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ECONOMIC REVIEW--1956

(By the Rt. Hon. C.D. Howe, Minister of Trade and Commerce)

The economic upswing of 1955 continued with sustained vigour throughout 1956. The result was a period of accomplishment in many ways without equal in Canadian history. In the brief space of two years, overall physical output rose by about one-sixth. This is the equivalent in dollar terms of roughly six Canadian wheat crops or one-third the output of the entire North American automobile industry.

More fundamental even than the rise in output were the tremendous strides toward further development of Canada's resources and widespread additions to productive capacities generally. Industries based on the newly developed resources of oil, natural gas, iron ore and uranium continued their meteoric advance, and now hold positions of ever-increasing prominence in both national and continental markets. Production of these key materials within our own borders adds tremendously to Canada's industrial stature and to the solidity of the economy. Yet, outlays in these fields, though large, constitute but a minor part of the overall volume of resources directed toward expansion of capital facilities. Capital expansion in 1956 not only proceeded on a broader scale, but actually increased at a more rapid rate than at any previous time in the post-war period. Opportunities for new investment in Canada became increasingly attractive, not only to Canadians but to business inter-

ests the world over. Industrial growth was, therefore, facilitated by a record inflow of capital in the form of both direct investment in specific undertakings and security purchases, attracted by prospective yields in the Canadian market. This external participation in Canada's development was a key factor in sparking the currently high rate of expansion. At the same time the accompanying capital inflow provided the means to pay for the tremendous upsurge in imports needed to service this expansion.

With the aid of this influx of resources from abroad, the substantial step-up in capital outlays was achieved alongside a continuing rise in exports and a further improvement in the living standards of Canadians. Moreover, in the face of a generally strong demand situation, increased imports and a strong Canadian dollar helped to counteract upward pressure on prices. Although the consumer price index has been rising for some months, the rate of increase has been moderate and of about the same magnitude as that occurring in the United States. In short, increased foreign participation in Canada's development has made possible a rate of growth which, to achieve otherwise, would have involved substantially more dislocation in our business life and extensive sacrifices on the part of Canadian consumers.

(Over)

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PRODUCTION

Canada's Gross National Product in 1956 surpassed the \$29½ billion mark, roughly 11 per cent above the level of the previous year. Moderately higher prices contributed to this increase. After allowance is made for this factor, national output in physical volume terms rose by about 7 per cent, more than in any other post-war year except 1955, which was a period of recovery.

All major segments of industry contributed to this production increase. Larger grain crops and greater output of dairy products boosted agricultural production above 1955's high level. Strong demand and expanding capacity resulted in a record output of most of Canada's mineral, forest and chemical products, including petroleum, nickel, copper, iron ore, cement, newsprint and many others. In the first nine months of 1956, steel mills increased their output by about one-fifth, bringing production up to an annual rate of 5.2 million ingot tons. For the same period, imports of steel doubled, raising overall supply in the Canadian market by 50 per cent. Notwithstanding this substantial increase, some steel types, particularly structurals and plate, remain in acutely short supply. Among the leading industrial materials, lumber has been the only one to undergo a decline in output, reflecting lower shipments to the United Kingdom and also to the United States. Domestic lumber requirements were unusually heavy in the early part of the construction season, but have subsequently eased as a result of the down-turn in housebuilding activity in Canada.

Producers of electrical, industrial and office equipment were among those experiencing the sharpest rise in activity during 1956. In these lines, domestic shipments pretty well kept pace with the upsurge in imports. On the other hand, production of farm machinery remained relatively low, but rising farm incomes gave promise of some improvement in domestic sales at least. The Canadian automobile industry escaped the slump encountered in the United States. The output of all types of motor vehicles exceeded last year's level, but fell a little short of the 1953 record of 486,000 units. Except for television sets, output of the major household appliances was well ahead of last year's volume. Clothing, textile and leather goods manufacturers as a group showed some gain in 1956 over 1955, but in a few lines such as synthetic fabrics and rubber footwear the domestic industry lost ground in the face of stiff competition from abroad.

