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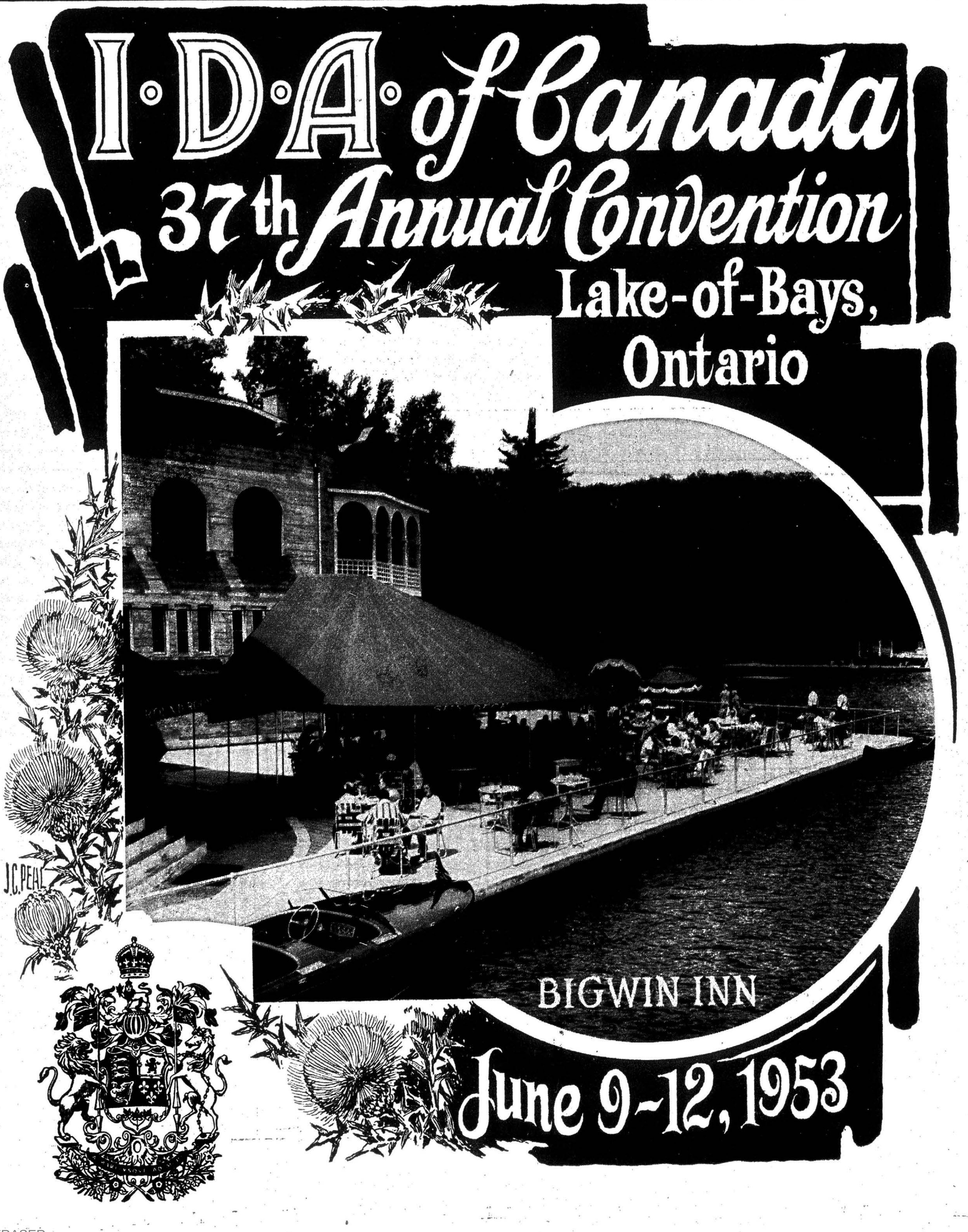

The Canadian Picture Is Still Bright

By H. S. BACKUS*

Retiring President, Investment Dealers Association of Canada
Vice-President, McLeod, Young, Weir & Company, Ltd., Toronto

Mr. Backus reports business conditions to date in Canada "as extraordinarily good," with record volume of capital investment, record crops and favorable balance of trade. Says from "world viewpoint" Canada is country of great opportunity, stable government and sound fiscal policies. Points to heavy capital expenditures in Canada, which has expanded the investment business, because of heavy volume of financing. Calls attention to foreign investment organizations attracted to Canada and concludes, despite uncertainties, long-term prospects for Canada are distinctly bright.

Harold S. Backus

During the past twelve months, the Canadian economy has lost but little, if any, of the momentum of the previous year. In fact on a comparative basis, conditions have been extraordinarily good to date. It is seldom that any country experiences at the same time, a period of rising income, high employment and falling prices. This combination has benefited in particular the industrial wage earner, whose real income in 1952 gained 11%, an increase greater than for all the years combined since the war ended. Likewise, those dependent on fixed incomes have found their dollars have gained some measure of the authority surrendered during recent years.

Major contributing factors to this happy state of affairs were a record volume of capital investment by business, industry and government, record grain crops, a highly favorable merchandise trade position and a steady flow of capital into the country. The interplay of these factors has made our economy dynamic and buoyant, resulting in an impressive rise in productivity, and has brought prosperity to practically all sectors of the country. Significantly, this was all accomplished without giving rise to any inflationary pressures.

With only minor variations, the forces which operated to make 1952 a record year still persist. While recent events on the international scene may obscure and cloud the outlook for the present at least, our economy is still in high gear and its sheer momentum should make this year's trade and commerce statistics quite satisfactory.

One of the outstanding situations during recent months was climaxed when in October the Canadian dollar rose to a premium of approximately 4% with relation to the U. S. dollar. This was due in large measure to an exceedingly favorable merchandise trade position, accompanied by a substantial import of capital for investment during the year. At the end of the calendar year, the Canadian dollar rose to a premium of approximately 3%, but since that time, has lost the major part of its more recent gain. As far as the overall trade position of the country is concerned the approach to parity, from an economic viewpoint, is basically constructive.

Total gain in the value of the Canadian dollar from October 1, 1950, when it was let go free, to October, 1952 was 14% in relation to the U. S. dollar. This only serves to reflect that Canada, from a world viewpoint, is a country of comparatively great opportunity, stable government and sound fiscal policies.

For the year 1952, the Gross National Product rose to almost $23 billion which was 7% higher in dollar terms and 6% higher in terms of volume, than in 1951. It has been estimated by the Minister of Finance, that for the calendar year 1953, the Gross National Product could approximate $24 billion provided the rate of industrial and general economic expansion in evidence during the early months of the year continues. Personal income, employment and labor income still remain at a high level and have generated a purchasing power which has been reflected in a large volume of consumer expenditures. This is all the more remarkable in view of the fact that much of the backlog of demand has disappeared and many post-war replacements have already been made. Inflation appears to have been arrested and prices on the whole are lower than those obtaining a year ago. The greatest decline has taken place in the wholesale price index and as usual, the consumer price index is slower in reflecting the change.

A Doubled Productive Capacity

Productive capacity, which has been almost doubled in the post-war years, is now able to provide for both domestic and defense requirements. In the fiscal year ending March 31, 1953, defense expenditures were approximately 45% of all government expenditures and are expected to account for the same proportion in the current fiscal year. As near as now can be estimated, defense expenditures will account for between 8-9% of the Gross National Product.

Canada has not been alone in recent years in pursuing a highly industrialized pragram. Many other Nations have done likewise and have become more dependent on raw materials and export of surplus finished products. This can only mean that markets are becoming more competitive, and that efficiency in production and distribution methods must offset rising costs if industry is to prosper. Trade is international, and Canada has a vital interest in the export market. Today we export nearly one-fourth of our total production with a little less than half of these exports going to the United States market.

To price ourselves out of some world markets as has been threatened in some instances can only react to our disadvantage. Subsidies at home, while they maintain artificial price levels and lend a degree of stability to the economy at large, do so only at the expense of the great body of tax payers. Perhaps the law of "supply and demand" which seems to have been repealed in a number of cases, should again be given the opportunity to function more realistically. There seems to be a trend in that direction on the part of the new Administration which recently took office in the United States.

It is regrettable that in this world of unreality in which we have been living since the end of World War II, so little progress has been made as far as development of international trade on a broad scale and convertibility of currencies are concerned. These two factors are of vital importance not only to all the trading Nations of the world, but particularly to our own country which with a relatively small population has become the world's fourth largest trader.

During 1952, Canada's foreign trade position made substantial gains in terms of volume, value and broader markets. An overall trade surplus of $317 million was recorded in that year as compared with a deficit of $123 million in the year previous. During this period, our trade with the United States showed little change but our exports to the United Kingdom increased by over $100 million and to all other overseas countries by about $250 million. Export prices were well maintained while many import prices were lower, with the result that terms of trade (the ratio of export prices to import prices) were 13% above the 1951 level.

Early trade figures for 1953 appear to be less satisfactory. For the first quarter our mechandise balance of trade showed a deficit of $88 million. The shipping strike on the West Coast and subsequent curtailment in shipments of grain were undoubtedly a factor in reduction of exports. Imports were up 9% for the same period, while exports were down a like percentage.

Total Invested in 1952 over $5 Billion

For the past several years Canada has led all other nations in the percentage of her Gross National Product invested in public and private capital projects. In 1952, these investments totaled over $5,100 million and may reasonably be expected to exceed that figure this year. Significant features of the 1952 capital expenditure program were the larger outlays for industries contributing directly to the defense effort and those engaged in developing the vast natural resources of the country.

It has been estimated that capital expenditures for this year will exceed by nearly $300 million those of last year, which combined with approximately $2 billion planned for repairs and maintenance, produces the impressive total of planned expenditures of over $7,400 million. Provided there is no change in this program, satisfactory business conditions should prevail.

It is interesting to observe that proposed 1953 expenditures indicate some significant changes in distribution among the various industries. In manufacturing, declines are indicated in pulp and paper, primary iron and steel and industrial chemicals, as their expansion programs are, for the present nearing completion. These declines will probably be offset by continued expansion in transportation equipment, non-ferrous metal processing and petroleum refining industries. In the utilities field, a higher rate of expenditures is expected for long term expansion projects of telephone companies and railways, while other utilities, including electric power will probably hold to their 1952 level. Capital expenditures in the further development of crude petroleum, base metals and extension of housing facilities are expected to show an increase. The ending of deferred depreciation will undoubtedly result in a large volume of building construction previously postponed.

Since the activity of the investment business is to a large extent geared to the nation's capital spending, the high level of capital investment in 1952, as might be expected, resulted in a heavy volume of public and private financing. Our industry was fully engaged in providing the capital funds required. New issue bond sales in 1952, excluding short term government financing, amounted to almost $2 billion, an increase of approximately 22% over 1951. Available figures on the volume of bond financing for 1953 show higher totals for the corresponding period than for 1952. Excluding all Government of Canada financing, totals sales of provincial, municipal and corporation bonds for the first four months of 1953 were $418,499,036 compared to

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*Address by Mr. Backus at the Annual Meeting of the Investment Dealers Association of Canada, Bigwin Inn, Ont., June 11, 1953.

Building for Canada's Oil

By S. M. BLAIR*

Vice-President of Canadian Bechtel Limited and Vice-President of Trans Mountain Oil Pipe Line Company

Canadian oil executive describes vast building program in Canada's northwest oil producing area, covering such matters as building facilities for production, manufacturing, transportation and marketing. Says Canadian oil industry has done a magnificent job in meeting obstacles in providing refining and transportation facilities occasioned by the rapid expansion of oil production in areas 2,000 miles from the principal markets. Points out there is still a surplus of natural gas in Western Canada seeking a market outlet.

S. M. Blair

The greatest building program in the Canadian oil industry has taken place during the past four years. In that time half a billion dollars has been put into the construction of a limited number of oil developments. Canada during those years, has moved from the position of a minor producer to be one of the top six potential oil producing areas in the world. A Trans-Continental oil pipe line system and a grid of up-to-date refineries from coast-to-coast has been acquired.

It is hoped with this paper this morning, and a film this evening, to further describe a few of the important phases of that development.

The Projects

The building for Canada's oil and gas industry is mainly for production, manufacturing, transport and marketing.

Both production and marketing are usually closely integrated through their financing and development with the operating company. The other two, manufacturing and transport, require very high capital expenditure and it has been found expedient in a number of cases to carry out their development with the aid of outside and specialized financial engineering and construction help. It is to these two sections particularly, that the present review is directed.

The Builders

To attain satisfactory progress in the development a strong building team was essential, made up of the members, finance, labor, supply and constructors. As we here are all members of the team, it is desirable to review some of the rules and factors that are controlling our operations.

The members who arrange for engineering supplies have made such progress that there is now only a limited amount of equipment that cannot be provided in Canada for refinery and chemical plants. The shortages are practically all limited to large diameter pipe, certain furnace tubing, alloy piping and plating, and large compressors and explosion proof motors. In regard to supplies for constructing pipe line systems the plate for storage tanks is now made, the fittings are becoming available and the pipe up to 16 inches in diameter is produced in Canada, but the large diameter pipe must still be imported.

