



CANADA

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OIL AND GAS PRODUCTION IN CANADA

The following passages from a speech by the Minister of Trade and Commerce, Mr. Mitchell Sharp, to a joint dinner meeting of the Canadian Petroleum Association, the Independent Petroleum Association and the Canadian Association of Oilwell Drilling Contractors in Calgary on February 3 constitutes a concise review of the recent growth of the oil and natural-gas industries in Canada:

...The oil industry was flourishing in 1955. We had Leduc, Redwater, Pembina, and optimism about what lay below every drilling rig. The major pipe-line networks, Interprovincial and Trans-Mountain, were serving Canadian and export markets, and the United States market was still open though import restrictions were a growing probability. Production was about 360,000 barrels per day in 1955, and exports about 46,000. Both would grow through the frantic days of the Suez crisis, and then production and exports would both fall off, though never back to 1955 levels. The present levels of some 800,000 b/d total production, some 275,000 b/d of exports, seemed a lot more easy to reach from the viewpoint of 1955 than they seemed in the years from 1958 to 1961.

GAS IN 1955

In 1955 the gas industry was only an embryo. We knew there was a lot of gas but the market outlets and the necessary means of transportation were still in the negotiation stage. We were importing as much gas into Central Canada as we were exporting from the West - a mere 11 billion cubic feet per year. When Mr. Howe spoke here in November of 1955, he mentioned that the import of Westcoast Transmission Company gas into the United States had just been

approved by the Federal Power Commission, so that the last barrier to construction of that great enterprise had disappeared, and an outlet for the locked-in gas of the Peace River area, and natural gas service for the population centres of the British Columbia mainland, could now be established along with a valuable export connection.

His main topic, however, was the arrangement which had just been negotiated with Trans-Canada Pipe Lines by which the Crown would build and own some 675 miles of pipe line across Northern Ontario, which Trans-Canada could not then finance itself, and lease it to Trans-Canada under a purchase option and commitment. That proposal, and the later proposal to lend Trans-Canada up to \$80 million to enable it to commence construction, were still to go before Parliament....

A HUGE SALES INCREASE

Last year, estimated sales of Canadian gas, excluding pipe-line fuel and losses, were about 805 billion cubic feet, of which 360 were exported. In 1955 total sales were 132 billion cubic feet, of which 11 billion were exported. While this increase in the rate of production has gone on, remaining proven reserves have continued to climb, from about 19 trillion to some 35 trillion cubic feet.

In the same period, liquid fractions and sulphur resulting from the processing of natural gas to bring it to pipe-line quality have become vastly more important. Where in 1955 there were five or six processing plants, there are now about 70. The marketing of liquified petroleum gases and sulphur has been difficult, but substantial export markets both for lpg's and for sulphur are being built up, in addition to Canadian markets.

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To return to oil, I note that reserves of liquid hydrocarbons have increased from about 2.8 billion barrels in 1955 to 5.2 billion barrels at the end of 1962, according to the Canadian Petroleum Association's authoritative Reserves Committee. This reserve level is about 19 times the annual rate of production in 1962, and about 15 times total Canadian demand in 1962. Although the 1963 year-end reserve figures are not yet available, it is my understanding that the ratios to production and demand will remain substantially unchanged.

SLOW RATE OF DISCOVERY

While our current productive capacity substantially exceeds current rates of production, the trends in discovery of new reserves since 1960 have been disappointing, particularly since there has been a relatively high rate of exploration.

The corollary of the decrease in finding rate per unit of exploratory effort is an increase in the finding cost per barrel of oil. This raises for the industry the problem of making available the increasing volume of funds necessary to carry on a scale of exploration, development and research adequate to keep our reserves and productive capacity high enough that we can continue to meet all demands for oil and gas....

...I am not going to dwell tonight upon the possibilities of hydrocarbon developments on the northern mainland, on the continental shelf off our shores, or in the Arctic Islands, though I assure you that the Government is keenly interested in the work that has been going on there and which we hope will continue and be successful.

