Synthesis

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HIGHLIGHTS

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Synthesis

HIGHLIGHTS

Federal optimism that our falling dollar will spur exports and increase trade surpluses is not borne out by current trade figures. Even the growth in exports--which will be lower than expected--cannot offset the rapid rise in our current account deficit. See page 3.

The continued oversupply of natural gas in southwest Alberta has led to National Energy Board and Alberta Energy Resources Conservation Board hearings. It is up in the air whether benefits will go to Canadians or abroad. See page 8.

While government plans for UIC cuts are being promoted under the guise of sensible restraint and an attempt to create more jobs, they will only result in increased hardship for thousands of unemployed people. Page 10.

Government legislation sent Toronto transit workers and Edmonton teachers back to work. Under threats by Prime Minister Trudeau, letter carriers called rotating strikes to avoid back-to-work legislation. Labour Minister John Munro intervened in the negotiation of an Air Canada settlement. In the private sector, Fleck Manufacturing workers emerged victorious while INCO workers continue their struggle. Page 11.

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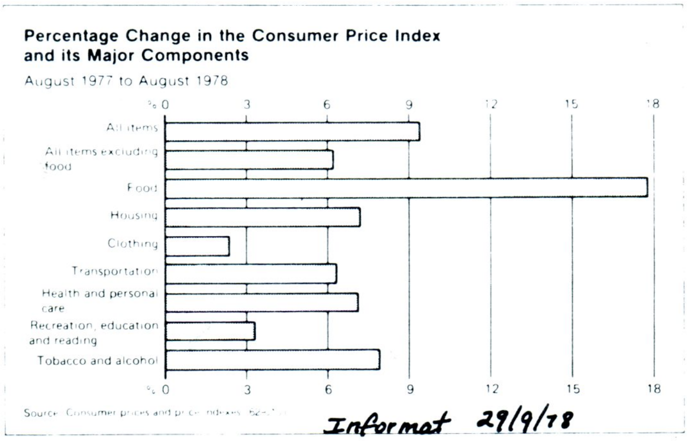
THE ECONOMY

GENERAL



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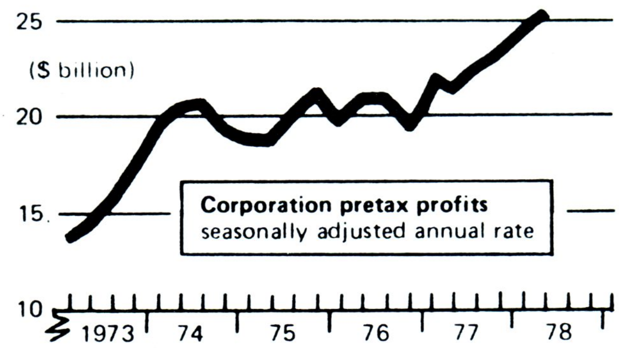
PROFITS



Corporation profits suffered badly in 1975 and 1976 but last year saw some improvement. Stronger gains are taking place this year, with profits in the first half up 13.3% from a year earlier.
FP 16/9/78 p. 8

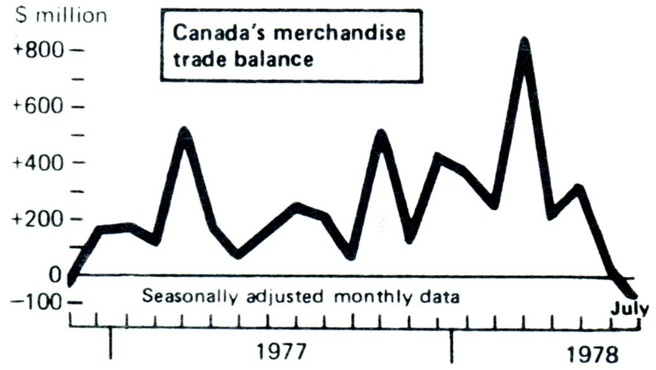
A BLEAK FUTURE

The Conference Board in Canada says unemployment will rise and the rate of economic growth fall in 1979. Unemployment rates next year will rise to 9.1 per cent. Economic growth will falter as the U.S. recovery slows and the Canadian government shifts towards restraint in both fiscal and monetary policy. GM 20/9/78 p. B1.

AS BUSINESS SEES IT

A poll of delegates to the annual meeting of the Canadian Chamber of Commerce shows an overwhelming majority of businessmen think the most pressing economic problem facing Canada is not high unemployment, but inflation. TS 19/9/78 p. B9

TRADE



Our July merchandise trade was in deficit by $98 million. In the first seven months this year, our exports are 14.3% ahead of the same period a year ago while imports are up 13.1%. FP 2/9/78 p.8

ACT OF FAITH

Exports, the only sector of our economy with any strength at the moment, are beginning to weaken. This could become a dangerous situation unless other sectors of the economy rally.

Canada's merchandise trade with other countries usually shows a surplus--we sell more goods abroad than we buy. We need these surpluses to offset the country's large outflows of money in the form of service payments for such items as profit remittances to foreign corporations, interest payments on our foreign debt, and tourist spending abroad.

If the merchandise trade surplus does not do well and our service payments continue to rise, Canada's overall current account balance will go deeper into the red. More than any other factor, these current account deficits are the underlying causes of the fall of the Canadian dollar.

The picture looked good when merchandise trade got off the mark quickly at the beginning of 1978. The first quarter surplus of $1.47 billion was followed, however, by a second-quarter surplus of only $544 million. The surplus in June was a mere $38 million. The trend continued in July with an actual trade deficit of $123 million. The August surplus surplus of $186 million fell far short of expectations.

