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BUDGET SUMMARY

Presenting his budget to the House of Commons on April 9, Finance Minister Fleming announced tax changes which he said were based on two principles:

- "(a) To provide a broadly based source of revenues to meet the new and additional forms of universally available social welfare benefits, and
- (b) To reduce the budgetary gap in a degree that will not interfere with the desired rate of recovery, but will hold out the prospect of a balanced budget at the appropriate time."

Expenditures for the fiscal year 1959-60, excluding the old age pension fund, are expected to be approximately \$5,660 million, compared with \$5,387 million in 1958-59. Budgetary revenues, after tax changes, are estimated at \$5,267 million, compared with \$4,770 million. The deficit is therefore expected to be approximately \$393 million. This compares with a deficit of \$617 million in the past fiscal year.

Payments from the old age security fund for old age pensions are expected to amount to \$578 million and revenues are expected to amount to \$536 million, making a deficit of \$42 million in this sector.

Tax increases, it is estimated, will amount to \$245 million in this fiscal year and \$352 million in a full year.

Tax changes are as follows:

1. 2 percentage points increase on taxable income in excess of \$3,000, effective July 1, 1959.
2. Tax on corporation income above \$25,000 increased to 47 per cent from 45 per cent, effective January 1, 1959.
3. Special two per cent income, corporate, and sales tax for old age security fund increased to three per cent, with maximum \$90 for individuals, effective on varying dates.
4. Deductible medical expenses will include the cost of ileostomy and colostomy pads, crutches, trusses and special polio beds. No tax deductions for medical expenses that are paid by federal-provincial contributions.
5. Excise tax on cigarettes increased by two cents per package of 20, effective immediately.
6. Excise tax on cigars increased by \$1 per 1,000 effective immediately.
7. Excise duty on spirits increased by \$1 per proof gallon, or about 12 cents per 25 ounce bottle, effective immediately.
8. Some technical amendments which will affect the application of the Excise Tax Act to toilet goods and pharmaceuticals. Briefly they will extend the definition of manufacturing to the packaging of

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toilet preparations and pharmaceuticals except when this is done by a retail store for sale directly to consumers, and will also extend the definition of manufacturer to any person who markets private brand toilet preparations and pharmaceuticals, except a retailer who sells directly and exclusively to consumers. This amendment will apply to both the sales tax and the special 10 per cent excise tax.

Other amendments to the Income Tax Act:

1. More generous tax treatment of payments made by an employer to the widow or dependent children of a deceased employee by providing that such death benefits will be free of tax up to an amount equal to 12 months' salary of employee or \$10,000, whichever is the lesser.
2. That portion of the benefit which an employee derives through the payment of group life insurance premiums on his behalf by his employer exceeding \$25,000, will be subject to tax.
3. Tax relief on lump sum withdrawals from employee pension plans where the amount withdrawn is transferred to another pension plan or used as a premium under a registered retirement savings plan.

CUSTOMS TARIFF

Proposed changes in the Customs Tariff affect 142 items or sub-items, divided into three main groups.

1. Fruit and vegetables -
 - (a) The duty on potatoes will be 37½ cents per cwt. throughout the year, which is substantially the same as the rate applied by the United States.
 - (b) The duty on apples will be ¼ cent a pound all the year round, the same as the U.S. rate.
 - (c) Duties on other fruits and vegetables will be increased, or the seasonal period improved, to protect Canadian fruit and vegetable growers.
 - (d) For most out-of-season products the duty will continue to be 10 per cent as at present; but for a number of important products a period of free entry will be permitted during part or all of the off-season.
2. Textiles -
 - (a) The margin of tariff preference is restored on British cloth by an increase in the duty on fabrics from countries outside the Commonwealth.
 - (b) By way of compensation for increases in duties on woollens and worsteds from France and Italy, reduced rates have been introduced on a special type of wool fabric for neckties and scarves, and also on perfumes, aperitif wines, ports, sherries and marble products.
 - (c) Steps have been taken to initiate negotiations on other textile items in-

cluding cotton yarns and fabrics to protect the Canadian cotton industry,

3. Machinery -
 - (a) Machinery will hereafter be specifically named as to class or kind, under six new tariff items.

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LEADING MINERALS IN 1958

Production in 1958 was greater than in 1957 for cement, clay products, gold, lead, lime, salt, silver and zinc, but smaller for asbestos, coal, copper, gypsum, iron ore, and nickel, according to the Dominion Bureau of Statistics' monthly report "Production of Canada's Leading Minerals".