EMPLOYMENT

Total employment in 1956 rose by 200,000 persons, or nearly 4 per cent—more than in any comparable period within the last decade. Expanding immigration added to the supply of

workers available. However, natural increase in the adult population and immigration together accounted for only one-half of the increase in employment. The remainder was accounted for by the absorption of unemployed and by persons taking jobs who, under less buoyant conditions, would not be in the labour market. A continuing shift of workers out of agriculture added to non-farm employment, particularly in the early part of the year. By the late fall, unemployment had declined to the lowest level since the summer of 1953.

INCOMES AND CONSUMPTION

Notwithstanding the strong pull on resources for capital expansion purposes, the Canadian consumer continued to fare exceedingly well in 1956. Personal incomes increased sharply and nearly all groups participated in the rise. Farm income recovered substantially during the past year, reflecting higher production, increased grain exports and firmer prices. In the case of wage earning groups, an increase in average hourly earnings of about 4 per cent, higher employment, and somewhat longer hours of work combined to give a year to year increase of 11 per cent in total labour income. Dividend disbursements, rental returns and other forms of investment income were up substantially. Total personal income, after deduction of direct taxes, increased by about 9 per cent. Although consumer prices rose moderately during the latter part of 1956, per capita real income was 5 per cent higher. In terms of actual purchasing power Canadians were able to save more and also spend more. Thus there was a continuation in 1956 of the strong upward trend in living standards which has been evident in recent years. Canadians on the average are now buying 15 per cent more goods and services than was the case five years ago.

CAPITAL INVESTMENT

More capital investment was planned for 1956 than could be accomplished. Preliminary indications suggest that overall capital spending in 1956 exceeded \$7½ billion but fell short of the mid-year intentions figure of \$8 billion. After allowance is made for the rise in investment costs, capital spending in physical volume terms increased by about 15 per cent. Expenditure on capital goods now amounts to more than one-quarter of Canada's Gross National Product. This is the highest proportion attained in Canada's recent history.

Most of this additional investment has been directed toward further development of resource industries and the enlargement of facilities in transportation, power and other utilities. Expansion programmes which have figured prominently include the record pace of exploration and development of oil and natural gas resources in Western Canada, commencement of work on two gas pipe lines, one to the West Coast and the other to Eastern Canada, development of Canada's new uranium industry, and

EMPLOYMENT DURING 1956

There were plenty of job opportunities in most parts of the country throughout much of 1956 and working conditions generally continued to improve, the Hon. Milton F. Gregg, V.C., said in his annual year end review.

The increase in employment during 1956 did not equal the record rate established in 1955, but it did increase about as much as the supply of manpower and the availability of other resources would permit. Some shortages of labour developed during the period of peak summer demand, even with increased labour force participation, the natural growth of the population and immigration. These shortages of manpower were more marked in 1956 than at any time since the defence build-up following the outbreak of the Korean War in 1951. They were confined, however, largely to Ontario and Western Canada. In the Atlantic Region the labour force was more fully employed this year than it had been for many years. Employment in the Province of Quebec also increased substantially, but with rare exceptions there were sufficient workers available there to meet the demand.

Accompanying the larger number of job opportunities was an increase in the proportion of the adult population taking employment, especially during the summer months. This development, which represented a reversal of the trend during the last two years, was especially evident in the younger and older age groups of the labour force--that is between the ages of 14 and 19 and age 65 and over. There was also an increase in the proportion of women in the working force.

The movement from agriculture into other types of employment during the year was esti-

mated at about 60,000 workers, or about twice the average for the past ten years. In the face of this, farmers in many parts of the country experienced severe difficulties in obtaining sufficient labour. Part of the explanation for the difficulties in recruiting farm labour also lies in the fact that although more immigrants entered Canada this year than in 1955, the number of experienced farm workers among them was actually smaller.

