

THE LAST POST

Jan. 1975/Vol. 4, No. 4/Price 75 cents

**Margaret
is the message**



Mr. McDougald's business

■ Fundy Bay power ■ Last Post comics

OF COURSE I'M
CLEAN! I CAN
AFFORD IT.



ATJUN '71

THE LAST POST

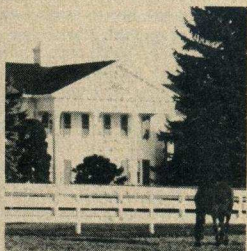
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THE MONTH

photo: David Lloyd

BUDGET/OTTAWA: RECESSION SPREADS NORTH

Finance Minister John Turner's recent budget faces away from the problem of inflation to come to terms with the fast emerging problem of recession.

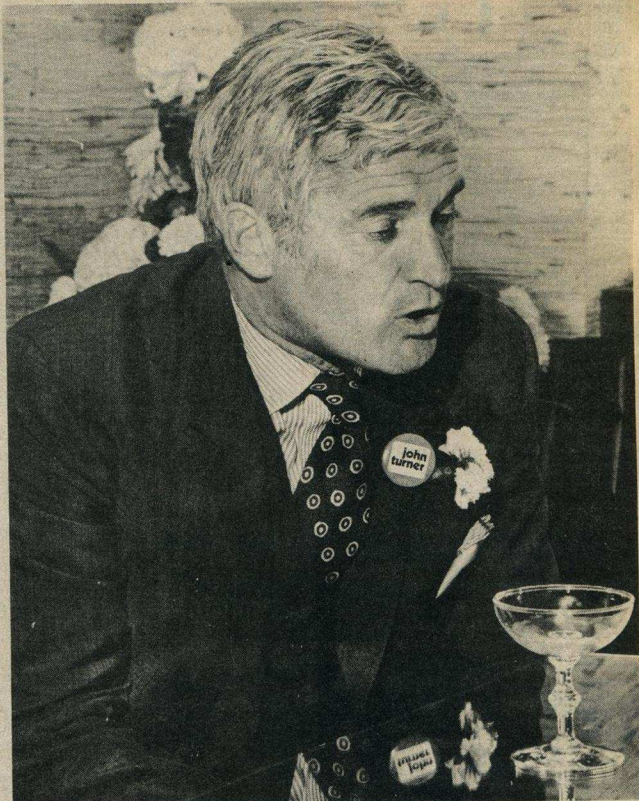
The budget hands out a few crumbs to the average Canadian in the form of a small income tax break. Turner claims this tax break should ease wage demands in the huge number of contract renewals that come up in 1975.

However, the real thrust of the budget is not to put money into the hands of consumers, but to hand it over to investors.

The budget indefinitely extended the program of "fast write-offs" on machinery and equipment for manufacturing. It gave the oil companies a 100 per cent write-off on exploration costs. It removed federal sales taxes on transportation and construction equipment and reduced sales taxes on construction materials.

In addition to these developments for big business, the budget contained some good news for smaller investors as well. Well-off individuals will once again be granted a real estate tax shelter which allows them to make tax free investments up to \$1,000 on construction. Also, the wealthy will pay no capital gains tax on the first \$1,000 income on investments from Canadian sources.

Not everything in the budget was to the liking of business. The 10 per cent surtax on profits and the measure which stops the oil companies from deducting provincial royalty payments from their corporation taxes were not appealing to business. But with both of these clouds came a silver lining. The long list of exemptions from the 10 per cent surtax nullifies its effect considerably — it doesn't apply to manufacturing and processing profits, petroleum or mining profits, Canadian-controlled private companies eligible for the small-business deduction, mortgage investment, mutual fund or non-resident-



Turner: a brave front as the economy trembles

owned investment corporations, or to the investment income of private corporations.

And ceasing to recognize oil company payments to provincial governments as deductible from federal tax will not be onerous for companies that reinvest their earnings in new exploration. Since the oil companies all claim to be champing at the bit to invest more in exploration, the 100 per cent write-off of exploration expenses should leave them paying token federal taxes in any case.

Aside from the time honoured practice of rewarding your friends (which the budget does in spades), Turner's meas-

ures are based on a theory about how to avoid recession in Canada. The theory is that if sufficient capital is placed in the hands of investors they will place it in profitable ventures and will keep the economy clear of recession.

While it's true that a downturn in capital investment is the classic first sign of recession, the Turner formula doesn't take account of the nature of the worldwide recession that is *the* fact of life for Canada's economy.

The recession that is currently hitting most western countries is a classic crisis of overproduction. Industrial capacity throughout the western world now out-

strips the available market and the result is a downturn in capital investments. Most western countries are now experiencing rising unemployment, plant shutdowns and idle productive capacity.

Business Week magazine summed up the course of the recession as follows:

"The list of casualties around the globe is large, as the long shadow of recession stretches into the industrial nations, leaving bankruptcies, rising prices, falling sales and layoffs. Worst hit are construction, autos, textiles, and consumer electronics."

For Canada, it is the U.S. recession, now spreading north to us, that is of greatest concern.

Output in the American economy has declined for three consecutive quarters, the first time this has happened since the recession of 1960-61. In October, American unemployment reached six per cent. In September, manufacturers' orders were down by over three billion dollars from the previous month and U.S. industry was operating at only 81 per cent of capacity as compared with 87 per cent for the same month in 1973.

The slump in the entire American economy was reflected in the clearing of commodity shortage bottlenecks in a number of fields. Significantly, the demand for steel in the U.S. was down 15 per cent in September as compared with the previous month.

Part of the reason for the apparent suddenness of the recession was the falsification of statistics by the former Nixon administration. One of the key indicators of a softening economy is rising inventories of unsold goods in the hands of business. For the first quarter of 1974 the U.S. Commerce Department originally estimated inventories at \$5.5 billion. The Commerce Department later revised its estimate upward to an unbelievable \$16.9 billion, a figure that meant a disastrous crisis of overproduction had been disguised in the first estimate.

Every worker knows from his own experience why a downturn in capital investment by the corporations leads to an inability of people to buy all the goods that are being produced. Production workers are paid less for their labour than the value of the products they produce. No worker is paid enough to buy back the equivalent of the products of his labour. Corporations keep the difference between the amount paid to workers in wages, and the sale price of the products.

Unless corporations reinvest this surplus in hiring people to carry out plant expansions or to build new machinery,

and pay out more wages by doing this, the population as a whole will not have enough purchasing power to buy the goods that are produced. As soon as corporations stop their capital investments, recession is the inevitable result.

When consumers are faced with falling incomes because of unemployment or inflation, they stop buying big items first — items like cars, refrigerators, or air conditioners. The market for these durable goods products shrinks quickly as recession develops.

The decline in sales of durable goods leads to further unemployment and to further restrictions on consumer spending. This leads to more layoffs, and so on. The cycle of recession deepens.

Not surprisingly, the leading edge of the current U.S. recession is the plunge in the sales of new cars.

The American auto industry is experiencing its worst sales slump since the depression of the thirties.

Sales of 1975 model cars are down sharply by 35 per cent compared with the same period last year. And last year's sales performance was already poor. In 1973 the American automakers sold 11.8 million cars in the United States; 1974 models sold 9.7 million; at the present rate of sales, 1975 models will retail only 7.9 million.

And it is the auto workers who pay the price for lower sales.

By the end of November, the car makers had over 200,000 U.S. autoworkers on layoff (out of a total workforce of about 750,000).

While all three of the giant auto producers were hit with heavy layoffs, Chrysler took the unprecedented step of closing all but two of its American plants for the month of December, laying off a majority of its production workers.

The crash in auto sales has led to depression level unemployment in auto

RIGHT NEXT TO THE KARLIAMENT KUILDINGS

Look at it this way. If, instead of Fitzgerald, a writer from Ottawa had written a story called, "A Diamond as Big as the Ritz," he would have had to title it, "A Diamond as Big as the Chateau Laurier, The Most Exclusive Hotel in Ottawa, the Capital of Canada."

— *Mordecai Richler, New York Times Book Review, Sept. 1, 1974*

DINING OUT IN OTTAWA

Mr. Orlikow (Winnipeg North):

... Yesterday I entered a question on the order paper which has not yet been answered. It asks what percentage of these people are of Indian origin. I have not been given the answer, but if there are more than 50 I will buy the minister [of Indian affairs] the best dinner one can buy in Ottawa. ...

Mr. Turner (Ottawa-Carleton):

Take him to McDonald's.
—*House of Commons, October 24, 1974*

producing centres in the United States.

Because the auto industry accounts for 15 to 20 per cent of the gross national product in the U.S., the slump in auto sales transmits shock waves to other industries, such as glass, rubber, textiles, plastics and steel. It is noteworthy that a 28 per cent decline in auto manufacturers' purchases of steel have contributed to the softening of steel demand in the American economy.

Canada's problem in confronting recession is that its economy is controlled by the United States. American corporations dominate Canadian manufacturing and resource industries. Branch plant corporations get their way more often than not in pressing for economic policies to their liking from the federal and provincial governments.

Now that the U.S. economy is in trouble in its dealings with other industrial countries, Washington has been stepping up the pressure on Canada to conform to American economic priorities.

The U.S. has pressed ahead with two overriding economic objectives: security of access to Canadian resources and guaranteed dominance of the Canadian market for American manufactured goods.

Since Canada's trade with the U.S. is nearly equivalent to American trade with Japan, West Germany, France and Britain combined, the need for the U.S. to impose its economic program on Canada is pressing.

Canada is the only major supplier of raw materials and semi-fabricated products to the U.S. that is also a major consumer market for American manufactured goods. American pressure for access to Canadian resources has been matched by an equal pressure on Canada to increase its imports of U.S. manufactured goods.

As the U.S. recession worsens, American policies are further undermining the position of Canadian manufacturing industries. In 1973 Canada's deficit in its trade in manufactured goods amounted to \$5.6 billion. So far this year, the deficit has been running at the staggering annual rate of \$9 billion.

Canada's huge manufacturing deficit taken together with our huge export of resources means that more and more we are specializing in selling resources and buying back the finished products.

The result of this is the location of several hundred thousand manufacturing jobs in the U.S. based on the supplying of the Canadian market. These jobs would be located in Canada were it not for the trade deficit.

So far the recession is more severe in the U.S. than in Canada. The American unemployment rate in October was six per cent compared with a rate of 5.3 per cent for Canada.

BUDGET/ALBERTA: LOUGHEED'S PLAN

Does anybody out there give a damn if the oil industry is taxed to death? Yes, indeed.

In his November 18 budget Finance Minister John Turner reintroduced many of the controversial tax measures that last spring had made Pierre Trudeau about as popular in Calgary as Lenin. From the petroleum industry's somewhat slanted perspective, the proposal to disallow provincial royalties in the calculation of federal taxable income was only slightly less revolutionary than the Waffle's slogan of nationalization without compensation.

But between the May and November budgets, Premier Peter Lougheed was hard at work with an inter-departmental task force figuring out ways to "bail out the oil industry" in case the offensive taxes were reapplied.

Alberta's contingency plan for improving the after-tax rate of return of the oil industry calls for programs designed to remit \$150 to \$200 million annually to the companies now, and considerably more than that by the 1980s.

This would be done through tax credits, a reduction in so-called "new oil" royalty rates to about 16 from 22 per cent, extension of the lucrative definitions of "new gas" announced by the government during the summer, and so on. Through this new package of giveaways, Alberta intends to neutralize

the financial impact of the federal budget and keep the industry's rate of return "reasonable".

But what the Lougheed government describes as a "reasonable" return, most would describe as armed robbery. According to the Cabinet's own financial analysts, to 1973 the oil industry's average annual pre-tax return has been about 17 per cent when the values of remaining revenues is considered. Under existing tax rules, the after-tax return falls to over 15 per cent. But under the May federal proposals it drops to about 10 per cent, still very respectable by almost anyone's definition but Peter Lougheed's. This industry is in no danger of being taxed to death.

If the current high returns of the oil industry are permitted to continue, oil profits in Alberta will reach \$2.5 billion this year. By 1976 they will easily pass the \$4 billion mark, rising to nearly \$5 billion annually until perhaps the mid-1980s when they will begin to decline as Alberta runs out of oil.

Between 1974 and the year 2000, according to the Lougheed government's own analysts, the oil industry — 91 per cent foreign controlled — will generate about \$80 billion in profits. That's only about \$4,000 from every Canadian. No wonder they need help.

Larry Pratt



TRUDEAU
the auto pact turns sour

But this is no reason for complacency.

It results from the fact that the Canadian economy has had a temporary advantage during the recent period of raw material shortages. But as the recession deepens and demand for Canadian products falls (as is now happening) capital investments will fall off in Canada and Canadian markets for durable goods will shrink.

The severe slump in U.S. auto sales is already leading to layoffs in the Canadian auto industry.

Even though Canadian auto sales remain much better than those in the U.S., Canadian autoworkers are now paying the price for continental integration of the auto industry through the Canada-U.S. auto pact.

Under the pact the Canadian auto industry produces for segments of the entire North American market. But while 70 per cent of Canadian auto production is exported to the U.S., the United States sells us back many more cars and auto parts than they buy from us.

The auto pact is now being used to shift jobs from Canada to the U.S. In 1974, Canada will have an auto trade deficit with the United States of over a billion dollars, the worst deficit ever.

Much worse is coming. The American auto industry has located only a tiny fraction of its capital investment in Canada this year. The Canadian government has lost control of the development of the Canadian auto industry to foreign auto workers and a foreign government.

What lies ahead for Canada is not just a minor spill-over of American layoffs into Canada, but the prospect of a crisis here worse than that in the United States.

By December, the layoffs and temporary plant closings that have been plaguing the auto industry in the U.S. were showing up in Canada. The auto crisis here is not an isolated phenomenon. It is the most visible sign of the American recession's advance into Canada.

James Laxer

TRUE CONFESSIONS

Mr. Macdonald (Rosedale): That is why you were a real failure. You are the loser.

Mr. Stanfield: I am a loser in many respects.

—House of Commons,
November 4, 1974

MONTREAL VOTES: THE DRAPEAU MYSTIQUE DISPELLED

According to the textbooks, electoral politics is a brutal game of winners and losers in which the spoils go to the victors and fighting the good fight counts for little. But on a brisk Sunday in November the infant Montreal Citizens Movement turned that axiom on its head.

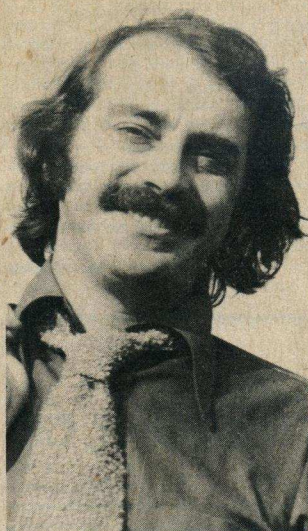
The results of Montreal's municipal election still left Jean Drapeau in control of City Hall, but only after the MCM took away the absolute mandate which had made Drapeau one of Canada's mightiest politicians.

More than 44 per cent of the voters had heard the movement's call for "A City For People", and elected 18 MCM men and women to the 55 member city council which had been composed exclusively of Drapeau's Civic Party since 1970. The mayor himself suffered the humiliation of his career, watching his 1970 majority of 92 per cent plunge to 55 per cent. Jesuit community organizer Jacques Couture, his MCM opponent who had been a total unknown a month earlier, received the confidence of 100,000 voters to the mayor's 140,000.

Drapeau had started the campaign characteristically aloof, as though the election was some sort of minor ritual that wouldn't keep him from attending to important business in places like Frankfurt and Vienna. But once he realized he was facing a real challenge to his supremacy he put all his considerable energies into meeting it head on. Between a slick ad campaign and a whirlwind tour of radio and TV talk shows, the press and air waves were saturated with Drapeau's message: "Let us continue together".

The MCM meanwhile was basing its campaign in the city's 19 electoral districts. While Couture sparred with Drapeau in the news media, thousands of volunteer workers — and the council candidates themselves — took the party's reform program into the living rooms of their constituents. The Civic Party couldn't come near the MCM in a door-to-door campaign; the best it could do was hire schoolboys at \$1 an hour to stuff mailboxes with some skimpy literature.

The citizens' movement promised to harness the cancerous pattern of development ravaging the city's central core. It promised to preserve existing neighbourhoods, restore Montreal's dwindling housing stock and reverse the



NICK AUF DER MAUR
defeating king-pin Lynch-Staunton

city's Olympic priorities which had led to high taxes and shrinking services.

With its door-to-door campaign the MCM was able to localize the issues. As a result, MCM candidates swept all 12 seats in a continuous band running through the heart of the city: in francophone, working class Saint-Jacques, polyglot, cosmopolitan Saint-Louis, downtown, middle class Côte-des-Neiges, and comfortable, anglophone Notre-Dame-de-Grâce, Drapeau's supporters fell like dominoes.

This unprecedented display of unity across class and national lines was due in no small measure to the profound dissatisfaction Montrealers have felt towards an administration they hold responsible for the deteriorating quality of

photo: Mark Starowicz

life in their city (see *Last Post*, Oct-Nov 1974). But it is also a tribute to the style of the Montreal Citizens' Movement and the calibre of the candidates it attracted.

The founders of the MCM (or Rassemblement des citoyens de Montréal) included anglophones and francophones, trade unionists, NDPers and Parti Québécois militants. Its original members were the types one usually finds at the core of relatively marginal left-wing groups. But unlike so many others with similar visions (including the ill-fated FRAP which was devastated by Drapeau in 1970), the founders of MCM were able to broaden their base. After spending the summer scrupulously setting up democratic structures and district organizations and recruiting members, the MCM entered the fall campaign with a full slate of candidates representing virtually every imaginable social and ethnic group.

In every district the Civic Party's businessmen and corporate professionals were challenged by men and women who knew their neighbourhoods, their people and their problems. Absentee councillors had to contend with local personalities like social animator Phidyme Tremblay in Saint-Louis and corner store operator Yves Normandin in Côte-des-Neiges.

The MCM also decided early on to actively seek the support of English and immigrant Montrealers. Boldly recognizing English-language rights in the party constitution, the MCM was able to neutralize the charge that taking assistance from the PQ made it "separatist" (which in some parts of Montreal evokes the same knee-jerk response as the "communist" epithet of the fifties).

The strategy paid off as the MCM picked up six of the nine seats in the majority anglophone west end, and all three in heavily immigrant Saint-Louis. The sweep cost the Civic Party dearly as Drapeau's chief administrator and lead-

FROM OUR LABOUR REPORTER . . .

Swiss Unemployment 92

BERN: Unemployment in Switzerland rose to 92 persons in September, the Swiss labour bureau said yesterday. The unemployment average for the first nine months of the year was 83 persons, it said. In comparison, 3 million persons in Switzerland have jobs.

— *Montreal Gazette*, November 6, 1974

ing English spokesman, John Lynch-Staughton, was defeated by journalist Nick Auf der Maur in one of the election's tightest races in Côte-des-Neiges.

Wooing the English didn't harm the MCM in the francophone east — no one accused the party of being soft on federalism. In solidly PQ Saint-Jacques, executive committee member Fernand Drapeau (no relation to the mayor) was beaten soundly by taxi driver Marcel Morin, and Paul Cliche, the CNTU labour leader who had headed the FRAP campaign in 1970, was elected with the largest MCM majority in the city.

The MCM caucus will also include the first three women ever to sit on Montreal City Council (Therese Daviau-Bergeron, Ginette Keroack and Mariette Lapierre)

and two of the 450 citizens jailed and released without charges during the October crisis of 1970 (Auf der Maur and Jean Roy).

The destruction of the Drapeau mystique and the emergence of the MCM is being hailed in Quebec as a victory which is bound to affect the alignment of political forces in the province at large. Parti Quebecois strategists particularly are closely studying the MCM experience to see what it can teach them about building new alliances.

Meanwhile, Jean Drapeau is still mayor of Montreal. The interesting question this raises is how will he perform now that he can no longer govern by fiat in his customary fashion.

Marc Bayob

more to the O&Q than a safe six per cent dividend.

By early 1974, after ten years of manoeuvring and repeated challenges at the O&Q's formalistic annual meetings, Pope was ready with his major offensive: he launched a lawsuit against Canadian Pacific in the name of minority shareholders in the O&Q, claiming damages of \$400 million and change.

A separate suit had already been filed by the Eaton's pension fund, also a minority shareholder, for \$125 million.

It is worth pausing here for a moment to let those figures sink in. If the courts decide in favour of the plaintiffs, Canadian Pacific would be forced to shell out more than half a billion dollars. Even for such a large company, that is a sum whose loss would be felt.

Pope's main contention is based on paragraph one of the 1884 lease, which says that "the lessors [the O&Q] hereby demise and lease to the lessees [the CPR], the consolidated railway of the lessors. . . ." This, says Pope, is what is known in law as a lease of structures, and not a lease of land; in other words, the O&Q's lands still belong to its shareholders.

On the basis of this interpretation, Pope contends that Canadian Pacific has committed a series of illegal acts to the detriment of the O&Q's shareholders. In particular he mentions four: the sale of a piece of land at Yonge and Summerhill Streets in north-central Toronto to Ontario Hydro; the lease of some land in the same area to the Liquor Control Board of Ontario; the sale of land in three areas — Yonge and Summerhill, West Toronto, and the Wentworth Golf Club in the west end of Montreal — to Marathon Realty, Canadian Pacific's wholly-owned development subsidiary; and the tearing up of a stretch of track between Glen Tay and Tweed in central Ontario.

This last action, Pope says, violated the commitment Canadian Pacific made in the 1884 lease to "efficiently work, maintain and keep in good order and repair, the said railway and the rolling stock and appurtenances thereof," and thus renders the whole lease null and void.

Further, he maintains, a lease in perpetuity, such as the 1884 lease, is contrary to natural law and hence invalid.

According to Canadian Pacific's interpretation, the sale of O&Q land is not only permitted by the lease, but also specifically authorized by an 1891 "Act respecting the Canadian Pacific Railway Company," which says that the CPR or

THE O&Q BATTLE: AN EARLY RIP-OFF COMES BACK TO HAUNT CP

Even the keenest student of Canada's railway history could be forgiven if the name 'Ontario and Quebec Railway' didn't ring a bell. The O&Q, after all, never ran a train, and its active existence lasted only three years, from 1881 to 1884.

Now, however, the obscure railway is the centre of a legal battle that could make a substantial dent in the treasury of one of the largest corporations in the country, Canadian Pacific Ltd., and affect several major development projects in central Canada.

Canadian Pacific owns roughly 80 per cent of the O&Q's 20,000 shares. It also operates the O&Q's railway, which runs from Montreal to Windsor and in effect forms the CPR's main line in central and southern Ontario, under the terms of an 1884 lease which it signed with the owners of the O&Q.

The interpretation of this lease is the crux of the current dispute. According to the CPR, the lease gives it the right to treat all of the O&Q's assets as its own, which is more or less what it has done through the years. According to Toronto stockbroker Joseph Pope, the Eaton's employees' pension fund and other minority O&Q shareholders, the CPR leased only the O&Q's railway, and not the land the railway is on or its other lands.

Since the 1884 lease, the O&Q has

continued to exist only as a dummy company: all of its functions have been exercised by Canadian Pacific and its annual reports, one-page mimeographed jobs that bear little resemblance to the glossy colour-illustrated presentations issued by Canadian Pacific, always contain exactly the same balance sheet. Until recently, the company explained this odd circumstance by saying that the O&Q "had no income nor had it the right to any income"; in the last few annual reports, this statement has been omitted, perhaps out of consideration for the feelings of minority shareholders.

In only one respect has the O&Q's existence been real: its stock has always been bought and sold on the open market, and has been valued for its six per cent dividend, guaranteed in perpetuity by the CPR. This dividend forms the rent that the CPR pays for the O&Q line, and it has been paid every year, even at the nadir of the depression, when Canadian Pacific did not pay dividends on its own common or preferred stock. It was the least speculative stock one could possibly imagine and it was especially popular with pension funds, insurance companies and the kind of investors stockholders like to call "widows and orphans". Its price never changed much from the original value of \$100.

