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RAILWAYS IN CANADA'S ECONOMY

EFFECTS OF COMPETITION

Addressing the annual meeting of the Toronto Railroad Club on December 5, the Minister of Transport, Mr. Hees, harked back to the pioneer days of railroading in Canada. He recalled how the advance of technology had made it possible to lay iron rails, at first to join one isolated community with the next and later to pierce the wilderness from coast to coast and bind the sparsely-settled country into a nation. Before the advent of the steam locomotive, Mr. Hees observed, Canada had consisted of a few centres of population scattered "along the seaboard or rivers, which gave access inland." Production was confined mainly to what these communities required for existence, their imports being restricted to such goods as they could get in exchange for any surplus they acquired of such raw products as fur and timber. The earlier modes of transport - boat, wagon and stage-coach - were insufficient to make possible the large-scale occupation and development of the hinterland. The railways eventually seemed to have displaced these forms of transportation and many people believed that their day was over.

In fact, Mr. Hees noted, the railways not only continued to experience competition from the older forms of transport but had to face new forms. How they had met the double challenge he described as follows:

"Progress, as you know, inevitably brings with it necessary adjustments in our economy, and the advent of highway travel, aviation, pipelines and improved water transportation, proved no exception to this rule.

"Each in its own field competes directly with the railways in the matter of passenger traffic and the carrying of goods and products from one part of Canada to another and; as well, to and from foreign markets.

"The impact of these modern methods of transportation on our railways was by no means small, nor was it fatal.

"Just as there were some, back in the 'horse-and-buggy' days, who were prepared to write off highway and water travel as an important means of transportation when the railways were built from coast to coast, there are some today who would have us believe that railways are a thing of the past in the Canadian economy.

"In my opinion, nothing could be farther from the facts as presently apparent.

"In the first place, our railway companies recognized the alternate modern means of transport available and, that as a result of advances made in modes of transportation, no longer would practically all travellers have to go by rail, and practically all freight have to move by rail.

"Having recognized this, action was taken by Canadian railways to modernize methods and services. The magnitude of these adjustments might easily be underestimated, for railroading is a very large industry. Were it not for the cumulative effect of these changes on the railways' ability to carry on their business, we could hardly have expected them

(Over)

to be holding their own, as they are today, in what has become one of the most competitive of all businesses.

"Certainly the signs of progress in railroading, as typified by the modernization of methods and equipment, are present on every hand.

"First of all there are the technical innovations:

The most obvious of these is the nearly completed changeover from steam to diesel motive power. This, of course, has had fundamental effects on railroad operations, but it is also important in that it has served as a symbol, to the general public, of the railroads' desire to modernize their business and of the fact that railroading is today a dynamic industry, not a static or declining one.

OTHER IMPROVEMENTS

"The diesel locomotive, of course, is only one of the many technical improvements in railroading that are taking place. Along with it, we have the improvements in signalling, communications, yards and tracks, new specialized types of freight equipment, of which 'piggy-back' is only one. All these are transforming the nature of railway operations, creating new demands in the equipment and supply industries. At the same time, the railways are continuing their pioneering role as new lines are pushed into the northland each year.

"In addition, there have been revolutionary changes in methods - the adoption of teletype, radio, television, and integrated data processing.

"And lastly, and right at the firing line, so to speak, there have been radical changes in the services offered the customer: new types of reduced rates; agreed charges; the various types of 'piggy-back' services; faster deliveries; and other features that together mark another clean break with traditional railroad procedures.

"Modernization of railroad property and methods of operation have helped to change the public conception of the railroads from that of an institution to that of a modern business...

"The railways will play a very important part in the future of transportation in Canada, because it will be chiefly up to land transport facilities to carry the raw materials and products of industry within our borders.

"Experience in Canada has taught us that we cannot, for geographical, climatic and other reasons, move raw materials and semi-finished products to assembly plants without efficient railway service.

"The history of railway construction in Canada in the last five years indicates recognition of this fact, and in itself, is perhaps the best answer to those who still believe the day of the railroad is past.

"Since 1954, the Canadian National, Canadian Pacific and Pacific Eastern Railways have constructed a total of 1063.8 miles of new lines, and an additional 357 miles have been constructed by private development companies. The construction of a further 632 miles of new railway lines is now under active consideration.

"This construction of new railway lines in the past five years, totalling over 1420 miles, has taken place in various provinces of Canada, in particular, the province of Quebec, where over 600 miles of new line have been constructed, and where another 190 miles are proposed for the immediate future.

"...The importance of railroads in the planning for the development and utilization of the resources of Canada in the years immediately ahead could not be more clearly indicated than the record of new construction which I have mentioned...."