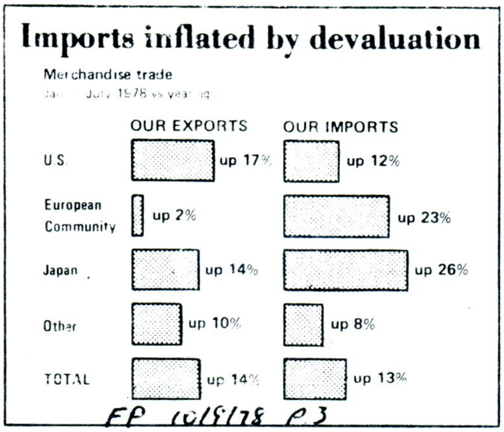
Economic theory holds that a cheaper currency will act as a spur to exports while holding down the level of imports. In other words, trade surpluses should be growing, not declining, as our dollar falls in value. Prime Minister Trudeau and Finance Minister Chretien have been promising since the beginning of the year that the cheaper Canadian dollar will boost exports. They still say we should end up with a 1978 trade surplus of $4 billion, up from 1977's surplus of $2.9 billion. In turn, this should bring Canada's current account deficit down to about $4 billion, slightly below the 1977 level.

THE FALLING DOLLAR

The federal government hopes that a better trade showing and a lower current account deficit will eventually halt the dollar's downward trend. Instead, each time in the past few months Statistics Canada has announced the merchandise trade figures, the value of the dollar has plunged further. The surpluses in merchandise trade are just not as high as they're supposed to be.

Part of the reason for this is that a cheaper Canadian dollar has little effect on the bulk of Canadian exports, raw and semi-processed goods such as farm products, metals and wood. Prices for most of these are set internationally, usually in U.S. dollars. The falling Canadian dollar does not affect these prices. Instead, Canadian resource companies are able to pocket higher profits since their costs of production, paid in Canadian dollars, decline relative to international selling prices.

Even if these products were priced more cheaply, the potential for selling more is not good. Markets for Canadian farm products, metals and lumber are weak, and there are few indications they will become stronger. European economies are growing slowly, and despite the fact that the dollar has nosedived against European currencies (18 per cent against the West German mark and 17 per cent against the British



pound in the last year alone), Canadian trade with Europe is losing ground. In the first half of 1978, Canadian exports to the European Economic Community rose by only two per cent while imports were up by 23 per cent.

Exports to Japan are growing only half as fast as imports from that country, despite a 48 per cent devaluation of the dollar against the yen. Canada's trade surplus with the United States is still growing, but an expected period of recession or slow growth south of the border in 1979 threatens to cut into this surplus.

If substantially higher trade surpluses have failed to materialize as a result of a cheaper dollar much of the blame can be traced to the chronically weak Canadian exports of manufactured goods. The sinking dollar has also sunk traditional business arguments that Canadian goods are not competitive with those of other countries. A recent study by New York's CITIBANK says Canada's terms of trade position shows an astonishing improvement. Between 1976 and 1977, unit labour costs in Canada (the cost of labour for each unit of production) fell by 1.8 per cent while those of all our major trading partners increased--by 6.3 per cent in the U.S. and by 14 per cent in both Japan and West Germany. The trend has continued apace in 1978 with the steeper decline of the Canadian dollar.

When productivity gains and exchange rates are included in the calculation, Canadian hourly compensation for labour has risen less since 1970 than that of any other trading nation except the United States. Business Week magazine explains Canada's second place ranking is a result only of the dubious achievement of the U.S. in holding down wage increases.

But as yet cheaper Canadian manufactures have not found significantly expanded markets. At the heart of the problem is the structure of the substantially foreign-owned-and-directed sector. Both foreign manufacturing companies operating in Canada and our own Canadian multinational corporations gear their production runs for the domestic market, not for export.

Meanwhile, the value of imports coming into Canada is being pushed up by the decline of the dollar. That causes inflation. But it also eats away at the competitive advantage a lower dollar would give our exports because parts and machinery are now more expensive. Since we produce too few of our own manufactured goods, we have to buy abroad. Although Canada excels in forestry and mineral production, for example, most forestry and mining equipment has to be imported.

DEFICITS IN SERVICE PAYMENTS.

Canada will end 1978 with a slightly expanded trade surplus. But it won't be large enough to offset the growing deficit in service payments.

Prominent among deficit items on the service account ledger are tourism and payments of interest and dividends to foreign corporations and banks. This year alone, Canadian tourists will spend an estimated $1.7 billion more on trips outside the country than foreign visitors will spend here. That is equal to the value of all the meat, fish, fruit and vegetables imported to Canada in 1977.

This year's deficit in interest and dividend payments to foreigners is expected to rise another 20 per cent to almost $4 billion.

As in other years, Canada's 1978 current account deficit is being paid for by high levels of long-term foreign borrowing. But this year a large amount of this borrowing, an estimated $5 billion, is being arranged simply to support the value of the dollar. It is not being employed for new wealth-creating investments. Interest on that money, and eventually the principal, will have to be paid for in foreign currency--supposedly from high export earnings which have yet to materialize.

Meanwhile, another drain on our ability to cover our current account deficits is to be found in the continuing outflow of direct investment capital from Canada. For the first half of 1978, this capital flight totalled $910 million, while the inflow of new investment capital stood at $185 million. Canadian corporations are sending wealth generated here by Canadian resources and labour out of the country to southern U.S. states and the Third World. And still the process of foreign takeover of our economy proceeds unrestrained.

Optimistic pronouncements by Messrs. Trudeau and Chretien about the advantages of a cheaper Canadian dollar ask Canadians to accept on faith what the trade figures do not support.

Sources: FTC 21/8/78 p. 1; FTC 25/9/78 p. 13 FP 16/9/78 p. 3; GM 21/9/78 p. 4; HCH 9/9/78 p. 1F; TS 7/9/78 p. A8; Business Week 2/10/78 p. 20.

FINANCE

THE DOLLAR: WILL THE IMF STEP IN?

In the last 24 months the Canadian dollar has fallen from $1.02 (U.S.) to less than 84 cents. This fall reflects a serious weakness in the Canadian economy, and it could represent a political crisis for the federal government.