But in the mid-1960s, Joseph Pope began to suspect that there might be

"any other company whose railway forms part of the Canadian Pacific Railway Company's railway system" may "sell and convey free from incumbrance such of its surplus lands as it thinks fit," with the proceeds being applied to equipment or improvements for the railway.

(Pope says the 1891 Act does not apply to the O&Q.)

The CPR also says that the tearing up of track in central Ontario was authorized by the Canadian Transport Commission, which regulates such matters. And it sees nothing at all wrong with a lease in perpetuity.

The sale of the lands to Marathon has been the cause of particular resentment on the part of Pope and the other minority shareholders. The lands were sold for \$8,800,000, but that money was to be kept in the treasury of Canadian Pacific or Marathon rather than being turned over to the O&Q (which has no treasury of its own) for at least three years. Pope estimates the interest on that money to be at least \$1,850,000 — but there was no provision for the payment of interest. And although the 1891 Act specified that the proceeds for land sales be used for improvements to the railway, the money was not to be used until improvements were required in the normal course of affairs — and none were immediately contemplated.

If the legal focus of the case is the 1884 lease, the economic focus is real estate.

The CPR has long been the owner of

WISHFUL THINKING DEPT. . . .

* * * * *

Wanted: Distinguished VD Victim

TORONTO: The Toronto health department would like to hear from any distinguished people who have had venereal disease and are willing to talk about it in public. A department official said such a person could draw attention to the dangers of VD and the remedies available for it less expensively and more effectively than any media campaign.

—*Montreal Gazette, November 14, 1974*

substantial portions of this country's geography; it acquired large tracts of land as a by-product of its railway business, often in the form of outright grants from federal and provincial governments. In recent years, the company has grown less and less interested in its railway business and more and more interested in other activities, one of which has been the creative use of the land in its possession. Marathon Realty has been built into one of the largest development companies in Canada.

So ownership of the O&Q land is anything but an academic question for Canadian Pacific. The disputed territory includes parts of several sites that had been earmarked for Marathon development projects — including the massive Windsor Station redevelopment in Montreal.

And in at least one instance, the court case has had a direct effect on the progress of a Marathon project. The land at Yonge and Summerhill in Toronto was to be the site of Summerhill Square, a

multi-use complex, mainly residential, that the real-estate company was planning to build. Now Summerhill Square has been stalled, and according to spokesmen for Marathon, the dispute over ownership of the land is the reason for the delay.

But Summerhill Square is only part of what's at stake. Two years ago, the federal government announced a policy of subsidizing municipalities that wanted to relocate railway lines running through city centres. The O&Q line runs right through north-central Toronto, and preliminary studies of a plan to relocate it have been carried out. A joint provincial-municipal task force, chaired by Toronto Alderman Colin Vaughan, whose ward is cut in two by the O&Q line, concluded that indications point to the feasibility of such a relocation, and that more detailed studies should be done.

If the line is relocated, some extremely valuable land will be freed for development. The question is: development by



whom? Vaughan estimates the value of the land that would be freed at \$36 million. Thus the interest of the O&Q minority shareholders in that land alone (not to mention all the other land down the entire spine of central Canada) is more than \$7 million — if they have an interest.

There is no question that Canadian Pacific is taking the challenge to it seriously. Back when Pope first began making noises about the O&Q, Canadian Pacific started to buy up the railway's shares; before that, it had never bothered to hold more than a small minority. Pope, acting for his clients, also tried to get as many shares as he could from the "widows and orphans". Not surprisingly, given its vastly greater clout, Canadian Pacific came out on top, with

about 16,000 shares compared to some 2,000 under Pope's control.

The shares were not only good protection for the CPR, they were also a good investment; with the stock beginning to look like a possible way to get hold of a piece of some of Canadian Pacific's most valuable real estate, its price went up from \$100 to \$300, and hit a high of \$1,150 early in 1974 when the two lawsuits were filed. It has since slipped back to the neighbourhood of \$350, but it will clearly be substantially affected by the progress of the legal proceedings.

Canadian Pacific is expressing no undue confidence about the outcome of the proceedings. Its 1973 annual report includes a brief and straightforward mention of the case, saying only that "coun-

sel have advised that in their opinion the suit can be successfully defended." And the delay of Summerhill Square is an indication that the company is preparing for all contingencies.

In most cases, the deals made by the CPR in its early years have worked out very much to the company's advantage, and have led, as time went on, to its interests in mining, oil and gas, real-estate development and a score of other business activities.

In the case of the O&Q, depending on the result of what will no doubt be lengthy legal proceedings, one of those early contracts may come back to haunt it.

Robert Chodos

THE COMMONS: GOOD READING FOR INSOMNIACS

The nine-day debate which traditionally follows the reading of the Speech from the Throne tends to take on a tone even more pious and somniferous than the Throne Speech itself, unlikely as that may seem.

In fact, the Throne Speech debate would be downright deadly if it did not allow us to make the acquaintance of some of our newly elected MPs.

Frank Maine, the new Liberal member from Guelph, in southern Ontario, is really keen on plastics. "The term plastic has become a dirty word among environmentalists," he declared, "but for Canada I am certain that plastics hold the key to our continuing prosperity."

A. C. Abbott, the newly elected member from the sprawling Toronto suburb of Mississauga, evoked the frightening prospect that "if the latter half of the 20th Century belongs to Toronto, the first half of the 21st Century will belong to Mississauga." He is also a Liberal.

Bob Wenman, the new member from Fraser Valley West, wants us to realize that B.C. Tories aren't necessarily bigoted: "We have this great French-Canadian culture which is talked about as having heart. I think we do have this feeling and give credit to the French Canadians for making a contribution to Canada in this regard."

Dean Whiteway, who represents the Manitoba riding of Selkirk, has some ideas on political sovereignty that would give even John Diefenbaker pause for

thought: "I think it would be well for this government to realize that in Canada it is not the government that is sovereign, nor are the Queen or the Crown. In fact, we must go back to the sovereignty of God." He is a member of the Stanfield team.

Another member of the Stanfield team is Ken Hurlburt, the hon. member for Lethbridge. He is not a new member, but extensive quotes from his contribution to the Throne Speech debate are included here in recognition of his valiant efforts to champion nineteenth-century ideas in the face of such frightening concepts as social welfare and immigration:

Hurlburt on economics: "Why do Canadians bake more bread, manufacture more shoes and assemble more television sets per capita than the Russians? They do so precisely because our government does not guarantee these things. If it did, . . . the productive genius that is America's would soon be reduced to the floundering level of waste and inefficiency now found behind the iron curtain."

On the CCF program in Saskatchewan: "The economic and social cannibalism produced by this communist-socialist idea will destroy any society which adopts it and clings to it as a basic principle — any society. In Canada we have travelled a long way down the soul-destroying road to socialism."

On social welfare: "History proves that the growth of the welfare state is difficult to check before it comes to its

full flower in dictatorship. . . . How is it possible to cut out the various welfare programs promoted by our government, which have already fastened themselves like cancer cells on to the body politic? . . . The first step toward restoring the limited concept of government should be to freeze all welfare programs at their present level, making sure that no new ones are added. The next step would be to allow all present programs to run out their term, with absolutely no renewal. The third step would involve the gradual phasing-out of those programs which are indefinite in their term. In my opinion, the bulk of the transition could be accomplished within a ten-year period, and virtually completed within 20 years."

Referring to John Rodriguez, NDP member for Nickel Belt: "I think my friend from Nickel Belt should get down at his bed at night and thank God he lives in this country. He is a man who came from Guyana 14 or 15 years ago, who taught school in this country and has contributed absolutely nothing to it; but he has kept unions and workers riled up and now he is a member of parliament. I tell you, Mr. Speaker, it is a sad day for Canada. . . . I have run into a good deal of static from members to my left. It does not bother me, because I am proud to have been born in this country. . . ."

Subscriptions to Hansard are available from Information Canada and cost only three dollars per session — a great bargain for insomniacs.

Eric Hamovitch

FOREIGN AID: CIDA KNOWS WHAT'S GOOD FOR BUSINESS

Mr. Hees: You are getting more like Mitch and Paul every day.

Mr. MacEachen: That is a good tradition.

—*House of Commons, October 18, 1974*

It should come as little surprise that Allan MacEachen, in his new portfolio of external affairs, should choose to identify himself with his predecessors Mitchell Sharp and Paul Martin. For not only is he a master of obfuscation in the tradition of Mitch and Paul, but early indications point to little prospect of change in the policies pursued over the recent past (*Last Post*, vol. 4, no. 3).

It's true that Ivan Head, the prime minister's foreign affairs adviser, did tell reporters that Canada would be pursuing a more "activist" foreign policy, much as the Swedes have been doing, with their denunciations of U.S. bombing in Vietnam and their support for liberation movements in southern Africa. But this was quickly and firmly denied by the prime minister.

This is not to suggest that Canada has not gone in for "activism" but rather that it has taken a different form from Sweden's — as in May 1973 when a jeep-load of Canadian soldiers serving with the ICCS in Vietnam was captured by the NLF while on a spy mission for you-know-who, or, as in the case of Canada's relations with Chile since the military coup.

In this light, a curious series of meetings took place on October 8 and 9 in the Carleton Towers, Ottawa's most luxurious hotel. Seated on one side of a meeting-room were a group of over 30 captains of Canadian industry and finance, invited at the recommendation of the Canadian Association for Latin America (CALA), a business lobby formed in 1969 to assist Canadian companies which have dealings with Latin America.

Facing them were two co-ordinators of the Andean Group, a regional economic pact, and representatives of each of the participating countries — Chile, Peru, Venezuela, Colombia, Ecuador and Bolivia. Also present were officials from the Canadian International Development Agency (CIDA), the sponsor and organizer of the little get-together. CIDA is Canada's official foreign aid agency, and

answers to Parliament through External Affairs Minister MacEachen.

The purpose of this seminar, stated by CIDA president Paul Gérin-Lajoie, was to help further acquaint the Canadian corporate community with increased

business and investment opportunities in the six Andean Group countries. Many of the companies represented at the seminar already do business in one or more of these nations, and most of the others aspire to do so.

THE INSCRUTABLE ORIENT

The other day I walked alone all over Moscow, miles and miles. The downtown streets are wider than any streets I've seen anywhere and traffic is heavy. However pedestrian traffic moves easily because all the main intersections are serviced by underground tunnel walks and at almost any time of the night or day, a river of humanity flows through these tunnels and along the sidewalks. And they move silently so that in the tunnels, one hears only footfalls, rarely ever a word. Kind of spooky.

—*Eddie MacCabe, Ottawa Journal, October 5, 1974.*

THE PLOT THICKENS

The downtown area, on Gorki Street, is lined with stores but many of them, surprisingly, are food stores. The store windows are filled with displays of canned goods and there are lineups to get into some of these places and for some reason, they have three or four food stores on almost every block on both sides of the street.

—*E. MacC.*

DEPARTMENT OF TEEMING HUMANITY

The city is dotted with parks, and every park is lined with benches, and every bench is full, mostly old people. The women wear kerchiefs right down over their eyes, often a pair of men's socks, and busted out shoes, and there are thousands and thousands of them.

—*E. MacC.*

NOT TO MENTION BAD BREATH

They also have soft drink machines all over the street, and

we call them trench mouth stops.

—*E. MacC.*

FIRST, YOU START

I walked into a cafeteria style place and after a lot of hooting and hand motions, managed to communicate what I wanted. I got a meat pie and a cup of tea, went over and sat down at a table with about half a dozen Russians, took one bite of the pie and almost gagged. It was sour and gooey. So I pushed it back. The big Russky opposite me asked, by sign language, whether I wanted the pie. I communicated I did not, so he reached over, took it, and gulped it down in three bites.

—*E. MacC.*

QUEEN KONG

Also, the people in position of authority in the building are women, usually heavy, formidable women who don't mind pushing and shoving the great army of the unwashed. Women do everything here. We watched some of them scale a tall scaffold and go about the masonry repairs on the outside of a building.

—*E. MacC.*

WELL, NOBODY'S PERFECT

The other night I went to the ball to see the Bolshoi Company do Swan Lake. The female lead was an artist, absolutely superb. I don't know anything about ballet but I know grace and movement and this girl was a stunner. The male lead, though, was a hot dog. He couldn't jump over a schнауzer dog, he had the tremors, he wobbled and looked altogether uncertain and projected that feeling of near disaster into the theatre.

—*E. MacC.*

OUR GOOD GRAY CANADIANS.....IN CHILE.

It may appear rather curious that CIDA, as the agency responsible for formulating and administering most of Canada's official foreign aid programs, should be playing such an active role in promoting business interests. CIDA is normally thought of as the instrument through which the government channels educational and technical assistance, food aid, disaster relief and other forms of assistance to countries in need. Assistance to Canadian businessmen would hardly seem to warrant high priority at a time when the starving millions of Bangladesh are in desperate need of food and many parts of Africa continue to experience severe shortages of medical personnel.

But apparently business activity is now considered a form of foreign aid:

"To some, it may seem strange at first blush that a development agency such as CIDA should hold a conference to promote trade and investment," stated Gérin-Lajoie in his keynote address to the gathering. "Yet there is no real contradiction. For is not one of the objectives of development cooperation and development to build a world in which nations can profit in free and equal association from trading relations?"

Trade relations are one thing, but the "free and equal" part may raise a few eyebrows for, as Canadians have come to realize, investment by multinational corporations is not the best possible guarantee of freedom and equality for the recipient country. Some may argue that foreign investment helps stimulate economic growth, but the short-term benefit must be weighed against the long-term economic and political price. No multinational will invest in a particular country unless it expects to make more than it puts in — they are motivated by profit, not charity. And there is little

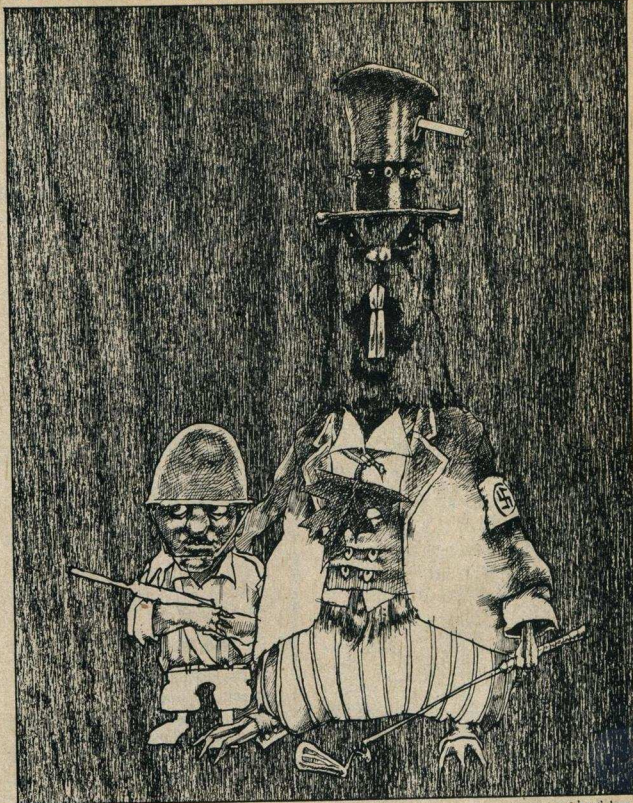
reason to suspect — in fact the contrary may be true — that Canadian-based multinationals behave any more benevolently toward South American countries than U.S.-based multinationals behave toward Canada. No one would suggest that the activities of Exxon, IIT, General Motors *et al.* in Canada constitute foreign aid from the U.S.

As if to suggest what it apparently had in mind in calling this seminar, CIDA assigned an important advisory function to CALA, an organization motivated less by any vague notions of the well-being of Latin Americans than by precise notions of high returns on investment.

The idea of holding the seminar, the first of its kind held with the Andean Group countries, was broached around the time of the Chilean coup. Its timing

raises some interesting questions. The Andean Group was officially born in May 1969 with the signing of the Cartagena Agreement, which provides for the harmonization of economic and social policies, the coordination of national economic plans, the planning of common social infrastructures, a joint system of investments and a comprehensive policy regarding economic relations with other countries.

Article 24, passed in December 1971, provides for the regulation of foreign investment: it prevents repatriation of foreign capital except in the closing of a company, limits dividends payable on foreign investments to 14 per cent annually, allows foreign companies only short-term internal credit, and requires the transformation of foreign enterprises



AICLER

**O.K. DAVEY
YOU DID IT, WE KNOW**

OTTAWA (CP) — Senator Keith Davey, chairman of a 1970 study on the mass media and a key figure in the Liberal party's July election victory, says the election victory, says the government should consider breaking up the country's big newspaper chains.

— Montreal Star, November 15, 1974

into mixed or national companies within 15 years (20 years for the less developed countries of Bolivia and Ecuador).

The aim of this article is to see that a larger part of the long-term benefit from foreign investment accrues to the recipient country. Article 24 did meet with some opposition. It was ratified by the Colombian Congress, for example, only after a year-and-a-half of obstruction by pro-American elements. But Venezuela's foreign investment act of April 1974 went beyond what these provisions called for.

However Chile, which had approved Article 24 in 1971, was certainly a good deal less receptive in 1974. On July 13 the military junta proclaimed Decree 600, under which there was to be no discrimination between foreign and domestic investments, compensation if earlier tax legislation reduced profits, and the full right to transfer capital and profits outside the country, in direct contradiction to Article 24. Decree 600 made no mention of Chile's international obligations regarding rates of taxation and depreciation, customs duties, and exchange controls.

Former President Allende's predecessor, Eduardo Frei, was one of the Andean Group's most ardent supporters; not so his successor General Augusto Pinochet. "The Chilean military junta is claiming the right to gun down the Andean Group also," remarked Colombian senator Apolinar Diaz Callejas. In a joint statement Peru and Bolivia deplored the attack on the Andean Group's structures.

But what is bad for the Andean Group may be good for foreign businessmen — including the Canadian businessmen invited to CIDA's seminar. Chile's military leaders, plagued by their own gross economic mismanagement, are desperate for the short-term boost foreign investment could provide their faltering prestige. Regardless both of the longer-term consequences and of their partners'

SCOOP OF THE MONTH

☆☆☆

Dentures look natural in black patient's mouths

—Headline, *Montreal Star*, July 26, 1974

ire, they have reneged on their controls. Chile, then, is the only Andean Group country not to have official foreign investment controls, giving it an edge in attracting investment.

It is clear which of the six governments stands most to gain from CIDA's new form of "aid". The timing of the seminar was interesting, coming just

three months after Chile had thrown its arms wide open to investment, and raises the question whether officials of the other five countries were invited along to provide cover for Pinochet's gang as much as for any other reason.

Conscious that the Chilean junta has not been getting good press, CIDA took the precaution of not issuing a press release announcing the seminar, claiming it was not "newsworthy". Some interested groups were unable to learn even the location of the meetings.

Support for Pinochet hardly represents a departure for Canadian policy. Canada participated in meetings of the Inter-American Development Bank, the International Monetary Fund and the World Bank which put the credit squeeze on Allende, and later offered generous terms to Pinochet, including \$195 million of new credits in the first four months of 1974. Canada was quick to recognize the new régime after it overthrew the popularly elected Allende government in September 1973, and extended a \$5-million export credit. Furthermore, Canada has been unusually restrictive with respect to the immigration of refugees.

CIDA is thinking of making the Andean Group business seminar an annual affair. Mitch and Paul must be proud of you, Allan.

Eric Hamovitch

THERE NOW

* * *

Allende supporters sentenced to death

The court martial cited the Dreyfus affair in France, the Stalin trials of 1937, the execution of Julius and Ethel Rosenberg in the U.S. and Fidel Castro's trial of the Cubans captured on the beaches of the Bay of Pigs as historical precedents for its legal action.

—*Joseph Novitski in the Montreal Star*



by Claude Balloune

There is no truth to the rumour that Claude Balloune has retired from journalism. He is recovering from a severe bout of electoralitis and will resume his column in the next issue.

LADY PSSD

International Report

compiled by the staff of the Last Post

South Africa promises 'surprises'; meanwhile . . .

Having been granted something of a reprieve at the United Nations, South Africa has asked the world to be patient for six months while it comes up with new policies and strategies to justify the Security Council support of France, Britain and the United States.

But the "surprises" that Prime Minister John Vorster promised will do little to change conditions within the apartheid state itself, and are likely to be offers of compromise on Namibia and the gradual abandonment of the rebel regime in Rhodesia.

The traditional Afrikaner defence is the laager, and with the two weakest spots in the circle of defence removed — the illegal occupation of Namibia and economic and military support of the illegal Smith regime — the Nationalists believe their image in the international community would be sufficiently rehabilitated to ensure them the continued support of Europe and North America.

In his more visionary moments John Vorster even sees detente with independent Africa.

Meanwhile life in South Africa goes on. Inside the laager the 1973 statement of the Minister of Justice remains the operative principle — until the situation in South Africa is "normal", he said, the government will continue to take action irrespective of whether it complies with the rule of law.

The following is a sampling of such actions taken in 1974:

- In a hasty pre-election session of the National Assembly, the Riotous Assembly Act was amended to empower the Minister of Justice to ban any gathering, public or private, of two or more people, having a common purpose, lawful or unlawful, if he concludes that "hostile feelings" may be aroused as a result. News media are prohibited from reporting a banned meeting.

The provision was first used during the state visit of President Gen-

eral Alfredo Stroessner of Paraguay to South Africa in April. The Minister of Justice issued an order for the occasion prohibiting all "gatherings" throughout South Africa for the duration of the General's stay. "Gathering" was defined as "any gathering which is held to demonstrate against the head of state of Paraguay, president Alfredo Stroessner, or any of his retinue, or to protest or demonstrate against his

visit to the Republic of South Africa or anything connected therewith, or against any action, principle or policy of the government of a state."

The wording of the order, legal experts concluded, meant that all protests against any government, be it Paraguay, South Africa or Iceland, were prohibited.

The legislation was also used in September when a South African Students Organization rally in sup-

Brazil builds its arms

The report circulating among senior NATO officials in Europe to the effect that Canada is considering buying armoured and other weaponry from Brazil underlines the giant strides the Brazilian armed forces have, made towards self-sufficiency since they took power in 1964.

In that year the Federacao Industrial do Estado de São Paulo formed its permanent group for industrial mobilization, which was to gear Brazilian industry for war production in the event of national emergency. In the same year Jose Luis Whitaker developed a system of independent traction for each wheel of a vehicle, which he called the QT system. Both General Motors and Ford sought to buy the patent, but Whitaker chose to develop the system himself with financing from the army. His company, Engenheiros Especializados (ENGESA) went on to produce at least five different vehicles equipped with the QT system for the armed forces.

A Canadian mission from the Department of Supply and Services and the Department of National Defence, headed by Colonel Basil Collett, visited ENGESA's São Paulo plant at the beginning of July to look the hardware over. They were particularly interested in two vehicles: the EE-9 Cascavel, a wheeled reconnaissance vehicle, and the EE-11

Urutu, which comes in two forms: either an amphibious troop carrier for 14 men, or an armoured car with a 90 mm cannon or a 7.2 mm machinegun. ENGESA was asked to submit its tender by mid-August, with the eventual contract to be awarded late in the year.

Canadian defence forces have been looking for a suitable armoured car for some time. The vehicle fits both their chosen reconnaissance role within NATO, and their frequent missions for the United Nations. The United States does not have a suitable vehicle to offer; negotiations with the British for the Scorpion broke down last year; and the French are now the Brazilians' major competitors for the business. The matter is somewhat urgent as the Canadians' Daimler Ferrets, bought from the British many moons ago, are rapidly falling apart.