An examination of average employment during the summer months of 1956 shows that the total non-agricultural employment increased by about one-quarter of a million, as compared with the same period in 1955. There were spectacular employment gains in some industries, particularly manufacturing, construction and the distribution and service industries. These accounted for about 90 per cent of the total increase. In the manufacturing industry, employment this summer increased about 10 per cent from the low point reached in 1954, but the net gain since May 1953 was almost 3 per cent.

For the Canadian labour movement, 1956 proved to be one of the most significant years in its history. At the first convention of the new Canadian Labour Congress in April a high degree of unity was achieved in the Canadian labour movement. With the merging of the affiliated membership of the former Trades and Labor Congress of Canada and the Canadian Congress of Labour, the new CLC began its operations with more than one million affiliated members. Although the subsidiary organizations of the two old congresses at the provincial and local levels have two years in which to merge their organizations, several of them have already completed the mergers.

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PULP AND PAPER BOOM: Canada's pulp and paper industry had another year of steady progress in 1955, setting new high records in the production of pulp, newsprint and other kinds of paper and paperboards, in gross and net values of products, in employment and in salaries and wages paid.

The gross value of the industry's products in 1955 was \$1,326,938,000, an increase of nearly 7 per cent over the previous peak of \$1,241,665,000 reached in 1954. The net value of products rose to \$689,818,000 from \$641,517,000 and material costs to \$546,079,000 from \$515,258,000. The number of employees increased to 62,205 from 60,837 in 1954 and the payroll to \$265,298,000 from \$252,598,000.

Newsprint production reached 6,196,000 tons valued at \$688,338,000 as compared with 6,001,000 tons valued at \$657,487,000 in the preceding year. Other kinds of paper and paperboard, totalling 1,804,000 tons valued at \$293,101,000, compared with 1,649,000 tons worth \$268,103,000 in 1954. Total production

of paper and paperboard thus reached 8,000,000 tons as compared with 7,650,000 in 1954 valued at \$981,439,000 versus \$925,591,000.

Pulp production reached 10,151,000 tons valued at \$693,403,000 as compared with 9,673,000 tons valued at \$655,917,000 in the preceding year. Pulp production in 1955 comprised 7,312,000 tons made for use in producing mills (7,053,000 in 1954), 455,000 tons made for sale in Canada (419,000), and 2,383,000 tons made for export (2,201,000 in 1954).

Quebec again led the provinces in gross value of the industry's products in 1955 with a total of \$560,900,000 versus \$532,327,000 in the preceding year, Ontario second with \$401,749,000 versus \$364,994,000, and British Columbia third with \$169,370,000 versus \$157,782,000.

Totals for the other provinces were: New Brunswick, \$94,403,000 (\$88,762,000 in 1954); Newfoundland, \$62,616,000 (\$62,233,000); Nova Scotia, \$21,084,000 (\$20,715,000); and Manitoba and Alberta, \$16,816,000 (\$14,853,000).

AID TO CEYLON: The Canadian Government will make \$2 million dollars available for assistance to Ceylon under the Colombo Plan during the fiscal year 1956-57.

A variety of economic development projects in Ceylon will receive assistance from Colombo Plan funds provided by Canada in 1956-57. An aerial survey of Ceylon's natural resources, which was begun in 1955, will be continued and a further amount of \$336,000 will be made available, bringing the total provided by Canada for this project to about \$500,000. Canada will supply two more diesel locomotives valued together at \$370,000 to improve Ceylon's transportation system. Eight diesel locomotives have been supplied in previous years. Additional equipment will be provided for the pilot fisheries project at Mutwal, bringing this project to completion. Equipment for agricultural stations and schools and for pest control, will be sent to Ceylon. Canada will provide further electrical transmission lines costing \$400,000 in the Gal Oya Valley, where the Ceylon Government is re-settling people from the more crowded parts of the Island.

