



CANADA

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## HEAVY SPENDING: MINOR TAX CUTS

Basing his revenue forecasts on a gross national product of \$32 billion, up 2 per cent over 1957, Finance Minister Donald Fleming on June 17 brought down the budget in a crowded House of Commons.

Mr. Fleming said the anticipated total revenue in 1958 was \$4,652 million, some 8 per cent below last year's receipts, and that he had budgeted for expenditures of \$5,300 billion, with revenue falling short of expenditure by \$648,000,000.

No basic changes in tax rates were made, but Mr. Fleming announced a number of minor reductions of widespread application.

Income tax changes include a widening of deductions for medical expenses to include the cost of drugs and medicines prescribed by a physician. Amounts paid for eye-glasses, artificial eyes, laboratory service and ambulance charges are also put under the 3 per cent of income allowed for medical deductions. This applies to all payments made after today.

Other proposed amendments enlarged the eligibility of husbands supporting estranged wives and widened the exemptions on gifts from husbands to wives or from parents to children.

Corporations will be allowed to deduct 10 per cent instead of 5 per cent covering donations to educational or charitable organizations.

Forecasting stiffer anti-dumping legislation to be introduced at this session of Parliament, the Minister proposed several tariff changes. These include a new iron and steel

tariff, a new oil and gas pipe schedule, higher duties on British woollens and on zinc and zinc products. There was also a wide variety of miscellaneous tariff alterations. All changes go into effect at midnight tonight.

The following are highlights of the budget speech:

No change in personal or corporation income tax rates.

Budget deficit for 1958-59 peacetime record of \$648,000,000 compared with \$39,400,000 last year.

Minor tax cuts total \$8,000,000 for remainder of current year, \$26,000,000 in full year.

Peacetime record expenditures of \$5,300,000,000 and revenues falling to \$4,652,000,000 forecast.

Government to borrow an estimated \$1,400,000,000 in new money this year to cover budget deficit and federal loans.

Tax-deductible medical expenses to include prescription medicines, spectacles, diagnosis, effective immediately.

No change in tax on automobiles, tobacco products, liquor, radio and TV sets.

Tax deductibility of charitable gifts by corporations doubled to maximum 10 per cent of income, effective January 1, 1958.

Once-in-a-lifetime gift tax exemption on real estate transfers of up to \$10,000 between husband and wife, or father and child, effective this year.

(Over)

Canadian tourists abroad allowed to bring back after July 1 duty-free purchases of up to \$300 a year, lumping in one trip present allowance of \$100 every four months.

Tax deductibility provided for husband paying for support of wife or dependent children under court order.

Emergency gold mining assistance boosted by 25 per cent to about \$12,000,000 annually, starting with 1958.

Excise tax of 20 per cent on advertising in special Canadian editions of non-Canadian periodicals repealed, effective immediately.

Period for claiming tax refunds extended to four from two years from end of taxation year.

Tariffs on imports of wool cloth from Britain boosted from present 50 cents a pound to 55 and 60, effective immediately.

Government to tighten anti-dumping laws sharply.

Tariffs revised upward and downward on basic iron and steel, pipes and tubes, zinc and other products.

Additional farm and building materials exempted from sales tax, effective immediately.

Interest on tax overpayments increased to three from two per cent, effective 1958 tax year.

Municipalities given \$5,000,000 annual relief from 10 per cent sales tax on some purchases, effective immediately.

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## RECORD CONSTRUCTION FOR 1958

Canada's 1958 construction programme is estimated at a record value of \$7,136,000,000, an increase of 1.3 per cent over the preceding year's peak of \$7,048,000,000, according to estimates published by the Dominion Bureau of Statistics.

It is estimated that 614,067 full-time workers would be required to carry out the 1958 construction programme and that the value of this labour would be \$2,371,000,000 or 33 per cent of the total value of work. The estimated cost of materials required for the programme is \$3,439,000,000, about 48 per cent of the total. This proportion has remained relatively constant over the past five years.

Volume of construction carried out in 1956 increased almost 15 per cent over 1955. Preliminary estimates for 1957 indicate an increase of 7.8 per cent, smaller than for the previous year but still a substantial advance. In both current and constant dollars most of the increases have occurred in new construction, repair work showing relatively little change.

Value of new construction is estimated at \$5,991,000,000 in 1958, up from \$5,919,000,000 in the preceding year and the value of repair construction is placed at \$1,145,000,000, up from \$1,129,000,000. New construction undertaken by contract is estimated at \$4,986,000,000 versus \$4,924,000,000 and repair construction at \$451,000,000 versus \$439,000,000.

