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GOVERNMENT AND THE CHALLENGE OF AUTOMATION

The following is part of an address by the Minister of Labour, Mr. John R. Nicholson, to the Labour-Management Conference in Guelph, October 22:

...I am sure that you have all grappled with attempts to define that troublesome word "automation" and the other related terms, "mechanization", "computerization" and "cybernation". I don't propose to add my own definitions to the list. In fact, formal definitions of what is or is not automation have very little relevance from the point of view of government, — and here I would state my first basic principle. The Government is concerned not so much with automation itself but with the effect of automation, its impact on the individual and the communities affected. In my view, the implementation of change in our society is ably handled by the free-enterprise system. But innovation, whatever its definition, does involve government the moment it affects substantial numbers of individual Canadians through loss or change in their employment and the moment it adversely affects whole communities or substantial segments thereof.

Although the introduction of computers into our industrial economy is only one facet of automation, this particular change is often taken as the bell-wether for the entire technological revolution. The first commercial computer came into use in the United States in 1954. Canada had its first commercial computer in 1956, just ten years ago. I am told — and in this highly-competitive field there is no way of getting 100 percent accurate figures — that by the end of 1966 there will be between 1,100 and 1,200 major computers in Canada and that some 75 per cent of these will be in industrial and commercial use.

CHANGING PATTERNS OF WORK

Passing from the increasing use of computers to the Canadian work force generally, we see equally dramatic changes. The number of agricultural workers has steadily declined during the past 15 years while production workers, including labourers, have only slightly increased. On the other hand, the number of white-collar workers has jumped ahead, especially in the past five years. This changing pattern of white- and blue-collar workers is one of the most important manifestations of automation.

...It is the role of the Government...(and here I wish to make my second fundamental point) to be prepared to cope with the problems of automation over the *foreseeable* future. We must take at least the more reliable prophets seriously far enough in advance to be able to formulate sound plans....

POSITIVE ASPECTS

The third fundamental proposition that I would put to you is that it is the duty of government not only to avoid hindering the process of automation but actively to encourage it. The principle follows directly on the heels of the two previous ones. If automation poses as serious a challenge as some people believe, then it will be far better to ride with it and to control it than to attempt to oppose it vainly. Canada is too vast a nation, with too small a population, to support our desired standard of living unless we continue to increase our competitive exports. This is becoming increasingly difficult as newer industrialized nations are entering international markets with lower-priced goods and as our established competitors switch to automated techniques. To remain competitive in world

markets we must use every technological advance in automated equipment, processing, purchasing and marketing available to us, and we must continually encourage our manufacturers to seek quality design.

Even if we could successfully avoid the so-called technological revolution, we should be acting contrary to our own ultimate best interests were we to do so. There can be no doubt that, in the long run, automation holds out the promise of benefits to all members of society in the form of material abundance and leisure time....

The threat of automation is that it overlooks the individual for the sake of industrial sophistication. In the head-on meeting between established techniques of collective bargaining and the new urgings of technological innovation lies the explanation for many of the breakdowns in industrial relations, which we have recently witnessed.

BASIC PRINCIPLES

This, then, is the setting for government's response to automation. We have established our basic principles: first, government's fundamental concern in the problem must be with the welfare of the human beings it affects; second, to fulfill its responsibility, government must take the technological revolution seriously and plan ahead; third, in preparing its strategy to meet automation, government must recognize that technological change, if properly controlled and encouraged, can prove a major benefit to our society. As I have suggested, these three principles lead to the major problem that government must face in its approach to automation - the need to safeguard the individual's welfare while providing for the ultimate good of society.

There is no simple answer to this complex problem. In my opinion, the solution lies in many pragmatic decisions implemented step by step with one eye on the problem and one on the people it affects.

ROLE OF GOVERNMENT

This brings me to the question of specifics. Let us consider what the Government is now doing about automation.

The first thing it is doing is assisting labour and management to co-operate in trying to cushion the impact of technological innovations.

A very important document in this area, as you well know, is the Freedman Report. Looking behind the particular circumstances of that report, I think you will find that it contains two fundamental propositions. It presumes that labour is a full partner in our productive system and, as such, should be consulted by management before changes affecting material conditions of work are implemented. It also proposes that the responsibility of an employer for his employees extends beyond the specific period of hire. A company cannot just dispense with its workers in the way that it scraps worn-out or outmoded equipment.

At least part of the solution to the problems outlined by the Freedman Report does lie in greater employer-employee communication and co-operation.

