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FEDERAL-PROVINCIAL TAX SHARING

On July 13, Prime Minister John G. Diefenbaker received a letter from Premier Lesage of Quebec concerning the fiscal arrangements proposed by the Federal Government. Among other matters dealt with was a request to convene a further Federal-Provincial fiscal conference, which had also been suggested by Premier Robichaud of New Brunswick and Premier Douglas of Saskatchewan.

The reply of the Prime Minister was as follows:
"My dear Premier:

I have received your letter dated July 13, concerning the federal-provincial fiscal arrangements for the period commencing April 1, 1962.

You are no doubt aware that Bill C-122, entitled 'Federal-Provincial Fiscal Arrangements Act', was introduced in the House of Commons on July 12 and is standing for second reading following the resumption of the present session in September. The features of the new fiscal arrangements and the reasons therefor were set forth in the speech of the Minister of Finance on July 11....

Under the new system, the Provinces will retain their full freedom to levy and collect whatever taxes they choose in the fields of personal income tax, corporation tax, and succession duties. Although the Federal Government has offered to collect the personal and corporation taxes on behalf of the Provinces without any charge, you have indicated that your Government is not interested in this offer and will collect the taxes it chooses to impose.

You are aware that the Federal Government is withdrawing to an ever greater degree from the personal income tax field in favour of the Provinces.

In 1956, the then Federal Government, of which you were a leading member, considered 10 per cent of the yield from the personal income tax to be an adequate provincial share. At the instance of the present Federal Government, this provincial share was raised in 1958 to 13 per cent. Under the proposed new arrangements, it will rise next year to 16 per cent and by a further 1 per cent each year thereafter until, in the final year of the 5-year period, it will aggregate 20 per cent. Thus the provincial share will then be exactly double what was considered an adequate provincial share by the previous government for the present 5-year period.

I note, also, that the further proposals of the Federal Government in relation to the logging-profits tax and the tax on public utilities engaged in the distribution of energy commend themselves to you. The Provinces will undoubtedly derive substantial additional benefits from these proposals of the Federal Government.

CORPORATION TAX

Your reference to the special corporation income tax abatement under the 1960 legislation is worthy of special mention. As Quebec chose to be a prescribed province in pursuance of Section 9A of the Federal-Provincial Tax Sharing Arrangements Act for last year and this year, the federal corporation income tax payers in the Province received an abatement of 1 per cent in addition to the normal 9 per cent, making a total of 10 per cent.

The provision under Section 40(1) of the Income Tax Act, for an additional abatement of 1 per cent

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in the corporation income tax in a province prescribed by regulation under Section 9A of the Federal-Provincial Tax-Sharing Arrangements Act, was given a 2-year duration and automatically terminates at the end of the present year. At the time of the Dominion-Provincial Conference in February last, you indicated your wish that this subject be not introduced into the scope of the discussions at the Conference. It was our understanding, therefore, that the continuation of these arrangements would not meet with your approval and accordingly the new Bill C-122 makes no provision therefor. I should be glad to hear from you as to what arrangement you consider appropriate for the future regarding this important fiscal arrangement in relation to federal university grants. A letter from you setting forth your definite views in this regard would greatly assist the Federal Government.

The Federal Government believes that its fiscal proposals to the Provinces are most generous. We have carried the principle of equalization further and made it more effective for assistance to the Provinces in the weakest fiscal position. By the proposals made the Constitution has been strictly respected and the freedom and constitutional responsibility of the Provinces have been restored.

Finally, with regard to the request for a further Dominion-Provincial Conference, while I am most desirous of assuring the most amicable relations between the Federal Government and the Provinces, I do not think that any good purpose would be served by a further Conference at this time.

I am,
Yours sincerely,
(Signed) John G. Diefenbaker."

TO STUDY ATOMIC COSTS

Canada and India will undertake a joint study of the cost of building in India a nuclear power station of Canadian design. Following a request from the Government of India for such a study, the Federal Government has authorized Atomic Energy of Canada Limited to carry out the study with the Indian Atomic Energy Commission. The plant would be similar to the Douglas Point nuclear power station now under construction at a site mid-way between Kincardine and Port Elgin, Ontario, on the eastern shore of Lake Huron. The Douglas Point plant, which is to have an electrical output of 200,000 kilowatts when it goes into operation in 1965, will use natural uranium for fuel and heavy water for moderator.

The Indian station would be as nearly identical as possible to the Douglas Point station, but some minor modifications would probably be required owing to different climatic and geographical conditions.

