



CANADA

# CANADIAN WEEKLY BULLETIN

INFORMATION DIVISION • DEPARTMENT OF EXTERNAL AFFAIRS • OTTAWA, CANADA

Vol. 14 No. 2

January 14, 1959

## CONTENTS

Gratifying Recovery In Economy.....	1	U.S. - Canadian Committee Meets.....	5
Top Year For TCA.....	3	New Cuban Govt. Recognized.....	6
New Feats For "Mounties".....	4	Canada's Population Up.....	6
Trans-Canada Vacation Highway.....	4		

## GRATIFYING RECOVERY IN ECONOMY

In a speech to the Canadian Club of Toronto on January 5, Mr. Donald Fleming, the Minister of Finance, said that 1958 will be remembered as a year when recession was arrested and the underlying strength of the Canadian economy asserted itself in a gratifying recovery. Notwithstanding the setbacks - abnormal unemployment and soft spots in certain sectors of the economy - 1958 had been marked by important achievements, the Minister stated.

Mr. Fleming pointed out that 1959 begins with many early advantages over 1958. The domestic improvement is matched by an improvement in conditions in the United States and abroad which will undoubtedly benefit Canada.

The Minister termed the Canadian Conversion Loan operation the most successful financial operation in Canada's history. Explaining the background of the Conversion Loan, Mr. Fleming said that a decline in bond prices began in the United States in April 1958 and was followed by a decline in Canada.

He went on to say:

"By the end of June the market atmosphere was very unfavourable to new financing, yet the Government of Canada needed large sums of new money in the immediate future....Some way had to be found to reduce the heavy proportion of short-term bonds and increase substantially the proportion of long-term bonds.

"The five victory loans totalling \$6,416 million had ultimate maturity dates between January 1959, and September 1966. In addition, all these issues were callable on or

before September 1961. This prospect, in addition to non-victory loan maturities and the need for heavy new borrowings, made debt re-organization imperative, if a high degree of confusion and demoralization of the bond market was to be avoided and a sound basis created for financing Canada's expansion and development. The conversion of all five victory loan issues was more equitable, more efficient and less costly than a piece-meal approach.

"Fundamental to the project was the idea that it would be easier to sell the public long-term bonds in exchange for bonds which they already held, than to sell them long-term bonds for cash. The prospective cash requirements of the Canadian Government for several years ahead were also a major consideration. It was urgently important to improve the Government debt structure, to reduce the overhang of refinancing which would have to be done in addition to new money financing, and to put as much of the Government's debt as possible on a long-term basis.

"The terms of the Conversion Loan were developed on the best advice, having regard for the objective, the erosion which had occurred in the market and the measures necessary to attract public investment in the long-term sector. The Conversion Loan was an overwhelming success. A total of more than \$5,803 million, or more than 90 per cent of the outstanding victory bonds, was converted....

(Over)



"While prices of Government bonds have declined in the last two months, the benefits of the Conversion Loan operation continue. I should add a comment on the market price quotations on the new Conversions bonds.

"The Government at no time said it would support the current market prices on the Conversion Loan. While the Bank of Canada, acting as the Government's fiscal agent, normally operates in a manner to stabilize the "after-market" for a short period after each new loan, it is not the Government's policy to 'support the bond market' over longer periods. The Government's obligation is to pay the fixed rate of interest on the Conversion Loan bonds and redeem them in full at maturity....

Of inflation, Mr. Fleming said:

"The air has been filled of late with talk of inflation. It is said that the fear of inflation is disturbing confidence in Canada's financial outlook. If it is, the condition is certainly not confined to Canada. The United States is displaying all of the symptoms which are said to exist at present in Canada.

"I do not deplore the current evidence of concern over inflation. On the contrary, I think it is a healthy sign that people are showing concern for the preservation of the purchasing power of the Canadian dollar. That degree of public concern will, I trust, assist governments and others in grappling with the problem. I am concerned, however, that the discussion of this subject should be realistic and balanced. The danger of inflation exists, as it has existed for the last twenty years. We will not, however, overcome it by exaggerating it beyond all recognition.