The labor employed by the oil industry is small in comparison with that generally required in others, either on the basis of the comparative capital investments, or on the value of the output. There are only about 25,000 persons engaged on the regular oil operations. There was a serious shortage of manpower particularly in the case of experienced engineers, and craftsmen when the big expansion of the industry started, but that position is improving and of the 7,000 engineers at present training in Canada, the oil industry is attracting an appreciable proportion for regular operation. It appears that the manpower required in the building team will also be nearly all Canadian within a few years.

Turning now to the work of the engineers and builders, on whom fall the responsibility for first estimating and then performing so that the projects can be completed in accord with the orginal judgment and appraisal. Their responsibility in estimating covers costs, yields or throughput, and that all-important factor in attaining the estimated profitability—completion time. The attaining and fulfilling of realistic estimates for each of our new developments is possibly of greaer importance now than at any time in our previous history because of the present magnitude of these developments. The oil industry has had marked success is this respect and it is interesting, when we are now on the threshold of so many vast projects, to review the progress of Canada's oil work and to see something of the status of the major projects that have been proceeding in connection with it.

We have now noted the main subdivisions of work in building for Canada's oil and mentioned three of the essential builders, i.e. suppliers, manpower and constructors. The fourth "finance" does not need any description by me here. Nevertheless, the tremendous part that member has played in the team must be fully recognized.

The Industry

Before reviewing any of Canada's complete oil projects it is desirable, however, to look at the whole picture created by the country's oil development. The industry can best be understood when it is considered as a living and rapidly growing organism. The artist cannot portray it in still life, nor can the engineer describe it with fixed statistics or diagrams. Its frontiers are constantly changing and moving out to deal with vastly increasing volumes, entirely new materials, and changes and improvements in the regular products.

The expansion may be quickly seen by noting that the refineries in Canada have grown at such a rate that for each day, summer and winter, since 1949, there has been an increased demand for 100 barrels of oil over that of the previous day. Further, for each day, summer and winter, since 1950, when the first trunk pipe lines were started there has been an average of over two miles of new pipe line built in Canada.

Without even considering any export markets there are few parts of the world where this industry is more essential than in our land. Here, we traverse great distances and the exceptionally big mileages covered are reflected in the unusually high fuel consumption per car in this country. We have a land too where space heating is essential for part of the year, and also where low cost fuels are necessary in the development of our great natural resources.

Your Association in 1949, was host to Mr. Joseph E. Pogue, that eminent authority on oil industry operations. When speaking to you Mr. Pogue clearly presented the story of "Oil in Canada" as it was then seen. At that time the position was that the Leduc and Redwater Fields had been discovered, while the Fields at Wizard Lake, Pigeon Lake and Stettler, had not been discovered, nor had any of the trunk pipe lines been built. The refining industry at that time had been created for the processing of imported crude oils from the United States, Venezuela, Trinidad and to a small extent the Middle East, but it had not received any appreciable amount of Canadian oil. No large petro chemical plants were then being built for private industry.

In order to review the growth in recent years let us now start from the established base line as accurately described to you by Mr. Pogue in February, 1949.

I will endeavor to so describe the position that it does not become purely an engineer's review, but I am new to the presenting of such an outline to this Association. It was only when I attempted to prepare these notes and steer away from cold engineering tables and statistics that I realized how much we have become dependent on the use of slides and moving pictures to give general presentations of the industry. In this setting today, however, our plan is to paint the factual picture of Building For Oil this morning, and then to follow this evening with a moving picture illustrating some aspects of the actual construction work. In doing this here for the first time, I am reminded of the words of that great associate of Mr. Pogue's, also in the Chase National Bank, Mr. John Jay McCloy, who, when recently accepting the chairmanship of that Board, prefaced his comments with the story of the horse thief standing on the gallows who said, "This is the first time I have done this Sheriff, would you go a bit easy until I sort of get the hang of the thing"?

The Crude Oil Resources

Canada's oil resources were recorded at the time of Mr. Pogue's paper as 600 billion barrels. About 18 months later when Dr. Levorsen's well known review was made, the recoverable oil was then estimated at 1,330 million barrels, while the recoverable oil today, roughly another 18 months later, is believed to be well over two billion barrels. That sort of pyramiding has also gone on in other aspects of the industry. In 1949 it was mentioned that the Canadian oil consumption in 1938 had been in the order of 128,000 barrels per day, but that in 1943 it was in the order of 170,000 barrels per day and in 1948 it was

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*An address by Mr. Blair at the 37th Annual Meeting of the Investment Dealers' Association of Canada, Bigwin Inn, Lake-of-Bays, Ontario, Canada, June 11, 1953.

Canada's Pulp and Paper Industry

By R. M. FOWLER*

President, Canadian Pulp & Paper Association
President, Newsprint Association of Canada

Though asserting Canadian pulp and paper industry is in sounder condition than ever before, Mr. Fowler points to difficulties and problems that it must face. Among these are: (1) rising costs; (2) dependence largely on exports, and (3) fluctuating demands for output. Holds Canadian pulp and paper companies are in strong financial condition and are prepared to meet adjustments to peacetimes.

R. M. Fowler

I think it important for people in the investment business to take a careful look at the internal strength and prospects of Canada's major industries. It is probably more important now than it was when I agreed to speak to you several months ago. At that time, we were engaged in the so-called cold war with the pattern more or less set and without even the glimmer of a hope that the world climate would improve. This spring has brought at least the hope of warmer and pleasanter international weather. It is quite probable that such a hope will quickly disappear and become just another lost illusion. There is very little evidence of tangible action by the leaders of Russia to give us any real basis for changing our emphasis on defense requirements. But at least there have been some tentative suggestions; there may be conversations where we were not even talking about world solutions; there may be some easing of outstanding issues and we may be able to take a few steps along the road toward a better world. We should at least recognize the possibility that an improvement in relations between the democratic and communist worlds might develop, and in ordinary prudence should see that it would have a major influence on the economy of all nations, especially that of Canada. I believe myself that if there is any chance, however, remote, that some steps can be taken on the road to peace, it should be greeted by businessmen, not as a calamity to be feared and avoided, but as an opportunity of supreme importance to be welcomed with open arms. It would be the great chance for which we have been waiting; the chance to show what our capitalistic system can do—freed from the overwhelming weight of the defense program. Admittedly any substantial change in the economic emphasis will create problems of adjustment, will cause difficulties, and may produce some casualties. But is there any reason to believe that business on this continent cannot achieve a smooth transition from some portion of the defense program toward increased production for civilian use?

Situation in Pulp and Paper Industry

No one from any one industry can attempt to give a general answer to this question. I can only try to give you some information about the Canadian pulp and paper industry, and in selecting the items of information I would like to choose those which may bear upon this major question of today. How are we, in the pulp and paper industry, equipped to face a period of economic adjustment, if an easier international situation develops? What contribution can we make to a transition from a cold war to what at the very best can only be a lukewarm peace?

I think I can summarize what I have to tell you by saying that the Canadian pulp and paper industry is today a sound industry—sounder than it has ever been before. But it is faced with a number of difficulties and problems. Because of the strength that has been developed over recent years I think it will solve these problems, and I hope it will do so with the intelligent cooperation of management, labor and possibly government. I will try to outline to you some of the strengths that have been built up in the pulp and paper industry and some of the problems that are facing it today.

I suppose any of you who were holders of pulp and paper securities in the late 'twenties and early 'thirties would agree that one of our assets today is that this industry has some considerable experience in the technique of calamity. Any industry that lived through the accumulated burdens of those days 25 years ago must have a tough fibre and a strong will to survive. It has come a long way since those bad old days and it is today faced with totally different, less serious problems.

You are probably familiar with some of the overall figures that describe what the Canadian pulp and paper industry has become. Its annual output in 1951 and 1952 was valued at about $1¼ billion; that figure compares to about a quarter billion in the late 'thirties. The volume of total production in each of the last two years has been close to 9½ million tons, while before the war it was less than half that amount. The annual value of pulp and paper exports in the last two years exceeded $900 million and provided about 23% of all Canadian exports and about 34% of all Canadian products exported to the United States. The number of employees, apart from seasonal workers in the woods, rose from about 35,000 in 1938 to over 66,000 in 1951, and the total salaries and wages paid increased from less than $43 million in 1938 to $213 million in 1951. The capital employed in the industry was about $600 million before the war and is today in excess of $1,500 million. Such statistics as these could be extended indefinitely and would only end by boring you and adding little to the picture. Taken together they show this as the leading industry in Canada, accounting directly and indirectly for about one dollar out of every seven of the income of all Canadians, and of major importance in the maintenance of our international trade.

At the present time the operating rate is high. To be sure it is not, in all segments, as high as it has been. There are some commodities and some markets that are running below capacity for lack of demand to run full. The largest single item, newsprint, is actually running ahead of last year, at an all-time record level. Canadian production in the first four months is about 2% greater than last year and U. S. consumption (which accounts for about 87% of our market) has been nearly 3% greater than in 1952. Consumers' stocks in the United States are somewhat higher than they have been during recent years of shortage and it is not possible to say if these larger inventories will be continued or will be gradually reduced. There could be a period of inventory adjustment and it is an undoubted fact that expansion of capacity, especially in Canada, has ended the shortage of newsprint. There is every prospect that a high operating rate will be maintained but we are unlikely to see year after year operating rates running higher than rated capacity.

The Export Market

In other branches of the industry, there have been some declines—mainly in the export market for pulp, and in the relatively small proportions of paperboard and fine papers that are exported. In the first quarter of this year, the operations of the industry, other than the newsprint section, are down about 15% compared to last year. Given continuation of current levels of economic activity in Canada and the United States, which most economists seem to expect, it is reasonable to hope that pulp and paper will be carried along at a high level of demand, but once again it is unlikely to be up to the level of our expanded capacity.

One of the strengths that has appeared in recent years is the diversification that has come with the expansion of production. Newsprint capacity and production have both grown materially but newsprint has not grown as fast as other pulp and paper products. Before the war newsprint took over 70% of total Canadian pulp produced; it now takes about 63%. Newsprint production is about 65% greater, while the production of pulps for uses other than newsprint is 3½ to 4 times as great as before the war. Canadian newsprint has by no means lost ground in world markets; Canada's share of world newsprint production has risen from about 40% to about 54% and newsprint exports from Canada increased from 75% to 81% of all newsprint moving in international trade. But Canadian pulp has grown even faster in world trade; before the war we generally shipped between 10 and 15% of all pulp moving in industrial trade, but now Canada supplies about a third of this trade and has become the leading pulp exporter in the world. Moreover, in 1939 Canadian pulp went to some 13 countries but last year 26 countries bought pulp from us. This diver-

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*An address by Mr. Fowler before the Annual Meeting of the Investment Dealers' Association of Canada, Bigwin Inn, Ont., June 12, 1953.

Electricity — Key to Ontario's Growth

By DR. R. L. HEARN, B.A.Sc., D. Eng.*

General Manager and Chief Engineer
The Hydro-Electric Power Commission of Ontario

Asserting Ontario is in forefront of Canada's industrial expansion, and hydro-electric power is key to Province's growth, Dr. Hearn calls attention to the Ontario Hydro-Electric Power Commission's expansion program to meet power demands. Lists new power projects, and calls for use of more St. Lawrence power, "as absolutely necessary for further expansion in Ontario and Canada as a whole."

In the past decade, Canada has expanded her manufacturing industries as fast as any other area in the world. The country's natural resources, skilled labor force and export markets are attracting new industries and encouraging expansion of existing plants.

Dr. R. L. Hearn

Province by province, from British Columbia to Newfoundland there is a pattern of progress. The economy of Canada is now based upon a solid, well-diversified foundation which augurs well for the future. Gone are the days of a timber or a wheat economy. Today, the oil fields of the Prairies, the forests of Ontario, the mines of Labrador and the fishing banks of Newfoundland are an integral part of the broad base of Canada's economy.

Ontario is in the forefront of Canada's industrial expansion. Much of the overall progress has been spearheaded by Canada's Banner Province. The Province's manufacturing industries in 1951 paid out in wages and salaries about one-half the total of manufacturing industries in all of Canada, and, since 1947, Ontario manufacturing industries have invested in plants and equipment about half the total similarly invested across the Dominion.

Ontario's Industrial Expansion

There is great interest in Ontario as a whole as a site for new industries. This is indicated by the fact that in 1951, 92 new manufacturing industries were established, counting only those employing initially at least 10 persons and occupying a minimum of 5,000 square feet of floor space. These manufacturing firms reported a total investment in plants and equipment of over 830 million and a total occupied manufacuring space of more than 1,700,000 square feet. Further evidence of Ontario's industrial growth comes to hand frequently as announcements are made of new industries locating in Ontario and existing firms increasing their facilities.

*An address by Dr. Hearn at the Annual Meeting of the Investment Dealers' Association of Canada, Bigwin Inn, Ont., June 12, 1953.

With each succeeding year industries produce more goods in a shorter time and at lower cost. In the last ten years the average working week in Ontario has been reduced from 47 to 41 hours but the average wage has risen from $24 to $54.

Based on the 1951 census, Ontario's population has increased by 809,887 or 21.4% for the largest numerical gain of any of the ten provinces since the last census in 1941. To house the increased population, dwelling units have been completed at the rate of about 30,000 units per year over the past five years.