The Planning Commission of India has authorized the Indian Department of Atomic Energy to select a suitable site for the power station in the general area of East Punjab-Rajasthan-West U.P. The study will determine the total cost of building the Canadian type power station in India together with details of the cost of parts which could be supplied by

India and the cost of remaining components that would have to be imported.

The joint study will take about six-months to complete, Canadian engineers are now in India for initial discussions. Staff from Montreal Engineering Company Limited have been attached to AECL to assist in the study. The decision on whether or not the plant will be built will be taken by the Government of India when costs have been determined.

This project is a continuation of the close co-operation in the nuclear energy field which has existed between India and Canada for several years. The two-countries built the Canada-India Reactor at Trombay, India, and put it into service in 1960. This reactor is similar to the NRX research and engineering test reactor at the Chalk River establishment of Atomic Energy of Canada Limited.

PRAIRIE AID PAYMENTS

Western grain growers who have been hard hit by drought can look forward to receiving financial aid under the Prairie Farm Assistance Act about Christmas or early in the new year. Agriculture Minister Alvin Hamilton announced on August 1 that the PFAA planned to start issuing cheques in December and expected to have more than half of them in the mails by Christmas.

Payments for this year will amount to upwards of \$60 million -- the highest since the programme went into effect in 1939. The previous record occurred in 1954, when \$33,013,726 was paid out to farmers for crop losses. Growers in many areas will be short of cash later in the year and the PFAA payments will help cushion this heavy financial blow.

Payments under the PFAA are based on half the cultivated acreage: on a farm, to a maximum of 200 acres. The rate depends on the acreage yield in the township. If it is between five and eight bushels of wheat an acre, the rate is \$2.00 a cultivated acre; between three and five bushels, \$3.00; and three bushels or less, \$4.00.

Farmers contribute to the PFAA fund by a one percent levy on the grain they market. The annual collections average about \$6.5 million. Because of the heavy payments that will be required this year, over \$50 million will probably have to be provided from public funds.

RESCUE IN THE ARCTIC

The Canadian Marine Service icebreaker "Camsell", engaged in the Department of Transport's annual resupply operations in the Western Arctic, rescued nine men on July 18 from the sinking Hudson's Bay Company supply vessel "Fort Hearne". The incident occurred in Coronation Gulf, in the vicinity of Coppermine, Northwest Territories.

CMS "Camsell", commanded by Capt. A.F. Davidson, of Victoria, British Columbia, was escorting another vessel loaded with freight through ice in Dolphin and Union Straits when a "Mayday" call was received from the "Fort Hearne". The icebreaker proceeded at once to the other vessel, making her way through heavy ice for nearly 90 miles. The icebreaker's helicopter, as well as another aircraft, made an aerial search and located the "Fort Hearne", which had been badly damaged by ice.

The nine-man crew of the smaller vessel was taken on board the "Camsell" and the derelict vessel was taken in tow. She was beached in Bernard Harbour, 24 miles distant, the trip through the ice being made at only one knot.

During the next three days the crew of CMS "Camsell" helped the crew of the "Fort Hearne" to move deck cargo from the grounded vessel to the shore nearby.

CMS "Camsell", based at Victoria, B.C., is one of the newest ice-breakers in the Department of Transport's Canadian Marine Service fleet. She was put into service only a year ago, and the present voyage is her second into the Western Arctic. Her task is to provide icebreaker escort for supply barges and other vessels carrying annual shipments of supplies needed at Arctic communities along the coastal waters from Tuktoyaktuk, at the mouth of the Mackenzie River, eastward to Cambridge Bay, Shepherd Bay and Spence Bay. She also looks after buoy laying and pick-up in these waters during the brief Arctic navigation season.

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POLIO TRENDS IN 1960

Five out of every 100,000 persons were stricken with paralytic poliomyelitis in Canada in 1960, according to the annual report on poliomyelitis issued by the Dominion Bureau of Statistics. This rate was less than half that in 1959, but more than three times the rate in 1958. Alberta had the highest rate in 1960 at 15.7, and Ontario the lowest at 0.6.

Fluctuations from year to year and from area to area have been typical of the behaviour of this virus disease in the decade ending in 1960. The total rate has varied from a high of 28.3 per 100,000 population in 1953 to a low of 1.1 in 1957. In the same period, the highest provincial rate (182.9) was recorded in Manitoba in 1953, and the lowest (zero) in both Prince Edward Island and Nova Scotia in 1957 and 1958.

In the 1951-60 period, data show that paralytic poliomyelitis is more prevalent among children than among adults. Seven provinces and the Yukon Territory submitted age particulars of affected cases in 1959 and 1960, showing that the age group 1-4 years had the highest rate per 100,000 population in both years at 30.1 in 1959, and 23.5 in 1960. Rates for other selected age groups in these years were: 10-14 years, 8.6 in 1960 (7.5 in 1959); 15-19 years; 6.4 (6.9); and 20-39 years, 5.0 (6.6).

