

# Canada Weekly

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## Fuel crisis brings price rises and hike in export tax

*In a statement to the House of Commons on November 1 the Minister of Energy, Mines and Resources, Donald Macdonald, described as follows the Government's actions regarding the international fuel situation and its effects on the Canadian oil and gas industry and domestic consumers:*

On September 4 the Government asked the oil industry to refrain on a voluntary basis from further price increases to Canadian consumers before January 30 of next year. This price restraint would apply except where, to the satisfaction of the Minister of Energy, Mines and Resources, the increase in the cost of imported crude oil warranted a Canadian price increase. The Government was concerned then as now with the inflationary push and its impact on the Canadian consumer.

During September and October crude oil import costs have risen substantially. One price rise alone by the Arab-producing states, followed by Venezuela, was in the vicinity of a 35 percent increase. My Department and the National Energy Board have been carefully monitoring these changes. We have received requests from major refiners using foreign crude oil in Quebec and the Atlantic Provinces to increase product prices. These requests reflect only, and I repeat only, actual increases in crude costs which have already been borne by importers. Each company has experienced different cost increases, depending upon the source of the crude and varying ocean transportation costs.

### Removal of restraints

I am today notifying refiners in Eastern Canada that the Government will have no objection to any decision on their part to raise product prices to levels consistent with each company's crude cost experience in September and the first half of October. The average increase in gasoline and heating oil prices east of the Ottawa Valley line will be about two cents a gallon.

Apart from the product price increases which I have just described and which will become effective immediately, our best indications suggest that the average price of international crude deli-

vered at Montreal, from the Eastern and Western hemisphere, will rise by upwards of \$1 a barrel during November. Refiners in Eastern Canada supplied by international crude will, at a future time, be permitted to reflect crude cost increases for the second half of October and for November in product prices.

A significant part of the market for home heating oil in the central Ontario area is supplied by imports of home heating oil from overseas. The rapid increase in demand for international supplies of home heating oils with the consequent price increase has made it difficult for Ontario suppliers to secure adequate supplies before the close of navigation in December.

In these circumstances it is the Government's intention to entertain requests by marketers for immediate price increases in home heating oils west of the Ottawa Valley line and particularly in Ontario and British Columbia. This action will both assist in the securing of supplies west of the Ottawa Valley line and will offset any tendency for these supplies to move out of those markets. With the exception of this product, it is the Government's intention to request continuing voluntary restraint at current price levels west of the Ottawa Valley line on the part of the Canadian oil industry until February 1, 1974.

The Government is, and intends to continue, watching this situation closely and will relax its restraint program further if, in its view, such action would materially assist in what must be its predominant concern — the provision of supplies.

### Export tax

The National Energy Board has advised me that if Western crude prices continue at their present restraint levels through December, the just and reason-

able price for exports to the United States would, for December, generally be \$1.90 a barrel higher. I am able to announce, therefore, that I shall be seeking authority from Parliament to raise the level of export tax rate from 40 cents a barrel in November to \$1.90 a barrel for December exports. This tax rate of \$1.90 a barrel is a direct measure of the savings to Canadian consumers west of the Ottawa Valley line of the Government's policy of continuing restraint.

\* \* \* \*

#### Supply situation

The outbreak of hostilities in the mid-East and the moves by Arab countries to embargo oil deliveries to the United States and the Netherlands and to impose cumulative reductions in their production rates have cast significant uncertainty on the crude oil supply situation for Eastern Canada. It might be that Canada will be affected by the reduction of oil production in Arab countries. Any significant curtailment in our imported crude oil supply is bound to have an unfavourable impact upon the product supply situation in Eastern Canada.

Our ability to deal with shortfalls in crude oil supply to Eastern Canada is under extensive study, both within the Government and in concert with industry.

The Government has established a

Technical Advisory Committee on Petroleum Supply and Demand under the chairmanship of the National Energy Board. The committee, which includes representatives of companies importing and refining foreign crude oil, is to advise as to the outlook for petroleum products supply and measures to bring supply and demand into better balance.