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CONSUMER PRICE INDEX

Canada's consumer price index edged up slightly between October and November this year from 128.0 to 128.3. The current index is 1.6 per cent above last year's November index of 126.3. The food component declined 0.3 per cent in the month, while increases of 0.8 per cent in the clothing index and 1.0 per cent in the index for "other" commodities and services were largely responsible for the upward movement in the total index. Fractional increases of 0.1 per cent were registered both by the shelter and household operation indexes.

The clothing index advanced from 110.5 to 111.4 as November prices for women's fur coats and boys' parkas were up from prices prevailing at the end of last season as well as above the level of a year ago. Footwear recorded further price increases, particularly children's shoes, which were up 4.6 per cent. A number of men's furnishings rose slightly.

The rise in the "other" commodities and services index from 135.5 to 136.9 was due largely to initial pricing of 1960 passenger cars, which were 4 per cent above the 1959 model prices of a year ago and 13 per cent higher than model year-end prices of October 1959. Higher prices were also in evidence for theatre admissions, pharmaceuticals, personal care items, men's haircuts, and women's hair-dressing.

The shelter index increased from 142.4 to 142.6; rents were up 0.1 per cent and home-ownership up 0.3 per cent. The change in the household operation index from 123.4 to 123.5 reflected a number of minor price increases for household utensils, supplies and fuel. The food index declined from 124.2 to 123.8. Lower prices were reported for eggs, grapefruit, canned vegetables, some beef and pork cuts, and lamb. Most fresh vegetable prices were higher.

REVISED UNIVERSITY GRANTS

Prime Minister Diefenbaker announced on December 10 that the Government would recommend to Parliament a revision of the university grants arrangements to make it possible for universities in all provinces to participate.

The revision will apply only in those provinces whose governments request the change and whose legislatures take the action necessary to implement the alternative plan. No change is proposed in the present system of grants distributed through the National Council of Canadian Universities in those provinces not requesting the change.

The new alternative plan will, if Parliament approves, be given effect by amendments to the Tax Sharing Arrangements Act and to the provisions in the Income Tax Act regarding the abatements from corporation income tax which apply in provinces imposing a corporation income tax themselves. If the Government of a province requests the change to be made in respect of that province, and undertakes to provide additional grants to the universities in that province on a scale equivalent to the present federal grants of \$1.50 per capita, then Parliament will be asked to authorize an increase of one per cent in the abatement made in the federal corporation tax in respect of that province, from nine per cent to ten per cent. This increased allowance for a provincial corporation tax will be in lieu of federal grants for universities in that province. It will be necessary for the provincial legislature then to impose an additional corporation tax equivalent to the reduction in the federal tax and to authorize the payment of the additional grants to the universities.

If the government of any province having a tax-rental agreement with the Federal Government covering corporation taxes wishes to have the new plan apply in that province, Parliament will be asked to authorize an amendment to the agreement to permit the province to impose a corporation tax at the new, higher rate and the rental payments under the agreement would be reduced correspondingly.

The reduction in the federal corporation taxes and increase in provincial taxes will not exactly equal the amount of the university grants to be payable by a provincial government under the new plan. Consequently it is proposed that a supplementary adjustment will be made either by payment of the difference from the federal to the provincial treasury, where that is required to balance the two, or by withholding an appropriate amount from other payments that would be made from the federal to provincial treasury, when such a reduction is required to bring about a balance. As a result, acceptance of the new plan by any province will not increase or diminish the net burden on its treasury, nor on the Federal treasury; changes in revenues and expenditures will balance out in each case.

The new plan will go into effect in April next, if Parliament approves, and will continue for the remaining two years of the period covered by the Tax Sharing Arrangements Act, i.e., until March 1962.

Under the new arrangements the grants will be available to each university in the same amount as at present. The total of them in each province will increase in proportion to the increase in population of the province, as in the case of the present grants.

Commenting on the new plan, Mr. Diefenbaker said: "The Government has been considering carefully for a long time the possibility of changes in the arrangements for the payment of grants to universities. There has been a deep desire to devise an equitable plan that would make it possible for universities in all the provinces to benefit. I am confident that this new plan will achieve that objective. Thereby it will strengthen our national unity. It takes fully into account the jurisdiction and responsibilities of the provincial legislatures in the field of university education, while at the same time giving effect to the desire of Parliament and the Canadian people to see the universities of Canada assisted in their important work".

