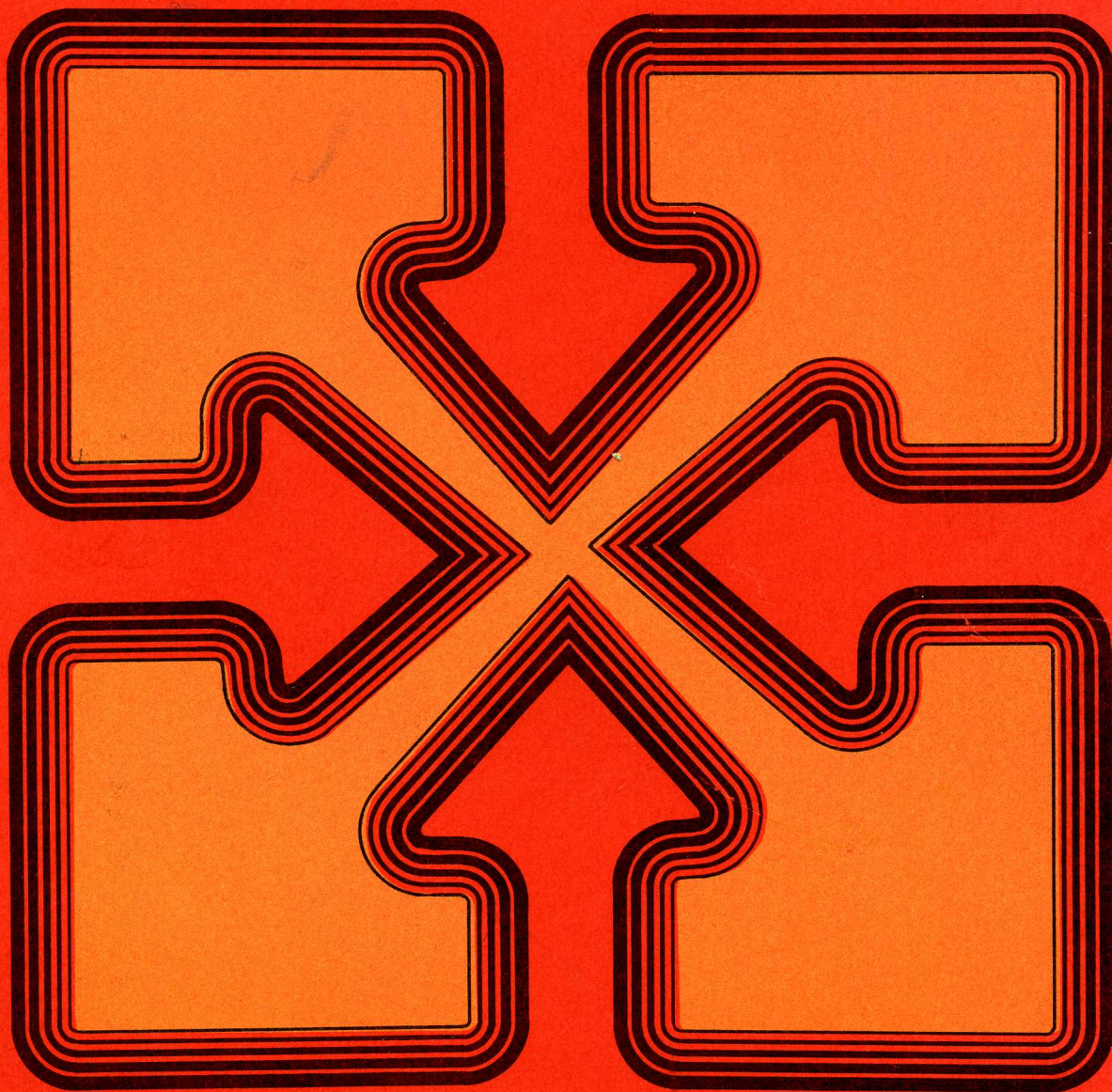


Synthesis

A Review of Events Reported in the Canadian Press



HIGHLIGHTS

- Jamieson Visits Brazil
- Slow Year For Mining
- Dangerous Arsenic Levels In N.W.T.
- Levesque In New York

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Canadian News Synthesis Project

The Canadian News Synthesis Project is a voluntary, non-profit collective working to synthesize and analyse current news coverage of the most important economic, political and cultural forces in Canadian Society, using major newspapers from across the country.

CNSP is co-producer of *Latin America and Caribbean Inside Report (LACIR)*, a monthly interpretive news bulletin.

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<i>Halifax Chronicle Herald</i>	HCH
<i>Le Soleil</i>	LS
<i>Montreal Star</i>	MS
<i>Le Devoir</i>	LD
<i>Le Jour</i>	LJ
<i>Financial Times of Canada</i>	FTC
<i>Financial Post</i>	FP
<i>Globe and Mail</i>	GM
<i>Toronto Star</i>	TS
<i>Winnipeg Free Press</i>	WFP
<i>Edmonton Journal</i>	EJ

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CANADA AND THE WORLD

CANADA TOPS WORLD BORROWERS

M.J. Billingsley, Vice-President of A.E. Ames and Co. of Toronto, states that Canadian borrowing overseas will continue during 1977 and Quebec will be a part of that. (TS 5/1/77, C9 c7-8).

Canada was the largest borrower in international markets in 1976, almost doubling its acquisitions to \$9.1 billion according to Morgan Guaranty Trust Co. Total identifiable loans and credits in the international market amount to an estimated minimum of \$78-billion, up from \$61-billion in 1975. Canada alone absorbed 16% of international bond and Eurocurrency bank credits. Canada now has a greater external debt in relation to its gross national product than Britain. Morgan Guaranty estimates Canada's foreign debt in 1975 at \$34.5 billion, excluding short-term non-bank trade credit liabilities. This was 22% of Canada's GNP and 89% of its exports. Comparable figures for Britain are \$45.8 billion debt, equivalent to 20% of GNP and 71% of exports. Next to Canada, Brazil was the heaviest borrower in 1976 with loans of \$3.42 billion, up 47% from 1975. Brazil's external debt is estimated to have jumped to \$26.7-billion from \$21.2-billion in 1975, or 10% of its GNP. CM 8/1/77 pB14.

CANADIAN DEBT SPELLS FUTURE PROBLEMS

Can Canada live within its means? Its mounting debt raises doubts, comments Hyman Solomon in the Financial Post. Some commentators wonder why governments don't cut their spending and concentrate on industrial development instead of worrying about income distribution. Canada's deficit on current account, now running at about \$4 - \$5 billion a year piles up borrowing costs and is not expected to change. Lenders may offer tougher terms to Canada, interfering with Canadian sovereignty as has happened in Britain's case. The continued inflow of foreign dollars keeps the Canadian dollar high in international exchange. This poses problems for pricing of Canadian exports, and will raise serious questions about the survival of many manufacturing industries in Canada. It could drive Canada back to the kind of capital-intensive resource-based economy it had in the 1950's. But the resource investment would not be in equity, but in foreign debt, leaving Canada with an even heavier debt load. The circle simply reinforces itself. FP 29/1/77 p.1

EURO-MONEY MARKET

The Euro-money market is made up of transactions between two parties in the currency of a third. It includes the major industrialized countries and some Caribbean, Middle Eastern and related countries. It includes the Euro-dollar market made up of 75% U.S. currency, 15% West German marks, and 7% Swiss francs (the remainder is Dutch and French currency). Canada is a short-term lender and a borrower in this market. Last year Canada invested \$12 billion and borrowed \$9 billion. Latin America borrowed \$27 billion with Mexico and Brazil accounting for \$12 billion each. Eastern Europe borrowed \$19 billion and South Africa borrowed \$5 billion and Australia \$2 billion. There is, in addition, a Euro-capital market including Euro-bond issues and syndicated medium

term loans, representing \$60 billion in 1974 and \$84 billion in 1976. Canadian dollars make up about 11% of this market, and have taken the place of Swiss and some American currency. EJ 13/1/77 p.77

WESTERN BANKS LOAN TO ARABS

Industrial nations, hard hit by Arab oil exporters, are now lending to help them cover payments problems. A number of North American and European banks including the Toronto Dominion Bank are lending \$500-million to Iran, for industrial development. West German banks are lending Iran \$600-million for a large power plant construction project. Japan has given Iraq \$1-billion in industrial development credits. Oil exporters look like good risks. TS 27/1/77 p.D8

COMMODITIES: COFFEE

A special session of the 62-nation International Coffee Organization executive board will be held in February to explain coffee price increases to consumers. Colombian officials have declared worries over the nervous and volatile coffee market. Some consumers accuse Brazil of driving up coffee prices by increased export taxes and by buying up Angolan and Salvadorian coffee. Brazilians reply that they are selling their stocks, but slowly. Colombians support stabilization of prices. The coffee "crisis" grows out of a series of natural and man-made disasters including civil war in Angola and earthquakes in Guatemala. Exporting nations fear that a boycott could lose permanently whole groups of coffee drinkers. The Brazilian coffee institute has, however, raised export taxes on coffee to \$103. per 60-kilo bag. Some Canadians have gone around high prices. Restaurateur Henry Krebs of Waterloo, Ontario went to Colombia where he found surplus coffee beans in abundance and purchased them from independent growers permitting him to serve a 10¢ cup of coffee in Waterloo. Brazil, he said, is pressuring Colombia not to sell at low prices. HCH 19/1/77 p13; 24/1/77 p19; HCH 12/1/77 p7.

GLOBAL FOOD SUPPLY

World food supplies are at their highest in four years, but this is no guarantee against hunger. Good weather is largely responsible for the present situation. India has managed to put 17 million tons of grain in stock. Africa is less happy because of drought and political upheaval causing partial crop failures in Cape Verde, Mauritania, Chad, Ethiopia, Mozambique and Angola.

FAO director Edouard Saouma reminds observers that each recurring food crisis is worse and there is no reason for complacency. The world has yet to meet the minimum 10-million tons of grain in food aid per year set at the World Food Conference in 1974 and the emergency grain reserve approved last year by the U.N. General Assembly is also unrealized. FAO experts point out that the present world trade patterns leave less developed countries losing ground. In their war against trade imbalances many less developed countries have devoted so much attention to the struggle to stimulate industrial and export capacity that they have not given sufficient resources and attention to improving agriculture. HCH 4/1/77 p12; HCH 14/1/77 p14.

CANADA AND THE WORLD



INTERNATIONAL CONFERENCES: MORE TALK

World Bank President, Robert McNamara has suggested that a high level but unofficial commission be established to work for the revival of stalled economic negotiations between rich and poor countries, and indicated that Canada might partially fund such a commission. Dutch Cabinet minister Jan Pronk, and Canadian International Development Research Centre President David Hopper have indicated that they might support such an effort. Maurice Strong, former CIDA head, has been suggested as a commission member and Willy Brandt has been suggested as Chairman. The Commission would seek to identify political decisions which could unify poor and rich countries on an approach to economic issues. HCH 15/1/77 p64.

Maurice Strong, chairman of Petro-Canada, has supported the McNamara proposal for a high level independent economic commission. He feels that an in-depth study by such a commission would be timely. McNamara has said that the CIEC North-South dialogue had run into trouble because it focused on particulars rather than basic principles. HCH 17/1/77 p5.

LAW OF THE SEA

Norway and the United Nations have summoned more than 150 nations to reconvene the Law of the Sea negotiations in Geneva. The negotiations ended in September in New York in a bitter dispute over the exploitation of the seabed resources of nickel, copper and other minerals. The United States and countries with ocean-mining technology insist on protecting free enterprise by guaranteeing access to mining sites for private interests. Third World countries wish the resources to be regarded as the common heritage of all mankind. An informal meeting will begin February 28, and it is ho-

ped that the full conference will begin in New York in May. The U.S. and the U.S.S.R. are said to be supporting the Norwegian initiative to reconvene the Conference. GM 11/1/77 p3.

Canada/Latin America Relations

JAMIESON'S TRADE TOUR: BRAZIL

Canadian External Affairs Minister Donald Jamieson undertook a tour of Brazil, Peru and Columbia. The initiative was greeted positively by the Halifax Chronicle Herald which called for increased trade with Brazil, and for Canadian assistance with Brazil's nuclear needs. HCH 11/1/77 p6 c-1-2 editorial, TS 26/1/77 A16

Brazil-Canada trade is an important item on Jamieson's agenda. Brazil suffered a \$25 million trade deficit with Canada in 1975, importing \$195 million in Canadian goods and exporting \$174 million. A joint trade commission, which met for the first time in November, 1976, was set up. Brazil cites an interest in Canadian technology, particularly nuclear technology. HCH 6/1/77 p4 c2-5, EJ 10/1/77 p11

Observers believe one of the main reasons for Jamieson's visit to Brazil was to patch up differences between Brazil and the United States over Brazil's nuclear dealings with West Germany. In 1975 Brazil signed an agreement with West Germany which provided for plants for the enrichment of uranium and recycling fuel as well as for the transfer of nuclear technology. The United States have expressed concern about the agreement because Brazil has not signed the nuclear non-proliferation treaty, and has only signed agreements with the Vienna-based International Atomic Energy Agency which relate to its agreement with West Germany and not to its whole nuclear programme. Bonn is providing nuclear technology to Brazil in return for uranium.

Brazilian foreign Minister Antonio Azeredo da Silveira told Jamieson that the West German agreement was fixed, and that Brazil would not tolerate any international pressure. Jamieson said he saw nothing wrong with the agreement, offered to mediate between the U.S. and Brazil, and expressed a desire to sell Canadian turbines for Brazil's huge Itaipu hydro-electric project. In concluding a variety of agreements for technical training and assistance and bilateral co-operation in 23 projects, the Brazilian foreign ministry cited Canadian intentions to invest \$2 billion in Brazil over the next 10 years in mineral explorations, electric power generation, petrochemical plants and other areas. Canadian coal will be exchanged for Brazilian iron ore, \$250 million will be invested in the Trombetas bauxite project, and more than \$1 billion will go to potassium exploration. A \$550 million project to build locomotives is also in the planning by a bi-national consortium. Canada will sell turbines to Itaipu in a tripartite agreement with the U.S.

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Among agreements signed was one which acts as a means for Canadian-Brazilian cooperation and consultation in developing programs in the Third World, particularly in Africa. Jamieson did not succeed in getting Brazil to agree to sign the nuclear non-proliferation treaty.

With regard to human rights Jamieson stated on departure, "During my stay in Brazil I was assured that Brazil does not follow a policy of disrespect for human rights and as I have no personal knowledge of cases like those that occur in Argentina and Chile, I'm inclined to believe that the problem is much less in Brazil than in the two above-mentioned countries."

Jamieson witnessed the signing of an agreement whereby Kaiser Resources of B.C. will sell up to 10 percent of its product from a new coal mine to Companhia Vale do Rio Doce of Brazil. He also announced that the Export Development Corporation and the Bank of Montreal will loan \$14 million to Brazil to facilitate advanced undersea petroleum gathering and production system for the Garoupa offshore oil field north of Rio de Janeiro. WFP 13/1/77 p7 c1-3, MS 13/1/77 C1 c1-4, EJ 13/1/77 p22 c3-5, MS 14/1/77 pC1 c5, OC 14/1/77 p53 c1-8, EJ 15/1/77 p8 c1, WFP 15/1/77 p24 c1-8, MS 18/1/77 pD10 c1-4.

CUBAN TRADE

Canadian-Cuban trade has some problems. The Cubans have run into drastic balance of payments problems and are cutting back on shipments from Canadian suppliers. Competition from the U.S. may break out if President Carter removes the U.S. trade embargoes. Canada has sold about \$250 million worth of goods in 1976, but Business International of New York told the U.S. Congress the U.S. could gain a market of \$750 million a year in Cuba. At the moment, U.S. pressure on exporting firms in Canada is still a factor interfering with trade with Cuba.

Some eighteen months ago the Canadian government passed an act which made it illegal for a foreign-owned subsidiary to obey an order from a head office based on a foreign law which ran contrary to Canadian interests. But this Canadian law is being flouted regularly. The Toronto Star (editorial 26/1/77 B4 c1-2) charges there is no will to use this law in Canada, that Canada's trade with Cuba is subject to Washington's whim, and the Canadian law is ignored.

EJ 18/1/77 p6 c1-2

Trade

CANADA RECORDS SURPLUS IN 1976 TRADE

Canada had a merchandise trade surplus of \$1.132 billion in 1976, a reversal from the 1975 deficit of \$639 million, according to Statistics Canada. Exports on a balance of payments basis rose by 14% to \$38.019 billion last year while imports rose 8.5% to \$36.887 billion. Of the increase in

exports, the bulk was accounted for by new exports to the United States while growth of trade to Europe, Japan and the Third World grew at much slower rates. As a result Canada is becoming increasingly trade dependent on the U.S. In 1976, 67.8% of all Canadian exports, and 68.6% of imports, were accounted for by trade with the United States. MS 22/1/77 pB2, OC 22/1/77 p17, WFP 22/1/77 p1, GM 22/1/77 pB14.