ALBERTA TAR SANDS

I do, however, wish to say a word about the oil sands, which now seem to be on the verge of commercial development. The recent comprehensive report of the Oil and Gas Conservation Board of Alberta on the oil sands estimates that the recoverable reserves of raw oil are of the order of 415 billion barrels, of which the recoverable reserves of upgraded synthetic crude oil would be in the order of 300 billion barrels. Three hundred billion barrels happens to be a reputable estimate of the total of proved conventional crude-oil reserves for the world as of the end of 1962. Naturally, the possibilities of development of these sands have aroused intense interest wherever in the world the subject of oil is a matter of concern.

Much has been said and written about how and when the sands should be developed. Following extensive hearings, the Government of Alberta announced a policy on their development, which, as I understand it, is designed to permit oil-sand production to supplement conventional crude production when and as this becomes necessary, having regard to trends in discoveries, the development of present markets for Canadian crude, and the possible development of new markets outside the established marketing pattern....

OTHER ENERGY SOURCES

While you are primarily interested in the petroleum industries, and they are my main subject tonight, you and I are well aware that their fate is bound up

with that of the other energy sources, both in the Canadian market and in the export markets, which are vital to these industries.

In the interval between 1955 and 1963, the demand for Canadian electrical energy increased from about 82 billion kilowatt hours to about 123 billion. Of this, not more than about 6 per cent has been exported in any year, less than 4 per cent in the most recent years. The proportion of thermal energy in total net generation increased from less than 7 per cent in 1955 to more than 11 per cent, and can be expected to grow. The proportion of nuclear energy is still almost imperceptible, but it has begun what is almost certain to be, in time, a tremendous growth.

Coal is the only energy source that has lost ground in recent years. Total demand for coal and coke fell from over 36 million tons in 1955 to about 24 million in 1963, production from about 15 million tons to something over 10 million. The competition from oil and gas was of course the main reason.

To complete this review, let me draw to your attention the shift that has occurred in the composition of Canadian energy consumption. In 1955, petroleum supplied 47 per cent of consumption, gas 5 per cent. Coal and coke together supplied 33 per cent, hydro electricity 9 per cent, and fuel wood over 5 per cent. Fuel wood supplied more energy than gas. In 1962, petroleum supplied about 56 per cent, natural gas 15, coal and coke 16, hydro 10, and fuel wood only a bit more than 3 per cent. This, in seven years, is quite a change - and you are the people who cause it all, or at least enough of it all, or at least enough of it to convince me that you have been very, very busy....

NATIONAL OIL POLICY

The 1961 statement of the National Oil Policy was fairly specific as to dates and quantities. It proposed that production of crude oil and natural gas liquids be increased from the 1960 level, about 544,000 b/d to 640,000 b/d in 1961 and about 800,000 b/d in 1963. It suggested that this be done by increased use of Canadian oil in domestic markets west of the Ottawa Valley, and by expansion of export sales, largely in existing markets which could be reached through established pipe-line systems. It was emphasized that it was the desire of the Canadian Government to achieve these increases without causing any serious disruption of United States markets, and with full regard to the interests of other countries which traditionally had supplied oil to Canada. The essence of the Policy was that it should be carried out voluntarily, but the Government made plain that it would use its compulsive powers if necessary.

The Policy has worked well, and it has worked well precisely because the industry has co-operated so well. In many cases this co-operation has involved making large investments which would not, in the absence of the National Oil Policy, have been made, or would have been made at another time, or elsewhere. Some existing capacity was made temporarily idle. In some cases increased production has not compensated for income foregone. Pipe-line companies, as well as producers, refiners, importers

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MR. PEARSON REPLIES TO MR. KHRUSHCHOV

The following is the text of a letter from Prime Minister Lester B. Pearson in reply to the letter of December 31, 1963, addressed to him by Mr. N.S. Khrushchov, Chairman of the Council of Ministers of the U.S.S.R., concerning territorial and frontier disputes and the means of settling them. The text of Mr. Pearson's letter was delivered in Moscow on February 7 by the Canadian Ambassador, Mr. Robert Ford, to the Soviet Ministry of Foreign Affairs:

Dear Chairman Khrushchov,

Thank you for your letter of December 31, 1963, concerning territorial and frontier disputes and the means of settling them. I have given it careful study and would like to make some observations on your analysis of the problem and on your proposals.