New construction undertaken by the labour forces of utilities, manufacturing, mining and logging firms and government departments, home owner-builders and other persons or firms not primarily engaged in the construction industry totalled \$1,005,000,000 versus \$995,000,000, and repair construction totalled \$694,000,000 versus \$690,000,000.

Projected value of residential construction is expected to rise in 1958 to \$1,922,000,000 from \$1,685,000,000 in the preceding year and institutions to \$576,000,000 from \$503,000,000. Total for industrial building is expected to fall to some \$423,000,000 from \$617,000,000, and commercial building to \$675,000,000 from \$710,000,000. Projected value for "other" building is placed at \$277,000,000 versus \$260,000,000.

In the engineering category the following are the estimated values for 1958: marine construction, \$155,000,000 (\$157,000,000 in 1957); road, highway and aerodrome construction, \$740,000,000 (\$742,000,000); waterworks and sewage systems, \$261,000,000 (\$202,000,000); dams and irrigation, \$44,000,000 (\$64,000,000); electric power construction, \$565,000,000 (\$564,000,000); railway, telephone and telegraph construction, \$431,000,000 (\$411,000,000); gas and oil facilities, \$726,000,000 (\$807,000,000); and "other" engineering construction, \$341,000,000 (\$326,000,000).

Projected values of construction work for 1958 follows by provinces: Newfoundland, \$91,200,000 (\$81,800,000 in 1957); Prince Edward Island, \$21,900,000 (\$17,300,000); Nova Scotia, \$180,600,000 (\$152,200,000); New Brunswick, \$152,800,000 (\$147,100,000); Quebec, \$1,636,100,000 (\$1,662,400,000); Ontario, \$2,705,700,000 (\$2,522,600,000); Manitoba, \$345,500,000 (\$334,200,000); Saskatchewan, \$372,700,000 (\$379,300,000); Alberta, \$804,700,000 (\$713,300,000); and British Columbia, \$825,500,000 (\$1,038,100,000).

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## MANITOBA ELECTION

On Monday, June 16, Manitoba elected its first Conservative Government since 1915.

The Progressive Conservative Party won 26 of the legislature's 57 seats, with 19 going to the Liberal-Progressives. The CCF Party more than doubled its representation of five seats in the last House, electing 11 members. One independent was successful.

The final party standing was reported as follows:

	1958	1953
Prog.-Cons. ....	26	12
Lib.-Prog. ....	19	32
CCF .....	11	5
Social Credit .....	0	2
Independent .....	1	4
Ind.-Cons. ....	0	1
Lab.-P. ....	0	1
Total .....	57	57

## SEA TO SEA BY MICROWAVE

Canadians from coast to coast will be brought closer together on July 1, when the world's longest single microwave system comes into full service.

Stretching from Sydney, N.S. to Victoria, B.C., this modern communications miracle will flash television programmes and telephone calls across the breadth of Canada in the twinkling of an eye.

The continent-spanning microwave network, built and operated by the Trans-Canada Telephone System, will be officially inaugurated with a historic hour-long CBC Dominion Day production featuring live pickups from many parts of Canada.

In itself the programme will demonstrate how the CBC's network television service linking both CBC and private stations across the country will now be able to knit the people of Canada more closely together through the "picture-window" of television.

"A unique vehicle for telling the story of Canada both past and contemporary, the CBC's television service will now become -- even more than previously -- the eyes of Canadians upon their nation," J.A. Ouimet, CBC general manager believes. "It is thus singularly appropriate that the opening of this network should be on Dominion Day, the day dedicated to Canadian unity."

Seven of Canada's major telephone systems -- three of them government-operated and the others privately-owned -- pooled their efforts to construct the coast-to-coast backbone microwave network. The scores of long-haul telephone circuits the system provides will play an important role in Canada's business progress and prosperity. Hundreds and even thousands more circuits can be carried on the same basic system as the need for them arises.

The microwave network, in the words of Thomas W. Eadie, Bell Telephone president and chairman of the Trans-Canada Telephone System, "constitutes one of the most significant advances in the history of Canadian communications; it will augment tremendously Canada's communications resources, so necessary for the continuing growth and expansion of a country with such vast dimensions."

The Trans-Canada Telephone System's "skyway" comprises 139 relay stations spread over the 3,900 miles from Atlantic to Pacific, with spur lines adding several hundred additional miles, and over 30 more relay points. Canadian Pacific Communications and Canadian National Telegraphs jointly provide television transmission to French network points in Quebec and to cities in southwestern Ontario.

Newfoundland will be linked to the microwave network next year when Canadian National Telegraphs completes the difficult 70-mile hop across storm-tossed Cabot Strait.

