fame were Louis Bleriot of France, the first man to fly the English Channel and Amelia Earhart of the U.S.A., the first woman to fly solo across the Atlantic.

CANADA PENSION PLAN

Of \$599,903,163 credited to the Canada Pension Plan during the fiscal year 1966-67, \$580,668,000 has been invested in provincial and federal securities.

According to the second annual report of the Canada Pension Plan, which was recently tabled in the House of Commons by National Health and Welfare Minister Allan J. MacEachen, \$578,876,000 was invested in securities purchased from provincial governments or their agencies and the remaining

\$1,792,000 was put in Government of Canada Securities.

The report shows that \$587,202,309 of CPP funds came from contributions and \$8,078,121 from accrued interest. Administrative costs were \$8,377,581.

Funds invested provincially were directed into various areas: for example, all funds made available to British Columbia were taken up by the BC Hydro and Power Authority; in the case of Alberta, the total amount was taken up by the Alberta Municipal Financing Corporation. In Manitoba, a large portion of the available funds was taken up by the Water Supply Board, the School Capital Financing Authority and the Development Fund. In such instances, the securities carried provincial guarantees to both principal and interest.

BENEFITS

Benefits under the Canada Pension Plan are in three principal categories: retirement pensions, which first became payable at reduced rates in January 1967, and will become payable at full rates in January 1976; disability pensions, to become payable in 1970; and survivors' benefits, to become payable in February 1968. Survivors' benefits include widows' pensions, disabled widowers' pensions, orphans' benefits and lump sum death benefits.