COMMONWEALTH SCHOLARSHIPS

Prime Minister Diefenbaker recently announced the appointment of the Canadian Commonwealth Scholarship and Fellowship Committee, the members of which are: Dr. G.F. Curtis, Dean of Law, University of British Columbia (Chairman); Dr. W. Argue, Dean of Science, University of New Brunswick; Monseigneur J. Garneau, Moderator and Secretary-General, Laval University; Dr. H. Gaudefroy, Director, Ecole Polytechnique, University of Montreal; Dr. Marion E. Grant, Dean of Women, Acadia University; Dr. F.W. Jeanneret, Chancellor, University of Toronto; Dr. A.G. McCalla, Dean of Agriculture, University of Alberta; Dr. T.H. Matthews, Canadian Universities Foundation (Secretary); Dr. D.L. Thomson, Dean of Graduate Studies and Research, McGill University; Dr. W.J. Waines, Dean of Arts and Science, University of Manitoba; a representative of the Department of Trade and Commerce; a representative of the Department of External Affairs.

Representatives of the Canada Council and the National Research Council will be associated with the Committee in a consultative capacity.

The Chairman of the new Committee, Dean G.F. Curtis, was a member of the Canadian Delegation to the Commonwealth Education Conference held at Oxford in July of this year and was Chairman of the Committee appointed by that Conference to consider arrangements for the Commonwealth Scholarship and Fellowship Plan.

The idea for an exchange of scholarships and fellowships within the Commonwealth was put forward at the Commonwealth Trade and Economic Conference at Montreal in September 1958 on the initiative of the former Secretary of State for External Affairs, Dr. Sidney Smith. It was expected that within a few years after it began the programme would cover about a thousand Commonwealth scholars and fellows. Of this total Canada undertook at Montreal to be responsible for one-quarter.

Subsequently the Commonwealth Education Conference at Oxford agreed on the principles which should govern the operation of the Commonwealth Scholarship and Fellowship Plan. The Conference agreed that the majority of the awards under the plan should be to men and women of high intellectual promise who might be expected to make a significant contribution to life in their own countries on their return from study overseas. It was also agreed that the awards would normally be available to graduate students. These awards will be called Commonwealth Scholarships and it is envisaged also that there will be a limited number of awards called Commonwealth Visiting Fellowships to be made to senior scholars of established reputation and achievement.

The Canadian Commonwealth Scholarship and Fellowship Committee will guide the implementation in Canada of the recommendations of the Oxford Conference on the Scholarship and Fellowship Plan. It is expected that when the plan is in full operation about 125 new students will come to Canada each year from different parts of the Commonwealth on two-year scholarships; that is, there will be 250 Commonwealth scholars studying in Canada at any one time.

In order that the plan may be started as soon as possible Canada will shortly offer for immediate competition by Commonwealth students approximately 100 scholarships tenable at institutions of higher learning in Canada from the beginning of the academic year in October, 1960. The Canadian Commonwealth Scholarship and Fellowship Committee will select scholars for Canadian awards and will also nominate Canadians for awards by other countries.

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THEATRE GRANTS

The Canada Council in November approved grants totalling nearly \$100,000 to organizations and individuals in the fields of music and drama. A grant of \$10,500 went to the Dominion Drama Festival, part of which will help cover expenses of groups competing in the 1960 Festival to be held in Vancouver.

Other theatre grants include: Montreal Repertory Theatre, \$10,000 to help it carry out its programme for the 1960 season; New Play Society of Toronto, \$7500 to enable it to produce three plays during the 1959-1960 season; Holiday Theatre of Vancouver, \$5000 to

help it expand its activities outside Vancouver and to experiment in children's theatre; Canadian Theatre Centre, \$2000 towards organizing a bilingual school of the theatre in Canada.

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SURVEY NORTH MAGNETIC FIELD

A team of geophysicists from the Dominion Observatory is carrying out a six-week survey of the magnetic field over a million square miles of Canada's northlands to obtain data for magnetic charts of these regions.

Using the Observatory's three-component airborne magnetometer, they will fly 35,000 air miles, including 12 flight lines of more than 2,000 miles each, over the central part of the Northwest Territories and Yukon between Baffin Island and Alaska and between north latitudes 60 and 70 degrees.

Mines Minister Paul Comtois said that this magnetic survey, which is part of a programme to cover the whole of Canada and certain adjacent areas, is necessary to get up-to-date knowledge of the earth's magnetic field over these vast areas. The Observatory developed the three-component airborne magnetometer early in the decade to measure, from the air, the strength and direction of the terrestrial magnetic field for mapping and general research purposes.

The magnetometer, which weighs nearly a ton and is carried inside the aircraft, makes a continuous record of the magnetic intensity of the ground over which the plane is passing. At the same time, constant observations of the stars by one of the geophysicists provides the true direction of the magnetic field.