"Video tape" will be used for the first time in Canada in the CBC's Video Tape Relay Centre at Calgary, also opening on July 1. Complete programmes can be recorded on the two-inch magnetic tape for retelecast an hour later or whenever most appropriate, to all network television stations west of Winnipeg.

This means that regular network programmes can be scheduled to appear at more convenient local times everywhere in the country, despite the six time zones (compared with four in the United States). Up to now TV stations west of Winnipeg have been served by kinerecordings (television film) which might be delayed a week or more. The Video Tape Relay Centre will allow retelecast of programmes on the same day and at times more convenient to western viewers.

Video tape is the latest development in television recording technique and the finished product is almost exactly like the original live programme.

Decision to build the Trans-Canada Telephone System's coast-to-coast microwave chain was first taken in order to provide the vital cross-country voiceways required to keep pace with and spur on the growth of Canada. Thus, when the CBC, early in 1955, awarded the contract for providing coast-to-coast television facilities, the huge project got rapidly under way.

Canada's first microwave inter-city chain -- the Bell Telephone Company of Canada's Toronto-Ottawa-Montreal system opened in May 1953 -- and then-existing shorter microwave links in Ontario and Quebec became part of the overall "skyway".

The \$50,000,000 project was a major engineering and construction undertaking that involved pioneering in a real sense. Pushing the chain of microwave towers across Canada meant struggling through some of the roughest terrain and the severest weather this immense country can offer.

Worst of all was the last link now going into service -- the section through the mountains of western Alberta and British Columbia. Here, 10 of the 13 relay stations are on mountain-tops, the highest 6,700 feet above sea level. Two aerial tramways had to be built, the two-mile tramway at Dog Mountain in B.C. being one of the biggest in the world.

The microwave stations are spaced an average of 30 miles apart. The massive steel towers range in height from 50 feet to a 350-foot giant at Olive, 40 miles north of North Bay in Ontario. This tower weighs 120 tons and has concrete footings together containing 170 cubic yards of concrete. The towers are so sturdy that 100-mile-an-hour winds are unable to make them sway enough to affect service.

Huge antennae weighing 1,700 pounds and shaped like immense sugar-scoops are installed on most towers. The microwave signals are beamed from antenna to antenna like light from a beacon.

Because of built-in protective features -- such as automatic switching of channels and robot-like control equipment -- the microwave system has a remarkably high reliability considering the complexity and sensitivity of its operation.

Completion of the transcontinental microwave network will enable live television to be seen simultaneously in 3,000,000 Canadian homes.

There are 50 licensed television stations in Canada. Eight are CBC stations, two French and six English. Forty are privately owned. In addition, there are stations at Goose Bay and Harmon Field, Nfld., operated by U.S. Air Force personnel for servicemen and civilians in these areas. The stations are, however, under CBC management. Television service is now available to some 80 per cent of the Canadian population.

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## FOREIGN INVESTMENT SOARS

Non-resident long-term investment in Canada during 1956 increased by over \$2 billion and by the end of the year had reached nearly \$15.6 billion or more than double the total long-term investment in Canada by foreigners eight years earlier, the Dominion Bureau of Statistics states in its report on the Canadian balance of international payments for the first quarter of 1958. By the end of 1957, it is estimated, non-resident investment reached a total of some \$17 billion, and has continued to rise this year.

Direct investment during 1956 grew by \$1,104 million, foreign holdings of government and municipal bonds by \$266 million, other portfolio investments by \$535 million, and miscellaneous investments by \$180 million. In total these increases were \$1 billion more than in 1954, the year of previous largest increase.

Mainly reflecting the net inflows of capital and the retention of earnings accruing to non-resident owners, the long-term investment by residents of the United States increased by 15 per cent in 1956 and those of the United Kingdom by 13 per cent. These growths were exceeded proportionately, however, by the rise in investments of residents of other overseas countries, which grew by more than 32 per cent to more than double their total four years earlier.

Out of the total of \$15,556 million in non-resident long-term investments in Canada at the end of 1956, the Bureau's report shows \$11,785 million held by United States residents, \$2,661 million by residents of the United Kingdom, and \$1,110 million by resi-

dents of other countries. Making up the total were \$8,829 million in direct investments, \$7,364 million being held in the United States and \$1,042 million in the United Kingdom; \$2,134 million in holdings of government and municipal bonds, \$1,871 million held in the United States and \$152 million in the United Kingdom; and \$4,593 million in other portfolio and miscellaneous investments, \$2,550 million held in the United States and \$1,367 million in the United Kingdom.