The Canadians are well aware of the storm of dust which such a purchase could raise, both at home and in neighbouring Latin American countries — particularly since part of the deal is likely to include off-set agreements with Brazil in defence production and purchasing, and could involve the transfer of armaments technology to Brazil. It is this latter aspect which has involved Canada in consultations with its NATO partners. With this in mind, Colonel Collett was instructed to

port of Frelimo was banned. John O'Malley, editor of the Durban *Daily News*, was arrested on September 25 when his paper published a story about the banned rally.

• In the same session of the National Assembly the Affected Organizations Act was passed, empowering the state president to declare it unlawful for an organization to receive funds or other aid from abroad for the purpose of engaging in "political" activity. The Act leaves the definition of the term "political" up to the discretion of the state.

In September the National Union of South African Students (A national White, English-speaking students organization) was declared "affected". In May NUSAS had

conducted a national campaign for the release of political prisoners.

• In May, the day before his first five-year banning order was to expire, a second five-year banning order was served on Robert Sobukwe, former president of the banned Pan Africanist Congress. The order restricts him to the municipal area of Kimberley, places him under house arrest at night and prohibits him from attending gatherings (no banned person may be quoted by the news media or publications). Mr. Sobukwe was sentenced to three years in prison in 1960 (following PAC campaigns against pass laws which culminated with the police firing into a crowd at Sharpville). When the prison term expired he was immediately taken to Robben

Island and detained there for six years. Upon his release he was served his first banning order.

• At dawn on June 26 several dozen armed Black and White policemen, about 60 government trucks, and several bulldozers, moved into Doornkop, a 2,000 acre farm near Middleburg in the Transvaal which Bapedi tribesmen have owned and farmed since 1905.

Under the government's plan for "consolidating" the homelands, Doornkop had been designated a "White spot" and the trucks were there to remove the Bapedis, about 3,500 persons, and their belongings to a new spot within the Lebowa homeland. The bulldozers were there to demolish the vacated homes and the police were there to see that

industry and interests Canada's forces

maintain a non-military profile during his tour of Brazil.

Despite possible political opposition at home, Canada's Department of Industry, Trade and Commerce has apparently launched a large scale effort to increase imports of defence products from Brazil, and Brazilian diplomats in Europe, when asked about the NATO reports, said that sales of up to 200 million dollars could be involved. Industrial collaboration of this kind between Brazil and Canada is not particularly surprising. Brascan — Canada's own multinational corporation — is the parent company of the largest industrial empire in Brazil's private sector. A former vice-president of Brascan, Mitchell Sharp, is a senior member of Prime Minister Pierre Trudeau's team. During the late 1950s Sharp spent four months of every year in Brazil, and in 1962 he helped negotiate the international coffee agreement. The current president of Brascan, Jake Moore, is a leading supporter of the ruling Liberal Party, while his predecessor Robert Winters had been Minister of Industry, Trade and Commerce, and number two man in the Liberal Party. The present Minister of Industry, Trade and Commerce, Alistair Gillespie, does not himself have a direct connection with Brascan but he was closely linked to the Committee for an Inde-

pendent Canada, whose principal financial backer was Jake Moore.

Brascan is deeply involved in almost every aspect of Brazilian industrial development. Having begun life as a mere provider of electricity it has diversified in recent years into banking, food processing, textiles, railway rolling stock, acoustic tiles, security work and property development. There is therefore a sound Canadian reason for providing Brazilian industrial exports with such a massive shot in the arm. It would be the first such arms sale made by a Latin American country to a buyer outside the region, and could set a pattern for future sales. If Canada is ready to buy Brazilian equipment, then there will be no feeling by other third world countries that they are making do with inferior vehicles if they, too, go to ENGENSA for their riot control vehicles.

The domestic production of armaments has been a central preoccupation of third world governments ever since industrialized nations began to threaten belligerent or potentially belligerent nations with arms embargoes. This has led countries such as India, Israel and South Africa to develop sophisticated armaments industries, while in Latin America, Argentina and Brazil have led the way.

It is the concern to build a viable

domestic armaments industry which has underpinned the interest of military governments in Argentina, Brazil and Peru in developing their countries' metallurgical capacity — notably steel in all three countries, copper in Peru and aluminum in Argentina. Brazil, which regularly spends more than twice as much as any other Latin American country on defence seems to be on the edge of a major breakthrough in the field, a step which matches the strides it has made towards industrialization during the past years.

The Brazilian armed forces are also developing their own missile technology, and it is in this context that the allocation of computer development to the navy becomes comprehensible. The latest venture in this line is the setting up of a joint company with Ferranti of Britain to manufacture the Argus 700, a sophisticated mini-computer which is used extensively by armed forces — particularly navies — to control weapons systems.

The developments in this military-industrial field are likely to be of greater economic and political significance over the next decade than any alleged arms races sparked off by outright purchases of advanced weapons from suppliers in North America, Western or Eastern Europe.

Latin America

everything remained orderly. The new home of the Bapedis was at the foot of a mountain on soil a chief describes as "rocky and thorny and unfit for human habitation."

It was one of several "removals" carried out during the year.

● South Africa's escalating military budget has reached \$750 million and is expected to double within a few years. Moves have been made to draw Blacks into active military service — they already serve as guides and trackers in the Caprivi strip where South African troops and "police" now regularly encounter guerilla troops. Border duty bonuses paid by the government are \$11 per day for whites and \$7 for Blacks.

● In August Mrs. Albertina Sisulu, the 56-year-old wife of Walter Sisulu who is a life prisoner on Robben Island, was served with her third five-year banning order, placing her under house arrest on weekends and holidays and between 6 p.m. and 6 a.m. all other days.

● Also in August the banning order against Mohamad Bhanam, a former member of the Transvaal Indian Congress, was renewed for another five years.

● In April, four political prisoners released from Robben Island after 10 years' imprisonment were all banned and placed under house arrest at weekends, public holidays and weekdays from 6 p.m. to 6 a.m.

The four are Dr. Neville Alexander, Don Davis, Marcus Solomon and Elizabeth van der Heyden.

● The Defence Further Amendment Bill, introduced in August, makes it an offence, punishable by fines of up to \$15,000 and/or 10 years in jail, for anyone to attempt to persuade anyone to avoid military service.

● On October 31 a commission of the South African government tabled a report warning against improper political activism in universities, which could lead to revolution. While the Van Wyk de Vries Commission acknowledged the right of universities to "publish political knowledge in a scientific manner,"

Computer warfare takes over the battlefield

The greatest advance in warfare since the invention of gunpowder is how one military strategist described the new concept of automated battlefields.

In fact, the United States military is so high on it that it's pumping out between \$5 and \$6 billion a year for research — more than was spent on the famous Manhattan project to build the A-bomb — to devise the ultimate, computerized form of robot warfare.

The basic concept is simple and is composed of three main parts: a sensor device, a central information terminus, and lethal reaction.

The sensors are any one of numerous detectors that can be located in combat zones. They include ADSIDs (Air Delivered Seismic Intrusion Detectors), ACOUBUOYs (Acoustic Buoys), such bizarre items as sensors disguised as animal droppings, and the exotic XM-3 chemical detector. This "people sniffer" flubbed in the Vietnam war, however, because the ingenious Viet Cong learned to fool it by hanging buckets of piss in the trees.

The sensors detect the presence of "enemy" in the combat zone. How they distinguish "enemy" from just plain folks is never made clear in the research documents.

The sensors then relay the "message" to a data retrieval centre which is manned by highly skilled technicians who evaluate the information and call upon the appropriate firepower to liquidate enemy in the combat zone.

While in Vietnam, in the early days of automated battlefields, strikes were delivered by piloted aircraft and artillery batteries, research now going on paints a great future for completely robotized firepower systems that will be deadly, efficient and cheap.

Among the more promising developments are the RPVs (Remotely Piloted Vehicles) which can be used again and again for surveillance or bombing missions. Or they can act as battering rams and guided bombs. Others are airborne dispensers of death in the form of GRAVEL mines, which are about the size of tea bags. Thousands of them can be strewn about by one RPV. There are also "spider mines" with long branching tentacles that act as triggers as well as one type of small mine which floats through the air like a leaf.

Laser weapons — the original "smart bombs" — are being applied to anti-aircraft, anti-missile, air-to-air combat and target location.

The IBCS (Integrated Battlefield Control System) is the ultimate Buck Rogers dream in military circles. It's a system that can cope with everything a traditional standing army has to do, and can do it quicker than you can say Sergeant Major. It handles everything from logistics, such as providing toilet paper and gasoline, to directing lethal rapid-fire volleys of ordnance directly on the front lines.

The IBCS is a circuit, electroni-

cally tying the sensors to the reaction means, or, as they say, the "beep to the boom".

Computer technology in war and politics is increasingly becoming part of Cold War, balance-of-power considerations in Moscow and Washington.

At a recent international seminar in Stockholm, Dr. Ruth Davis, director of the Institute for Computer Sciences and Technology in Washington, noted that "computer hardware, software and production technology are subjected to more export controls than any other non-military product or service. And many different means of expressing the balance of power between countries are dependent upon the computer capabilities possessed by a country."

A dramatization of the key information-gathering role of computer technology was the recent unveiling at the Farnborough International Airshow in Britain of the U.S. super spy plane, the SR-71. Although the publicity focused on the plane's speed (over 2,000 miles an hour), it is probably more significant that the SR-71 is capable, from its altitude of 80,000 feet, of making a complete photographic composite of the entire British Isles in only one hour — a map so detailed that the numbers on car license plates can be detected with ease.

It would take ages for people to sort out this data — but a computer can do it in minutes.

Richard Bronstein

this function, it continued, should not be allowed to "degenerate into pure politicking or into pseudo-scientific politicking." A minority report said certain chapters of the commission's majority report were "an attack on the English-language universities."

● In October, the government tabled draft legislation to ban press reporting of police activity in any "circumscribed" area in South Africa. The bill amends the Official Secrets Act, which defines a "circumscribed" area as any area declared such by the minister.

The draft states that no newspaper, without a minister's consent, may publish "any information, detail, rumour or allegation, with reference to the numerical strength, presence, actions or activity of members of the (police) force in a circumscribed area."

Nor may a report refer to "any action on the part of anyone against, in connection with or on behalf of, a member of the force in a circumscribed area." The prohibition applies also to "any weapons, vehicles, vessels, or any equipment or material" used by the police. A penalty of \$15,000 and two years imprisonment may be imposed.

● A revamped censorship procedure prevents appeals to the courts against rulings of censorship boards.

● During October and the first week of November, in a special series of raids, South African police detained at least 37 persons under the Terrorism Act. All are Blacks and most were involved with either the South Africa Students Organization, Black Community Programs, or the Black Peoples Convention. Among those detained is Zethulele Cindi, general secretary of the Black Peoples Convention. In May the police had conducted one of its frequent raids on BPC offices, confiscating records and physically abusing Mr. Cindi.

* * *

Let it be thought this represents an unbalanced view of South Africa's policies, the following item is included as an example of a progressive action by the Vorster regime:

● In October the government announced that the Masters and Servants Act of 1856 had been scrapped. Under the key provisions

of the Masters and Servants laws, which pertained to farm labourers and domestic workers, minimum wage legislation did not apply to these workers, no fixed hours of work were stipulated, female workers could be dismissed if they married or became pregnant, children under 16 could be employed, and notice of termination could be refused by the employer.

Also repealed was the Bantu Labour Act, under section 15 of

which a Black contract worker could be fined up to \$75 or jailed for three months if he refused to work or if he swore at his employer.

The *Durban Sunday Tribune* quotes a "spokesman for the Natal farmers" as saying that the scrapping of the legislation would make little or no difference in the province.

Ernie Regehr

The Borghese affair

Italy now presents the extraordinary spectacle of a minister of defence (Signor Andreotti) and a former chief of military intelligence (General Vito Miceli) calling each other names in public. Published accounts of Prince Valerio Borghese's coup attempt on December 7, 1970 get curiouser and curiouser, with a growing number of senior officers apparently implicated, and with General Miceli threatening to release still more details if what he regards as an attempt to use him as a scapegoat continues.

The weekly *l'Europeo* recently published the text of the communique that it is said the prince intended to broadcast had his coup attempt come off.

Nothing could better convey the sheer amateurishness of the whole affair; Borghese was going to appeal to "each region, each province, each city" to form "action groups" to support the coup. He apparently believed that, by taking over the interior ministry and the central studios of the state broadcasting network, and by neutralizing a couple of hundred left wing politicians and trade union leaders (with the aid of *mafiosi* specially hired for the job), he could capture the state — and that the whole industrial north would rally to the cause without a struggle.

All the same, it has now emerged that one of Borghese's assault squads did succeed in occupying the interior ministry in the Viminale Palace on the night of 7 December. That symbolic achievement raises the question: Could he have pulled off another "march on Rome"? Would the high command, as in 1922, have tolerated a fascist coup d'état that had no hope of military

success if it had met with resistance? The answer is of more than historical interest, since Italy's continuing political crisis, in the eyes of many observers, can result in only one of two things (apart from an indefinitely prolonged political muddle, which is not impossible);

(1) The integration of the Communist party into government, which the Communists have done everything to encourage by some quite extraordinary pronouncements, such as the declaration by the party's economic spokesman, Signor Luciano Barca, that it is not opposed to a market economy and would even contemplate denationalizing certain industries; or

(2) A right-wing takeover, which might in fact be provoked if the scenario came to pass.

There are a number of important questions about the Borghese affair that have still to be answered. These are:

(1) Why, if, as alleged, military intelligence reported the departure of Borghese's first units around 10 p.m. on 7 December, did it delay nearly four hours before notifying the police?

(2) Who was behind Borghese's decision, around 2 a.m. on 8 December, to call off the coup and remove his men from the Viminale Palace?

(3) What were Signor Andreotti's motives for releasing part, but not all, of the dossier that General Miceli prepared for him?

(4) To what extent have left-wing magistrates such as Signor Violante in Turin — said to be a member of the extremist *Potere Operaio* group — been using the affair to discredit conservatives in the armed forces who had nothing to do with it?

Britain votes for the 'good thing'

With inflation not so much running as borrowing a racing car and stomping the gas pedal at between 17 and 20 per cent, the British electorate somewhere, somewhere managed to borrow its bus fare to get to the polls on Oct. 10.

The results revealed that most voted for the party that conventional wisdom held would win, in order that there should be at least a majority government. Majority governments are considered by the British, who like reason, order and a sense of purpose, to be a *good thing*.

The whole pre-election scene was a cross between the mad hatter's tea party and the closing minutes of a fancy dress monopoly game. Swarthy gentlemen in flowing white robes were running about loaning the government billions of dollars and buying up the City of London; Scotsmen, no doubt in kilts and sporrans, were hurtling about trying to corner the North Sea oil fields; Welshmen were crying Plaid Cymru and maintaining that they own the supplies of fresh water for the entire island; on top of this were Colonel Blimp figures quietly organizing private armies for use in what John Tyndall, their leader, calls a "National Emergency".

Even amongst the politicians themselves, there seemed to be the same spirit of jolly gamesmanship, despite their gloomy predictions and calls for the Dunkirk spirit. Jeremy Thorpe, leader of the Liberal Party, was saying that he might be prepared to form a coalition with Harold Wilson's Labour Party, but never, no never, with Heath's Tories. Enoch Powell, the right-winger from Wolverhampton whose conscience had forced him to vote socialist in the previous election, retreated (victoriously as it turned out) to the scummy waters of Ulster protestantism. All this took place within the framework of Wilson's "social contract" — it was perhaps the only period in recent memory when nobody was on strike.

The business community was filing an ever larger number of bankruptcies, and the agricultural com-

munity was throwing its hands in the air and demanding that something, anything must be done. There was no one who was not raging about inflation.

— Britain is a country divided. The unions want enough money to keep workers' wages steady in real terms while business wants to cream the goodies off inflation. Mr. Wilson would like to go and live in No. 10 Downing St., which he feels is his rightful abode, but Mrs. Wilson won't go with him. The Conservative Party is divided about whether or not to axe Mr. Heath. The Labour Party, a conglomeration of ardent unionists, millionaire businessmen, academics and any other body who could not get himself elected on any ticket but Labour, is held together primarily by the need for unity.

In the midst of this a lot of people are getting shafted. Young married couples cannot afford to buy their own houses and have to put up with the poor quality rented housing that Britain offers, while trying to save up a deposit for a mortgage. Old age pensioners are getting about £ 27 a week with a Christmas bonus of £ 42 for a married couple and £ 27 for a single person, and shivering through the winter because they can't afford sufficient food or fuel to keep themselves warm.

Northern Ireland, in the middle of an undeclared civil war, costs the British taxpayers about a quarter of a billion dollars in military expenditures and social services, and the government seems unable to do anything except hold the fort until something better or worse comes along.

Faced with all this what did the voters do? They recognized that Heath had blundered in his handling of last winter's miners' strike. That kind of stonewall confrontation approach to labour grievances, a hallmark of Tory policy, just doesn't work any more in Britain, and the major campaign issue, inflation, was inextricably linked to labour relations. The electorate wanted an end to minority government, and the only major party which could hope to cope with the unions instead of

"standing up to them" was the Labour Party.

But it was the Scottish nationalists who really made gains. And they made them in Tory ridings, another assist for Wilson. With the discovery of North Sea oil the Scots find that they are in a strong position to make sure their interests are represented in the House of Commons. They have been successful enough that Wilson has said he will set up elected assemblies in both Scotland and Wales with limited powers of legislation — though it remains to be seen to what extent this will be only a sop to the idea of autonomy.

For the next five years Wilson is likely to be Prime Minister. What does he plan to do?

- produce a wealth tax to hit people who have more than a quarter of a million dollars.
- introduce yet another trade union and labour relations act to make it easier for strikers to picket. No news yet on how it's going to work.
- renegotiate the terms of Britain's Common Market membership and hold a referendum on the matter.
- eliminate sex discrimination.
- make law enforcement agencies stronger.
- The major plan, aimed at reducing inflation, is the nationalization of the aircraft and other top industries. At present the post office, railways, coal mines and steel industry are nationalized and, with the exception of steel, all lose huge sums of money and pay some of the shabbiest wages in the country — a pattern Wilson will have to break in any future nationalization.

In all, the British election, hailed as the most important and decisive in recent history, turns out to have decided the square root of nothing. The new post-election budget has initiated the same old gas hikes and luxury goods taxes that have failed to work before. The same men are running the show and the same huge trade deficits are regularly reported.

Andrew Brown

Promoters of Fundy Bay tidal power for export to the U.S. have a willing ally in Nova Scotia Premier Gerald Regan. The project would be larger than that at James Bay. Regan is also pushing nuclear power for Nova Scotia.



by
Ralph Surette

It's Nova Scotia's turn to be

THE 'POWER COW'

Back last April the jovial little Baron Edmund de Rothschild was explaining to the assembled faithful of the Halifax Board of Trade the four great milestones in the Rothschild fortune.

One occurred when the Rothschilds messaged ahead via carrier pigeon the news of the victory at the Battle of Waterloo and made a killing on the London stock exchange; another when they financed the British government's purchase of Egypt's shares in the Suez Canal; and another was Brinco and the harnessing of Churchill Falls in Labrador.

The fourth milestone is yet to come. It is the harnessing of the gigantic tides of the Bay of Fundy to create electricity for export to the United States.

Neither the little baron, in his frequent visits to Halifax, nor Premier Gerald Regan nor any of the other tidal power pushers have even bothered with the customary denials that

the power is intended for the United States. In the Maritimes, where nationalism, socialism and whatnot are generally denounced as parlour games of Toronto professors, such denials aren't really necessary.

Not too many people are likely to ask: if Rothschild gets the profit and the Americans get the power, what does that leave us?

Of course there is another overriding energy question afoot in the Maritimes which is more immediate than tidal power. This is nuclear power. Together, the two constitute a real double-whammy.

Premier Richard Hatfield of New Brunswick this past summer decided to go ahead with a nuclear reactor at Point

Lepreau near Saint John. Premier Regan dropped a shocker this fall when he announced that he would be deciding soon whether Nova Scotia will have a reactor. Until then it had been assumed that Nova Scotia would participate in the New Brunswick plant. Talks to that effect had already taken place.

Nuclear power is the one thing that has shown it can break the dazed numbness of the populace when it comes to mind-bending superprojects.

A Maritime Coalition of Environmental Protection Associations has been formed, led by two relatively sophisticated groups — the South Shore Environmental Protection Association of Barrington, N.S., and the Chaleur Environmental Protection Association of Dalhousie, N.B. This organization has gained a surprising amount of credibility despite its tough stand of categorically opposing nuclear power in the Maritimes under any conditions.

What the environmental groups are pamphleteering and publicizing are the hazards — getting more ominous all the time — of nuclear fission: problems of storing deadly plutonium wastes that do not break down, the possibility of a catastrophic radiation leak, and the destruction of marine organisms through the turbine cooling process.

Finally, amid many public statements by many people, someone came through with the question: why not develop the Fundy tides for the Maritimes' power needs and drop nuclear power altogether?

This turns out to be a not-so-simple question since it begs others: Why not solar power? Why not wind power? Why not coal-fired thermal energy?

Better yet: What are the Maritimes' real power needs?

It has suddenly become clear that none of these questions matter one whit. The governments of both Nova Scotia and New Brunswick are pushing nuclear, tidal and whatever else they can get their hands on as development projects, not as fulfilment of needs.

As far as "need" goes, that is simply calculated on the conventional power utility wisdom that power consumption inevitably doubles every 10 years, helped of course by advertising by the utilities. Or, as Les Kirkpatrick, president of the Nova Scotia Power Corporation put it, "We're not moving away from our desire to sell electricity." Presently Nova Scotia consumes nearly 1,000 megawatts of electricity — about 80 per cent of it coming from oil-fired generators — and New Brunswick a bit less.

If everything goes according to plan, the Maritimes will have a gigantic (up to 13,500 megawatt — or larger than James Bay in its original conception) tidal power project to supply the U.S. and will have nuclear plants to supply the domestic market (probably with a bit left over).

This is known as the "power cow" syndrome.

As usual, the phrase was coined in the U.S. Dr. Aaron Segal, a professor at New York's Cornell University, presented a paper to an energy hearing there in September calling for the construction of a string of Candu reactors in Canada as part of America's "Project Independence". This would keep the U.S. "energy content", and Canada should be happy to do this because it is a "huge power cow". He mentioned Quebec and the Maritimes as favoured sites.

The reason why this would be nice, of course, is that Canada's Candu heavy water reactor is the safest in the world, the professor said, anticipating by a few days a col-

umnist for the *Halifax Chronicle-Herald* who announced flatly that "Canada's Candu is the safest nuclear system in the world."

A few days after that the nuclear station at Pickering was discovered by the news media to have been shut down for months because of leaks of radioactive coolant. Ontario Hydro had been trying to cover it up.

Further, a Soviet scientist admitted at a convention in Detroit that the Soviet heavy water system is leaking like a sieve, yet another scientist defected from the U.S. Atomic Energy Commission to tell the world how dangerous atomic fission really is, and researchers for the Batelle Institute in the U.S. found that plants absorb deadly plutonium — the main waste material of nuclear plants — with "alarming efficiency", contrary to what had been believed before.

Segal didn't get much of a rise in the Maritimes of course. But if he had produced a fistful of billion dollar bills there would have been no shortage of takers.

In the fall of 1973 a long-simmering issue erupted in Nova Scotia. It was revealed that American interests, hassled by environmentalists in the U.S., were checking out the possibility of building an incredible complex of 12 nuclear reactors on Stoddard Island, off the southern tip of Nova Scotia, and piping the power to the U.S. via undersea cable. (*The Last Post*, November 1973)

The furore that ensued spooked the mysterious promoters off from presenting their detailed plan to government (it was on that issue that the South Shore Environmental Protection Association was formed) but not before Premier Regan had denounced opponents of it as "ecology nuts on high salary" and Kirkpatrick and other high government officials had come out in favour of it.

Likewise, when the Point Lepreau site was announced, a group of Chamber of Commerce types on the North Shore of New Brunswick complained they were being "ignored" in New Brunswick's nuclear future. Hatfield promised them a nuclear plant too.