It is the job of government to help bring the two industrial partners together on neutral ground, where trust and co-operation are possible. To undertake this task the Federal Government has two major services available....

The Labour-Management Consultation Branch of my Department - Labour - might be called the prelude - the all-important stage-setter for any subsequent labour-management discussions on any mutual topic. And today, with technological advances coming so rapidly that it is impossible to cover all the possibilities in the usual collective bargaining agreements, joint consultation on a continuing basis between labour and management, in my view, is essential, preferably continuing joint consultation between top management and the union executive so that both sides can give authoritative answers immediately.

Where the Labour-Management Consultation Branch deals with, and encourages the philosophy of talking over any mutual problems together, the Manpower Consultative Service is designed to advise management and labour on how to meet particular technological changes.

This service provides technical assistance and financial support for research at the plant and industry level on the impact of technological and other changes. It is designed to encourage the development of joint labour-management advance planning, and I stress the word advance, as a means of developing constructive programmes for manpower adjustment. For those who are to be displaced by technology, we are endeavouring, through this new approach, to bring to bear the services of the Canada Manpower Centres, formerly the National Employment Service, in advance of lay-offs, to find alternative employment opportunities and to assist financially in the movement of workers and their dependents to other communities where there are employment opportunities. The Manpower Consultative Service also assists in bringing into advance play federal-provincial training programmes where these are helpful in adapting workers to other occupations.

TRAINING PROGRAMMES

Once the company and its unions have discussed the coming change, what then? For employees who are to stay with the company in new jobs, there are on-the-job training and upgrading programmes where the employees learn new skills. These on-the-job training programmes are also available where companies cannot find skilled workers and so elect to train their own employees in their own plant....

But what of the worker who finds that automated techniques have wiped out his job entirely and there is no other job for him in the company where he has been working? This person has three different courses open to him. He may find another local company needing his skills; he may decide that he needs a new skill; or he may decide to move to a new area. The simplest solution may well be for the worker to find another job locally. Under these circumstances, the Canada Manpower Centres stand ready to be of assistance.

MAJOR URANIUM DEAL WITH BRITAIN

Prime Minister Pearson recently informed Members of the House of Commons that a contract had been signed between Rio Algom Mines Ltd. and the United Kingdom Atomic Energy Authority for the sale of 8,000 short tons of uranium oxide for delivery to Britain during the 1970s, possibly increasing to 11,500 tons after 1980.

Mr. Pearson said that the new contract "augurs well for the future of the Canadian uranium industry". "It is concrete evidence", he added, "of the greatly increased world demand for uranium for peaceful purposes to which I referred in announcing Government export policy in June 1965."

The following is a partial text of the Prime Minister's announcement:

...The new contract provides for a continuation of deliveries by Rio Algom to the United Kingdom Atomic Energy Authority following completion of deliveries under previous contract arrangements which run until 1971. A minimum of 8,000 short tons of uranium oxide will be supplied up to the end of 1980, and at the option of the buyer that amount may be increased to 11,500 tons. The basic annual rate of delivery is 1,000 tons, but within prescribed limits the quantity may be varied from year to year.

PEACEFUL PURPOSES ONLY

On June 3, 1965, I stated in the House the policy of the Government with respect to exports of uranium. At that time, in recognition of Canada's major interest as a world supplier and the vital importance of the Canadian industry being in the best possible position to take advantage of expanding markets for the peaceful uses of uranium, I announced that the Government would be prepared to authorize forward commitments by Canadian producers for fuel supply to reactors in operation, under construction, or committed for construction, for the anticipated life of such reactors. I also announced that the export of reasonable quantities of uranium for the accumulation of stocks in importing countries would be authorized for periods up to five years.

The arrangements which have been made by Rio Algom to supply uranium oxide to the United Kingdom Atomic Energy Authority for Britain's civil nuclear power programme are consistent with these features of our policy.

An important feature of the Canadian Government's policy in respect of foreign sales of uranium is the

requirement that the Government of the importing country accept appropriate verification and control to ensure that the uranium is to be used for peaceful purposes only.

The British and Canadian Governments have agreed that uranium supplied under this contract will be used for peaceful purposes only, and that safeguards based upon the principles and procedures of the International Atomic Energy Agency's safeguards system will apply to the use of this material. Discussions on detailed arrangements for the application of these safeguards will be held between Canada and the United Kingdom before commencement of deliveries scheduled to begin after 1971. Such arrangements will be in accord with our international obligations, including those which might arise under a non-proliferation treaty to which the two countries might adhere.