First of all, I welcome this indication of your concern over the necessity of finding peaceful solutions to international disputes. Canada has consistently worked for general acceptance of discussion, negotiation, mediation or arbitration as the means of attaining that objective. We are, therefore, always ready to examine new ways of reasserting and strengthening the principle already enshrined in the Charter of the United Nations of the renunciation of force or threat of force in international disputes and relations between states.

OTHER DISPUTES

You have concentrated in your letter on territorial and border disputes. This is but one aspect of a larger problem, and I hope you will agree that other disputes should also be settled by peaceful means only. In the present age, other types of dispute can be just as critical and can, therefore, lead to just as dangerous and potentially explosive situations as can disputes over frontiers. In any further exploration of the problem, therefore, our range of discussion should include disputes arising from any and all causes. It is unreasonable to assert that, although the use of force must be eschewed in territorial and border disputes, it is acceptable in disputes to which anyone chooses to give the arbitrary appellation, of, for example, "wars of liberation". It is inadequate, in my view, to emphasize the prohibition of the use of direct and overt force only and to make no attempt to outlaw subversion, infiltration by trained guerillas, and the supply of arms to insurrectionary forces - all of which are, as I am sure you realize, the cause of dangerous tensions in a great many parts of the world today.

I should be also less than frank with you if I did not state that my own interpretation of various events and situations described in your letter - for example, some of your references to military bases abroad, colonialism and imperialism - differs in certain respects from your own. I am convinced, however, that responsible and reasonable discussions and negotiations depend to a great extent on the avoidance of unnecessarily controversial interpretation of situations from which tensions between states arise. Hence, although we seem to be some distance apart

on several aspects of the problem, I should like to try to bridge the gap, and it is for this reason that I am making these comments and suggestions aimed at achievement of the goal you proclaim.

I welcome your recognition of the need to continue working towards general and complete disarmament, while at the same time paying increased attention to more limited objectives aimed at initial measures of disarmament and at the further reduction of tension. Agreement on general and complete disarmament is, of necessity, a longer-term undertaking, but the importance of the goal is so great and the consequence of failure so serious that it must be pursued with exceptional patience and determination regardless of present or possible future difficulties.

TWO SETS OF PROPOSALS

You refer to the various proposals which the Soviet Government has put forward on general and complete disarmament, but, as you know, the Western nations also have put forward constructive and far-reaching proposals in this field. Moreover, the West has similarly offered a number of proposals for collateral measures of disarmament aimed at promoting international peace and security. It will continue to be a primary aim of the Canadian Government during the resumed negotiations in Geneva to seek ways of reconciling differences between existing proposals, both on general disarmament and on collateral measures, and I hope that the Soviet Government will follow the same constructive approach.

It is encouraging to read in your letter that the United Nations can, in your view, contribute positively to peaceful solutions of territorial and frontier problems. I heartily agree with you, and indeed believe that it can contribute effectively to the peaceful solution of many other disputes as well. You will be aware of my personal interest in that organization and of the important place it occupies in the formulation and implementation of Canadian foreign policy. Canada has, for example, given active support to United Nations peace-keeping operations, contributing tangibly in men, money and materials. In addition, as I emphasized in my speech to the General Assembly on September 19, 1963, we should all co-operate to strengthen and improve the peace-keeping methods of the United Nations, and place them on a sound financial footing, so that the organization will have a continuing capacity to discharge its first responsibility - the maintenance of international peace and security. We should also like to see the Security Council become effective as the United Nations organ with the primary responsibility in this field. I hope that our respective representatives in New York may work more effectively together in order to see how these objectives might be reached.

DEEDS, NOT WORDS

As I observed to your Ambassador in Ottawa when he delivered your message to me, many of the general undertakings concerning renunciation of the use of

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force envisaged in your letter would appear to be spelled out already in the Charter of the United Nations, which also recognizes the important principle of the right of self-defence by national and collective means. I am glad to see the reaffirmation of Soviet adherence to important international obligations assumed by members of the United Nations and I consider that this exchange of letters may in itself serve to strengthen attachment to peaceful processes in international affairs. It seems to me that even more important than texts of the obligations which nations have assumed is the willingness of their governments to abide by and to adjust their policies to the spirit and the letter of such obligations. I hope that the present correspondence will help to create an atmosphere in which governments will find it easier to act in this way as well as to reach agreement on specific matters.

