



CANADA

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## THE STORY OF CONFEDERATION – A NEW CHAPTER?

*In his speech of welcome to the provincial leaders attending the recent Federal-Provincial Conference, which opened in Ottawa on November 26, Prime Minister L.B. Pearson declared that "the success of the conference should not be measured primarily by the number of specific decisions that we make at this first meeting". Observing that "we are building for more than today", Mr. Pearson warned that, while the conference could "shape the direction of Canadian federalism for a generation", it would do so "only if we see the conference as a new beginning".*

*"...I see this conference," he went on, "as one of a number of meetings, perhaps some of them of different kinds. Improved liaison machinery – which is one of the items on our present agenda – could provide the continuing contact which would prepare the ground for such meetings and make them more fruitful."*

*The body of Mr. Pearson's opening statement follows in part:*

...We have cause to be profoundly grateful that, in adjusting federal-provincial relations to new circumstances and new attitudes, we do so in a country where tolerance, moderation and a capacity for compromise are a part of the very substance of our being. The two great cultures from which our traditions preponderantly, though not exclusively, spring – the French and the British – are noted on the one hand for a practical pragmatism and on the other hand for a clear logic in approach to problems. With such a unique heritage, and with our long traditions of democracy and compromise, we can

surely solve our present problems. If there is any doubt of that, we must indeed have lost many of the qualities that enabled us to create this country in the first place. I am confident we have not.

Our agenda provides for discussion, first, of the economic problems that confront us at this time. There are the problems of achieving a high and consistent rate of economic growth, the problems of employment and of training for employment, the problems of trade in a competitive and changing world. They are all Canada-wide problems, national problems, but they are also all problems with which provincial governments are deeply concerned.

In one case – trade – the jurisdiction is specifically federal. In another – vocational education – it is specifically provincial. But you are properly concerned about the influence of trade policies on industries in each province, just as we are justifiably concerned about the particular aspects of vocational training which have a direct bearing on employment and economic growth in Canada....

The mingling of responsibilities in a federal structure of government is not confined to economic problems. I could take as another example one of the great non-economic problems before our country the problem of relations between English-speaking and French-speaking Canadians. We all agree, I think, that the Federal Government has an important responsibility for bringing about a more perfect equality of opportunity for all Canadians. But it is clear that federal action alone will not suffice for these purposes. Much of the action which would achieve greater equality lies in the area of provincial jurisdiction.

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In many areas, the federal and provincial governments are responsible for parallel action within their respective jurisdictions. Each must operate in its own sphere of jurisdiction, and respect the other sphere. That is essential to both the letter and the spirit of our constitution. But it is equally essential that, in discharging the modern responsibilities of government, our parallel action should also be, in an important measure, concerted action. And concerted action means that there should be consultation and co-operation. Such consultation and co-operation can be effective only if they are mutual, working in both directions.

CO-OPERATIVE FEDERALISM

This is essentially what I have had in mind when speaking about the need for a "co-operative federalism". This new approach means several things. It means, first, a mutual respect for the jurisdictions and the responsibilities of Canada and of the provinces. It means, secondly, timely and reliable two-way consultation as the basis for co-ordinating the parallel action which Canada and the provinces must take on matters of common and overlapping interest. Thirdly, it means that, if and when certain tax fields are shared, this should be done in a manner appropriate to the respective responsibilities of federal and provincial authorities. And it means, fourthly, assurance that this sharing not only is equitable between the Federal Government and the provinces generally but also is equitable among the provinces themselves, so that each separately can discharge its own responsibilities....

EMPLOYMENT POLICIES

In the last six years, unemployment in Canada has been close to double the average level of the earlier years of the 1950's. Since 1957, we have twice experienced periods that have failed to produce full employment even when the economy was expanding. Therefore, as you know, the Federal Government has been taking special measures to combat unemployment and promote greater employment opportunities, even though the economy has of late been showing more strength than had been commonly expected....