Paralytic poliomyelitis in the decade ending 1960 has followed a similar pattern in each of the 10 years. That is, remaining at a low level from the first four-week period of the year to about the sixth four-week period, then rising sharply to a peak around the ninth four-week period and then decreasing sharply to the end of the year.

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IRAQI ENVOY INSTALLED

On August 10, His Excellency Ali Haider Sulaiman presented his Letter of Credence as first Ambassador Extraordinary and Plenipotentiary of Iraq to Canada. The ceremony took place at the Supreme Court, Ottawa. The Chief of Protocol, Mr. Henry F. Davis, presented the Ambassador to The Deputy Administrator, the Honourable Mr. Justice Ronald Martland, Puisne Judge of the Supreme Court of Canada. Mr. Glazebrook, Assistant Under-Secretary of State for External Affairs, and Colonel A.G. Cherrier, Assistant Secretary to the Governor-General, were in attendance on the Deputy Administrator on this occasion.

Mr. Sulaiman was born in Rowandiz, Iraq, in 1905. Before joining the Iraqi Foreign Service in 1956, he was a member of Parliament and also served as a delegate to the United Nations. He has served as Ambassador of Iraq in Bonn and is now Ambassador in Washington where he will reside. In addition to being accredited concurrently to Canada, Mr. Sulaiman has, since June 1960, held the concurrent appointment of Minister of Iraq to Cuba.

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NATIONAL FILM LIBRARY

The Canadian Film Institute's first function has always been the establishment and maintenance of a national film-library service for all Canadian film-users. At present approximately 7,000 different titles in 24 separate collections are available to CFI members and the public.

This library has been assembled through a system of deposits supplemented by direct purchases. Large numbers of film purchases have been ruled out by the limited budget of the CFI. At no time has the CFI owned more than 10 per cent of its print holding. In recent years, the only important amount usable for purchase of prints was a special grant for this purpose from the Canada Council. But over the years, a considerable number of producers, sponsors and distributors have been convinced that their films would receive sufficient distribution through CFI channels to justify deposits of prints.

SPECIALIZED LIBRARIES

Government departments, particularly Labour and Health and Welfare, are purchasing films in specialized areas. After an initial period of internal use by the departments, these films are grouped into specific libraries and deposited with the CFI for general use. There are eight such specialized libraries, which

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include 2,363 titles: Industrial Library, Health Library, Welfare Library, Physical Fitness Library, Medical and Biological Library, Scientific and Technical Library, Safety Library, and the Canadian Library of International Art Films.

The most striking increase in circulation of the specialized libraries is one of 400 per cent in the Industrial Library between 1958 and 1960. Most of these bookings were to commercial and industrial firms which use the films in their training programmes.

COLLECTIONS FROM FOREIGN COUNTRIES

Seven countries are using the Institute's services as a means of distributing their information and education films. These are: Australia, Finland, Netherlands, New Zealand, Norway, United Kingdom and United States. Including three additional titles from Japan, Yugoslavia and Denmark, there are 1409 titles in these collections. In the five-year period from 1955 to 1960, screenings of United Kingdom Information Service films increased from 680 to 4,000. Distribution of Australian films increased 480 per cent; bookings on New Zealand films increased 530 per cent.

197 titles from other foreign organizations and institutions are available through the CFI. Depositors include such international agencies as UNICEF, CARE, WHO and UNESCO. The largest number of films from an American University is 125 from Indiana University.

CANADIAN COLLECTIONS

Twelve Canadian organizations have made 151 films available to film-users through the Institute. Among these are the Boy Scouts Association, the Engineering Institute of Canada, the Canadian Federation of Film Societies, the Canadian Association for Adult Education, the Architectural Institute of Canada, the Co-op Union, the Government of Saskatchewan and the Girl Guides Association.

Business firms such as Imperial Chemical Company, Shell Oil, Imperial Oil, International Business Machines, Crawley Films and the Tea Council of Canada have deposited 71 films.

PETROLEUM PRODUCTION

Production of crude petroleum in Canada reached an all-time high in 1960 of 191,841,815 barrels, 3.8 per cent over the highest previous output, that of 1959. In Alberta, the rate of increase slowed notably, dropping to 2.9 million barrels for the year from the 1959 increase of 16.7 million barrels. Saskatchewan's production increase of 4.4 million barrels represented a further improvement over the 2.8 million-barrel increase of 1959. In 1960, Manitoba's decline amounted to 0.3 million barrels; its 1959 decline was nearly 0.8 million. Ontario's production slightly exceeded the previous all-time record established in 1959. Output in the Northwest Territories increased appreciably. In British Columbia it decreased slightly, and in New Brunswick it continued to decline.