This brings me to the four-point proposal near the end of your letter concerning an international agreement on the renunciation of force in solving territorial disputes. It would seem to me important, in any serious consideration of the subject, to take into account that subversion, infiltration and clandestine arms supply can be just as dangerous as overt and direct aggression; that some administrative dividing lines and access routes are just as sensitive as recognized international boundaries; and that the Charter of the United Nations specifically and properly permits the use of force in self-defence.

With these considerations in mind and in consultation with Canada's allies, I shall be happy to have Canadian representatives in the appropriate forum take part in discussion of the questions raised in your letter and, in this and other replies to it, to see whether we can arrive at understandings and agreements which genuinely further the cause of peace, security and mutual trust in the world....

TALKS ON CANADA-U.S. FISHERIES

Representatives of the United States and Canadian Governments held a third round of discussions in Ottawa on February 5 on a wide range of questions concerning fisheries and territorial waters. The first round of these discussions had been held in Ottawa on August 26 and 27 of last year and the second in Washington on December 4.

The United States delegation was headed by Deputy Under-Secretary of State, U. Alexis Johnson, and also consisted of: Mr. William C. Herrington, Special Assistant for Fisheries to the Under-Secretary, Department of State; Mr. Fred E. Taylor, Deputy Special Assistant for Fisheries to the Under-Secretary, Department of State; Mr. Raymond T. Yingling, Assistant Legal Adviser, Department of State; Mr. William M. Terry, Fish and Wildlife Service, Department of the Interior; Rear-Admiral Richard S. Craighill, United States Navy; Captain H. Ost, USN, Department of Defence.

The Canadian delegation was headed by the Secretary of State for External Affairs, Mr. Paul Martin, and the Minister of Fisheries, Mr. H.J. Robichaud, and also consisted of: Mr. Marcel Cadieux,

Deputy Under-Secretary and Legal Adviser, Department of External Affairs; Mr. S.V. Ozere, Assistant Deputy Minister, Department of Fisheries; Commodore R.W. Murdoch, Royal Canadian Navy; Lieutenant-Commander G.D. Westwood, RCN; Mr. J.A. Beesley, Legal Division, Department of External Affairs.

NEW SPORTS GRANTS

Further grants for the development of sports and fitness research programmes in Canada, and to assist Canadian entrants in international sports events, were announced recently by Miss Judy LaMarsh, Minister of National Health and Welfare. The grants, amounting to more than \$37,000, were approved under the terms of the Fitness and Amateur Sport Act. Since the Act came into effect two years ago, a total of \$1,154,500 has gone to national sports and fitness agencies. All grants were recommended by the National Advisory Council on Fitness and Amateur Sport.

The recipients of individual grants are as follows: Amateur Athletic Union of Canada, \$6,500; Canadian Amateur Ski Association, \$10,000; Canadian Badminton Association, \$1,300; Canadian Figure Skating Association, \$4,300; Canadian Ski Patrol System, \$5,950; Canadian Snow-shoers' Union, \$1,328; University of Ottawa, \$7,830.

WILGRESS TO UN TRADE MEET

The Secretary of State for External Affairs, Mr. Paul Martin has announced the appointment of Mr. Dana Wilgress, a distinguished Canadian diplomat and economist, as the permanent head of the Canadian delegation to the forthcoming United Nations Conference on Trade and Development. Mr. Wilgress will be assisted by officials from the Departments of External Affairs, Finance and Trade and Commerce. Mr. Wilgress is the head of the Canadian delegation to the Preparatory Committee meetings that started in New York on February 3.

It is anticipated that ministers from all participating countries will attend the opening and closing sessions of the Conference. The name of the Canadian minister attending these sessions will be announced later.

PEI CELEBRATES PRELIMINARY CENTENNIAL

Prince Edward Island, Canada's smallest province, is celebrating a centennial year of its own — the hundredth anniversary of the first gathering of the men who were later to be known as the Fathers of Confederation, at the Charlottetown Conference of 1864. The island province began on January 1 a year of conventions, exhibitions and entertainments, which will serve as an introduction to the national celebrations that will occupy 1967, the hundredth anniversary of Confederation.