The exact magnitude of the possible oil-import curtailment which we face is uncertain and will remain so for some time.

Prior to the mid-East fighting, stock levels for oil products were generally in a fair position. The supply of heating oil in Ontario and Eastern Canada for the coming winter appeared to be in delicate balance against demand, assuming normal cold weather. If imports of crude oil cannot be maintained at programmed levels, this balance will obviously be disturbed.

The pre-hostilities situation in regard to motor gasoline supply in Eastern Canada was generally satisfactory with a seasonal inventory build-up foreseen. Curtailment of crude oil imports would affect this build-up with a consequent impact on next season's gasoline, even if it were possible to meet winter requirements in full.

The situation is satisfactory in regard to supply of all product categories in the Prairies. Pre-existing concerns about the supply of heavy fuel oils in British Columbia have been heightened because this region normally imports

significant amounts from the United States which now, of course, faces its own oil supply difficulties.

#### Call for economy

In the light of this over-all supply situation, it seems prudent to consider carefully appropriate means to reduce energy demand throughout Canada but particularly for those products and regions which I have mentioned. A number of provincial governments have already been contacted, and others will be, to outline the nature of the crude oil and product supply situation as it is emerging and to inform them of the price developments which I have just mentioned.

The Government is considering further steps and has an allocation program for application at the wholesale level which will be introduced if a more serious supply situation becomes apparent. Although it is recognized that security of supply for priority users must be protected, the Government is reluctant to interfere at this stage with the normal marketing arrangements of the industry.

At this stage, I am calling upon Canadian consumers, municipalities, heavy industry and provincial governments to study means of reducing consumption on a voluntary basis. We will be in touch with them to exchange ideas, develop plans and provide details of our conservation program.

#### Energy prices and economic structure

The effects of rising energy costs on Canadian economic arrangements during the next three or four decades will be small and will involve only slow change in our way of life, according to J.H. Dales of the Department of Political Economy, University of Toronto.

In a paper presented to a symposium on energy resources last month in Ottawa, sponsored by the Royal Society of Canada, Mr. Dales says that while deteriorating energy supplies are bound to make us a little poorer in terms of our consumption of goods and services, this check to our affluence promises to be small by comparison with the adverse effects of growing population and rising food costs on *per capita* real incomes. This over-all effect will be the net result of a myriad of small adjust-

ments in consumption and production arrangements.

In general, the paper continues, it seems that there are more opportunities for "small-sacrifice" substitutions in our consumption patterns that in production methods. A check to mechanization of the home is likely to precede a check to mechanization in production.

#### Curtailment in travel

The effect of higher energy costs on transport costs must surely reduce the currently high amount of recreational travel demanded by consumers, and probably also the amount of expense-account travel by business. We may attend fewer conferences in the future! Some reduction of commuting expenses may also be expected as people move closer to their jobs, and

freight costs may be reduced by changes in intra-regional locational patterns of consuming and production activities that permit a substitution of rail for road transport. On the other hand, interregional freight movements in Canada are now handled mainly by the railways and probably will continue to be. Moreover, given the great benefits of the interregional division of labour, little change is to be expected in this aspect of our economic structure.

Were we to be forced back to a significantly greater degree of regional self-sufficiency, either by increased energy costs, or more probably by misguided governmental policies designed to save us from the effects of increased energy costs, the probable decline in our standard of living could no longer be viewed with equanimity.

### Canada's role in mid-East peacekeeping

Canada has accepted a new formula for supplying support for a United Nations Middle East peacekeeping force that may involve sending about 750 Canadians to the Middle East. The new formula, under which the support role would be shared by Canada and Poland was agreed upon by the UN Security Council on November 2.

An 11-man evaluation team from the Canadian Armed Forces, which arrived in Cairo on November 5, is examining the logistics requirement and will submit its report to the United Nations Emergency Force (UNEF) Commander who, in turn will report to the UN Secretary-General. In particular, the team is helping to determine priorities, detailed requirements and the division of tasks for the logistical component of the emergency force.

