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A budget to stem inflation, recession and to conserve energy

Increases in the price of gasoline, domestic crude, natural gas, as well as restraints in Government spending, a \$450-million program to create jobs, and higher taxation for people earning over \$25,000 a year, were measures included in Finance Minister John Turner's budget speech to the House of Commons on June 23.

The issues of inflation, recession and energy conservation could not be solved, stated Mr. Turner, by one single approach but he believed that his new budget would "strike the right balance of policy" between the three.

Effective immediately, car drivers will pay ten cents a gallon more for gas for personal use and another five cents in August; domestic crude will rise from \$6.50 to \$8 a barrel, effective July 1; and natural gas will cost 43 cents more for 1,000 cubic feet on November 1. Gasoline used for farming, fishing, construction, mining and most commercial transportation will be exempt from the new tax.

Control of Government expenditures
Mr. Turner announced a cut of \$1 billion in Federal Government spending "to provide a lead in the exercise of restraint". Reductions and postponements that will be applied to almost all government departments and to many agencies are:

- \$100 million in capital expenditures of the Transport, Defence, Public Works, Environment and other departments.
- \$250 million in the grants and contributions of External Affairs, Industry, Trade and Commerce, Secretary of State and other departments.
- \$350 million affecting Petro-Canada, the Federal Business Development Bank, the Federal Mortgage Exchange Corporation, the Farm Credit Corporation and others.
- \$130 million in the planned program expenditures of other departments and agencies.
- General limitations in consultants' fees and travel by public servants.

Growth of the Public Service

. A restriction on salary budgets will reduce the rate of increase in public service man-years to 3.1 per cent from 4.1 per cent this year. The restraint will specifically not apply to the Office of the Auditor-General.

. Comparability of pay and benefits with the private sector will be adhered to strictly. But the Government will not be prepared to grant increases unwarranted by any reasonable standard. This may lead to legal work stoppages. But resulting inconvenience to the public will have to be accepted. Every legal remedy will be used to deal with unlawful deprivation of service to the public.

Hospital and medical care insurance
Costs of both the hospital insurance and medicare programs have escalated rapidly to a level of \$6 billion a year. Cost of the federal half went up last year by almost 20 per cent.

. Intensive discussions are going forward to achieve a more flexible and efficient system of hospital insurance to provide better services at a lower cost. In anticipation of a successful conclusion of these discussions, the Government will give the five years' notice required of its formal intention to amend legislation and cost-sharing agreements.

. Legislation will be introduced to place a ceiling on the *per capita* rate of growth of federal contributions under the Medical Care Act. The ceiling will be 13 per cent in 1976-77, 10.5 per cent in 1977-78 and 8.5 per cent in 1978-79 and subsequent years. This will provide adequately for the servicing of a growing population.

Unemployment insurance

. Legislation will be introduced to strengthen the flexibility and fairness of the Unemployment Insurance Act and to deal with undesirable efforts on work incentives and recent changes in the structure of the labour market. Amendments will deal with benefit

features and adjust financing by government, employers and employees.

Measures to create jobs

New and broader Government initiatives are needed under current circumstances to guard against any slowdown in capital investment.

. The Government proposes a 5 percent tax credit for investment in a wide range of new productive facilities. It will apply until July 1977 to new buildings, machinery and equipment for use in Canada primarily in a manufacturing or processing business, production of petroleum or minerals, logging, farming or fishing. The credit is claimable up to \$15,000 of federal tax liability in the year and one half of any excess, with a five-year carry forward of any unclaimed balance. Estimated cost this fiscal year is \$200 million.

Housing investment

More must be done by Government to bring housing starts to the rate needed in the long run to meet the housing needs of Canadians.

. The existing \$1-billion housing commitment of the Central Mortgage and Housing authority this year will be increased by \$200 million to permit increased lending to limited dividend rental projects, new-home buyers under the Assisted Home Ownership Program and provincial and other non-profit housing agencies.