BUT WE'RE STILL WEAK IN EXPORTING MANUFACTURED GOODS

Although Canada's trade position improved last year, our trade position continued to weaken for fully-manufactured goods except for transportation equipment (i.e. motor vehicles, manufactured under the U.S.-Canada Auto Pact, which is a separately regulated flow of merchandise). Fully-manufactured exports were about \$3.6 billion (less than 10% of our total exports) and imports in the same category amounted to \$12.5 billion (about one-third of our total imports). FP 15/1/77/ p.8

Canada's Share of World Exports and of Exports to Selected Countries

	(%)							
Share of:	1966	1969	1970	1971	1972	1973	1974	1975
world exports								
to all countries	4.9	5.3	5.4	5.3	5.1	4.5	4.1	3.8
to U.S.	23.5	27.8	27.1	26.5	26.1	24.9	21.9	22.5
to W. Europe (1)	2.1	1.7	2.1	1.8	1.5	1.4	1.3	1.2
to W. Europe (2)	4.7	4.2	4.6	4.3	3.4	3.4	2.8	2.8
to Japan	4.5	4.6	5.0	4.9	4.8	5.2	4.0	4.0
to Communist countries	2.4	0.5	0.9	1.1	1.5	1.2	0.9	1.1

(1) Includes trade between W. European countries
(2) Excludes trade between W. European countries

BUT WE'RE STILL WEAK IN EXPORTING MANUFACTURED GOODS

Although there is a surplus in merchandise trade statistics are expected to show a deficit of about \$5.9 billion in trade of services between Canada and other nations (i.e.: royalty, dividend, interest and tourist payments). As a result, the Toronto-Dominion Bank estimates that Canada's 1976 balance of trade in goods and services was a \$4.6 billion deficit.

GM 20/1/77 pB4

THE ARAB BOYCOTT ISSUE

A private commission of prominent Canadian individuals, the Commission on Economic Coercion and Discrimination, released a report claiming that four Canadian banks -- Bank of Montreal, Toronto-Dominion Bank, Royal Bank and Bank of Nova Scotia -- participate in the Arab boycott of Israel by "regularly processing letters of credit containing boycott clauses". Arab nations have a policy of discouraging trade with Israel by insisting that companies they do business with do not also do business with Israel. The Commission also alleged that the Export Development Corporation, a Crown company, insures contracts containing boycott clauses. A spokesman for one of the companies listed in the report admits that there are "contractual exclusions" in some of their agreements but that to call it a boycott "overstates the matter". Frederick Fraser of CAE Industries Ltd. says that "common sense dictates that when a country is in a effective state of war, as the Arabs are with Israel, they do not want to run the risk

CANADA AND THE WORLD

of having merchandise sabotaged... There is nothing morally reprehensible in our compliance with these exclusions". FTC 17/1/77 p18.

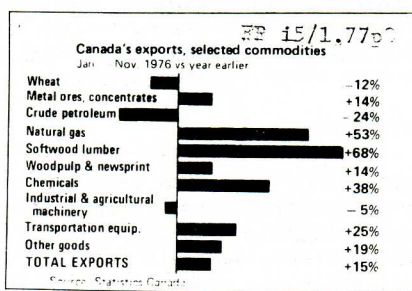
In response to demands that it counteract and prohibit the application of the Arab boycott against Israel in Canada, the federal government says that it will disqualify from government assistance any company which participates in a boycott not approved by Canada. Trade services and export financing are the most likely supports to industry which the government will withdraw. Such regulations may be difficult to operate and will not affect the bank's practice of issuing letters of credit containing boycott provisions. FTC 24/1/77 p.16

The Export Development Corporation (EDC) announced that last October it changed its rules to ensure that transactions it finances or insures for exports to Arab nations are not covered by boycott restrictions. GM 15/1/77 p12

The Canadian Arab Federation says that the Arab boycott against Israel has been badly misrepresented in Canada. Mr. Kubursi of the federation says the boycott is "a non-belligerent collective instrument of self-defense" aimed at dissuading Israel from maintaining its occupation of Arab territories and its disregard of Palestinian rights. MS 21/1/77 pB10.

EDC PROMOTES MORE TRADE

The Export Development Corporation has approved credits, insurance, long-term loans and investment guarantees totalling \$240 million to support the export sale of \$402 million worth of Canadian goods and services to countries including Iran, Algeria, Turkey, the Soviet Union, Peru and Panama. The largest amount, \$193 million, will go as loans to these countries for purchasing Canadian goods and services.



In a study released by the C.D. Howe Research Institute, economists Carl Beigie and Joshua Mendelsohn argue that benefits from tax breaks go south because of the high degree of American ownership. From 1971 to 1973 foreign-owned firms with assets exceeding \$5 million paid out between 27 and 34 percent of their earnings in dividends to foreigners. Beigie and Mendelsohn call for a reassessment of tax concessions arguing

that tax breaks do not have the effect government thinks they do in stimulating investment. Often the U.S. treasury is the winner, they point out. If the Canadian taxes paid by a U.S. subsidiary firm are less than U.S. taxes, the parent firm is required to pay the difference to the U.S. treasury when the profits cross the border. TS 11/1/77 pB6 c2-9.

Andrew Kneiwasser, president of the Investment Dealers Association of Canada blamed tax policy for Canada's increasing indebtedness to foreigners. If Canadians borrow overseas they can deduct interest payments as a normal cost of the money on their taxes. If, on the other hand, they are receiving equity investment from outside, the investors must pay taxes on their profits. He stated that Canadians are among the best savers in the world, but that their channelling of these resources is very bad. Last year 70 percent of savings went to finance three levels of government, 27% went to debt or preferred financing for corporations and only 3% went to permanent new capital in ownership shares to expand existing businesses or create new ones. For business purposes, Canadians use the savings of foreigners and this is throwing the country into increasing indebtedness. TS 21/1/77 pC6 c1-6

FOREIGN INVESTMENT REVIEW AGENCY

Conflict within the Federal government continues over the proposed "government-blessed" amalgamation of General Steel Wares and Canadian G.E. in the creation of the Canadian Appliance Manufacturing Co. (CAMCO) to take over the Canadian appliance assets to Westinghouse. Trade Minister Jean Chretien, who made the first announcement of the deal, refuses to allow the deal to be reviewed by the FIRA despite the fact that its 50% U.S.-50% Canadian control raises serious questions about possible U.S. vetoes over Canadian policy. Justice department lawyers have stated that FIRA should be able to scrutinize the merger, but Chretien has refused to be influenced by their advice. Meanwhile White Consolidated Industries of Canada and its parent in Cleveland, which had been refused permission to buy Westinghouse Canada by FIRA, have declared that they have the exclusive use of the Westinghouse trade name in Canada. MS 19/1/77 pF3 c3-6, HCH 15/1/77 p47 c5-6, FP 29/1/77 p4 c1-2

The Federal Government is planning revision of FIRA which would mean faster transactions for companies with sales of less than \$2 million and fewer than 100 employees, exemption of all but the largest of real estate deals. Provincial and federal forces pressing for new foreign investment are pressing for the review of the legislation. Herb Gray who piloted the original legislation through the commons is worried. He cites a speech last month in Chicago by Hon. Jean Chretien in which the minister stated that FIRA was created "to maximize the benefits arising from the activity of foreign-controlled enterprises in Canada". Gray points out that this was only 50% of FIRA's purpose, the rest was to slow the rate of foreign control of the economy. Gray also points out that Chretien's attitude over the Westinghouse merger deal also

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places FIRA in question.

FT 3/1/77 p7 c1-4

Peter Held, of Dunwoody and Company, consultant to members of the West German government on the German-Canadian Tax Treaty, and consultant on foreign investment to private investors in Germany, Holland, Switzerland and South Africa states that foreign investment in Canada has been dealt a body blow by constrictive government legislation and regulations in the past twelve months. AIB rules, FIRA and the 1972 income tax act have all played their part. In addition, he cites the Canadian record on strikes and labour unrest. He also cites the provincial land transfer taxes in Ontario and Quebec. EJ 12/1/77 p72 c1-4

Foreign investment is pouring into Montreal in recent years, particularly into real estate. Of 113 apartment buildings evaluated for taxes at \$1 million or more, 2/3rds are foreign-owned, 40% of these are German. The most frequent single address of ownership for these properties is Lichtenstein. In the last two years Italians have poured more money into Montreal property than any other group. OC 14/1/77 p10 c1-6

During 1976 the number of Canadian firms setting up new plants or buying firms in the U.S. more than doubled, according to a survey by the Conference Board in New York. 24 firms moved south in 1975 and 61 Canadian firms decided to expand their business or move from Canada altogether. 31 of the 61 businesses involved investments totalling \$210 million. Major new projects were announced by Inco Ltd. and Macmillan Bloedel. Factors influencing the decision included higher production costs, higher minimum wages and poorer markets in Canada. Investors compared the New York minimum wage of \$2.30 an hour with the Quebec rate of \$3.00 an hour.

The Consumer and Corporate affairs minister, Anthony Abbott is expected to announce soon that he will back away from more contentious aspects of the new patent-law legislation for Canada. In six months since the draft paper was released, 236 briefs and letters have been sent to the minister. The revision was termed an attempt to reduce some of the monopoly benefits that companies win when they patent goods or technology. Critics charge that the revision will make patents meaningless. The support for the revision comes from the Economic Council of Canada and the ministry, but most consumer groups find it too complex. The proposed law would require and increase in the amount of information which patent holders have to file in Ottawa. It would set up a 10 year review of the legislation. It would give a shortened life to patents reducing the existing 17 year term to 9 years. The essential debate is over monopoly rights and what the costs and benefits are of extending those rights. FP 27/1/77 p.11 c1-3

General

MONTHLY STATISTICS

I. ECONOMY

Trade:

Exports, 1976	\$38.019 billion
Imports, 1976	\$36.887 billion

Housing Starts:

October, 1976	16,471
Year-to-date	171,350

Farmers' Cash Receipts(\$ millions)

Jan.-Oct., 1976	8,937.5 (1976 figure)
Jan.-Oct., 1975	9,024.9 is down 1.0%

Consumer Price Index (1971 = 100)

Dec.	Nov.
152.7	152.2

II. LABOUR

Persons with Jobs (millions)

Dec.	Nov.
9.48	9.59

Unemployed

754,000	708,000
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Participation Rate

60.6%	60.7%
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Unemployment Rate

7.4%	7.3%
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INTRODUCTION: IS THE WRITING ON THE WALL FOR CONTROLS??

Spurred on by the rising chorus of gloom and doom by the bodies presenting economic predictions, the business sector has renewed its call for removal of controls - but only for the private sector. The business campaign makes two points, both of them centred on the concept that "productivity" is essential if the economy is to be revived this year. Firstly, workers are to blame for inflation since their productivity does not justify the wage increases won before controls. Secondly, productivity can only be restored if business is given the proper incentives to invest. Thus business demands that controls on profits be removed in order to restore business "confidence". Most spokesmen of the large corporations believe that the AIB did its job in holding down wages, thus reducing labour costs for the duration of the recently-signed contracts.

The public sector is not to be freed from controls. The business view, expressed in the *Globe and Mail* (11/1/77), is that governments and their workers do not have the "discipline" of the market to stop them signing inflationary contracts. This year's tactics are now apparent, and the following statements of business and government leaders seem to confirm this. Governments are to curb their spending on social programmes and their workers are to be kept under the AIB. Many private sector workers have signed AIB-enforced contracts and are now locked into lower wages for up to three years. The corporations will now be freed from controls to take full advantage of government incentives and this year's expected recovery.

THE ECONOMY

PRESSURE MOUNTS TO END CONTROLS

Winnipeg businessmen believe that capital spending will stagnate if controls are retained. The 1976 statistics are expected to show capital investment in Manitoba below the Canadian provincial average. WFP 14/1/77 p.25

R.D. Fullerton, President of the Canadian Imperial Bank of Commerce has called for an early dismantling of controls. He claims "something had to be done" to reduce unit labour costs, but since Canada faces a slow growth year in 1977, he says controls will do too much damage if retained. WFP 13/1/77 p.43

W.E. McLaughlin of the Royal Bank called for an end to controls within 6 to 9 months. He said the economy will be sluggish, so inflationary pressure will not be strong during that period, but controls must be lifted to restore the confidence of the business community. He recommended controls be retained for public sector employees. TS 14/1/77 p.C7

Federal NDP leader Ed Broadbent called for an immediate end to controls in order to stimulate the economy and create jobs. He advocates a "social contract" approach to controls which would allow for planned investment in energy and housing. GM 17/1/77 p.9

CNSP Note: Until very recently the NDP had argued strenuously against such a social contract, even though organized labour was the first group to propose it. Now, apparently, the NDP has changed its tune, very shortly after the U.A.W.'s McDermott loudly criticized the NDP's failure to toe the line.

MACDONALD AGREES BUSINESS NEEDS INCENTIVES, NOT CONTROLS

Finance Minister Donald Macdonald suggested in Toronto that an agency to monitor wages and prices will be established after controls are lifted. This agency will "establish norms or definitions of... responsible behaviour." It would be similar to the Council on Wage and Price Stability established in the U.S. in 1973. TS 24/1/77 p.A1

Macdonald also said Canada must remove profit controls in order to attract private investment. He claimed such investment is necessary for job creation and increased productivity. He says labour leaders wanted stiffer controls on profits, but "What I'm saying is the very opposite...I'm

more concerned about the incentive to invest in Canada." GM 25/1/77

Macdonald says improving conditions for investment will be a priority this year. He says the investment climate will improve once businessmen know controls will be lifted. He also concedes however, that unemployment will remain near record levels and that personal incomes will not grow as much as in 1976. TS 24/1/77 p.A1

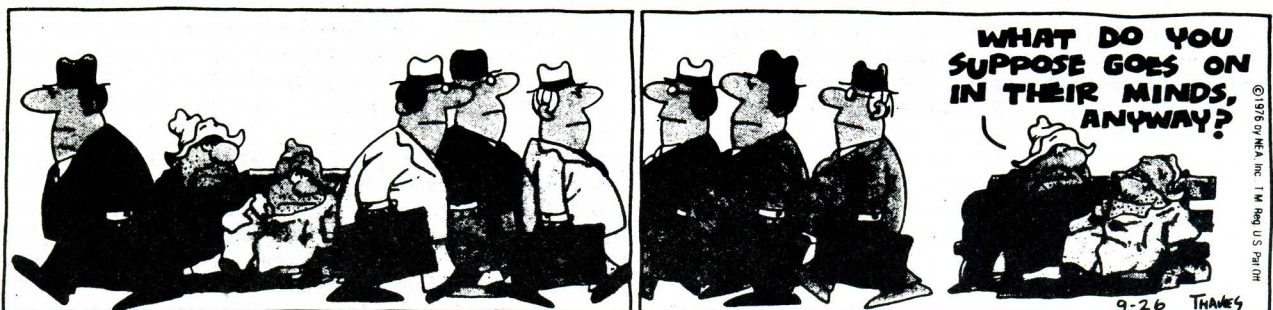
Anti-Inflation Board Chairman Jean-Luc Pepin admitted controls have hurt investment, and said he would not regard investment incentives in any new Federal budget as "a mark against controls." GM 20/1/77 p.B2

QUEBEC ENDS CONTROLS ON OWN EMPLOYEES

The Quebec Government has decided to remove the powers of its own anti-inflation programme to enforce wage roll-backs. In future, the board will only monitor collective agreements. When Ottawa introduced its anti-inflation programme in Oct.1975 most provinces put their employees under the federal guidelines, but Quebec and Saskatchewan introduced their own programmes to cover agreements with their employees. Quebec's Finance Minister Jacques Parizeau, in announcing the end of provincial controls, said it will not review or roll back any agreements made by the former Liberal government. Between the introduction of controls and the November election, the former government had signed new contracts with 80% of its employees. Parizeau said the Liberals had destroyed the effectiveness of the controls by signing contracts that broke the guidelines in an effort to win labour's support. Quebec workers in the private sector will still be bound by Ottawa's anti-inflation programme. Federal Finance Minister Macdonald called Quebec's move "economically unwise." MS 15/1/77 p.A1 HCH 15/1/77 p.1 (CP)

KEEP CONTROLS FOR PUBLIC SECTOR

R.Bilodeau of the Canadian Manufacturers' Association opposed lifting controls. He claims labour is still too strong, especially in the public sector, and its expectations are still too high. Bilodeau says Canada's export position must be improved in order to create jobs, and suggests that reducing individual labour costs (read "keeping wages down"- CNSP) as the way to achieve this. TS 14/1/77 pC7.



THE ECONOMY

Ontario Treasurer Darcy McKeough claimed that "the greatest amount of inflationary heat was created by civil servants and other government employees such as teachers and hospital workers". He said that there was "great merit" in keeping controls on the public sector. GM 14/1/77 pB10.

GLOBE AND MAIL BLAMES GOVERNMENT ACTIONS FOR CREATING INFLATION

"Ottawa wanted to invest more wealth - much of it in transfer programmes - than the Canadian economy was

actually producing.... With money easily come by, Ottawa also granted excessive wage increases to workers in the public sector.... The provinces ran up huge deficits and let their public workers have unjustified wage increases." The Globe and Mail claims that "wages have been restrained, though more firmly in the private than in the public sector. Profits have been restricted to the point where Canadian business does not have the retained earnings - or the confidence" to invest. GM 27/1/77 p6, editorial.