To obtain this information and other star sights for navigational purposes, the crew will endeavour to fly above the upper cloud level, which is expected to be between 8,000 and 12,000 feet. One of the reasons this work is being carried out in winter is to take advantage of the good astro-navigation conditions provided by the long hours of darkness in the Arctic.

The flight lines of the operation run east-west and are at intervals of one degree of latitude, that is, 60 geographical miles apart. During the main part of the operation, the team's chartered DC4 four-engined aircraft will use the airports at Frobisher Bay, Baffin Island, Fairbanks, Alaska, and Whitehorse, Yukon.

This operation follows on the 42,000-mile magnetic survey the Dominion Observatory carried out in 1958 over British Columbia and out across the Pacific Ocean to Australia, Japan, the Aleutian and Pacific islands and home again, as part of Canada's share of the task of a world magnetic survey. The Observatory has also conducted ocean magnetic surveys to England and Bermuda. In Canada, it has completed airborne magnetic surveys in the Atlantic and Prairie Provinces, Quebec, Ontario, and parts of Northern Canada.

ARCTIC SUPPLY - 1959

From Hudson Bay's wind-swept southern shores to Alert, Canada's northernmost weather outpost, the Department of Transport was busy throughout the summer with the biggest Arctic supply task in history.

During the few short weeks of Arctic summer, the Department's convoys delivered more than 100,000 tons of supplies to 40-odd weather stations, defence outposts, Eskimo villages and other ports of call. Taking part were 17 departmental icebreakers and special Arctic supply vessels, more than 125 landing craft and 26 chartered commercial tankers and freighters. In addition to the ship's crews, more than 1,100 men were taken north by ship and plane to help get ashore the vast quantities of supplies and the shiploads of oil and gasoline.

The Department's operations this year included deliveries to the Mid-Canada Line stations in Hudson Bay, the joint Canadian-U.S. weather stations as far north as Alert, 550 miles from the North Pole, the DEW Line installations in Foxe Basin, points on the Labrador coast and, for the first time, the mid-Baffin Island DEW Line bases. In addition, there was a major supply undertaking at Frobisher Bay, Canada's new "Hub of the Arctic" and now an important refuelling base for trans-Polar international aviation. At this one port, 17,000 tons of dry cargo and vast quantities of oil and gasoline were delivered.

In the Western Arctic, the Department was responsible for getting some 5,000 tons of goods to various defence, radio and weather outposts. While the Eastern Arctic operation was mainly by sea from Quebec, Montreal and Maritime ports, the Western Arctic delivery was in the main by way of the MacKenzie River system, thence by ship along the Arctic coast-line.

Most northerly port of call for the Department's shipping was Eureka, on the northwest coast of Ellesmere Island and 750 miles from the North Pole. Cargo was delivered there by the Department's icebreaker, C.G.S. "d'Iberville", which in Norwegian Bay broke through an ice-field 70 miles wide in the course of her journey. Supplies for Alert, farthest north of the stations, were taken to Thule, Greenland, and forwarded by air. The Department is hopeful that this supply job, in future years, will be undertaken by its recently-launched triple-screw icebreaker "John A. Macdonald", which will be in service next year.

At most ports of call the ships had to have with them their own landing equipment such as fork-lifts, barges, tractors and trucks, for,

with the exception of Churchill and Frobisher Bay, the ports are without loading or dock facilities of any kind. This year's undertaking was also hampered by heavy ice that lingered later than in most years and, moving with wind and tide, sometimes held up ship-to-shore operations for days at a time. In some cases, such as at Resolute Bay on Cornwallis Island, ice floes up to eight and ten feet thick, weighing hundreds of tons, were jammed tight in the harbours until a change of wind eased the blockade. At all ports, however, cargoes were finally landed and residents of all the High Arctic communities were provided with another year's supplies.

Department of Transport vessels taking part in this year's northern operations included the northern supply vessel, C.G.S. "C.D. Howe", the icebreakers "d'Iberville", "N.B. McLean", "Montcalm", "Sir William Alexander", "Labrador", "Sir Humphrey Gilbert", "Saurel", "Ernest Lapointe" and the lighthouse supply and buoy ship "Edward Cornwallis". Also participating were seven sea-going powered barges, used particularly where shallow draft vessels were needed. C.G.S. "C.D. Howe" visited more than 30 Eastern Arctic ports, serving as a base for the Government's Eastern Arctic patrol which supervises the interests of health, welfare, law and order in the northern settlements. More than 2,000 Eskimos were brought aboard the ship for medical examination and their villages were visited by staffs from the Departments of National Health and Welfare and Northern Affairs, who travelled on the ship.