Electricity—Major Contributing Factor

One of the major contributing factors to the steady growth of the Province is the adequate supply of low-cost electricity, and Hydro is doing its utmost to ensure that the essential supply of low-cost electricity continues. In 1952, Ontario Hydro's contribution to the primary energy consumed in Ontario reached 87.4% and this was 33.1% of Canada's primary consumption.

Formation of Ontario Hydro in 1906 was brought about largely through the efforts of businessmen and industrialists. These men, headed by Adam Beck, a prominent manufacturer, realized that the consolidation and expansion of industry in Ontario were dependent upon a cheap source of power which would be available to all classes of customers throughout the Province. The first milestone was passed in October, 1910, at Kitchener when Ontario Hydro power, purchased from Niagara, was delivered to the municipality. During its 47-year history Ontario Hydro has met the challenge of supplying vital electrical services in two world wars, suffered the rigours of the early 30's and, since 1945, has experienced a tremendous upsurge in power demands.

More Power to Meet Rising Demands

To meet the almost insatiable demands for more and more power to supply the homes, the farms and the industries of the Province, Ontario Hydro embarked upon the greatest expansion program in its history on Aug. 25, 1945 just eight days after the fall of Japan. To date, 13 new power sources have been brought into service and the 14th, the huge Sir Adam Beck-Niagara G. S. No. 2, will be brought into service next year.

Because of the extreme urgency of bringing new plants into service, it was decided to proceed immediately with the addition to the DeCew Falls Generating Station in the Niagara District near St. Catharines, on the Stewartville development on the Madawaska River in Eastern Ontario, and on the Aguasabon development on the north shore of Lake Superior. All of these undertakings, in a time of short material and manpower supply, required a minimum amount of engineering, materials and equipment, and could be brought into service on short-term schedules.

This was the beginning of the Commission's construction and expansion program, which has been enlarged in scope and accelerated in performance to meet the ever-increasing demands for electricity from all classes of customers. At time of peak construction more than 17,420 were employed in the building of new power sources and extending the Commission's facilities.

This brief summary of the tremendous expansion program indicates the diversity and magnitude of the extensions and additions to the Commission's generating facilities. Costs of all stations include generation, step-up transformation and high-voltage switching at the site.

DeCew Falls Addition, Niagara district — Construction began in fall of 1945. In service September, 1947. Capacity 57,000 kw. Total cost at end of 1952—$8,000,000.

Ear Falls Extension, Patricia district—Construction began late in 1947. In service June, 1948. Capacity 6,000 kw. Total cost at end of 1952—$1,800,000.

Stewartville G. S., Madawaska River—Construction began in fall of 1945. In service September, 1948. Capacity 63,000 kw. Total cost at end of 1952—$11,700,000.

Aguasabon G. S., Lake Superior—Construction began in spring of 1946. In service October, 1948. Capacity 40,000 kw. Total cost at the end 1952—$12,700,000.

Polymer G. S., Sarnia (company owned) Contract for supplying Hydro with 22,500 kw. entered into in 1948.

George W. Rayner G. S., Mississagi River—Construction began in fall of 1947. Officially opened June, 1950. Capactiy 47,000 kw. Total cost at the end of 1952—$18,300,000.

Pine Portage G. S., Nipigon River—Construction began late in 1947. Officially opened June, 1950. Capacity 61,400 kw. (2 units installed). Units 3 and 4 authorized—scheduled for service in 1954 and 1955 respectively. 4-unit capacity—126,000 kw. Total estimated cost—$34,100,000.

Des Joachims G. S., Ottawa River—Construction began late in 1946. Officially opened June, 1950. Full service February, 1951. Capacity 380,000 kw. Total cost to end of 1952—$73,300,000.

Chenaux G. S., Ottawa River—Construction began in early spring 1948. Initial service November, 1950. Full service September, 1951. Capacity 120,000 kw. Total cost at end of 1952—$28,900,000.

Richard L. Hearn G. S., (fuel-electric), Toronto — Construction began in spring of 1949. Officially opened October, 1951. First unit in commercial service Nov. 1, 1951; second, June 1, 1952; third, Dec. 1, 1952; fourth scheduled for June, 1953. Capacity 400,000 kw at 60-cycle operation. Estimated cost—$60,000,000.

J. Clark Keith G. S., (fuel-electric), Windsor—Construction began in spring of 1949. Initial unit in service November, 1951; second unit, 1952; third unit, April, 1953; fourth scheduled for November, 1953. Capacity 264,000 kw. Estimated cost—$48,930,000.

Otto Holden G. S., Ottawa River — Construction began 1949. In initial service January, 1952. Official opening June, 1952. Full service April, 1953. Capacity 204,000 kw. Estimated cost — $60,300,000.

Sir Adam Beck-Niagara G. S. No. 2, Niagara River — Construction began January, 1951. Scheduled service dates — 300,000 kw. in 1954; 450,000 kw. in 1955; 150,000 kw. in 1956. Capacity 900,000

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Effective Public Relations

By G. A. LAWRENCE*

Manager, Public Relations Department, Imperial Oil Ltd., Toronto, Ont.

Prominent Canadian oil executive discusses ways and means of improving public relations in industry. Finds starting point in public relations is to find out what service the industry is rendering the community, and, next, to get the public to understand that service. Urges business firms define and know "their public" and educate the right audience. Says public relations is task of whole organization, and lays down key principles in appraising public relations.

G. A. Lawrence

I don't think that fancy speeches are in place at a working session of this sort. But I do wish to say that I am very glad of the opportunity to talk to you, that I have found a great deal of interest in the discussions so far, and that I bring warm greetings and sincere regrets from Frank Prendergast who would have been your speaker had it not been for the illness from which I am happy to say he is recovering.

One of the things that adds to my appreciation of this occasion is the fact that I am sure it will prove constructive. It certainly has thus far! There are very few points about which one can become dogmatic in public relations work. One of those few is the necessity for a thorough self-examination at reasonably frequent intervals. I feel sure that there would be a great deal more mileage gained from the P. R. dollar, a great deal more real progress if as much time were spent on the analysis of purposes as is spent on the appraisal of programs.

What I mean is this: The term "public relations" has very little meaning if we do not have a clear grasp, first, of the **nature** of the person or industry which is going to have relations with the public; second, of the **kind of public** involved, and third, the **kind of relations** which said industry or firm wishes to have with said public.

Function of Businessman

These points may seem fairly obvious, but it is surprising how easily they can be overlooked. For example, if you ask a man why he is in business, he is likely to tell you "to make a profit." This is quite true, but it is not an accurate appraisal of the real reason why he stays in business. He stays in business because of some basic service which he provides to the public. You may be quite sure that the public doesn't give a hoot whether he earns a profit at it or not. You've probably heard of the businessman who went bankrupt and put a sign up on his closed door, "Opened by mistake." The thing which concerns people is how one's operation affects them, or the people they know, or the general welfare of the community.

Actually, it is quite common for a person to be rendering a real service to the community and the community to be utterly unaware of it. Consequently, the starting point in public relations, it seems to me, is to find out what that essential service is which one's industry is rendering to the community, and to try to get an understanding of that service on the part of the community. It is also just as important to appraise whether any segment of a group is undermining the position of its other members.

This appraisal of what we are and where we stand is of the utmost importance. If we don't start straight on that point, the probability is that our P. R. effort will paint a false picture of us, simply because we didn't have a clear and accurate picture ourselves.

To illustrate, the Investment Dealers' Association of Canada has provided invaluable services to the community. It has been instrumental in providing us with jobs, with schools, streets and public utilities. And in time of war through its tremendous Victory Loan efforts it has helped to safeguard the things it helped to build in peacetime. Full employment, rising living standards and a better way of life are all assisted through your efforts. But these are my views of your industry — the appraisal that is most useful to you is the one you make yourselves.

*An address by Mr. Lawrence at the 37th Annual Meeting of the Investment Dealers' Association of Canada, Bigwin Inn, Lake-of-Bays, Ontario, Canada, June 10, 1953.

Let's assume we have an accurate appraisal, what's the next step?

Define Your Public

Define your public. Find out to whom you want to give a better impression of yourself or your industry. The glib answer to "What is my public?" is "Everybody" — and I suppose in a way this is true. We want everybody to know about the oil industry or the investment industry or what have you. But common sense tells us that some sections of the public have to be ruled out. Some because they couldn't understand what we are talking about. Children under five, for example! Others have to be ruled out because you couldn't reach them economically. It wouldn't pay to translate some informational material into Cree. Even if it were desirable, few organizations are likely to have the funds for the job.

The facts of life regarding those audiences which you can expect and afford to reach pretty well will force working public relations people to rely on what is known as the "Opinion Leader" theory. This theory amounts to a belief that some people in the community are more inclined to transmit their opinions than the general run. Hence, if you can bring information to the attention of these key people, and if your information and views are acceptable to them, it follows that they will communicate those views to others and so on, something like a chain letter.

Educating Right Audience

I think there is a lot of truth in this theory. Often what we think are new ideas are really something we've picked up from somebody else, something we may not have fully appreciated at the time. The difficult thing here is to pick the opinion leaders who will do the best job for you in transmitting your story. For example, the man whose opinion is respected about political questions is not necessarily the one to whom people listen on investments.

I do think I can tell you **where** you will find the opinion leaders of importance to you and that is in certain fairly well-defined groups in the great middle class. It is in their ranks that you will find the best authorities on virtually all topics, the greatest teachers, preachers, writers, politicians, thinkers. It might be as well to remember that the SEC and the other New Deal developments of the United States came after the middle classes took that stock market shellacking. The welter of specialism from which we are emerging came about, I feel convinced, because the middle classes came to regard themselves as part of the proletariat.

Well, that may or may not be good theory, but the point is that very few organizations can aim at the whole public all at one time. We have to pick our targets nationally and in our own communities. To illustrate with an analogy, when we send out a salesman we expect him to make calls where he has a good expectation of getting maximum results.

Telling the Story

Item three ties in with defining the audience, because it boils down to a question of defining the message. I have referred a number of times to informational material, without saying much about the sort of material or why it should be sent out. This has to be clarified under the third heading of the appraisal which we wish to make — what kind of relations do we want to have with our public?

It is on this point that many a public relations campaign or program is likely to founder. For example, we may say to ourselves that we want public understanding. But of what? Of the way to calculate sinking fund and interest payments so that the principal amount of a 5% bond is repaid in 20 years? Or of the way to calculate maximum efficient recovery rates from the porosity and other data on an oil reservoir?

It's obvious that an understanding of things like this are not the chief public relations goal. Not that it isn't very important to provide technical information for those who have an interest in it. But let's not make the common mistake of thinking that the gen-

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Canada — A Dynamic Neighbor

By H. G. HILTON*

President, The Steel Company of Canada

Speaking before assembled steel men, Canadian steel company executive describes his country's recent progress, notably in the rapid development of the steel industry, which has expanded its capacity 110% since 1939. Says population of Canada is still too small in relation to its expanded industry and increasing natural resources. Describes new sources of steel making raw materials in formerly barren and inaccessible regions of Canadian territory.

H. G. Hilton

It may seem a bit unnecessary at this time for a Canadian to come down here and tell you anything about Canada. After all, during the past year or so, nearly every American magazine of any consequence has written us up. In fact, if we weren't a pretty down-to-earth and sober people, we might have all got swelled heads by now.

However, in spite of the brilliance of our immediate and future prospects, we have enough problems to make it a safe bet that our feet will stay firmly on the ground.

The current interest in Canada, and belief in its future, was not always so widespread. Seventy-two years ago, the then foremost editor in Great Britain allowed that we had no future at all. He said the Canadian Pacific Railway could never earn nearly enough to grease the axles of its trains. Just to show you how wrong experts could be, even in those distant days, the Canadian Pacific Railway last year grossed more than $450 million, and had a net of $39 million.

Even in this country, our nearest neighbor, there was, until a short time ago, widespread ignorance of what made Canada tick. My guess is that most of you took your ideas about us from the movies, or from highly colored stories about our Mounted Police. Our Mounted Police are admittedly good, and we are all very proud of them. But even they must have been a bit astonished and embarrassed at the deeds they were called on to do in your movies, and in stories in United States magazines. Canadians generally were often surprised to see the sort of country in which we were supposed to live—a barren land of perpetual snow where wolves and huskies, and Eskimos and Indians were about the only signs of life.

We do have much land that looks barren on top, and our winters can be pretty bracing. But, under that barren surface, we are discovering such wealth as to make even the riches created by Aladdin's lamp seem quite paltry. As for the climate, we feel it has produced a nation which has already done some fairly important things, and which is going places in a big way in the future.

One thing which is apt to be forgotten by anyone who has not lived in Canada, is that our continuous history is a long one. It really started in 1608, when Champlain founded what is now the picturesque city of Quebec. But even before that, in 1541, Cartier stayed long enough to plant and harvest wheat, cabbages and turnips on the banks of the St. Lawrence River. He first came to Canada even earlier, and was preceded by John Cabot.

Your first permanent settlement was in 1607, but I seem to remember it was not until 1620 that the Pilgrim Fathers landed in New England. So you can see that our nations really got started at just about the same time.