Unemployment is a nation-wide problem, reflecting the operation of the whole national economy. But you have a direct concern with it and are developing various programmes of your own to improve the situation. We shall be very glad to hear more about these provincial undertakings. The success of our joint and separate efforts in dealing with unemployment and manpower development depends on co-operation between us, as well as on the effective promotion of their programmes by both the Federal Government and the provinces. We will, therefore, be more than willing to discuss areas of joint responsibility and consider together programmes which affect unemployment and manpower development.

INDUSTRIAL AND ECONOMIC DEVELOPMENT

In the modern industrial economy, full employment in Canada increasingly depends on the development and expansion of our secondary manufacturing industries. It was for this reason that we decided to

set up a Department of Industry. In the past, the Government of Canada has established various departments to deal with particular sections of the economy - such as Agriculture, Fisheries, Forestry, National Resources, Mines, Transport, etc. The establishment of these departments has never been an expression of or a claim for prior or exclusive jurisdiction by the national government. It is simply the recognition of the fact that federal action can have a profound and varied effect on these sectors of our economy. A major purpose of these departments have been to build up a body of knowledge in their fields, so that action which Canada properly should take will be better informed and more effective action. Where appropriate, it is action in consultation and co-operation with the provinces.

The creation of the Department of Industry must be considered in this light. It is a recognition of the important role which manufacturing industry plays in the development of our economy and the promotion of employment, and therefore of the need for the Federal Government to have a focus of knowledge for the actions, within its own sphere of responsibility, which affect industry.

Manufacturing industry is, of course, of tremendous importance to both the federal and provincial governments. In its programming and activities, the Department of Industry will take full account of the extensive interests and responsibilities of the provinces in this field. We are ready to take the lead in matters within our jurisdiction and where the national interest so requires. Where the provinces have a primacy of interest, we stand ready to provide such assistance as we can and as the provinces request....

JOINT PROGRAMMES

The subject of "conditional grants and shared-cost programmes" has been placed on the agenda at the request of a number of provinces. The beginnings of these programmes go back for nearly half a century of our history. They developed more rapidly during the depression and most of all in the flush of post-war prosperity. They have largely taken the form of conditional grants for specific purposes made to the provinces by the Parliament of Canada. They have been a well-recognized method of making a federal system work, not only in Canada but in other federal countries. They have made an essential contribution to the economic and social progress of Canada. They have established common standards for many important services, as a result of which the Canadian people today are far better off, and healthier, than they would have been in the absence of such programmes.

But there are few devices so good that they do not in time require re-examination. So we have now reached a stage at which it is wise, in the interests of effective co-operative federalism, to take stock and consider whether some of these programmes should be changed in favour of a full assumption of provincial responsibility, if that is the wish of the provinces....

The concept of equalization is, I believe, necessary to co-operative federalism. Without that concept some of the provinces could not adequately discharge their responsibilities. With the right kind

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## RESEARCH GRANTS TO UNIVERSITIES

Mines and Technical Surveys Minister William Benidickson announced recently that grants amounting to \$35,000 had been awarded to five Canadian universities - McGill, Queen's, Toronto, Western Ontario and Alberta - for graduate research in rock mechanics and mineral processing. Investigations in these fields may lead to more effective mining operations and to improved and cheaper methods of extracting and processing ores and minerals, thus improving Canada's competitive position in world markets.

Rock mechanics is the study of the strength and deformation of rock under pressure and stress; it has a direct bearing on problems associated with mining, mine safety and special engineering projects. The field instruments and techniques developed for these studies may also aid the geologist and the geophysicist.

Grants for rock-mechanics research are made by the Department's Mines Branch on the advice of a newly-formed committee of representatives from universities, industry and the Branch itself. The committee hopes in addition to serve as liaison between other groups in Canada and elsewhere who are interested in this work, and to initiate co-operative research projects.

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## ST. LAWRENCE SEAWAY TRAFFIC

By the end of October, Seaway cargo traffic between Montreal and Lake Ontario had already exceeded the total for the entire navigation season of 1962, and a record year for traffic was assured, the Canadian and United States St. Lawrence Seaway entities announced recently.

October's traffic of 4,100,000 tons brings this year's cumulative total to the end of that month to 25,733,000. Last year's final total, itself a record, was 25,593,000 tons.