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EXTERNAL AFFAIRS APPOINTMENTS

The following appointments in the Canadian diplomatic service were recently announced:

(1) Mr. Léon Mayrand, at present Canadian Ambassador to Argentina and Paraguay, to be Canadian Ambassador to Cuba and Haiti, succeeding Mr. George Kidd. Mr. Mayrand's successor in Argentina and Paraguay will be announced later.

(2) Mr. Ralph Collins, at present Head of the African and Middle Eastern Division of the Department of External Affairs, to be Ambassador to South Africa, replacing the late Mr. J.J. Hurley.

(3) Mr. George K. Grande, at present Head of the Department's Inspection Service, to be High Commissioner to Ceylon, replacing Mr. James George, who will be returning for duty in Ottawa.

"GOLDEN HAWKS" GROUNDED

The Minister of National Defence, Mr. Paul Hellyer, recently announced that it had been decided to disband the Royal Canadian Air Force aerobatic team, the "Golden Hawks". The team will not perform this year.

Since they were formed in 1959 to celebrate the golden anniversary of flight in Canada, the "Golden Hawks" have performed before millions of spectators in the United States and Canada, and have gained much favourable publicity for their service.

The decision to disband the team was based on the necessity to use the money spent on it (about \$750,000 a year) for more vital defence needs, particularly new equipment. In addition, the F-86 "Sabre" flown by the "Hawks" is no longer in operational service with the RCAF, and will soon be very difficult and costly to maintain. The performance of aerobatic manoeuvres in close formation makes it necessary for demonstration aircraft to be maintained in perfect form for safety reasons. The "Sabre", which flew well in the Korean conflict and for many years in NATO, is reaching the end of its life expectancy.

ENVOY TO BRITISH GUIANA

The Secretary of State for External Affairs, Mr. Paul Martin, has announced the appointment of Mr. Milton Fowler Gregg as Commissioner for Canada in British Guiana. Mr. Gregg will take up his duties in Georgetown early in March.

The appointment of a Commissioner in British Guiana is a recognition of the many ties which have existed between this territory and the northeast coast of South America and Canada since before the turn of the century. From 1892 until 1924, Canada maintained a commercial agent in British Guiana. Canadian religious and educational institutions, as well as business and financial firms, have already established close associations and these are expected to expand and assume greater importance to the two countries in future years.

BETTER BOATS FOR ESKIMOS

A new type of fishing fleet is building in the Far North. Under the Eskimo Small Boats Assistance Plan, five new boats, with a total value of \$40,820, will be delivered during the coming summer to Eskimos living at Pangnirtung, Igloodik and Pond Inlet, Northwest Territories. They are two 40-foot longliners, one 31-foot trap boat and two 29-foot trap boats.

"I am glad to announce this extension of our partnership with the Eskimos," says Northern Affairs Minister Arthur Laing. "We work with them through the Eskimo Loan Fund and throughout the establishment of Eskimo co-operatives. This partnership has brought remarkable results. Eskimos are good financial risks. The fact that the new Boats Assistance Plan was over-subscribed speaks well for their confidence in the Government and the confidence we have in them."

The Plan, prepared by Northern Affairs, and recently approved by Parliament, will provide \$20,000 in grants to give Eskimo sea-hunters and fishermen better transportation and a larger hunting and fishing range. Most boats now in use by Eskimos of the Eastern Arctic need replacement by bigger, stouter craft. Under the Plan, the new boats will improve the present methods of hunting seal, whale and walrus and of fishing for arctic char.

The small boat programme offers the Eskimos a 40 percent grant toward the total cost of their boats, provided they can, either individually or in groups, make a down payment of 20 per cent of the total cost. The balance may be provided as a loan from the Eskimo Loan Fund.

BIRTHS, MARRIAGES & DEATHS

The number of births registered in Canada in 1963 decreased slightly from the figure for 1962, while the numbers of marriages and deaths increased, according to preliminary figures issued by the Dominion Bureau of Statistics.