Oil and Gas

INTRODUCTION: Canadian Arctic Gas and Foothills Pipelines have submitted new estimates of gas reserves in the Mackenzie Delta-Beaufort Sea areas to the National Energy Board as Ottawa and Washington signed a tentative treaty clearing the path for future pipelines which may stretch between the two countries. Short-term exports of Canadian gas to ease U.S. shortages may have taken some pressure off a temporary over-supply problem for producers in Alberta. Petro-Can, the government-owned oil company, announced its new budget while entering into a deal with the American transnational Mobil Oil Ltd. to finance exploration near Sable Island off the coast to Nova Scotia. In the west, Alberta has relaxed royalty rates to stimulate greater off-take from conventional fields and move exploration into areas where more expensive high-technology is required.

MACKENZIE GAS RESERVES REVISED

In new estimates filed with the National Energy Board, Canadian Arctic Gas Pipelines and Foothills Pipelines have revised their previous estimates of total reserves of natural gas in the Mackenzie River Delta. Arctic Gas estimates 6.7-trillion cubic feet of gas, while its chief competitor, Foothills, estimates 5.7-trillion cubic feet. Arctic Gas increased its former estimate from 6.2-trillion cubic feet and Foothills lowered its from 7-trillion cubic feet.

Reserves of 10 to 15-trillion cubic feet are considered necessary to economically justify a Mackenzie pipeline. Arctic Gas says there may be 40 to 60-trillion cubic feet in the Mackenzie Delta-Beaufort Sea Basin and Foothills estimates about 37.4 trillion cubic feet. GM 26/1/77, TS 5/1/77 pC9.

CANADA, US SIGN PIPELINE TREATY

A 35-year hydrocarbon pipeline treaty, still to be ratified by the Canadian and U.S. governments, has been signed in Washington. The pipeline agreement will guarantee the security of oil or gas crossing from one country to the other, protect pipelines from discriminatory taxation and prohibit imposition by either government of a throughput tax. The treaty is seen as a legal necessity in the event of a Mackenzie Valley pipeline to transport gas to the U.S. GM 27/1/77 p.B2

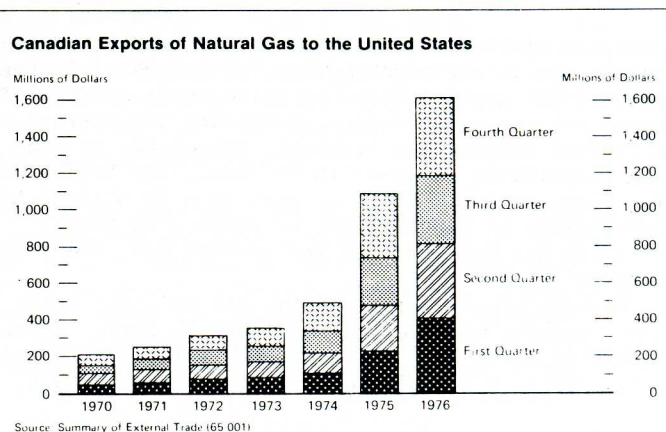
U.S. GAS CRISIS EASED BY CANADIAN EXPORTS

The NEB authorized increased gas exports of 250-million cubic feet a day to help the gas-starved central and eastern U.S. during this winter's unusually cold weather. Total exports authorized for a two-month period are 15-billion cubic feet. Canada

usually exports about 1-trillion cubic feet of natural gas to the U.S. each year. GM 29/1/77 pB12, 20/1/77 pB1.

CNSP NOTE: Gas shortages in the U.S. fit neatly into short-term overproduction from fields in the Canadian south. The temporary glut of Canadian gas has occurred as consumption has not kept up with successful gas discoveries in Alberta over the last two years. There may be as much as 7-million cubic feet of unsold gas by the end of 1977 according to industry sources. Though this may please energy conservationists, the industry will likely push for increased exports or try to stimulate domestic consumption in an effort to keep the industry buoyant and profitable.

The present over-supply may have an even greater effect on the outcome of the Mackenzie Pipeline decision. The industries' success in traditional



THE ECONOMY

Alberta fields appears to justify Foothills' predictions of enough gas reserves in the south to defer building of a pipeline until the mid-1980's.

GM 22/1/77 pB13.

PETROCHEMICAL INDUSTRY GROWING

There are 22 major petrochemical projects completed or planned in Canada worth about \$2 billion. Ontario has 10 plants, worth \$1.1 billion, on the go. Alberta has 9, worth about \$850 million. In contrast, construction of oil refineries is slackening off after the construction of about \$1 billion worth of plants in recent years created a substantial refining over-capacity.

MS 5/1/77 pE1.

PETRO-CAN SPURS NOVA SCOTIA OFFSHORE SEARCH

Petro-Canada, the government-owned oil company, has entered into an agreement with Mobil Oil Canada Ltd. to finance renewed drilling in the coastal shelf off Nova Scotia's Sable Island. Petro-Can will spend up to \$45 million to drill on lands leased to Mobil, in return for a 40% interest in the results.

Donald Axford, Petro-Can's senior VP exploration, and former 26-year Mobil employee was reportedly responsible for approaching Mobil with the deal. The company will drill and test 5 wells in two areas with options for seven more.

EJ 12/1/77 p25, FTC 17/1/77 p18, FP 22/1/77 p8.

PETRO-CAN BUDGET AUTHORIZED

The government has authorized a 1977 capital budget of \$287.5 million for Petro-Can. About \$130 million is directed towards exploration in four major areas:

- 1) Beaufort Sea-Mackenzie Delta region,
- 2) the Northwest Territories south of the Delta,
- 3) Nova Scotia offshore area, and
- 4) High Arctic Islands (through Panarctic Oil Co. in which Petro-Can has a major share).

In addition to exploration expenses, Syncrude will get \$99.5 million from Petro-Can and the Polar Gas consortium will get \$4 million as the government's share of costs in preparing an application for a High Arctic gas pipeline.

WFP 22/1/77 p22

CANADIAN PACIFIC ANNOUNCES ST. JOHN LNG TERMINAL

Canadian Pacific has announced the formation of a new subsidiary in partnership with Paktank BV of Amsterdam (one of the world leaders in third-party storage of crude petroleum) to design, construct and operate a liquified natural gas terminal, unloading; storage and regasification plant in St. John, New Brunswick. The plant would be built as part of a \$2 billion LNG development by Tenneco Inc. of Houston to handle Algerian gas destined for the eastern U.S. and possibly eastern Canada.

Tenneco plans to deliver the gas in eight cryogenic tankers with deliveries every 2½ days. About 1-billion cubic feet a day of LNG would be unloaded with a maximum capacity of 5.1-billion cubic feet.

There is also speculation the LNG terminal will be followed by deep-water oil terminal at St. John for oil destined for U.S. markets. This would be anathema to environmentalists who vigorously oppose the idea.

FTC 17/1/77 p15, GM 5/1/77 pB3.

ALBERTA OFFERS INCENTIVES TO TAR SANDS DEVELOPMENT

The Alberta government has eased royalty rates on crude oil exploration by non-conventional means. The move is expected to spark increased efforts in the province's huge tar sands deposits. Both Ottawa and Alberta are trying to put together a package to make exploration of tar sands and heavy-grade oils more attractive to private industry. The federal government is expected to offer incentives of equal value to the Alberta concessions. The increased cash also means that industry will put greater effort into recovering oil from conventional holes which do not yield more than 25 to 45 percent of the oil through standard production methods.

MS 20/1/77 pD11, EJ 20/1/77 p51, GM 19/1/77 pB1.

Hydro

OPPOSITION TO BC DAMS MOUNTS

BC Hydro's plans to dam the McGregor River, about 60 miles east of Prince George and the Peace River near Revelstoke are meeting stiff opposition from environmentalists and the pulp and paper industry. Government studies have shown that the McGregor dam would reduce the flow of the Fraser River by 20%, flood timber land and endanger the salmon industry. The Revelstoke dam would create a reservoir 80 miles long, burying valuable timber and natural wildlands.

GM 17/1/77 p8, WFP 5/1/77 p18.

Mining

INTRODUCTION: *The mining community is quite worried about the security of its ownership of mining properties. The companies do not want to spend on exploration without clearly defined title and interest. British Columbia, Saskatchewan, and Manitoba have all become risky investments over the last few years, because of this uncertainty. In addition, federal plans to delay development for environmental reasons are held to be unrealistic. Both environmental protection and regional planning legislation have held up projects. According to the industry, infrastructure and transportation facilities must be modernized to provide a better break for mining companies. Also, workers should have government incentives for going to northern mining communities and staying there.*

In general, mining officials are pessimistic, believing that the government is responsible for increasing the risk factor and discouraging investment.

THE ECONOMY

NEW APPROACH IS URGED FOR MINERAL PRODUCING NATIONS

The British-North American Committee called for a new system of mineral production based on "sanctity of contract, predictability, a safe return for taking risks, competitive costs, and assured markets". When assurances are given on these essentials, there should be no shortage of capital and management skills. The group states that huge sums have already been diverted from unpredictable areas in the Third World and even in Canada, Australia, and South Africa. "These countries have shown a disposition to align themselves with the thinking of the Third World." GM 6/1/77 p.B2 c2-7

MINING INCOME DOWN

The net income for the first nine months was down for all four mining groups:

- integrated mines off	24%	to \$300	for 6	key firms
- metals and minerals	12	43	6	
- uranium and coal	12	89	4	
- golds (overall)		0.8	5	

OJ 11/12/76 p26.

URANIUM ACTION CONTINUES

Private and Crown corporations involved in uranium mining are continuing to go ahead with scheduled plans in Saskatchewan, despite the announcement of a public inquiry into uranium development in the province, with particular attention focused on environmental impact. Only the French-based Amok Ltd. is not proceeding with plans as it does not yet have a permit from the atomic energy control board. HCH 7/1/77 p21 c3-5.

Gordon Burton of Eldorado Nuclear Limited said the climate of uncertainty generated by the study may force the companies to consider moving the thrust of their uranium explorations elsewhere. OC 22/1/77 p13 c1-5.

PQ TALKS OF ASBESTOS TAKEOVER

Premier Levesque of Quebec modified his statement about a governmental take-over of the asbestos industry made when he was in New York. He does not mean exclusive control, but a "joint partnership between government and industry". Asbestos mining and processing is largely owned by U.S. corporations. The remark triggered a \$4 a share drop on the N.Y. Stock Exchange for Johns-Manville Corp., parent firm of the largest Quebec asbestos producer. OC 28/1/77 p9 c8.



Agriculture

LAND USE

New Brunswick, Ontario, Alberta and B.C. all are engaged in a controversy over land use. Urban expansion usually takes up the best farmland, and the respective governments are trying to pave a middle road between the various interests as they prepare policies for future land use.

Both Alberta and New Brunswick have the added problem of what to do with foreign investors, and must start to zone land for agricultural and other purposes quite quickly. They all have to deal with developers who eye the most fertile farmland around the cities for future housing. The Fraser Valley and the Niagara region both fall under this category. GM 26/1/77 p.48, EJ 8/12/76, EJ 15/12/76 p.43, Daily Gleaner 9/12/76.

CONGLOMERATE PROFITS

	gross sales*	profits*
Cargil	574	8.9
Cont. Grain Co.	234	.299

*millions of dollars

(Consumer and Corp. Affairs Bulletin)

Agriculture Minister Eugene Whelen: Cargill, which has tremendous backing outside Canada would have huge advantages over the wheat pools in the prairie provinces. Publisher Mel Hurtig: The agricultural processing, forest products, retail, and wholesale industries have been bought into by non-Canadians in the past few years. EJ 9/12/76 p.58

FARMER'S INCOME TO DROP

A depressed world market for grain and skim milk powder and an unsettled cattle industry have been cited as major issues facing farm leaders in 1977. Net farm income will decrease for the second consecutive year in 1977. Statistics Canada figures show decreases everywhere except in Prince Edward Island and New Brunswick. Farm operating expenses are again expected to increase substantially. MS 15/12/76 pD4 c1-4.

CNSP Comment: *Milk prices fell due to a glut of powdered milk on the international market, lowering prices for quotas -- much to the chagrin of dairy producers. Millions of tons of the powder spoiled in storage in Canada, as did eggs of a few years ago. Such developments are occurring with increased regularity in all agricultural sectors.*

FARM SQUEEZE KEEPS PRICES LOW

Food prices have kept the consumer price index down. Consumers may not have noticed it, but it is true that a stabilization of costs is the only positive factor in recent inflation statistics. Farmers have not seen their incomes keep pace with inflation. The NDP has asserted that the rosy picture which shows a growth rate of the Consumer Price Index of under 6% is misleading because of anomalies in the food picture. OC 16/12/76 p6 c1-2 (Editorial)

THE ECONOMY

SOIL DEPLETION

University of Saskatchewan professor Edor Paul stated that in the last 75 years or so, prairie soils have lost about 50% of their original organic matter. If present conditions and practices prevail, they will

lose half of the remainder within another 100 years. Organic nitrogen, of particular importance, was lost by leaching and exporting grain and animal protein. Dr. Paul suggested a change in farming methods such as increased fertilization and the use of legumes in crop rotations as they fix the nitrogen content. Man. Co-op 2/12/76.

Housing

INTRODUCTION: Real estate experts are predicting a buyers market as a result of a drop in mortgage rates coupled with an increased supply in housing. Even though house prices have levelled off, the present cost has so outpaced the increase in personal income that two thirds of Canadians can't purchase without government assistance. This so concerns Central Mortgage and Housing Corporation president William Teron that he predicts Canada could go broke providing housing subsidies. The apartment rental situation across Canada is tight. Presently, tenants are protected by rent controls, but if they are lifted, the demand combined with low vacancy rates could cause rents to spiral.

MORTGAGE RATE LOWERED

Central Mortgage and Housing Corp., following the lead of private industry, has reduced its lending rate on direct loans to 10.5 percent from 11.5 percent. It was the second reduction since October 1976 when it dropped from 11.75 percent. Direct mortgage loans totalled \$64.1 million for 2,047 new houses in the first eleven months of 1976. This is small compared to \$2.9 billion in private loans incurred by CMHC under the National Housing Act. WFP 7/1/77 p.1

PRICES OF HOUSES LEVEL OFF

House prices dropped or leveled off in most major cities, a survey by Royal Trust Co. shows. This reverses a trend that saw prices in some cities quadruple in less than four years. The drop is the result of an increased supply of new housing and of buyer resistance to high prices. High mortgage costs coupled with dramatic price increases that outpaced salary increases have put the price of an average house out of the reach of many Canadians. Experts noticed a cooling out of the market with the introduction of wage and price controls. GM 8/1/77 p.B14

REASONS FOR EXPENSIVE HOUSES

An urban land symposium organized by the Canadian Council on Social Development brought forward some disturbing observations about the rise of house prices beyond the reach of most Canadians. William Teron, deputy minister of Urban Affairs and chairman of Central Mortgage and Housing Corp. showed how quickly housing costs have soared. "Over two-thirds of Canadians who do not own a home cannot purchase the minimum-priced home without government assistance." He said CMHC housing subsidy has risen from \$9 million in 1970 to \$170 million in 1976 and an expected \$400 million in 1980. He concluded, "Canada cannot afford a shelter subsidy or tax rebate to bridge the gap for so many." Observers agreed that the price rises follow a definite pattern. High interest rates come first, followed

by profit taking by a highly concentrated development industry, and by rising taxes. Then there is the soaring costs of urban land, drawn out, expensive municipal approval processes and the scarcity of serviced registered land. In Vancouver land made up 46% of the total cost of a single detached house in 1975, compared with only 21% in 1968. In Toronto, the proportion rose to 43% from 33%. Cities with effective public land banks have managed to keep land costs steady by buying cheaply far in advance of need. It was suggested that it is too late for public land banking to have near-term impact around most major cities. FP 11/12/76 p.11

HOUSE PRICES OUTPACE INCOME

Jeffrey Patterson, the housing program director of the Canadian Council on Social Development in a presentation outlined the problem of spiralling house prices outpacing climbing personal income. From 1971-75 per capita income jumped 61 percent in Canada, but the carrying costs of a new house jumped 89 percent. As a result 62 percent of Edmonton families now cannot afford a new house because the payments exceed 25 percent of monthly gross income, the maximum under the federal Assisted Home Ownership Program. This means AHOP increasingly finances homes for affluent rather than poor families. EJ 29/11/76 p.18 cl-5

RENTAL VACANCY RATE LOW

A Central Mortgage and Housing Corporation (CMHC) apartment survey shows a 1.3 percent vacancy rate for rental units across the country at the end of October 1976. This rate is well below the 3-4 percent level which yield "fair rents" for tenants and a "satisfying return" for investors. Rent controls have provided some protection for tenants but are considered temporary. A low vacancy rate could contribute to a sharp increase in rents if controls are lifted. Builders say rent controls and other anti-inflationary measures have discouraged rental construction. EJ 10/1/77 p6.

CONSTRUCTION

INTRODUCTION: The Canadian construction industry, the largest employer in the country, is predicting minimal growth for 1977. Even if the government steps up construction or cuts taxes, as the Canadian Construction Association (CCA) recommends, there will be no real growth because housing starts will be down. The CCA is also calling for a national labour-management committee for the industry.

1977 PREDICTED AS MINIMAL GROWTH YEAR

The CCA says Canadian construction costs this year will be \$35 billion, up from \$34 billion in 1976. This minimal growth, it predicts, will cause serious financial difficulties for smaller firms, and an unemployment rate of 8% in the industry. The association says there will be negative growth of 5% in Atlantic Canada, zero growth in Quebec, minimal growth in British Columbia, 4% growth in Saskatchewan and 7% in Alberta.