The currency markets work on the "supply and demand" theory. The demand, and thus the price of Canadian dollars, is high when foreigners want to buy our products or to invest here. Investment is tapering off and exports are weak, so the demand for our dollars is down. Continued speculation that this state will continue has caused the dollar to fall. Accordingly, the government has taken two types of action to slow the dollar's fall. In the first eight months of 1978 the government has spent $3.2 billion (U.S.) in world currency markets buying Canadian dollars. Secondly, the government has increased the Bank Rate to 9.5 per cent. This is the rate the Bank of Canada charges for loans to the chartered banks, and it acts as a guide for other interest rates in the country. The higher rate is to encourage more foreign investment. It means that loans in Canada will pay a higher interest than loans in the U.S., so the government hopes foreigners will want to invest here, increasing the demand for our dollar. Both approaches have severe drawbacks. Since March, the government has borrowed $3 billion from Canadian and foreign banks to buy Canadian dollars on the currency market. This may help slow the dollar's fall in the short run, but the government must now pay interest on the $3 billion. Since one of the causes of the dollar's weakness is that we have a balance of payments problem, the extra interest payments will eventually act against the dollar. The second drawback is that interest rates in the U.S. are rising. The U.S. government has been trying to curb inflation by raising interest rates, making going in debt less attractive because of the increased cost of borrowing. The Bank of Canada has to keep our interest rates higher to attract investors away from the U.S., but it also wants to avoid making the rate so high that consumers here will stop borrowing.

The net result is confusion, with a widespread feeling that the government has no realistic monetary policy. The borrowed $3 billion did not stop the dollar falling below the "psychological barrier" of 85 cents. Secondly, by moving the Bank Rate in four separate jumps from a post-war low of 7.5 per cent to a post war high of 9.5 per cent in less than a year, the central bank has created the impression it doesn't know what effect these moves are having on the problem. Conventional monetary theory says the Bank Rate should be tampered with as little as possible, so business looks on the four rapid changes as dangerous tinkering with the monetary system.

The prospects of a speedy recovery for the dollar are bad. Businessmen are demanding that Ottawa take steps to cure the balance of payments problem. But the problem won't easily be solved. Apart from oil and gas sales to the U.S. our exports are not in demand. The U.S., the buyer of 70 per cent of our exports, is experiencing slow growth, so can't absorb any more. We can't attract more foreign investment because existing capacity is underused. Another way of cutting the balance of payments deficit is to reduce government borrowing. Because government spending has outrun revenues, both Ottawa and most provinces have been borrowing heavily. This causes problems since interest payments add to the outflow of Canadian dollars. Thus, there is great pressure on governments to cut spending; a difficult task in times of high unemployment. The government has announced spending cuts (see below) but there is considerable doubt Ottawa can control its spending.

The government has two more options. It could help the balance of payments problems by increasing natural gas sales to the U.S. The oil companies would like this since it would increase profits and reduce the newly discovered surplus in the Great Basin area.

The other option is to call upon the International Monetary Fund. Canada has funds on reserve with the IMF and could draw on these to stabilize the dollar on the currency markets. This may not work any better than the $ 3 billion we already spent so we might then have to go to the IMF for a loan. The IMF would demand reforms of the Canadian economy to ensure

THE GREAT PIERRE

TS 7/9/78 pA9

repayment. These would include controlled government spending and freer movement for investment capital. Finance Minister Chretien said he would never go to the IMF, but he has changed his mind before. Borrowing from the IMF raises serious questions about who would then control our economy. GM 22/9/78 pB 14; FTC 25/9/78 p. 1; EJ 5/9/78 p.A 3; GM 21/9/78 p.l.

Hey Martha. Come quick! They've found a guy who understands Trudeau's new economy measures.
GM 14/9/78 p. R1

OTTAWA'S NEW ECONOMIC POLICY

The federal government has announced it will reduce its planned spending by \$2.5 billion between now and the end of the 1979 fiscal year. It says \$500 million will be cut this year and \$2 billion next year. A major part of the saving will be a cut of \$760 million through tightening UIC rules and a \$240 million cut in family allowances.

The government said it will spend \$ 48.3 billion this year and \$52.6 billion next year. The federal deficit is expected to be \$11.8 billion this year and \$9.7 billion next year, meaning the government must borrow \$21.5 in this period.

Five thousand positions in the federal civil service will be eliminated by the new policy.

The federal government hopes to save money by cutting its share of several cost-sharing programs with the provinces, despite the existence of contractual agreements. The government began its "austerity drive" with last April's budget when it announced it would spend \$350 million less this year than it had originally planned. But the cutbacks began in earnest when Prime Minister Trudeau announced in early August Ottawa would trim off \$2 billion by the end of next year. The Liberals have been hard pressed to provide evidence that they really will save \$2 billion. Indeed, the piecemeal approach to the cutbacks, announcing them over a period of 5½ weeks, has prompted suggestions the government's policy is more rhetoric than substance
GM 9/9/78 p. B14; FP 23/9/78 p. 1; FP 9/9/78 p. 5; GM 9/9/78 p. 1.

CNSP NOTE: *When Trudeau announced the new plan in August, he said the budget-trimming was to stimulate the economy to meet Canada's commitment to 5.5 per cent real GNP growth made at the summit meeting in Bonn. But many economists say cutbacks won't stimulate the economy, and are calling for tax cuts instead. Other critics say the "cutbacks" are only a public relations exercise, and that the government won't be saving us \$2 billion. For example, the tightening of UIC rules will improve the federal balance sheet, but will throw more people onto welfare and other provincial and municipal programmes.*

THE ECONOMY

OIL AND GAS

INTRODUCTION: *There continues to be an oversupply problem of natural gas in southwest Alberta--nearly 50 trillion cubic feet (50tcf)--contained in the Deep Basin area. The question of how this gas will be used will be examined over the next six months by the National Energy Board. Three alternatives have been proposed. The first is additional gas exports, the second is to keep surplus gas in the ground to provide for Canada's future needs, and the third is to expand natural gas sales in Canada to push imported crude oil out of the Canadian market.*

NEB HEARINGS ON GAS SUPPLY AND DEMAND

The National Energy Board (NEB) has called for hearings on October 11 in Calgary to examine Canada's overall natural gas situation. It will report on the supply and demand of gas in Canada and make recommendations in late 1978. After that, the NEB will hear applications by various groups, including some wishing to export more gas to the United States.