At press time (November 7), the size and role of the Canadian component in UNEF was still under discussion with UN officials and the exact nature of Canadian participation would probably not be determined until after the team had reported. Canada wants to ensure that any task it undertakes could be performed effectively within the manpower limits agreed on with the Secretary General and the Security Council.

### Relations with Chile

*The Secretary of State for External Affairs, Mitchell Sharp, made the following statement on October 26:*

During the past few weeks allegations have been made that Canada had contributed in some manner to the economic difficulties of Chile by cutting off aid or credits to that country during the period of the Government of the late President Allende. Such allegations are not borne out by a review of the Canadian program in Chile.

#### Economic aspects

The Government of Canada does not have, and never has had, government-to-government loans outstanding with Chile. However, the Export Development Corporation (EDC), a crown corporation which operates on a commercial basis and makes its decisions on economic and commercial criteria, did

continue to finance or to insure Canadian exports to Chile following the election of the Allende Government in 1970. As the economic situation in Chile deteriorated during the period that followed, the Export Development Corporation, while continuing to finance and insure Canadian exports to that country, reviewed, on a case by case basis, all such enquiries and requests for its services. The result was that, because of the need to defer and reschedule existing debts, no medium term insurance cover was provided during this period, but short-term insurance cover continued to be provided for exporters for whom Chile was a traditional market. On this selective basis, and at a time when most other countries were reluctant to extend further credits to Chile a loan of \$5 million was approved by the EDC in April 1973 for the purchase by Chile of Canadian aircraft and telecommunications equipment. This activity was undertaken against the background of a rapidly deteriorating balance-of-payments situation and the evident inability of Chile to repay external debts incurred earlier. This background led a number of Canadian chartered banks to suspend, for a period, short-term credit to Chile, but this was neither on the instigation nor the advice of this Government. Meanwhile, Canada played an important part, along with a number of other nations, in negotiations for the rescheduling of the outstanding debt owed by Chile to her creditors in 1971 and 1972, in order to assist the country in alleviating her external financial difficulties. Canada has played a similarly active role in negotiations earlier this year to provide debt relief to Chile for 1973 and 1974.

In addition, a Chilean request to a consortium of Canadian banks for an additional loan of \$3.5 million, of which \$2 million would be guaranteed by the Export Development Corporation, was under negotiation with the Allende Government (and had been approved by the EDC) since early this year. Although the offer of a \$3.5-million loan and the \$2-million guarantee had been accepted by the Allende Government, the new régime has not yet re-confirmed this agreement.

Canada also had under way, at the time the Allende Government took office in 1970, two projects in the

fields of telecommunications and education administered by the Inter-American Development Bank involving a commitment of \$8.6 million. Disbursements for these projects were as follows: 1968-69, \$152,490; 1969-70, \$537,632; 1970-71, \$2,356,659; 1971-72, \$741,379; 1972-73 (estimated), \$2,069,900.

In September 1972, a bilateral technical-assistance project, involving an expenditure of \$87,000 in the fields of mining and metallurgy, was approved by the Canadian International Development Agency (CIDA) and initiated.

A number of Canadian non-governmental organizations also carried out private projects which are partially financed by CIDA. In 1972-73 these projects represented about \$375,000.

In addition, Canadian contributions to a number of multilateral institutions, including the World Bank, the Inter-American Development Bank, and the UNDP (United Nations Development Program), were made available to Chile during the period of the Allende Government.

#### Commerce and culture

With regard to trade, Canada's exports to Chile decreased from \$22.8 million in 1969 to \$10.1 million in 1972 but rose significantly to \$13.2 million for the first six months of 1973. Canada's imports from Chile have increased, if somewhat unsteadily, during the same period from \$3.3 million in 1969, \$2.8 million in 1970, \$9.3 million in 1971, \$6.5 million in 1972, to \$19.6 million in the first six months of 1973.