## WELLAND CANAL

This year's cumulative total on the Welland Canal to the end of October is 34,192,000 tons, an increase of 12.4 per cent over the comparable period of 1962. This is only 1,200,000 tons short of the 1962 season total for the Welland Canal, with the traffic of a month and a half still to be added. In October, this year, 5,257,000 tons of cargo were carried through this section of the Seaway.

October is the third month this year in which traffic on the Montreal-Lake Ontario section exceeded 1,000,000 tons; June and July were the other peak months. October's figure is 220,000 tons (5.6 per cent) greater than for the same month in 1962.

For the current navigation season, the cumulative total on this section is 17.7 per cent above that for the corresponding period in 1962. Upbound movement increased by 1,994,000 tons (19.7 per cent) and downbound by 1,885,000 tons (16.1 per cent). Bulk cargo, particularly grain and iron ore, accounted for 90.8 per cent of the total.

Traffic on the Welland Canal increased in both directions, both for the month and for the season so far.

## NATIONAL PARKS CONFERENCE

More parks of all kinds are an "essential and urgent need" in Canada, the Federal-Provincial Parks Conference reported at its Ottawa meeting, November 21 and 22. Delegates representing the national and provincial park systems joined in recommending to Canadian governments at all levels the need to establish more parks and further a development of existing parks.

The park officials believe that surveys of potential park areas, whether for national, provincial or regional parks, should be started immediately, either by individual or co-operative effort.

The conference discussed at some length the problems of financing parks. In particular, the collection of uniform fees at federal and provincial parks for camping and similar services was considered.

It was recommended that a central park-information exchange centre should be set up within the National Parks Branch headquarters at Ottawa. The centre would give provincial and federal park administrators access to all available information on park design, planning, construction and other technical and administrative subjects.

## NEW PARK CLASSIFICATION

The conference also agreed to begin classifying the national and provincial parks of Canada in six classes and three types. The new classes are wilderness, historical, prehistoric, man-made and natural areas, unique natural area, natural environment recreation area, specialized outdoor recreation area, and parkway. The areas would be further classified into three types, according to the degree of protection given the land and its resources and the relation between its use for outdoor recreation and other resource uses.

Park agencies will try to classify and inventory existing parks by March 31, 1964, and the federal Parks Branch agreed to assemble the information for national use.

The conference was preceded by three days of technical sessions attended by some 40 park administrators from the federal and provincial park systems. The technical sessions will be held again next year, possibly in late September or early October, at Victoria, British Columbia, with the provincial Department of Conservation and Recreation acting as host. The conference itself will meet in 1965.

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## JAPANESE TOBACCO MISSION

Three officials of the Japan Monopoly Corporation arrived in London, Ontario, on November 18 for a week-long visit of Southern Ontario and the cities of Ottawa and Montreal. The visit was sponsored and organized by the Canadian Department of Trade and Commerce. The visitors were Kyoichi Kariya, Director of the Tobacco Sales Department, Futoshi Hoshiko, Director, Tobacco Manufacturing Division, and Hajime Goto, a Monopoly representative in Raleigh, North Carolina, U.S.A.

The Japan Monopoly Corporation is the Japanese government agency that controls tobacco trade and manufacturing. Japan is itself an important producer

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of flue-cured tobacco but, because of its large population, it still has to import 25 to 30 million pounds of flue-cured tobacco a year to meet requirements.

The Department of Trade and Commerce has been endeavouring to introduce Japan to Canadian flue-cured tobacco, and has generated a good deal of interest. The purpose of the recent mission was to acquaint Japanese officials with the Canadian flue-cured tobacco industry and the availability, quality and method of marketing of Canadian Tobacco.

The tour included a visit to the tobacco-growing areas of Southern Ontario, where the mission witnessed a tobacco auction and saw various aspects of the tobacco processing and manufacturing industry. In Ottawa the group held meetings with officials of the Department of Trade and Commerce and the Department of Agriculture.