The fact that our first settlers were French and yours were largely English with a small admixture of Swedes and Germans, has created a great basic difference between our two countries. Despite your dislike of their actions at that time, the British, after the capture of Quebec in 1759, gave the French-Canadians the right to their own language and to their own system of religion and of religious education. As a result, the French-Canadian has remained a more or less separate entity in our national life. By that I don't mean that he hasn't played a great part in our history — quite the contrary. Our Prime Minister today is a distinguished French - Canadian, and we had Laurier, and Cartier and Lafontaine before him. All those men have made a remarkable contribution to our political development, and their compatriots have added greatly to our cultural and social life.

Instead of trying to make Anglo-Saxons out of the French-Canadians, as you did in New England, and as you have done with the French in Louisiana and the Spanish in the Southwest, we have made it possible for them to keep their own traditions. We have asked them to contribute their unique experience and gifts to the creation of a Canadian nationality, and they have done so in the fullest possible measure.

Canadian Conservatism

One of the means by which we Canadians have achieved a national synthesis which has so greatly enriched our lives, and which holds such promise for the future, is by refraining from attempting to do things which are unacceptable to Quebec. By such forbearance we have all gained in tolerance, in patience and in wisdom. In other words, the people of Quebec have contributed a conservative outlook which has helped us to progress slowly but surely to a place of real significance in the world. I think it safe to say that no 14½ million people command such respect and trust as we do today; and if that be true, the French-Canadian deserves much credit for his part in bringing it about.

However, the virtue of conservatism also imposes upon our economy certain difficulties, and makes it impossible for us to adopt overnight all the new ideas or new gadgets which you feel are essential to the good life. Some of our people get so impatient over the apparent slowness with which we follow your lead that they up and move down here. Fortunately for us, more and more of them are coming to see that, while distant fields may look green today, our own fields promise to be at least equally green tomorrow. We need every Canadian we can produce, and many more people besides. So if you want to be really neighborly, encourage as many vigorous young people as you can spare to move up to Canada.

We can venture to suggest that you help us in this way because our interests are so closely interwoven. Not only are we by far your best foreign customer, but we are both involved together in the defense of the North American way of life. In addition, you have now nearly nine billion dollars invested in Canada — about one quarter of your total foreign investment. Thus you have a two-fold interest in us; and we cherish you, not only because of your adherence to personal freedom, but also because you are our best customer. No other two countries on earth have so many interlocking interests as Canada and the United States.

That does not mean, however, that we think you are without blemish. While we have always been, and will always remain under very heavy social pressure to conform to your way of life, we want to lead our lives in our own way.

For all our long history in North America, we still look with pride upon our membership in the British family of nations, and we don't like it when the fact of that connection is misunderstood or misinterpreted in the United States. We are a sovereign nation with a Queen of our own who happens to live most of her time in London. While we are Her Majesty's loyal subjects in Canada, we ourselves pay for the cost of government in Canada. It is our own government which governs in the name of the Queen of Canada. That may sound like a quaint arrangement, but it suits us.

The fact that we are a constitutional monarchy, and still have deep roots in both Britain and France, makes us a very good bridge between the United States and Europe. Our foreign policy is not selfseeking, not only because we are small in numbers, but also because we have no aspiration other than to develop our own country in our own way.

However, we recognize our international obligations. We are doing our best to increase world trade and wellbeing. We now have an infantry brigade and four warships in Korea, an infantry brigade in Germany, and an air force wing in Britain and France. In addition, our naval forces form a useful part of the North Atlantic defense organization.

But we pay no tribute of any kind, save that of affection and

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*An address by Mr. Hilton before the American Iron and Steel Institute, New York City.

Appeal of Canadian Mutual Funds

By ALAN CHIPPINDALE

Vice-President and General Manager, Calvin Bullock, Ltd., Montreal, Canada

Pointing out the 20% dividend tax credit in Canada adds to investment appeal of Canadian mutual funds to Canadian residents, Mr. Chippindale cites cases in which mutual fund holders materially benefit. Says adjusting investments from interest-bearing securities to individual common stocks to obtain benefit of dividend tax credit in many cases requires substantial change in investments for conservative investors. Lists other advantageous mutual fund features.

Alan Chippindale

The recently enacted 20% dividend tax credit in Canada adds importantly to the already great appeal of Canadian mutual funds to Canadian investors. This credit entitles individuals resident in Canada to deduct from the income tax otherwise payable on such income an amount equal to 20% of the net dividends received by them from Canadian tax-paying corporations.

This income tax benefit varies according to the income and tax position of the individual investor, but in any case it affords substantial tax relief and in many cases completely eliminates income tax on qualifying dividends. The dividends of nearly all Canadian mutual investment funds will be eligible for this credit. It substantially increases their net yields after taxes to tax-paying individual investors compared with interest income of any kind and foreign dividends to which the credit does not apply.

The following examples applied to eligible mutual fund dividends illustrate the substantial tax saving afforded by the 20% credit. The examples are based upon assuming a married man under 65 with no dependents; providing for investment income surtax, but not for deductions, if any, such as charitable donations, etc., for the taxation year 1953.

With total income of $10,000 consisting entirely of Canadian mutual fund dividends, he would pay only $84 income tax and $60 old age security tax. The same man with total income of $10,000 consisting entirely of investment income such as bond, bank and mortgage interest, would pay $2,084 income tax and $60 old age security tax.

In the same circumstances, total income of $5,000 derived entirely from Canadian mutual fund dividends would be subject to *no* income tax and $60 old age security tax, whereas $5,000 of total income derived entirely from interest would be subject to $649 income tax and $60 old age security tax.

Illustrated another way, a yield of 4.50% on shares of an eligible Canadian mutual fund would produce as much net income after taxes as bond yields of 6.30%, 5.88%, and 5.70% to Canadian individual taxpayers in tax brackets of 50%, 35%, and 25% respectively. Comparable figures based on a 4.25% yield on such mutual fund shares are 5.95%, 5.56%, and 5.38% respectively. It would be difficult, if not impossible, to obtain such high yields on high-grade bonds.

This tax credit should tremendously increase the appeal of mutual fund shares. It is, of course, obtainable on the dividends of any resident Canadian tax-paying corporation, whether paid on common or preferred shares.

Defensive Characteristics of Mutual Funds

However, records indicate that certain mutual funds have better defensive characteristics than just one or a group of individual common stocks and could justify a greater amount for conservative investment. For example, while the Montreal Stock Exchange "20 Industrials" Stock Index at the beginning of June, 1953 was 24% lower than its high of 1951, and a number of good Canadian industrial stocks were off as much as 35% to 50% on the same basis, the net asset value of the shares of Canada's largest mutual fund were off only 10%.

To contemplate adjusting one's investments in some degree from good grade interest bearing securities or other assets to individual common stocks in order to obtain the tax credit would, in many cases, represent a rather substantial change in the character of the investments for conservative investors. Shares of conservatively operated mutual funds offer a logical and sound compromise.

Good grade preferred shares suggest themselves for conservative investment for the purpose of obtaining the tax credit but, unless convertible, they, like bonds, usually offer no opportunity for growth of principal or income.

Investment in selected cross-section ownership of Canadian business in the past 20 years has been generally more profitable than loan type investments in the form of bonds and other fixed income securities.

An outstanding feature of the older Canadian mutual funds has been their growth of principal and income, reflecting the growth and development of the Canadian economy in the past 20 years, as well as having fully or partially offset the decline in the purchasing power of money caused by inflation in the period. These considerations are of continuing importance for longer term investment.

Other Mutual Fund Features

While the dividend tax credit is an important additional favorable factor to mutual fund shares, it is by no means their only or even main attractive feature. Tens of thousands of Canadian investors already owning mutual fund shares are evidence of this.

Although a good mutual fund cannot provide everything to all investors for all purposes at all times, it can definitely provide a desirable investment holding to practically all investors most of the time.

It provides a sound and convenient program for that portion of an investor's capital available for longer term employment on an investment basis primarily in the field of common stocks, where potential capital growth and income rewards are attractive, but where the risks in individual issues are high.

A mutual fund is not a "trading" or "get rich quick" scheme. There is no magic road to wealth. It is essentially a conservative medium of investment providing broad diversification under constant experienced supervision, with exceptionally high marketability.

Every investor's holdings should be tied to the anchorage of some high-grade bonds and some cash in the bank for emergency purposes. The amounts will vary according to circumstances of each investor. Many investors will also want, and many should have, some individual stocks. In such circumstances, the mutual fund fits nicely in between as a conservative backlog program. Because of their conservative nature, relative stability, and high liquidity, one could be justified in holding more shares of a good mutual fund to get the tax credit, and less than the otherwise normal amount of high-grade bonds and cash. If this policy were followed and if, at the same time, mutual fund shares were substituted for a portion of the amount which would normally be invested in individual stocks, the overall quality of one's investment holdings should suffer little or no impairment and in many cases could result in improvement.

There are many investors, of course, who are in no position to assume the risks inherent in one or a few individual stocks selected at random, and would be well advised to select a good mutual fund for all of that portion of their savings which they wished to place in stocks.

A properly organized and administered mutual fund combines higher degrees of **security, income, marketability,** and **potential appreciation** — those four important investment considerations combined—than any other type of security.

Brief development of those four simple but cardinal considerations seems indicated at this point.

Security—fundamental security —Can anyone deny that the securities of from 50 to 75 of the strongest companies in the na-

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Gigantic Strides of Canada's Banking

By L. G. GILLETT*

Retiring President, Canadian Bankers' Association
Vice-President and General Manager, Bank of Toronto, Canada

In calling attention to recent political changes in leading nations, Mr. Gillett notes progress in rebuilding monetary strength, despite the slow pace. Points to "almost unprecedented growth and expansion of Canadian economy," and contends, of the $24 billion invested in Canada in last seven years, Canadians provided 95%. Says Canadian banking has kept pace with this progress, and competition among banks has been a driving force. Lauds banking cooperation with national and provincial governments.


L. G. Gillett

This is the end of my second year as President of The Canadian Bankers' Association, and as I retire from this position my first thought is to extend my sincere thanks to those who have done so much to make my tenure of office a pleasant one; to my fellow members for their ever-ready cooperation and to the Secretary, Public Relations Adviser, and permament staff of the Association, all of whom have been most efficient and helpful.

When I assumed the post, quite frankly I did not appreciate the time it would take nor the work involved, but I did realize that it was a great honor both to me and, perhaps to a greater extent, to the bank I represented. As an experience, it has been educational because it has enabled me to appreciate, even more than before, the worth of the Canadian banking system and the high regard in which it is held, not only by the people of this country, but of others as well.

At this time it is hardly my task to offer a general economic review of the two years I have been in office, although tremendous changes have taken place during that time. For one thing, each of the world's three greatest powers operates now under a new Administration and a new head of state.

In common with Canada, the United Kingdom has suffered the loss of a monarch admired and beloved even outside the Commonwealth, whose unassuming and fatal devotion to a duty he never desired will remain a precious memory to all of his peoples who survive him.

Besides a new head of state, the United Kingdom operates now under a changed government, whose attempts to manage an over-loaded economy and to increase the world's confidence in its currency must excite at least the sympathetic interest of the free world.

The United States likewise has chosen a fresh Administration, under a new head of state whom the world has known only as the armed liberator of Western Europe. The world watches with closest attention its program of combining defense with a high living standard while maintaining the maximum of freedom for individual enterprise.

The Union of Soviet Socialist Republics, which has had no opportunity to choose a new government, now finds its former one taken over by a new and little-known chief of state. The world observes such changes in policy, as must be expected to happen in such cases, with speculation and, unfortunately, some doubt as to their purpose.

Economically, as well as politically, the world seems to have become a different place in these last two years. Two years ago, everybody wondered whether the world might catch fire again from the blaze that had been raging for a year in Korea. Everyone was trying to buy everything while there might be time—inventories ballooned, commodity prices soared and there was speculation on all sides on the possibility of another great spurt of inflation. Since then, the universal seller's market has turned into something more like a general buyer's market, and therefore much more normal.

Noteworthy Financial Progress in Last Two Years

Financially, the past two years have been noteworthy for progress made in rebuilding monetary strength. Britain's foreign accounts are in better balance; the Canadian dollar remains strong. Practically the only exception among leading nations is France, with a budget far out of balance, few signs of trade improvement, and a steady treasury drain arising from military cost in the Far East.

All this indicates that anti-inflation policies in different parts of the world generally have paid off. There certainly is less inflationary threat to world currencies today than two years ago, but their long-range salvation can come only with increased trade and freedom from excessive trade barriers. Progress along this line in the past two years has been steady, but exceedingly slow. It must be expedited if the western world is to make continued progress, if the bounties of nature and enterprise are to be shared and distributed as they should. Short-sighted trade policies, a determination to preserve exclusive markets, can rip the world apart just as surely as war or pestilence.

A major economic change of the past two years is the reappearance of Germany, and to a lesser extent Japan, as customers and trade competitors to be reckoned with. Germany, in particular, appears to have a government willing to face facts and to adjust accordingly. It seems determined to give its citizens both a maximum of civil liberty and a maximum of encouragement to enterprise. By sharing, as it now does, in the duties and worries of management, German labor finds that the way to solve economic problems is to produce, and the way to produce is to work.