I might also add that during the period of the Allende Government in Chile my Department arranged for visits to Canada of Chilean journalists and maintained an on-going yearly program of gifts of books to the University of Chile. The Department also provided this year, in co-operation with the Canada Council, a special donation of Canadian books, in English and French, for distribution by our Embassy to various educational and cultural institutions in Chile.

It will be clear from the above facts that, throughout the period of the Allende Government, Canada's commercial, economic and cultural relations with Chile were maintained at previous levels, and in some areas, were even increased.

### New standards for hockey helmets

Consumer and Corporate Affairs Minister Herb Gray has announced that hockey helmets sold after January 1 must meet safety standards regulations of the Hazardous Products Act. Those that do not meet the standards may not be sold, advertized or imported into Canada after that date.

"Great strides have been made in the development of protective helmets for hockey and other sports over the past ten years," Mr. Gray said. "The Department has been actively following progress in this direction with keen interest. There are some excellent ones on the market today, but there are also some that do not provide adequate protection, even though they are almost indistinguishable, at first glance, from those that do. We want to make sure that every hockey helmet will do the job it is supposed to."

The Canadian Standards Association developed the standards which form the basis of the regulation, in co-operation with industry, coaches and medical specialists.

Mr. Gray said that the current standard was only a first step and that studies would continue with a view to producing more stringent regulations,

if necessary, to ensure the best possible protection for young hockey players.

"Helmets are mandatory in all hockey leagues affiliated with the Canadian Amateur Hockey Association," the

Minister added. "My hope is that players of all ages in all hockey leagues will take full advantage of the protection they afford by wearing them at all times, when on the ice."



Colin Price — Photo Features

*Consumer and Corporate Affairs Minister Herb Gray helps Gerald Rayner (right) adjust headgear that meets the safety standards for hockey helmets announced recently in regulations under the*

*Hazardous Products Act. The helmet worn by Gerald's brother Graham (centre) also passed the test.*

*The regulations come into effect on January 1.*

### Farmers' subsidy increased

Canadian dairy farmers, who have been facing a steep rise in the cost of production, have begun receiving almost double the amount of their normal subsidies from the Federal Government.

The increase, which amounts to a total of about \$10 million, comes from two sources.

First, the Federal Government provided to farmers a temporary direct subsidy of 56 cents for 100 pounds of milk, effective August 1. It applies to all the manufacturing milk and cream a farmer ships under his market-sharing quota.

Secondly, the Canadian Dairy Commission has altered its method of payment on quotas to more closely reflect producers' deliveries. This gave producers an additional \$5 million for October.

These payments are intended to pro-

vide dairy farmers with cash to lay in the feed needed to keep winter production high enough to meet demand for dairy products.

The change means that farmers may have received payment on up to 60 per cent of their August quota, up to 70 per cent on their September quota, and will collect payment at the rate of 5 per cent a month of their annual quota from October to March.

### Pledge to UN Development Program

Canada will increase its contribution to the United Nations Development Program by \$1.9 million to \$21.7 million this year. A supplementary sum of \$500,000 will be contributed in the coming calendar year for use in projects designed to accelerate development in the least-developed countries, bringing the total Canadian contribution for 1974 to \$22.2 million.

### Women influence liquor purchasing

A recent survey among women indicates that liquor, liqueur or wine is served in 85.8 per cent of Canadian households. Some 54 per cent of the women said they had personally shopped for liquor in the past month; 29.2 per cent said they had full influence on brands purchased; 36.5 per cent said they had quite a bit of influence, 28.6 per cent had some influence and only 4.7 per cent reported no influence. Canadian rye enjoys its greatest popularity in the Prairie Provinces and Ontario. The buying of Scotch whisky, liqueurs and cordials is much heavier in the higher income groups. Domestic wine is mainly popular in British Columbia, while imported wines are more popular in Quebec than in the rest of Canada. Light rum has its greatest popularity in the Atlantic Provinces, while vodka and gin are drunk mainly in Quebec.