Alberta accounted for 69.3 per cent of Canada's production (70.3 in 1959); Saskatchewan for 27.0 per cent (25.7 in 1959); Manitoba for 2.5 per cent (2.7 in 1959); and Ontario, British Columbia, the Northwest Territories, and New Brunswick for the remaining 1.2 per cent (1.3 in 1959).

The number of producing oil wells in Western Canada at the end of 1960 totalled 13,156 with 8,633 in Alberta, 3,685 in Saskatchewan, 755 in Manitoba, 52 in British Columbia, and 31 in the Northwest Territories. There were 15,370 wells capable of production; thus 2,214 wells were inoperative. Many of the producing wells were operating far below capacity, and the whole of Canada's crude oil industry was producing at less than half its capability.

IMPROVE OSHAWA HARBOUR

A contract worth about \$415,000 has been awarded by the Department of Public Works to a Toronto company for the construction of an east-harbour wharf at Oshawa, Ontario. The new wharf will be 500 feet long and 56 feet wide, and will consist of a reinforced concrete deck, supported by reinforced-concrete pile caps and concrete-filled steel-pipe bearing piles. A steel-sheet pile curtain-wall will be constructed to the rear, and dredging will be carried out in an area 540 feet by 14 feet to a depth of 23 feet. The work is scheduled for completion in nine months.

The structure is required to provide additional wharfage facilities to meet the increasing demands arising from industrial development of the surrounding area. Harbour activity has grown considerably since 1957 and present unloading facilities are being almost fully employed. With the building of this wharf, many acres of land to the east of the harbour will become useable for commercial purposes. Its main use is expected to be in the trans-shipment of general cargo. The addition of the berthing facilities is of prime importance, since two large industries have purchased property north of the harbour. They will be importing scrap iron and semi-refined tin ore and exporting reinforced rods, flat steel and other related products.

Oshawa harbour is located on the shore of Lake Ontario, 27 miles east of Toronto and three miles south of the center of the city. The harbour is at present being used for the importation of coal, stone, oil and gasoline for the local industry.

APPEAL TO DUCK HUNTERS

Resources Minister Walter Dinsdale has appealed by open letter to fish and game club members in the three Prairie Provinces and western Ontario to help his Department inform duck hunters that canvasback and redhead ducks, which are in short supply, should not be shot this year. The letter states that severe drought conditions on the Prairies, where 70 per cent of the wild ducks in North America nest and raise

their young, have seriously affected waterfowl production in general and the already low canvasback and redhead populations in particular.

"If breeding stock is to be maintained to provide for reasonable come-back when habitat conditions improve, we must make even greater efforts this year to reduce the kill of these two species," Mr. Dinsdale said. He added, however, that hunters would be allowed one canvasback or redhead duck as a "mistake" bird. This provision has been made so that, if one such duck is shot by accident, it will not be discarded by the hunter to avoid the penalty and so be wasted.

IDENTIFICATION PAMPHLETS

To help hunters learn to recognize canvasbacks and redheads, the Canadian Wildlife Service will distribute identification pamphlets on the two species, through provincial game departments, to licence vendors in western Ontario, Manitoba, Saskatchewan and Alberta. Pamphlets will also be supplied to RCMP detachments, Hudson's Bay Company posts, Indian Affairs offices, and post offices. In all, a quarter of a million pamphlets will be distributed. In addition, television spot announcements will remind hunters to pick up pamphlets when they buy their licences.

Mr. Dinsdale asked for the co-operation of fish and game clubs in making the facts sufficiently well known that hunters going into the field this year would be able to recognize male or female canvasback and redhead ducks and would know why they should not be shot. Copies of all press releases on this subject will be sent to clubs in the areas already mentioned.

CANADA BUYS BIG HELICOPTER

Transport Minister Léon Balcer recently accepted a Sikorsky X-62 helicopter purchased by his Department. Thor E. Stephenson, president of Canadian Pratt and Whitney Aircraft, Sikorsky representatives for Canada, delivered the machine to Mr. Balcer at Ottawa Airport.

Slated for supplying and servicing lighthouses on the West Coast, the \$350,000, turbine-powered, amphibious helicopter is fitted with an emergency hoist and sling for rescue operations and has a flight range of 400 miles. It will be based at Prince Rupert, British Columbia and will receive regular maintenance at Vancouver International Airport.

This is the second S-62 brought into Canada. The other is owned by Okanagan Helicopters Ltd. of Vancouver.