In addition Canada will continue sending shipments of flour to Ceylon, for which the Ceylon Government establishes counterpart funds of rupees to be used for agreed economic development purposes. The projects to be financed in this way include a veterinary building for the University of Ceylon, a building for a trade school and the construction of rural roads. The 1956-57 programme provides for Canadian shipments of flour valued at about \$640,000.

Canada will also contribute \$50,000 for assistance to a polytechnic school in Singapore. The Singapore polytechnic school is to be a centre for advanced commercial and engineering training for students from the whole of the south-east Asia area. The grant of \$50,000 is to equip a section of the school which would be identified with the Canadian gift. This will be the first assistance of a capital nature provided to Singapore from Canada under the Colombo Plan.

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ON THE RAILS: In a year-end review of activities of the Canadian National Railways, Chairman Donald Gordon said that the Canadian National Railways' earnings, \$711 millions to the end of November, indicated the high level of business activity that had prevailed throughout 1956, that Canadian National had shared in the growth of Canada and that, in turn, it had made its own contribution to that growth.

Mr. Gordon reported that construction was well under way of a 290-mile line between Beattyville, Quebec, and St. Felicien, Quebec, which cuts through the Chibougamau mining fields, that further east a 22-mile line had been cleared and graded through the New Brunswick forest to reach a new mine site and that,

to the west, Canadian National forces had surveyed a route far up the Hudson Bay railway line into the Mystery-Moak Lake district, where an extensive nickel deposit will be developed over the next four years at a reported cost of \$175 millions.

In addition, Mr. Gordon said that a 40-mile diversion of the Toronto-Montreal line between Cardinal and Cornwall had been constructed and will be ready for operation next summer. The abandoned section will be flooded by the power reservoir in the International Rapids section of the St. Lawrence Seaway.

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ATOMIC TRAINING: Activities of the Canadian Army during 1956, both at home and abroad, definitely had an atomic flavour insofar as training was concerned.

No. 1 Radiation Detection Unit, Barrieffield, Ontario, attended British atomic trials in Australia and Canadian equipment was tested under atomic conditions.

At home, more than 10,000 members of the 1st Canadian Infantry Division under Maj-Gen. John M. Rockingham, carried out Exercise "Morning Star" at Camp Gagetown, New Brunswick, in which simulated atomic blasts were set off and the division followed the rule "disperse and keep mobile", key words of tactical doctrine under atomic conditions.

Aspects of the tactical use of nuclear weapons also were considered during a six-week concentration of some 4,000 troops of the 1st Canadian Infantry Brigade at Camp Wainwright, Alberta, during June, July and August.

In Europe, more than 5,000 troops of the 2nd Canadian Infantry Brigade also practiced various phases of nuclear warfare.

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43 WARSHIPS: At the end of 1956 there were 43 major warships in commission in the Royal Canadian Navy including an aircraft carrier, a training cruiser, an Arctic patrol ship, 15 destroyer escorts, including four of the St. Laurent-class, 10 Prestonian class frigates, six coastal escorts and nine coastal minesweepers. In addition there are a large number of auxiliary craft ranging from a 10,000-ton technical apprentice training ship to small harbour craft.

In addition to ships of the operational fleet, the navy had nine vessels on loan to other government departments including three to the Department of Transport, two to the Department of Mines and Technical Surveys, one to the Department of Fisheries, and three to the RCMP. The RCN has three frigates on loan to the Norwegian Navy, the transfer being made at Halifax early in 1956.

Ships in the reserve fleet at Sydney, Nova Scotia, include one cruiser, three frigates, twenty-two coastal escorts and 12 auxiliary ships.

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substantial additions to capacity for the production of pulp and paper, non-ferrous metals, chemicals, cement, steel, and electric power.