Federal Energy Minister Gillespie has revealed the NEB will be instructed to consider the potential market demand for gas in eastern Canada. He said Ottawa would prefer to see surplus Alberta gas sold to Quebec and the Maritimes rather than being exported to the U.S. on a short-term basis.
TS 19/9/78 p. B7 (CP)

The following briefs have been sent to the NEB:

The Ontario Ministry of Energy says frontier exploration depletion allowances should be extended to companies drilling from ice islands as well as drilling platforms.
GM 2/9/78 p. B12.

Oil companies urged the NEB to allow new gas exports to the U.S. in order to finance new exploration and development work in the Canadian west, and to reduce the existing surplus in the Deep Basin area.
EJ 2/9/78 p. B9.

Shell Canada Ltd. has proposed a new formula for the NEB to use in making decisions about natural gas exports. The new criterion for determining whether an exportable surplus existed would be "deliverability", the rate at which gas can be produced, rather than reserves in the ground. Shell wants the NEB to issues export licences when accrued deliverability is projected to exceed Canadian requirements for at least 25 years.
GM 6/9/78 p. B2, James Rusk.

The Sakatchewan government wants the NEB to make sure Canada has a 10-year supply of gas before allowing exports. Its brief disagreed with Shell Canada's new formula.
EJ 9/9/78 p. 10 (CP).

CNSP NOTE: *The existence of the increased gas surplus in Alberta calls into question the need for an arctic pipeline.*

AERCB TO HOLD HEARINGS

Immediately after the NEB hearings the Alberta Energy Resources Conservation Board (AERCB) will hold a two-phase hearing on gas surpluses. In its May report the board estimated new gas discoveries had increased Canada's reserves by 14 tcf. At present, Canada consumes less than two tcf annually.
EJ 2/9/78 p. B9 Tom Campbell

PRICING

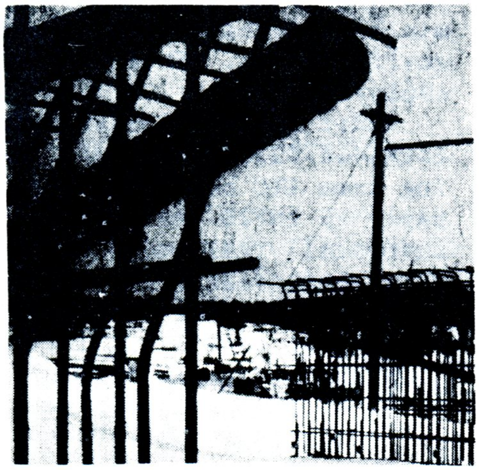
Despite the oversupply of natural gas, Alberta Premier Lougheed intends to raise prices towards world levels. Ottawa and Alberta had agreed to raise prices as of January 1, 1979, but now Ottawa wants the province to hold the line.

Finance Minister Chretien's economic package includes a new policy on gas deregulation, a three-cent reduction on federal excise tax to offset increases at the gas pump, and delay of the oil price increase of $1.00 per barrel scheduled for January 1. The federal government is being accused of a pre-election ploy. An editorial in the Financial Post says Ottawa should come out and say the hoped-for goal is to get more gas sold in eastern Canada and thereby displace some of the foreign oil with its negative effect on the balance of payments.
HCH 7/9/78 p. 4; FP 9/9/78

PIPELINE EXTENSIONS

Federal Energy Minister Gillespie says his main concern is with extending existing gas pipeline systems eastward from Alberta.

Federal officials are hoping Alberta will agree to share the financial burden with Ottawa of subsidizing the expansion of natural gas pipelines from Montreal into the Maritimes. Quebec's Energy Minister Guy Joron has announced his province is willing to negotiate the halting of the $1 billion La Prade heavy water plant being built by Atomic Energy of Canada Ltd. (AECL) in exchange for federal aid in increasing the use of natural gas in Quebec.
GM 8/9/78 p. 31, Jeff Carruthers.



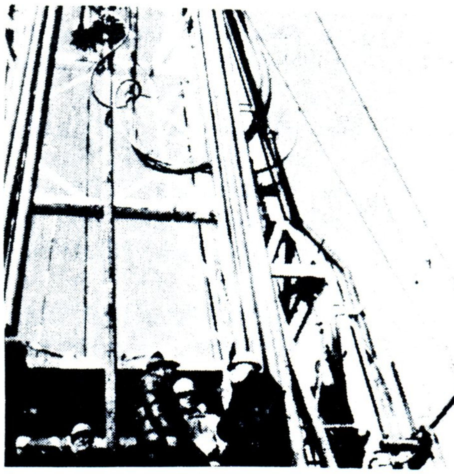


Photo Anglican Church House Library

LABOUR

EMPLOYMENT

INTRODUCTION: *This month's Labour General section focuses on the proposed government cuts in unemployment insurance. While these plans are being promoted under the guise of sensible restraint and an attempt to create more jobs, it is clearly evident that they will only result in increased hardship for the thousands of victims of high unemployment.*

UIC CUTS: ATTACK ON JOBLESS

Employment Minister Bud Cullen announced plans to cut UIC benefits at a time when unemployment statistics show that 8.4 percent or more than 900,000 Canadians are jobless. Cullen said that proposed changes would increase incentives to work, make employers more hesitant to lay off employees, discourage people from only working for short periods and stop the "spoon-feeding" of the unemployed. While Roy Philips, executive director of the Canadian Manufacturing Association, called the programme a "positive step", the Canadian Labour Congress, the National Union of Students and the Ottawa Full Employment Coalition condemned the plan as an attack on the unemployed who have no jobs to turn to.

The proposed changes in UIC regulations will disqualify 263,000 of the 2.5 million benefit claims filed by 1980-81. The plan will save the government $180 million in the current fiscal year and $580 million in 1979-80 by reducing benefits, increasing premiums and restricting eligibility.