By sectors of the industry, it forecasts negative to perhaps 5% growth in the commercial sector, zero growth in the institutional sector, little growth in industrial sectors, unless the government provides incentives -- a decrease in housing starts (225,000 - down from earlier estimates of 270,000). Housing is important because it accounts for one-third of all construction in the country. Because of the slowdown, many contractors are considering switching operations to other countries.

FP 22/1/77 p10.

LABOUR-MANAGEMENT COMMITTEE

The CCA is calling for the establishment of a national labor-management committee to avoid strikes that mar labour relations in the construction

industry. CCA president H. de Puyjalon, explained the committee wouldn't get involved in actual negotiations, which come under provincial jurisdiction. It would seek consensus as to what the industry can afford. The determination of the minority of contractors would be binding on all contractors in the area of contract negotiations. The same would apply for unions. One trade would not be able to pull down an agreement. Thus the CCA called for an end to closed-shop contracts. GM 10/12/76 pB3 c3-8.

INCOME TAX CUTS TO STIMULATE ECONOMY

The CCA called for personal income tax cuts of at least \$1.5 to \$2 billion in 1977 to encourage investment and take up the slack in the production capacity of Canadian industry. The CCA said this would help reduce unemployment and take the heat off wage demands by workers without serious inflationary effects. GM 10/12/76 pB3 c3-8.

LABOUR

Labour General

INTRODUCTION: As we go to press for January, yet another set of spiralling unemployment statistics have been released by Statistics Canada showing that 889,000 Canadians were out of work in the first month of 1977. This is one out of every 10 people in the work force. Human discouragement, suffering and anger are growing, yet the Finance Minister still insists inflation is the number one problem and has taken no significant move to respond to the highest unemployment rate in the last 25 years.

EMPLOYMENT/UNEMPLOYMENT

Unless income taxes are cut in the spring, Canada's unemployment rate is expected to reach 7.6% by December 31, 1977, according to the University of Toronto's Institute for Policy Analysis. By 1978, 8% of the country's workers could be jobless.

This prospect of rising unemployment linked with a slower economy and tighter inflation controls will probably squeeze wage increases over the coming year. Raises of 8.5% are being forecast in 1977 for groups of 500 or more Canadian workers and 1,000 or more U.S. workers. This would mark the first time in about 7 years that union members in the two countries would receive pay boosts within 1% of each other.

Another reason for smaller Canadian settlements this year relates to the fact that most bargaining units are now signing 12-month contracts rather than 24 or 36-month contracts. This is an attempt to tailor demands to existing circumstances rather than having them padded to guard against the unknown one or two years down the road.

Canadian unions had made large gains through 1975 (18.3% in the first quarter of that year, followed by 18.7% in the second quarter). But much of this represented catch-up gains which would have been satisfied by the 4th quarter of the year in spite of the AIB. FTC 3/1/77 p11.

JOBLESS RATE BRINGS NDP BATTLE VOW

New Democratic Leader, Ed Broadbent, called a press conference after statistics showing 754,000 jobless were released. He said he would make a tour of high unemployment areas in an effort to focus national attention on the plight of jobless people.

Of the total number of unemployed people in December, 304,000 were heads of households supporting dependents. This was up from 258,000 in November.

Finance Minister Donald MacDonald told a federal-provincial conference of finance ministers that the government does not intend to shift its attention to

unemployment from fighting inflation. EJ 12/1/77 p96 CP.

MORE PEOPLE OUT OF WORK IN DECEMBER

The number of people out of work in December jumped to 754,000 from 708,000 in November. The higher national December unemployment brought the average unemployment rate for all of 1976 to 7.3%. For each month there were an average of 736,000 people jobless, well above the 697,000 who were without jobs in each month of 1975.

Federal Finance Minister Donald MacDonald has conceded that Ottawa expects the jobless rate to rise. He said he is especially concerned that young workers in Quebec and the Atlantic provinces are particularly affected. EJ 11/1/77 p2 CP, GM 12/1/77 pB2 CP.

CANADA LEADS LAG IN HIRING

Canadian businesses, like those of other developed countries, are planning little increase in employment this coming year, says Manpower Inc., known in Canada as Manpower Temporary Services. In its first international employment forecast, it says only 12% of more than 1,000 businesses surveying in Canada had plans to increase employment. That was down from 27% in a survey 3 months earlier. The most conservative forecasts are in industries like mining, construction and durable goods. MS 17/1/77 pB9 CP.

EMPLOYMENT VACANCIES DROP 33% TO 41,700 IN 4TH QUARTER

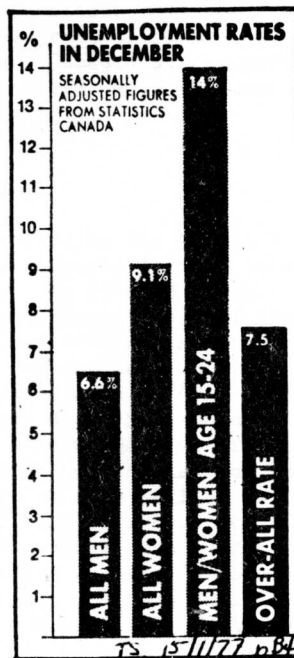
Job vacancies averaged 41,700 in the 1976 fourth quarter, down 33% from 62,300 in the third quarter and down 19.9% from 50,800 in the 1975 fourth quarter, according to Statistics Canada. GM 26/1/77 pB7.

UNEMPLOYED YOUNG PEOPLE -- ARMY OF THE DISCOURAGED

The Canadian Council of Social Development has released a new study on youth and unemployment. There are almost 3 million people younger than 25 in the labour force. The unemployment rate for them is two and a half times more than it is for the adult labour force. OC 24/1/77 p.9 Diane Cohen

POOR PROSPECTS EXPECTED FOR EXECUTIVES

The Technical Service Council, a Toronto-based placement agency financed by 550 Canadian companies, says demands for executives, accountants, engineers, and other professionals dropped 18% during 1976. The survey indicated there were fewer than 10 openings reported for each of the following categories:



LABOUR

architects, draftsmen, aeronautical engineers, tool designers, time-study technicians, metallurgists, advertising managers, technical writers, market researchers, foresters and physicists.

GM 25/1/77 pB1, R. Conrad.

RCA WORKERS LAID OFF

Eighty of 340 employees at the RCA Canada Ltd., plant in Prescott, Ontario were laid off when the plant was shut down for an 11-day period to reduce inventory and because of slow sales. EJ 11/1/77 p43.

CP RAIL CRITICIZED FOR ITS LAYOFFS

CP Rail has laid off indefinitely 224 workers at major locomotive repair shops in Montreal and Toronto. The International Association of Machinists and Aerospace Workers said the company was jeopardizing its ability to maintain a long-term skilled work force by laying off hundreds of workers "for the sake of short-term greed for higher profits".

"While profits are increasing, while work in the shops is left unfinished, and while CP Rail has just received a \$30-million subsidy from the Canadian taxpayers, the company is adding to this country's already shameful unemployment rolls", said Mike Rygus, Canadian vice-president of the union. EJ 20/1/77 p51

AUTOMOBILE WORKERS, FORESTRY WORKERS LAID OFF

General Motors of Canada Ltd., in order to balance dealer inventories across North America, will close its Ste. Therese, Quebec plant for a week beginning February 21, laying off 3,000 workers.

Ford Motor Co. of Canada, Ltd. has announced that 2,500 workers at its small car assembly plant at Talbotville, Ontario will be laid off for one week beginning January 31. The layoffs reflect that small car sales are not up to expectations.

Northwood Pulp and Timber Ltd. of Prince George, B.C. has told its 340 workers there will be a prolonged Easter maintenance layoff and possible shut-downs in July, October and December.

Federal Pioneer Eastech Ltd. of Truro, N.S. has laid off 9 of its 50 workers because of a lack of orders. The company produces electrical transmission equipment and sells to markets in the Maritimes and the United States.

Four hundred employees of the Manitoba Forestry Resources Ltd. at The Pas have been laid off for one month because of the build-up in the log inventory.

GM 25/1/77 pB4

BEN WICKS G.M. White



The only way to create more jobs is to fire a few people!

AND MORE SHUTDOWNS--

Willroy Mines Ltd. of Toronto has closed its zinc-lead-silver mining operations at Manitouwadge and given notice to its 172 workers. It will attempt to re-locate as many workers as possible at other mines.

DeLaval Co. Ltd. of Peterborough is cutting back on its work force at its Peterborough Manufacturing plant to about 60 people because of "a lack of capital expansion in the Canadian market". CM 22/1/77 pB4.

ORGANIZED LABOUR AND THE NDP

Dennis McDermott, Canadian director of the United Auto Workers and one of the most ardent union champions of the New Democratic Party, says labour must soon re-evaluate its relationship with the party. McDermott set out his views in a two-hour interview on labour's role and goals for 1977, of which the foremost is getting rid of wage controls.

The labour leader said that he didn't want to see a break between the NDP and labour, but stated that it would not be ruled out unless labour's views on such fundamental issues as wage and price controls are accepted at all levels of the party. The strong criticism of the relationship was based in part on the acceptance of wage controls by the NDP governments in Manitoba and Saskatchewan and by the former NDP government in British Columbia.

The criticism touches deeper problems as well and McDermott wants debate because he believes that "on fundamental issues such as wage controls the party has no business turning its back on us".

GM 6/1/77 p4 Wilfred List.

Workers' Struggles

INTRODUCTION: *Donald Tansley, administrator for the AIB, admits that the program is hurting low income and weak unions more than the powerful unions it was supposed to deal with; the rollback of wages for Ontario non-professional hospital workers is one case in point this month. There is a summary of expected sectors which will be negotiating this year, news on elections within the Steelworkers, negotiations among Bell employees, a victory over Seagram's in B.C. and a probe of employer harassment of workers involved on October 14 in Manitoba. The RCMP harassed fishermen's unions on both coasts; a case of alleged racism; and an appeal by 15 workers who were fired, they say, for union activities.*

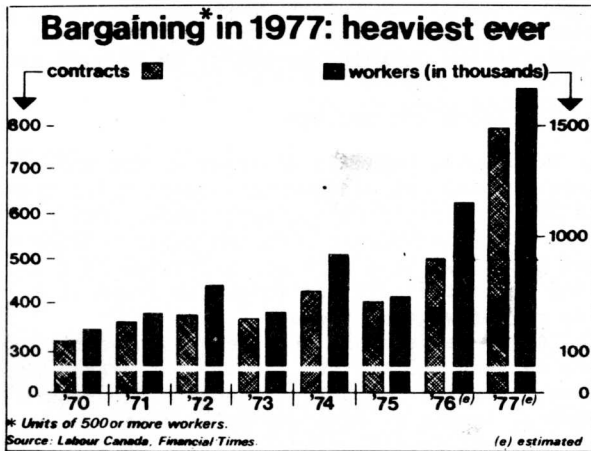
1977: WHO WILL BARGAIN?

Close to two million organized workers, nearly 25 per cent more than in 1976, will negotiate this year. Postal workers, construction tradesmen, west coast loggers and pulp workers, railway and can industry employees, meatpackers, rubber industry employees, textile workers, auto parts employees, St. Lawrence Seaway workers and St. Lawrence River and East Coast longshoremens, almost 85 per cent of Canada's organized municipal employees, including transit workers

LABOUR

in Montreal, Toronto, Vancouver and Winnipeg. The Labour department says 373 major agreements (covering 500 or more employees) will expire, involving 856,000 workers. Another 350 minor contracts affect 755,000 workers.

EJ 29/1/77 p.11



AIB AND WAGE CONTROLS

Tansley, the 'enforcer of the AIB' says that the purpose of the program as stated by Trudeau in 1975 "to control powerful groups in Canada" has not been followed. Tansley believes that the Board has chosen to refer to him the wrong cases, cases involving secretaries, mechanics, caretakers, salespeople... little people represented by small associations or powerless union locals.

TS 22/1/77 The Canadian Magazine, Dan Turner

Contract negotiations covering about 14,000 non-professional employees represented by the CUPE were completed yesterday. They involve a rollback of nearly \$4 million in wages.

GM 15/1/77 p2 c1-2

Faced with the prospect that when controls are lifted, the public sector will remain under controls, the Public Service Alliance of Canada has voted to join efforts with the CLC to fight controls. This union which represents 177,000 workers declined to take part in the Oct. 14 demonstration.

OC 28/1/77 p1 c3-4 McCarthy

INCO, a Manitoba Hydro project management consortium, Canada Packers, International Harvester, Manitoba Rolling Mills and Allied Farm Implements are to be investigated for alleged retaliation against some 7000 workers for their part in the OCT. 14 demonstration. The investigation will be undertaken by the Manitoba Labour Minister.

WFP 22/1/77 p3 c1-2

STEELWORKERS

1.4 million Canadian and American steelworkers will vote for a new executive next month. The so-called establishment slate is Lloyd McBride from St. Louis and Lynn Williams, former director of District 6 (Ontario). Challenging them are Ed Sadlowski from Chicago-Garry and Ignacio Rodriguez, a chicano from Los Angeles. The position of Canadian director is being contested by establishment candidate Gerry Docquier, a Quebecker, who feels he can help gain Canadian unity since he can address the 50,000 French and 137,000 English members in their own languages. He is opposed by Don Taylor, former assistant to the national director.

TS 18/1/77 pB3 Resemary Speirs

CHEMICAL WORKERS

The CLC is asking members of three chemical unions to mend their differences and merge into a new Canadian union. Involved are the Canadian Chemical Workers Union, the International Chemical Workers Union and the Oil, Chemical and Atomic Workers. All, in principle, favour the idea of union.

TS 26/1/77 pA14

TEACHERS

An Ontario report prepared by a committee of one teacher, one professor and five businessmen has proposed ending Ontario teachers' right to strike. Education Minister Wells was not enthusiastic about the report. Alan Murray, president of the Ontario Secondary School Teachers' Federation said the composition of the committee makes them suspect from the word go.

GM 5/1/77 p1 c7-8

Ethel Arnott, president of the Winnipeg Teachers' Association said the rollback from the negotiated pay increase of 14.3% to 11.2% was disappointing but not surprising.

WFP 19/1/77 p1 c2-3

A strike affecting 27 schools started today. The teachers want an 11% increase; the board is offering 8%. The board is also proposing an increase in class size from 22 to 25 pupils.

TS 31/1/77 p1 c7-8

BELL CANADA

More than 13,000 installers and maintenance employees voted to accept a conciliation commissioner's proposals, despite the urging of negotiators for the new union, the Communication Workers of Canada. The last contract expired Dec. 1, 1975 and workers had not received a pay increase since Jan. 1975. The top rate for fully qualified installers will be raised to \$320.80 a week.

TS 31/1/77 pC1

FISHERMEN

Trawlermen in Newfoundland, about 1000 in number have voted to return to work following a two week strike. Wages and safety conditions were at issue. 4000 plant workers were laid off as a result of the strike.

WFP 4/1/77 p8 GM 17/1/77 p9



RCMP seized TV film taken by an Atlantic TV network during a demonstration by inshore lobster fishermen at Shelburne N.S. and from a CBC newsroom in Vancouver concerning disruption of a hearing of the Restrictive Trade Practices Commission last month, by the United Fishermen and Allied Workers Union.

WFP 3/1/77 p8 GM 14/1/77 p8

RACISM AT ITT SUBSIDIARY??

The Ontario Labour Relations Board is holding a hearing on the case of 34 immigrant workers, 32 of whom are black, who were dismissed from Ralph Milrod Metal Products, Ltd. a subsidiary of ITT, for alleged slow downs. The union maintains 1500-1600 units a day was normal production when the company ordered a speed-up to 1800 or more. The company maintains 1800 was normal.

GM 14/1/77 p5

RED BAITING

Four members of a union local affiliated with the International Association of Machinists face expulsion because of a clause barring communists from the union. Only one member charged belongs to a communist party. The four say the charge was brought against them because they tried to put pressure on the union to fight layoffs. The company has laid off about half of its 1400 man workforce in the last year. Dominion Engineering is located at Lachine, Quebec.

WFP 22/1/77 p40 CP

SEAGRAMS: VICTORY IN B.C.

The B.C. Federation of Labour supported a boycott of Seagrams products during a dispute involving the Retail, Wholesale and Department Store Union against Seagrams, which began in mid 1975. This week Seagrams announced the sale of its distillery.

EJ 29/1/77 p11

SEAFARERS

11 senior officials and members of the Seafarers International Union were charged Friday under the Canada Labour Code with conspiracy to prevent union members from participating lawfully in union activities. The investigation started in June, 1975.

WFP 22/1/77 p40 cl-3 CP

Quebec Labour

GENERAL

Eighty percent of Quebecers earn less than \$10,000. a year. LS 24/1/77 pB5

MANUFACTURING WAGES

The gap between manufacturing wages in Quebec and Ontario has widened since 1969. In that year Quebec workers earned an average of \$15.89 a week less than similar Quebec workers. In 1975 Quebec workers earned \$23.21 less. LD 12/1/77 p15.

AIB AND QUEBEC WORKERS

The provincial AIB has proposed rolling back settlements reached by the former Liberal government with public servants and construction workers. The PQ government will likely not roll back these settlements for fear of alienating a large group of supporters.

FP 19/1/77 p5.