Residential construction, which accounted for one-quarter of total investment outlays in 1955, declined somewhat in relative importance this past year. Housing completions slightly exceeded the previous year's record of 128,000 dwelling units but starts were down considerably. Consequently, the present carry-over of uncompleted houses is well below that of a year ago.

FOREIGN TRADE

Canada's unparalleled expansion has been taking place against a background of sustained prosperity in other parts of the Western World and expanding international trade. Production levels in the United States and in Western Europe rose less rapidly in 1956 than in the preceding year, but international trade in these areas and elsewhere moved steadily upward. In these circumstances external markets for Canada's goods have continued to grow.

On the basis of ten month figures, it now appears that merchandise exports approximated \$4.85 billion for the full year, 12 per cent higher than in 1955. Larger shipments of wheat accounted for more than one-third of this increase. Wheat shipments were the highest since the banner sales of 1952, despite difficulties arising from the United States surplus disposal programme. Crude petroleum exports now exceed \$100 million annually, a four-fold increase from the preceding year, and foreign sales of iron ore have risen from \$100 million to approximately \$160 million. Other items which have contributed significantly to the increase in total sales include newsprint, copper, chemicals and aircraft. Lumber has been the only major export commodity to show a significant decline.

Merchandise imports increased from \$4.7 billion in 1955 to approximately \$5.8 billion in 1956, nearly twice as much as exports. This heavy influx of goods from abroad reflected the tremendous upsurge in demand, particularly for expansion purposes. Accordingly, most of the increase in imports consisted of machinery and equipment, steel and other industrial materials needed for the production of capital goods. Imports of consumer items rose also but on a more moderate scale. By and large the increase in imports did not prevent an expansion in the business handled by domestic producers. A major portion of the increase in shipments from abroad consisted of items not made in Canada or of requirements in excess of the productive capacities of domestic industries. In those lines most subject to foreign competition, such as textiles, electric appliances and industrial machinery, shipments from Cana-

dian factories in most cases kept pace with upward trend of imports.

As regards the geographic pattern of Canada's foreign trade in 1956, sales to and purchases from the United States both increased roughly in proportion with the change in overall exports and imports. In the United Kingdom, the measures designed to restrain excessive internal demands had the intended effect of holding down imports, and Canada's sales to that country remained at about the level of the previous year. On the other hand sales of British goods in Canada rose by more than one-fifth, thus providing a significant measure of support to the foreign balance position of the United Kingdom. Elsewhere in the Commonwealth, intensified import controls in Australia and New Zealand reduced Canada's exports in these markets. A notable development in Canada's trade with other overseas countries was the substantial increase in sales to and purchases from Germany and Japan. Canada retains a large favourable balance with each of these countries. Canada's trade with Iron Curtain countries, for the first time, assumed significant proportions with the sale in 1956 of nearly 40 million bushels of wheat in this area.

BALANCE OF PAYMENTS

The sharper increase in imports than in exports resulted in a much greater imbalance in Canada's commodity trade. In addition, higher costs for shipping, travel and various other items added to the non-merchandise deficit. Canada's deficit on all current transactions for the first three-quarters of 1956 rose to an annual rate of more than \$1½ billion. This was more than one-fifth of total current receipts. This current deficit was met by an inflow of capital funds of about the same magnitude, while there was little change in official holdings of gold and United States dollar reserves. The capital inflow in the latter half of the year in fact tended to exceed the deficit on current account causing a firming in the external value of the Canadian dollar which toward the end of the year had been selling at a premium of close to 4 per cent on the United States dollar.

The imbalance in Canada's current external account is directly attributable to the stepped-up pace of industrial expansion. This growth is being achieved through increased reliance on financial and physical resources from abroad. The inflow of capital funds on the one hand and larger imports on the other provides the means whereby this foreign participation in Canada's growth is brought about.

Notwithstanding the size of the current deficit, the underlying soundness of Canada's external financial position is evidenced by the high cost to non-residents of Canadian dollars for investment in Canada. This position is further re-inforced by the current expansion in export industries and in other capacity which will provide domestic sources for goods now imported.