The official mood is definitely that there should be a nuclear plant on every possible promontory, especially since the federal government pays half the shot.

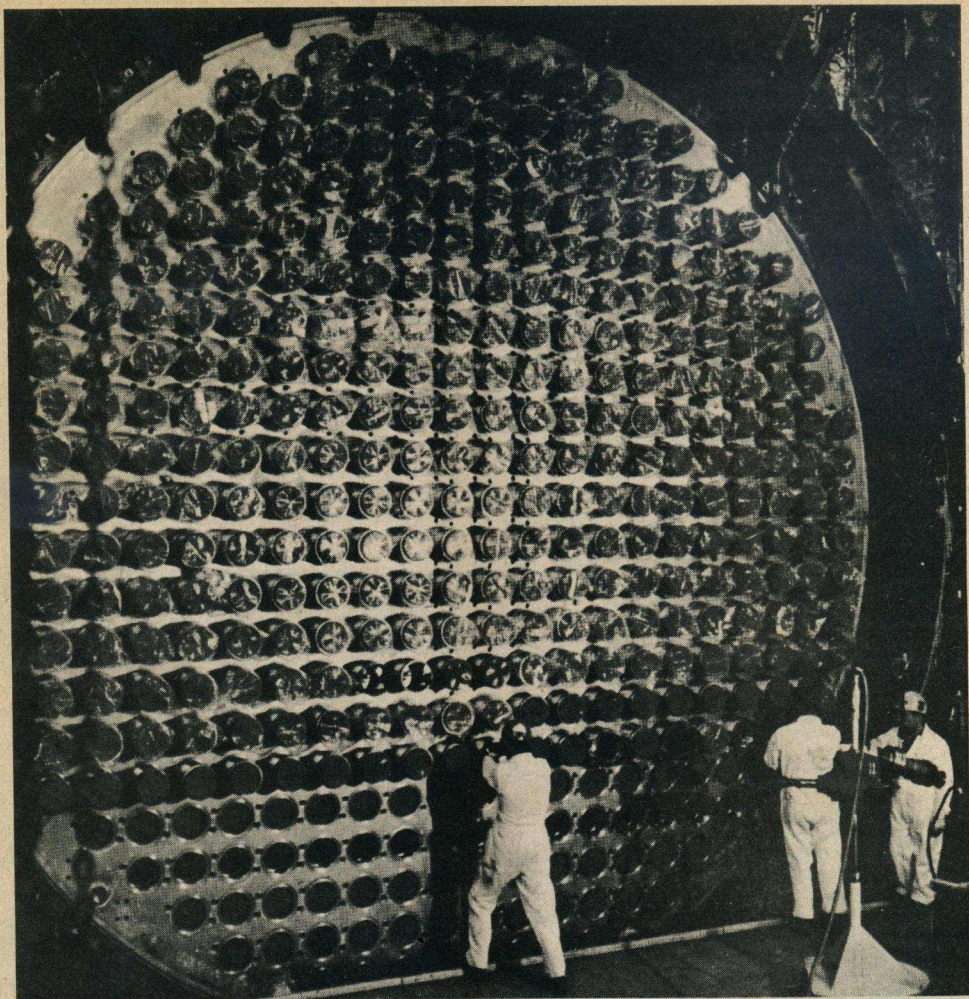
Where tidal energy enters the "power cow" theory is here: if tidal power is developed for export while nuclear energy serves the domestic market, it still amounts to Maritimers taking the nuclear risks while others get the power, no matter where the actual voltage that crosses the border comes from.

The politics of Fundy Bay tidal energy are as follows.

At this writing Energy Minister Donald Macdonald has in hand a federal-provincial committee report that apparently recommends a massive feasibility study of building the power dams on three arms of the bay.

This report updates an earlier cursory economic study of 1969 that concluded that tidal power was not economically competitive at the time. The rise in energy costs prompted the re-valuation that Macdonald has now, and which apparently says tidal energy now would be economical.

Macdonald is dragging his feet about releasing the report because the federal government doesn't really believe in tidal power. The federal government would rather see nuclear plants built, largely because of the international success of the Candu system but also because of the uncertain costs and enormous problems to be faced in a development which sim-



Nuclear reactor face at the Pickering plant near Toronto. Ontario Hydro tried to cover up leaks of radioactive coolant that shut the plant down for months.

ply has no precedent anywhere except one small prototype system at La Rance, France, and another at Kislayaguba, U.S.S.R., just north of Murmansk.

However, Macdonald and other high federal energy officials have conceded they will probably commission the huge feasibility study as a political favour to Premier Regan.

Before outlining the problems involved in construction of enormous tidal dams we might, to paraphrase Jesus Christ, give an image of Fundy tidal power.

Since the tides of the Bay of Fundy do not peak at the same time of day as human energy needs (running on a lunar cycle whereas energy consumption runs on a solar cycle), any

Fundy power project feeding the U.S. would have a problem in "re-timing".

What to do? Wash out the salt deposits of the bay — of which there are many — and fill them with compressed air with excess off-peak power and convert that air to electricity again when demand rises. This technology has been pioneered already.

This done "it would be possible to expand the energy capacity of the Fundy scheme either by an additional tidal development or by construction of nuclear plants in the controlled basin."

Far from science fiction, this opinion actually reflects cur-

rent thinking among some very notable promoters of the notion of building behemoth dams on the Bay of Fundy.

It is contained in a paper presented to a world-scale oceanographers conference held in Halifax in August. The authors are K. E. Sorensen and Charles MacLennan. They are vice president and chief engineer respectively of Harzda Engineering Co. of Chicago, one of the main companies in a consortium forming Tidal Power Consultants Ltd., based in Montreal, which both does consulting work on Fundy tides for government studies and promotes the development on its own.

As in most superprojects, the most visible aspects of Fundy tidal power have been the political and financial sides — with the politicians and financial backers blowing hot air about how great and how necessary the project really is.

There is generally a third and less visible group, however, whose influence may well be even more decisive than the others, seeing that it provides the studies which justify the political and financial decisions to go ahead.

These are the technical and engineering interests who, apart from wanting to turn a buck on such projects, appear obsessed with the idea of making bigger and bigger gashes in the earth — especially if the gashes are in Canada and the beneficiary is the United States.

Their passage at the Halifax conference, called *Ocean 74*, was appropriately unnoticed by the news media, since they speak low and in technical jargon and since their tidal computations, grid systems, long algebraic equations and "load curve" graphs for power demand in New England in 1990 do not give themselves readily to grabby headlines.

Other than MacLennan and Sorensen, there were papers presented by M. C. Swales of the Montreal Engineering Company, another company in the tidal power consortium; J. G. Warnock of Acres Ltd. of Toronto, a firm active in both the Churchill Falls and James Bay hydroelectric projects; Cameron O'Rourke of the Foundation of Canada Engineering Co. of Vancouver, plus several by British engineers presumably linked to the Rothschild interests. One of them, Dr. E. M. Wilson, professor of hydraulic engineering at the University of Salford, England, is a special consultant to the Montreal consortium.

(It might also be worthwhile noting a paper presented by one Dr. Gabriel Godin of the Canada Department of the Environment arguing in favour of possible tidal power at six sites at Ungava Bay in the Quebec Arctic, between Labrador and Hudson's Bay and just north of the James Bay power project watershed.)

The general theme of the papers on the Bay of Fundy was that tidal power's time has come, that arguments about its noncompetitiveness with nuclear power and thermal energy must give way to a more sophisticated "integrated" (with the U.S.) energy demand picture.

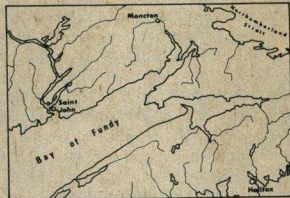
Since these same people will likely be involved in the feasibility study due to be reluctantly authorized by Macdonald, the conclusions appear to be quite predictable — go ahead no matter what.

The papers also flaunt the convenient myth of the La Rance dam — which is the tidal power promoters' handy little prop. Much like the giant oil carrying supertankers of today and tomorrow are seen by their builders as simple extensions of small freighters without taking into consideration the new elements which sheer size brings, so Fundy power is merely a bigger La Rance project.

La Rance is indeed a quiet little dam that does not disturb

TIDAL POWER CONSULTANTS

LIMITED



A consortium of Engineering Consultants specialized in the field of Power Generation from the Tides, is privileged to participate in Ocean 74.

Tidal Power Consultants Limited was formed in 1967 to carry out studies of tidal power on the Bay of Fundy for the Atlantic Tidal Power Programming Board. Subsequently TPC undertook a number of additional assignments related to the Bay of Fundy.

The Participating firms are:

ENGINEERING AND POWER DEVELOPMENT CONSULTANTS LIMITED

HARZDA OF CANADA LIMITED

MONTREAL ENGINEERING COMPANY, LIMITED

THE SHAWINIGAN ENGINEERING COMPANY LIMITED

For many years each of these firms has provided engineering services to the electric power industry in Canada and abroad.

TIDAL POWER CONSULTANTS LIMITED

P.O. Box 777, Place Saint-Jacques - Montreal, P.Q. H3A 1E1

The tidal power pushers were active at the Ocean 74 conference.

the countryside very much. It produces about 100,000 kilowatts of electricity — half what one Nova Scotia Power Corporation oil-fired thermal plant in the Halifax area produces. The Fundy project, if developed to the full, would produce nearly 150 times that amount of power.

The Fundy dams would have simply no precedent. The difference in tidal strength alone makes Fundy a wholly different ball game. The mean tide in the Bay of Fundy is 11.4 metres, two metres higher than the next best potential site at Bristol, England, three more than at La Rance and seven more than at the Russian project.

The 1969 report on tidal power — done by a federal-provincial outfit called the Atlantic Tidal Power Programming Board — investigated a number of possible sites for dams but rejected all in favour of three.

These are in the arms of the Bay of Fundy rather than in the bay proper. One would be in Cobeguid Bay which leads into a tidal estuary at the town of Truro, N.S., another would be on the Cumberland Basin which leads to Amherst, N.S., and yet another in Shepody Bay which becomes the Petieodic tidal river which flows by Moncton.

The technology would be largely the existing system of dam-building for river hydro projects. However, there would be numerous choices at different costs to increase generation. Generating electricity on a rising tide alone would be one thing. Generating on both tides would require massive extra construction. The question of reservoirs, off-peak power and other matters related to the tidal cycle would prove to be a great problem, although probably the engineers will be able to come up with a solution.

The problems to which the engineers have no solution —

and which they do not particularly want to talk about — are as follows:

● **TIDES:** The enormous tides of Fundy, which run up to 50 feet, are caused by the elongated shape of the bay. Question: would hydro dams, which would change the shape of the bay, also change the behaviour of the tides?

Since the dams would be placed to reap peak tidal force — or the point at which tides reach “resonance” — would the resonance point shift away from the dam once it is built?

Various tidal pushers have been working on computer graphs and the like to try to understand the tidal behaviour, but Dr. C. J. R. Garrett, an oceanographer at Dalhousie University, says that even with unlimited funds and time with which to study the matter there is no way in which the reaction of the tides can be predicted until the dams are actually in place. He has postulated that one effect of tidal dams on the scale foreseen might be to cause changes of several inches in tide behaviour as far down the coast as Boston.

● **MUD:** In 1969 a causeway was built at Moncton across the Peticodiac. Surprise: the Peticodiac silted up for several miles downstream to the point where it diminished considerably the force of the famous Tidal Bore.

At Windsor, N.S., a small causeway was built alongside the Avon estuary in 1970-71. Siltation was expected near the causeway. Instead the causeway area was scoured clean by the tides, and instead 30 feet of mud piled up in the middle of the estuary within two years.

Sediment content at the mouth of the Peticodiac is “an amazing two per cent” says Con Desplanque, a hydrology engineer for a government consultative group at Amherst, “and this is a rather disturbing amount for a hydroelectric complex.” Especially with 706 tides a year.

The muds gather generally behind obstacles — headlands, shoals, etc. Or tidal dams. The story of the ravages of siltation on river dams the world over (the reservoir of one in Texas silted up completely in 30 years) should make the promoters of tidal power shudder at the bright red muds of Fundy. But to date — not a word.

● **ECOLOGY:** The Bay of Fundy and its arms, bays and basins of water is a teeming — and unexplored — crucible of life. Biologists at Acadia University, doing preliminary surveys on bird life there, believe that the bay, and particularly Minas Basin with its miles of exposed nutrient rich mud flat at low tide, is the key link in the migratory chain on the eastern half of the western hemisphere.

Millions of birds stop over annually in their trek between the Arctic and South America. Migratory shore birds, says John Kearney, a researcher at Acadia, “stay a few days to a few weeks feeding intensely, building up fat reserves, before going on. Some of them double their weight in fat.”

The biologists believe interference with the tides might play havoc with this ecological pattern, which they insist is only a glimpse of the yet undiscovered life pattern of the Bay of Fundy.

Kirkpatrick of the N.S. Power Corp. says he understands that the report Macdonald has in hand recommends an ecology study, but only after the go-ahead for the project has been given. “There’s no point in studying the environment before you know if the project is going ahead,” says Kirkpatrick, who has an unusual aptitude for making revealing statements.

● There are other potential physical problems. One professor brings up the fact that the barnacles in the bay are the hardest in the world, having to withstand the most severe

tides. These might lodge in the turbines and create enormous difficulties.

The greatest problems of them all, however, may simply not be foreseeable. Throughout the world, the building of superdams have been dogged primarily by what was not foreseen.

Who would have thought that the reservoir of the Aswan High Dam in Egypt would never fill up? It seems that no one thought of the evaporation rate or the porous sub-desert rock structure. Who would have thought that the Mangla Dam in Pakistan would cause the salinity in the earth to rise with the water table, threatening enormous amounts of farmland (the Mangla, by the way, which cost \$600 million, is now expected to silt up completely within 50 years).

Fundy tidal power is not a river project. It will not create tropical malarial swamps. Yet the fact that there is simply no precedent for it merely augments the uncertainty.

And when things go wrong, it is a rare financier who puts up the dough himself when a resource project turns out to be a clinker. Invariably, it is the taxpayer.

What is going on in the Maritimes — that generally-ignored corner of Canada — is disturbing in the extreme.

Apart from the arguments against exporting power and getting ripped off by foreign financial interests, against gouging out the earth in increasingly huge chunks and accumulating deadly plutonium from now till doomsday, energy projects as large as the world has ever seen are being conceived in the Maritimes with no purpose in mind.

There is a question of energy need, since the Maritimes depend inordinately on oil-fired thermal electricity. However need — which is far from the primary consideration — is not even being considered by the Maritime governments.

Nor is there any idea of choice being discussed. Would a modest tidal proposal suffice for the Maritimes and eliminate the “need” for nuclear power?

Never mind. Build nuclear power now before the “ecology nuts” get going.

Since the question of need doesn’t really enter the picture, what arguments are being used by Hatfield and Regan to justify these projects? Well, none. In the Maritimes, if there’s big money involved, and jobs (short term and largely filled by outsiders in specialized tasks) it needs no justification. The evocation of bigness seems to suffice. The tradition of asking questions is pretty limp (the political opposition in both provinces has barely raised the energy question).

What it seems to boil down to more than anything is political machismo. If Hatfield has a nuclear plant Regan needs one too. How could Regan stand idly by and watch Hatfield being painted in the daily press as a two-fisted Chamber of Commerce hero striding ahead on the wings of nuclear power?

It would be nice to report that a strong extra-parliamentary opposition has the matter in hand. There is growing citizen opposition, but it’s not enough.

A little more attention from central Canada would be useful here. It would be denounced as outside interference by the political cliques, but the slightest intelligent questioning aimed this way has an enormous chance of catching some very reckless politicians with their pants down.

Ralph Surette is a regular writer for the Last Post, and is Associate Editor of the Halifax weekly, The 4th Estate.

Dr. Strangeoil

by
Larry
Pratt

Speaking at the University of Chicago in mid-November, U.S. Secretary of State Henry Kissinger harkened back to the rhetoric of the early 1950s to describe the gravity of what is still euphemistically called 'the energy crisis'.

"It is our liberty that in the end is at stake," Kissinger declared, "and it is only through the concerted action of industrial democracies that it will be maintained." The West is facing a "break-down of international order" comparable to the worst crises of the Cold War: "if current economic trends continue we face further and mounting worldwide shortages, unemployment, poverty and hunger. No nation, east or west, north or south, consumer or producer, will be spared."

Kissinger sees the crisis as "grave but soluble" — provided, of course, the rest of the world accepts U.S. leadership in dealing with high oil prices and the threat of economic anarchy. Central to U.S. policy is the need for "cooperative effort" by the advanced Western powers to: reduce their dependence on oil imports; develop alternate energy resources; stabilize the international monetary system; assist the poorest countries hard hit by high energy costs; and open up a dialogue with the OPEC oil producers on the matter of prices.

To the extent that this strategy is not so much a policy to deal with oil prices as to reassert American power it is not new, nor, given the nature of 'free world' rivalries does it seem likely to succeed in the long run.

On the other hand, the architects of the policy are not men to be lightly dismissed.

• • •

"The United States simply cannot afford an ever-increasing over-dependence



for its oil supplies on a handful of foreign, largely unstable, countries. Otherwise, its security — and that of its allies — as well as its prosperity and its freedom of action in foreign policy formulation will be in jeopardy."

This is the lesson drawn from America's growing supply/demand crisis by one of her most influential authorities on energy: New York oil consultant Walter J. Levy. Levy's impact on U.S., indeed world, energy policies and practices spans six American presidencies — Truman through Ford — and his approach to past and current issues has been so representative of official thinking that his views deserve wider circulation. Canadians have particular cause to be interested in Walter Levy.

Levy was described by *The New York Times* in 1969 as "unique", the "dean of oil consultants", and "the confidant of presidents, shahs and sultans". The newspaper noted that "there are few, if any, major oil controversies in which Mr. Levy has not acted as a consultant." He has worked "as an advisor to most of the major oil companies, most of the important consuming countries and many of the large producing countries. He has worked on all sides of the powerful and sensitive oil industry without losing a reputation for objectivity. Countries have asked for Mr. Levy's opinion even though they were completely aware that he was a consultant to the companies with which the particular nation was negotiating." Levy himself believes that his success derives from his "impartiality".

The son of a Jewish Hamburg lawyer, Levy fled Nazi Germany in 1937 and subsequently emigrated to the U.S., landing a job with the Office of Strategic Services, the CIA's predecessor, where he worked on wartime oil strategy. After the war he opened his own small consulting firm at 30 Rockefeller Plaza, New York, and began building the extensive network of contacts which soon carried him to the very centre of the U.S. corporate and diplomatic establishment.

Two decades later, after serving on

in the tar sands

special missions to Iran (at the time of the CIA overthrow of the Mossadegh regime), the Middle East, Indonesia and Europe for the State Department, the then-Secretary of State Dean Rusk awarded Levy a special plaque inscribed: "In grateful appreciation for your invaluable contribution to the welfare of the United States."

Unquestionably, he earned it.

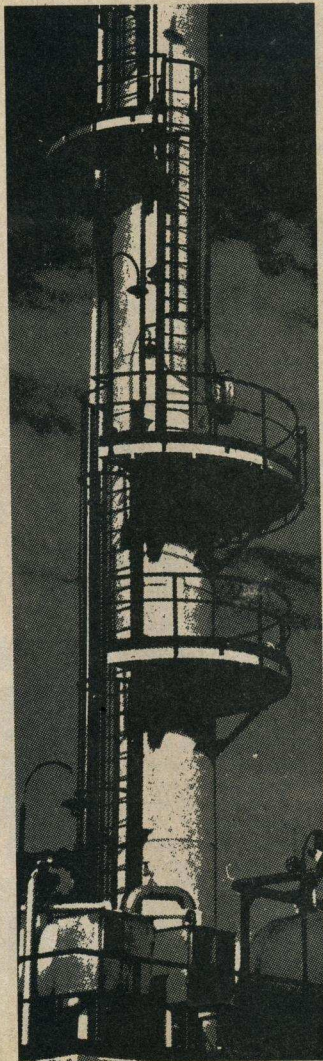
At one time or another, often simultaneously, Levy's consulting firm has worked for the eight major oil companies, the United Nations, the World Bank, the European Economic Commission, and the governments of many producing and consuming areas, including those of Canada and Alberta.

Levy played a major role in switching post-war Europe from a coal-based to an oil-fired base, thus unwittingly creating the conditions for the OPEC oil producers to rise to power.

His earliest contribution to Canadian energy policies came in the late 1950s when his company consulted for the Borden Royal Commission — "thinking through an oil policy for North America," as he put it. One source knowledgeable about Levy and his work states that the details of Canada's 1961 National Oil Policy — which divided the Canadian oil market at the Ottawa Valley, reserving all points west for domestic producers and the eastern market for imported Venezuelan crude — were worked out in Levy's New York office.

The story has the ring of authenticity, if only because of the nature of the compromise. Essentially, Canada's oil market was arranged to accommodate the interests of Standard Oil of New Jersey and U.S. foreign policy in Latin America (the U.S. wanted to avoid political unrest in Venezuela by reserving eastern Canada for Venezuelan oil production). Levy has never deviated from the position that a continental approach to energy is sound economic and political strategy for both the U.S. and Canada. More of that later.

Levy is probably best known for the



rather dubious advice he has tendered to developing countries interested in searching for their own oil. One of his firmest beliefs, consistent with that of his clients in the private sector, is that energy exploration and development should be left to the experts of the oil industry and that governments should not become directly involved in the hunt for oil.

Time magazine recalled how in 1959 Levy dissuaded Indian Prime Minister Nehru from getting into the oil business. "Said Levy: 'For every oil well you drill, 1,000 Indians will have to go without an education. Your resources are inadequate to do everything you want. So let foreign interests do the drilling.' Levy's advice helped to temper Indian policy," remarked *Time*. Not too surprisingly, the foreign interests never found the oil, India remained dependent on imports from the Mideast and is today near bankruptcy because of that dependence.

Levy's analysis of the present power shifts in global energy and his proposed solutions — outlined in recent gloomy pieces in establishment journals such as *Foreign Policy* and *Foreign Affairs* — provide some important clues for understanding the thrust of American policy. Without a doubt, Levy is the principal source of inspiration for that policy.

Levy's deep gloom about recent events in world energy stems from a series of related concerns. First, the U.S. is increasingly dependent on the oil-producing nations of the Middle East, a trend which poses a serious threat to American security and U.S. foreign policy. Second, the massive increase in the cost of oil imports imperils the balance of payments position of every consuming nation and the stability of the international monetary system. Third, the accumulation of tremendous financial reserves in a few Arab hands, and the refusal of the oil producers to "recycle" these reserves (put them back in responsible hands) could severely disrupt world money flows and even pitch the advanced industrial nations into depression.

What troubles Levy and other U.S.

policy-makers above all is the fear that the Arabs might use their new wealth to buy out key American companies such as General Motors, Chrysler, Gulf, etc., and force the U.S. to nationalize those firms.

"It is most unlikely," writes Levy, "that the United States, or any other developed country, would permit continued massive foreign investments on a scale that could conceivably result in foreign takeovers of important companies or industries." Levy is not likely to give this particular piece of advice to his Canadian clients. (Incidentally, if the Arabs decide to take over key U.S. industries, they would thereby become the owners of much of the Canadian economy.)

Finally, Levy worries that the major international oil companies have lost much of their power over price and production and are no longer able to bargain for the interests of the consuming nations; the oil companies are heading into partnership with OPEC, as Levy reads the trend.