MINIMUM WAGE WORK IN QUEBEC

300,000 people work for the minimum wage in Quebec. 70% of these are women working primarily in hotels and restaurants. 64% are single and at least 50% are under 25 years of age. A survey completed last year by the Ministry of Social Affairs showed that the majority of such workers who have children, work at a second job to supplement their income. 58% had less than 18 mos. seniority where they were employed and 20% had been unemployed at some time during the previous year.

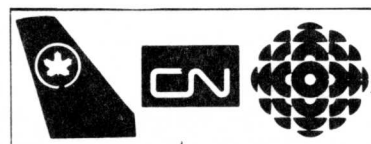
LS 12/1/77 pA1 Nicole Beaulieu

JOB CREATION OVER THE NEXT TEN YEARS

The Quebec Bureau of Statistics predicts that for each ten jobs created over the next ten years, 7 will be in the tertiary sector, 3 in manufacturing and none in primary (either farming or mining). It predicts 119,000 jobs in manufacturing, and 198,400 in services (of which 94,400 would come from commerce, 65,500 in the financial sector, insurance and real estate and 51,300 from public administration). LS 8/1/77 pB5 Morin

FEDERAL JOBS IN QUEBEC

The Financial Post reported that there are the following federal jobs in Quebec: Air Canada 8,000; CN-6,000; CBC 4,000; NFB 1,000; CMHC 800. It questioned what will happen to these jobs if Quebec becomes independent. FP 8/1/77 p3.



Some big federal employers in Quebec.

LABOUR

STRIKE AT MONTREAL CAMPUS OF THE UNIVERSITY OF QUEBEC

INTRODUCTION: What is significant about this struggle is that the union put tremendous pressure on the Quebec government to intervene in the dispute on the side of the teachers because the PQ program contains similar demands in the area of university administration. At first, the government declined to intervene but as pressure mounted, (including pressure from rank and file PQ members), the dispute was settled in favour of the teachers. Last month the English press was predicting labour peace under the PQ since major contracts had been settled. This strike is one example of increased expectations and testing the PQ to see whether in fact it has a prejudice in favour of workers.

THE ISSUES

The administration is threatening to remove certain gains in the area of collegial administration - the area where the PQ proposes that greater collegiality be fostered. Also important in the dispute is the practice of using part time teachers to teach courses at the Montreal campus rather than full time teachers.

LD 12/1/77 p3

PQ RESPONSE

The union in question sent a telegram to Levesque asking for his personal intervention in the dispute. While declining to do so, the premier did promise a full inquiry into the state of university education. Under pressure from PQ members (not of cabinet rank) the government decided to appoint a conciliator and, above all, to pay wages to the maintenance workers at the university who are respecting the teachers' pickets. The strike has been going on for 13 weeks and the maintenance workers have received no salary. The conciliators proposed dropping contract clauses which would have resulted in the loss of 27 permanent positions and have recommended the creation of 74 new teaching positions. This has been accepted by the administration. LD 15/1/77 p2; LD 20/1/77 p1; LD 24/1/77 p8; LD 2/2/77 p3.

CONSTRUCTION

INTRODUCTION: It appears that the basic contract reached in this industry will not be touched by the AIB guidelines. Still, the settlement is unsatisfactory for a number of trades within construction and has led to the strengthening of the rank and file discontent against the leadership within two important sectors of construction: plumbers and day labourers. The leadership is still under the control of the Desjardin group, notorious for abuses that were uncovered publicly during the Cliche investigations. The leadership, it is rumoured, is attempting to pull both trades from the construction wing of the FTQ. Attempts to clean out such leadership figure largely in the news this month. Although the English press covered stories from the Cliche commission last spring which showed the corruption of union officials, there was no coverage at all this month of the rank and file attempts to clean out such leaders.

Guy Chevrette, former Cliche commissioner and presently parliamentary assistant to the new minister of labour, has criticized the construction unions for failing to remove corrupt officials. Louis Laberge, head of the FTQ, has warned Chevrette that such statements will only lead to confrontation in the industry.

LD 20/1/77 p7; LD 21/1/77 p12 Francoeur.

DAY LABOURERS

Roger Perrault, consultant to the day labourers and personal friend of Desjardins, is charged with trading off salary increases for an increase in work responsibilities for this trade. In protest, day labourers occupied the union's offices, demanding that new elections be held. Laberge agreed to ask the international union of day labourers to hold such elections in February. Challenging Perrault is Normand Tousignant. Among the difficulties he faces are lack of funds to conduct a campaign and possibly little access to the list of members which is in the hands of the existing leadership. Nevertheless, he feels his challenge is an important one and that he stands a good chance of winning, particularly in the metropolitan areas. The struggle he says is necessary to achieve more democratic control by the rank and file of their union and will encourage other trades that are also mounting struggles against the current leadership.

LD 13/1/77 p3; LD 7/1/77 p1; LD 25/1/77 p7 Francoeur

PLUMBERS

The trustees in charge of this union decided to send in the affiliation dues, six months in arrears to FTQ construction. This has angered Desjardin's interests who want to withdraw the plumbers from that federation. At a secret meeting of local 144, it was voted by an assembly of 350 (out of a total membership of 7000) to refuse sending in the dues. It was not explained that such a move would be a step in the direction of disaffiliation.. LD 24/1/77 p3; 26/1/77 p3 Francoeur.



Le Soleil, J.-M. Villeneuve

Yvon Charbonneau, réélu à la tête de la CEQ.

SAFETY IN CONSTRUCTION

An industry which employs only 6% of the work force (150,000) is responsible for 20% of the work accidents in the province and an average of 55 deaths each year.
LS 24/1/77 pA12 Gaudreault.

QUEBEC LABOUR AND THE PQ

CEQ: Delegates to the CEQ general council meeting voted to hold a five-day convention next June to hammer out new union and political directions, to define the position of the union with respect to the PQ government, review the current contract and plan priorities for the future. The central issue is whether to abandon the union's policy of unrelenting confrontation with the provincial government (as was the case with the Bourassa government). The discussion began when the CEQ press relations officer Hubert Sacy presented a document which called for a policy that would be favourable to the PQ in much the same way as the PQ has said it favours workers. Delegates last summer accepted a study paper which recommended withholding support from any political party which was not a "party of the workers". The study paper Sacy feels was not fully debated. He feels the independence question is an important one and that the PQ represents the same social class as teachers themselves. MS 15/1/77 pC2; LD 14//77.

Immigration

INTRODUCTION: *The new immigration bill will be going to second reading in Parliament in the next few weeks. It contains a number of sections very likely to endanger the human and civil rights of immigrants to Canada -- and perhaps point to a similar erosion of rights for Canadians in the future. Once fingerprinting and arrests without warrant become common practice, many of the protections for civil rights taken for granted in Canada will no longer exist. Despite heavy coverage of the "green paper debate" last year in the media, - coverage that was not always focused on the central issues - the press and other media have paid scant attention to the immigration bill since it was presented in Parliament late in 1976. This may be one reason that many people are not aware of the bill or its proposals. The proposed bill is also difficult to obtain from government sources. Such an important piece of Canadian legislation deserves and needs much greater public attention as it will affect Canadian life for many years to come.... and it will express many of the "values" which will colour our daily life.*

NEW IMMIGRATION ACT

Twenty-nine Social and Labour groups in Quebec requested public hearings on Bill C-24. They say it is repressive and "a very serious threat to immigrant rights and possibly citizens." The bill will allow arrests without warrants, fingerprinting and photographing of everyone in Canada except citizens and possibly lead to exit visas being required of everyone leaving the country. The law seeks to restrict immigration based on the needs of the economy. The government working paper on the bill says Canada needs unskilled or semi-skilled labour for remote regions. The groups claim these people will be considered visitors and not be allowed to become permanent residents nor gain the benefits from various social security plans though they would be required to pay into them. GM/20/1/77 p. 10

A conference of Caribbean immigrants criticized the proposed federal immigration legislation. Too much authority will be put in the hands of civil servants and the civil rights of landed immigrants will be restricted. The bill will allow deportation of a landed immigrant for various reasons including the possibility of committing a violent crime. An immigrant will lose his status if he is out of the country for more than 133 days out of any 12 month period. Immigration officials will have broader powers to turn people back at the border and to search homes without warrants. GM/20/1/77 p.10

REFUGEES

Canada has taken in 5,300 Chilean refugees since the overthrow of the Allende government. Canada has accepted 400,000 refugees -- a tenth of its total immigration since the end of W.W. II.
MS 13/1/77 p.B12



FTQ

The head of the Ontario Federation of Labour met with the head of the Quebec Federation of Labour for the first time to discuss "the kind of Canada we want and the role labour should play to achieve it". Clifford Pilkey reported that the consensus among Quebec labour leaders was not to support separation, though the Federation did support the PQ in the last election. The two leaders also discussed what could be done to bring about greater economic independence from the U.S. by the two federations and both rejected the tripartite proposals of Morris of the CLC with respect to the Trudeau government. Laberge will come to the next meeting of the OFL in Toronto in March.

GM 21/1/77 p1 Wilfred List.

LABOUR

IMMIGRATION AND QUEBEC

Federal Manpower and Immigration Minister J.S.G. Cullen and Quebec Immigration Minister Jacques Couture can't agree over the continuation of federally-financed English courses for immigrants in Quebec. Couture reiterates previous Quebec demands for full control over the orientation, training, and placing of immigrants in Quebec. He says immigrants must learn French and be part of the French culture. It is important that French be the language of the work place. Cullen says this ruling hampers people's ability to find jobs and therefore increases the province's unemployment. GM 29/1/77 p.11

RACISM

Multiracialism in the Classroom, a report financed by the Secretary of State has found people of East Indian origin are the focus of the most overt racism in Canada. The report also found a high degree of prejudice against Arabs. The ministry is holding meetings with teachers, researchers and consultants to find the best method of attacking racism, especially in the schools. GM 13/1/77 p.1



Walter Pitman, president of Ryerson Polytechnical Institute will accept the chairmanship of a task-force on human relations. The task-force was initiated because of the racist attacks on coloured immigrants especially on the subways of Toronto. A final report is expected in September, 1977. Pitman hopes to find the patterns underlying these attacks. GM 12/1/77 p.5

The Canadian Civil Liberties Association surveying 30 Ontario real estate agents found that 27 accepted client's instructions not to sell property to non-whites. The survey was taken to support the claim that loop-holes exist in the Ontario Human Rights Code. The CCLA feels violators of the Code should face the possibility of losing their licence if discrimination has occurred. The CCLA advised that anti-discrimination sections of the Code be applied to all government and public agencies as well as private business. EJ 12/1/77 p.9 c1
GM 13/1/77 p.3

Native People

WESTERN ARCTIC TO PROCEED WITH LAND CLAIMS

The Committee for Original People's Entitlement (COPE), representing Western Arctic Inuit are going ahead with preparation of their own land claims proposal. It will be based on the proposal made earlier this year by the Inuit Tapirisat of Canada (ITC) which was later withdrawn to allow for more discussion in the communities. Sam Raddi, president of COPE says that the people of the Western Arctic are feeling the pressure of development already underway and do not want to delay any longer. The decision to proceed on their own, is based on a ballot taken in the communities.

Vince Steen, vice-president of COPE is resigning over the decision as he feels that the move will cause infighting among Canadian Inuit at the time when they will need to work together for a comprehensive settlement with Ottawa.

Although ITC has officially endorsed the land claims initiative of its western regional affiliate, Mr. Steen's resignation points to some tension between the two groups. EJ 24/12/76 p. 10C1-4
EJ 8/1/77 p. 63C4-8, (CP) GM 10/1/77 p.12

NEW PRESIDENT SEEKS UNITY AMONG INUIT

Michael Amaroh is the new president of the Ottawa-based Inuit Tapirisat of Canada (ITC). He has been working as land claims officer for the Keewatin Region and follows James Arvaluk as president. Arvaluk resigned because he needs a rest. Mr. Amaroh hopes that COPE will join in the new Inuit claims and stresses that he wants to see the Inuit united and working together. EJ 18/1/77 p.29

(CP) GM 29/1/77 p.11 C1



Lloyd Totaryn of the National Indian Brotherhood takes hair sample from Letham Island youth.

-a study of arsenic levels in hair samples shows that 50% of the Indian children and gold smelter workers tested have more than 5 parts per million (ppm) of arsenic in their hair. 30% had more than 10 ppm. The acceptable level for arsenic in the hair as set by the World Health Organization is 5ppm.

-Statistics Canada figures indicate that Yellowknife has a cancer rate higher than the national average.

-an unreleased government study, called Yellowknife Environmental Study (YES) shows 11 of 12 snow samples exceed the governments "emergency" level for arsenic.

-YES also shows that Yellowknife soil has as much as 2,000 times more arsenic than is found in areas without a source of contamination

The chief environment officer of the Yellowknife area and head of the government study of arsenic levels in 1975, Dan Billing criticizes the University of Toronto study as being "irresponsible statements based on debatable evidence". He says the only accurate way to measure body levels of arsenic is by blood and urine tests not through hair samples.

Noel Starblanket, President of the National Indian Brotherhood and Ed McRae of the United Steelworkers of America have both called for a shut down of the Giant Yellowknife Mines until the level of arsenic in the air is no more than 1.0 ppm. They say employees of the mine should be compensated by the company until the problem is rectified.

Minister of Health and Welfare Marc Lalonde has announced that a task force comprised of three individuals independent of the parties now involved, will be set up to assess the conflicting reports. Their initial report will be due in three months. GM 17/1/77 p. 1C2-8, MS 19/1/77 p. A1C1-2 CP OC 19/1/77 p.33C1-5, Native Press 20/1/77 p.1

ARSENIC LEVEL IN YELLOWKNIFE DANGEROUSLY HIGH

A study done jointly by the National Indian Brotherhood, the United Steelworkers of America and the University of Toronto shows that residents of Yellowknife, NWT are being exposed to very high levels of arsenic, a poisonous cancer-causing substance. Arsenic is found in high concentrations in the gold ore in Yellowknife and gets into the atmosphere through the smelting process at the mill. This study sharply contradicts federal government findings. The findings of the non-government group include:

-arsenic emissions from mining company smoke stacks, a week before and after federal government testing were about 400% higher than federal testers reported.

POLITICAL

Federal Government

INTRODUCTION: *This month we see on the Federal scene that some people consider unemployment now more important than inflation. Yet, there seems to be no let up in the Anti-Inflation program by the government, at least in regard to wage controls. The NDP is fighting against new "unfair" tax legislation as the government intends to use closure to end the debate. Conservatives are gaining popularity over the Liberals since the Quebec election and reactions by Ontario-Quebec Liberals seem inadequate.*

NDP PLANS ANTI-INFLATION PETITION

Both major opposition parties want the present anti-inflation controls lifted. NDP leader Ed Broadbent says hopes of gathering endorsements from 50 MPs will be "reasonably good". All 16 NDP-MPs will sign, and the party hopes the Conservatives will add the remainder.

Broadbent says the government should concentrate its attention on unemployment problems. Unemployment may hit between 7.5 and 8.5% of the work force in 1977. Instead of attacking inflation, the government should stimulate the economy with tax cuts and new capital gains programs. EJ 11/1/77 p.11

CNSP NOTE: *The Anti-Inflation Act can be reviewed if 50 MPs petition the Speaker by March 31, 1977.*

Jean-Luc Pepin, Chairman of the Anti-Inflation Board, concedes that controls have adversely affected investment in the country and has called on the government to soften restrictions against companies. (See Economy General)

Finance Minister Donald Macdonald is expected to take that advice when he presents a new federal budget, but is not expected to lift pay curbs which this year restrict the amount workers can earn above last year's wages to 8%. WFP 22/1/77 p.15 C4-6

CNSP NOTE: *We see here evidence of government softening on profit controls while planning to continue strict wage controls. See CNSP pamphlet Labour's Day of Protest.*

NDP FIGHTS TAX BILL

Closure will be invoked by the Government to force through "tax-relief" legislation. In fact, exemptions have already been incorporated in 1976 tax forms, but the tax department must hold up rebates until the bill passes. The NDP says these exemptions will help only the well-to-do. For example: maximum deductions for contributions to registered retirement savings plans would be increased from \$2 500 to \$3,500. Few low-income earners can afford private pension plans. The bill would double to \$1,000 the deduction for yearly child-care expenses. Since the deduction can be claimed by working mothers, single fathers, and fathers with incapacitated wives, a single mother forced to work to support her children would qualify for no more benefits than the working mother who was aug-

menting income earned by her husband. The NDP is particularly opposed to the proposed end of the 10% surtax as an anti-inflation measure, it should remain in place until pay and profit controls are lifted. GM 29/1/77 p.1

CONSERVATIVES LEAD AFTER QUEBEC VOTE

In a Gallup Poll taken one week before the provincial election held in Quebec November 15, 1976 the federal Tories led the Liberals in popular support by only 7% points. The lead has since doubled to 14% points. The Conservatives now hold 47% of the decided vote, nationally, while the Liberals have dropped back to 33%. The NDP (at 16%) and other parties (4%) have dropped slightly. WFP 5/1/77 p.1 C6

ONTARIO-QUEBEC LIBERALS PLOT STRATEGY

The 50 member executive of the Ontario Federal Liberal Party Association met with its Quebec counterpart to map strategy designed to keep Quebec in Confederation. They adopted these resolutions: unanimous support for the continuing leadership of Prime Minister Trudeau; the formation of a joint committee to study central Canada's position regarding national unity, the relationship between the federal gov-

BIG MARIE & LITTLE LOUIE



"WHEN I SAY 'BONJOUR, RENE'—LET 'IM HAVE IT!"

ernment and the two provinces and participation by the two provinces in antional events: the twinning of constituency associations in Quebec and Ontario and later, on a national basis. MS 17/1/77

QUEBEC LIBERALS AND THE BY-ELECTIONS

Working papers, used by the Quebec section of the Federal Liberal party to develop strategy for by-elections in 5 seats in Quebec, urge party workers to stress the economic difficulties an independent Quebec would face rather than try to appeal for national unity. The papers also describe the by-elections as a "mini-referendum".