### Trade mission to Australia, New Zealand and Fiji

Unusual and challenging trade opportunities in Australia, New Zealand and the Fiji Islands were studied by a 19-man Canadian trade mission, led by James F. Grandy, Deputy Minister of Industry, Trade and Commerce, which left Ottawa on October 20 for 18 days.

On the mission were 13 senior businessmen, each representing a particular sector of Canadian industry, whose interests include industrial machinery, forest products, electronics, power generation and distribution, textiles, chemicals and engineering services.

A number of recent developments in Australia and New Zealand have enhanced Canada's competitive position there. Since autumn 1971 the Australian and New Zealand dollars have appreciated almost 30 per cent in terms of Canadian currency, creating a strong

price advantage for Canadian companies shipping to these markets.

This advantage also prevails in relation to some of Canada's major competitors in these markets whose currencies have also appreciated as a result of currency realignments.

Canada has preferential tariff access to Australia and New Zealand; this, combined with the favourable currency situation, give Canadian suppliers a unique position in these markets. In July Canada signed an agreement with New Zealand which provides for the continuation of certain tariff preferences currently exchanged between the two countries. Discussions have also taken place between Canadian and Australian officials with a view to reaching a similar arrangement.

Other factors in the context of new

opportunities in Australia and New Zealand include recent anti-inflationary measures intended to stimulate a flow of imports. In July, Australia reduced its tariffs by 25 per cent across the board. In September, New Zealand announced a substantial increase in licensing quotas under its import licensing system. Both these actions will have the effect of improving Canadian access to these markets.

Increased economic activity in Fiji, especially in the expansion of tourism, and currency realignments, which have improved Canada's competitive position with Fiji's major suppliers, also provide a good new potential for Canadian exporters. The full mission visited Sydney, Melbourne, Perth, Wellington and Auckland. After the New Zealand program Mr. Grandy and several of the mission members went to Suva to explore opportunities for Canadian products.

### Two-way preferential tariffs between Canada and Australia

Robert K. Andras, Acting Minister of Industry, Trade and Commerce signed on October 24 an Exchange of Letters between Canada and Australia, which serves as a new legal framework for preferential tariffs that were derived from Canada's and Australia's respective bilateral preferential agreements

with Britain. These trade agreements were terminated as a result of Britain's entry into the European Economic Community.

This Exchange of Letters, which supplements the 1960 Canada-Australia Trade Agreement, provides for the continuation of a broad range of tariff preferences on trade

between the two countries. A similar Exchange of Letters was signed between Canada and New Zealand on July 26, 1973.

The Exchange of Letters also brings Canada's obligations under the 1960 Trade Agreement with respect to dumping into line with the provisions of the GATT Anti-Dumping Code to which Canada is a signatory.

### Military photographers honoured in Public Archives exhibit

General Jacques A. Dextraze, Chief of the Defence staff, opened an exhibition of Canadian military photography, at the Public Archives of Canada on September 11 which will run until November 30.

Entitled "Relentless Verity", the exhibition features 250 works by 13 photographers, covering Canadian Forces in war and peace from the Northwest Rebellion of 1885 to modern-day United Nations peacekeeping missions.

The earliest photographs in the show are the work of amateurs James Peters (1853-1927) and Henry J. Woodside (1858-1929). The First World War is covered by Canada's first official military photographer, William Rider-Rider. Other photographers represented are



Public Archives of Canada

William Rider-Rider (1889- )  
Armoured car of the 3rd Battalion, Canadian Machine Gun Corps, supporting

troops of the 43rd Battalion during an advance east of Amiens, France, August 8, 1918.

Burton Johnson, Ken Bell, Gilbert Milne, Harry Price, Alexander Stirton, Gerald Moses, Wilfred Olson, Richard Nakamura, Donald Stitt and Gordon Thomas.

The title of the exhibition was taken from a review of a display of war photos that toured Canada in 1917. The reviewer, writing in the *Ottawa Journal*, commented: "There is a relentless verity about them that eats up the... miles between Canada and the firing line, and brings a man to see the brunt his fellows...are bearing."