"Indeed, just as a year ago gloomy and exaggerated talk about recession and unemployment actually enlarged the dimensions of these problems by disturbing confidence, so we can today actually bring on some of the feared effects of inflation by yielding to an unwarranted inflation psychology. The current situation is certainly not one of overt inflation but of the fear of inflation. Inflation has been defined as 'too many dollars chasing too few goods'. There is, however, certainly no scarcity of goods in Canada. The problem with respect to most products and commodities is that we have surpluses of them.

"One would expect to find inflation reflected in the Consumer Price Index. The Index in December, however, showed a slight reduction. Over the last year the Index has risen only 2.5 per cent. How modest is this rise may be seen when it is compared with rises of 6 per cent in 1946, 15 per cent in 1947, 7 per cent in 1948, and 10 per cent in 1951. Of the slight increase in 1958, little was in the prices of goods -- food, fuel or clothing. The greater part of it was in the cost of services, especially health care, personal care and recreation.

"One would also expect to find inflation reflected in the Wholesale Price Index. How-

ever, the general Wholesale Price Index is the same as it was a year ago. It is also 16 points or 7 per cent below the 1951 figure....

"There is no evidence in recent events of themselves to justify anxiety over inflation. I am aware, however, of concern over the long-term trend. Since 1946, the Canadian dollar, as measured by the Consumer Price Index, has lost forty cents of its purchasing power. Nearly all of that loss occurred prior to 1952; relatively little of it occurred in the last two years. The present problem of inflation arises in its creeping form.

"I think I have been as outspoken as anyone in warning the Canadian public of the dangers of inflation. It is a stealthy thief, reducing the value of savings, fixed incomes, insurance policies, bonds, pensions, mortgages. I hope the Canadian people will always be on their guard against inflation. It is well to remind ourselves, however, that there is little value in deploring inflation while at the same time seeking the illusory, will-of-the-wisp advantages it appears to offer.

"It is also well for us to realize precisely where responsibility lies in this regard. It is temptingly easy for individuals to place the full blame and responsibility on the government or governments. The fact is that in a free economy every citizen has a responsibility to play his part in the maintenance of the stability and purchasing power of the Canadian currency. This solemn duty rests upon employers, employees and self-employed. I repeat the stern warning which I issued in my budget speech on June 17 last:-

"Moreover, I confess my concern over costs of production and prices in Canada. Only by keeping our costs of production in line with those of our competitors can we hope to achieve expanding employment and progressive improvement in our standard of living.

"We are in danger of becoming a high-cost economy. Such a prospect is particularly perilous in the case of a country like Canada which must sell so much of its production in markets abroad. Moreover, Canadian producers are encountering increasing difficulty in retaining their domestic market in the face of keen competition from abroad. Many of them, under these circumstances, turn to the Government for a solution of their cost problem.

"In a free society there is no simple formula by which the government can maintain stable prices and there is a limit to what governments can do to assist producers to hold down their costs of production. A wise government can, of course, help to promote an environment which is conducive to price stability and this Government gives a high place to that duty; but to an important extent, prices are the result of competition among the various economic groups which compose our nation, each striving for a greater share of the national product. I echo the warnings issued by the Prime Minister, Mr. Diefenbaker,



## TOP YEAR FOR TCA

In 1958, Trans-Canada Air Lines provided the travelling public with the greatest transportation capacity in its 21-year history, and carried a record-breaking number of passengers estimated at 2,757,000. This was revealed by President G.R. McGregor in an annual review released by the Company at the end of the year. In expanding its activities to meet the ever-increasing demand for air transportation, TCA offered more than two billion seat miles, an increase of 19 per cent over the previous year. Approximately 1,632,090,000 revenue passenger miles were flown, a rise of 17 per cent. The percentage of passenger occupancy decreased, as planned, from 71 per cent to 70 per cent.