Within the smaller horizon of the Canadian banking system itself, these two years have also been eventful.

The Canadian economy has been in the midst of almost unprecedented growth and expansion. There is evidence of this on every side, not only in the spectacular opening up of new primary sources of wealth, but in the development and growth of secondary industries in all parts of the country.

High Level of Capital Investment

It is not so long ago that Canada had fundamentally an agrarian economy. Agriculture is still the basic segment of our national wealth, but a great change has come over our economy and we are emerging as one of the great industrial nations. It sometimes is not realized that for five consecutive years Canada has devoted to capital investment more than a fifth of its gross national product, a rate few nations could duplicate. A high level of capital investment is essential to a growing, developing nation like Canada. It provides new equipment which, in turn, means more efficient production; it means new factories built and natural resources tapped which, in turn, mean better employment prospects in the future.

The flow of capital investment has opened up vast natural resources, and developed whole new industries, both primary and secondary. It has harnessed our water resources to provide more than one horsepower for every Canadian, by far the world's greatest and cheapest supply of energy. Yet even this represents less than one-quarter of what may one day be made available to enterprise. Out of $24 billion forecast as our 1953 gross national product, capital expenditure is expected to account for nearly $5½ billion. If this expectation is realized, this will be the eighth consecutive year of increasing capital investment, in actual volume as well as in dollar value. Out of more than $24 billion which has already been invested in Canada in the seven postwar years, Canadians themselves have provided all but 5%.

Canadian Banking Has Taken Gigantic Strides

I mention these facts only as a background to what I should like to emphasize: in the midst of all this well-rounded, balanced and sometimes spectacular economic expansion, and a part of it, stands the Canadian banking system. Canada has taken gigantic economic strides in recent years but at no time has the banking system failed to keep pace. We pride ourselves that the Canadian banking system is one of the most flexible in the world. Today it is stronger, more stable, it serves more customers, and provides a wider range of services, than ever before.

Our 10 chartered banks now operate 3,859 branch offices across the country, 700 of them opened in the past 10 years, during the time the great economic expansion has been proceeding, involving vast shifts and increases in population, the opening up of new areas, the development of new industries and the expansion of others. During the same period 3,750,000 bank accounts were opened, making a total of 9,000,-

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*Address by Mr. Gillett at the Annual Meeting of the Canadian Bankers' Association, Montebellow, Quebec, June 12, 1953.

Free Markets Mean Economic Advance

By HON. DOUGLAS C. ABBOTT*

Minister of Finance, Canada

Warning economic stability may mean stagnation and inefficiency, Mr. Abbott points out as a dynamic economy expands it requires adjustments, "which are likely to be unpleasant for a time." Lauds effective marketing as an essential process of economic change, whereby an expanding economy is enabled to move forward efficiently. Condemns building a "ring fence" around the economy, through tariffs and subsidies, and asserts "free price system is only way an economy can rapidly adjust to change." Cites Canada's postwar mutual tariff concessions, and expresses concern regarding potential increases in United States tariffs.

You have asked me to speak to the theme, "The Key to the Future is Marketing." In a sense, this phrase states one of my firmest convictions about the nature of economic progress—and it is a conviction which I feel must, of necessity, be shared by the majority of Canadians. That is the conviction that only under a regime of relatively free markets — a regime in which marketing men have a function—is there any hope of economic advance.

Hon. D. C. Abbott

You marketing specialists have a vested interest in freeing markets. In a restricted and static economy you would have no job to do. It is only when an economy is changing, adjusting and advancing that there is any sense in applying the techniques of marketing. Your very existence is a result of the everlasting fight for the consumer's dollar. It is in that hard fight for the final dollar that the signals are called for necessary adjustments in the productive process all along the line. As I see it, the marketing expert calls the signals.

The growing importance of the American Marketing Association is merely one piece of the evidence which shows what a key role is played by marketing techniques in the modern economy. The economically naive may take the view that marketing skills contribute nothing to the value of the final product. They are forgetting that unless the product is designed for the consumer, packaged for the consumer, and brought to the attention of the consumer who knows the product and has the money to buy, then the product might as well have not been made at all. It should be emphasized that in our modern economies, more and more attention must be paid to marketing. This is the necessary corollary of the plain fact that the economies of North America, indeed, the economies of the whole western world, are growing increasingly complicated.

My argument can be stated this way. There are two views that one can take toward economic affairs. One is the view that stability is everything: that a static, inefficient economy, as long as it is stable, is better than a dynamic economy which changes techniques, casts aside old products, and constantly searches to expand and advance.

The other view is that the advancing, expanding economy is the only economy that offers adequate rewards. As the dynamic economy expands, both individuals and firms must constantly make adjustments. These adjustments, like most changes, are likely to be unpleasant at the time.

Marketing in Process of Economic Change

Now, if you believe that economic stability is everything — then you give no place to marketing. Marketing as a specialized technique is part of the process of economic change. The more effectively the marketing function is performed, the more easily will individuals and firms be able to adjust to new market conditions. Thus, if you accept my view, marketing is the necessary technique by which a dynamic and expanding economy is enabled to move forward efficiently and with the minimum of inconvenience to the individuals and firms in that economy.

I would like to turn now from this general line of argument to consider the function of government in relation to marketing and the dynamic modern economy. For a number of years I have had to consider government policy from the point of view of its impact on a dynamic economy. I hope that you members of the American Marketing Association, concerned, as you are, with the problems of particular firms and industries within our North American economies, will find my views of some interest.

Just as there are two general lines of thought about the kind of economy that is desirable — the one emphasizing stability at all costs, and the other valuing expansion and advance—so there are two broad policies toward economic affairs which may be adopted by government. The one emphasizes protecting, subsidizing, controlling and coddling economic activity within national boundaries. It is the policy of building a ring-fence around the economy. The instruments of this policy are the subsidy, the exclusive tariff, the hidden subvention, and the import and export quota.

Since the end of World War II, this line of policy has been viewed with less and less favor by many governments of the western world. They have looked with more interest to the alternative line of policy. They have realized more clearly the value of maintaining a relatively free system of prices and markets.

A Free Price System Can Adjust to Changes

But is is one thing for government to realize that the free price system is the only way in which an economy can rapidly adjust to changing needs and changing possibilities. It is another thing altogether for governments to be able to carry this view forward into policy. It is true that over a good portion of the western world governments have turned away from the emphasis on stability and toward a greater emphasis on maintaining the flexibility of the national economy. But it is also true that over a considerable portion of the western world there are major road blocks to the free marketing of goods. At the international level, these road blocks are quantitative import controls, high protective tariffs and administrative devices that effectively prevent goods from crossing international boundaries.

When we find these restrictive devices being employed as main instruments of commercial policy, I think we are justified in saying that the regime applying them is one of excessive economic nationalism. The world's experience for several hundred years has been that nationalism, when carried to excessive lengths, is likely to be a very expensive luxury, whether it is political or economic nationalism. But nonetheless, it is quite clear, from the present condition of the western economies, that many people in many countries are prepared to pay the price of economic nationalism rather than pay the price of adjustment to a regime of freer markets.

It is one of the melancholy

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*An address by Minister Abbott at the 1953 Summer Conference of the American Marketing Association, Montreal, Can., June 10, 1953.

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Free Markets Mean Economic Advance

facts of life that both in Europe and on this side of the Atlantic, groups which loudly adhere to the philosophy of free marketing and shout the virtues of free competition are nonetheless, in practice, advocates of restriction. In practice they oppose competition in international trade, ask governments for every kind of sheltering protection. Competition, to them, is strictly a one-way street. Naturally, this has tended to encourage the belief in some quarters that all this talk of freeing trade from its prewar restrictions is just talk.

However, it should not be forgotten in those areas across the Atlantic where there is much protesting about the height of tariff barriers in North America, there are highly restrictive import controls which effectively prevent any North American nation from competing with local producers in those markets.

Import controls have been applied in many countries during and since the last war. When foreign currency reserves and gold are draining away rapidly, they are one of the immediate measures which government must take to prevent a more serious failure of the system of international payments. But where import controls have been allowed to become a permanent part of economic policy, they have created conditions which make their removal even more difficult. Behind the barrier of import controls, there is an uneconomic diversion of labor and materials toward the production of those goods which could be more economically imported from abroad. Behind the shelter of import controls, costs tend to rise and a characteristic flabbiness tends to pervade the economy so that its ability to adjust is much reduced. From the point of view of the businessman trying to get into the market, these import controls may be more effective than any tariff barrier. Internally, import controls set the stage for a currency inflation—though they should be used merely to obtain a breathing spell during which the requisite degree of deflation may be achieved.

Upholds Free Market System

You will no doubt recognize from the tone of my remarks that I adhere to the view that a relatively free market system, a system in which there are the fewest permanent restrictions upon the economy as are possible, is vital to continued economic progress. It seems to me that, here in Canada, where about a fifth or more of our national income comes from foreign trade, we can have no other view. Any Canadian Government is faced with a hard fact of economic life. To live at our present standard, we Canadians must sell our goods to many other countries.

In our postwar economic policy, Canada has consistently followed the policy indicated by this cardinal fact. Since the end of World War II, we have negotiated for mutual tariff concessions with 34 countries—this is a practical step in the direction of freeing international commerce. We have cooperated with other nations in measures designed to reestablish a system of free international payments.

In the continued reduction of barriers to the flow of international commerce, Canada, as the world's fourth greatest trading nation, has a vital interest. In Canada, we must export to live. The realities of our economic existence make us quite opposed to heavy-handed government restrictions on the movement of goods in response to market forces. Indeed, here in Canada one of the major tasks of government must be to increase the flow of international trade. Our interest in the development of the St. Lawrence River system as an international seaway stems from our conviction that to assist in opening up markets by improving transportation facilities is one way that government can contribute to productive efficiency. Of course, such a change in the facilities for transporting goods will create an unpleasant problem of adjustment for those who are well adapted to the present situation. But we all stand to gain by the increase in trade which must follow any such improvement in international transport facilities.

Fears Higher U. S. Tariffs

In the same fashion, our concern with the level of United States tariffs stems from our conviction that government must help to keep goods moving. We have never made any secret of our concern with potential increases in the United States tariff on goods which Canadians sell in the United States. World War II resulted in a narrowing of many of the traditional markets for Canadian exports to Western Europe and to the sterling area. At the same time, the expansion of the United States economy provided Canadian producers with an important market for a growing proportion of our exports. Before the war, a good many Canadians tended to look on the United States as a fair-weather market, and on Western Europe as our all-weather market.

However, since the end of World War II, import controls have narrowed our markets across the Atlantic for agricultural exports. And for a wide range of manufactured goods, our only exports to some overseas markets are merely token shipments which enable manufacturers to keep their names from entirely disappearing from the sight of consumers in those areas. But many Canadian manufacturers feel—and quite rightly, in my view—that they could sell a very wide range of manufactured goods abroad, particularly in the sterling area, if import controls did not stand in their way. This is partly the result of the fact that when our factories in Canada produce and sell in sufficient volume, they are able to compete with the factories of most other parts of the world. Our manufacturers believe, too, that they can do a good job of marketing abroad—they could present products consumers want at prices they would be willing to pay, if only the barrier of import controls could be cleared.

Given this degree of partial closure of what we used to regard as our all-weather markets, Canadian exporters have naturally tried to sell more of their goods in the United States, in Latin America and in other overseas markets, and we have succeeded in doing so. Any Canadian government would be failing in its duty if it did not show concern over threats of artificial restrictions on the United States market for some of our exports—whether they be cheese or oats, lead or zinc, we feel bound to protest against tariff increases, for they have a direct effect on our standard of living. We believe that any impediment to the free flow of goods undermines the economic health of the western world. It works directly against the policy we have followed since the end of the war—that of lowering the barriers against imports into Canada in return for similar concessions from other nations.

Those of you who are from the U. S. will, I hope, not be offended if I stress what does not always appear to be an obvious point. Placing restrictions on the entry of goods into the United States market is a very costly process—and costs are borne by the American consumer. Inevitably, they must pay higher prices because domestic industry is shielded against competition from abroad.

Continued from page 9

Appeal of Canadian Mutual Funds

tion, broadly diversified by major industries, are stronger as a group than just one or a few of them? Diversification is as fundamental as the law of gravity. Something can happen to anything!

Take, for instance, Montreal Light, Heat & Power, at one time generally considered to be Canada's outstanding "widow's and orphan's" stock. It sold at \$42½ in the depression year of 1933 and was expropriated and paid off at \$25 per share in 1947.

Take another outstanding stock —International Nickel. Nickel sold at \$73¼ in March of 1937 when the Dow-Jones Industrial Stock Average was around 194. At the time of this writing it is selling for little more than half that price when the Dow-Jones average is around 270.

This is no criticism of the operation of those companies. International Nickel is an exceptionally sound and well managed company, as was Montreal Power. The two examples simply show that things can and do happen even among the best individual stocks. Moreover, these situations did not develop because of a depression. General economic conditions were, in fact, quite the reverse.