. Grants for housing financed by the private sector will be increased temporarily; until December 31, 1975, maximum annual grants for new owner-occupied housing units will be increased to \$1,200 from \$600; until March 31, 1976, maximum annual grants for new rental accommodation will be increased to \$900 from \$600.

Employment program

The Government will commit \$450 million over the next two years to an employment program enabling governments, industry and private groups to co-ordinate their efforts to improve work skills and create useful jobs.

. \$70 million will be added to training in industry and in educational institutions.

. \$285 million will be devoted to a new local initiatives program operating from November to June in each of 1975-76 and 1976-77. Emphasis will be placed on municipal works and projects.

. \$60 million will be set aside for the 1976 program of student summer employment.

. \$25 million is proposed to finance labour-intensive federal projects, particularly in regions where unemployment is most severe.

. \$10 million more will be devoted to existing job placement and mobility programs.

Tariff, sales and excise taxes

. The 5 percent sales tax on insulation materials is removed, affecting all purchases of insulating materials such as double-pane glass, storm windows and storm doors.

. The excise imposed last autumn on wine is reduced to its previous level.

. Effective August 1, the existing air-transportation tax is increased to 8 percent from 5 percent on Canada-U.S. flights and to \$10 from \$5 on flights to other countries.

. The budget proposes to reduce tariffs or provide tariff-free entry for a number of products.

Income tax change

. The budget proposes a tax increase for higher-income taxpayers effective for 1975 and subsequent taxation years. The maximum amount of the current 8 percent credit is reduced from \$750 to \$500, with the result that wage and salary earners above the \$25,000-\$27,000 income range will be affected. For example, a married taxpayer with two children under 16 and salary income of \$35,000 would pay \$228 more. A single taxpayer earning the same amount would pay \$250 more.

Changes in resource taxation

In addition to increased prices for "personal-use" gasoline, domestic crude and natural gas, changes are proposed in taxation arrangements for the petroleum and mineral industries to better recognize provincial resource levies in the tax system and to offer more incentive to those who explore and develop in Canada.

. Effective January 1, 1976, the 50 percent rate of corporate tax on production profits and the extra 15-point abatement of federal taxes will be replaced by the 46 percent rate generally applicable to corporations. At the same time, in recognition of provincial resource levies, a resource allowance of 25 percent will be deductible from production

income, calculated after operating expenses and capital cost allowances but before interest expense, exploration and development and earned depletion. Corporations which increase their exploration budgets will find their tax is reduced under the new system. Those who do not explore and develop will face an increase in taxation.

Government of Canada annuities

. Legislation will be introduced to increase the rate of return on existing Government of Canada annuities, which are held by more than 270,000 Canadians. This will bring the rate of return closer in line with private sector plans and increase benefit payments.

The budget also states that the sale of Government of Canada annuities will be discontinued.

Discussion invited

Two discussion papers tabled with the budget invite public discussion and submissions on areas of further reform in the tax system.

One of the papers initiates a review of commodity taxation and evaluates alternatives to the present system. It suggests that the federal sales tax be moved from the manufacturer's level to the wholesale level.

The other paper reviews the role and activities of charities in modern society and their treatment under the Income Tax Act. It proposes changes with regard to fund-raising, public disclosure of operations, the distribution of funds, and the classification of charities for tax purposes.

Both papers stress that the Government is not committed to the proposed changes and that it welcomes comments and opinions on all aspects of taxation in the two areas.

Summary of financial requirements

1975-76 forecast (millions of dollars)

Budgetary revenues	\$ 25,725
Budgetary expenditures	-28,900
Deficit	- 3,175
Net non-budgetary transactions	- 2,125
Total financial requirements excluding foreign-exchange transactions	- 5,300
Foreign-exchange requirements to May	332
Total financial requirements	\$- 4,968

Calgary centennial

An eight-cent stamp to commemorate Calgary's centennial this year was issued on July 3.

The stamp, designed by Bernard Reilander from Walt Petriego's photograph *Untamed*, portrays a wild horse being roped and saddled by wranglers.