LD 24/1/77 p.1 C1-6

The principal weakness of this strategy is its lack of positive content. "One can hardly imagine a more suicidal strategy." LD 25/1/77 p.4 editorial

Provincial Government

NOVA SCOTIA - WORST ECONOMIC SCENE SINCE THE DEPRESSION

Nova Scotian Finance Minister Peter Nicholson says the province is starting 1977 with high unemployment, "inflation psychology" and continuing difficulties in the Cape Breton Steel Industry.

The province is going through its worse winter of unemployment in 20 years: as high as 11% to 15% in some localities.

The Sydney Steel Corp. (SYSCO) now employs fewer than half the 3,000 workers it employed a few years ago and is laying off people continually. SYSCO's deficit has been running between \$15 and \$40 million a year.

Mr. Nicholson said that the province is going to lose money in the new fiscal pie-cutting with Ottawa. GM 8/1/77 p.8 by Ralph Surette

REGIONAL ATTACK ON NOVA SCOTIA PROBLEMS URGED

The president of the Nova Scotia Federation of Labour, and the Executive vice-president of the Atlantic Provinces Economic Council (APEC) say unemployment, not inflation, should be the major concern of the federal government.

Federal government anti-inflation controls are aimed at alleviating the economic situation in Central Canada, but do not help ease unemployment in eastern Canada. Dr. William Jenkins, of APEC says "what is needed for a strong Confederation is a regional approach to answer the specific problems facing each region.

The AIB program is an example of the wrong national approach to economic differences. HC 17/1/77 p.1 C6-8

"TOUGH LINE" WORKING FOR BENNETT

A recent BC poll indicates the Bennett government would easily be re-elected in a provincial election. The result is surprising, given the policies the Socreds introduced: higher sales tax, higher income tax, higher medicare fees, higher car insurance premiums, higher ferry fares, higher energy costs, higher transit fares. This government seems to be succeeding better than most at selling "restraint". Bennett says BC will remain in the federal controls program to the end, and might introduce even stricter controls.

QUEBEC

INTRODUCTION: *An article by Gerard Loughran (EJ 3/1/77) suggests that the Quebec nationalist movement is part of a "global trend". He supports his contention by quoting from a United Press International (UPI) report on "autonomy movements of varying seriousness which range from East Timor to Eritrea, France to Pakistan, Spain to Yugoslavia, to the Soviet Union and beyond". Why this phenomenon is occurring is not explained although Loughran quotes an expert saying it is related to the break up of empires, in Europe and its former colonies especially. The article goes on to state that, "Canada is the area under closest watch by the U.S. state department" and that "some Washington officials fear the Quebec developments have a long-range potential for a break-up of the Canadian federation with serious economic and political consequences for the U.S.". The articles immediately following this introduction discuss some security and defence implications for the U.S. of an independent Quebec.*

The key news story this month was, of course, Levesque's speech to the Economic Club in New York. We present here a summary of the speech, reactions to it and an analysis of the press coverage surrounding it.

INDEPENDENT QUEBEC A MILITARY, SECURITY RISK: EDITOR

Quebec lies on the primary Soviet bomber route from the Kola peninsula to the most heavily populated and industrialized areas of the U.S. and Canada. Five of Canada's Pine Tree Line radar stations (which direct fighter aircraft to intercept intruders) are located in Quebec; another six are near its borders. More than a third of Canada's interceptor force is located at Bagotville, Quebec. A neutral independent Quebec could create unpatrolled neutral waters in the Gulf of St. Lawrence and off Quebec's Arctic coasts making them vulnerable to Soviet nuclear submarines. An independent Quebec might close the St. Lawrence Seaway to military traffic in order to maintain neutrality. With the PQ dislike for intelligence and secret police activities, Quebec might become the natural focus for foreign intelligence activities directed at Canada and the U.S. An independent Quebec would have to develop its own internal security forces or risk the U.S. "sending in the marines" to combat

POLITICAL

internal disorder. TS 24/1/77 pC4 c3-5 (Nicholas Stephen, Associate Editor of Canadian Defence, a quarterly publication)

CNSP COMMENT: *This Canadian editor's defence of U.S. interests is disturbing evidence of a mentality that even justifies U.S. interference in the internal affairs of its Canadian neighbour to the point of sending in the marines.*

INFLUENTIAL ELITES IN THE U.S. MAY BE DISTURBED BY PQ PROGRAMME

The present Quebec share of Canada's defence budget (estimated by the PQ at \$550 million a year) would be reduced by the PQ to \$230.8 million by opting out of NATO *and* NORAD. An independent Quebec would remain in the political and cultural structures of the two organizations but stay out of the military ones.

An independent Quebec would probably give permission for Strategic Air Command (SAC) bombers to overfly Quebec on airborne alert in time of crisis and for the use of Quebec airfield for dispersal of aircraft.

A Quebec defence bureaucracy would maintain informal relationships with Canadian and American defence officials and Quebec's integration within the North American defence grid would be carried out mostly through transgovernmental transactions that involved both Canadian and Quebec defence establishments. The U.S. and Canada might not accept Quebec participation in the Joint Board on Defence of the Ministerial Committee on Joint Defence. The PQ argues that there would be no basic reorganization of the North American defence system. MS 22/1/77 pC1 c1-6 (D. Latouche, political scientist, McGill University)

PQ REJECTS LIBERAL SECURITY BILL

The bill, which was introduced by the Bourassa government, authorised the provincial cabinet to initiate an inquiry "when there are reasons to believe it is in the public interest in the struggle against terrorism and subversion". Critics maintained the bill was vague, didn't define terrorism and subversion and therefore allowed for investigation of a wide variety of opposition groups. Article 42 of the proposed bill also authorized police investigators to search homes of any citizens "if there are reasonable grounds to fear the destruction or disappearance of evidence that could be useful to the inquest." Critics feared the arbitrary and widespread increase of police-state tactics. LS 8/1/77 pA2 c1-3 CP

FOX DEFENDS RCMP PRESENCE IN QUEBEC

Mr. Marc-Andre Bedard, Quebec Minister of Justice, stated that the RCMP presence in Quebec was unnecessary and that its tasks could be handled by

the Quebec Provincial force (Surete du Quebec). Mr. Bedard said also that Quebec could then reclaim the \$370 million it costs to maintain the RCMP in Quebec. He said he was also disturbed by the breadth of secret activities by federal police within the province. Mr. Fox, Solicitor General of Canada, who is in charge of the RCMP, responded that the federal government would not agree to the withdrawal of the RCMP from Quebec. He argued that the RCMP played a useful role in Quebec and a necessary one in the national struggle against crime. He said the RCMP budget for Quebec operations was only \$29.4 million. He said also that the RCMP had nothing to hide about the activities of its 1,200 agents in Quebec. LD 15/1/77 p3 c4-6

ENERGY POLICY

JAMES BAY PROJECT TO PROCEED ON SCHEDULE

Quebec Energy Minister Joron has abandoned the idea of delaying construction on James Bay. "It is already too late to take such a decision (to delay) and furthermore prolonging the schedule of construction would add further costs. I am satisfied with the explanations furnished for the increase in costs (the projects cost has jumped from \$4 billion to \$16 billion since 1971) and do not feel the need to set up an enquiry". He expressed the belief that officials at James Bay would accept with good grace closer controls on costs of production. LD 15/1/77 p7 c4-6 (J.C. Picard) MS 15/1/77 pA5 c1-6 CP

QUEBEC HYDRO

Directors of Hydro Quebec predict they will have to invest \$100 billion from now to the year 2000 to satisfy domestic consumption needs (for energy) alone. Mr. Joron hopes to encourage a reduction in demand for energy. He thinks the new 50% price increases for electricity will encourage more careful use of scarce resources. 70% of Quebec's energy needs are presently met by oil (imported); electricity counts for another 22% and the remainder is gas at 7%. LD 17/1/77 p1 c1-6 LS 14/1/77 pA10 c1-6

A GOOD YEAR FOR HYDRO

Revenues increased in 1976 by close to 19% because of an increased demand for electricity and the higher price it was allowed to charge (10% increase). Hydro Quebec raised \$1,760 millions on the bond market in 1976. Industrial consumption represents one quarter of Hydro's sales of electricity. LS 31/12/76 pB7 c1-3

ALCAN

When private hydroelectric companies were nationalized in 1962 Alcan's hydroelectric facilities were not, and Mr. Joron insists there is no intention of nationalizing them now. He is considering raising the royalties which Alcan pays for the energy it produces, which have remained unchanged for many years. LS 14/1/77 pA10 c1-6

POLITICAL

A stock analyst says Alcan's ability to produce cheap electricity may be endangered now that the PQ has been elected. "The new government hasn't lost any time in asking for a renegotiation of the royalty rates Alcan pays. In the short term this should have only a minimum effect on production costs but in the long term investors fear the government may covet the production facilities themselves. They produce one quarter of hydro-electric energy in Que. Low energy costs have enabled Alcan to compete but now things may change." Alcan's shares fell to \$20 after Nov. 15 but have since risen to \$24.

LS 18/1/77 pD9 c2-8

ASBESTOS

The president of Asbestos Corporation, Mr. Gene Beare says he is not disturbed by PQ promises to take the industry in hand. The corporation, a subsidiary of an American company, General Dynamics, is the second most important asbestos producer in Quebec. The biggest is Johns Manville. Two strategies are now being considered by the PQ cabinet. Mr. Yves Berube (Natural Resources) opts for nationalization; Mr. Bernard Landry (Economic Dev.) opts for controlling the company through majority holdings of shares. It would cost \$62 million for the government to acquire majority shares in Asbestos Corporation. The costs of doing the same with Johns Manville were not revealed. LS 31/12/76 pD12 c1-2 LS 12/1/77 pB1 c1-6

The asbestos industry in Quebec is worth an annual \$500 million; it employs 6000 workers and another 1,200 in transformation industries.

LS 17/1/77 pA12 c3-5

CNSP NOTE: See also Mining Section, this issue. On January 27 Canadian papers quoted from Prime Minister Trudeau's press conference remarks refuting the N.Y. speech. The TS printed an article headlined, "Investors' rating of Quebec's credit to be reviewed" on its first page although on p.B3 another article indicated the rating was unlikely to be changed.

Levesque said that much of the negative reaction to his speech was generated by 'a fifth column' of English Canadian businessmen. "They do their best to create a negative climate. It's good old basic hostility to anything but the old idea of Quebec as a source of good raw resources and cheap labour. Well, to hell with that."

GM 28/1/77 p1

A little-noticed aspect of Levesque's speech was his description of economic development plans. For quite some time Quebec has been a net exporter of capital. In search of higher yields, insurance companies, banks and other financial institutions channel savings out of Quebec. The PQ will likely force insurance companies to reinvest a larger percentage of premiums collected here into provincial projects. Premier Bourassa was afraid of upsetting traditional money markets by controlling the uses of accumulated savings. In an independent Quebec, money markets

would be dominated either by publicly owned institutions (e.g. Caisse de Depot) or cooperative ones (e.g. Caisse Populaires Desjardins). MS 29/1/77 pC3 c1-6

NEW YORK SPEECH

INTRODUCTION: Both English papers and Le Devoir were surprised at the insistence with which Mr. Levesque stressed the independence option for Quebec. They concluded that the first objective of the speech--to reassure American businessmen-- was therefore not achieved. It could be argued however that Mr. Levesque was speaking, over the heads of his N.Y. audience, to the citizens of Quebec in making such a strong appeal for the inevitability and logic of Quebecers' aspirations for more control over their own affairs. Levesque made, moreover, a serious attempt to reassure American investors on economic matters, outlining policies of openness to investment, no nationalizations, joint ventures, fiscal restraints and improved labour relations.

PRESS COMMENT: Only the GM and LD published the speech in full. The others used some quotes interwoven with reactions, generally hostile, by unidentified 'businessmen'. The presentation of the speech's impact on credit ratings was confusing and biased. A few comments by investment analysts did suggest that speeches are not the crucial factor but rather economic performance and the assessed risk or guarantee of making a profit. The press took for granted that N.Y. bankers and investors exercise tremendous power over governments and no one suggested there was anything questionable in that minority having a crucial say in decisions affecting millions of people. Below is a summary of press reaction to the event. Le Soleil's coverage will appear next month.

That was a speech for Canadian voters, not for American businessmen, said an official of AFTA, a finance company. TS 26/1/77 pA1

Mr. Levesque seems to have misunderstood the nature of his task (to reassure American investors) and of his audience. LD 27/1/77 p4 edit.

The performance of Premier Rene Levesque should awaken even the most complacent Canadians to the truth that this country is in deadly peril. TS 26/1/77 pB4 edit.

Levesque promises no drastic change. OC 26/1/77 p43 headline

Levesque foresees new partnership. HCH 26/1/77 p1 headline

Financiers in N.Y. react warily to Levesque. GM 26/1/77 p1 headline

POLITICAL

Federal/Provincial Relations

TRUDEAU SAYS VIOLENCE POSSIBLE

Prime Minister Trudeau says there is a possibility of civil war should Quebec decide to separate, but he wouldn't lead Canada into it. "I don't say there wouldn't be others who would not want to take up arms, and hence the danger is not one that I am minimizing." OC 27/12/77 p.15 C1-8

"FLEXIBLE" LEADER?

Joe Clark's refusal to rule out the use of force to prevent Quebec independence is "close to irresponsibility" Liberal Health Minister Marc Lalonde says. He says "as a Quebecker I resent that kind of implication or threat". TS 24/1/77

OPINIONS FROM THE PROVINCES

Premier Gerald Regan of Nova Scotia says separation of Quebec would mean "disaster" for Nova Scotia. The Maritimes would be a fragment separated from Canada. EJ 7/12/77 p.16 C1-3

Saskatchewan Premier Allan Blakeney believes the answer is more flexible federalism, which retains major powers in Ottawa, yet gives the provinces power to meet their own cultural, social and economic aspirations. TS 5/1/77 p.B4 C1-2

BC Premier William Bennett warns his fellow provincial premiers that they had better not involve themselves in the family affairs of Quebec. WFP 4/1/77 p.21 C3-6

CANADA-U.S. RELATIONS

PROBABLE GARRISON PROJECT DAMAGES:

A team of Canadian and US experts reporting to the International Joint Commission (IJC) found: water quality on the Souris, Assiniboine and Red Rivers would be lowered and could pose a health hazard and spread disease to livestock and poultry; the present fish population of Lake Winnipeg could be reduced by one half. The loss could kill the \$3 million commercial fishing industry. Supplies fished by Indian bands could be cut by 220,000 pounds annually; increased flooding on the Souris will cause average farm losses of \$24,000; 27,000 Manitobans live in cities, towns and villages obtaining municipal water supplies from the Red, Assiniboine and Souris Rivers. That water now is often in short supply and of low quality: it would cost \$1.9 million annually to restore these water systems to their present quality levels. EJ 17/1/77 p.6 C1-8

CNSP NOTE: The IJC will hold a final round of hearings in the affected region in March before making its recommendations to Ottawa and Washington in June.

Military

NATO AND CDA CONFERENCE

Nato ministers met in Brussels December 6th-10th to discuss the growing military capability of the Warsaw Pact, a discussion begun at the November Nato assembly in Virginia. The new "Soviet Threat" is an intermediate range MIRV (multiple Independent Re-Entry Vehicle) missile with three nuclear warheads mounted on a mobile truck. Nato wants an airborne Warning and Control System (AWACS) to intercept these. The cost would be \$2.5 billion for 25-28 planes. Canada could be asked to contribute \$200 million. EJ 8/12/76 p28 cl-8

The United States is strongly urging Canada to take part in the scheme. EJ 9/12/76 p72 cl-2. While the Nato Conference called for the alliance to participate in AWACS, Thomas Enders, U.S. ambassador to Canada spoke to the Annual meeting of the Bank of Nova Scotia urging Canada to increase its non-capital military spending because of the Soviet arms build up. EJ 9/12/76 p72 cl-3

A month later, at the 40th annual session of the Conference of Defence Association (CDA) in Ottawa, General Jacques Dextrage, chief of defense staff, made an appeal for 4,000-5,000 more men and women in the Canadian Armed Forces at a cost of \$60-70 million. Barney Danson, Defense Minister, says that the current 7.5% unemployment figures might prompt the federal cabinet to approve the request. Danson adds that unemployment is not the sole reason for the increase - both sides of the House of Commons feel that the armed forces should be strengthened anyway. TS 14/1/77 pA2 cl-2 GM 14/1/77 p27 cl-8 MS 14/1/77 pA1 c2-3

Police

GOYER BLACKLIST

Frank Oberle Conservative member of the Commons, read a letter to the House written by Supply and Services Minister Jean-Prem Goyer in 1971 and sent to 6 other cabinet ministers. The letter lists 21 public servants and university professors who were considered subversives and an "extra-parliamentary opposition" to the Government. GM 26/1/77 p11

Goyer's letter expressed concern about a "small group of former campus revolutionaries" who are now present in certain government departments and agencies, particularly Central Mortgage Housing Corporation. He recommended that "their activities be watched with more than normal care". MS 27/1/77 pA10 c2-5. One name on the list was Walter Rudnicki fired as policy planning director of CMHC in 1973 for showing native leaders a confidential document on native housing. The Supreme Court later awarded Rudnicki \$18,000 for wrongful dismissal. Rudnicki has not been able to get another Federal job.