Income — Obviously much the same considerations apply to income as to principal. By reason of a mutual fund's broad diversification of investments, assurance of income regularly exists to a degree not ordinarily present in the case of individual issues where changes in conditions frequently result in sudden sharp income reductions or omissions.

Marketability—This is where a properly set up and operated mutual fund is unique, and it is doubtful if the value of prompt marketability can be overemphasized. Through the redemption or repurchase features of good mutual funds, a shareholder may normally dispose of his shares promptly and without regard to size, with little or no effect, resulting from his own selling, on the price he receives for them.

Practically no investor can be sure that he will not on occasion want, or have, to dispose of his investment holdings in a hurry. There are many cases when it is difficult, and sometimes impossible, to find prompt, reasonable bids on various securities, resulting in loss to the owner by reason of subsequent general market decline, or to the pressure of his own selling in a thin market for the security.

Potential Appreciation — The carefully selected and broadly diversified common stock holdings of mutual funds provide the opportunity for capital appreciation and growth of income in an expanding economy. If reasonably managed, they will almost inevitably follow any marked trend in representative stock market averages, even though less volatile. Moreover, if an unforeseen decline does occur, assurance of come-back when general economic recovery takes place—and it always has on this continent—is very high. One cannot have the same degree of assurance in one or two individual stocks. Even in years when market averages have substantial advances, there are always many individual stocks which decline. One thing is certain, it is much easier to see which stocks went down at the end of such a year than it was to predict them at the beginning of the year.

There are, of course, many attractive individual corporate common stocks in an expanding economy like Canada's today. Yet the mere fact of dynamic growth contributes to the difficulty of making such individual selections with assurance. It is this factor, among others, which gives further attraction to the selection of sound mutual funds which, offering a cross-section investment, moderate the risks while still permitting overall participation.

Mutual Fund Shareholders

Because of their basic soundness, Canadian mutual funds find favor with practically every type of investor. Their shareholders—men, women and children — include farmers, lawyers, clergymen, judges, business executives, doctors, housewives, engineers, widows, financial men, officers in all the armed services, and many others. Shares are also owned by many types of organizations such as pension funds, employees' savings plans, churches, libraries, hospitals, and lodges, just to name a few. Other holders include commercial and financial corporations and insurance companies. The investments of shareholders range all the way from very modest amounts to hundreds of thousands of dollars.

The many thousands of shareholders owning the total assets of Canadian mutual funds, now approaching \$100 million, give concrete evidence of the fast-growing popularity of this medium of investment.

J. D. Faulkner, *Wood, Gundy & Company, Ltd.*, Montreal; J. S. Ramsay, *Dawson, Hannaford Limited*, Montreal; Walter L. Downes, *Kippen & Company, Inc.*, Montreal

Mr. & Mrs. Gerard Gingras, *Rene T. Leclerc, Inc.*, Montreal; R. B. McKibbin, *Bank of Canada*, Ottawa

In Attendance at I. D. A. C. Convention

Following is a list of those attending the Thirty-Seventh Annual Meeting of the Investment Dealers' Association of Canada, Bigwin Inn., Lake-of-Bays, Ontario, June 9-12, 1953:

ACKERMAN, A. H.*
McConnell & Company, Limited

ANDERSON, G. K.
A. E. Ames & Co. Limited, Toronto

ANDRAS, K. B.
Andras, Hatch & McCarthy, Toronto

ANDREWS, A. G.
Harrison & Company Limited, Toronto

ANGUS, E. R.
Angus & Company, Toronto

ARMSTRONG, C.*
Gairdner & Company Limited, Toronto

***Denotes Mr. and Mrs.**

BACKUS, H. S.*
McLeod, Young, Weir & Company Limited, Toronto

BACKUS, Miss Barbara

BAGNALL, E. M.*
F. J. Brennan & Company Ltd., Saint John

BARKER, A. J.
Thomas B. Read Company Ltd., Vancouver

BARLOW, L. E.*
McLeod, Young, Weir & Company Limited, Toronto

BEATTY, D. S.*
Burns Bros. & Denton Limited, Toronto

BEAUBIEN, A. S.
L. G. Beaubien & Co. Limited, Montreal

BEES, G. E.
Calvin Bullock Ltd., Montreal

BELL, L. L.
James Richardson & Sons, Toronto

BENHAM, H. A.
Bank of Canada, Ottawa

BENNETT, H. R.
James Richardson & Sons, Kingston

BENNETT, W. R.
L. M. Green & Company, Toronto

BLACKMORE, R.
Globe & Mail, Toronto

BLACKSHAW, P. A.
M. G. Wilkinson Investment Service, Owen Sound

BLAIR, S. M.
Canadian Bechtel Ltd., Toronto

BORRIE, W. J.
Pemberton Securities Limited, Vancouver

BREBNER, F.*
Ontario Hydro-Electric Power Commission, Toronto

BRETTINGHAM, S. J. A.*
Financial Counsel, Montreal

BRUNELLE, G.
L. G. Beaubien & Co. Limited, Montreal

BULL, R. O.
Gairdner & Company Limited, Toronto

BURGESS, J. M.*
Charles H. Burgess & Company, Toronto

CALDER, N. R.
Nesbitt, Thomson and Company Limited, Winnipeg

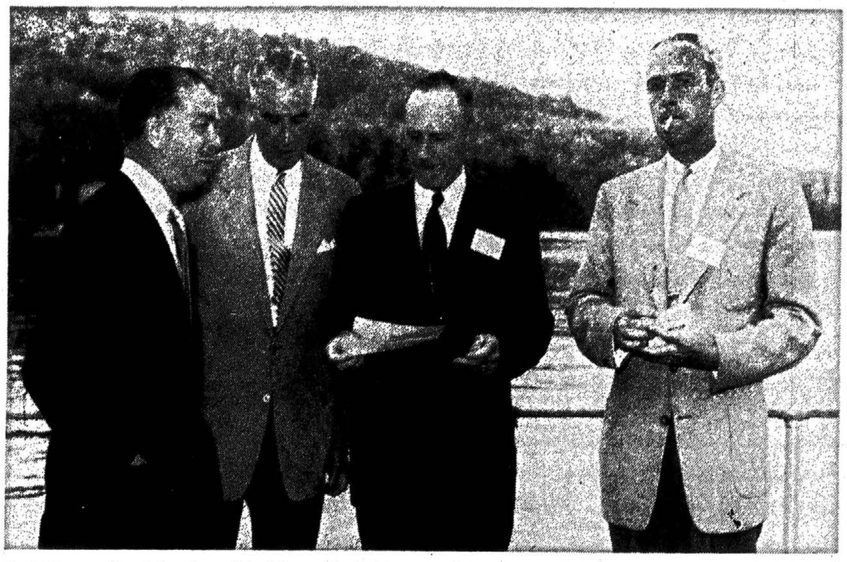
CALDER, T. C.
Biggar & Crawford, Toronto

CASSIDY, F. C.*
Mackellar Securities Limited, Toronto

CASTLEDINE, V. S.
V. S. Castledine & Company Limited, Ottawa

CHADSEY, P. J.
Wood, Gundy & Company Limited, Toronto

Continued on page 21



Jack Young, *Dominion Securities Corpn. Ltd.*, Toronto; Harry Gassard, *Investment Dealers' Association of Canada;* Wilfrid J. Borrie, *Pemberton Security Limited*, Vancouver; Reed Johnston, *G. E. Leslie & Co.*, Montreal

J. G. Lamb, *A. E. Ames & Co., Limited*, Vancouver; W. P. Spragge, *A. E. Ames & Co., Limited*, Toronto; Paul Fisher, *A. E. Ames & Co., Limited*, Montreal; F. G. Embury *A. E. Ames & Co., Limited*, Toronto

Continued from page 5

Canada's Pulp and Paper Industry

sification of products and of markets is a healthy growth.

Pulp and Paper Companies Are Financially Strong

Financially — as all of you are well aware — Canadian pulp and paper companies are much stronger than they were before the war. Perhaps, however, you have not examined the extent of the improvement or how it came about. I have no over-all figures for the entire industry, but have some results drawn from an examination of the published financial reports of a good-sized sample. The companies in this group all manufacture newsprint but also make pulps, paperboard, fine papers and other products and together they make up nearly 50% of the industry's capacity. These companies in 1939 had a total indebtedness in bonds and debentures of $187.2 millions; by 1951 that total had become about half as great at $96.7 millions. In this period these companies were growing and needed additional capital to finance that substantial growth. Their balance sheets show, between 1939 and 1951, a total increase of $140 million for inventories and receivables and an increase of $144 million in gross value of plants and properties. Thus for this group, its growth might be measured by $284 million while in the same period its fixed debts were reduced by over $90 millions.

This improvement in the financial picture was largely brought about by the ploughing back of earnings. For many years, and especially during recent years when earnings have been better, these companies have averaged more than 60% of earnings reinvested in the business.

Even in 1951 when many expansion programs had already been completed and gross earnings were at record levels, these companies ploughed back 55% of earnings. Apparently there has been a higher rate of reinvestment in this industry than in Canadian industry generally; for in 1951 the Bank of Canada report of over 600 companies shows an average reinvestment of less than 43% of earnings. Probably the companies have followed this policy from necessity rather than because of their own virtue. After the unhappy experiences of the 30s, the business of pulp and paper was perhaps not generally regarded by you as a good investment risk. The companies would certainly have found it difficult to raise new money to finance all the expansion that has taken place. But, whatever the reasons, the result has been a good one and should add to the financial strength and repute of the Canadian pulp and paper industry.

Not only is there greater financial stability today than ever before, but I think there is more market stability than is generally believed to exist—at least for the major commodity, newsprint. We have all tended to think and talk about newsprint as a volatile commodity and perhaps this impression has been reflected in the stock market performance of newsprint securities. The fact is that newsprint demand is relatively stable. In the great depression of the 1930s, newsprint consumption declined, but it fell to a much smaller extent than most other commodities. In the United States, while the index of industrial activity fell 47% from 1929 to 1932, with the use of aluminum down 70% and of steel down 76%, the consumption of newsprint fell only 28% between 1929 and its low point in 1933. In the same period world newsprint demand declined only 12%. This is not to say that the newsprint industry did not encounter bad trouble during the depression; the unhappy history of those days is too well known to all of you to need any description from me. But the primary cause was not a decline in the rate of consumption; it was a combination of adverse circumstances of which the main ingredients were a temporary excess of capacity and unwise marketing policies. Today there is no capacity in excess of proven rates of demand and it is reasonable to hope that individual companies have learned more about the right and the wrong ways to market their products.

More Emphasis on Research

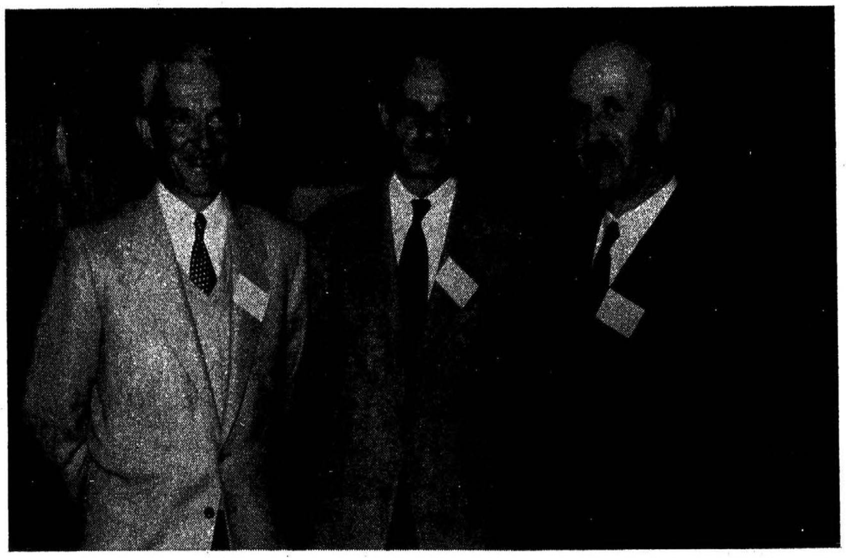
Another item on the credit side of the ledger that has been added in recent years has been an increased emphasis on research both in the woods and in the mills. The pulp and paper industry is rapidly becoming a chemical industry. As this fact has become recognized, great strides have been made in forest conservation, in the reduction of waste and in the utilization of other tree species. New manufacturing techniques have been developed and there is today much greater knowledge of the chemical and mechanical processes of pulp and paper manufacture and therefore more precise control over those processes. Many of the companies have built and expanded research laboratories of their own. And the pulp and paper industry seems to be the leader among Canadian industries in cooperative industrial research at the Pulp and Paper Research Institute of Canada. That Institute is a joint venture of the Canadian Government, McGill University and the pulp and paper industry and it has made great strides forward in the last three or four years with important results in both fundamental and applied research.

This is a very hurried picture of what has taken place in the pulp and paper industry in recent years. There has been a rapid expansion of capacity, but it has been soundly built in response to growing demand. There has been great improvement in the financial position of the companies, through the wise ploughing-back of earnings. There has been recognition of the long-run value of research and substantial improvement in plant and equipment throughout the industry. But the days of easy progress appear to be over—at least for the time being. The industry is still operating at a high level of activity but it is no longer enjoying full order books nor able to operate quite at full capacity. The icing is off the cake. I believe that in the last 10 years the industry has wisely equipped itself to cope with a period of struggle, but it would be foolish not to recognize that such a period of struggle is facing it today. It would also be foolish to ignore certain problems and weaknesses that have developed.