The spirited horse on the Calgary centennial issue depicts, possibly, the most accurate image of the past and present of this city, which is situated near the foothills of the Canadian Rocky Mountains. The wild-horse race is one of the major events in the annual Calgary Exhibition and Stampede, taking place this year from July 3 to 12.

The herds of wild horses that once roamed the prairies have all but disappeared, replaced by the nodding rockers, derricks and pipelines of the oil industry which, combined with agriculture and tourism, provide a prosperous base for the economy of Southern Alberta.

Calgary's roots were established in 1875, when Inspector A.E. Brisebois, head of the North West Mounted Police (NWMP) in the territory, saw the need for an outpost between Forts Walsh and MacLeod to the south and the fledgling settlement of Edmonton to the north. The Bow and Elbow Rivers provided transportation to the east and west; the hills provided shelter from the icy blasts of winter.

Growth in the little settlement was



The foothills of the Rockies form a backdrop to the City of Calgary, Alberta.

slow at first, but in 1883 the railroad came to Calgary and, from the day the first trainload of settlers arrived, Calgary's future was assured.

Settlers found the rich earth of the prairies ideal for the ranches and farms that became the base of one of Alberta's biggest industries – agriculture. While beef and grain were the mainstay of the early economy, the activities of farming and ranching provided a framework for recreation.

The range became a playground, as well as a working ground, where skills

were tested – man against man and man against animal. The roots of the Stampede were set in 1884 with the first exhibition of Calgary's Agricultural Society. In 1912, showman Guy Weadick introduced the idea of a rodeo and, after various changes of name, the Calgary Exhibition and Stampede was incorporated in 1933. Today it enjoys an international reputation for



outstanding rodeo competition, chuckwagon-racing and high jinks.

Calgary made a strong bid to become the capital when Alberta became a province in 1905, losing out to Edmonton despite allegations that that city was "too close to the North Pole". The friendly rivalry between the two cities still exists.

Oil was discovered in the Thirties in the Turner Valley, south of Calgary, and in 1947 the major fields at Leduc were tapped. The boom was on and by 1950, Calgary had become the centre of a rapidly-expanding petroleum industry.



Among the main features of the Calgary Stampede are the chuckwagon races.

Papua New Guinea migration study

The drift of village people to towns in Papua New Guinea will be studied by researchers supported by the International Development Research Centre (IDRC).

Dr. W. David Hopper, IDRC president, announced recently that the IDRC would provide a \$34,000-grant to the University of Papua New Guinea and Australian National University. The study will provide data for government planners working on the socio-economic development of Papua New Guinea, a nation of nearly three million people in the South Pacific.

This research will be focused on the rural areas from which the migrants come, since the urban data has already been collected. The problem of unemployment is the main concern. Another important aspect is the opportunity which the project will give to Papua New Guinea students taking part in the job.

This is the first research project which IDRC has supported in Papua New Guinea, which is due to become fully independent of Australia this year. The Australian National University and the University of Papua New Guinea are together contributing the equivalent of \$70,000 to the study.

Canada and S. Vietnam establish diplomatic relations

The Department of External Affairs announced on June 27 that Canada and the Republic of South Vietnam had established diplomatic relations. The text of the *communiqué* follows:

"The Government of Canada and the Provisional Revolutionary Government of the Republic of South Vietnam, wishing to develop their relations, have decided to establish diplomatic relations between Canada and the Republic of South Vietnam with effect from June 26, and to exchange diplomatic representatives at the level of Ambassadors extraordinary and plenipotentiary. The Government of Canada and the Provisional Revolutionary Government of South Vietnam are convinced that their relations will develop harmoniously. Done in duplicate in Paris, this twenty-fifth day of June 1975."



Bluenose in Toronto

Bluenose II, a copy of the racing schooner of the early 1900s, was on display at Toronto's Harbourfront Park recently. The original Bluenose, dubbed Queen of the North Atlantic fishing fleets, was a 154-ton schooner built in Nova Scotia in 1921. The same year, the vessel won the Halifax Herald International Fisherman's Trophy, emblematic of the sailing championship of the fishing fleets of the North Atlantic, and was never afterward beaten, defending the championship four times. Sold in 1942, the ship became a West Indies freighter registered in Honduras. It was wrecked and lost off the coast of Haiti in 1946.