Totals for minerals showing gains in 1958 were: cement, 6,157,817 tons (6,049,098 in 1957); clay products, \$41,713,149 (\$34,900,705); gold, 4,537,007 fine ounces (4,433,894); lead, 185,095 tons (181,484); lime, 1,637,597 tons (1,378,617); salt, 1,886,505 tons (1,771,599); silver, 31,087,681 fine ounces (28,823,298); and zinc, 424,116 tons (413,741). Eleven-month output of natural gas rose to 294,156,745 M cubic feet from 190,542,516.

Totals for minerals reporting losses in 1958: asbestos, 925,670 tons (1,046,086 in 1957); coal, 11,679,930 tons (13,189,155); copper, 346,816 tons (359,109); gypsum, 3,975,166 tons (4,577,492); iron ore, 15,858,936 tons (22,272,174); and nickel, 140,848 tons (187,958). Eleven-month production of crude petroleum fell to 149,917,616 barrels from 168,473,087.

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ROYAL TOUR PRELIMINARY

The Commissioner in charge of arrangements for the Royal Tour, Lt. Gen. Howard Graham, left Ottawa on April 8 to cover in detail the route and places to be visited by Her Majesty Queen Elizabeth next summer.

General Graham was accompanied by members of his staff and others who will be responsible, during the Queen's visit, for security, piloting aircraft, provision of transport, movement of baggage, communications, press and other arrangements. Mr. Esmond Butler, a Canadian who is assistant press secretary to the Queen, came from London and is accompanying the party.

The first call was at St. John's, Newfoundland, on April 8 and from there the party visited other Maritime and Quebec centres, returning to Ottawa about April 15. Commencing April 20, the Western part of the route will be checked.

This preliminary run over the route is essential in order to check all details of provincial and municipal programmes and meet officials who are responsible for local arrangements during Her Majesty's visit in their respective areas.

THE NORTH ATLANTIC TREATY

In observance of the tenth anniversary of the signing of the North Atlantic Treaty, Mr. J.G. Diefenbaker, the Prime Minister of Canada, spoke over the C.B.C. Radio Network on the "Special Speaker" series, on April 3.

Mr. Diefenbaker said:

"Ten years ago, the representatives of twelve European and North American countries met in Washington to put their signatures to a Treaty which involved an untried experiment in international affairs. They signed the North Atlantic Treaty, a regional alliance within the framework of the United Nations, designed for the mutual defence and economic betterment of countries having a common interest across and about the North Atlantic area.

"Now expanded to include fifteen nations, the members of NATO have been meeting this week in Washington to continue the work to which the organization is dedicated. They have been discussing common problems and charting the course to be followed in the coming months. This has been one of the most important meetings ever held by the Ministers of NATO Governments, for during the coming months discussions will be held with the U.S.S.R., designed to remove tensions which have divided East and West in Europe.

"When NATO was formed the threat of aggression against the West was most apparent, if not imminent. The unity of the nations forming NATO acted as a deterrent to the U.S.S.R. in its aggressive designs, and has continued to do so ever since. That peace has been maintained in Europe is in large part the result of the unity of these nations.

"NATO is entirely defensive in its aim and purposes, as are its member countries which stretch from the Bosphorus, through the heart of Western Europe, and across the Atlantic Ocean to the western shores of North America.

"For the first time in history Europe and North America are bound together in time of peace. How different it is to the days before the First World War and after, when nations large and small tried to live unto themselves alone -- with tragic consequences.