THE YEAR AHEAD

At the year's end there is little evidence of change in the strong general pressure of demand which has prevailed since 1955. Production and employment have continued to press steadily ahead. Despite higher imports, shortages of some materials persist. Apart from seasonal changes the labour market remains tight. Planned projects are in many cases behind schedule. Interest rates moved upward throughout the year and are now at peak levels. By and large the conditions which have necessitated a close rein on the overall expansion of credit are still present.

What is presently known of investment plans for 1957 suggests a further increase in overall capital spending. Industries likely to have a further rise in capital outlays include the production, distribution and processing of oil and natural gas, non-ferrous metal refining, uranium development, primary iron and steel, electric power, transportation and communications and retail trade. In pulp and paper and chemicals, expenditures will probably run close to the greatly expanded programmes of 1956. Steadily mounting requirements for schools, local improvements and the like will scarcely permit any let-up in institutional and government construction. Of all the major investment sectors, residential building is the only one likely to show a significant decline.

The 1957 programme, therefore, will have its heaviest impact in equipment industries and heavy construction. In these fields availability of structural steel and plate may continue to cause delays in the implementation of investment plans.

The Middle East crisis and other recent international events have introduced new elements of uncertainty into the world trade situation, the effects of which are not now discernible. Apart from these influences, the pressure of world demand on Canada's principal export materials is not presently as strong as a year ago. Nevertheless foreign markets for these commodities, with one or two exceptions, remain reasonably firm. In addition, expanded capacity in export industries will increase the volume of supplies available. The diversion of large quantities of Western Hemisphere oil to Europe will entail a further substantial rise in Canada's exports of petroleum, although distribution facilities will limit the extent of this movement. In addition much larger quantities of uranium concentrates will be moving into export channels during 1957. More moderate increases will probably be realized in sales of a number of other commodities. Given sustained prosperity in the United States, total exports will continue at a high level.

Consumer trades also can look forward to a busy year. Rising real incomes will probably

bring a further expansion in sales. Even with the steady increase in personal consumption in Canada, capacity in consumer industries is under no strain. This factor together with the ready availability of foreign goods will mean that business in consumer lines, while rising in volume, will remain keenly competitive.

The indications are that overall demand will remain strong in 1957. Toward the end of the year pressure from new investment may ease, as some of the larger expansion projects now underway approach completion. Meanwhile the likelihood of an increased influx of immigrants will help to fill deficiencies in the supply of labour. The current economic upswing, though now in its third year, gives no indication of general vulnerability. Inventories have increased but not out of line with final demands. Speculative tendencies have been restrained and prices have increased but moderately. Shifts in market demands will continue to cause ups and downs in some industries, but these are not likely to affect the underlying surge toward ever-widening economic horizons.

DEFENCE PRODUCTION

Orders and expenditures for defence supplies and construction in 1956 reached levels only slightly below those of 1955, although substantially under the peaks of earlier years. The rapid growth in the national product had the effect of diminishing further the relative importance of the defence programme in the economy, continuing the trend which began in 1955. It is important to recognize, however, that while the total impact of defence spending is weakening, this programme continues to be the mainstay of certain industries, particularly aircraft and shipbuilding. Wherever possible, diversification has been encouraged in defence industries, in order to reduce their sensitivity to fluctuations in defence orders. There remains, however, a hard core of facilities whose specialized character precludes their use for any production other than that for which they were designed.

The direct investment of public funds in the form of capital assistance continued at about the same level as in 1955, and was used primarily to provide equipment for the highly specialized production tasks. In other cases, manufacturers were urged to invest their own capital in the production facilities needed to meet developments in design and in manufacturing techniques. To this end, encouragement was given through tax incentives to about the same extent as in 1955. In line with the policy of encouraging private investment in defence production facilities, a number of capital assistance assets were sold to industry.