Arctic gas pipeline projects

The National Energy Board has called for a joint hearing on applications to build a pipeline to carry natural gas from the western Arctic, through the Mackenzie Valley, to southern markets in Canada and the United States.

A pre-hearing conference will be held in Ottawa July 8 to 10 to discuss a schedule for the hearing, set for the autumn, and to establish the procedures.

Two major competing projects, involving five applications, are before the Board.

One project, sponsored by Canadian Arctic Gas Pipeline Limited, a consortium of 18 companies, calls for the construction of a pipeline to move natural gas found in the Mackenzie Delta-Beaufort Sea area of Canada's Northwest Territories to markets in southern Canada, and gas found in the State of Alaska to markets in the United States.

The other project, submitted by Foothills Pipelines Limited, outlines a plan to build a pipeline from Canada's Mackenzie Delta-Beaufort Sea area to the Alberta-Northwest Territories border to carry gas to markets in southern Canada.

The Foothills proposal also involves applications by Westcoast Transmission Company Limited and The Alberta Gas Trunk Line (Canada) Limited, to construct extensions linking the Foothills portion of the line to existing systems

in Alberta and British Columbia and a submission by The Alberta Gas Trunk Line Company Limited.

An application has also been filed by Alberta Natural Gas Company Ltd to construct extensions to its pipeline to move Alaskan gas and Mackenzie Delta gas to inter-connecting lines in the State of Washington for delivery to markets in California.

Some of the main issues that will be raised at the hearing concern the supply of gas and the requirements and markets for this gas; the pipeline facilities, including rights of way, design, costs, construction and operation; financial aspects, such as costs of service, tariffs and financing; public interest matters, including environmental and socio-economic factors.

Molson prizes

Painter Alex Colville, author Margaret Laurence and ecologist Pierre Dansereau, who won the 1974 Molson Prizes, received their awards at a ceremony in Ottawa on June 16.

These awards, given annually to recognize and encourage outstanding contributions to the arts, humanities or social sciences, rank among Canada's highest tokens of recognition for cultural achievement. They are worth \$15,000 each and are financed from the interest on an \$800,000-gift to the Canada Council by the Molson Foundation.

New look for Canadian transportation

Documents on a new transportation policy have been tabled in the House of Commons by the Minister of Transport, Jean Marchand.

Among the proposals, responsibility for the national transportation system will be moved from the Canadian Transport Commission to the Minister of Transport; the Federal Government and industry will construct and operate the first Arctic Class ice-breaker cargo ship at a cost of \$35 million; a major expansion for ports will be sought; and, as a forerunner to the Government's aim of creating an improved integrated passenger transportation system, a \$28-million high-speed demonstration railway service between Quebec City and Windsor, Ontario, will be developed. The Government has approved an intensified effort to upgrade rail passenger services across Canada through joint use of Canadian National and Canadian Pacific Railways.

Freight rates

The Minister put forward, as a basis for discussion with provincial governments, carriers and shippers, measures relating to railway freight rates which, he said, was intended to ensure that the railways could obtain a sufficient cash flow to improve their commercial "viability", and at the same time ensure that the freight-rate structure was as equitable as possible, both regionally and to shippers.

The Minister indicated his willingness to investigate, in co-operation with those affected, the possibility of reducing the difference between the legal minimum and maximum rates; establishing a new basis for the freight-rate structure, including the possibility of basing freight rates on a combination of variable and fixed costs, rather than on long-run variable costs alone.

Mr. Marchand also indicated his intention to ensure that rates are fair, by applying the provisions of the Cost Disclosure Act when necessary, and by proceeding at an appropriate time with a more comprehensive Information Act.

Access to remote areas

The Government also intends to work with provincial governments to improve

and develop remote areas of Canada.