Now all of this adds up, in Levy's highly political analysis, to a fundamental threat to the interests of the U.S. and the rest of the "free world". His prescription for saving western civilization involves a set of measures designed to enhance the bargaining power of the consuming nations and the large oil companies and, ultimately, to bring the major oil producers into the mainstream of western economic life. Unlike some other Americans, notably Sen. Henry Jackson and Prof. Maury Adelman of the Massachusetts Institute of Technology, Levy does not advocate a policy designed to destroy OPEC. Consistent with his reputation as a realist able to confront unpleasant facts, Levy's position is that the U.S. and its allies should simply make good capitalists out of the Arabs and the other producers. But this requires that the consumers first present a common front.

In Levy's call for "a co-ordinated Atlantic-Japanese energy policy," termed by others an "energy NATO", can be seen the rationale behind the founding of the International Energy Agency and the proposed 10-year energy sharing agreement among the U.S., Canada, Japan, the E.E.C., and Norway. The short run emphasis of the agreement is on joint management of shortages during another embargo, but it would also establish a "permanent framework" for consultation with oil companies on international oil trade and

would aim at promoting energy conservation and development of alternative energy sources, to reduce dependence on imports.

Without a program of austerity and conservation, Levy argues, the consuming nations are risking financial disaster and political blackmail. As for the oil companies, they must adapt themselves to the inevitable: there will be more government regulation and involvement in their activities. Yet, there will be plenty of opportunity for a good return for companies willing to make the transition.

An Atlantic-Japanese energy policy would encourage and guarantee investment in the hunt for new oil and the development of unconventional energy supplies such as oil shale, tar sands, gasification and liquefaction of coal, and nuclear power. Levy is especially interested in strengthening "North American domestic supply" and in coordinating the energy supplies of Canada and the United States. Provided all energy consuming nations cooperate, under U.S. leadership of course, and measures are undertaken to integrate the western and Arab economies to the degree that oil embargoes become self-defeating, it should eventually become apparent to OPEC that it is in the interests of both producers and consumers that the price of oil fall to a less dramatic level.

Walter Levy is not called "the Kissinger of oil" for nothing.

In view of all this, it should come as no great surprise to learn that Levy's firm is currently receiving \$60,000 a year from Alberta to advise the Lougheed government on international energy developments. Early in 1973, at a moment when Lougheed and the consortium of U.S. oil companies known as Syncrude Canada Ltd. were negotiating terms for Syncrude's billion-dollar tar sands development, Levy presented the Alberta Cabinet with his report on "North American Oil Balances: Considerations Relevant to a Tar Sands Development Policy."

Lougheed's civil service was at that time advising a tough policy toward the multinational oil companies and a highly cautious pace of tar sands development (see *Last Post*, Nov. 1973). The civil servants' advice was emphatic about the need to maximize benefits in Canada and to reduce the heavy social, economic and ecological costs which would ensue from rapid development.

Levy's report argued precisely the

opposite. From the standpoint of both U.S. and Canadian policies, he advised Lougheed, "there is an advantage to moving early and rapidly to develop tar sands production. For the United States, early development of the tar sands could contribute to the availability of secure North American oil supplies over the critical period before its own long-run efforts to develop conventional and synthetic oil might begin to pay off. For Canada, the establishment of early and substantial volumes of tar sands production could be essential to maintenance of Canada's export potential."

Unless the tar sands were developed rapidly, Levy warned, the Colorado oil shales might be brought into full production instead. "Pushing ahead now" would keep the tar sands ahead. Another bit of advice: the major international oil companies alone have the technical capacity, size and access to markets to do the job — from Nehru to Lougheed to you.

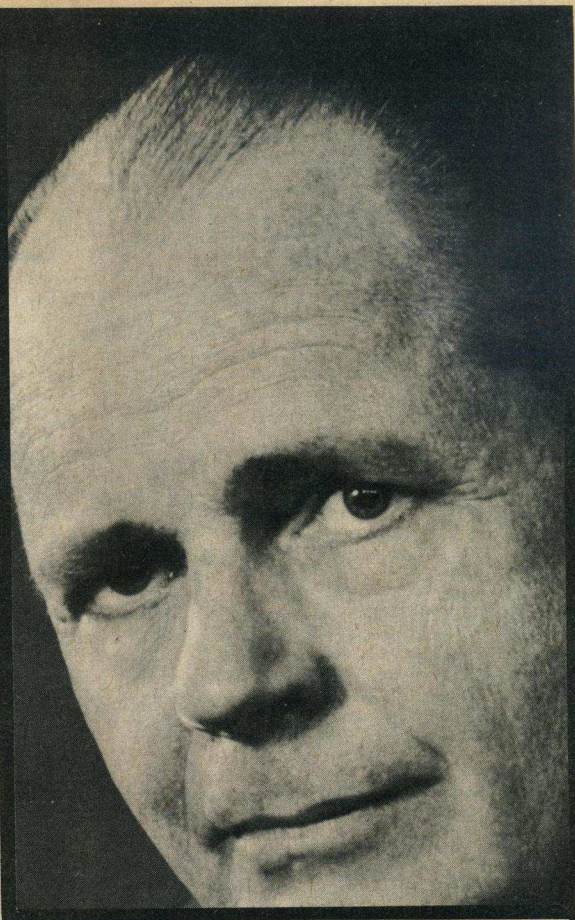
It seems clear that Levy's warnings about the possibility of the tar sands being "bypassed" unless they were brought into rapid, full-scale production were uppermost in the minds of Peter Lougheed and his colleagues as they negotiated Syncrude's terms. "It is critical that Plant No. 2 (Syncrude) get under way," Lougheed later told the Alberta Legislature. "Otherwise we can lose the lead which we now have of perhaps four to five years over the Colorado oil shales. Also nuclear energy could render obsolete, and as a useless asset, the Alberta oil sands and the history of all that is involved." It was this pattern of thinking on the government side which permitted Syncrude to dictate its incredible list of terms, conditions and concessions for going ahead. But then most of Levy's solutions seem to work out that way.

Canadians depressed by the prospect of their federal government plunging into Levy's Atlantic-Japanese energy strategy while Alberta stampedes into the tar sands on the oil industry's terms can, however, take consolation in one bright note. Should the day ever come when we do decide to get ourselves a national energy policy, we can always hire Walter Levy to sell it to the United States.

Larry Pratt teaches politics at the University of Alberta. His book on the tar sands will be published in early 1975 by Hurtig.

**MR
MCDUGALD'S
BUSINESS**

BY HENRY AUBIN



THE FOOD COMPLEX

Henry Aubin is a reporter for the *Montreal Gazette*, where this article first appeared as part of a series on "The Food Myth". We thank the *Gazette* for permission to print this story in slightly amended form.

Canada may not have its Rockefellers or Vanderbilts, its Howard Hughes or Aristotle Onassis.

But it's got John A. McDougald.

Few Canadians have ever heard of this 66-year-old native Torontonian. And that, according to close associates, is just the way he wants it.

Unique though he is in his own right, McDougald is perhaps the ultimate example of the little-known people who share control of Canada's food industry — together with other areas of the nation's economy.

To start with, he heads a holding corporation which:

- Controls Dominion Stores Ltd., which has more than twice as many supermarkets as any other chain in Canada.

- Controls Canada's second largest baking company, General Bakeries Ltd.

- Controls Canada's largest manufacturer of agricultural machinery, Massey-Ferguson Industries Ltd.

- Controls, through Hollinger Mines Ltd. and related companies, Canada's largest holdings of iron ore.

- Controls Canada's largest diversified manufacturer in the paper, packaging and construction materials field, Domtar Ltd.

- Controls through Standard Broadcasting Ltd., two of Canada's largest-audience radio stations. A station executive calls CJAD "first in advertising revenue in English Montreal and CFRB (of Toronto) first in Canada — by miles."

To be sure, McDougald does not control these firms single-handedly. He acts together with a small group of interests who control the holding company, Argus Corp. Argus holds the controlling portion of stock in these other corporations.

One of his better-known associates is Maxwell C. G. Meighen, son of the late prime minister Arthur Meighen and uncle of the current president of the Progressive Conservative Party, Michael Meighen.

The late trade minister in the Diefenbaker government, M. W. McCutcheon, was another close associate. A former general manager, McCutcheon tried for the PC leadership in 1967.

Another associate — alive but no longer very active in Argus — is famed financier E. P. Taylor, who now spends much of his time in the Bahamas. Taylor organized Argus in 1945 with McDougald and others.

But it is McDougald who has been basically running things at Argus since the mid-1960s. He is board chairman and president and it is at his desk in Argus' old-fashioned, three-storey Georgian stone headquarters in downtown Toronto — there is no sign outside or other external indication of what it is — that the buck for much of Canada's food supply system stops.

One individual holds the following jobs: chairman of the executive committee and director of the company making machinery cultivating and harvesting much of the food we eat (Massey-Ferguson), and cooks it (General Bakeries); director and member of the executive committee of the company, which supplies packaging for shipping it and cellophane and kraft paper for wrapping it (Domtar); chairman of the firm which helps advertise it (Standard Broadcasting); and chair-

man and executive committee chairman of the chain whose 393 Dominion Stores sell more of it than anyone else.

Does this mean these units within the Argus complex form a closely-knit, co-ordinated mechanism wheeling and dealing largely within itself? No, with the exception of General Bakeries, which is a subsidiary of Dominion Stores and cooks much of its private-label bread, the Argus complex appears not to be what economists call a "vertically integrated" network with products of one unit channelled mostly into another company and so on back and forth.

One Argus associate says: "There may be marginal spillovers between companies. But I don't think there are any combinations or restraints of trade."

Nonetheless, the various corporations under Argus seldom act at cross-purposes towards one another, he acknowledges.

Companies in which McDougald is active control a remarkable amount of their respective markets and, combine or not, comprise an economic force of multi-national dimensions. Massey-Ferguson, for example, sells to five other continents and calls itself the world's second-largest manufacturer of agricultural machinery.

McDougald refuses to answer any questions from the press.

Five days after an interview request was made to his office, his personal secretary replied that McDougald had turned it down.

"Mr. McDougald," she said, "is not particularly keen on personal publicity."

"To my knowledge he has never accorded a personal interview," said the secretary, Miss Evelyn Young. "He really doesn't care too much about it."

Many of his fellow directors at Argus are equally reluctant to discuss him or the company.

Says one of McDougald's fellow luncheoners at the exclusive Toronto Club: "I've always been dumbfounded by the little publicity he gets. He represents an agglomeration of financial influence which is not widely appreciated."

His obscurity extends even within industry itself. The Canadian president of an oil company said, when McDougald's name came up in conversation: "I don't recall hearing the name before." And a veteran financial columnist in Canada said: "Who's he?"

His influence extends well beyond Argus.

McDougald is, among other things, the senior director of the U.S.-based Avco Corp., a 16-unit conglomerate. One Avco company is the U.S.' second-largest consumer finance firm and is also very active in Canada. Avco also ranked as the 12th largest military contractor during the peak of the Vietnam war, according to a spokesman. The firm still makes munitions, missile nose-cones, lasers and parts for military aircraft.

Avco's New Idea Farm Equipment Division sells specialty agricultural machines to the Canadian market. The manager of *Canadian Farm Equipment Magazine*, John Platt, estimated that Massey-Ferguson ranked third in sales in Canada and Avco 10th.

Avco sells about 10 different types of farm machines in Canada which Massey-Ferguson also sells. (These include combines — prices for which range today beyond \$30,000 — as well as corn harvesters, forage harvesters, manure spreaders, corn pickers, garden tractor attachments, field and rotary mowers and corn header attachments.)

Avco did not answer inquiries on the overlap, but Platt estimated the overlap would entail a "large proportion" of



From Argus' old-fashioned headquarters in Toronto, 'Bud' McDougald controls much of Canada's food supply.

Avco's total farm machinery production. A Massey-Ferguson source said as much as 20 per cent of its own production here would overlap.

According to this source, Avco manufactures a large piece of machinery for Massey-Ferguson which is sold under the latter's brand name.

The machine is a hay tender. Pulled by a tractor, its nine-foot-wide blades cut hay, and the machine then rakes the hay and airs it. Massey-Ferguson sells it to dealers for \$2,850, according to this source, and it has a retail price to farmers of \$3,750. He said there is "very, very little difference in list price to the Avco model — last time I checked Avco sold its for \$60 less."

"There are some slight differences in the machines," says this Massey-Ferguson source. "But unless you are a connoisseur you can't tell them apart."

Asked if there was any conflict of interest for McDougald to serve simultaneously as senior director of Avco and chairman of Massey-Ferguson's executive committee, an Avco spokesman at Greenwich, Conn. headquarters replied:

"There is no material conflict of interest. You may ask why. We believe there is a very minor overlap in product lines."

Asked about the competitive relationship involving inter-company manufacturing arrangements, the spokesman, Thomas F. Pelandini, replied: "We produce equipment for Ford too. What difference does that make? And General Electric makes things for us that we sell under our own name."

Other Avco products in Canada range from Carte Blanche credit cards to records (Gordon Sinclair's "The Americans" was on the Avco label), to such popular movies as "A Touch of Class", "Carnal Knowledge" and the Hercules series starring Steve Reeves.

McDougald is also board chairman and executive committee chairman of Avco of Canada Ltd., which makes cooking equipment.

But this is small game compared to McDougald's influence in the financial world.

For many years he has been a director and executive committee member of the nation's second-largest bank, The Canadian Imperial Bank of Commerce. His title, however, does not reflect his power, according to observers.

"It would be going out on a limb to say Mr. McDougald actually controls the bank," says one well-placed source. "but it would be safe to say he is the senior and most

influential director."

"And in addition he's got that whole gang in there with him."

The reference is to three other Argus directors who are on the bank's 63-member board. They are: A. A. Thornbrough, also president of Massey-Ferguson; George M. Black, a business consultant; and A. L. Fairley Jr., also chairman of Domtar's executive committee.

In addition, McDougald "does control" the Crown Trust Co., according to this word-conscious source. McDougald is the company's former president. Since enactment several years ago of a law barring the same person from holding directorates in a bank and trust company simultaneously, McDougald is now only listed as chairman of the firm's Toronto advisory board.

But seven of Crown Trust's 20 directors also serve either as directors of Argus-controlled companies or of Argus itself.

Non-Argus food corporations also have close ties to the same financial institutions. For example:

- The vice-president of Crown Trust, James L. Lewtas, is a director of two of Canada's major food firms, Maple Leaf Mills Ltd. and Salada Foods Ltd.

- A vice-president and director of the Canadian Imperial Bank of Commerce, John D. Leitch, is president of the company (Upper Lakes Shipping Ltd.) which controls Maple Leaf Mills as well as a director of Maple Leaf Mills. He is also a Massey-Ferguson director.

- A vice-president and director of the Canadian Imperial Bank of Commerce, W. F. McLean, is vice-president and director of Canada Packers Ltd., the country's No. 1 food supplier. Canada Packers holds 500,000 shares of common stock in Dominion Stores. It is also a prime — if not the prime — supplier of brand name and private label meats, poultry, processed fruits and vegetables to Dominion. It also stocks Dominion with private label cheese, butter, mixed nuts and peanuts — and gets many of its brand name counterparts stocked there too.

The Canadian Imperial Bank of Commerce is the principal

LIKE A SOUTHERN ANTE-BELLUM MANSION

by Henry Aubin

John Angus McDougald, who controls a large segment of Canada's food industry, keeps a deliberately low profile in public, but is no loner industrialist in the Howard Hughes mold.

Among his wealthy peers in Toronto and cities around the world from where he oversees his far-flung international holdings, McDougald is known as a very sociable gentleman of the old school.

"He's a marvelous raconteur," says one admirer. He's a very traditional figure — reminds you a bit of a businessman of the 1930's."

At his winter home in Palm Beach, Fla., where he spends about half the year, he is said to receive numerous celebrities. "He knows everybody — Nixon, King Faisal, Prince Phillip. I think he knew Joe Kennedy," says one Torontonian. He is also a member of the advisory board of the First National Bank, Palm Beach, which enjoys a reputation as a "miniature Switzerland."

He has been married since 1934 to the former Hedley Maude Eustace Smith, a Toronto native like himself. The couple, who have no children, maintain a home, "Green Meadows," in Willowdale, a suburb of Toronto.

The mansion — a Southern, ante-bellum home with white pillars in front — is actually eclipsed by the garage complex. It has about 25 cars. These include four Rolls-Royces — one of

them a 1913 "Silver Ghost" which a fellow collector calls "one of the most valuable Rolls in existence — it is beyond price." His fifth Rolls, a three-year-old "Phantom Six", is in London.

For just driving around town McDougald favours Cadillacs. He has three or four of them, "and he's getting a couple of new ones when the '75s come out," says a close friend. Most of the other cars are antiques which make the fleet "probably the finest private collection in Canada."

How much is he worth?

Estimates can start at \$200 million, says one source, who speculates it might be several times that.

Despite his public obscurity, "Bud" McDougald's list of clubs in *Who's Who* shows an inclination for the social world. He is president of the Toronto Club, a prestigious businessman's club. He is governor of the Everglades Club and a director of the Bath and Tennis Club, both of Palm Beach.

He is also a member of the Mount Royal Club of Montreal; the North Hunt, the Eglinton Hunt Club and the York Club, all of Toronto; Buck's Club and Turf Club, both of New York; The Seminole Golf Club, of Palm Beach, and the Rolling Rock Club, of Ligonier, Pa.

He is a director or executive officer of more than 25 companies.

He was born March 14, 1908, the son of a stockbroker and educated at Upper Canada College and St.

Andrew's College. He was associated with the Dominion Securities Corp. from 1926 to 1945, leaving the firm to form with E. P. Taylor a partnership, Taylor, McDougald & Co. Argus Corp. was formed the same year.

Says a leading Montreal investment adviser: "He's a very, very conservative gentleman. Basically he doesn't like to change anything."

This analyst calls the Argus Corp., the holding company which McDougald heads, an inefficiently-run outfit. His main criticism is that its board of directors is composed largely of the officers of the companies it controls.

"A holding company should never have as its directors the heads of its subsidiaries. You don't want to get too close to your people. If someone isn't doing well you want to fire him. How are you going to fire someone if you are too close to him?" he asks.

Says a well-placed Toronto businessman: "McDougald is cautious but not immobile. Frankly, Argus is a government of old men."

A fellow member of the Toronto Club calls him "a forceful personality with extreme powers of concentration — an almost feline personality."

For all his sociability, he neither drinks nor smokes.

Politically, he is known for his conservative views. While he is said to favour the Progressive Conservative party, there is no evidence of substantial participation in politics.

"He's no Paul Desmarais," says one

bank for both Canada Packers and Dominion. Company records for last March 27 show Dominion, for example, had an outstanding loan of \$7,468,000 from the Commerce Bank.

Two Commerce vice-presidents, Canada Packers' McLean and Maple Leaf's Leitch say there is no basis for assuming McDougald or Argus-controlled companies have any special clout in the Commerce, though the latter often do considerable business with the bank.

Asked if Argus had considerable influence on the Commerce board, McLean replied, "Certainly not. I'm not even going to attempt to comment on that. You'd have to ask an officer [of the bank]."

Asked if he, as a vice-president, were not an officer, McLean answered: "I'm a non-managerial vice-president."

Leitch, a Massey-Ferguson director, said he was unfamiliar with Argus' representation on the board. "Just off-hand," he said, "I don't know who they [Argus] have on the board."

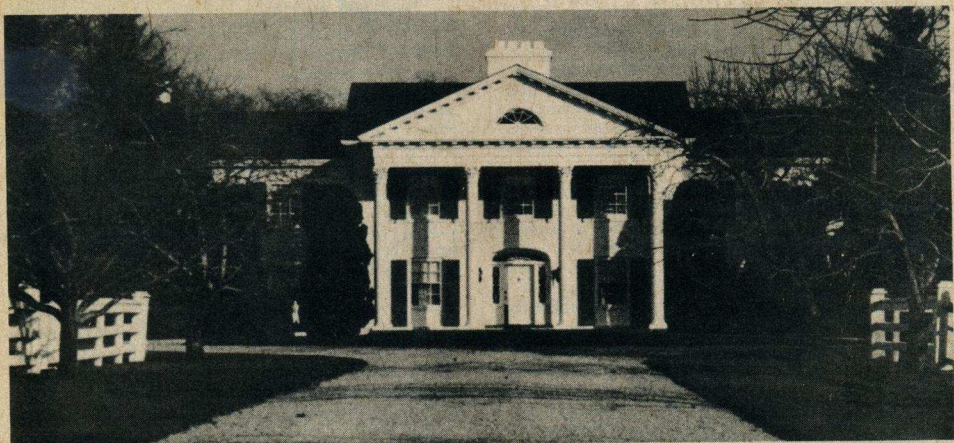
Interlocked firms and agribusiness

Argus may be an exceptionally powerful complex, but its ability to interlock numerous firms and interests reflects a tendency in agribusiness as a whole.

It is, say some economists, one of the reasons the large, well-connected food firms are getting larger — not in addition to the smaller, less well-connected firms, but at their expense.

Analysis shows that the same interests which control the food supply system often have positions of influence in real estate and development companies and the financial institutions.

Such connections and clout give the companies possessing them added advantages in squeezing out smaller competitors. The reason there is less price competition in food today is that



McDougald's posh estate boasts four Rolls-Royces, three or four Cadillacs and a fleet of priceless antique cars.

Toronto businessman, referring to the politically active head of Quebec's Power Corp. "But I think he's more influential in business circles in Toronto. In fact I can't think of a more influential businessman in the country — my God, look at the leverage those companies he controls gives him."

Some businessmen who do not know him have the impression McDougald is an aloof figure, interested in sports and living in Florida half the year and not that intent on the firms he heads. But this view is disputed by some who know him personally. They say he is very attentive to the overall affairs of most companies if not to their detailed operations.

At Dominion Stores, where McDou-

gald has been board chairman since 1958, Mitchell L. Wasik, an executive officer, comments: "Mr. McDougald is very active and management is always in touch with him on major policy decisions. He is a very active chairman."

Though the public sometimes believes one can have control of a company only by owning 50 per cent of the stock, holding companies like Argus show control may be obtained with as little as 15 per cent.

In his 1965 book *The Vertical Mosaic*, John Porter notes: "The techniques of gaining control are simple: They are to acquire minority control by buying up enough shares to out-vote any other combination of shareholders,

and thus to elect Argus directors to the boards.

"For Argus 10 to 20 per cent of the voting stock is sufficient to ensure the election of four main Argus partners to the board, and, in most cases, to the executive committee.

"By issuing stock in its own name, but ensuring that a substantial minority of it is retained within the group, and by raising capital by nonvoting preference shares, it is possible to control, with comparatively little capital, such an extensive industrial empire."

Today the assets of Argus-controlled companies total several billion dollars. Domtar alone has assets of half a billion dollars and Massey-Ferguson has \$1.25 billion.

there are few companies competing. But why?

"... it is now recognized that this is not the age of the small man. But there is still a lingering presumption among economists that his retreat is not before the efficiency of the great corporation, or even its technological proficiency, but before its monopoly power," John Kenneth Galbraith notes in *The New Industrial State*.

One example of how this monopoly power works is to see how Quebec based Steinberg's supermarkets work in combination with their real estate subsidiary, Ivanhoe Corp. Ivanhoe has bought up some 30 properties, mostly in outlying areas and developed them as shopping centres as the population moved into these areas.

It then allows up to five competing department stores or seven jewellers to lease stores — at Place Versailles in Montreal's east end — but never more than one supermarket. And that supermarket always belongs to the parent company, Steinberg.

Bernard Turcot, executive secretary of the Quebec Wholesale Grocers' Association which represents independent stores complains that this creates "captive markets", legal of course, but effectively preventing smaller grocers from participating in the growth of metropolitan areas.

But the most important connections for a food company — whether engaged in production or retailing — are the ones with the financial institutions: the banks, the trust companies, investment companies and the others whose extension of credit can make the difference between the firm's growth or death.

Some food executives say that if a company has one of its directors sitting on the board of directors of a bank or other financial institution it may often facilitate the flow of credit to that company. And the ability to get credit, they say, is the largest single factor in the ability of many companies to grow, and even survive.