The arrangements that have been made for safeguards and the fact that the contract is in accord with announced Government policy on the export of uranium, have made it possible for the Government to authorize this contract.

HIGH HOPES FOR FUTURE

The new contract which has been entered into by Rio Algom with the United Kingdom Atomic Energy Authority augurs well for the future of the Canadian uranium industry. It is concrete evidence of the greatly increased world demand for uranium for peaceful purposes to which I referred in announcing Government export policy in June 1965.

Honourable Members will appreciate my satisfaction in making this announcement which ensures continuity of operations at Elliot Lake until at least 1980. This city, which was born of such great promise, has endured much with resolution and fortitude. Its people will now be in a position to look ahead with greater confidence than has been possible for some years.

This contract between Rio Algom and the United Kingdom Atomic Energy Authority is, as I have said, an indication of the increasing world demand for uranium. Other countries are also demonstrating interest, and in the knowledge that uranium will make an increasingly important contribution to meeting world requirements for power for peaceful purposes, we can look forward to the revival of this important segment of our economy.

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NEW COMMISSIONER FOR YUKON

The Minister of Indian Affairs and Northern Development, Mr. Arthur Laing, recently announced the appointment of a Commissioner for the Yukon Territory, Mr. James Smith, of Whitehorse.

Announcing the appointment, Mr. Laing drew attention to the importance of this period in the history of the Yukon. Resource development possibilities are at an all-time high, and the Territorial economy exceedingly active. There is also increased interest by the Yukon in the political development of

the Territorial Government, and it will be the task of the Commissioner, as representative of the Federal Government and executive head of the Territorial Government, to foster developments, good administration and prosperity of the Yukon Territory.

ECONOMIC STUDY

Agreement has been reached in principle between the Federal Government and the Yukon Territorial Government to commission a major economic study of the Territory. The Government will study the report of the Carrothers Commission and other developments,

to determine steps to be taken in the political evolution of the Territory.

As Commissioner, Mr. Smith, will be closely involved in these processes and in the operation of the Yukon Territorial Government, which has a civil service of about 600 persons and an annual budget of some \$11.5 million.

GIFT OF ESKIMO PRINTS

A set of black-and-white prints by the Eskimo artist Jamasie of Cape Dorset was presented recently by the Minister of Indian Affairs and Northern Development, Mr. Arthur Laing, to 250 delegates to the twelfth Commonwealth Parliamentary Conference from 26 countries. The set consisted of five traditional scenes of fishing, hunting and camping. The 250 prints - 50 taken from each of five original copper engravings - represent the entire production of the artist for the current year.

"Commonwealth delegates have seen our parklands, wheatfields and centres of industry", said Mr. Laing. "These prints, showing life in our Arctic regions, will help to round out the vast northern dimension of our country."

THE PRINTMAKER

Jamasie, who is 56, has earned his living from the Arctic seas off the south coast of Baffin Island for many years. He was known as a carver before the Cape Dorset people showed their first collection of sealskin prints in 1959. Five years later, copper engravings by Jamasie were included in the 1964-65 collection.

The prints show in delicate detail, life as the artist remembered it from the early years: a walrus hunt from a kayak, an igloo (snow house), a laden komotik (sled) and a weir where fish are trapped and speared in shallow pools.

STATE VISIT OFFICIALS

Prime Minister Pearson announced recently that Mr. Lionel Chevrier was resigning as Canadian High Commissioner to Britain to become Commissioner General for Visits of State 1967. The appointments of Lieutenant-General Howard Graham as Co-ordinator for Royal Visits 1967, and of Lieutenant-General Robert Moncel as Co-ordinator for Visits of Heads of State 1967 have also been announced. "I am delighted that three such distinguished Canadians have agreed to serve in these positions relating to state visits in 1967 because they are most important to the overall success of our centennial celebrations," the Prime Minister said.

Mr. Chevrier informed Mr. Pearson some months ago that he wished to return to private life in Canada by the end of 1966. The Prime Minister, persuaded him however, to accept his new appointment in the public service for centennial year.

CENTENNIAL ARTS CONTEST

The Secretary of State, Miss Judy LaMarsh, has announced that a national arts competition entitled "Perspective '67", the largest ever to be held in Canada, will take place during the centennial year.