Weekly benefits will be reduced from the current 66 2/3 percent of insurable earnings to 60 percent. This reduction, combined with inflation results in a 17-18 percent cut in real income for next year's recipients.

Regulations aim at new entries to the labour force, or those returning after a prolonged absence. Claimants must have worked for 40 weeks in the last two years in order to qualify for benefits. This regulation will disqualify many youths and women, among whom the jobless rate is above the national average.

Regulations are also aimed at repeat claimants. Those reapplying for benefits who have received them within the last twelve months must have worked for a number of weeks equalling the time of the previous benefit period in order to qualify. According to Cullen, 300,000 to 400,000 claimants repeat claims within twelve months.

Proposed regulations will also increase the number of hours worked per week and minimum insurable earnings per week for qualification. This will affect part-time employees.

Under new regulations those earning a total of $22,000 or more annually, including some UIC benefits, may be required to repay up to 70 per cent of their benefit payments. This would probably occur through increased income taxes on that portion of income received from benefits.

WAR ON UNEMPLOYMENT

All of these changes will cause increased hardship for the jobless, particulary youth, women, and seasonal employees. Provincial ministers predict increased welfare roles and costs to provincial budgets. A preliminary projection for Metropolitan Toronto shows that as many as 2,500 persons would be added to welfare roles each month for an average benefit period of three months as a result of these proposed UIC cuts. The maximum benefit for a single adult on welfare is $211 per month.

Employment Minister Bud Cullen claims that revenues saved by the proposed cuts will be spent on more job creation. The planned job creation programme for 1979-80 will cost $710 million and create 113,000 work years involving 368,000 persons in jobs and training. This predicted cost of $710 million includes all previous plans, new plans, programme costs and lost revenues. The current year's job creation programme costs $504.1 million. Previous plans for the 1979-80 programme will cost $458.2 million. The combination of programmes initiated this year and previously planned programmes means that only approximately $150-185 million of new money has been added to the 1979-80 programme. The remainder of the newly saved $580 million from UIC cuts has not been designated for job creation.

EJ 1/9/78 p.2; HCH 2/9/78 p.1; WFP 7/9/78 p.10; HCH 2/9/78 p.1; GM 2/9/78 p.4; TS 6/9/78 p.A8; WFP 7/9/78 p.10; HCH 2/9/78 p.1; EJ 2/9/78 p.A.6; TS 2/-/78 p.1; HCH 2/9/78 p.6; GM 8/9/78 p.4; GM 9/9/78 p.5

WORKERS' STRUGGLES

LETTER CARRIERS CALL ROTATING STRIKES

Negotiations between the Letter Carriers Union of Canada and the Post Office broke down in September when they failed to reach agreement on a cost of living formula. The union stated that it will accept the government offer of a six per cent wage increase in basic salary during an 18 month contract if there is full protection from past and future increases in the cost of living. The government has offered a 46 cent cost of living increase, but the union wants as additional 19 cents to cover the 19 cents that was never paid in the former contract.

The union is also asking for an increase of one cent an hour for every .35 per cent increase in the Consumer Price Index. This demand is less than what was allowed under the Anti-Inflation Board (AIB). The government has offered a cost of living formula to take effect only after the cost of living has risen six per cent over the July 1, 1978 level.

To back their demands the union decided to call a series of rotating strikes rather than a nation-wide strike. Prime Minister Trudeau had threatened even before a strike call to legislate the letter carriers back to work. Rotating strikes would prevent this from happening.
GM 14/9/78 p.8; EJ 12/9/78 p.C1 CP; TS 15/9/78 p.A1; OC 22/9/78 p.1; GM 20/9/78 p.1 W. List; TS 23/9/78 p.A1

AIR CANADA SHUTS DOWN OPERATIONS

Air Canada locked out its employees and shut down operations following spontaneous walkouts by ground service employees at points across the country. The two major issues in contract negotiations between Air Canada and the International Association of Machinists and Aerospace Workers involved a reclassification scheme and length of suspension time. Air Canada wanted to phase out the cargo agent designation through attrition and bring in a new one - cargo communications operators - at a lower pay scale. The workers are concerned that the reclassification will break seniority for promotion of cargo handlers. Air Canada also wanted to extend the maximum disciplinary suspension time from ten work days to an unlimited period.

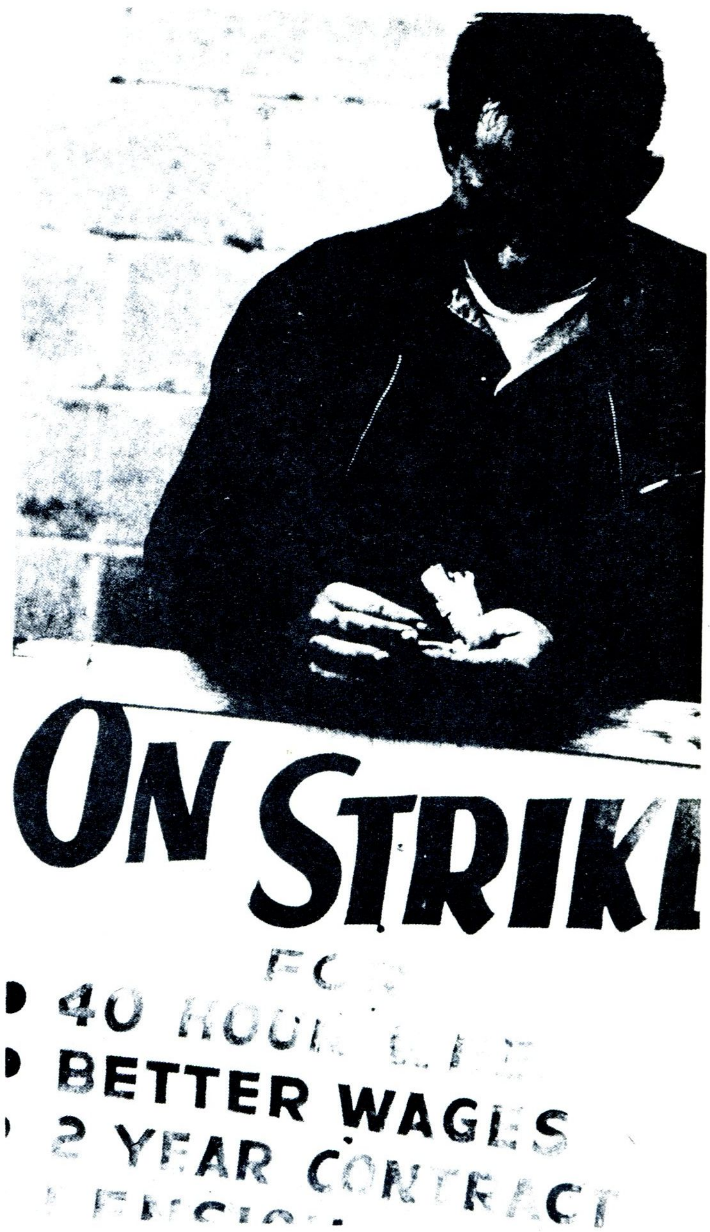
The agreement reached after intense negotiations with mediator Labour Minister John Munro calls for:
- a 24 month agreement rather than 25 months;
- referral of the reclassification issue to a joint committee;
- doubling the suspension time to 20 days.