### New federal land policy

Urban Affairs Minister Ron Basford recently announced a comprehensive land-development program designed to lower land prices. The program will give first priority to acquisition of land that can be serviced immediately and quickly made available to the public as building lots.

"This new program will allow governments, acting together as land developers, to establish an exemplary style and quality of development. Existing land-assembly legislation forms the basis for the new program. However, financial barriers which have been a formidable obstacle to municipal participation have been removed," Mr. Basford said.

Under the new system, any profits that participating governments make from a project would be put back into the development, in land for open space, or for community facilities, school sites and other amenities at no cost to the municipality. Any additional surplus could be used to offset the capital costs of community service buildings.

Mr. Basford announced the following measures to encourage an immediate start on the program.

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First priority in allocations of federal funds will be given to land that can be brought quickly onto the market.

Land would be made available free of charge within the developments for reasonable proportions of public housing.

Prices for sale or leasing of land for modest housing would be at or near cost, while for more expensive dwellings, at market rate.

Provinces or municipalities would be allowed to defer interest on federal land-assembly loans until the land is actually marketed.

The Minister stated that the new policy would assure both a sufficient quantity of land and the highest quality of development. "Our stepped-up activity will give us an opportunity to create imaginative, exciting communities with a diversity of life styles and activities," he said.

### Visit of Swedish paper experts

To promote sales of Swedish pulp and paper equipment in North America, a trade mission from the Swedish Export Council will visit Canada and the United States this autumn.

The visitors, including three representatives of the Swedish Forest Products Research Laboratory, will meet representatives of Canadian pulp and paper companies at the beginning and end of their tour. They will arrive in Montreal on November 26 and will be in Vancouver on December 10.

### Labour force

Statistics Canada reports that seasonally adjusted, the level of employment in September was estimated at 8.74 million, down 61,000 from that of August; and unemployment at 561,000, up 47,000 from the August level. The adjusted unemployment rate was 6 per cent, an increase from 5.5 per cent in August.

Estimated employment declined to 8.80 million from 9.24 million in August, and unemployment declined to 421,000 from 433,000 in August. A year ago, employment was 8.38 million and unemployment 459,000.

The total work force was estimated at 9.22 million in September, compared

to 9.67 million in August and 8.38 million in September 1972.

The adjusted unemployment rate rose in the Atlantic region, Quebec, Ontario and British Columbia and in the Prairie region. The rate in the Atlantic Provinces was 8.7 per cent in September, up from 8.2 per cent in August. In Quebec, the September rate rose to 7.9 per cent from 7.3 per cent; in Ontario to 4.7 per cent from 4.1 per cent; in British Columbia to 6.3 per cent from 5.6 per cent. In the Prairies the rate declined to 4 per cent from 4.6 per cent.

The seasonally-adjusted participation rate, the percentage of the population counted in the work force, decreased to 57.3 in September from 57.6 in August. The decrease was mostly among women 25 and over.

### Canadian Football League final standings

#### Eastern Conference

	W	L	T	F	A	Pts.
Ottawa	9	5	0	275	234	18
Toronto	7	5	2	265	231	16
Montreal	7	6	1	273	238	15
Hamilton	7	7	0	304	263	14

#### Western Conference

Edmonton	9	5	2	329	284	20
Saskatchewan	10	6	0	360	287	20
B.C.	5	9	2	261	328	12
Calgary	6	10	0	214	368	12
Winnipeg	4	11	1	267	315	9

### Results

#### Sunday, November 4

Edmonton, 28; Saskatchewan, 16  
Hamilton, 25; Montreal, 13

#### Saturday, November 3

Toronto, 18; Winnipeg, 3  
B.C., 15; Calgary, 7

### Semi-finals

#### Sunday, November 11

##### East

Montreal at Toronto.

##### West

B.C. at Saskatchewan.

☐ Press time November 7. ☐