"Europe and North America are, of course, different in many ways. Our outlook is not always theirs. Our problems are often different from those of our European cousins. But we are intimately connected by the bonds of common tradition and cultural heritage. Canada's languages and customs are for the most part European in origin. The Canadian social and philosophical background is deeply rooted in European civilization. Canada has always been closely bound to the United Kingdom and France -- to the United Kingdom by the ties of the Crown, the heritage of freedom, by membership in the Commonwealth -- to France by the contribution she made to the building of Canada, as the origin of so many people, and by cultural ties.

"NATO is basic to the survival of freedom. It is more than a military alliance. It must develop and expand the economic principles inherent in the Treaty, whereby each of the member nations 'will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them'. The Atlantic community has been dynamic and in constant growth. Canada, as one of the member nations, has opened its door to more than a million immigrants from Europe. It has assisted needy nations to repair the ravages of war. Indeed, since the communist blood purge in Hungary, it has opened its doors to refugees from communist oppression in that country to a greater relative extent than has any other nation. This movement of peoples with their talents and skills has enriched Canada.

"Our partners in Europe are stronger because of the assistance given them to rebuild and restore their societies. Through immigration Canada has come to understand the points of view of the nations represented by the immigrants. Tens of thousands of Canadian servicemen and their families have spent two or more years on guard in Europe and have brought to their hosts an understanding of the life and point of view of Canada.

"When I visited our partners in NATO and in the Commonwealth last fall, I had the pleasure of visiting our Canadian Brigade in Germany and our Air Division in France. I was proud to be a Canadian as I watched these men and women who are standing in the front line of the defence of liberty in Europe. I was both proud and pleased to learn of the happy relationships that have been developed with their French and German neighbours. Canada's service men and women are not only making a substantial contribution to the defence of Europe, they are making Canada known and understood by the people of these two great nations. They are contributing to the growth and development of the Atlantic Community.

"In my talks with the leaders of all the NATO countries which I visited, I found a recognition of the need to preserve what we have developed, and to improve and develop the Atlantic Community. Over the past ten years much has been done to weld us together despite every effort of the Soviet Union to break us apart. More remains to be done. As we enter the second decade in the life of the Atlantic Community its member nations are facing difficult problems, but I am convinced that armed with the determination to stand together and to defend those principles on which our Community is founded, we shall emerge stronger and more united than ever. We shall not reject any reasonable proposal which shows promise of leading to the removal of differences with the Soviet Union, but we will not be persuaded that the cause of peace or of western civila-

zation will be served by the breaking up of the Atlantic Community.

"The builders of NATO builded better than they knew. Its strength, dedication and unity have preserved the peace in the past. The hope of the Free World is that it will do so in the future."

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IMPORTS REDUCED IN 1958

Commodity imports into Canada in 1958 were valued at \$5,192,400,000, some 8 per cent lower than in 1957, according to final and detailed figures released by the Dominion Bureau of Statistics. The volume of imports declined at about the same rate as the value and there was a very slight increase in average import prices. The final import figures are some \$4,000,000 less than the preliminary total reported on February 6.

Imports in the fourth quarter of 1958 were about 4 per cent higher at \$1,379,300,000 than in the corresponding period of 1957 and this contrasted with the more or less sharp declines which took place in each of the three earlier quarters of the year. Imports were valued at \$425,500,000 in December 1958 and were thus some 8 per cent more than in the same month of 1957. On a seasonally-adjusted basis imports began to decline in the first quarter of 1957, continued to fall in subsequent quarters up to and including the third quarter of 1958 and then rose considerably in the fourth quarter.

The proportion of Canadian imports coming from the United States declined from 71.1 per cent of the total in 1957 to 68.8 per cent in 1958, the proportion from the Commonwealth (other than the United Kingdom) from 4.3 per cent to 4.0 per cent, and that from Latin America was virtually unchanged at 6.7 per cent. Imports from the United Kingdom increased from 9.3 per cent to 10.1 per cent, those from Europe from 5.6 per cent to 6.3 per cent and from other foreign countries as a group from 2.9 per cent to 3.8 per cent. In the fourth quarter of 1958, the proportion of imports from the United States and the Commonwealth declined to a respective 66.5 per cent (from 68.2 per cent) and 4.2 per cent. The import shares attributable to the United Kingdom and Latin America increased moderately in the same quarter to 10.0 per cent and 6.9 per cent, respectively, and those accounted for by Europe and other foreign countries, respectively, increased somewhat more significantly to 7.5 per cent and 4.6 per cent.