Says a director of one successful medium-sized processing firm: "The fact is, many of the smaller companies are not getting the financing they need. I can list you half a dozen or a dozen packing companies here in southern Ontario which have gone out of business the last few years largely because of trouble with financing — trouble with the banks mostly.

"Oh sure, there was some bad planning, too, on the part of some of those companies. But I'd say that banks are a key factor in the concentration of this industry."

Adds a director of another middle-sized Ontario packing company: "Because cash flow in the food business is so damn irregular — bam, in two weeks out of 52 you do all your business on one crop — financing is especially important.

"Just for my company to keep even with last year I'm going to need 20 per cent more money than last year — because of inflation and higher interest rates. I'll get the money, I have ways, but the smaller fellows are having trouble."

He continues: "The smaller company is competing for that money with the large company — and the large company is quite obviously going to get the prime rate (of interest) from the financial institution. The bigger the borrower, the lower the rate."

Would the larger company's interlocking directorates with the financial institutions give it an added advantage?

"Definitely," he replies.

Interlocking directorates are one of the least understood aspects of big business today. Even those who know what



The Toronto Club: behind a grimy exterior, McDougald and his colleagues dine well.

photo: Doug Hamilton

they have all kinds of views: Either they are very important or they are irrelevant. Dispassionate observers say that probably both views can be true depending on the companies and the personalities involved.

An interlock occurs when the same individual sits on the board of directors of more than one company. It is a common, legal practice — less restricted in Canada than in the U.S. It raises questions only when such chummy ties could lead to behind-the-scenes deals with a weakening effect on competition.

William Robbins, a *New York Times* reporter writes in his 1974 book *The American Food Scandal*: "It is not only that the director of one company serves on the board of another in the same or a related industry; the larger significance is that the directors he meets on each board often serve on several others where fellow members, in turn, have broad and intertwined agribusiness ties.

"It is a succession of interlocks that becomes finally like some monstrous tangle of jungle vines, almost impossible for regulators to hack through and impenetrable for the consumer.

"More than anywhere else, all those interests come together on the boards of the big banks, whose doors are always open to the corporations but often closed to the grower of more modest needs."

To take a quick plunge into how it works in Canada, here goes:

Take the largest bank, the Royal Bank. It has a double interlock with one of North America's largest food firms, Standard Brands Ltd. The two directors who sit on both companies' boards are:

- The Royal's board chairman, W. Earle McLaughlin. He holds more than 20 directorates, and one of them is with a part-time competitor of Standard Brands, the Ralston Purina Co. The two corporations are among the top manufacturers of pet food, a booming field which already ranks ahead of baby food and snack food sales combined, according to the trade journal *Progressive Grocer*. He is also a director of the Power Corp., which holds a 10 per cent interest in Argus.

- Frank M. Covert, president of Ben's Ltd., a Halifax

producer of bread and baked goods. He is also a director of National Sea Products Ltd., one of Canada's largest fish processors.

Both companies, as well as the Canadian subsidiary of Standard Brands of which he is a director, do most of their banking at the Royal.

McLaughlin's bank has a close but informal relationship with the Montreal Trust Co. (sometimes referred to as the Royal's "daughter" trust company). Sitting on the Montreal Trust's board is Gaetan C. Morrisette, chairman of Standard Brands. Montreal Trust's executive committee chairman, Matthew S. Hannon, is a Standard Brands director.

Also sitting on Montreal Trust's board is Sam Steinberg, chairman and chief executive officer of Quebec's largest supermarket chain, Steinberg's Ltd. Its main bank is the Royal, according to a company official.

Steinberg's Ltd. has numerous contacts with other financial institutions: Sam Steinberg is also director of the Montreal Life Insurance Co.; H. Arnold Steinberg, executive vice-president for administration and finance, is director of the Mercantile Bank of Canada; Andre Charron, a Steinberg's director, is vice-president, secretary and an executive committee member of the Industrial Life Insurance Co. Charron is also executive member of the Canadian National Bank, executive committee member and director of Provident Assurance Co. and director of the Equitable General Insurance Co. He is also a director of the Campeau Corp., Canada's third-largest real estate firm.

Richard C. G. Lafferty, a partner in the Montreal investment firm of Lafferty, Harwood & Co. observes: "Access to capital is difficult for the smaller firms partly because the markets are not organized to give them equality of opportunity, but also because their energies would competitively challenge the larger structures in the economy who therefore act to prevent their access."

Lafferty ("A financial analyst is not worth his salt if he is not a critic") describes the financial community as "a highly concentrated monolithic structure with interlocking interests which employs restrictive practices and prevents new initiative enterprise from challenging the dominant position.

"These restrictive influences extend into industry, to interlocking interests, to . . . [organizations] similar to George Weston, Argus Corp., Power Corp. and certain large influential pension plans. The dominant position of Canadian banks in the financial community restricts the healthy growth and development of Canadian capital markets."

When these comments were read to Frank Covert, he remarked: "I've never heard so much bull in my life."

"I think small companies have access to everyone except the investment dealer," he said.

The top of the total Steinberg complex — a 23,000 employee organization which includes companies supplying flour, sugar, baked goods etc. — goes beyond Steinberg Ltd. itself.

The latest registration papers filed with the government are for 1969 and show that Steinberg Ltd. is 40 per cent owned by the Rockview Corp. Rockview, in turn, is 100 per cent owned by Hermms Investments Ltd. A Steinberg's associate described them both as family trusts.

Headquarters for all three units are Alexis Nihon Plaza, owned equally by Traders Group Ltd. and Montreal Trust.

The registration papers show that in 1969 Rockview and Hermms shared the same directors. They were:

- President, Dr. Michael Aronovitch. He is a physician with offices at 4119 Sherbrooke St. West in Montreal. He is president of Armika Corp. Ltd., Fulcrum Investment Co. Ltd. and Marcinvest Management Ltd. He is chairman of Alphatext Ltd.

- Vice President, Nathan Steinberg, vice-chairman of Steinberg's Ltd.

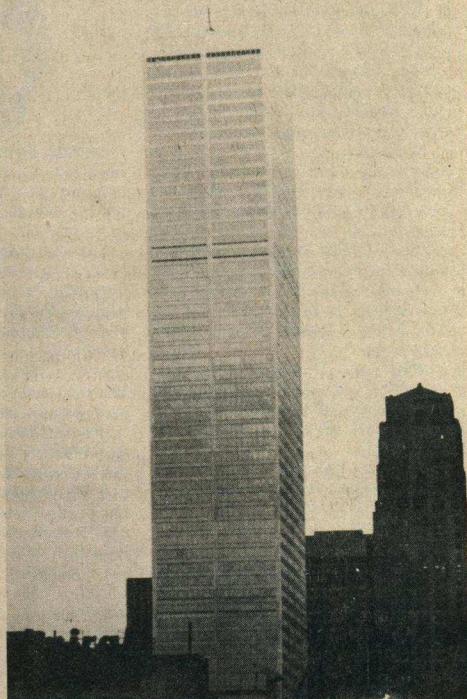
- Directors, Evelyn Alexander, Mildred Dobrin, Marilyn Pedvis and Rita Goldfarb, all daughters of Sam Steinberg. Mrs. Goldfarb died in 1970.

- Director, Leo Goldfarb. He left the Steinberg organization several years ago and moved to the Trizec Corp. He is now senior vice-president and director of Trizec and is in charge of the Place Bonaventure complex in Montreal.

Trizec and Cadillac Fairview Corp. Ltd. are Canada's two largest real estate development firms. Until the merger of Fairview Corp. and Cadillac Development Corp. several months ago, Trizec was No. 1. Today both companies say they have assets in the neighbourhood of \$770 million.

Steinberg's has ties to both, raising two fundamental questions:

(1) Are Trizec and Steinberg's Ivanhoe Corp. competitors? "In the shopping centre business in and around the Montreal area I'd have to say yes," says a ranking Trizec executive. "We don't look upon these guys [Ivanhoe] as competitors. We look upon them more as co-developers."



The Commerce Bank: some say MacDougald controls it; some merely say he's 'influential'.

photo: Doug Hamilton

In addition to managing Place Bonaventure and owning Place Ville Marie and 2020 University in Montreal, Trizec owns and operates 20 shopping centres across Canada.

Lazarus Phillips is director of both Trizec and Steinberg's Ltd. Phillips, a former Senator, is chairman of Domco Industries Ltd., a manufacturer of vinyl floor tiles and other resilient floor coverings.

(2) Are Trizec and Cadillac-Fairview competitors?

"They [Cadillac-Fairview] develop and build exactly the same way that we are ... we both build exactly the same [kind of] things," he adds.

Another ranking Trizec executive agrees. "We are competitors in the centre city facilities kind of thing," presumably referring to high-rise office buildings.

Cadillac-Fairview has six shopping centres in the Montreal area, and Steinberg's has supermarkets in five of them, according to a Cadillac-Fairview executive. One of these is Carrefour-Laval where Steinberg this year opened its largest store. Steinberg's Ivanhoe holds about 25 per cent interest in

Carrefour-Laval, he said. Ivanhoe and Cadillac-Fairview have another joint venture (50 per cent each) in the Greenfield Park Shopping Plaza.

The argument of the Independent Grocers' Association is not that Steinberg gets exclusive rights to these Trizec and Cadillac-Fairview centres. Steinberg does not. Of the nine large centres or malls owned by the two giant real estate companies Steinberg has stores in six and Dominion in four (they add up to 10 because they both have supermarkets at one centre, Galleries d'Anjou).

The association's complaint is that prospective developers of a future centre find it easier to get loans from banks if they can sign up either Steinberg or Dominion as tenants. The banks know these chains won't go broke, so there's less risk and they'll lend the money.

Lazarus Phillips also has ties to Cadillac-Fairview. He is a director of CEMP Investments Ltd., the Bronfman family trust which is co-owner of Cadillac-Fairview. (CEMP owned Fairview Corp. of Canada Ltd. before the recent merger.)

THERE'S A CURIOUS PATTERN TO THOSE

by Henry Aubin

While many smaller food producers complain of the difficulty getting shelf space for their products in supermarket chains, a curious pattern exists which raises questions about uncompetitive links between the country's largest food supplier and largest retailer.

Registration codes were collected from a total of 23 private label (Dominion brand) frozen fruit and vegetable products at Dominion stores. The packages did not bear the names of producers — and Dominion officials would not disclose them, saying contracts were confidential — but the cartons showed 18 of the 23 came from York Farms, a division of Canada Packers.

York appears to supply not only the majority of Dominion's private-label frozen fruit and vegetables, but as a stroll through any Dominion store will show, many if not most of the brand-name fruit and vegetables as well. They bear the nationally-known "York" label.

This is unusual. Of the other six Montreal chains surveyed, none does this much proportional business with any single supplier. Steinberg came closest: Eight of the 14 private-label frozen fruit and vegetable products decoded came from McCain Foods Ltd.

Of the five "Dominion" private-label products that did not come from York Farms, four — peas, assorted sizes and straight-cut, crinkle-cut and

shoestring French fried potatoes — came from the Lethbridge, Alta. plant of a firm called Trans Canada Freezers Ltd., a subsidiary of Eastern Utilities Ltd.

The plant manager of Trans Canada Freezers, Ron Mayo, said a "close relationship" exists between his company and York Farms, which also has a plant in Lethbridge. Mayo said York buys vegetables from farmers and cleans, cooks and cuts them. Then Trans Canada takes over, freezing, packaging and storing them.

In other words, 22 of the 23 private-label products turned out to have close ties to Canada Packers. The one exception was frozen French fried onion rings from Wheatley Harbour Terminals Ltd., a subsidiary of Olmstead Foods Ltd., Wheatley, Ont.

The sampling was random, based on whatever code-bearing cartons happened to be in the process of being unpacked in the aisles of three Dominion supermarkets in Montreal in the course of about 40 visits over a three-month period. Managers refused entrance to stockrooms.

Dominion continually restocked its

stores with these Canada Packers products over this period. Thus, for example, a dozen different cartons of frozen strawberries over the three months were traced to the same Canada Packers' plants either at Sardis, B.C. or Willowdale, Ont.

Subsequent information from food industry sources show this is, in effect, only the tip of the iceberg.

According to authoritative sources, Canada Packers supplies Dominion — not just in Montreal, but on a nationwide basis — with varying portions of private-label cheese, butter, eggs, wieners, turkeys, mixed nuts, peanuts, canned vegetables and peanut butter.

For some products — like butter, canned vegetables and eggs — Canada Packers is one of many suppliers. For others — like peanuts and mixed nuts — it has most if not all the market at the Montreal stores.

In addition, Dominion often stocks the Canada Packers' brand-name version of these same products.

For nuts and frozen fruits and vegetables, there are often only two brands available on the shelves of Dominion supermarkets — the York national brand and "Dominion" store brand. Consumers have no way of knowing it but their choice is between York ... and York.

As the country's largest food supplier, Canada Packers also furnishes private-label and brand-name items to numerous other chains. But the study



Phillips is a partner in the law firm of Phillips & Veinberg which, he said, handles legal work of Steinberg's, CEMP and Trizec "to a considerable degree".

Asked to comment on his interlocking directorates with three of the most important real estate development companies in the Montreal area, Phillips said: "I don't regard that as a conflict of interest. It's as simple as that."

Phillips explained that "competition between A, B and C does not effect your judgment vis-a-vis C, B and A. If I wasn't doing my duty to [each of the companies] I wouldn't remain on their boards."

Phillips is not all Trizec and Cadillac-Fairview have in common.

Trizec is owned by English Property Corp. Ltd. of the U.K. (it holds 66 per cent of its shares). English Property describes itself in its annual report as holding 40 million square feet of shopping, office and residential premises in numerous countries, making it "probably one of the largest portfolios in terms of net (leasable) area controlled by any

single commercial organization in the world."

Eagle Star Insurance Co. Ltd., of London, holds a controlling interest in English Property. Eagle Star's president is Sir Brian Mountain, a 75-year-old baronet and director of the Bank of Nova Scotia, who resigned as Eagle Star's chairman in August. His son, Denis, replaces him in that position.

Chairman and chief executive officer of Cadillac-Fairview is A. E. Diamond, of Toronto, and he is a director of Eagle Star Insurance Co. of Canada Ltd. and has been since Feb. 28, 1971.

Eagle Star Insurance of Canada is 100 per cent owned by the Mountain organization. But though it shares the same parent corporation as its main competitor, Eagle Star of Canada, it is not in Trizec's chain of command. A Trizec executive described Eagle Star Insurance of Canada as first or second cousin — "but that doesn't mean we eat together or meet together."

(According to an Eagle Star of Canada official, Diamond and Denis Mountain would have met once — but probably no

LABELS YOU SEE AT DOMINION STORES

shows supplies flow to these chains in relatively light quantities compared to Dominion.

Making the relationship between the two corporations even more curious was a tip from Richard G. D. Lafferty, partner in the Montreal investment firm of Lafferty Harwood and Co. Ltd., that Canada Packers might own some 500,000 shares of Dominion stock — worth more than \$9 million. This would make it Dominion's second-largest shareholder with some six per cent of the stock. Only the Argus Corp., with 23.9 per cent, has more.

Lafferty said this was only a suspicion, based on his own confidential sources, which he was unable to document. Public disclosure of less than 10 per cent interest in any company is not required under Canadian law.

A query to confirm this report at Dominion's Toronto headquarters was referred to Mitchell L. Wasik, company secretary and an executive officer.

He said Canada Packers does not own shares in Dominion directly or indirectly.

G. L. Nix, a member of the board of directors of Canada Packers as well as general manager for canned and frozen foods at the York Farms division, was also asked if Canada Packers owned about six per cent of Dominion stock.

"You know more than I," he said. Nix said he did not know if his company owned any Dominion stock, and referred queries to Canada Packers' president W. F. McLean.



Asked if in the event his company did own part of Dominion it would give Canada Packers a competitive edge over other suppliers wanting the nation's biggest supermarket chain to carry their goods, Nix replied: "Absolutely not. It has no bearing on the relationship at all. In my dealings it has no bearing one way or the other."

But in a telephone interview, McLean acknowledged, "We have some Dominion Stores stock."

He subsequently confirmed every detail of Lafferty's information.

He said, "We don't do proportionately more private-label for Dominion [than for any other company]. I would have to look up the figures, but I don't think so."

"We get no special advantage out of Dominion Stores. No one behaves any differently to us than they do to any other supplier."

McLean pointed out his company's interest in Dominion has been published.

A Restrictive Trade Practice Commission investigator in 1961 charged the Dominion connection was "significant in that it put Canada Pack-

ers in a more favorable position to secure business."

Canada Packers rebutted the charge. It did not provide the commission with dollar figures showing its proportionate sales to the various chains, saying it did not have those statistics. Instead the commission accepted statistics dealing with the weight of shipments to the chains.

These indicated one or two other chains gave Canada Packers more business — on a pounds per store basis — than did Dominion.

This was in 1961, and since that time there have been no more checks into Canada Packers' supply patterns, according to Roy Davidson, deputy director of the combines investigation branch.

Informed of the survey, he said, "We have no evidence this six per cent interest survey does provide them with the competitive edge you quite properly wonder about."

He said if Canada Packers does supply Dominion with a "disproportionate amount" of food, that in itself would not be illegal. "It would only raise questions about the legality of the six per cent interest."

He said the matter would pertain to that part of the Combines Investigation Act, which prohibits "any control over or interest in the whole or part of the business of a competitor, supplier, customer or any other person, whereby the competition ... is likely to be lessened."

more than that.)

Diamond was asked in a letter:

As chairman and chief executive officer of one of Canada's two largest real estate development firms, do you think that your directorate in a wholly-owned subsidiary of Canada's other leading real estate company, Trizec Corp. Ltd., in any way constitutes a conflict of interest?

He replied through a spokesman that there could be no conflict "for the very simple reason that the Trizec Corp. has never been discussed at any Eagle Star of Canada board meeting and indeed Eagle Star of Canada does not apply any role in the affairs of Trizec." Under Canadian law, directors must leave the meeting when matters relating to another company of which they have a stake are brought up.

An executive officer of Eagle Star of Canada said of Diamond's interlock: "I must confess it's [a matter that has] never been raised."

He added: "We have a board meeting [this] week and it's a point that might be raised."

Bank interlocks and who gets money

The foregoing intricacies give a flavour of how such interconnections go on and on — with generally only a few large corporations sharing directorates of other large corporations, and with companies in the same field often rubbing shoulders.

What does it mean? Opinions vary widely.

John D. Leitch, a vice president and director of the Canadian Imperial Bank of Commerce, a director of Maple Leaf Mills Ltd. and president of Upper Lakes Shipping Ltd., dismisses the notion that bank interlocks could facilitate financing: "I don't think it would have to do with who would get credit."

"To the best of my knowledge," he adds, "the banks don't discriminate, against anyone."

And Phillips argues that people sit on numerous boards because of their impartial business acumen.

Covert, director of Standard Brands, National Sea Products, Trizec and more than 15 other companies, describes how Royal Bank board meetings strictly abide by the law when loans are considered to firms which interlock with the bank:

"The director isn't allowed to vote on the matter or even take part in the discussion. You just walk out of the room and when it's over the secretary calls you back in."

How many times did this happen to him?

"Dozens of times."

Did the board ever vote against the loan in question?

"I don't think so, but the reason for that is that it's been good loans. I've never been with a company that doesn't pay its loans."

"I've been on the Royal 18 years," he adds, "and I don't recall a single case where there was a company with a director on the Royal which defaulted."

Does having an interlock with a bank facilitate the flow of credit?

Companies with bank interlocks "start with a plus," Covert acknowledged. But, he added in a telephone interview from his home in Halifax, interlocks do not insure credit to weak, risky companies, and efforts by directors of such

firms to trade on their bank positions "would not be *au fait* — they wouldn't be on the good books."

Why is it generally big companies whose directors are elected to bank boards?

"Usually they're pretty bright fellows," he says. He says he was elected because "they figured that I could bring them business because I have a great deal of associations. And I have brought them a great deal of business."

But some observers see a problem not so much in terms of a conflict of interest as in a community of interest.

"Analyzing interlocks in terms of market, market power and performance variable is . . . justified. The original intent of the companies has little relationship to the actual effects of the interlock," says R. Baldwin, a member of the chartered accounting firm of Clarkson, Gordon & Co., and Leonard Waverman, a University of Toronto political economist, in a government-funded study.

"Specifically," they say, "were an individual with a unique knowledge of an industry, to be taken as a director by two firms in the same industry, the same results would follow as if the two firms intended to interlock."

"This unique individual's judgement will be used to shape the policies of both firms. They will therefore act as if communication between them increases — as it does."

"Similarly," add Baldwin and Waverman, "if a financial intermediary takes an industrialist on its board of directors, the resulting interlock between the two firms can be analyzed in terms of the underlying economic measures. Was the industrial firm more profitable than most or more liquid? Did, for example, bank loans increase?"

And Economics Prof. Peter C. Dooley, of the University of Saskatchewan, notes: "The largest corporations tend to have the most interlocks. This may occur because the directors of the largest corporations are the most knowledgeable, the most capable and the most accomplished men available. . . ."

"This may occur, however, because of factors unrelated to managerial ability. The director of a giant corporation undoubtedly has more personal influence with other companies, with potential investors and with the government than the common man. Having the director from a large corporation on your board may also lead to a profitable business with that corporation."

"By electing a banker to the board of directors, a company may expect to have more ready access to bank funds, while the banker can watch over the operation of the company and reduce the risk of lending to a distressed borrower."

"Second," adds Dooley, "banks apparently find it advantageous to become associated with the large companies by electing company officers to the bank's board of directors. This may attract deposits as well as secure and reliable customers for bank loans."

Lafferty, the Montreal investment counsellor, points out that the five largest charter banks control 91 per cent of Canada's monetary assets.

"It's a cartel," he says, adding that "there are hundreds of genuine entrepreneurs in Canada just itching to do things, but the markets are closed to them."

"The only way to relieve this pressure is to try to make the market more open and competitive. This then forces others in the industry to act the same way to push the cartel into responding to change."

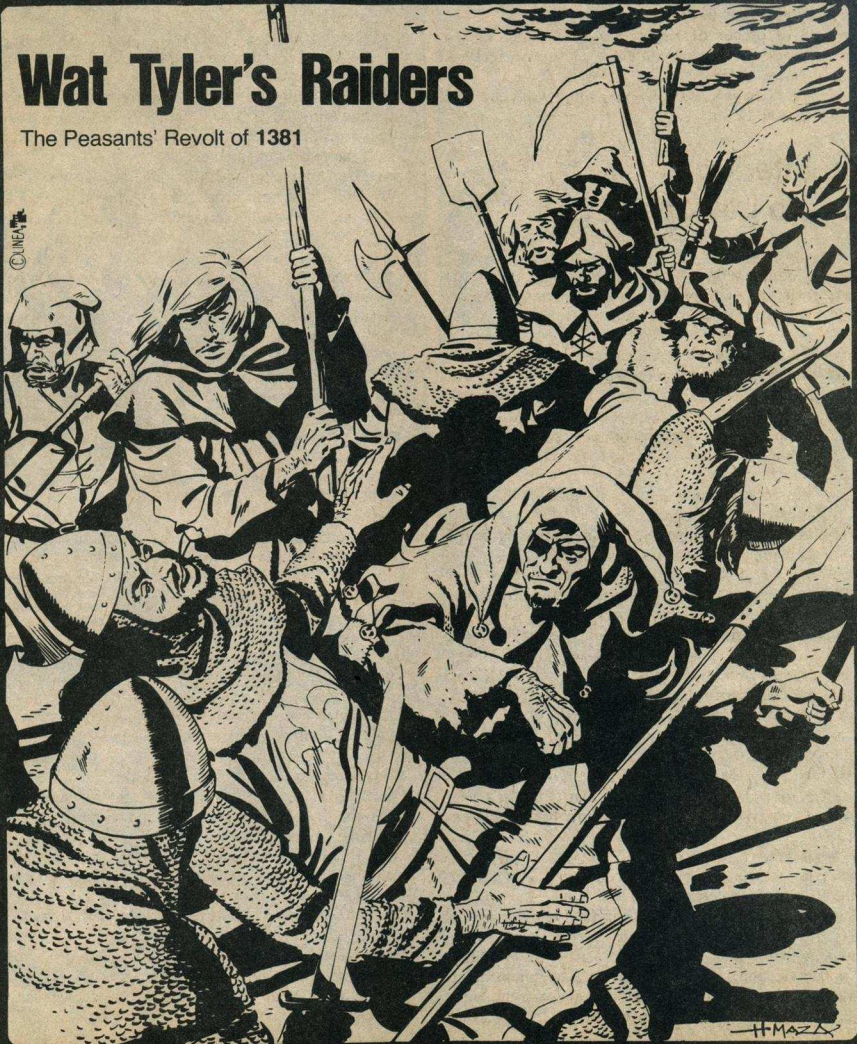
"Without this," he concludes, "inefficient activities are protected in the economy causing loss of vitality."