Carriage of mail, express and freight remained at approximately the 1957 level with some 10,000,000 mail ton miles, 2,500,000 express ton miles and 12,680,000 freight ton miles being flown.

In 1958 additional flights were scheduled domestically and new services introduced abroad. During the year, TCA spread its international wings to Zurich, to Brussels and to Antigua in The West Indies. A non-stop flight began between Montreal and Paris, linking the two largest French speaking cities in the world with direct service.

Western Canadians in particular shared in TCA's international route expansion, with the introduction of a new trans-Atlantic schedule from Vancouver to London, England, stopping en route at Winnipeg. This "Hudson Bay Route" enables passengers from Western Canada to travel to the United Kingdom on a through flight without change of aircraft and reduces flying time between Winnipeg and London - for example, by two and a half hours eastbound and four and a half hours westbound.

Twice-weekly service to Antigua commenced in mid-December on the Bermuda-Barbados-Trinidad route.

Domestically in 1958, TCA included Edmonton in a transcontinental Super Constellation service, linking Toronto and the Alberta capital with a non-stop flight. A new direct service was also inaugurated between Calgary and Saskatoon. In addition, the airline increased flight frequencies on many other routes.

TCA, the pioneer user of propeller-turbine aircraft in North America, extended Viscount service to 12 more Canadian communities: Sault Ste. Marie, Sudbury, North Bay, Timmins, Earlton, Rouyn/Noranda, Val d'Or, Sydney, Stephenville, St. John's and Gander.

Significant too, was the increase in passenger capacity and flight frequencies on the Company's transcontinental and trans-Atlantic routes. During peak operations, TCA provided more than 650 daily round trip seats across Canada and more than 1,000 round trip seats each week across the Atlantic.

One of the highlights of the year was the introduction by TCA and other member IATA carriers of an economy class fare for travel across the Atlantic. This low cost service has enabled many more Canadians to enjoy the advantages of trans-Atlantic air travel and has greatly broadened the air transportation market.

On January 1, 1958, and in spite of a general trend towards rising costs and increased consumer prices in most Canadian industries, TCA reduced its tourist class fares by up to 20 per cent. This came at a time when major United States airlines had been granted an interim six and a half per cent fare increase and were applying for more. TCA also extended the Pay Later Plan to its domestic services.

Throughout the year, TCA provided trans-continental all-cargo service with North Stars, each capable of carrying nine tons of commodities. This offered next day delivery to points within a 1,500 mile radius and second day delivery to points beyond. Traffic remained highly directional with the bulk of air cargo moving from East to West.

A total of 16 propeller-turbine Viscounts and another Super Constellation were added to the fleet, bringing the number of these types operated to 47 and 12 respectively. However, late in the year a Viscount was destroyed when a Seaboard and Western Super Constellation collided with it on the ground at New York. Four more Viscounts and an additional Super Constellation will be delivered early in 1959.

It is expected that by 1961 TCA will become the first intercontinental airline in the world to operate an all-turbine fleet, and throughout the past year, all departments of the airline have been engaged in thorough preparation for introduction of the new equipment types.

Of major importance was the commencement of construction in 1958 of a \$20,000,000 overhaul and maintenance base in Montreal designed specifically for turbine-powered aircraft. This facility, the first of its kind in the air transportation industry, will take care of TCA's future fleet of DC-8 Jetliners and propeller-turbine Vikings.

In this connection, it is interesting to note that the first DC-8 flew successfully in California on May 30. TCA's first jet aircraft is well advanced, with its delivery expected in the fall of 1959.

Also of major importance to the Company's present fleet was the installation of weather radar and wing tip fuel tanks on the Super G Constellations and the commencement of a programme to equip the Viscount fleet with radar. The radar units enable pilots to avoid weather disturbances and assure smoother flights, while the wing tip tanks greatly increase the capability for non-stop trans-Atlantic flight.

(Over)



In 1958, TCA was awarded the Socrates High Award for the year's best newspaper transportation advertising in North America. The airline won in competition with 200 transportation companies.