The contest, which is open to all Canadians, will offer a \$5,000-first, a \$2,000-second and \$1,000-third prizes to each of the winners of four categories - painting, sculpture, drawings and prints and fine crafts.

The purpose of the competition is twofold - to encourage young professional Canadian artists and craftsmen and to draw the attention of the Canadian public to their work.

A jury of well-known persons in Canadian art will evaluate entries for the exhibition. Selected works will be shown at the Toronto Arts Gallery during July, August and September 1967.

CENTENNIAL RED CARPET

Senator Harold Connolly, Chairman of the Senate Committee on Tourism, recently participated in a carpet-laying ceremony at Calgary, Alberta, that officially initiated a series of 21 seminars to be held from coast to coast across Canada under the banner "Red Carpet Canada '67".

The programme, organized by the Canadian Restaurant Association and the Hotel Association of Canada with the assistance of the Canadian Government Travel Bureau, is designed to reach some 3,000 of the top executives in Canada's food and accommodation industries. "Purpose of 'Red Carpet Canada' is to emphasize the challenge facing the hospitality industries in 1967, when Canada is expecting 35 million visitors; and to provide practical advice on how to 'roll out the red carpet' for each of these guests so that they will look forward to returning to Canada in 1968, 1969 and all the years to follow," explained Daniel Phelan, Cara Operations Limited, chairman of the organizing committee. "In fact, we feel so strongly that Canada's hospitality industry must organize now for the important years ahead that we are making it a point to invite vocational guidance teachers and advanced students in hotel and restaurant management courses to participate in these seminars. This is the manpower pool which must provide the executives of the future."

A directive "creed", outlining the principles of courtesy and services required by the "Red Carpet" programme, will be displayed prominently by all establishments participating in the seminars.

A CALL TO EXPORT

Mr. Robert H. Winters, the Minister of Trade and Commerce, has set an export target of \$11.25 billion for Canada's centennial year - an increase of more

than 12 per cent over the \$10-billion level Canadian exports are expected to reach in 1966.

Addressing the annual convention of the Canadian Export Association, Mr. Winters urged new companies to join the "export community" in Canada and for greater efforts by Canadian firms to boost foreign sales. He also spoke of steps to be taken by the Government to develop new export opportunities.

Mr. Winters said that strong export growth must continue in order to meet the mounting foreign-exchange needs of Canada's growing economy and to ensure industrial expansion on sound and productive lines. "If Canada is to maintain a position in the forefront of the world's economic advance," he said, "further penetration of foreign markets must be pursued by striving to sell, with imagination and determination, the goods and services in which Canada can excel."

NEW EXPORTERS

Stressing the need for the development of new exporters Mr. Winters exhorted all companies that had never entered the export field to give the Trade Department an opportunity to help them find export markets. He expressed confidence, based on the replies to his letter setting forth "guiding principles of good corporate behaviour", that a number of Canadian subsidiaries of foreign-owned companies would soon be exporting goods for the first time.

STEPS FOR DEVELOPMENT

Mr. Winters disclosed a number of new initiatives designed to help industry achieve its export goals, namely:

(1) his intention to form a senior export advisory council of Canadian businessmen to advise on the export promotion programme and to give leadership within their industry and business associations;

(2) a plan to recall senior Canadian trade commissioners from their posts during the spring of 1967 to travel across Canada advising Canadian businessmen on market opportunities in their respective areas;

(3) his intention to write the presidents of several thousand present and potential exporting firms asking them for a careful re-assessment of their export capabilities and for their views on appropriate support and assistance from the Government;

(4) a Government decision to make available longer term credits and credit guarantees to assist sales of appropriate capital equipment to the U.S.S.R. and other Eastern European countries. Until now, Government support for exports to these countries has been limited to guarantees of private credits not exceeding five years. Long-term credit is already available for capital equipment exports to other countries and a bill before Parliament will increase from \$400 million to \$500 million the ceiling on credit of this type available under the Export Credits Insurance Act.

The Minister also announced an expansion in his Department's trade missions programme, particularly with respect to visits to Canada by foreign buyers.

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GROSS NATIONAL PRODUCT

The Dominion Bureau of Statistics reports that, following an unusually strong rate of advance in the level of economic activity in the first quarter of 1966, the gross national product in the second quarter increased by 1.6 per cent, of which 1 per cent was attributable to price change. Domestic demand originating in the government and business sectors continued to show significant increases, while consumer spending on goods and on services moderated considerably.