Iron and steel goods, which accounted for almost 36 per cent of all Canadian imports in 1958, declined by more than 13 per cent as compared to 1957 and were responsible for something like two-thirds of the overall decline. Among the main commodities in this group, non-farm machinery, the leading import category, fell by about 15 per cent, rolling-

mill products by almost 33 per cent and pipes, tubes and fittings by nearly 40 per cent. Considerable declines were also recorded in imports of farm implements and machinery, engines and boilers, iron ore, castings and forgings and a range of other iron and steel products. In marked contrast to the general trend in the group, automobile imports increased by more than 22 per cent. Among other leading commodities there were considerable decreases in imports of sugar, coffee, rubber, cotton, wool and wool products, electrical apparatus, coal and coal products, and petroleum and products. Imports of fruit, cocoa, vegetable oils, glass, and scientific equipment were higher than in the previous year.

In the fourth quarter changes in the leading commodity imports showed some contrast with the changes recorded in the year as a whole. In particular, iron and steel goods increased by 9 per cent as the rate of decrease in non-farm machinery imports slackened greatly and as the earlier declines in imports of rolling-mill products, farm implements and machinery and iron ore were reversed.

Imports to the United States fell by almost 11 per cent in 1958 to \$3,572,400,000, as significant declines in each of the first three quarters of the year more than offset a small increase in the fourth quarter. In the year as a whole, there were small increases in imports of agricultural and vegetable products, forest products, and miscellaneous commodities, but lower totals were recorded for all other main groups. The decline was most evident among iron and steel goods and especially in the case of non-farm machinery, farm implements, rolling-mill products, and pipes, tubes and fittings. Among other leading imports reduced in value were electrical apparatus, coal, petroleum and products, and raw cotton.

Canadian imports from the United Kingdom were valued at \$526,700,000 in 1958, some 1 per cent higher than in 1957. In the fourth quarter there was an increase of some 6 per cent compared with smaller increases in the first and second quarters and a significant decline in the third. There were gains in the year in all main groups except textiles and non-ferrous metals. The largest absolute increase was recorded for iron and steel imports and this mainly reflected the very considerable increase in imports of passenger automobiles. Imports of electrical apparatus and aircraft and parts also went up, while there was a marked decline in textile products.

Imports from the Commonwealth fell by 14 per cent to \$209,900,000 in 1958, with a fourth-quarter decline of some 6 per cent, the smallest recorded in any quarter. In the twelve-month period imports were lower from all leading Commonwealth countries except Australia and the Union of South Africa. Among the principal commodities, there were lower imports of unrefined sugar (from the West

Indies, Australia, British Guiana, Fiji and Mauritius), tea (from India and Ceylon), raw wool (from Australia and New Zealand), cocoa and crude rubber.

Imports from Europe at \$325,000,000 were about 3.5 per cent more than in 1957, as an increase of some 26 per cent in the fourth quarter combined with a small increase in the third to more than offset decreases recorded in the first half of the year. In the year as a whole the increase in Canadian imports from the area resulted mainly from higher totals for France and the Federal Republic of Germany and, to a lesser extent, Switzerland and the Netherlands. The most significant commodity gain was in the import of passenger automobiles, especially from the Federal Republic of Germany.

Imports from Latin America declined by about 8 per cent in 1958 to \$350,200,000, an

increase of some 6 per cent in the fourth quarter being insufficient to offset the decreases recorded in the previous three quarters. The overall decline was mainly due to reductions in imports of petroleum from Venezuela and of coffee from Brazil. Imports from Mexico increased considerably as a result of a large increase in the purchase of cotton.