"This has been a good year," Mr. McGregor said on looking back over the past 12 months. "Traffic has increased and for the third year in succession we have carried more than two million passengers."

"Although the price of labor and materials has continued to rise, the airline has exercised careful cost control and it was possible, in 1958, to reduce the general fare level in Canada. All this is testimony to the competent and loyal performance of the airline's staff."

\* \* \* \*

### NEW FEATS FOR "MOUNTIES"

Mr. Davie Fulton, the Minister of Justice, has announced that, as an alternative to the Musical Ride for 1959, the Royal Canadian Mounted Police will train a mounted display consisting principally of pattern team jumping, Roman riding and tandem riding. It may also be possible to offer tent-pegging in those arenas which are large enough for this event. The unit will comprise about 24 riders and the same number of horses.

These mounted exercises may be presented as separate features on a programme, with the total time for all covering not more than twenty minutes, about the time taken by the conventional Musical Ride.

Mounted exercises and team jumping have been presented in past years in a limited way and the Force is anxious to give some attention to this type of equestrian sport rather than to concentrate entirely on the Musical Ride. As not more than 24 men and horses will be required for this type of display compared with the 38 or 39 needed by the Musical Ride, the travelling and other out-of-pocket expenses which must be met by the sponsors will be lessened to a considerable extent.

Training will start early next spring and it is hoped to have this troop ready for engagements during the summer and fall. It is also hoped that a suitable circuit may be worked out which will allow the troop to show at a number of points in Eastern Canada, including the Atlantic Provinces, with possibly a few engagements in the Eastern United States.

\* \* \* \*

### TRANS-CANADA VACATION HIGHWAY

The Trans-Canada Highway, one of the great vacation touring routes of the world, is nearing completion. The target year is 1960 and already immense stretches of the road are finished. Motorists can now travel from one extremity of Canada to the other over the

present highway system which follows for the greater part the Trans-Canada route.

This tremendous, paved, all-weather road links the provinces of Canada from sea to sea. It winds across the rugged Newfoundland countryside from St. John's, the capital city, to Port-aux-Basques on the southwest coast. It cuts the scenically beautiful maritime provinces of Nova Scotia, Prince Edward Island and New Brunswick; curls through Ontario's forest and lake country; over vast prairie reaches in Manitoba, Saskatchewan and Alberta; crosses some of the most spectacular mountain scenery in North America and ends on Vancouver Island, British Columbia, its Pacific terminus.

Most of the cities it touches are familiar to North American motorists; Antigonish and New Glasgow, Nova Scotia; Moncton and Fredericton, New Brunswick; Charlottetown, Prince Edward Island; Ottawa, Peterborough, Port Arthur and Fort William, Ontario; Winnipeg, Portage laPrairie and Brandon in Manitoba; Regina, Moose Jaw and Swift Current, Saskatchewan; Medicine Hat, Calgary and Banff, Alberta and Revelstoke and Kamloops, New Westminster, Vancouver, Nanaimo and Victoria in British Columbia.

This highway has opened up vacation opportunities without limit, for along its 4,480-mile length can be found a variety of scenery to match the finest in the world, convenient, comfortable accommodation ranging from deluxe hotels to less costly motels and tourist homes, and hospitality at every turn of the road.

### CAMP GROUNDS AND PICNIC SITES

It is anticipated that up to 145 overnight camp grounds and picnic sites will be built along the Trans-Canada Highway across the Canadian provinces, as a result of a one-day Dominion-Provincial Conference held recently in Ottawa.

The Conference, called by Mr. Alvin Hamilton, Minister of Northern Affairs and National Resources, to discuss Dominion-Provincial co-operation in providing recreation areas along the Highway, agreed that minimum standards should be set for access roads, and that overnight camp sites should be not less than 15 acres in area. Picnic sites should be sufficient in size to accommodate 15 cars.