The policy will assist those communities that are without acceptable year-round surface access. Improvements could take the form of infrastructure or subsidized transportation services, and would be designed to use methods best suited to the needs of the areas concerned. Cost-effectiveness would be the principal criterion.

Decisions as to improvements would be made by the federal and provincial governments.

Transfer of authority

Speaking of the change of authority from the Transport Commission to the Government, Mr. Marchand said that it was the Government's intention to make a number of changes that would be designed to "make it clear that a regulatory function is essential for the proper management of Canadian transportation and that the Canadian Transport Commission should continue in this role, although with less emphasis on legal procedures and more on administrative simplicity; ensure that the Minister of Transport is the principal source of transportation policy advice, with the National Transportation Act being amended accordingly; and give the Minister of Transport a clear and accepted means of giving policy direction to the Canadian Transport Commission, but not in the context of any specific case before the Commission".

Ice-breaker carrier

The Arctic Class ice-breaker cargo ship, capable of working three to five months a year in the Arctic, will be used to develop Canadian technical and commercial expertise required in moving minerals, oil and gas from the Arctic, and could be the first of as many as ten such ships during the next decade. Commercial demand for this type of vessel could provide significant benefits to the Canadian shipping and shipbuilding industry. Construction of the 28,000 deadweight-ton vessel is expected to begin this summer for service in the 1977/78 season.

Mines in the Eastern Arctic have already been identified as having from \$2.5 and \$3 billion in minerals and it will be ships such as these that will provide the most economical method of transportation.

Seaweed specialties from the province of New Brunswick

With the opening of a new seaweed processing plant and live-storage facility owned by Atlantic Mariculture Limited at Castalia, Grand Manan, New Brunswick is now in the forefront of technical development in the international seaweed-foods industry, which is worth over \$250 million a year to world producers.

The new facility, opened by the province's Fisheries Minister, Omer Leger, on June 9, is the result of an ongoing provincial program of government and industry co-operation directed towards the introduction and improvement of harvesting, processing and marketing methods of New Brunswick's marine resources.

Dulse has been harvested and eaten in New Brunswick for many years. Atlantic Mariculture is developing the industry, diversifying the range of specialty seaweed-food products from the province and introducing advanced technology.

The company, which will provide high-quality dulse to traditional markets, will also offer a wide range of sea spices and seaweed foods for export, as well as condiments, feed additives, fertilizers and other products from various species of marine algae, which are abundant in the Fundy Bay area.

Stratford director to Film Board

Montreal actor and director Jean Gascon has been appointed to the National Film Board for a term of three years. He replaces Jean-Louis Roux, also of Montreal.

Mr. Gascon won a scholarship in 1946 from the French Government to study at various schools in France, including l'École du Vieux-Colombier. In 1949, after appearing in many professional productions in Paris and on tour, he returned to Canada and, with Jean-Louis Roux and Guy Hoffman, formed Le Théâtre du Nouveau Monde. He directed and acted in some 50 productions with this company, and was also a director at Stratford in 1959.

Mr. Gascon, who was a co-founder of the National Theatre School in 1960, subsequently became its general direc-

tor. He was artistic director of the Stratford Festival from 1967 to 1974 and has acted and directed in productions for television.

In 1960 he received an honorary degree from McGill University, and has also won the Canadian Drama Award, the \$50,000 Royal Bank Award (1974), and the Molson Award for promotion of better understanding between the French and English cultures in Canada.

Mr. Gascon was appointed an officer of the Order of Canada in 1967, and was recently elevated to Companion.

Rentals offer proves popular

Builders have submitted more than 250 proposals to build 23,000 units of rental housing in response to the Federal Government's invitation for proposals under the Accelerated Rental Housing Program, Urban Affairs Minister Barney Danson announced recently.

The proposals would require some \$550 million, more than 2.5 times the \$200 million offered by Central Mortgage and Housing Corporation (CMHC), which offered financing at 8 percent interest to builders who would construct modest accommodation for rental at agreed rates.