The supply of domestic materials for defence programmes continued to be satisfactory throughout the year and no programme was seriously delayed on this account. The full co-

operation received from all mills and fabricating facilities in Canada made it possible, as in 1955, to meet defence production schedules without resort to any form of direct controls. The supply of steel from the United States, particularly plate and structural mill forms, remained critical throughout the year, but no persistent shortages of other United States materials were encountered.

The continued stability in overall defence purchasing was generally reflected in all parts of the programme with the exception of defence construction for which expenditures rose steeply. Spending was reduced in some procurement categories, including aircraft, munitions and ships, and there was some increase for electronic equipment. In the defence construction programme, 1956 was a year of greatly increased activity, with a 60 per cent increase over the level of expenditures of the two preceding years. Work on the Mid-Canada Line and Camp Gagetown, the two major projects in the programme, progressed rapidly and accounted for almost half the total outlay. Both projects were brought near completion during the year. Special attention was again given to the problem of seasonal variations in construction activity, and a policy of continuous winter work was followed whenever possible.

Orders placed in the United States for defence supplies reached approximately the same level as in 1955. There was, however, a substantial drop in expenditures in that country, reflecting the sharp decline in orders placed during the preceding year. United States purchases of defence supplies in this country were also down. On the other hand, Canadian orders placed in the United Kingdom rose slightly in value over 1955, with little or no change in the level of spending.

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COLLECTIVE AGREEMENTS: A total of 1,561,800 Canadian workers were covered by collective agreements in 1955 according to a study of agreements by the Labour Department.

Hon. Milton F. Gregg, Minister of Labour, in commenting on the study, pointed out that many of the agreements of which his department has a record are re-negotiated each year with comparatively little disruption to production although it is the relatively few strikes and rumours of strikes which attract attention.

The total of 1,561,792 wage and salary workers in Canada covered by the provisions of collective agreements in 1955 is three per cent higher than the 1954 figure of 1,515,010.

The study showed that wage and salary workers covered by collective agreements in 1955 represented a wide variety of industries. Changes in the number of manufacturing workers covered by collective agreements corresponded to some extent with changes in the level of employment. For example, cotton goods, pulp and paper, primary iron and steel and motor vehicles showed substantial increases, while shipbuilding declined from the 1954 level.

HEAVY AIR TRAVEL: Trans-Canada Air Lines experienced outstanding growth in almost every phase of its operations in 1956.

In an annual review, TCA President, G.R. McGregor, said the airline had greatly stepped up its activities to meet the demands of what has been described by economists as the most prosperous year in Canadian history.

The transportation industry as a whole shared in the buoyancy of the national economy, and the record levels of production and trade, Mr. McGregor said. The upward trend of air travel popularity was more apparent than ever before and all previous peaks of traffic volume were exceeded. To keep pace with Canadian transportation needs, TCA made available for sale the greatest number of seat miles in its history--some 1,635,000,000.

COMMERCIAL JET AGE

The year was outstanding also in that TCA took the first step toward the commercial jet age in Canada with an order for four long-range Douglas DC-8s. An option was taken on two more. These huge aircraft will have British Rolls-Royce Conway turbo-jet engines of the by-pass type and will carry 120 passengers and three tons of cargo at 550 miles an hour. They will go into service on TCA's long-range routes across the continent and the Atlantic Ocean in 1960 and will cut present flying times almost in half.

For the first time in TCA's history more than 2,000,000 passengers were carried during a single year. The airline accommodated 1,682,195 travellers in 1955, and the 1956 total, based on 10 months actual and two months estimated figures, was expected to reach 2,100,000 for an increase of 25 per cent.

Approximately a billion revenue passenger miles were flown on TCA's routes in Canada and the United States while another 188,000,000 were flown on the trans-Atlantic routes to the United Kingdom and Europe and on the southern services to Bermuda and the Caribbean area. The total represented a 23 per cent increase from 1955.