Canadian imports from other foreign countries increased by more than 23 per cent over 1957 to \$197,900,000 in 1958. Much of the increase resulted from greatly increased shipments of crude petroleum from Arabia and of a higher level of total imports from Japan. Imports from the Netherlands Antilles, comprised mostly of petroleum products, also increased, but only slightly.

Details of the main commodity imports in 1958, together with figures for the month of December, are given in the following table:

IMPORTS FROM ALL COUNTRIES BY SELECTED SUB-GROUPS

Commodity	December		January-December	
	1957	1958	1957	1958
	(Thousands of dollars)			
Machinery (non-farm).....	40,685	39,053	631,600	532,929
Petroleum, crude.....	22,877	23,187	305,557	273,948
Automobile parts.....	18,670	25,072	260,075	240,526
Electrical apparatus, n.o.p.....	18,505	18,586	249,328	240,099
Farm implements and machinery.....	8,853	13,882	202,230	198,292
Automobiles, freight and passenger..	12,061	17,096	135,923	165,211
Fruits.....	11,820	13,378	139,173	154,046
Rolling-mill products (steel).....	10,554	17,675	221,257	148,926
Engines and boilers.....	9,061	10,019	138,451	134,603
Petroleum products, n.o.p.	12,281	14,803	149,851	128,274
Cotton products.....	7,749	9,101	103,565	104,890
Aircraft and parts.....	6,676	6,990	93,691	94,820
Books and printed matter.....	6,411	6,476	83,912	88,553
Pipes, tubes and fittings (steel)...	7,582	3,901	147,727	88,371
Coal.....	6,127	6,490	117,714	88,016
Plastic and products.....	5,111	6,376	70,937	80,375
Canadian tourists' purchases.....	4,954	4,867	77,403	78,947
Sugar and products.....	3,532	4,319	92,949	76,302
Coffee and chicory.....	6,374	5,573	71,510	67,211
Paper.....	5,269	4,919	62,249	65,735

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PARK FOR ALBERTA

A 2,100 square mile region of mountains and lakes near Alberta's western boundary, and north of Jasper National Park, will become Alberta's newest park area, according to the Alberta Government.

The mountain playground, to be known as Wilderness Provincial Park, will be open for hunting and fishing, and is a region noted for its superb scenery and abundance of wildlife. Big game animals inhabiting the area include mule deer, moose, elk, caribou, Rocky Mountain sheep, mountain goat and bear. Dolly Varden trout, Rocky Mountain whitefish, Arctic grayling and lake trout provide excellent fishing.

CANADA COUNCIL GRANTS

Mr. Brooke Claxton, Chairman of the Canada Council, has announced that grants amounting to \$157,000 were made at the Council's latest meeting in Ottawa, to organizations of the arts, humanities and social sciences.

The Stratford Shakespearean Festival was given \$50,000 for continued operations in 1959. The Council previously made a grant of \$12,000 for the Festival's exhibition of Eskimo Art to be shown this summer. The Montreal Festivals Society received \$25,000 for this year's programme.

Awards to art galleries and associations totalled \$16,000. The Montreal Museum of Fine

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Arts received a second grant of \$10,000 for the planning and acquisition of special exhibitions for 1960, the Museum's centenary year. The Norman Mackenzie Art Gallery of Regina College was awarded \$3,000 for purchase awards for works by living Canadian painters, and for a slide collection.

Grants of \$1,500 went to the Canadian Society of Painters in Water Colour, centred in Toronto, to hold its annual exhibition in Montreal, and to the Canadian Group of Painters (G.A. Smith, President, 5590 Keith Road, West Vancouver) to assist in its activities, and in the publication of a bilingual catalogue of its exhibitions.

The Council voted \$3,300 to the McGill Chamber Music Society, directed by Alexander Brott, to help it give concerts in Mount Holyoke, Pittsburg and Ottawa in 1960. The Institut Nazareth of Montreal, a school for blind girls, received \$1,320 to permit six students to study music at the Otter Lake Summer School.