Problem of Costs

The problems mainly seem to be those arising from high costs, and their solution can only be found in the reduction of costs. It was inevitable that costs should steadily rise during a long period of inflation and with demand continuously in excess of supply. But the result has been to raise the break-even point for each company to the highest level it has ever experienced. This means that even relatively small reductions in demand and minor amounts of idle capacity can cut deeply into net profits. As you all know, profits of the pulp and paper companies were substantially lower in 1952 than they were in 1951, which was admittedly a peak year. Profits this year are again generally below what they were in the same period last year. With demand running at rates which do not call for the full use of present capacity it would seem unlikely that the solution can come from increases in prices—at least for many products. The only al-

J. I. Crookston, *Nesbitt, Thomson and Company, Limited,* Toronto; R. Boulton Wadsworth, *J. L. Graham & Company, Ltd.,* Toronto; Frank B. Poutney, *Houston, Willoughby & Co., Ltd.,* Regina, Sask.



Harold D. Stanley, *Royal Securities Corporation, Ltd.,* Toronto; J. R. Dunkley, *Royal Securities Corporation, Ltd.,* Toronto; H. R. Farnsworth, *Royal Securities Corporation, Ltd.,* Calgary

ternative, if profits are to achieve fair and reasonable rates, is to find ways to reduce costs.

At the present time, all costs are high. In Eastern Canada, wood costs are probably the highest in the world. The burdens imposed by government levies are high also—not only in the form of income taxes which naturally fall as profits fall — but also in the form of ground-rents, fire dues and cutting rates which go into the cost of pulpwood. And labor rates are absolutely and relatively high, and are under heavy pressure to go higher. I have always felt that labor in this leading Canadian industry should have a leading position in Canada's labor forces and I have been glad to see pulp and paper workers' sharing generously in the expansion and prosperity of the industry in recent years. Today their position in wage rates, in hours worked and in continuity of employment compares favorably with any other industrial group in this country. At a time when the whole industry is moving out of a period of rapid expansion it would only be the part of wisdom for labor in its own long-term interests to consolidate its gains and refrain from adding to costs of production that are already too high.

The over-riding economic fact in this industry is that it is overwhelmingly an export industry. It must face vigorous competition in world markets. If its costs remain too high it will lose out in those markets. There is already considerable evidence — particularly for the most sensitive indicator, the market pulps — that Canadian costs are not fully competitive with those in other producing countries. It will be an empty achievement if government charges attain record levels on wood that does not have to be cut, or if labor rates are advanced for men that are not working.

No Serious Crisis in the Industry

I do not wish, in attempting to sound a vigorous warning, to give you the impression that we are in the midst of a serious crisis in the pulp and paper industry. The test should not be so difficult that wisdom and good sense cannot meet it. It is no more than the normal ebb and flow of a healthy economy. The straight line on an economic chart is always a picture of a dead industry. With all the great strides forward that have been made by the Canadian pulp and paper industry in recent years, there is no cause for alarm if it should find that its curve of progress temporarily flattens or fluctuates. It will still be at a high level, and the only question is as to the length of the pause before the upward trend is resumed. I am convinced that nothing can stop the advance of this industry over the long run but action taken now can profoundly improve our position, or retard our progress, over the short run.

I cannot tell you whether or not the several partners in the industry — capital, management, labor and government — will respond adequately to the challenges that are now facing them. But I am inclined to think it is a good thing that an apparently moderate, not-too-difficult set of problems is being presented to us today. The good years since the war have been used by the companies with wisdom and moderation to improve their plants and their production skills, to strengthen their financial structures, and to keep their price advances to a minimum. But there are other business skills that, in recent years, have had little claim for attention. Management has not been compelled to press for economy and efficiency; salesmen have not had much practice in the arts of selling; production men have not had to worry greatly about quality when the whole emphasis has been on quantity. In these years labor leaders have been able to press for immediate advantages and have had little need to recognize the long-run fact that the price of a world commodity cannot rise year after year without loss of markets. Governments too have not been forced for a long time to consider the weakening effect on an export industry of a heavy burden of taxation and regulation. And even shareholders have had little practice in weighing the comparative advantages of higher current dividends and long-term financial strength.

Any industry is only as strong as the men that are in it. At the present time, there are only a handful of men in senior posts in the management and labor unions of any of the companies with experience in the problems that arise when productive capacity is greater than demand. The skills to deal with such problems need to be polished up. It may well be that this industry is fortunate to have the chance to develop these human skills in a period of moderate readjustment. If it does so —as I believe it will — it will be better able to meet the problems of a time of major difficulty, if that time should ever come.

IDAC Convention In 1954 to Be Held At Jasper Park Lodge

The Annual Meeting of the Investment Dealers' Assn. of Canada June 9-12, 1953 was the largest to date and an increasing number of wives participated. The 1954 convention will be held in June at the ever popular Jasper Park Lodge in Alberta. The IDAC met at Jasper in 1951 and since then the Canadian National Railway, which operates the Lodge, has built a new larger central Lodge.

Mr. & Mrs. Telfer R. Hanson, *Burns Bros. & Denton, Ltd.*, Toronto; E. R. Pope, *Ross, Knowles & Co.*, Toronto; Mr. & Mrs. David S. Beatty, *Burns Bros. & Denton, Ltd.*, Toronto; W. J. Piper, *A. E. Ames & Co. Limited*, Montreal

Mrs. and Mr. A. Deane Nesbitt, *Nesbitt, Thomson and Company, Limited*, Montreal; Mrs. J. I. Crookston, Toronto; L. J. Forbes, *Nesbitt, Thomson and Company, Limited*, Ottawa

Continued from page 6

Electricity and Ontario's Growth

kilowatts in 12 units. Estimated cost (12 units)—$299,000,000.

A brief review of the 1952 power supply situation will bring into sharper focus the benefits of the new sources of power. From December 1945 until December 1952, the peak capacity of the Commission's resources increased by 1,415,850 kilowatts or about 73%. By 1956 the new power developments will more than double the Commission's power resources over the 1945 figure.

At the end of 1952, Ontario Hydro owned or operated 64 hydro-electric and 8 fuel-electric generating stations serving the 1,317,249 Commission customers over 14,813 circuit miles of transmission lines.

The Commission's Finances

Expansion of facilities to meet sharply rising demands for electric energy has, unfortunately, coincided with a period of sharply rising material prices and wage rates.

The Commission's 1952 revenue dollar was distributed as follows:

Cost of power purchased	12¢
Operating, maintenance, and administrative expenses	35¢
Interest	29¢
Depreciation, other reserve provisions and appropriations	16¢
Provision for sinking fund	08¢

Since Hydro supplies power at cost, there is, of course, no account designated "profit."

On the income side, the municipal electric utilities and local distribution systems accounted for 51 cents of the Commission's revenue dollar in 1952. Rural customers accounted for 20 cents, and direct industrial customers for 29 cents.

Between November 1, 1945, the year in which the expansion program began, and December 31, 1952, the Commission spent approximately $793 million on capital construction. The year 1953 is expected to be a peak period with expenditures totalling $189 million planned for capital construction — exclusive of any outlay on the St. Lawrence Power Project.

Expenditures on capital construction are reflected in the steadily rising value of the Commission's fixed assets. At the end of 1952 these were valued at $1,117,866,092 — some 320% greater than they were in 1930, and 174% greater than 1945 when the current expansion program was initiated.

The benefits resulting from any power development program are long term. The financing, consequently, is long term. The provincial government guarantees interest and principal payments on all bonds issued by Ontario Hydro that are held by the public, and the Commission is fortunate in the very favorable reception afforded its issues by the investment dealers. To the end of 1952, Hydro issued $780 million in bonds. Since January 1, 1953, an additional $90 million has been sold. Of the total of $870 million issued since 1945, $150 million was in United States funds. These funds, incidentally, were transferred to Canada at an average premium of nearly 3%. In the same period we have retired—not refunded, but retired — over $68 million of debt through the operation of the sinking fund.

Most of the money people invest in Hydro is put back into the Ontario economy. Last year, for instance, the Commission issued purchase orders totalling some $117 million. Close to 95% of Commission purchasing was done in Canada.

Additional Work at Niagara

Because of the delay in reaching a decision regarding the St. Lawrence Seaway and Power Project, it was necessary for the Commission, on April 23, to announce additional construction at Niagara to meet estimated peak load deficiencies in 1957.

Present plans call for a 12-unit development with an installed capacity of 1,200,000 horsepower. Engineering features include an intake structure on the Upper Niagara River with two five-hundred foot gathering tubes; twin 5½ mile tunnels, each 45 feet in diameter, running at a maximum depth of 330 feet under the City of Niagara Falls; 2¼ mile open-cut canal, and a modern powerhouse at the base of the 300-foot cliff, 6 miles below the cataracts. Over 6,300 men are presently employed at the project.

The new work to be undertaken includes the creation of a water storage reservoir and pumping plant, adjacent to the new canal, widening of part of the power canal now being excavated and other construction at the site. The 15,000 acre-feet reservoir will enable water to be stored at night and released during the day-time peak load period. This arrangement will increase the peak capacity of the station in the tourist season, when use of Niagara River water in the daylight hours is more restricted. The storage provided also makes it economical to install four additional 100,000-horsepower generating units, as required, in the station for short-time use in supplying peak load.

As additional water is required from the four-billion gallon reservoir, the gates will be opened and the outflow of water will operate in reverse the pumps used to pump water into the reservoir. By this means electricity will be generated, by having the reversed pumps function in the same capacity as a turbo-generator. It is expected that a maximum of 225,000 horsepower will be developed from these pumps.

Total overall figures for the project give some idea of the magnitude of the undertaking.

SIR ADAM BECK-NIAGARA G. S. NO. 2

Progress Figures

Description—	Progress to March 27, 1953	Latest Forecast of Final Quantities	% Completed
Earth Excavation	4,009,000 cu. yds.	4,424,000 cu. yds.	91%
Rock Excavation	7,423,000 cu. yds.	10,260,000 cu. yds.	72
Concrete	130,500 cu. yds.	1,419,000 cu. yds.	9
Steel	36,700 tons	72,000 tons	51

The total rock and earth excavated to the end of March 1953 is approximately twenty-four times greater than the cubic content of the Royal York Hotel, Toronto, the largest hotel in the British Commonwealth of Nations.

St. Lawrence Power Needed

The construction of the additional facilities at the new Niagara Project does not, by any means, obviate the urgent necessity of power from the St. Lawrence. The reservoir at Niagara which enables the Commission to use for power production the maximum amount of water allowable under the Niagara Diversion Treaty (which varies over the 24-hour period during the summer) will offset the peak deficiencies estimated for 1957.

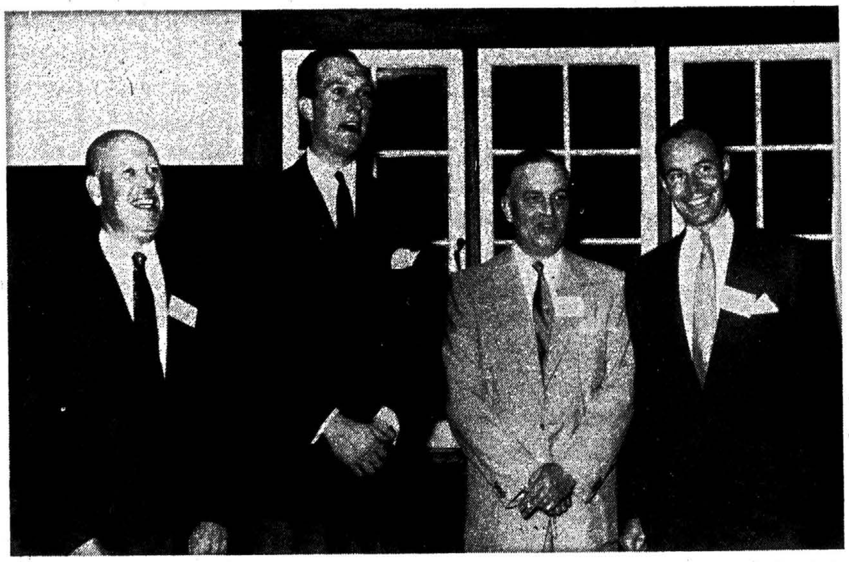
What of load conditions beyond 1957?

If it were possible to start the St. Lawrence at an early date, that is by next spring, the initial units could be in service by the fall of 1958 — with the remaining units brought in progressively to meet load demands.