GM 27/1/77 p6

Solicitor-General Francis Fox admits that the list was drawn up in order to block possible leaks of secret government documents, but objects to the "blacklist" label. Some of the 21 listed still work for the federal government, he says. MS 27/1/77 pA1 c2-5 MS 28/1/77 pA12 c1-8

Conservative member Hnatyshyn said Fox had tried to justify the list as "normal government practice". Fox supported the Goyer draft saying "it is the duty of any solicitor general to bring to the attention of his colleagues any matter involving the security of state documents". MS 28/1/77 pA12 c1-8

CNSP Comment: *Goyer's letter was brought before the House of Commons almost six years after it was written. In the light of the approaching election the Conservatives seem to have made a clever political move in bringing the letter forward at this time.*

RCMP RAIDS OFFICES OF SEAFARERS UNION

Canadian headquarters of the SIU in Montreal, and local offices in Halifax, Quebec City, Toronto, Thorold and Thunder Bay were raided and documents were seized by the RCMP. The investigation was ordered 1½ years ago to look into allegations of violence, blacklisting, assaults and threats, and rigging of union elections. GM 13/1/77 p45

EDMONTON RIOT SQUAD

New riot squad techniques are being used by police at Canadian Forces base Wainwright, as part of a training exercise. A riot was staged in a field with 35 officers and 150 rioters to give city police experience in conditions which might be encountered if a civil disturbance broke out in Edmonton. Two squads of police are being drawn up to comply with provincial emergency measures legislation.

EJ 16/12/76 p26

Social Welfare

INTRODUCTION: *Marc Lalonde Federal Minister of Health and Welfare in addressing the Canadian Council of Social Development, June 1976 attacked Ontario for its lack of positive proposals to welfare reform and federal income support and supplementation in Canada. In fact Ontario opposed the federal plan "in principle" and proposed a one year moratorium on proposals in the Social Security area. Quebec, Manitoba, Saskatchewan, British Columbia, and P.E.I. made constructive proposals toward Income Supplementation and Welfare Reform. The province of Ontario next to the federal government has by far the largest resources of any government in Canada. The Federal/Provincial Social Security Review begun more than 3 years ago with an "acceptable basic income for all Canadians" as its central objective has ended with no more than the prospect of \$350 million in supplementation for working poor two or three years hence.*

In the meantime attacks against this proposal are mounting by those who question whether Canada can afford further welfare programs. The top 20% of Canadian family units still wind up with almost 42.4% of the national income and the bottom 20% with 3.9%. (Statistics Canada). The largest part of the tax expenditures in 1975 went to the tax credit that gives \$500 to upper-income taxpayers; \$200 to low-income ones, and nothing to those too poor to reach the tax threshold. Another big chunk went for a \$1,000 exemption for interest and dividend income. Who benefited from that? 84% of all stocks, bonds, cash and bank deposits, mortgages and other such revenue generating financial assets are in the hands of the top 20% of Canadians. The bottom 20% add up to one-tenth of 1%.

Experimentation in Toronto, Ottawa and Peterborough have proven that Wage Supplements to the working poor will be under-utilized as a result of the stigma that is associated with the traditional welfare mechanism being used. In Saskatchewan, Welfare Supplement for working poor was replaced in 1974 by the Family Income Plan (FIP). This plan was able to overcome the problem as it was associated with the stigma-free family-allowance scheme and the Guaranteed Income Supplement for the Aged.

The Report of the National Council of Welfare concluded that it is ludicrous for the federal and provincial governments to say they cannot afford a Guaranteed Annual Income Support and Supplementation program, for Canadians because of prohibitive costs. If the tax exemption and deductions were applied the same way for each taxpayer, the tax burden would be reduced for low and middle earners as the highest income persons finally would begin to pay their fair share of taxes.

Source: (NAPO-INFO Vol.3 No.4 Sept/76)

POLITICAL

REFORM WELFARE BY REFORMING TAXES

A National Council of Welfare Reports shows that through inequitable income tax deductions and exemptions such as education, Registered Home Ownership, etc., the bulk of \$6.4 billion in revenue in 1974 was transferred to high-income taxpayers. The average tax benefit per taxpayer from 17 subsidies was \$244 for incomes less than \$5,000 and \$4,000 for incomes more than \$50,000. The Council considers this a "hidden welfare system" for the rich and recommends a law requiring the government to publish complete tax expenditures for personal and corporate income tax systems. GM 4/11/76 pl c7-8 (Rosemary Boyle) HCH, TS, WFP

POOR SPENDS A THIRD TO A HALF OF TOTAL INCOME ON FOOD

The National Anti-Poverty Organization (NAPO) in their policy paper says the poor cannot keep up with inflationary food prices and so buy more filling but less nutritious foods. Government figures show 40.5% of all diseases afflicting Canadians are related to nutrition. GM 3/12/76 pl3 (Rosemary Boyle)

SURTAX ON RICH TO BE ELIMINATED

The 10% surtax on taxable incomes of more than \$30,000 ended with 1976 as part of the Government's anti-inflation program. MS 10/12/76 pD14 c5-6, GM

WORKING POOR REQUIRE SPECIAL FEDERAL FOCUS

The working poor still make up 50% of all poor families. It is necessary to: 1) improve job stability 2) increase incomes via occupational upgrading or high general wages. Women suffer lower income in all occupations as well as maldistribution of jobs at lower levels. Greater attention will have to be paid to income problems of female-headed families.

The Advisory Council of the Status of Women states that the chances of a sole-support mother being poor are greater than those of any other category in Canada. Of the 3.5 million Canadians who are living at the poverty-line or under, two-thirds are women and represent 28.7% of all families living in poverty.

1974 - Male-headed families earned \$13,841.
 - Female-headed families earned \$5,910.
 GM 28/12/76 pB2 (Donner, Lazar)
 GM 13/1/77 pF11

NAPO-INFO Feature, September, 1976.

Aren't those on welfare a cost and burden to the rest of us?

Many think of them as a cost because they begrudge the poor a share of the pie. The real cost is the damage done to peoples' lives because they are deprived of the chance to realize their potential, both in the economy and as human beings. The economic cost is the loss in productivity the poor are capable of and the resources (including the welfare bureaucracy) that we use to deal with the problems created by poverty. Most people, however, think of the cost of poverty as the tax burden necessary to provide welfare payments to the poor. They feel that the middle class "carries the poor on their back." What they don't realize is that our tax system, because of its reliance on sales and property taxes, takes a greater proportion of the income of the poor than any other group. Thus, the bottom 12.5% pays 50 percent of their incomes for taxes while the top 8.5% pays out about 40%; the tax burden of the poor is therefore 20 to 25 percent higher than that of the rich.

Because their payments to the government are so high, the poor actually finance their own assistance. In 1969, the bottom 28 percent received \$1,950 million from the government and made tax, pension, and other payments to the government of \$1,900 million. Of the amount they received from government, less than 20%, was for social assistance.

Old Age Security / Guaranteed Income Supplement	\$997 million
Social Assistance	368 million
Unemployment Insurance	275 million
Veterans Pensions	140 million
Family Allowance	66 million
Government Pensions, Disability Payments, misc.	104 million
	\$1950 million

Of course, the poor also receive free government services such as education and medical care, but the point remains that social assistance to the poor is not breaking the backs of the rest, and it is the poor who have the heaviest tax burden.



"It just SEEMS there are more poor around now — it's just that most of the rich have gone south for the winter."

Media

CRTC COMMERCIAL DELETION POLICY

The dispute continues over advertising on Cable T.V. Canadian advertisers put \$20 million per year into television stations in the U.S. which broadcast into Canada. In an attempt to recover this revenue for Canadian stations, the CRTC decided in 1971 to block some of the advertising on American border stations which broadcast into Canada. The response from three Buffalo New York, stations was a suit challenging the right of the CRTC to monitor their advertising. The case went to the Supreme Court of Canada on January 26th. HCH 15/1/77 p45

Ten days before the opening of the case before the Supreme Court, the Federal Cabinet asked the CRTC to stop the commercial deletion policy. The Cabinet statement supports the objective of the CRTC policy (increased revenue for Canadian Cable T.V. stations) but says the government would like to estimate the effect of Bill C-58 before the CRTC takes action on advertising. WFP 14/1/77 nop.

CNSP Note: *Bill C-58 ends tax deductions for Canadian advertisers using American-owned media.*

The cabinet was under great pressure from Canadian and American businessmen and politicians to change the CRTC policy. Henry Kissinger was informed of the recommendation by letter from External Affairs Minister Don Jamieson, and a government information services officer said the Cabinet hopes that the CRTC will seek out alternatives "that might make our U.S. friends a little happier". WFP 14/1/77 nop.

FEDERAL-PROVINCIAL CONFERENCE COVERAGE

During the December Federal-Provincial Conference, the premiers voted to exclude the press from the meeting. Several reporters refused, lead by Charles Lynch of Southam News Services and Marjorie Nichols of the Vancouver Sun. The incident ended quickly when Prime Minister Trudeau took the Premiers to another room, but it triggered some editorial comment. The Edmonton Journal expresses the argument against Lynch and Nichols (14/12/76), reporters should report news, not make it, and the premiers have the right to privacy. The Ottawa Citizen expressed the other opinion (16/12/76), the Canadian public has the right to be present at the conference through the reporters whether the premiers like it or not. The editorial points out that British reporters in the last century had to resort to civil disobedience to win the right to cover all debates in Parliament. Canadian reporters inherited this precedent.

The Montreal daily Le Jour, which folded in October 1976, will be replaced by a weekly tabloid on February 4th. The new journal will be owned by a non-profit corporation and will continue to express the ideology of the Parti Quebecois. WFP 5/1/77 p66, MS 5/1/77 pA3, WFP 5/1/77 p66

UNESCO DEBATES ON MEDIA

With the support of the U.S.S.R., 14 non-aligned nations have presented proposals to UNESCO requesting support for state control of media. The proposals seek to "liberate information media from (the) imperialist control" of the developed western nations. The battle lines are drawn. The Edmonton Journal (2/11/76 p13c) and the Globe and Mail (96/11/76 p11) report that the U.S.S.R., Arab and developing nations want to "muzzle the media" while the U.S., Canada and other western countries are "defending the world-wide freedom of the media". By suggesting that a better solution to the problem would be aid to the developing nations to increase their capacity for media output. An Edmonton Journal editorial (17/1/77 p4) points to several of the developing nations involved (India, Egypt, Tunisia, Yugoslavia, Peru, Indonesia and Mexico) and criticises their censorship of media. The main accusation it makes against these nations are "distortion of the country's image in the rest of the world, censorship, and interference with the world-wide flow of information".

The decision on the matter was deferred for 2 years to give time to consult "media experts". The West cheered, the U.S.S.R., Arab and developing nations booed. EJ 30/11/76 p93

OWNERSHIP NOTES

Two owners of Global T.V. (Global Western Ventures Ltd., Winnipeg and Seymour Epstein, Toronto) forced out the third (IWC Communications, Toronto) on a buy-sell technicality. Global is on a firm financial footing for the first time with estimated profits this year of \$2 million. GM 14/1/77 pB7

Maclean Hunter is adding two west coast Cable stations with 54,500 subscribers to their Ontario system with 244,000 subscribers. The CRTC is questioning the sale on the grounds that an Ontario company will not provide a high quality service to B.C. viewers. GM 25/1/77

A Canadian company (Telemedia Communications Ltd) has been formed to buy up the Canadian editions of TV Guide. It will be 35% owned by Southam Press. GM 25/1/77 nop.

The Foreign Investment Review Agency has given up trying to find a Canadian-controlled buyer for Bantam Books, Canada Ltd. Instead, it has initiated a joint venture between Bantam (now Italian owned) and McClelland and Stewart to publish Canadian paperbacks. The combined venture (Seal Books) will be 51% owned by McClelland and Stewart. FP 22/1/77 p10 GM 19/1/77 pB5

PRESS AND QUEBEC

A Quebec Government study monitored the English language press in Toronto, Winnipeg and Vancouver and reports that the press reinforces ignorance and prejudice towards Quebec by stressing crime, scandal, public inquiries and labour problems. MS 30/11/76 WFP 30/11/76 p4

CULTURE

Education

INTRODUCTION: *Post Secondary Education is being discouraged as the federal government cuts back on its funding.*

Secretary of State John Roberts told a meeting of provincial education ministers that the student loan plan for post-secondary students may be changed. Supposedly, Roberts suggested loans be issued on the basis of a student's ability to repay the loan, rather than their current financial position. The Council suggested a change in the loans to cover shorter periods of study times such as summer sessions. GM 15/1/77 p11

STUDENTS PROTEST TUITION HIKE

Students in Ontario will strike on February 10th, to protest an increase in tuition and to gain public support. The increase is \$100 for University students, and \$75 for Community College students and will come into effect in September. The Ontario Federation of Students says that the increase is "part of a trend towards decreasing government emphasis on higher education". GM 15/1/77 p11

TOO MANY PHD'S

The number of PHD students graduating is increasing as teaching posts are decreasing, says an unpublished Statistics Canada report. This not only affects a person's ability to find a job, but also the via-

bility of universities with increasingly older and entrenched faculties. University budgets will also be affected as more and more of the faculties reach the higher income levels. Dr. Max von Zur-Muehlen, the writer of the report, said that we should not be producing the PHD's if there are no jobs available for them. The situation could continue into the 1990's. There is a need for government and industry to join universities in finding employment for these students he says.

FTC 31/1/77 p16 (Ron Blunn)

FEDERAL AID WITHOUT FEDERAL CONTROL

Provincial education ministers reiterated their demands for federal aid to education without federal controls. The funds should be considered "Unconditional transfer payments". The current concern is the financing of bilingual programs and possible changes in student loans. GM 15/1/77 p11

APPRENTICESHIP PROGRAMS CUT

Labour and education department apprenticeship-training programs in Nova Scotia may be cut due to a lack of funds. Previously, the province billed the Federal government for the cost of running the programs. The procedure has been changed and the federal Manpower department refuses to pay the bill. As the federal allocations for this year are the same as last, despite increase in costs, the deficit will be even greater in the coming year. The labour minister hopes to have money shifted from Canada Works funding to the apprenticeship programs.

HCH 13/1/77 pl c6-8

DOUBLE-TALK IN DOUBLE-KNITunravelling the textile debate

The official from Simpsons-Sears tore a page out of the store's catalogue for dramatic effect. Last year, he explained, the catalogue advertised an imported child's snowsuit for \$9.99. This year the catalogue was advertising a Canadian-made snowsuit selling at \$16.99. The reason: the federal government's policy of restricting imports of clothing from abroad. The effect of this policy, according to the Simpson's man, is higher priced clothing for the lower-income Canadian worker. The little guy is being hurt because the federal government will not allow low priced clothing enter the country. And, at the same time, says the Simpson's representative returning to the topic of his own business, sales by the store in this product line are down 70% this year.

This presentation, and many like it, was part of the hearings being held across the country this winter by the Federal Textile and Clothing Board. The Board is charged with making recommendations for permanent government policies regulating the textile and clothing industry, and in particular, suggesting how the federal government should deal with imports of such goods from abroad.

The hearings have also heard testimony from advocates of more, not less, restrictions on imports from other countries. Textile and clothing manufacturers, along with trade unions in the industry, say that thousands of Canadians have already lost their jobs because of cheap imports from low-wage countries such as Hong Kong, South Korea and Taiwan. And more jobs will be lost, they say, unless more restrictions are placed on foreign imports.