While non-resident investments have been spread among most fields of business, they are most concentrated in those areas of industry where large amounts of capital are invested, such as in petroleum and all its branches, the development of other minerals and natural resources and large-scale manufacturing. More than four-fifths of the petroleum industry is controlled abroad and well over one-half of the rest of mining. In the broad sphere of manufacturing, the ratio is well over one-half if petroleum refining is included and not far from one-half if it is excluded. Non-resident investments are heaviest in the corporate sphere of Canadian businesses engaged in commodity production and are usually accompanied by control. In contrast, non-resident control is generally absent in the non-corporate spheres like agriculture, small-scale merchandising, or utilities operated by governments and municipalities, but there has lately been a growing non-resident ownership of bonds issued by provincial and municipal governments as well as corporations.

Canadian long-term investments abroad have also grown, rising on balance by \$89 million during 1956 to nearly \$4.5 billion. This total consisted of direct investments of \$1,903 million, portfolio investments of \$998 million, and Government of Canada credits of \$1,565 million. The figure of Canadian investments abroad, it is pointed out, cannot be set directly against the total of non-resident long-term investments in Canada, because non-residents have a substantial equity in Canadian long-term investments abroad through their ownership of Canadian corporations. This equity amounted to \$770 million at the end of 1956.

Canada's net international indebtedness at the end of 1956, taking into account all Canadian external assets and liabilities other than short-term commercial indebtedness and holdings of blocked currencies, is calculated to have been \$9.8 billion. This compares with \$3.7 billion seven years earlier. Additional borrowings in 1957 brought the figure to over \$11 billion and developments thus far in 1958 indicate a further increase.

Complete industrial detail on non-resident investment in Canada and Canadian investment abroad will be given in the annual report on "The Canadian Balance of Payments, 1957", which will be published later in the year.

## GEOLOGICAL SURVEY PROGRAMME

Seventy-seven parties from the Geological Survey of Canada, representing a working force of nearly 360 persons, are heading into the field this summer to obtain data from which will be prepared additional maps and reports required to assess the country's mineral resources and to aid in the search for and development of mineral deposits.

The 1958 programme consists of a series of projects ranging from submarine geology of the continental shelf, exploration in the western Arctic islands, and reconnaissance in the mountains of Yukon, to stratigraphic studies in Western Canada and a study of the surficial geology around the proposed site of the South Saskatchewan Dam. Every province and the two territories are included in the programme.

The first systematic survey to be undertaken over Canada's continental shelf will aid in outlining the geology of the Gulf of St. Lawrence. Decca navigational equipment will be used to control this extensive submarine survey. Only recently, Canada received international recognition of its right to exploit

any mineral deposits which might be present in the continental shelf surrounding its shores. Continental shelves, such as that off the southern coast of the United States, are important sources of petroleum and other minerals.

Preparations will be made this field season for three large aircraft-supported operations slated to commence in 1959 and to survey perhaps 205,000 square miles of Canada's north. Two of the 1959 projects, Operation Pelly in Yukon and Operation Coppermine in Northwest Territories, will have helicopter support. The third will take geologists to Banks and Victoria Islands in the Arctic Archipelago.

Geologists will use a light aircraft this season to explore Melville, Brock, Borden and Mackenzie King Islands in the western Arctic.

Operation Fort George, started in Quebec in 1957, will be continued. Using a helicopter, a party will map about 35,000 square miles in an area between James and Hudson Bays, and the Labrador Trough.

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## SEAWAY TOLLS

The proposed tolls to be charged to users of the St. Lawrence Seaway were announced June 18 in the House of Commons by Transport Minister George Hees.

The Minister stated, in part, that:

"For each passage through the entire Seaway, Montreal to or from Lake Erie, a vessel will be assessed 6 cents per gross registered ton of vessel and in addition 42 cents per ton of bulk cargo and 95 cents per ton of general cargo carried. For each passage, Montreal to or from Lake Ontario only, a vessel will be assessed 4 cents per gross registered ton of vessel and in addition 40 cents per ton of bulk cargo and 90 cents per ton of general cargo carried.

"For partial transit of the new Seaway facilities between Montreal and Lake Ontario, where there are seven locks, the user will be charged 15 per cent of the applicable toll for each lock transited.

"For each passage through the Welland Canal only a vessel will be assessed 2 cents per gross registered ton of the vessel, and in addition 2 cents per ton of bulk cargo and 5 cents per ton of general cargo carried. In the Welland Canal a partial transit will be assessed 50 per cent of the toll irrespective of the number of locks used.

"The unit of weight for the collection of tolls on cargo will be a ton of 2,000 pounds.