Seven Canadian orchestras will receive a total of \$18,000 from the Council for summer concerts; included are the Winnipeg Symphony, Halifax Symphony, Quebec Symphony, Ottawa Philharmonic, Calgary Philharmonic, Edmonton Symphony and Victoria Symphony, each to receive \$2,500. The York Concert Society of Toronto received \$3,000 for its season.

The Ottawa Little Theatre, which for 21 years has sponsored a national one-act play-writing competition, was awarded \$1,500 to print and distribute among Canadian amateur theatres 20 unpublished plays written by Canadians for this competition.

Aid to five Canadian periodicals amounting to \$25,000 went to: The Phoenix, published for the Classical Association of Canada, \$2,000; The Canadian Geographical Journal, published for the Royal Canadian Geographical Society, \$15,000; Tamarack Review, published by the University of Toronto Press, \$3,000; Ecrits du Canada Français, \$3,000; Emourie, \$2,000.

Visites Interprovinciales (J.H. Biggar, Managing Director, 113 St. George St., Toronto) received \$5,000 to extend its programme of exchange, whereby English and French Canadian children spend a few weeks in each other's homes to become familiar with another language and culture.

The Canadian Library Association, Ottawa, received \$4,000 for the "Canadian Index"; the Toronto Public Library was awarded \$1,500 to aid in publication of the *Supplement to A Bibliography of Canadiana*. The Association Henri Capitant pour la Culture Juridique Française, Quebec, received \$3,000 to aid in publication of papers of its Third Congress.

Friendly Relations with Overseas Students, Toronto, received \$400 to send its National Chairman, A.J. Earp, to study facilities offered by the United Kingdom for the reception of students from abroad.

A survey of the financial and economic problems of ballet in Canada, made recently

for the Council, produced valuable information not previously available. At this latest meeting, the Council decided to undertake a similar inquiry in the field of orchestral music.

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NEW REACTOR AT CHALK RIVER

A low-power nuclear reactor, designed specifically for testing the fuel arrangement in large power reactors is to be built at Chalk River, it has been announced by Atomic Energy of Canada Limited, the Crown company that operates the atomic research centre.

Known as "ZED-2", a name that was chosen merely to distinguish it from a similar but smaller reactor at Chalk River called "ZEEP", the machine will be used primarily to investigate the physics of fuel for large atomic power stations such as the CANDU (Canadian Deuterium Uranium) plant for which a preliminary design is now being produced at A.E.C.-L.'s Nuclear Power Plant Division in Toronto.

Construction of ZED-2 and its building, and engineering of the reactor itself, is being done by Foster Wheeler Limited, St. Catharines, Ontario. The machine, which together with the research building will cost about \$3 million, is expected to go into operation early next year. The ZED-2 reactor will have a power, or heat output, of only 100 watts, which is comparable to the power of the ZEEP (Zero Energy Experimental Pile) and PTR (Pool Test Reactor) reactors at Chalk River. The two other reactors in operation at Chalk River, NRX and NRU, have heat outputs of 40,000,000 and 200,000,000 watts respectively.

The new reactor will be moderated with heavy water and early experiments will use bundles of uranium oxide rods. The ZED-2 reactor will contain 35 tons of heavy water and a normal fuel loading will be 10 tons.

ZED-2 is similar in general design to the ZEEP reactor which went into operation at Chalk River in 1945, but will be larger to permit fuel rod experiments that cannot be performed in ZEEP. Another main feature of the new reactor will be apparatus for changing fuel rod arrangements by remote control. This will speed up experiments.

The core of ZED-2 is an aluminum tank 10 feet in diameter and 11 feet high containing the heavy water. Fuel rods are suspended in the tank and the power of the reactor is controlled by changing the height of the heavy water. Graphite two feet thick and weighing 70 tons surrounds the tank to reflect escaping neutrons back into the fuel region. Outside the graphite is high density concrete shielding 18 inches thick.

Basic design features for the plant were developed at Chalk River while Foster Wheeler Limited is doing the detailed design. The reactor will be operated by the Reactor Physics Branch of the Reactor Research and Development Division of Atomic Energy of Canada Limited.