HCH 25/8/78 p.1 CP; HCH 5/9/78 p.1 CP; TS 6/9/78 p.A12

TORIES ORDER TTC STRIKERS BACK TO WORK

Ontario's Conservative government legislated striking Toronto transit workers back to work after a four-day strike. The workers have had no contract since June 30. The 7,000 members of the Amalgamated Transit Union had voted 91 per cent in favour of the strike. The key issues were wages and a cost of living clause (COLA). The union was asking for a 6.1 per cent increase in wages as of July 1, 1978 and another 1.5 per cent on January 1, 1979. This amount does not take inflation into account.

The strike began Monday morning and Premier Davis recalled the legislature on Wednesday to get the workers back to work by midnight Thursday. The govenment-introduced bill included a $1,000 a day fine for individuals and $10,000 a day for the union for defying the order. It also provided for an interim minimum pay increase of four per cent. Mr. Justice Sydney Robbins of the Ontario Supreme Court was appointed as arbitrator in the dispute. He has 30 days until October 13 to submit his findings to the government. The Liberals supported the bill while the NDP voted against it. TS 5/9/78 p.A3; GM 6/9/78 p.1; GM 12/9/78 p.1; GM 14/9/78; TS 14/9/78; TS 18/9/78 p.3



INCO STRIKE A KEY BATTLE

The United Steelworkers of America (USWA) in Sudbury have voted with 83 per cent in favour to strike against INCO Ltd. to back demands for cost of living increases in wages.

The Globe and Mail, in a special report, compares this strike to the 1958 strike in Sudbury. In 1958 the nickel industry was still suffering from the end of the Korean

War in 1954 just as the end of the Vietnam War in 1975 triggered the current glut of nickel on world markets. INCO responded to the problem in the spring of 1958 by slashing its work force by 1,600 in Sudbury and Port Colbourne and cutting back to a 32 hour week.

Last October INCO announced a reduction in its Canadian work force of more than 3,000 employees, and this summer for the first time shut down its operations for six weeks. Clouding the picture are INCO's new mines in Indonesia and Guatemala, while in 1958 the new mine in Thompson, Man. was just coming on stream.

INCO's initial bargaining proposals appear very similar as well. In 1958 the company first proposed a two-year wage freeze while last June INCO opened negotiations by calling for a one year freeze.

Sentiment against what INCO termed its "final offer" reached a peak late last week. "We had no choice but to vote strike," said one veteran miner. "The company's offer was an insult. To accept would have humiliated us and broken the union."

INCO officials responded to the vote by reiterating that the company has no further offer to make.

Nickel industry analysts agree that a strike in Sudbury this year would be a big help to slumping nickel prices.

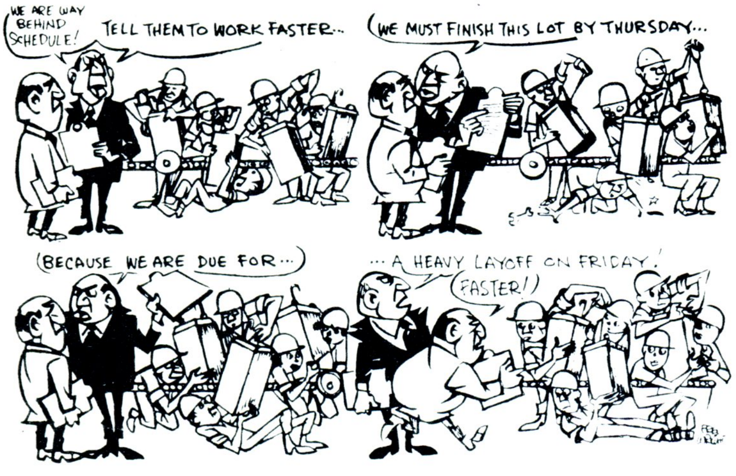
INCO's offer proposes restrictions in the role of the union stewards in grievance procedures. Their wage offer is a one year freeze with a cost of living escalator starting only in November.

Ontario Premier Davis met with INCO chairperson J.C. Carter who came up with a new offer of ten cents an hour increase but reduced the cost of living allowance by six cents; the total offer being only four cents.

The union is asking for ten cents an hour across the board with a COLA clause. They also reject proposed changes in stewards role in grievance procedures.

Steelworkers at Port Colbourne voted to accept INCO's offer. Stewart Cooke, District 6 director for USWA, issued a statement to the press urging the workers to accept INCO's offer, saying it was a strike they couldn't win. This drew angry responses from Sudbury workers.