"Commercial vessels carrying passengers will be charged 50 cents per passenger for each lock transited between Montreal and Lake Erie in addition to the vessel charge.

"The charging of tolls on the Welland Canal as part of the Seaway in order to defray the capital cost of deepening as well as operating and maintenance expenses is a requirement of the St. Lawrence Seaway Authority Act passed without dissent by the Parliament of Canada in 1951. The Act pertains to a deep waterway between the port of Montreal and Lake Erie."

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## INCREASED LIBRARY USE

Public libraries in Canada served 61 per cent of the Canadian population in 1956, according to preliminary figures from the Survey of Libraries, 1954-56, to be published by the Dominion Bureau of Statistics in September or October next. This is an increase of 6 per cent over the 55 per cent coverage in 1953, showing that the increase in population served is more than keeping pace with population growth. In addition, limited forms of library service are available to the public through 11 travelling and open-shelf libraries in seven provinces.

The total circulation figure for public libraries in Canada indicates a per capita circulation of 3.6 for the population served, and a per volume circulation of 3.4. The total number of public libraries increased from 765 in 1953 to 833 in 1956, the latter including seven libraries in the Yukon and Northwest Territories not reported in 1953. Full-time public library staffs increased from 1,595 in 1953 to 1,933 in 1956. The increase in professional staff was from 620 in 1953 to 636 in 1956.

The total number of all types of libraries reporting increased from 1,374 in 1953 to 1,560 in 1956, with corresponding increases in bookstock and circulation. The number of full-time employees increased 70 per cent from 2,193 in 1953 to 3,743 in 1956, including an increase of 13 per cent from 1,151 to 1,222 in professional staff.

**CHILDREN'S READING**

The trend in children's reading, as reflected in a comparison of public library activity for the years 1937, 1947 and 1956, is toward a growing interest in reading in the age group 5-14 years of age. While this group was slightly smaller in 1947 than in 1937, borrowers, volumes and circulation increased. The large increase in this population group from 1947 to 1956 (49 per cent) has been paralleled by an almost equally large increase in circulation although the supply of books did not keep pace.

**PUBLIC LIBRARIES IN URBAN CENTRES**

Public libraries in larger centres served 42 per cent of the Canadian population in 1956 through 102 library systems. Average per capita expenditures, including funds from all sources, fell far short of the Canadian Library Association's recommended minimum of \$2.00 per capita. The circulation of books in boys' and girls' departments indicated a healthy interest in reading on the part of an important section of the population, despite TV and other diversions.

**REGIONAL PUBLIC LIBRARIES**

Regional libraries began in the Fraser Valley of British Columbia in 1931 with a grant from the Carnegie Corporation. By 1956 regional libraries served more than ten times the population served in 1937 and more than six times that served in 1947.

This type of library organization had been established in seven provinces by 1956, and two more, New Brunswick and Manitoba, were organizing regional libraries which were to commence operations in 1957 and 1958, respectively.

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**FAO DIRECTOR VISITS CANADA**

Mr. B.R. Sen, Director-General, Food and Agriculture Organization, United Nations, spent last week in Canada. During his stay he

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met Prime Minister Diefenbaker and senior Government officials, received an honorary degree from St. Francis Xavier University, and was honored by the Agricultural Institute of Canada.

FAO was founded at a 1945 Quebec City conference, and Canadians were active in steering it through its organization stages. Thirty-four countries signed the constitution at the outset and there are now 74 member countries.

Aim of FAO is to raise the living standards of the world by having countries work together in a self-help cooperative.

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**VISITING QUEBEC CITY**

Seven warships from four countries will visit Quebec City between June 26 and July 5 to take part in the city's 350th anniversary celebrations.

First to arrive, on June 26, will be four destroyer escorts of the Royal Canadian Navy -- HMC Ships St. Laurent, Ottawa, Saguenay and Assiniboine -- and the 10,000-ton British cruiser, HMS Birmingham.

They will be followed, on June 27, by the 31,000-ton United States aircraft carrier, USS Leyte, and, at the end of the week, by the French destroyer Du Chayla.

The four RCN ships comprise the Third Canadian Escort Squadron. Built specifically for anti-submarine warfare, they are among the most advanced warships of their type in the world.

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**DUTY IN LEBANON**

A number of Canadian Army officers have been assigned to duty in Lebanon as members of the United Nations Observer Group in Lebanon.

The officers will be seconded to the Department of External Affairs while employed in the Middle East.

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**NORAD PACT APPROVED**

The Canada-United States Air Defence Agreement was approved in the House of Commons on June 19. The agreement sets out the principles governing operation of the North American Air Defence Command (NORAD).