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### SALES AND PURCHASES OF SECURITIES

Transactions in Canadian and foreign portfolio securities between Canada and other countries during the third quarter of 1963 resulted in a net sales balance of \$27 million — the lowest capital inflow from these transactions over the past six quarters. This substantial decline in net capital inflows compared to inflows during recent quarters can be ascribed mainly to a sharp reduction in the proceeds of new issues of Canadian securities sold to non-residents to the lowest level since their quarter of last year. There were receipts of only \$98 million, compared to foreign-capital inflows from this source of \$391 million, \$410 million and \$386 million in previous quarters. These totals included amounts delivered under contracts entered into in earlier periods.

Retirements of Canadian securities held by non-residents, which were abnormally large in the second quarter, amounted to just \$33 million in the third, the smallest outflow on this account in the last two years.

### QUARTERLY TRADE

Trade in outstanding Canadian and foreign securities over the quarter again led to net outflows of capital to each of the regional groups, totalling \$38 million, a larger purchase balance than for any quarter over the past year. Repatriation of \$34 million in Canadian securities was augmented by \$4 million acquisitions of foreign securities.

Over the nine months of 1963 there was a net capital inflow of \$569 million arising from transactions between Canada and all countries in portfolio securities, which compares with a net sales balance of just \$18 million for the corresponding period last year.

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### VISIT OF REFUGEE COMMISSIONER

The United Nations High Commissioner for Refugees, Mr. Félix Schnyder, paid a courtesy visit to Ottawa on December 2 and 3. Canada is one of the main supporters of the refugee programme and the High Commissioner, who assumed his present

duties in 1961, had made similar visits in 1961 and 1962 to exchange views with Canadian officials on the work of his Office, on various international refugee problems, and on the contribution Canada can make towards their solution.

In recent years Canada has contributed \$290,000 annually to the budget of the Office; since 1951 these annual contributions have amounted to more than \$3 million. Canada is also a member of the Executive Committee, which provides guidance to the High Commissioner in the fulfillment of his duties.

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### SENEGAL ENVOY INSTALLED

On November 28, His Excellency Ousmane Soce Diop presented to the Governor General his letter of credence as Ambassador of Senegal. Mr. Marcel Cadieux, Deputy Under-Secretary of State for External Affairs, and Mr. Esmond Butler, Secretary to the Governor General, were in attendance on Governor-General Vanier on this occasion.

Mr. Diop was born in 1911 in Rufisque, Senegal. He received his university education in France. He is a veterinarian by profession. Mr. Diop was elected to the French Council of the Republic in 1948, and served until 1952. He subsequently held important positions in Senegal until his appointment in 1960 as Ambassador to the United States of America and Permanent Representative to the United Nations. Mr. Diop is also a Deputy in the Senegal National Assembly. He will reside in Washington, D.C.

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### POPULAR GEOLOGY SETS

A new look has been given the Geological Survey of Canada's popular rock and mineral sets. Starting December 1, these specially-selected collections of rock and mineral specimens will be available to the Canadian public in packages that will not only be more practical but will be far more attractive than their predecessors.

In the new packages, specimens are covered by a thin film of transparent plastic and compressed snugly onto the inside bottom of the mailing carton. Instructions on how to remove individual specimens and designate or label them are printed on the inside of the carton. Specimens are numbered and a key to their identity accompanies each collection.

Open and spread flat, the carton with the collection firmly secured may be hung on the wall or displayed in a variety of ways without disturbing the specimens. In the present packages, which are to be discontinued after December 31, specimens are numbered and packed loose in a mailing carton filled with vermiculite.

There are 36 specimens in the mineral sets and 35 in the rock sets. In the past year orders for both sets totalled more than 8,000, representing some eight tons of rocks and minerals.

The Geological Survey has collected, prepared and distributed the sets as a public service for more than 30 years. The \$2.00 charge for each set is less than the cost of collection, preparation and packaging.

## CO-OP SAVES ARCTIC COMMUNITY

Port Burwell in the Northwest Territories, a small Eskimo settlement jutting into the cold waters of Ungava Bay, has shown what can be done when people, resources and an economic development plan unite to put a dying community on its feet.