The three provincial NDP members of parliament from Sudbury - Elie Martel, Bud Germa and Floyd Laughren - joined NDP leader Michael Cassidy in strongly supporting the striking workers. They say it represents a key battle for all Canadian workers against multinational resource corporations. Next year the workers would have faced major layoffs and a strike. "The INCO workers face a difficult strike and "deserve a vote of thanks and the support of the entire community," said the three MPs in a joint statement.
GM 4/9/78 p. 9; GM 7/9/78 p. B5;
GM 12/9/78 p. B5; TS 19/9/78 p. A12;
GM 15/9/78 p. 2.



UNION SECURITY WON AT FLECK

The strike at Fleck manufacturing ended in August as more than 70 workers ratified their first union contract. The United Auto Workers members won a two-year contract with union security; raises of 20 to 24 cents an hour this year and another 20 cents next year; a safety committee and other fringe benefits. Canadian UAW Director Bob White stated that the momentary gains were not good "but the issue in this strike was (the) right to have a union."

The workers had been on strike since March 6, 1978 because the company had refused to recognize the union.

In a statement following the ratification meeting, White pledged to lead the fight for legislation to ensure that Ontario workers obtain union security automatically upon certification as a bargaining unit.
UAW Newsletter Vol. 8, Nos. 29 & 30.

POLITICAL

FEDERAL GOVERNMENT

CLARK DOES BUMP AND GRIND

Through the end of August and all of September, Joe Clark criss-crossed the country doing what one wag described as a perfect imitation of the "Liberal striptease." Over the course of his journey, Clark managed to reveal his economic platform one plank at a time, thereby assuring constant media attention. This is the campaigning technique that Trudeau has used to such good effect for so long. Unfortunately, the long-awaited federal election continues to be long-awaited, which takes the thrust out of much of Clark's attack. Nevertheless, Clark's campaign programme has been substantially revealed and we present it below for your consideration.

HALIFAX: Clark is critical of the money spent in unemployment insurance claims. He promises to use those funds as payroll to finance capital projects.

He also says Trudeau has undone any good accomplished by D.R.E.E. Clark promises long-term tax concessions to companies operating in slow-growth areas.

He wants more support given to small business. He promises tax credits for small businesses investing in research and development, and greater credits for Maritimes companies than for those in more prosperous areas.

VANCOUVER: Clark promises to make "the total impact of the Canadian tax system at least as attractive to individuals and corporations as that of the US."

He promises to enact a "sunset" law so that public agencies must periodically prove their need to exist.

Clark says he will stop the rate of growth of the federal civil service.

He also would provide venture capital for investment in Canada.

Clark promises to introduce a system of "inflationary accounting" so that gains made in inventory by companies as a result of inflation will not be taken by capital gains tax.

TORONTO: Clark is critical of Air Canada's takeover of Nordair. He promises to halt such a move in order to increase competition in domestic air travel.

Clark promises to abolish the Urban Affairs Ministry.

He promises to introduce a four-year plan to allow the deduction of mortgage payments and municipal taxes from federal income tax: limit on mortgage deductions; $5,000 per year; on municipal taxes; $1,000 per year in the fourth year of the programme. The estimated cost of this fourth year is $1.6 billion.

CNSP NOTE: *It is interesting to note the themes apparent in Clark's campaign. While he was in both extremes of the country, he was emphasizing regional issues such as economic disparity. He promised to make federal transportation policy an instrument of regional development, though no specific proposals were reported. In central Canada, he made his pitch for the middle class homeowner. His mortgage deduction scheme seemed a big hit with some but was criticised by the Toronto Star business correspondent Jack McArthur as "a hand-out to a rich minority". The third theme seemed directly related to Sterling Lyon's success in Manitoba. Clark was promising to cut back on the federal civil service. Be aware though, that Clark has left himself an out by promising only to reduce the rate of growth not growth itself in that area. The over-all impression is that Clark has picked up steam. It is not yet clear whether that steam will power him into government though.*

HCH 26/8/78 p.1; EJ 6/9/78 p.A7
TS 6/9/78 p.A12; TS 16/9/78 p.C4
p.A19; TS 22/9/78 p.A1; TS 23/9/78
p.B7; GM 22/9/78 p.4; GM 23/9/78 p.6

MUNRO BITES THE BULLET

In March of 1976, in the wake of the "judges affair" in which two federal Cabinet ministers sought to discuss pending court cases with Quebec judges, Prime Minister Pierre Trudeau established guidelines for ministerial contact with the judiciary. He told Parliament then that in the future no member of his Government would have contact with the judiciary except through the office of the federal Minister of Justice.

But on August 18, 1978, federal Labour Minister John Munro phoned a Hamilton judge on behalf of a constituent moments before the man was to be sentenced.

Munro, a ten-year Cabinet veteran, resigned on September 7 because he had violated Trudeau's guidelines.
TS 7/9/78 p.A1; GM 8/9/78 p.1; EJ 8/9/78 p.1; EJ 9/9/78 p.1.

CNSP NOTE: *This blatant misuse of authority and influence-peddling has not been restricted to the federal level of government. Ontario Solicitor-General George Kerr also resigned this month because he called an assistant crown attorney on behalf of a constituent. Could it be that politicians' involvement in court appointments breeds the feelings that they have the right of intervention in court proceedings?*

DEATH PENALTY DEBATE RE-OPENED

Capital punishment was narrowly abolished two years ago in a "free vote" in the House of Commons. Since then various public opinion polls have indicated a majority of Canadians still in favour of capital punishment; the latest Gallup Poll this spring reported 82 per cent favoured a referendum on the subject while 68 per cent wanted a return of the death penalty. The controversial question of holding a national referendum on the restoration of the death penalty was raised by Justice Minister Otto Lang this month.

In a position described as "remarkable" by the Winnipeg Free Press, Lang argued that because the law was apparently not supported by a majority of the people, respect for all law was being undermined. Mr. Lang is personally in favour of abolition, and claims that a referendum (which he hopes the abolitionists would win) would settle the issue once and for all.