MAIN USE

Seating 11 passengers in Spartan comfort, the Transport Department aircraft is really designed to carry up to 1,800 lbs. of small freight and will be used along the British Columbia coast to complement Canadian Marine Service ships in supplying,

servicing and inspecting light stations. Fitted with a special long-range fuel tank and a hoist for lifting external loads, it will also serve in search and rescue operations.

The plane is powered by a General Electric free-turbine engine developing 1,050 shaft horsepower and has retractable wheels permitting it to land either on land or on water under most conditions and within a very limited area.

It will be operated for the district marine agents at Prince Rupert and Victoria by a two-man crew of the Department's Civil Aviation Branch under the jurisdiction of the director of the Vancouver air services region.

The Transport Department has cleared trees, levelled ground and in some cases erected simple platforms for landing pads at the various lighthouses and other departmental installations along the B.C. coast.

OILSEEDS TRADE MISSION

It was announced on August 4 by Mr. George Hees, the Minister of Trade and Commerce, that arrangements had been made for a Canadian Oilseeds Trade Mission to visit Europe in September, in order to determine the current and long-term market possibilities for oilseeds produced in Canada. It was, he said, proposed that members of the mission should familiarize themselves with the requirements of the vegetable oils industry, the measure of competition they might be expected to experience from other exporting countries. It was felt that the establishment of direct contacts with the trade in Europe would stimulate interest in Canada as a source of supply.

The production of oilseeds, as alternatives to wheat, has been encouraged in Western Canada, having increased from 382,000 tons annually over the five year period ending in 1952 to 1,257,000 tons in 1960. The acreage planted to oilseeds last year was four million, as compared with an average of 1.3 million acres in the 1948-52 period. Exports of oilseeds in 1960 had a value of \$69 million. These include rapeseed, flaxseed, soya beans and mustard seed.

ATTRACTING EUROPEAN CUSTOMERS

Mr. Hees said that European buyers, to some of whom Canadian oilseeds had been introduced in 1961 for the first time, might be persuaded to purchase larger quantities on a continuing basis, provided that the Canadian product could be made available on a competitive basis.

In the development of its trade promotion programme, the Department of Trade and Commerce is exploring all avenues that may encourage Canadian producers to consider overseas market opportunities, and to embark on a measure of diversification for their export crops.

The Canadian trade mission will include representatives of producing organizations, traders in

oilseeds, research and marketing specialists, who will meet importers, members of trade associations and government officials in Italy, France, Belgium, the Netherlands, the Federal Republic of Germany and the United Kingdom, where they will also visit oil extraction plants.

CONSUMER PRICE INDEX

The consumer price index remained unchanged at 129.0 between June and July 1961. Seasonally higher prices within the food component and a slight increase in the health and personal care component were offset by declines in the clothing transportation, and recreation and reading components. The housing and tobacco and alcohol indexes remained unchanged over the period.

The food index increased 1.1 per cent to 124.9 from 123.5, due primarily to seasonally higher prices for most fresh vegetables and eggs. Increased prices for some meat items and coffee were also recorded. The increases were partially offset by lower prices for variety of fresh fruit items, particularly oranges, grapes and strawberries.

The housing component remained unchanged at 132.9 over the period. A slight increase in the shelter index was balanced by a similar decline in the household operation index. Both the rent and homeownership sub-groups advanced slightly due to increased repair prices, and, in the latter sub-group, prices were higher for new houses. Within household operation, the home furnishings index declined as a

result of lower prices for most appliances and furniture items, carpets and cotton sheets. Prices of dishes and glassware increased, however. The household supplies and services index advanced slightly, with higher prices for toilet paper, floor wax and household help.

CLOTHING

The clothing index moved down 0.3 per cent from 112.5 to 112.2, as slightly lower prices were recorded for men's wear and more significant declines occurred in women's wear and piece goods. The decrease was primarily due to sale prices for men's suits, women's street dresses and spring coats, and dress material.

A decline of 1.8 per cent occurred in the transportation index, which moved to 138.7 from 141.2, as a result of reductions in automobile prices. The removal of the excise tax on passenger cars combined with normal seasonal price declines appreciably lowered the index for automobile purchase. The price of gasoline advanced slightly over the period.

The health and personal care index moved up fractionally from 155.0 to 155.1, an increase of 0.1 per cent. The health care component was unchanged over the period, while the index of personal care supplies increased 0.2 per cent.

The recreation and reading index declined 0.5 per cent to 145.0 from 145.8. The decrease was due to the recreation component, in which prices of television sets and radios declined seasonally. The tobacco and alcohol index remained unchanged at 115.8.