Port Burwell is so far back on its feet that other Eskimo families have begun to think about moving there. It's taken four years of hard work but the results of development may make this well-protected harbour the headquarters for deep-sea fishing not only for its own people but for Eskimos from Baffin Island. Port Burwell is in the Northwest Territories about 85 miles south of Frobisher Bay, in a location important for the future economic development of the Eastern Arctic.

Things haven't always looked so good. Before 1959, the eastern Ungava Bay area from Fort Chimo to Port Burwell and George River was a region of acute economic distress. Heavy social-assistance payments had to be made. Nearly every Eskimo family had a member on relief.

At Port Burwell the few Eskimo families that had not drifted away had a yearly income of about \$200. The population, once close to 200, had fallen to 23.

### SEA RESOURCES UNTAPPED

But though life was so hard on land, the surrounding waters teemed with commercially unexplored resources. Arctic char were abundant; so were cod and probably halibut. It is doubtful, however, if the Eskimos had ever heard a good reason to try for a market farther away from home.

But they were the sort of people who keep in touch with their neighbours. So, when co-operative development officers of the Department of Northern Affairs went north in 1958 to talk over with the Eskimos the idea of setting up the first char-fishing co-operatives, the Port Burwell folk were interested. Few in numbers though they were, they liked what they heard and decided to start fishing as a group and work towards co-operative status.

No group of comparable size has done better. Their initial assets were a \$6,000 loan from the Eskimo Loan Fund, technical aid from a field officer who was also a commercial fisherman, and a bootstrap spirit. Today, 12 families live at Port Burwell and the population is rising.

### PORT BURWELL ACHIEVEMENT

Some of the things the co-operative has been able to do since it started from scratch four years ago: rent government fishing and freezing equipment; provide operating capital for the char fishery; build and stock a co-operative retail store; double the size of its store building, increase the value of its stock four times since 1959, and finance a number of smaller projects; bit by bit, repay the \$6,000 loan, which will soon be retired; build up assets in buildings, equipment and stock valued at around \$25,000.

It is estimated that family income in Port Burwell, now up to \$3,800, could reach \$5,000 this year, based

on resource harvesting and handicraft programmes. Food processing — an experimental programme of canning fish, seal and whale meat for Eskimo consumers carried out at Whale Cove this summer and being consumer-tested this winter — is another type of project still to be developed. A factor contributing to the prosperity of Eskimo co-operatives in general are the good prices being obtained for seal skins and arctic char. Demand in, and outside, Canada for co-operative products — char, seal skins and fine crafts — is having a gradual but important effect on the Eskimo economy.

None of the 18 Arctic co-operatives — whose combined incomes may reach \$1 million this year — is tied to a single resource. Each has its speciality but does not rely wholly on one product.

Port Burwell's problem now is one that four years ago would have seemed extremely unlikely. The area economy has been developed to the point at which its renewable resources can support 150 more people. But this problem is relatively minor compared to those the community has already solved. For Port Burwell has become known among the Eskimos as a good place to live.

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## THE STORY OF CONFEDERATION —

### A NEW CHAPTER?

(Continued from P. 2)

of equalization of revenues in the shared tax fields, it is possible to vary the number and extent of federal-provincial joint programmes according to circumstances and the wishes of the provinces. Appropriate adjustments in taxation can be made, with equalization, on a basis that does not penalize the fiscally poor provinces. In other words, this concept makes a more co-operative federalism possible.

One can readily conceive of a new arrangement involving transfer to the provincial governments of full responsibility for some of the present shared-cost programmes. Such a transfer could be carried out on a scale that would involve hundreds of millions of dollars. Naturally, the provinces could not be expected to assume full responsibility on such a scale unless they were to be compensated. One way to do this would be in the field of equalization payments and by increases in the abatements which the Federal Government makes in its tax laws to take account of provincial taxes.

This approach to shared-cost programmes would involve changes in the present tax-sharing arrangements by recognizing in our law higher rates of provincial direct taxes. The amount of the change, together with equalization, would of course have to be related to the amounts involved in the changes of responsibility in the expenditure programmes.