Though many newspapers accused the Minister of Justice of political opportunism for trying to stand on both sides of the fence simultaneously, the issue was further muddied when the Prime Minister started wondering out loud about the virtues of "direct Democracy". This brought a howl of protest from columnists and editorial writers. California's celebrated "proposition 13" is a good example of an instrument of direct democracy. It provides for a by-pass of the legislature so that referendums on a proposed law may be voted on by the electorate on election day. Many writers saw that this would relieve the governing party of fiscal responsibility (should the voters choose a tax-cut for themselves) at a time when the country is in dire need of a governing party that takes more not less responsibility for its actions. But the most insightful analysis that CNSP found was George Radwanski's treatment of the idea in a column for the Financial Times.

Radwanski notes that the referendum, "far from being an evolutionary step or a fresh idea, as Mr. Trudeau suggests, is the oldest and most rudimentary form of democracy, ancient enough to have been denounced by Aristotle in his day." He also notes that it has fallen into disuse and disrepute over the years, to be replaced by various forms of "representative democracy". The reasons are that a referendum allows for no alteration of various clauses in committee, as presently happens, and that no opportunity is presented for minority interests to be heard and dealt with. Legislation by referendum is haphazard and irregular, representing the will of the majority in its most brutal form. If Mr. Lang is right that Canada is suffering from "the loss of civitas, that spontaneous willingness to obey the law", then "this is a time...for governments to explain and define what is good and enlightened in our public policies, not to dangle the promise that they may soon be dismantled at private hands."
TS 13/9/78 p. A1; GM 13/9/78 p. 1; TS 14/9/78 p. A8; WFP 13/9/78 p. 37; GM 20/9/78 p. 6; FTC 25/9/ 78 p. 9.

POLITICAL

PROVINCIAL GOVERNMENT

INTRODUCTION: *Even before the Nova Scotia campaign started it was apparent that many people were irritated by the Liberals' failure to deal with unemployment, now at 11 per cent, and a sharp increase in electrical power costs, which are the second highest in Canada. This anti-government feeling translated into Tory votes.*

CONSERVATIVES SWEEP NOVA SCOTIA

	1974 Seats	%Pop Vote	1978 Seats	%Pop Vote
P C	12	39.5	31	45.8
Liberals	31	45.8	17	39.5
N.D.P.	3	13	4	14.7

Redistribution added six seats from the previous election. The Tories were particularly strong in the 14 ridings around Halifax and inside the city. GM 20/9/78 p. 1; GM 6/9/78 p. 3.

POWER RATES A KEY ISSUE

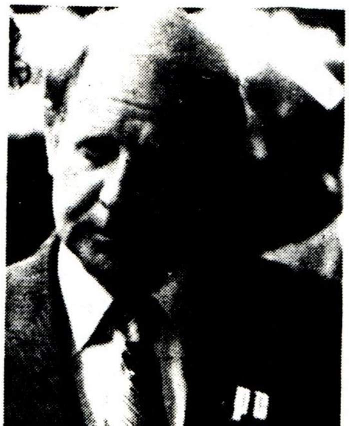
Five years ago the price of crude oil was about two dollars per barrel. Today, it is close to $13.00, and the impact on Nova Scotia has been severe. Two thirds of all electricity in the province is produced by oil-fired generators. A Halifax family using 700 kilowatt-hours of power a month pays $28.00--about $8.50 more than a Toronto family. Bills for electrically-heated homes have exceeded mortgage payments in some cases. One election poster carried a photostat of a Nova Scotia Power Corp. bill. The "amount due" line read $400.89. TS 13/9/78 p. A26.

Jeremy Akerman, NDP leader, said that since 1969 the province has run up more than $38 million in outstanding bills as a result of secret contracts signed by the former Conservative government for provision of cheap power to foreign corporations like Michelin, Nova Scotia Forest Industries and Gulf Oil. Often, the contracts provided power "at costs cheaper than production." HCH 6/9/78 p. 1

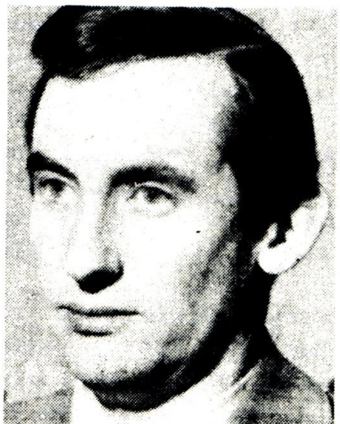
BUCHANAN'S PLANS

The federal government recently announced plans to reduce spending on transfer payments and shared cost programs with the provinces by $350 million next year. Buchanan has stated categorically that he will not tolerate federal "tampering" with equalization payments, which date back to the Confederation arrangement. Immediate plans within the province are for: fall and winter job creation programs; a new subsidy program to hold down energy rates; discussions with Newfoundland on purchasing lower Churchill river power; an assessment of each government department budget to determine where funds can be redirected more productively; public works already planned will go ahead. HCH 23/9/78.

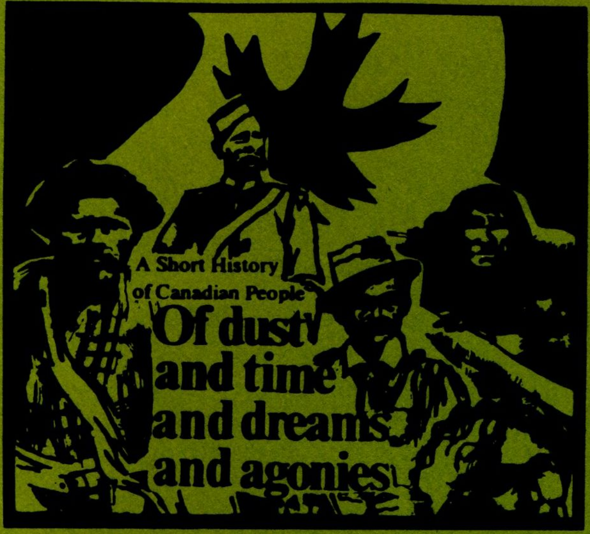
Gerald Regan Lib.



John Buchanan P.C.



Jeremy Ackerman NDP



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- a satire
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