It was also agreed that contributions by the Federal Government should be based upon the mileage of Trans-Canada Highway in each province. The formula for allocating Federal payments would be based upon an average of one camp ground for every 100 miles and one picnic site every 50 miles, plus one. If the province has 500 miles of designated Trans-Canada Highway within its borders, it could expect the Federal Government to pay 50 per cent of the costs, exclusive of land, toward building five camping sites, plus one, if required.



## U.S. - CANADIAN COMMITTEE MEETS

Various issues that have an immediate bearing on trade and economic relations between the two countries were discussed by the Joint United States-Canadian Committee on Trade and Economic Affairs, which met in Ottawa on January 5 and 6.

It was recognized that from time to time temporary measures might have to be taken to meet emergency problems of particular groups of domestic producers. But it was agreed that every effort should be made to keep such exceptional measures to a minimum and, so far as possible, to limit their scope and duration. It was also agreed that wherever feasible there should be close consultation in advance between the two Governments whenever it seemed necessary for the Government of one country to take action which might affect the commercial or economic interests of the other.

The communique went on to say:

"The Canadian Ministers expressed their continuing concern over the quota restrictions imposed by the United States last September on imports of lead and zinc and outlined the effects they are having on the Canadian mining industry. The United States representatives hoped these restrictions could be withdrawn as soon as more satisfactory international solutions on a broader basis are found. In the meantime, it was agreed that both Governments would explore further the possibility of developing such equitable solutions.

"The United States representatives set out the grounds for their concern as to the amendments made last year in the Canadian Customs Act. They were assured by the Canadian Ministers that it is not intended to apply the new provisions of the Act in either a discriminatory or an arbitrary manner and that consultation would be held wherever feasible before applying the new provisions.

"The United States representatives also expressed concern with respect to the import restrictions which the Canadian Government has recently placed on certain agricultural products, and especially on turkeys and frozen peas.

"The current voluntary limitations on the entry of petroleum into the United States were discussed. A careful review was made of the factors affecting petroleum supply and demand, not only in the United States and Canada but throughout the world. The Committee agreed that continued exploration and development were necessary on defence grounds. The Committee also agreed on the importance of continuing growth and stability to the oil industry without which the incentive for further exploration and development would disappear. They agreed on the importance of maintaining a healthy and dynamic oil industry throughout the Western Hemisphere. Various aspects of the problem were discussed and the representatives

of the two countries agreed to take into consideration all of the opinions expressed in developing their policies. They will continue their studies and consultations with reference to this complex problem.

"In reviewing agricultural problems, Ministers agreed that incentives leading to an aggravation of surpluses were to be avoided. In regard to the United States programmes of surplus disposal, Canadian Ministers noted with satisfaction that the impact on Canadian trade had abated since the last meeting of the Committee. However, they expressed anxiety about tied-in sales and about the recent changes that have been made in the regulations governing barter transactions. The United States renewed the assurances given at the last meeting of the Committee that in all surplus disposal activities they would endeavour to avoid, insofar as possible, interfering with normal commercial marketings. They also re-affirmed that barter contracts must result in a net increase in exports of the agricultural commodity involved. In order to give effect to these assurances, insofar as they related to exports of wheat, flour and other grains, it was agreed that, in addition to other consultation, quarterly meetings of wheat experts from the two countries should be held in an attempt to solve periodically any problems involving wheat and flour, including those arising from United States surplus disposal operations.

"The Committee agreed that agricultural surpluses should be used to alleviate distress arising from famine and other disasters throughout the world and could also help to promote the economic development of less developed countries. They agreed that the two Governments would keep each other informed of programmes intended to serve such purposes.

"Some aspects of the relations between Canadian subsidiaries and their parent companies in the United States came under examination. The Ministers reviewed the arrangements made last summer under which the United States undertook to consider licenses to parent companies in the United States on a case-by-case basis which would relieve them from the prohibition against transactions with Communist China insofar as their Canadian subsidiaries were concerned.