BIRTHS

Estimates based on the number of records filed in provincial offices during the past year indicate a total of some 468,000 births in Canada in 1963, slightly fewer than the 469,700 recorded in 1962. The annual number of births for the country as a whole has been declining steadily from the record high of 479,275 in 1959, but this drop is expected to end in 1963. Final 1963 returns are expected to show increases over 1962 in four provinces - Newfoundland, Prince Edward Island, Ontario and Saskatchewan - and decreases in the remainder.

The 1963 national birth rate (for 1,000 of the population) is estimated at 24.8, the lowest since the Second World War and the sixth consecutive annual decline from 28.2 in 1957.

MARRIAGES

In 1963, marriages were estimated at 131,300, as compared to 129,381 in the preceding year, which represents the second consecutive increase from the

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record low of 128,475 in 1961. Final 1963 returns are expected to be higher than a year earlier in all provinces except Nova Scotia, New Brunswick and Alberta.

Despite the increase in marriages in 1963, the marriage rate (for 1,000 of the population) was estimated at 6.9 down slightly from the 1961-62 rate of 7.0 and the lowest rate on record in recent years. The marriage rate has been declining steadily since the record 10.9 set in 1946.

DEATHS

The 1963 estimate for deaths was 147,700, up 4,000 from the 143,700 reported in 1962. This would cause the annual crude death rate (per 1,000 of the total population) to rise slightly in 1963 to 7.8, after declining steadily since the War from 9.5 to a record low of 7.7 in 1961-62. Final returns are expected to be higher in all provinces except Prince Edward Island.

The number of vital records filed in each province up to the end of December 1963, and on which the national estimates for 1963 are based, as well as summary figures for the past 14 years, are given in detail in the report.

OIL AND GAS PRODUCTION IN CANADA

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and marketers have all been called upon to participate. The National Energy Board has had some role as an informal co-ordinator to assist the individual companies in reaching their respective decisions to help fulfil the Policy, and people in the industry tell me the Board has been useful in this function....

RELATIONS WITH U.S.

During the first year or so of operation of the Policy, the opportunities for export sales expanded much more rapidly than had been anticipated, while the "conversion" of the Ontario market to the use of Canadian crude oil and products derived therefrom took rather longer than might have been hoped. The rapid increase in our exports - which has since levelled off - was of some concern in the United States both to the domestic producers and to the

officials charged with the administration of the U.S. oil-import programme. Fortunately, we have always been able to discuss oil problems constructively with the responsible officials and Cabinet Secretaries. While we do not always see eye to eye, as can be readily appreciated, each side has so far been able to understand and respect the other's problems and we have been able to reach accommodations which have given us considerable scope for growth, to the mutual benefit of the economies of both the United States and Canada. We have every reason to expect that this will continue to be the case, but it is a necessary condition that we continue so to conduct our export trade that this steady growth is not put in jeopardy by actions on our part that would cause serious disruption in any United States market. It continued to be our firm desire to conduct our external trade in oil without formal restrictions on either exports or imports, and we regard continued access to the United States market as vital to the health of our oil industry and highly important in our trading relations with the United States....

Because of the complexities of the export market and also some in the domestic markets, we have come to the view that it would be inadvisable to commit the industry at this time to fixed-production targets for any considerable period of years. My reluctance to do so at this time should not be taken to imply any weakening in our Policy. I have every confidence in the future and our objectives remain unchanged. The Canadian Government expects the industry to maximize the use of Canadian crude in Canadian markets, and to foster exports to U.S. markets in a reasonable and non-disruptive manner. Concerning 1964, I do believe that it is feasible and desirable to establish a target figure. After considering the prospects for growth in the domestic market, for additional displacement by Canadian oil in the Ontario market, and for exports, we think average production should reach about 850,000 b/d. This assumes an all-out effort on the part of industry - and a little bit of luck. That level would provide a greater increase in 1964 than we had in 1963, and would be more than 50 per cent above average production for 1960....

Our growth in oil production since the inception of the Policy has been due to exports to the extent of about 56 per cent, domestic use about 44 per cent. By the end of 1964, given maximum effort to complete the Ontario supply transition, the proportions should be close to 50-50....