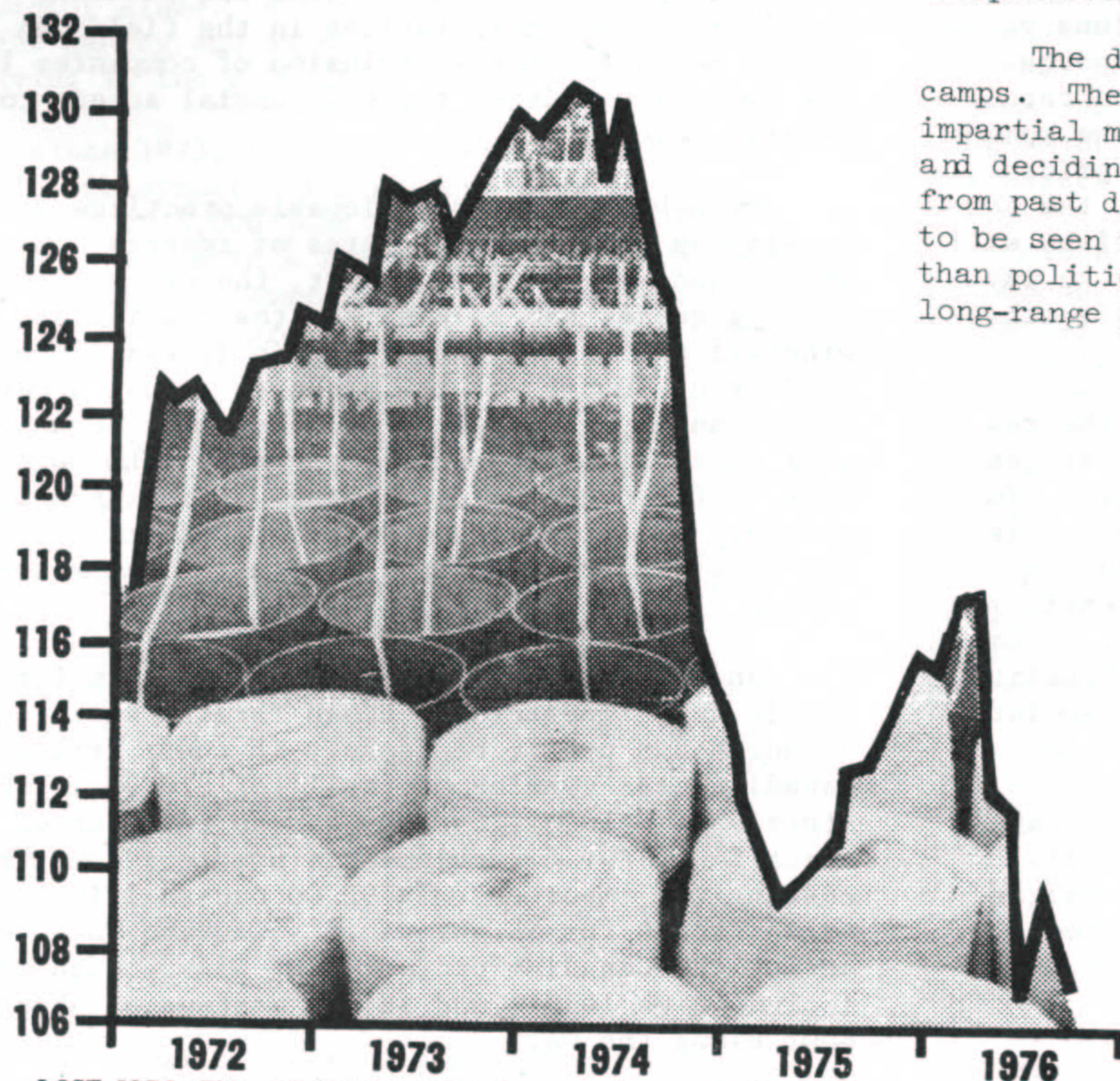
The textile and clothing debate concerns an industry that is the country's second largest employer after the food and beverage sector. About 200,000 Canadians - especially in Quebec and Ontario - make their living in the production of textile fabrics, garments and associated products. Annual sales amount to over \$5 billion.

The industry's situation has progressively deteriorated since the 1973 high point of production in Canada due to world shortages of textile products. Since that time, imports, particularly from Asian nations, have been on the rise and the federal government has come under increasing pressure to protect the Canadian industry from what it feels is unfair competition.

After taking some steps to selectively limit clothing imports, on November 29 Industry Minister Jean Chretien announced new restrictions. Import quotas, set according to the 1975 level, were established as an "interim" measure to prevent the loss of 10,000 jobs in the coming months. The minister explained that 10,000 jobs had already been lost in recent months due to a rise in imports from low-wage nations. He hoped that the new measures would save

Canadian jobs at a time of high unemployment, especially in Quebec where much of the industry is located. Observers, understanding the delicate political nature of the textile debate in Canada, also noted that the announcement came just two weeks after the Quebec election of Rene Levesque. It would appear that Ottawa wanted to be quick to give the image of "responsiveness" to Quebec concerns.

The debate itself is clearly divided into two camps. The federal government projects the image of impartial mediator sitting in-between the two positions and deciding what is best for all Canadians. Judging from past decisions on the issue, however, it remains to be seen that Ottawa is dictated by anything more than political expediency rather than by criteria of long-range policy and planning.



**Index of Employment-Textiles
Seasonally Adjusted.
1971-100**

LOST JOBS: This employment index shows that many textiles jobs were lost in 1974-75 when inventories mounted and sales fell off at the start of the recession. The second major drop represents the import surge and a weak recovery.

MS 13/1/77

On the pro-restrictions side are the textile manufacturers and garment makers. The textile companies want both the import of foreign textiles and clothing restricted so that their industrial clients and garment-manufacturing clients have little alternative but to buy Canadian. The garment makers themselves would prefer cheap imports of foreign textiles for use as their raw material. But right now, they have forged a convenient alliance with the textile companies in order to keep out those "cheap oriental products" which are stealing their market.

Joining these two groups of companies are the provincial governments of Quebec and Ontario. Quebec, with 55% of the clothing and textile industry, claims that over 5,000 jobs have been lost since 1973 due to low-priced imports. Ontario's Industry Minister Claude Bennett is concerned for the 35% of the national industry located in small towns of the economically-depressed eastern part of his province.

The pro-restriction lobby, along with some of the unions involved in the industry - the Amalgamated Clothing and Textile Workers Union, the International Ladies Garment Workers Union and the Centrale des Syndicats Democratiques - say that their primary enemies are the low-wage countries. How can they compete, they ask, with products from nations where the hourly wage is as low as 19¢ compared to the Canadian rate of about \$4.40? The Canadian industry has not been as well protected as the domestic industries in the United States and the European Economic Community where foreign imports account for only 10 and 20 percent of total sales respectively. But in Canada, 54% of the domestic market has already been lost to imports of clothing from other countries.

So, they are asking for more restrictions on foreign imports. They would like to see imports limited to the average of the 1973-75 period rather than the present formula which is tied to the somewhat higher levels of 1975 only. However, prices of clothes may go up. But their spokesman, the Canadian Textile Institute, says that price rises will be "marginal" and that this is a small cost to pay for keeping jobs in Canada and saving what is otherwise an efficient industry.

The opposition disagrees. Advocating the removal of import restrictions are the retail stores which sell clothing to the public, wholesalers, importers of textiles and clothing and the Consumers' Association of Canada. Through the CAC, the Canadian Importers Association, the Canadian Textiles Importers Association and the Retail Council of Canada they argue for more cheap imports as a benefit to the low-income earner. The Consumers' Association claims that "the cost of protection is very high, amounting to perhaps one billion extra consumer dollars every year." They say that the Canadian textile and clothing industry is basically inefficient and that as a result the import quotas imposed by Ottawa will result in clothing price rises of 20 to 30 per cent in the coming year.

The partisans in the debate, however, don't always explain all that should be known about the textile and clothing industry in Canada.

For example, the manufacturers of clothing - especially the larger ones - are at the same time also importers from low-wage countries. They profit from both the international trade in the goods and from domestic production in a protected marketplace. At the same time as they are complaining about the lack of protection, these larger firms are guilty of cutting back domestic production, and laying off workers, in order to import cheaper, and more profitable, products from abroad.

But the smaller companies in the industry - and there are many of them - do not have the same financial capacity to play both ends of the clothing and textile game. They are the most vulnerable to both international competition from imports and to domestic competition from the larger firms. Large clothing companies - such as Stanfields Ltd., which controls an estimated 30 to 35 per cent of the men's underwear market - have not been as severely affected by imports as other smaller manufacturers.

The claim that the main problem comes from low-wage, Third World countries has also been questioned. Substantial quantities of textiles and clothing products are imported from the United States and the European Economic Community (EEC). But there is very little outcry against competition on these fronts. One such critic is Henri Deslauriers of Mondor Hosiery Ltd. He says that the greater foreign threat to his production comes from the industrialized countries rather than those of the Third World. He also cites the protectionist practices of other industrialized nations which exclude Canadian exports. And finally, he told the Textile and Clothing Board that large corporations in the field can sew up markets, to the exclusion of companies like his own, by virtue of their financial access to massive advertising.

Meanwhile, some questionable practices are developing among the advocates of imports. Since import quotas came into effect, the practice of selling quotas has allowed for the reaping of windfall profits. Although it is illegal, some holders of quotas, or the right to import a certain quantity and type of product, have begun to sell these right to other importers. The money paid to the quota holder in such an instance is a purely speculative and parasitic addition to the cost of clothing imports borne by the general public.

And despite their rhetoric of concern for the little guy, importers of cheap foreign clothing products can profit handsomely in their trade. A Canadian-made sweater may sell for \$10.00 in the store and include a mark-up by the retailer of about 54%. But a foreign-made sweater, sometimes costing the importer only \$2.00 can sell in Canadian stores for \$8.00. That's low enough to undercut the Canadian product, but high enough to include a wholesale and retail mark-up of about 400% along the way.

Nor is the Canadian textile debate solely a domestic concern. Canada has come under fire at the General Agreement on Tariffs and Trade (GATT) meetings in Geneva for discriminatory trade practices. South Korea has sent a ten-member delegation to Ottawa to protest the import restrictions which will cost them millions of dollars; and there is some speculation that they may be somewhat successful since they hold the bargaining card of having bought a Canadian nuclear reactor.

The Chretien restraint policy is also raising eyebrows among those concerned about development issues. By refusing to allow unrestricted access to the Canadian market for the manufactured products of Third World nations, Canada seems to be going against its promises to aid underdeveloped nations through trade liberalization. "The Government's action," comments Carleton University Professor Peyton Lyon, "runs directly counter to Canada's commitment to a new and more equitable international economic order."

The traditionally delicate, political aspects of the textile issue are now more acute since the election of the Parti Quebecois in Quebec. How Ottawa deals with the issue could become fuel for either separatist or federalist fires as the debate over the future of Quebec continues.

Fifty-five per cent of the national industry is located in Quebec, employing almost 28% - or one in every four - of the manufacturing workforce. There are more than 1,500 companies in the garment-making sector alone. A total of 67,000 people work in garment making and an additional 68,000 earn their living in the production of textiles.

But since 1973, there has been a 23% decline in textile employment. The garment industry has seen the loss of 5,000 jobs over the same period. With such a problem in a key segment of the Quebec economy, and with an overall 10% unemployment level throughout the province, it is not surprising to find Quebec Industry Minister Rodrigue Tremblay taking a protectionist position and urging Ottawa to get moving on this, a federal responsibility, and to restore employment levels in the industry to those of 1973.

With so much of its federal political base located in Quebec, and with growing unease there about the general economic picture, the Liberal Party simply cannot afford offending Quebec voters over the textile issue. And especially not at a time when it is planning a federal election within the next eighteen months and staking its political existence on the current debate over separatism.

The final questions about the Canadian textile industry are: "Is it viable? Can it survive?"

Viewed internationally, more and more textile and clothing production is moving to the Third World. This is part of a historical trend towards the establishment, by multinational corporations

and national governments in the Third World, of labour-intensive industries in relatively low-wage nations in Asia, Africa and Latin America. Multinational corporations find they can make more profit by setting up shop there and exporting goods back to their "home" countries. Many a Third World nation, ruled by an obscenely affluent elite, will welcome any such industrialization and go to extremes to offer their cheap labour forces to the multinational corporations, even by severe repression of trade unions and democratic rights. However, this new international division of labour is also criticized by those who see it as a continuance of exploitation and underdevelopment under new names and forms.

In the long run, if the Canadian textile industry is to stay in existence it will probably need protection indefinitely. It is unlikely, as some proponents of protectionist textile policies suggest, that the Canadian industry will ever be able to "get on its feet" within a protected market and later be able to stand on its own. In this light, the recent import restrictions are a stop-gap measure. While it may be sound to try to save jobs in the industry in the short run, the government is merely sticking its fingers into crumbling dikes if it thinks that such policies are a solution in the long run.

If some labour unions are strong advocates of protecting Canadian textile and clothing industry, they should not be quickly chastised, however. They are working in a relatively non-unionized sector where a largely immigrant and female workforce struggles for better wages and working conditions. Companies may tell the Textile and Clothing Board that they hold a grave concern for the protection of jobs, but all too quickly they dismiss employees, order layoffs or close down plants when their balance sheets show the least signs of red ink.

Unions in the textile sector know that when jobs disappear government takes little or no responsibility for finding new employment for the affected workers. It is not surprising then to find them taking a short run view of promoting import restrictions. The Canadian Labour Congress, however, with a wider perspective on the national economy, has taken a consistently anti-protectionist position and has recognized the potential use of textile trade to assist Third World nations. Instead, the CLC argues the need for structural changes in the Canadian economy and readjustment programmes for the textile sector.

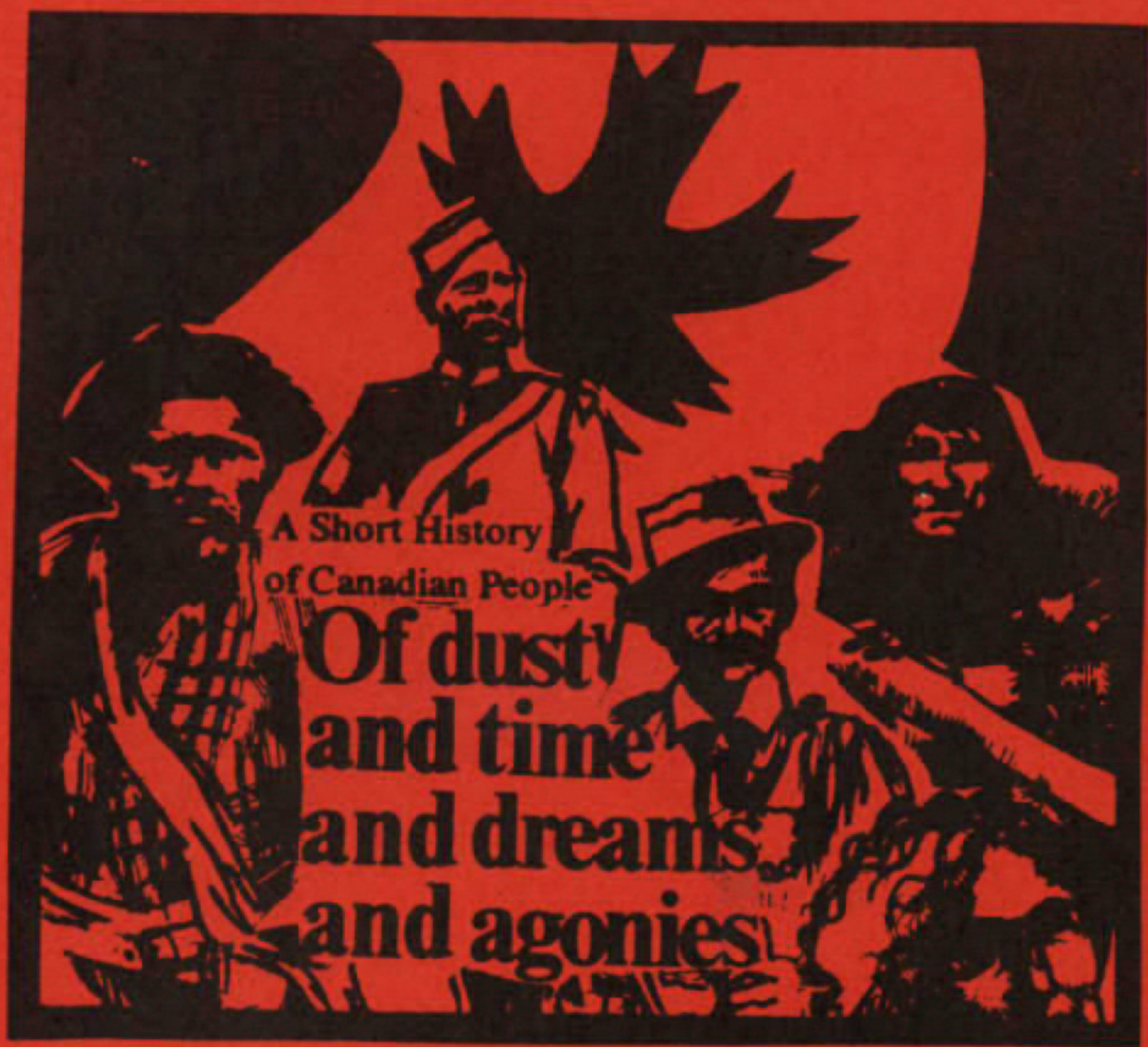
It is not surprising that no such comprehensive strategy for the textile industry exists. Neither is there one for energy, science, manufacturing or resource development. Planning along these lines has to begin now if it is to have any effect in the years to come. For the textile industry, it is a question of supporting a perpetual social subsidy - social wealth which could be used elsewhere in job creation or in meeting social need - or finding ways to dismantle much of the industry while simultaneously applying compre-

hensive efforts to put the industry's workers into jobs where real social need are met or where real social needs are met or where there is a real Canadian competitive advantage. Affordable housing is an example of the first kind, and processing Canadian raw materials into fully-finished goods is an example of the second kind of industry.

But the present economic and political system does everything to avoid such an approach. To begin with, it would demand greater intervention by government in planning and running the economy, a fate worse than death in the eyes of private enterprise. Textile companies enjoy and promote government in-

tervention in the form of protection and handouts, but not when it comes to long-range economic planning.

And political parties which are dependent on the private sector - for votes, finances, ideology and personnel - will not cut their own throats by going against the wishes of business. They will not see the obvious, nor, it seems, act in the longer-range interests of ordinary Canadians - those who work in the textile industry today and the rest of the population who buy textile products and are daily affected by similar structural problems of the national economy.



THIS BOOK IS NOT:

- a scholarly treatise
- a lament for a nation
- a satire
- a textbook

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