"The anti-trust proceedings recently launched in the United States Courts against the parent companies of Canadian subsidiaries in respect of the participation of those subsidiaries in Canadian Radio Patents Limited were also discussed. The Canadian Ministers expressed their concern over the extra-territorial effect of the decree sought by the United States Department of Justice and the implications of such action with regard to control over Canadian companies acting in



conformity with Canadian laws and Canadian commercial policy. United States representatives emphasized that their Government's policy is based upon the enforcement of United States law upon companies doing business in the United States and that their Government has no intention of infringing upon the sovereignty of the Canadian Government with respect to companies engaged in business in Canada.

"It was agreed that the general questions involved would be the subject of further discussions between the two Governments at the Ministerial level, and arrangements are being put in hand accordingly for a meeting.

"The United States representatives reviewed with the Canadian Ministers the proposal for a new International Development Association to be affiliated with the International Bank, and the Canadian Ministers agreed to study it.

"The members of the Committee expressed their renewed realization of the value of their meetings, which afford opportunities for intimate consultation on matters of common interest to the two countries in their trade and economic relations."

\* \* \* \*

#### GRATIFYING RECOVERY IN ECONOMY (Continued from Page 2)

to all sections of the Canadian people in appealing to all, whether employers, employees or self-employed, to have regard for the general interest in the returns they seek for their services and products. In a free society, there is no omnipotent arbitrator who can set prices and wages at stable levels. One must depend upon the sense of responsibility of free men and women not to demand more than their fair share of the national income. As I have said on other occasions, increases in incomes can be justified by increased productivity, and by increased productivity alone....

"The policy of the Canadian Government is quite clear. It was stated by the Prime Minister and myself on July 14 when launching the Conversion Loan campaign. On that occasion he said:

'One of the primary advantages which will, I am sure, commend itself to all of you, is that it, (the Conversion Loan) is in every sense anti-inflationary. It is, even more definitely, a sound money policy. .... I want to emphasize again at this time that the preservation of a sound currency and the maintenance of stability in the value of the dollar are matters to which the Government attaches the greatest importance....

"This remains, let it be said, the policy of the Government....

"The prospects before this country are dazzlingly bright. There never was a time when Canadians had more reason for confidence in their country and her future. Canadians are not a mercurial people. At their best they are steady, stable and self-reliant. The Canadian economy has its problems, but it is sound and strong. Canada remains the best investment in the world."

\* \* \* \*

#### NEW CUBAN GOVT. RECOGNIZED

The Secretary of State for External Affairs has announced that the Canadian Government has recognized the new Cuban Government formed by President Manuel Urrutia Lleó.

On January 6, the Cuban Foreign Office sent a note to the Canadian Embassy in Havana listing the members of the new Government and stating that it would respect all its international obligations and existing treaties. The Secretary of State for External Affairs directed the Canadian Ambassador in Havana, Mr. Hector Allard, to acknowledge receipt of the Cuban note and to confirm the desire of the Canadian Government to have friendly relations with the Government of Cuba.

\* \* \* \*

#### CANADA'S POPULATION UP

Canada's population increased 354,000 in the first 11 months of 1958, rising to 17,241,000 at December 1 from 16,887,000 at the start of the year, according to the Dominion Bureau of Statistics quarterly estimate. This compared with a record January-November increase of 516,000 in 1957, 389,000 in 1956, and 358,000 in 1955. The slowing in the numerical growth in the nation's population in 1958 was chiefly due to a drop in immigration.

Over the 12 months (December 1, 1957 to December 1, 1958), Canada's estimated population growth was 381,000 (2.3 per cent), comparing with 552,000 (3.4 per cent) in 1956-57, 415,000 (2.6 per cent) in 1955-56, 386,000 (2.5 per cent) in 1954-55, 433,000 (2.9 per cent) in 1953-54, 417,000 (2.8 per cent) in 1952-53, and 415,000 (2.9 per cent) in 1951-52. The population growth was 1,160,000 from the 1956 Census total of 16,081,000 and 3,232,000 from the 1951 Census count of 14,009,000.

\* \* \* \*