### FISCAL ARRANGEMENTS

For 15 years the provinces have been expressing their desire to be left a larger share of the shared fields of direct taxation. This has been pressed upon successive Federal Governments by a series of spokesmen for the provinces. This pressure is

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natural and inevitable, especially in a period of rapid change when all governments are confronted by requirements which tend to press taxation to the limits of what is economically and politically possible.

Over the years, the Parliament of Canada has gone a considerable distance in recognizing the increasing need for provincial use of direct taxes. No longer are the major grants to the provinces dependent on the rental of the tax fields, as they were in the forties. The abatement for the corporation tax has been increased from five to nine percentage points. The abatement or credit for personal income tax was five per cent originally, but under the present law rises to 20 per cent in the final year of the current quinquennium....

A healthy and co-operative federalism requires strength in the provinces; it also requires a strong and healthy Government for Canada as a whole, in whose Parliament the people of each province have their representatives. Each government must not only have the powers required to discharge the responsibilities entrusted to it but also be in a position to exercise those powers.

Most of the provinces can be in a position to exercise their powers only if our fiscal arrangements embody the concept of equalization. It is well known that my colleagues and I prefer to see equalization paid up to the level not of the average of all the provinces as Parliament enacted in 1961 but up to the level of the highest. But we also recognize that there are many points to settle in achieving a change of this kind and in relating it to other revenue sources. We should like to discuss these various aspects of equalization as part of a comprehensive arrangement that will improve the working of our federal system in the spirit of our constitution.

The Federal Government is not committed to any particular fiscal arrangement. Indeed, it may be that ultimately the best solution we can find will involve entirely new approaches to the tax arrangements of Canada and the provinces. The problem is not simple. The area of movement possible for any of us is limited. There has to be thorough consideration and discussion in detail. But I am hopeful that, by approaching this problem in a co-operative spirit, we will find an acceptable solution without unnecessary delay.

PENSIONS AND ASSISTANCE PROGRAMMES

One of the areas of common jurisdiction which will occupy an important place in our discussion is pensions. We are all concerned that our responsibilities should be so exercised as to make it possible for all Canadians to retire with a sense of security. Changing one's job, or moving from one province to another, should not be a handicap in this respect.

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The universal old-age security benefit goes a considerable way towards achieving these objectives. But it falls short in some important ways. The Federal Government in July outlined a Canada Pension Plan designed to combine with the existing old-age security system to fill the present gaps in the provision of pensions as effectively and as soon as is equitable and practicable.

The federal proposal cannot and does not remove the right of any province to set up its own pension plan if it so wishes. But it would make no kind of sense - in principle or in economic and social practice - to have two full-scale pension plans, federal and provincial, operating in similar ways for the same people. The Federal Government therefore made it plain, at the conference on this subject last September, that the Canada Pension Plan would not be designed to operate in any province which preferred to establish a universal contributory plan of its own.

At the September conference, however, nine provinces indicated that they were, in principle, in favour of a federal contributory plan rather than separate provincial plans. At the same time, it was clear that some provinces had doubts about some features of the federal plan as it stood. As arranged at the conference, federal officials have since had useful consultations at the technical level with representatives of Ontario and Quebec.

There are certain features of the federal proposals which we consider to be essential to any national pension plan that we would wish to put before the Parliament of Canada. We will be prepared at this conference to define those essentials. We are equally ready to consider ways in which our proposals might be modified to meet provincial suggestions. We recognize the importance of provincial views and are willing to take them fully into account....

LIAISON ARRANGEMENTS

As I have already said, the present conference can best be regarded as the first in a series of meetings. It will therefore be particularly important to follow up and continue the work which we will initiate here. For this reason, it seems to be particularly appropriate to consider the desirability of establishing consultative machinery on a more regular basis than now exists, in order to provide a greater measure of continuity for the work of these conferences....

Our purpose extends beyond the powers of any government. Its nourishment is in the hearts and minds and wills of millions of Canadians. As Canadians, we are justly proud of what we have achieved. We must be humbly determined that what we do will create for those who follow us a yet richer heritage. We meet at this conference to discharge our share of responsibility in the fulfillment of that great purpose.