"The response has been absolutely overwhelming," Mr. Danson said. "We will be screening these proposals to select those which can best serve people's needs but, obviously, there are going to be many good proposals which we will not be able to finance with our present budget. It may be that we can find some more money but I am also hopeful that some of these projects will be taken up by private lenders. The recent amendments to the National Housing Act make available interest-reducing annual grants of up to \$600 per unit for builders who can get an NHA-mortgage from an ap-

Housing starts, apartment vacancies

Housing starts during May rose to a seasonally adjusted annual rate of 212,700 dwelling units for all areas of Canada, according to preliminary figures issued by Central Mortgage and Housing Corporation (CMHC). The final April rate was 186,100.

Actual starts in urban areas in May were 16,897, a decrease of 15 per cent from the 19,880 recorded in May of last year. During the first five months of 1975, starts totalled 47,193, compared to 71,488 a year ago.

Starts of single detached dwellings during May totalled 8,925, virtually no change from May 1974. Starts for multiple dwellings were down 26 per cent to 7,972, from those of May a year ago.

Apartment vacancy survey

A CMHC survey shows that the average vacancy rate for privately-initiated apartments in 22 metropolitan areas in April was unchanged from that of December 1974, at 1.2 per cent. The survey excludes units complete within the last six months.

The tightest market conditions for rented apartments were in Regina, Saskatchewan, with 0.1 per cent, followed by Saskatoon, Saskatchewan, and Vancouver, British Columbia, at 0.2 per cent, Victoria, British Columbia, (0.3); Saint John, New Brunswick, (0.4); St. John's, Newfoundland, (0.5); Thunder Bay, Ontario, (0.7); and Edmonton, Alberta, (0.8).

Most of the vacancies were in St. Catharines-Niagara (3.4); Windsor (3.2); London (3.1), and Kitchener (3.9), all in Ontario.

proved lender and are willing to enter an agreement with CMHC about rents."

Proposals were received from all provinces and the Northwest Territories.

The biggest response was from Toronto, where builders submitted proposals involving more than \$143 million. Montreal proposals amounted to almost \$80 million, Winnipeg and Edmonton about \$29 million, Calgary and Vancouver over \$8 million, Halifax, \$14 million, St. John's, Newfoundland and Saint John, New Brunswick, more than \$11 million.

Instant photos of sea ice may aid northern shipping

Shipping in far northern Canadian waters even at the best of times is a dangerous exercise. Heavy pack ice forces captains of many supply ships and other vessels to work between mid-August and the end of September, and even then the ice presents a formidable obstacle.

Some day, dedicated satellite channels may be used to flash photos pinpointing the location of sea ice to the captains of ships in the Arctic. The instant photos will enable them to plot the daily courses that will best steer them through the floes.

Such new services, however, are probably still a few years off. And not everyone can afford to lug a satellite "dish" around.

Meantime, it may be possible to use HF radio to relay, *via* facsimile machines, photos of sea ice snapped by the Earth Resources Technology Satellite (ERTS) to ships and other stations in the Arctic.

At the request of the Canada Centre for Remote Sensing of the Department of Energy, Mines and Resources, staff members of CRC's radio-environment program broadcast a total of 107 pictures, between August 15 and September 25 last, using standard facsimile gear similar to that in weather and newspaper offices.

The geophysical Motor Vessels *Carino* and *Explorer* participated in the experiments, receiving pictures relayed *via* CRC HF radio during telephone links between CRC and the ERTS ground station at Prince Albert, Saskatchewan.

Propagation conditions were disturbed, as they often can be in the North, for much of the time. Despite this problem and delays caused by late delivery of receiving equipment, Dr. J.S. Belrose, director, Radio Propagation Laboratory, believes "we can get good quality pictures with the same reliability as that of HF voice — about 80 to 90 per cent — into the North, on a more or less regular basis". He foresees a bright future for facsimile transmission to the North *via* HF, particularly since inexpensive radio-facsimile installations could be left on continuously for repeat transmissions under varying propagation conditions.

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