PASSENGER SERVICE

Transport Department vessels carried more than 450 passengers to and from the Arctic and between northern ports of call. They included departmental staff going to and from assigned posts in the Far North, Royal Canadian Mounted Police, missionaries, trading company staff and many Eskimos.

The year's operations began in late June and continued until the fall freeze-up in October. Icebreakers remained in the north until all commercial shipping was safely out of Arctic waters.

An important factor in the season's operations was the Department of Transport aerial ice patrol, which continually carried out flights over the northern sea-lanes and kept all shipping advised as to the location and movement of ice. With the advent of winter, the patrol moved its operations to eastern waters and the Gulf of St. Lawrence, where it will continue to serve shipping during the winter.

MORE TRAINING FOR UNEMPLOYED

Methods of increasing training programmes for unemployed persons to fit them for available employment was one of the main concerns of the members of the Vocational Training Advisory Council, which met in Ottawa recently.

The meeting was attended by provincial educational and training authorities and representatives of employer, employees, agriculture, veterans and women's organizations.

Reviewing the number of training programmes being carried on under Schedule "M" of the Federal-Provincial Vocational Training Agreements, the Council agreed that, in relation to the number of unemployed in Canada, inadequate use of the schedule was being made. (Under Schedule "M" the Federal Government agrees to pay, in provinces which have signed the Agreements, 50 per cent of the costs of providing training for unemployed persons in approved training programmes, which must be implemented by the provinces.)

Between April and September of this year, the Council was told, 2,595 unemployed workers received training under Schedule "M". This was 408 more than for the same period last year.

The figure does not represent all training in Canada, since unemployed persons are trained in trade schools in Newfoundland, Prince Edward Island and Quebec, where Schedule "M" is not operating and many are referred to private schools for training by the Unemployment Insurance Commission where publicly-operated facilities are not available. The base of eligibility for unemployment insurance benefits while taking part in training programmes was recently broadened. In addition, between April and September there were 424 physically handicapped persons trained under another Schedule of the Federal-Provincial Agreements (Schedule "R"). This compared with 368 in the same period last year.

The Council thought that the fullest possible use should be made of Schedule "M", particularly during the winter months, with a view to opening up new opportunities of employment for unskilled and semi-skilled workers.

SCHEDULE "M"

The majority of those trained under Schedule "M" are unemployed persons who have no formal training in a specific trade and are unskilled or semi-skilled workers laid off because of seasonal inactivity or who have difficulty in finding satisfactory employment as unskilled workers. With the decreasing demand for unskilled workers the need for training and upgrading of adults is increasing. This training is successful and is contributing greatly to the welfare of the individual and to the general caliber of the work force.

The Council was told that some of those now being trained are in a different category and present a more difficult problem from the training and the employment aspects. These are the unemployed persons who are highly skilled in an occupation for which the demand is decreasing. Most of these have had continuous work at high rates of pay and have their roots deeply set in a community from which it is difficult to move. The retraining and readjustment of these workers is more difficult than that of unskilled workers.

Indications are that there may be an increasing need to re-train some of these skilled workers as the mechanization of production advances and as coal mines, textile mills, and possible other industries reduce the number of their workers.

It was thought that co-operation from employers and trade unions when planning changes that will result in a reduction of personnel would assist in providing a re-training programme before the situation reached the emergency stage. More specific information on trends in various occupations and future employment needs would also help training authorities to make best use of existing facilities for the adult workers.

FARM TRAINING

One of the series of reports on skilled manpower "Vocational Training in Agriculture", was discussed by Council, which urged that the study of vocational training in agriculture be continued by whatever means and devices the Federal Government sees fit and that the findings of this research be brought before the Council for consideration and recommendations. Members stressed the need for a good training programme in this field.

Apprenticeship continued to make progress in Canada. It was reported that, on September 30, 1959, there were 18,645 apprentices registered in the provinces where the federal-provincial apprenticeship agreement is active. This is an increase of 1,357 over the previous year. (Many other apprentices are trained in private programmes in Canada.)

The increase in the training of technicians was also discussed.

The full-time total enrolment in institutes offering advanced technical training in 1959-60 has reached an all-time high of 8,304 students distributed as follows: first year - 4,148; second year - 2,526; third year - 1,557. The "engineering and scientific type" of technician outnumbers the other by 8 to 1.

The Council heard a report prepared by the Economics and Research Branch, which compared the product of the school system with the needs of industry. The study pointed out the rapidly decreasing proportion of unskilled workers in the labour force and indicated the need for more vocational training. The Council will discuss the report in detail at a future meeting.