Air freight traffic on TCA's routes rose by 19 per cent during the year with approximately 11,815,000 ton miles being flown. TCA provided cargo accommodation on all scheduled flights in addition to a daily transcontinental freight service using North Stars each capable of carrying nine tons. Approximately 2,590,000 ton miles of air express were flown, a 20 per cent increase over 1955.

The volume of air mail has grown in impressive fashion, the review stated, since the Post Office Department pioneered the "all-up" carriage of mail in 1948, giving Canada one of the fastest mail services in the world.

TCA flew some 8,640,000 mail ton miles in 1956, a 12 per cent increase over the previous year. About 7,310,000 ton miles were flown on the North American services and the remainder on the overseas routes.

UNDER UN FLAG: As the year ended, Canadian soldiers were serving under the flag of the United Nations in four of the world's trouble spots in the role of international policemen.

The commitment in Egypt had captured most of the headlines in the closing months of the year. But the Army's role in Indochina, Palestine and Korea continued, as it had for several years past.

In Indochina, some 180 officers and men were serving in Vietnam, Laos and Cambodia as members of the International Truce Supervisory Commissions. Working under conditions often completely foreign to Westerners, their job was one requiring a high degree of diplomacy, endurance and devotion to duty.

In Korea, a small group of men, mainly Royal Canadian Army Medical Corps remained on the job, the last of more than 28,000 Canadian soldiers to serve in the Far East since 1950. They are providing medical services for the remaining British Commonwealth troops in the area.

In Palestine, a small group of officers remained on the job--as they had been before the current Middle East involvement began. Members of the United Nations Truce Supervisory Organization, they were policing the uneasy Palestine-Egyptian border.

AGREEMENT SIGNED: Canada and the United States have officially joined forces to protect and conserve the valuable pink salmon runs of the Juan de Fuca--Fraser River area of the Pacific Coast. An agreement placing this resource under the management of the International Pacific Salmon Fisheries Commission was signed in Ottawa on behalf of their respective countries by the Hon. James Sinclair, Minister of Fisheries of Canada, and His Excellency T. Livingston Merchant, the United States Ambassador to Canada.

The agreement provides for a co-ordinated investigation by research agencies of the two

Governments and the conservation of pink salmon stocks which enter the waters described in the convention. It calls for a meeting in the seventh year after entry into force to review the results of the investigation and to determine what future arrangements concerning pink salmon conservation might be desirable.

The International Pacific Salmon Fisheries Commission presently consists of three representatives each from Canada and the United States. To cope with the additional responsibilities pertaining to the pink salmon agreement, the Commission's Advisory Committee will be increased by the addition of one member from each country in order to give broader representation from the industry.

DIPLOMATIC CHANGES: New appointments as heads of Canadian diplomatic missions have been announced to take effect next spring:

Dr. Philippe Panneton, of Montreal, has been named Ambassador to Portugal to succeed the Hon. W.F.A. Turgeon, who is retiring from the Diplomatic service.

The present Ambassador to Greece and Israel Mr. T.W.L. MacDermot, has been named Canadian High Commissioner to Australia. He will replace Mr. W.A. Irwin, whose appointment as Ambassador to Brazil was announced recently.

Mr. R.A.D. Ford, who has been serving with the Department in Ottawa as Head of the European Division, has been appointed as Ambassador to Colombia. He succeeds Mr. Edmond Turcotte who has been on loan from the Department as one of the three commissioners for the Royal Commission on Broadcasting.

Mr. D. Leo Dolan, Director of the Canadian Government Travel Bureau since 1934, has been appointed Consul General at Los Angeles, to succeed Mr. L.G. Chance who will be retiring.

Mr. K.J. Burbridge, at present Minister-Counsellor of the Canadian Delegation to the North Atlantic Council in Paris, has been appointed Consul General at Seattle where he will succeed Mr. C.N. Senior, who is retiring from the service.