AUTO SALES DROP

A feature of the second quarter was the sharp drop in demand for new automobiles, a drop that had a pervasive effect on the economy. The decrease in car purchases was evident in most of Canada; in Ontario it was reinforced by high-level first-quarter purchases associated with the April 1 increase in the Ontario sales tax. With production of new cars declining by less than the decrease in final demand, there was a build-up of automobile inventories at the manufacturing, wholesale, and, most notably at the retail level. There was also a decline in demand in the United States, which may have affected Canadian exports of automobiles, which decreased from their high first-quarter level, discounting seasonality. By the end of the quarter, sales of new cars once again increased, but to a level that was well below that of the preceding four quarters.

Consumer expenditure on non-durable goods and on services showed moderate increases from the first quarter which, however, were largely offset by the decline in durable-goods spending. Consequently, total personal expenditure rose by only half of one per cent. After taking account of price increases, personal expenditure showed a fractional decline.

Expenditure on goods and services by all levels of government combined rose by nearly 2.5 per cent. This increase was concentrated at the provincial-municipal level. Federal outlays increased only marginally.

INVESTMENTS

Business investment in plant and equipment continued to increase, with a fractional decline in investment in machinery and equipment moderating a gain in expenditures on new non-residential construction. Investment in housing increased by about 3.5 per cent, though starts, particularly of apartment dwellings were down in the first half of this year, when compared to the number this time last year.

Investment in inventories in the second quarter reached a level of \$1.2 billion, at annual rates, up strongly from the \$0.7 billion first-quarter level. All the major industries showed a build-up of inventories in the second quarter.

EFFECTS OF STRIKES

Following a sharp contraction in the current-account deficit in the first quarter of 1966 to \$0.7 billion, the deficit widened to \$1.0 billion at annual rates in the second quarter. A decline in the merchandise balance

was the cause of the increased deficit, with exports of goods declining by about 2 per cent and imports rising by about 1.5 per cent. In the first quarter, the Ontario trucking strike had somewhat affected the flow of imports, while in the second quarter, strikes at St. Lawrence ports coupled with the strikes of British seamen had the same effect on the flows of overseas trade.

Turning to the income components, labour income advanced by about 2 per cent between the first and second quarters, the smallest quarter-to-quarter change in this component since the fourth quarter of 1964. Profits showed a fractional decline from a continuing high level. While accrued farm income showed little change, net income of non-farm unincorporated business declined by 3 per cent partly as a result of a decline at the retail level.

SUMMARY

The second quarter was characterized by continued increases in demand in most areas other than consumer spending on durable goods, a large build-up in non-farm business inventories, and a widening of the deficit on current account in part due to special factors. By the last month of the quarter, however, retail trade showed an increase following two months of declines both for motor vehicle dealers and for all other trades taken together. On the other hand, the June index of industrial production showed for the second consecutive month, a fractional decline from its April peak.

GOVERNMENT AND THE CHALLENGE OF AUTOMATION

(Continued from P. 2)

If he decides that he needs a new skill, or if he was an unskilled or semi-skilled worker and wants to upgrade his education to the point where he can take

skilled training, then he can enroll in the upgrading or skill courses again taught in co-operation between the Federal and Provincial Governments under the Technical and Vocational Training programme....

For the worker who decides on the third alternative of moving to a new area there is the Manpower Mobility Programme. It is specifically designed to help the worker who is laid off in one area but whose skills are needed in another region of the country. The Federal Government feels and, if I may say so, feels quite rightly, that a man is economically penalized enough if he has to leave his own community to find work. This Manpower Mobility Programme gives financial assistance in the form of grants and loans to move the worker and his family to a new area where he is needed.

In summary then, the Federal Government is working to protect individuals who are displaced by automation in three ways: first, by encouraging management and labour to plan together so that changes will involve a minimum of dislocation; secondly, by assisting in the development of upgrading and retraining facilities and by providing training allowances; third by enabling workers to move to areas of employment opportunity through the Manpower Mobility Programme....

PROBING THE FUTURE

The other basic principle that I have outlined this evening is that government must squarely face the challenge of automation in looking to the future. It is the responsibility of government - and particularly of the Federal Government - to take the long view and to see that Canada is prepared for change no matter how radical.

The principal requirement is research. Before any of these federal programmes that I have mentioned, were brought into being, much detailed study went into the needs they were to fill. But I believe that we have now reached that stage in our economic development when research becomes even more essential and even more complex....