Comics are no less popular in places like Cuba and Eastern Europe than they are in Canada or the U.S., and we thought our readers might be interested in sampling some of the highly successful comics distributed by the Prensa Latina news service. In this issue we publish the first section of "Wat Tyler's Raiders", to be continued next month. Readers may find a rather different view of English history than they remember from their school books.

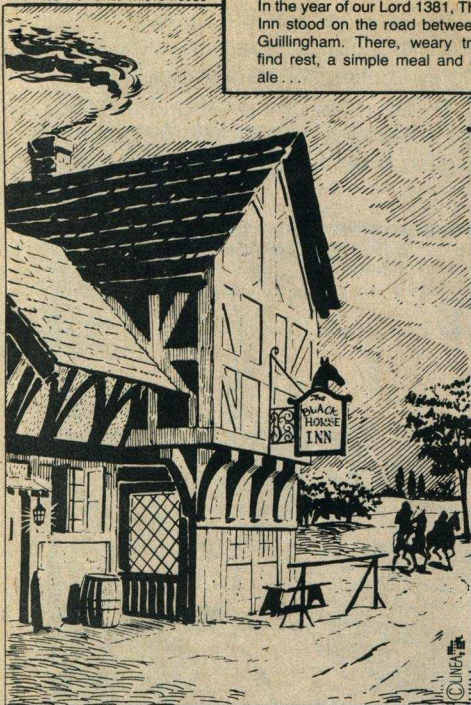
Wat Tyler's Raiders

The Peasants' Revolt of 1381

© 1964



In the year of our Lord 1381, The Black Horse Inn stood on the road between London and Guillingham. There, weary travellers could find rest, a simple meal and a pint of good ale ...

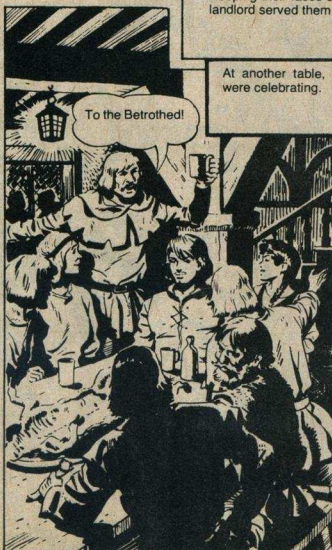


One night, two horsemen, heavily cloaked and hooded, galloped into the yard of the little Kentish inn. The war with France had made mysterious strangers a common sight.



Keeping their faces covered, the strangers took a corner table. The landlord served them without a word.

Curiosity was dangerous in those days ... so having given them bread and ale, the landlord took the lantern and left his visitors in the shadows.



To the Betrothed!

At another table, two peasant families were celebrating.

Thomas my friend! Your Susan will make the best bride for miles around. Cheers!

Ay, and your Brian the best husband in all Kent. Your health, Purcell!



Proximo Episodio LOS CONSPIRADORES

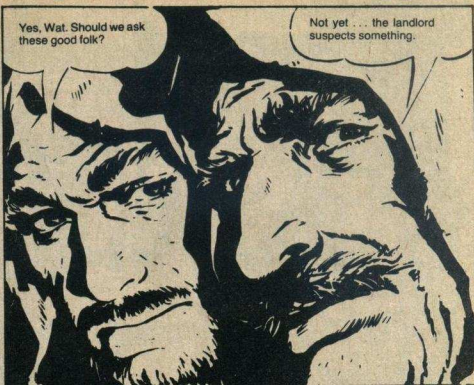
These good people work a whole year to pay for a party like this. It's good to see them happy for once, even though they might die on the gallows tomorrow.

We need friends here, John.



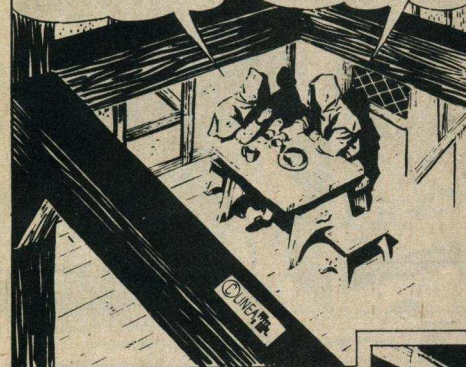
Yes, Wat. Should we ask these good folk?

Not yet... the landlord suspects something.



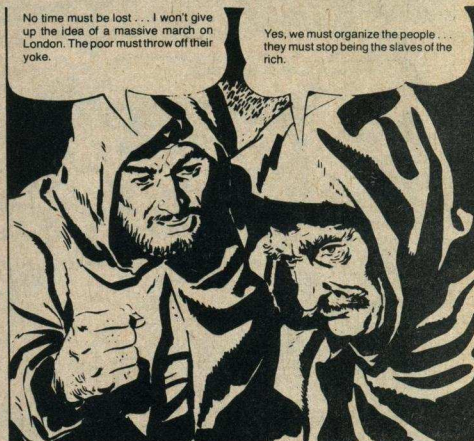
Well, our horses are too tired to go on. We must find somewhere to hide and contact the local peasants.

But we can't risk you getting caught... it was hard enough rescuing you from jail after you burnt down the Bishop's estate.



No time must be lost... I won't give up the idea of a massive march on London. The poor must throw off their yoke.

Yes, we must organize the people... they must stop being the slaves of the rich.



I will organize the uprising in this area. Now...

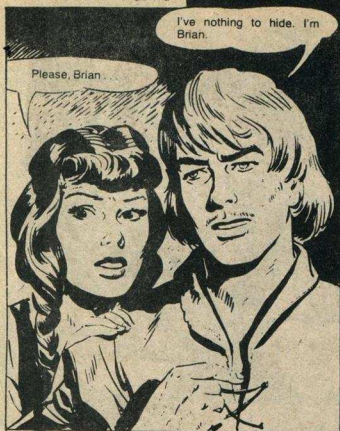


Suddenly, four soldiers burst through the door...

IN THE DUKE'S NAME
Which of you is Brian Hayman?



The party is stilled.



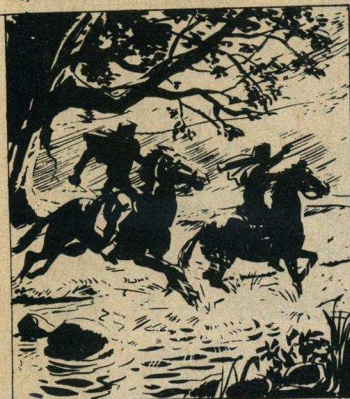
The youth is dragged away... and everyone knows the penalty for hunting deer in the Duke's forests is... DEATH.

The strangers slip out the back way. The boy must be saved!



Próximo Episodio: EL REFUGIO DESCONOCIDO

They dash to lay an ambush for the Duke's men . . .



The soldiers are taken by surprise. Two are killed instantly, and the others run for their lives.



We'll tell you on the way. First show us where to hide.

Thanks friends . . . but who are you?



Three hours later . . .

We're safe now. This place has always been a refuge for persecuted men.

They enter. . . . Since the time of Alfred the Great, the "Guardian Angel Mine" had been forgotten by all save fugitives. It was well stocked with food, water and firewood.

What a hiding place! The men of Kent certainly know how to do things!



Nobody will find us here. Now may I ask who you are?

I am John Ball. This is Wat Tyler, Peasant and Conspirator.

John Ball! . . . The Preacher of Equality! . . . Wat Tyler! . . . The Scourge of the Clergy! I'm honoured. Come, the people are waiting for you . . .



Next Month: A MEETING IN THE SHADOWS

Rear View

- Murphy examines Rohmer — p. 42
- MacFadden telereads Margaret — p. 44
- Endicott reviews Korea — p. 47
- Democritus reports on science — p. 48

A pin-striped Captain Canada

by RAE MURPHY

Exxoneration, by Richard Rohmer. McClelland & Stewart/Toronto. \$8.95.

Although the story line of *Exxoneration* begins in the instant following the last words of *Ultimatum*, there is a very significant shift in mood and spirit in Richard Rohmer's sequel. It is this shift that makes *Exxoneration* not only a good novel, but also an interesting document on the state of Canadian nationalism, as the decline of American economic and political power becomes evident and the empire shows signs of stress. The boys up here in the branch plants and the resource hinterland — at least some of them — are getting a little chippy and the "voice from the attic" at times hits a strident note.

Canadian-American relations have been undergoing a subtle, and sometimes not so subtle change over the past few years. There have been no major or dramatic incidents, no ringing manifestos or declarations, but there has been a change nonetheless — an attitudinal change, perhaps reflected in part by the fact that our intellectuals appear to have wearied of whining about our so-called identity crisis. Nationalism these days seems neither to sorrow over the lost past, nor to crouch defensively waiting for the next blow.

For example, it was quite plausible a few years back to think of a situation in which the United States would decide in its wisdom to annex Canada. Canadians wouldn't necessarily like it, but then "what could we do?" And so *Ultimatum* could, as they say, "strike a responsive chord in the Canadian public." Now, in 1974, is it equally plausible to imagine a war between Canada and the U.S., with Canada

winning and then having the macho to go in for the kill?

It seems to be.

Thus the first, and perhaps most telling observation about Richard Rohmer's novels is the response they have received among the public.

However, the importance of Rohmer's work lies not only in his scenario, but also in the heroes he develops and the method by which they accomplish their purposes.

Canadian society has, we are told, traditionally eshewed the hero, and has celebrated the power of the group and community as the ultimate defence against the hostile environment. English Canadians have traditionally banded together in garrisons to keep out the snow, the Indians and, in parts of Montreal, the French. Not Richard Rohmer: he has presented us with two of the most rugged of individuals — Prime Minister Robert Porter and Pierre Thomas de Gaspe. And the public appears to respond to them.

We are given these heroes not only because of the nature of the job at hand, but also because of the nature of the forces in our society who are able, in Rohmer's opinion, to rise to the occasion.

What Rohmer does in *Exxoneration* is to depict an element in the Canadian elite who figure Canada has a good thing going for it and who intend to cut themselves in on a larger piece of the action. Thus the stiff upperlipiness of Prime Minister Robert Porter is buttressed by the equally bloodless Pierre de Gaspe who is just as gentlemanly devoted to duty — he cremates a plane-load of American troops with a detached aura of *noblesse oblige*. De Gaspe, however, goes Porter one better in that he is as sharp a wheeler dealer as any on the international scene. He is quite at home on the turf of the boys in the board room and the gnomes in the counting

houses: a pin-striped Captain Canada.

Now one may recoil at the evident implausibility of a character such as de Gaspé, whose only point of connection with a mid-century Canadian man is that he doesn't get along with his wife, just as one can only gasp at the blinding flashes of naivety displayed as Rohmer builds his scenario. But to do this and nothing more is simply to miss the point. In the body of Rohmer's novels the central issue of modern Canadian society is not only confronted, but a solution of sorts is presented. For this reason alone, *Ultimatum* and *Exxoneration* are landmark publications.

The problem stated in *Ultimatum* is that Canada's existence will become more precarious as the resource and energy needs of the United States grow, and its influence and power wane. The doctrine of Fortress America is a doctrine of decline and desperation and it is explicitly dangerous to Canada. Without a national policy based upon the internal development of our energy resources, Canada is not only vulnerable to American pressure but absolutely defenceless when the crunch comes.

In *Exxoneration*, the problem is posed in a completely different context. The first point is that the weakness of the U.S. in global terms affords a unique opportunity for Canada to assert its sovereignty. By itself, this could simply be the other side of the dilemma that Rohmer raised in *Ultimatum*. However — and this is where *Exxoneration* goes far beyond *Ultimatum* and assumes its distinction — there is, according to Rohmer, a class in Canadian society with the strength and resources to lead Canada to independence: The Canadian bourgeoisie. And Pierre Thomas de Gaspé, brilliant product of the elite of our "two founding races", is just the man to get it all together on their behalf.

The Canadian bourgeoisie. Imagine. That much-maligned group long since given up for dead by the nationalist Left, who have diagrammed nationalism and socialism in much the same way as Arthur Murray used to diagram the two-step in the comic book ads. The Canadian bourgeoisie. Whose body George Grant has wept over and Walter Gordon has prayed for (or vice-versa) is summoned to life by Richard Rohmer.

The interesting thing is that Rohmer may be right. Indeed, his precedent, as it were, is the leaders of the OPEC countries. In *Ultimatum* there is a fleeting thought that OPEC could come to the aid of the beleaguered Porter, and in *Exxoneration* it is OPEC that finally clinches the deal. It is as if Rohmer is suggesting that if the resource-rich countries can take the Americans on over oil, then Canada's resource position must give our bourgeoisie great leverage also.

Richard Rohmer is an extremely brilliant and thoughtful man. If there is one thing that characterizes his writing from *The Green North*, *The Arctic Imperative* through to his novels it is the singleness of purpose and thoroughness with which he examines and deals with the options available. The military strategy, the politics and presumably the financial manipulations are well thought out. His thoroughness at times obstructs his possibilities as a novelist, as nothing is ever made to appear spontaneous or to arise out of the action. Every one of Rohmer's people is pre-programmed. Anyway, that's another problem.

And so it is as a social document — a call to arms for the Committee for an Independent Canada — that *Exxoneration* derives its initial interest. And it is, perhaps, from this point of view that one can discuss its literary merits.

One has the impression that Richard Rohmer writes very rapidly. That is, he is so anxious to get his point across that

he literally races through his characters and his plotting with scarcely a thought for any internal development.

His approach to the novel to heighten and dramatize reality, to raise the consciousness of the audience to a common reality, has a long, rich and honourable tradition. But then fiction imposes its own discipline, and how a point is made or a lesson drawn assumes its own importance, even (or, rather, more so) in the most didactic of novels.

During an interview after the publication of *Ultimatum*, Rohmer was asked if he would do anything different in his next novel. Rohmer replied he would add a few more sex scenes. And indeed he has. *Exxoneration* includes what must be the most pointless and antiseptic love affair since Hugh MacLennan was forced to make babies so his sagas could continue through another generation. But a few sexual encounters seem to be part of the successful formula, so Richard Rohmer obliges.

Again, as mentioned earlier, in his rush to get his message across, Rohmer takes no chances in letting any dialogue develop or any characters take shape. Disembodied voices tend, at times, to read memos to each other.

These problems with Rohmer's novels are jarring to the reader, and all the more unfortunate because there is certainly plenty of evidence that Rohmer is a fine, thoughtful writer. His crisp, no nonsense style works beautifully in places; for example, the excellent description of the confrontation at the airport. In any case, the problems with character development and dialogue are not such that they prevent *Exxoneration* from being a fine read on any level.

Even if this was not true and, as many reviewers suggest, Rohmer's novels have little or no artistic merit, *Ultimatum* and *Exxoneration* remain important works simply because they place key social issues at the centre of the novel. An important area has been opened, or reopened in our literature.

Finally, however, there are some problems with Rohmer's scenario and characters which touch more on the man's ideology than on his ability as a writer, or on the formula he wrote to and the speed with which he ground it out.

To the extent that flawless super-heros are believable, they are dangerous. As a faithful servant of the Prime Minister — who incidentally seems answerable to nobody — de Gaspé is a one man show. Canada is strangely peopleless. We weren't even told there was a war on, much less were we consulted about the ultimate operation of buying out Exxon.

As de Gaspé goes about his intricate plan to take over the great multi-national corporation, the simple option of nationalizing Imperial is raised and rejected without argument in one sentence.

Rohmer's rejection of a takeover is naturally enough consistent with his devotion to private property, and that's fair enough. Moreover, his willingness to have the state intervene directly in the economy follows very conventional lines. But the question naturally arises: in whose interests would the independent Canada Rohmer envisages operate?

De Gaspé, you see, was on the way to the top at Exxon before he decided to return to Canada. Obviously, he will be the man to head the new Canadian giant. Would it be impertinent to ask whether this will by itself reduce the price of gas, much less contribute to a more equitable distribution of wealth among Canadians? What, in short, we members of the common herd should now ask, is in it for us?

Rohmer displays other disconcerting ideas and attitudes. He has, for example, the rather interesting idea of moving Parliament around the country like a road show. Something

akin, I imagine, to the showy trips of the Ontario Cabinet to the North and East. This apparently is to solve the communications gap and bring government to the people. So here in *Exoneration* is Prime Minister Porter and his government, and presumably Parliament, holed-up in the McDonald Hotel in Edmonton. Except, they have nothing to discuss. De Gaspé is getting it on in financial capitals of the world. Perhaps it is not a big point, but in de Gaspé, and to the degree we know anything about the P.M., we see the ulti-

mate triumph of the technocrat, the super-intelligent man of action, unencumbered by public opinion, much less by a mass movement of people, ready to take on the Yanks at their own game. Rohmer's elitism is scary. Rohmer may well have taken good measure of his enemy. He seems to have all the possibilities and options figured out, and they had better pay attention. But then so should we all.

Rae Murphy is a member of the editorial board of the *Last Post*.

Margaret is the message

by PATRICK MACFADDEN

Publicity adds up to a kind of philosophical system. It explains everything in its own terms. It interprets the world.

— John Berger, *Ways of Seeing*

We'll be right back after these messages . . .

— Johnny Carson, *The Tonight Show*

Margaret Trudeau was to be had, coast to coast, in converse with Carole Taylor of CTV's *W5*, on Sunday night,



photo: Mark Starowicz

Oct. 27. Next morning, on CBLT's *Canada A.M.*, telereaders in Toronto were favoured with a repeat.

Telereaders are selective watchers, persons of taste, as distinct from televisioners who do it indiscriminately. The televisioner is more interested in Rhoda's wedding than in Margaret's wedded life. On the night in question, Margaret was the choosy viewers' choice. The ratings were excellent and in the next week, some 50 newspapers commented on the interview, some editorially, some through their television critics and some in their correspondence columns.

Clearly, what had happened was not just an interview. It was an event. Admittedly a media event but all the more real for that: as St. Paul had noted some time before, those things that are not are more important than those things that are.

Another Pauline source, and a valuable one, is Paul St. Pierre, the ex-Liberal M.P. for Coast-Chilcotin, B.C., a constituency only a nuance away from Coast-Capilano which in turn has been a Sinclair satrap since the early 'forties. And since Margaret is a Sinclair, Mr. St. Pierre may be said to have had an interest in commenting on the event.

Comment he did, in the *Vancouver Sun*, and most elegantly too. Here is Mr. St. Pierre on Margaret: "Poor Margaret," he calls her and in his first paragraph evokes T.S. Eliot to the effect that she is measuring out her life with coffee spoons. But that is not all. Mr. St. Pierre goes on to develop an unforgettable portrait of Life on the Hill as a Borgian morass of bitter wives, isolated among Florentine intriguers, attended by husbands who "perform the sex act" with "an air of abstraction." These wives of M.P.s, he adds, "don't enter political war as eager volunteers, they come as conscripts. When killed they are just as dead as any general who is slain, but there are no monuments to them."

And what, in Mr. St. Pierre's words — he is a veteran of four years on the Hill — what of the M.P.'s wife who speaks out of turn? "... her most casual remarks may be dissected like sheep guts on Rome's Capitoline Hill." He then rounds up his picture with accounts of "flagrant infidelity," backstabbing and, finally, references to a hushed-up suicide during the life of the 28th Parliament. Appended to this gory summation is an Associated Press release from Dallas that tells of the violent death of a divorced wife — and, of course, former model — of a Texas Congressman. It took place in another man's apartment. The unfortunate woman is quoted at the time of her divorce as saying she had been made "a political widow."

Thus we have had invoked: Aphrodite; the struggle between the life-giving Dionysian thrust and the sere demands of the Apollonian order; the sacrificial entrails strewn on the

altars of the temples of Jupiter Optimus Maximus on the Tarpeian Hill; marital infidelity and violent death in the Gothic depths of Dallas.

Clearly, Mr. St. Pierre is a telereader of some distinction. He has noted the play within the play. For the essence of the media event is in its drama, not in its content. Like wrestling, it is process and spectacle rather than resolution. Many telereaders may in fact have missed *W5* on that night of Oct. 27, since the people's network was featuring the American journalist, I.F. Stone, who is a telereader's hero. It is worthwhile, then, to take a closer look at what went on between Margaret Trudeau and Carole Taylor.

* * *

The grandiloquent truth of gestures on life's great occasions

— Baudelaire

I'm pining away. Dying, dying. I'm waiting for someone to come and save me. I'm nineteen years old.

— Elisabeth d'Aulnières, *Kamouraska* by Anne Hébert

The scene opens under the sky. It is a romantic value, this openness. There will be much talk of openness in the scenes to come. Candour and informality propose themselves here as Taylor and Trudeau are caught walking — that is to say, we are invited to regard the camera as surprising them — walking through the grounds of the big stone house on Sussex Drive. Step by casual step . . . fourteen seconds, this first shot.

And yet this walk is, we note, quite formal. Taylor *acts* behind at ease. We notice too the formal informality of their

dress: Taylor in black sweater and blue jeans, over the sweater, contrasting big white beads as if the sixties were still with us; Trudeau in white blouse with black wrap or jacket, also blue jeans. They pass us by, nodding, suggesting an interest in each other.

When next we see them, they are squatting on the grass under a tree. Technically, we seem to have suffered a jump cut; but such an event demands Godardian techniques. These techniques speak to the occasion, underline its drama. Occasionally, the two actors will pluck at grass, fallen leaves and flowers, especially at those times when some awkward or intense admission is sought for or proffered. Nature as prop.

It may be apposite here to recall the stage directions laid down for the twelfth-century mystery play of *Adam* as described by Professor E.K. Chambers in his book, *The Medieval Stage*. The unknown scribe wishes his players to depict Paradise:

"Fragrant flowers and leaves are scattered there; in it are divers trees with hanging fruit so as to give the impression of a most lovely place . . ."

And in fact, one minute into the event, we hear Ms. Taylor, or the actor now playing Ms. Taylor, invoke the idea of Heaven: "We're willing to run to a doctor, if we've got a cold, for heaven's sake . . ." This line is delivered with a running of the right hand (down from camera) through the air, a sign of nervousness on Ms. Taylor's part; understandably, since a few seconds previously, she has almost committed a monumental boo-boo by referring to "something desperately the matter with our mental health."

A word is in order about the lines delivered during this event. They are of a vapidly quite remarkable even for the

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Robert Chodos and Rae Murphy, editors

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public affairs television. Thus: *Taylor*: Are you a mystic? *Trudeau*: Yes, yes. *Taylor*: In what way? ... Compared with such exchanges, Johnny Esau emerges as a Nye Bevan. But again, such a critique misses the point. There is no conflict inherent in the story, beyond the usual annoyances suffered by public persons who elect to pluralize their social life-worlds; the actors know this and so the only demands they have to meet are those of the telereader. It is the combination of audience and the convention of television itself that determines the shape of the ritual. Both actors are aware of this. And they proceed accordingly.

The acute television critic of the *Montreal Star*, Joan Irwin, had this in mind when she referred to Taylor "... disguised as just another natural girl sitting cross-legged on the grass with her victim ..." Yet there are clear differences to be seen between the two actors if we look at the iconography of the situation and not at its ethics.

Take, for example, the hair. In Margaret's case, pageboy, of course, but also Franciscan. In this one capillary signification is summed up a major requirement of contemporary bourgeois, or telereader, theatre: the combination of sainthood and secularism, the aspiration heavenward and the delicious possibility of desacralization, the wholeness of the Elect, but also the display of the open wound. For above all, the bourgeois likes to forgive. It is the most warm of all the virtues. It is expansive. It confirms him in his belief in his own goodness. The playwright John Herbert put the matter well recently when he wrote: "We clutch our delusions of moral rectitude to our greedy bosoms and would gladly kill anyone who says we are not decent, giving and ethical." Only two things does the telereader demand of Margaret. First, that she be complex in an understandable way; and secondly, that she allows him to forgive her. She fulfils these needs admirably.

No such requirement is made from Taylor. That is clear from the iconography of her hair style. It is shingled, ringleted, as in Attwood or Linda Lovelace. It is, in a word, a thing of fashion, not mystery.

For the greater part of the event, Margaret sheds her black wrap to present herself in white, Easter colour of the victim. And yet there is more. Such a shedding leaves Taylor in black — a moral victory here for the victim. But the blouse is flared and boyish, ruffled in a D'Artagnan way. She is now a swashbuckler-victim, the very model of St. Joan.

And so again, the complexity is revealed in the most available of visual ways; a man's clothes but the camera close-up emphasizes the red slash of the mouth and the wide quizzical eyes. Carl Dreyer's direction of Falconetti in the great actress's *Passion Of Joan of Arc*, is at work here. How Racine would have loved it: an andromorphous Andromaque for an androgynous age.

In the rambling script of this extraordinary event, several obligatory scenes are included. Apart from the gnomic utterances — "Things happen to me in realities" — the Prime Minister is shown (off-stage) to be a victim too, as in: "Those brown boxes consume him." Here we have Homework as Coffin plus the highly-laden biblical verb, consume. Since Margaret at times looks like the Prime Minister, he becomes the beneficiary of what we may term the *doppelgänger* effect. This is cleverly done.

The need for the democratic reference is also obligatory. Hence the intimations of French Fries plus Humphrey Bogart "in the middle of the night" (despite earlier references to more elevated gustation, yoghurt, health foods.) This combi-

nation of democratic yearning, the "Volkswagen to pick up the quart of milk," with the miraculous possibilities of "soya sauce" is the ritual demand of the telereader. Since the whole subject is fabulous then each part of the contradiction is fabulous too. (The word is used in its proper sense.) Thus, far from the intimate detail of acting as a demystifying process, it places the subject precisely on the level where it was first engaged: on a plane, stage, *agora* removed from time, an ambiguous land inhabited by persons of an agreeable complexity and a pleasant vulnerability.

One can see that such a powerful presentation would have an effect, especially since it was aired one day after the solemnities of Yom Kippur. Within a week, Gerald Clarke, the associate editor of the *Montreal Star* and a man whose duties on that paper had not previously suggested an interest in the sacerdotal, would announce in the *New York Times Magazine* that Margaret's utterances on the subject of her husband during the course of her interview were, in his view, "sacred." Shortly afterwards, the American picture magazine, *People*, did a piece on Margaret. *People* appeared to regard the Prime Minister's wife as a cross between the Princess in the Tower and a wounded faun.

This is of course precisely correct. Margaret the name, Margaret the icon, is sufficiently plangent to intrigue the folk consciousness of much of Western society. Margaret, wife of Louis IX of France, Margaret, the *Maid of Norway* but also and above all, Marguerite, *la dame aux camélias* ... Marguerite Gautier, pining away from a pulmonary disease, of whose real-life prototype, Marie Duplessis, it was said, "L'ennui a été le grand mal de sa vie."

"What she wished for above all," wrote one contemporary of Marie Duplessis, "was to be silent, to be alone, to be calm, to be beloved." And the English critic, Edmund Gosse, in his introduction to the great novel of Dumas fils, describes Duplessis-Gautier in this way: "... one sees that the irony of her existence was that it resembled that of a small, brilliant macaw in the parrot-house of the Zoological Gardens."

That this archetypal image of hurt vulnerability — "very slight, with black hair, ... long enamelled eyes, ... lips ruddier than the cherry ... like a little figure made of Dresden China ..." would turn up to wet the eye of telereaders in Canada 120 years after her original appearance in the pages of Dumas' novel, is a tribute to the astonishing longevity of the higher kitsch.

* * *

There can be no doubt of the event's success. Next morning, Carol Taylor herself is interviewed about what it is like to be a glamorous person interviewing glamorous persons. The reply conforms to ritual: poor Ms. Taylor, it appeared, had been up all night because her little boy had been ill.

Equally gratifying is the attention paid in print. Evidently, the finer points are noted. The Solicitor-General, a meek man, is asked about the irksome security surrounding Margaret. He replies suitably.

"Frightened," says the *Winnipeg Free Press* of Margaret; "Potent," says Jack Miller in the *Toronto Star*; "Personal crisis," says the *Kitchener-Waterloo Record*; the *Whig Standard* in Kingston notes that "lack of personal freedom is trying." "Trapped in a role," complains the *Spectator* in Hamilton; in Fredericton, the *Daily Cleaner* gleans; in Halifax, the *Chronicle-Herald* hosts the conclusions of Charles Lynch, as does the *Edmonton Journal*; *Le Droit* in

Ottawa notes "une sorte d'étape critique" while *Le Devoir* observes a little drily: "Mme. Trudeau explique qu'elle avait une connaissance intellectuelle et théorique, ayant lu des ouvrages de Freud, les journalistes ne comprenaient rien . . ."

On Saturday, November 22, Pierre Trudeau "stormed" or "stalked" or "barged" out of the House of Commons. He had been angered by a reference, made by the Opposition, to possible divorce. The favoured adjective of the media to describe his condition was "white-faced".

That the distance between the Press Gallery and the Prime Minister in the House effectively precludes such accurate

description of skin texture need not detain us here. White face includes in its dimensions the classic Augustan clown, Pagliacci with his secret hurt . . .

In the meantime, as in Antonioni's *Blow Up*, what is real and what is not, a dichotomy proposes itself in the most dramatic of ways. Margaret Trudeau attends at the Ottawa office of United Press International on weekday mornings in order to learn about the camera and how it works . . .

Patrick MacFadden is a member of the Last Post editorial board, and is Professor of Journalism at Carleton University.

Repeating all the myths

by JAMES G. ENDICOTT

The Diplomacy of Constraint: Canada, the Korean War and the United States, by Denis Stairs. University of Toronto Press/Toronto. 373 pp. \$15.

Before I express my disagreement and considerable scorn for some of the content of this book, I must say in fairness that it is really intended "for professional teachers of foreign policy analysis". As such it is a reasonably competent job. It answers the problem of how to be "of the Establishment, and for the Establishment" and how to limit and adjust your thinking so that the official explanations and arguments of the "authorities" become acceptable.

Within this framework, the author has developed an explanation of the "operational code" which will help to guide those who want to make a career in the Department of External Affairs at Ottawa, or teach politics. The author has recognized briefly "those commentators who in recent years have complained of what they perceive as a lack of 'independence' in Canadian foreign policy", such as James M. Minifie in *Peacemaker or Powder Monkey*. Such people are simply brushed off with the pronouncement, "Given the character of the global system's overall patterns of interaction, the capacity of neutrals to influence the course of world affairs is seen in turn as less continuous and less significant than that of polarized allies within the present subsystem."

A key passage to the understanding of the author's basic position is a paragraph on page 324: "The evaluative and prescriptive debates which arise from this

sort of analytical perspective, tend, of course, to hinge on whether the decision-makers involved accurately perceived their country's 'location' in the international systemic structure, and, if they did, whether they properly understood and interpreted the limits imposed by this location upon their latitude of 'effective' action. In the Korean case were they 'right' in perceiving Canada as an inevitable member of the Western subsystem and did their exercise of their role either exceed, or fall short of their real systemic capabilities. Did they, in effect, over- or under-estimate their 'power'?"

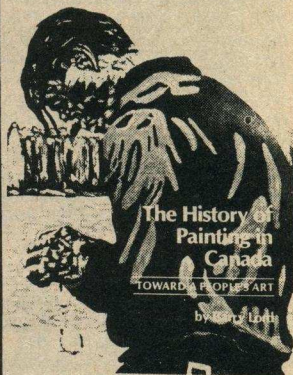
By using the terms "location in the international systemic structure" the author avoids dealing critically with the question of the Cold War and American aims and purposes in that war, including the well-known Dulles formulations of "containment", "roll-back", "internal subversion", "brink of war politics" and "massive retaliation at times and places of our own choosing". The part of the book dealing with Canada's manoeuvring and adjusting to U.S. actions could have been titled "How to shine Uncle Sam's shoes while trying to have an erect posture of independence".

The Korean War

After the chapter on "rehearsal" comes the Korean War. Stairs makes out a case that the outbreak of hostilities "generated a shock of such proportions as to transform in an instant their perceptions of the scope and intensity of the Soviet threat". It does not occur to him to question whether this was a genuine

shock or carefully built up propaganda to justify the Dulles policy of "roll-back" and "massive retaliation". He says "the first American authorities to learn of the attack were the American military advisers in Seoul". It seems that General Willoughby of MacArthur's intelligence in Japan knew of it immediately also, only, the other way around, he learned that "the South attacked the North this morn-

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ing' as reported to John Gunther.

Instead of any serious discussion of the realities of the origin of the Korean War we are entertained with an account of how the Canadian decision-makers were asleep, out fishing or at summer cottages without telephones. One reali-

zation that comes from this section of the book is that the U.N. was completely different from the organization of today. It was small, with about 50 members, most of them clients of the USA. Trygve Lie was a servant of U.S. policies and used his office to promote the American

story and suppress contrary evidence. The executive-assistant to Lie was an American.

Canada's line, well outlined in much detail in this book, was to try to guard the 'independence of the U.N.O.', and to prevent the action in Korea from becom-

ELEMENTS

SCIENCE REPORT BY DEMOCRITUS

Sea, sun and spinach

The world energy crisis has spawned a rare variety of unorthodox projects for generating power. . . . An Edinburgh University scientist has British government backing for his plan to generate electricity by harnessing ocean waves. If the pilot project is successful, artificial islands with 20-40 vanes to be rotated by wave motion would be placed at 100-mile intervals across the Atlantic. . . . Several practical generators, including one by Sperry Rand Corp., are being developed to take advantage of the difference in temperature at the earth's surface and at great depths, both on land and at sea. . . . The U.S. is hoping to use solar energy as a major power source of the future. Among projects in the works are square miles of solar cells on earth gathering the sun's energy and also satellites trapping solar energy and beaming it to earth by microwave. . . . A British professor has announced the discovery of an anti-gravity motor which could fly a manned space ship to the stars using a pea-sized nodule of nuclear fuel. Prof. Laithwaite says that the motor works on a complicated application of the gyroscope principle. . . . And, harking back to the chlorophyll rage of the fifties, Japanese researchers claim they can use spinach to convert the sun's rays into electricity. Ultra-pure chlorophyll from the spinach forms a semi-conducting film which generates the electricity. Seems like Popeye was right all along. Ah so.

Bigger and closer

In the relentless pursuit of the ultimate, a Canadian astronomer has helped discover the largest known "object" in the universe . . . while Soviet scientists claim to have found the nearest Black Hole to the earth.

The ultimate big was happened upon by a team of four astronomers, including Dr. A. G. Willis of Toronto, while working at the Leiden observatory in the Netherlands.

The discovery, known as 3C 236 is a cloud of particles surrounding the galaxy and is 18.6 light years across . . . making it six times bigger than any other known thing. It's out there about 2 billion light years away.

Astronomers at Leningrad University, meanwhile, say they have located what is believed to be a Black Hole in the constellation of Centaurus, a neighbour to our own Milky Way. Hypothetically, a Black Hole is a burnt-out star that has collapsed upon itself so densely that it has become a monstrous gravitational vacuum cleaner sucking in everything in the vicinity . . . including light.

British scientists, about to launch a Black Hole probe into orbit, say they will check out the Soviet claim through the detection of X-rays theoretically emitted when matter is swept into the voracious vortex.

Pox, planet, pancreas and particles

The promiscuous may have something to clap about this month as U.S. scientists announced a breakthrough in the study of syphilis. The bacterium which causes that worst of possible consequences of ill-advised hanky-panky was previously thought to survive in the absence of oxygen. Now it seems as though it requires oxygen to live. This may make it possible to grow the bacterium in the laboratory, a major step in the search for a new cure, or even a vaccine.

Jupiter has been in the news recently. A red spot on the planet's surface that has been baffling scientists for years turns out to be the centre of a giant storm that has been raging along a 25,000 mile front for seven centuries; and a California astronomer has announced the discovery of a tiny 13th moon orbiting Jupiter. Meanwhile, Pioneer 11 was to be launched on Dec. 3 to go and take a closer look.

A team of Canadian doctors has announced the development of a computerized system for the automatic continuous control of blood sugar in diabetics. In effect an artificial pancreas, the machine is about the size of a television set, but it is hoped that, in the future, models the size of wrist-watches will eliminate the diabetic's daily insulin injections.

In a discovery reminiscent of the simultaneous insight into Evolution by Darwin and Wallace, two teams of scientists, one at Stanford, the other at M.I.T. claim their experiments show the existence of a hitherto-unknown particle — and the Stanford team now says it has found still another particle. The properties of the particles include high mass and an unexpectedly slow rate of decay. No existing theory of physics can account for the particles and their curious behaviour, though it is thought that it may be a manifestation of the "weak force", one of the four basic forces in the universe. (The others are electromagnetism, gravity and the "strong force" which binds the atomic nucleus.) The particles, however, do not fit any of the previous notions about what such "weak force" particles would be like, should they ever be discovered. Democritus' researchers are grappling with the problem of the enigma, and will report more fully later.

ing an American army operation', which, in fact, it was right up to the cease-fire of 1953.

In examining the case of the outbreak of war in Korea, June 25, 1950, Stairs carefully refrains from mentioning "the other side" in such sources as I.F. Stone's *The Hidden History of The Korean War*, the writings of Wilfred Burchett or Sir John Pratt, the British Foreign Office Far East expert, in *Korea, The Lie That Led to War*. One history researcher, Karunkar Gupta writing in the *China Quarterly* No. 52 has challenged the American story of the origin of the war.

It certainly can be argued, and will undoubtedly be argued much more in the future that, as Sir John Pratt claimed, "There was not a scrap of evidence for the resolution, proposed by America and adopted by the U.N. Security Council on June 25, 1950, which declared that North Korea was the guilty party. The telegram from the U.N. Commission in Korea to the Security Council on June 25 had stated that North Korea had radioed a message that South Korean forces had crossed the 38th parallel and they had ordered a counter-offensive. Knowledge of that telegram has been suppressed in this country.

"Such things do not happen unless there is something to be hushed up", said Sir John, "and the fact which they were hushing up was that it was the South Koreans who started the war, having been encouraged to do so by the Americans because they wanted an excuse to seize Formosa — on the way back into China".

The telegram in question is in the files of the Security Council, S/1496. Moreover, when the British Cabinet was persuading parliament to endorse the U.S. war in Korea, it suppressed this telegram from the Command Paper 8078 which was supposed to give the members all the facts. Sir John Pratt elaborated this point in *Korea, The Lie That Led to War*.

The fact is the U.S. claimed the U.N. Commission supported their first resolution in the Security Council. It did not. It only reported that the North accused, the South denied. It placed no blame and made no judgment. I believe Sir John Pratt in his pamphlet has made out a completely convincing case. Some day history will prove it. In the meantime there is on deposit in the U.N. a large amount of documentary material, captured by the northern troops in Seoul. Most of the Rhee dictatorship files were captured. These documents have never

been examined by the Security Council. No North Korean witnesses have ever been called.

Stairs has recorded in detail the results of long and careful but one-sided research. He notes that he has written the book early enough to get many interviews with living decision-makers, but too early for the documentary revelations which will come after several more years.

He tells the story of the recall and demotion of the unhappy Brigadier A. B. Connelly for having allowed Canadian troops to become associated without Canadian or U.N. permission with the infamous prisoner of war camps, operated by the American army in crude and vicious violation of the Geneva Conventions on Prisoners. The Koji prison camps were a scandal.

The book ends with an account of the Geneva Epilogue which does not criticize or expose the hypocrisy of much of the American manoeuvres at the 1954 Conference. Chester Ronning's recent book *A Memoir of China in Revolution* does this exposure rather well.

A footnote in Stairs' book, page 294, comments that "Mr. Ronning's habit of engaging in easy conversation with Chinese delegates was for the Americans a constant source of annoyance and suspicion". It was Ronning's personal friendliness which enabled him to argue for the release of a Canadian flier shot down and held prisoner in China.

The Germ War Charges

Stairs devotes four pages to a discussion of the germ warfare charges and my role in it. He did not bother to interview this "living witness". I could have corrected one biased remark as well as supplied a considerable amount of supplementary material. He bases his report on official government statements, such as, that the Canadian government "accepted entirely the official denials of the charges by the American Secretary of State. . . ." I might add just as the Canadian government "accepted entirely" the American lies about the Gulf of Tonkin attack and the secret bombing of Cambodia.

The section on which I might have helped him is this: "On April 10 he held a press conference in Mukden which was subsequently broadcast over Peking Radio. In it he was reported to have claimed that infected insects were being bred for American military use at the Suffield Experimental Station in Alberta. Later he publicly repudiated these re-

ports but nevertheless continued" etc.

The facts of the so called repudiation were these: In Mukden the Chinese showed me much printed material from the West advocating the use of germ warfare including one from the *Reader's Digest*, Jan. 1951, on the germ war preparations in Canada at Suffield, Alberta. They also showed me a magazine from Montreal with an article by Gerald Waring, interviewing Dr. O. M. Solandt and headed "The future of Death On A Mass Scale Is Very Bright". That article, or one like it, I remember, contained a

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statement that with the aid of bacteria the population can be destroyed without damaging the docks or the means of transport. In reply to a question I said that I thought the magazine articles were correct and that there were many such articles. I did not claim any personal knowledge of Suffield or of Canada's complicity in supplying infected insects. It was this point which the RCMP-Canadian Press interviewers were wanting for evidence for a charge of treason. I did not repudiate any of the charges of germ warfare. Moreover, the World Council of Peace selected a group of internationally known scientists to go and investigate and they gave a detailed and positive report. The Canadian Government ignored this report but announced, as Stairs reports, that three independent entomologists had "demolished" my report by looking at a few pictures of insects.

The charge of "bad faith" on the part of China and Korea was made by the U.S. because China and Korea refused an International Red Cross inspection. Prof. Joliot-Curie answered the American U.N. representative on that question this way:

"You are well aware that this Committee is not especially empowered by its statutes to undertake such investigation. It was presumably for this reason that the International Red Cross did not consider it to be its duty during the last war, to denounce the Nazi concentration camps and the systematic extermination which obtained therein, of which the International Red Cross was fully cognizant".

That is one important reason why the Chinese refused the International Red Cross.

Mr. Stairs did not bother to mention that the USA and Japan were the only

two governments which had refused to sign the Geneva Protocol of 1925 outlawing germ war. Canada signed it. Stairs bases most of his research on me, on parliamentary documents and Blair Fraser's *Maclean's* article July 15, 1952, which was partly a journalistic effort at character assassination. He feels able to sum up by saying, "while the government thus dealt with the repercussions in Canada of the communist propaganda effort". In this way of stating the case Stairs shows that he is still operating under the brain-washing effects of McCarthyism and the cold war. History will yet show that Dr. Endicott was not fronting for the Reds, he was fronting for the truth. The liars are to be found in the Pentagon, the State Department and sometimes in the White House, Washington.

Dr. James G. Endicott is the editor of the *Canadian Far Eastern Review*

LAST POST PUZZLE No. 6

By Harry Ostie

General Editor: Claire Balloune

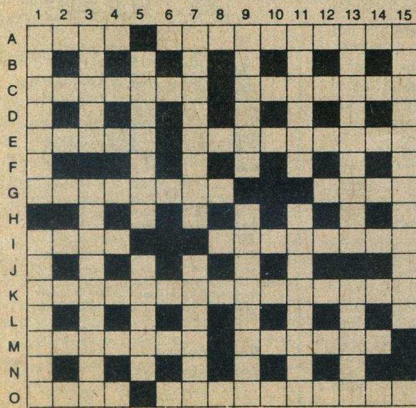
Clues are cryptic, consisting of at least two elements, one of which is a direct reference to the answer, the other a rebus, anagram, hidden word, play on words or a pun. Any proposed solution to a clue may therefore be checked against the whole clue to see that it fits in with all the elements. Anagrams are usually flagged by the inclusion in the clue of a word such as "confused" or "upset"; puns are flagged by words such as "we hear". Letters in the solution may be indicated in the clue. Thus S may be indicated by "south", P by "soft" (music), M by "thousand" (Latin), IE by "that is", EG by "for example", MD by "doctor" and so on.

Specimen clue: "Preserve a District Attorney in the country"

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CLUES — ACROSS

- A1 & A6** I face a rum drunk Last Post Councilor. (4,3,3,4)
C1 One sold in the pasta. (7)
C9 Twice the French wave, Whisky Marc. (7)
E1 Being hesitant after the pub, not quite a bullseye. (5)
E7 Horatio's show of disapproval for Nixon's victim? (5,4)
G1 There's a keen show around in Ontario. (8)
G12 Close your mouth and put it on contractors, like Quebec Liberals. (4)
I1 Lust about a certain Cabinet wife. (4)
I8 Highly placed, we hear, but the Lion rules no more. (8)
K1 Capone's Canadian connection ... one can't get it up, another puts C9 up. (3,8,4)
M1 It's the swinger, the Archbishop or you. (7)
M9 Kevin puts on a pound by degrees. (6)
O1 A fine editor conceals a want. (4)
O7 Former Number Two has to grow a penis. (5,5)

CLUES — DOWN

- A1** Moan in a bathtub on Vancouver Island. (7)
A3 Leonard Jones, for example, a bozo. (5)
A7 What one gets from leaving one's ass off? ... or what Lewis got. (8)
A9 Pompadour's successor and Noah's success. (6)
A11 Foot-long M.P.s. (6)
A13 A tune is in yearly installments. (9)
A15 Never see girl when Louis comes back. (5,7)
B5 Trifled about. (8)
G3 A sewing kit for the M.P.s' lady. (9)
H9 Does he have a factory in my French aunt's garden? (8)
H11 Oil is mixed up in the big Latin blooms down south. (8)
I1 Determined to be attacked. (3,4)
J5 Hearing an affliction, like Morgenthaler's. (5)
J7 In favour of down, we hear, but staying in the game. (4,2)
K13 Ian gets his ass outside, thrown out by Amin. (6)

SOLUTION TO PUZZLE No. 5

Across

- A1 & A8** Heward
Graffey
C1 Nervous
C9 Cistern
E1 Udder
E7 Exploitive
G1 Enriched
G12 Utes
I1 Eels
I8 Galloped
K1 High Crime
K11 Maple

M1

- Leonard
M9 Artists
O1 Nasser
O8 Delegate

Down

- A1** Hon. Eugene Whelan
A3 World
A5 Roof rack
A9 Recipe
A11 Fester
A13 The Big Top

A15

- Yankees
B7 Ushered
G3 Religious
H9 Paleface
H11 Plumptre
I15 Dregs
J5 Scrape
J7 Winds
K13 Pasta

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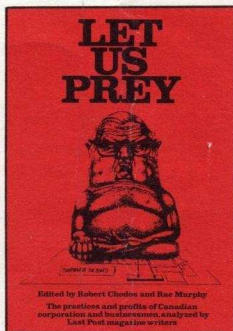
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