The development and improvement of the International Section of the St. Lawrence River has been a controversial issue for more than one hundred years. In recent months there have been encouraging decisions:

October, 1952, the International Joint Commission approved the applications of both the United States and Canadian governments to develop power in the international rapids section;

May 1953, the Canadian Government proclaimed a Federal



F. C. Gardhouse, *Cochran, Murray & Co., Ltd.*, Toronto; J. B. Cronyn, *Cochran, Murray & Co., Ltd.*, Toronto; Victor S. Castledine, *V. S. Castledine & Co., Limited*, Ottawa; R. Forget, *Forget & Forget, Limited*, Montreal

R. O. Bull, *Gairdner and Company, Limited*, Toronto; W. D. Evans, *Oldfield, Kirby & Gardner, Ltd.*, Winnipeg; Kenneth B. Andras, *Andras, Hatch & McCarthy*, Toronto; L. W. Scott, *Ross, Knowles & Co.*, Toronto; H. H. Herrndorf, *Herrndorff Securities Ltd.*, Winnipeg

statute authorizing Ontario Government to develop the Canadian share of power (1,100,000 horsepower) in the international rapids section.

Before work can proceed on the power project, the New York State Power Authority has to be licensed by the Federal Power Commission to develop power on the U. S. side of the St. Lawrence River.

Ontario Hydro has already been named as the Canadian entity and stands ready to begin work immediately the necessary authorization has been obtained for the U. S. entity.

The St. Lawrence power grid covers an area of some 350,000 square miles. It extends from the Quebec border on the east to Sault Ste. Marie on the west and from the International Border to within 120 miles of James Bay.

From this grid area comes: 100% of the Canadian output of cobalt and the platinum metals; 90% of the world's output of nickel; 50% of Canadian copper production; 80% of the total North American requirements of abrasive metals; the whole of the North American supply of picrite, and 75% of Canadian produced fine papers.

St. Lawrence power is absolutely necessary to pave the way for further development and expansion in Ontario and Canada as a whole.

Continued from page 4

Building for Canada's Oil

280,000 barrels per day. The speaker then went on to say that in 1953 "Canadian oil consumption probably will have grown to 360,000 barrels per day and in 1958 to 400,000 barrels per day."

The Manufacturing and Markets

Those figures probably appeared to be quite optimistic at that time but the attainments, however, have shown them to be very conservative. For example, the actual throughput being reached in 1953 of some 440,000 barrels per day is even now 10% above that assumed in 1949 as a target for 1958, five years from now. This illustrates the unusual speed with which our oil industry has been growing and the attitude which the author has endeavored to stress as being essential of the observer recognizing it as a growing organism rather than as a fixed business. The figures may also help to illustrate the problem and the coverage that the leaders have had in determining how far the sites should be raised in attempting to determine the correct size of new plants, storage, and transportation systems servicing this rapid expansion.

The industry had done a magnificent job in meeting these conditions of a pyramiding market throughout our whole land which has been going on at the same time as the coming in of a new source of crude oil located some 2,000 miles from the principal markets.

While building for the increased volumes, the oil business has also intensified its refining to a great extent. For example, by the end of 1953 there will be some 14 new catalytic cracking plants in operation in Canada. They result in the more efficient use of the crude and also in providing the Canadian market with a higher quality of products than was possible a few years ago. During that time too there have been a number of new chemical plants built for the Canadian petro chemical industry, both recovering direct byproducts such as elemental sulphur from the gas and also synthesizing industrial chemicals from hydro carbon bases.

The Transport

During the last four years Canada has also acquired an enormous and entirely new transportation system. At the beginning of 1950, we had no long distance pipe lines in our country, while at the end of 1953 we will have an oil pipe line system stretching from Montreal to Vancouver which will be moving freight in quantities significant in comparison with that carried by the great railways or water shipping systems and at tariffs for which there is no competition.

It is this cheap transport that has made the opening up of the Alberta oil fields possible. In 1953 there will be potential production in Alberta in the order of 400,000 barrels per day. After satisfying the Prairie markets there will be a surplus for local requirements that is to be carried to markets some 2,000 miles to the East, or 800 miles across the Rockies, to the West. Thus the first basic necessity for the development of our oil fields is cheap transport.

We have suffered in Canada in the past as a result of immense distances that have lain between our proven resources of raw materials and the possible markets. The distances have, in many instances, been so great, that the unavoidable cost of freighting materials made the operation uneconomical. An immediate example is that of coal. The Royal commission in 1945, estimated that there was some 50 billion tons of recoverable coal in the Canadian West. Nevertheless our coal fields are still only producing a minute part of their potential because of the unavoidably high cost of transport.

In moving oil over the Continent, however, it is possible, through the use of large diameter pipe lines to cut the freight to a small fraction of that which would have to be incurred by any other form of transport. This has been a fundamental part of the Building for Canada's Oil. The pipe line systems in total, have cost some $350 million in which the Canadian financial houses have played an important part. Some considera-

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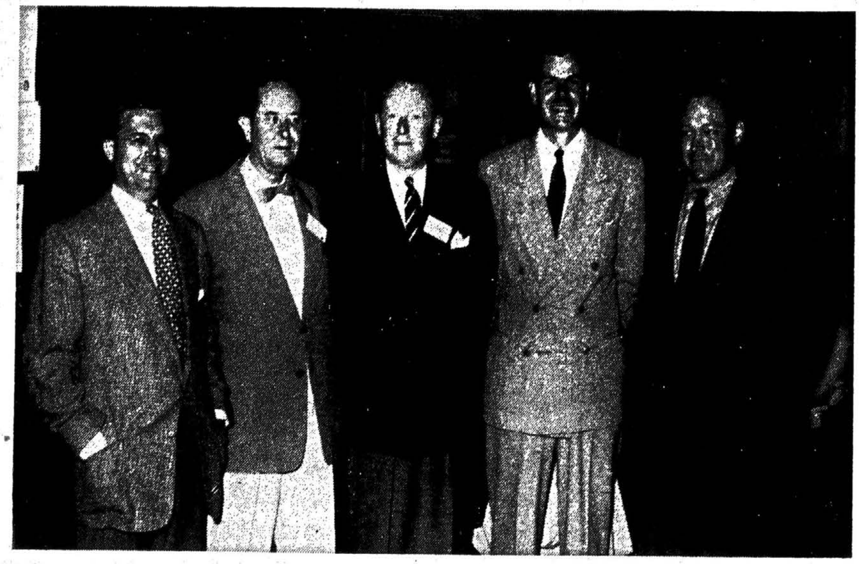
Mr. & Mrs. S. C. Stephens, *James Richardson & Sons*, Winnipeg; Mr. & Mrs. L. L. Bell, *James Richardson & Sons*, Toronto; James A. Richardson, *James Richardson & Sons*, Winnipeg; William D. Meikle, *James Richardson & Sons*, Kitchener; F. Newton Hughes, *James Richardson & Sons*, Toronto



Bellman H. Mason, *Anderson & Company, Ltd.*, Toronto; Frank Cassidy, *S. R. Mackeller & Co.*, Toronto; C. W. McBride, *Midland Securities Corpn., Limited*, Toronto; John Green, *L. M. Green & Co.*, Toronto; William Bennett, *L. M. Green & Co.*, Toronto

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Building for Canada's Oil

tion is now being given in our country to the building of another type of pipe line development for the cheap transportation of fuel, viz: the building of gas lines and this may add to the interest of looking in detail at some of the fundamentals of pipe lines.

We may briefly list some salient factors.

(a) **Tonnages Carried:** The tonnage as carried by pipe lines can probably be most easily illustrated by comparison with those handled by a railway. A trans-Continental railway in Canada in 1951, averaged 1,580,000 tons of freight for each mile of track. In comparison with this the Trans Mountain Oil Pipe Line at the end of this year will be handling about three times the above tonnage per mile and may ultimately handle eight to ten times the railway tonnage mentioned.

(b) Amount of Steel used by Railways and Trunk Pipe Lines: There are about 175 tons of rails in each mile of modern railway. When to this is added the minimum steel for fittings the total is 226 tons per mile and after adding an average allowance for sidings and terminals the total is about 282 tons per mile of fixed steel. The rolling stock might average another 80 tons giving a grand total of 360 tons of steel required for each mile of an operating railway.

The steel used in a pipe line such as Trans Mountain will be in the order of 230 tons per mile, that is about the same as the requirements for the rails and fittings of a railway or 60 to 70% of the total steel requirements. Thus, the steel used per ton of freight moved in large diameter pipe lines may be less than a seventh of that required for railway operations.

(c) Comparison of Power Requirement: It is difficult to give a direct comparison of power requirement in that railways must provide for the return of the rolling stock and the cost varies greatly depending on the different types of terrain being crossed. If, however, a comparison is made with a railway that has efficient diesel operations, with loaded trains on level country, the consumption of fuel when moving the loaded train only is about 20% more than for moving the same tonnage in a trunk pipe line.

(d) Comparative Number of Employees: The railways provide through their hotels, communication systems, steamship lines, airlines, etc., very much more comprehensive service than do pipe lines. It is therefore difficult to make a comparison, but it would appear that the pipe line system requires about one-tenth the number of employees per mile that is used by the railway. While considering the distribution of employees in the different transportation systems, it is interesting to note that a major railway system averages one station for every six or seven miles, whereas major pipe lines even when operating at near capacity would probably not have stations closer than 35 miles and they could be several hundred miles apart.

The foregoing costs are given as a comparison between pipe lines and railways because they permit a comparison of a pipe line with a universally known transportation system. It will be appreciated, however, that this comparison is in no way a reflection on railway operation in that the railway also provides extensive services in the opening up of new country, the carrying of every conceivable kind of freight in any quantities and through difficult terrain and climatic conditions that could not be provided in any other way. The pipe line, however, can render a service in the freighting of liquids over land at a cost that cannot be rivaled by any form of transport. To compare actual cost with railway freight rates, if we assume a general favorable railway freight of 21c per hundred weight per hundred miles it will be found that the tariff over any distances of say greater than five hundred miles will be seven to ten times the tariff that would be required by a pipe line carrying the same tonnage the same distance.

Accomplishments in Canada's Oil Lines

We noted that from the beginning of 1950 to the end of 1953 there will be a total of nearly 2,500 miles of big inch pipe line stretching east and west from Alberta that has been built through enormous financial and engineering efforts in a matter of months to carry that Province's crude to market. The main pipe lines built in Canada during that time cost in the order of $350 million. What an example of the energy and courage of the oil companies operating as free enterprises in their service to Canada.

It is probably permissible for us to note for a moment some aspects of these developments. Through the building of the trunk pipe line to the east from Alberta one of the longest pipe line systems in the world has been created. Over 600 miles of that line is as large as any oil pipe line on the Continent and in obtaining a direct route from field to market the line is crossing the Straits of Mackinac, which at the deepest point lies under some 230 feet of water. This is probably the deepest big inch pipe line water crossing that has ever been laid. The system however provides an all year round service to the refineries at Sarnia which in turn have product lines to supply industrial Ontario. The system also permits the minimizing of costs and stocks in transit.

The pipe line to the West Coast from Alberta is the first oil pipe line on this Continent to cross the Rocky Mountains. You can, later today, see it in some detail and the work done on its actual construction. In this again the companies have shown tremendous courage and willingness to provide for the present and future requirements of Canada's oil production.

Compliance With Estimates

Now we should also look back to see how the fundamentals of such construction developments have been met, that is the cost, capacity and completion, times originally assumed. The work done on these lines has mainly been done by our own citizens with outside expert assistance from those experienced in this type of work. It is therefore very gratifying to Canada and the industries concerned to find that the lines will be finished in most cases, ahead of the scheduled completion dates. They will have capacities equal to those anticipated and the costs will be equal to, or not more than 1% to 2% over the original estimates.

While referring to cost estimates it has been previously mentioned that the Canadian oil industry has been successful in securing its capital developments in accord with its budget forecasts. The position of the pipe lines has just been mentioned. It may be added that almost all refinery, work in Canada is carried out on the basis of a fixed sum or maximum sum contract and the history of this work has also been that the projects are being completed on time and at least from the oil companies point of view in accordance with their estimates.

Gas Lines

At this time it may be interesting to refer briefly to the position of gas lines. The statement has often been made with consider-

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Mr. & Mrs. J. M. Burgess, *Charles H. Burgess & Company*, Toronto; Mr. & Mrs. C. P. Lailey, *Charles H. Burgess & Company*, Toronto

able justification that "you can build a pipe line anywhere if you have the money." There are some aspects, however, of such "building" that may be interesting to develop a little further and to draw attention to certain fundamental differences between gas and oil pipe lines.

In the matter of hydraulics where the line is traversing rough country, either an oil or gas line from a strictly engineering point of view can be built over almost any physical objects. In the case of an oil line, however, adverse hydraulic heads can be more costly than with a gas line. For example, in the case of Trans Mountain Oil Pipe Line there will be stretches of that line when processing 200,000 barrels per day that will have a friction drop of 17½ feet per mile. That is the energy required to drive the oil 10 miles in that part of the line would be the same as that to go over a hill 175 feet high. If such a hill, however, in the case of an oil line were located at any distance from the pumping station it constitutes a serious adverse head, while in the case of a gas line its location would no difference. This is the type of basic factor which necessitates the differences in locations between oil and gas lines.

Another interesting and important aspect is the ability of oil and gas lines to cross the soft, swampy or muskeg type of country. In the case of large diameter pipe lines, the weight of an oil pipe line, when operating is such that it has no buoyancy and it will not require any appreciable expenditure to keep the line anchored in position. In comparison with this the large diameter gas lines are extremely buoyant. For example, a 36-inch gas line when full of gas and passing through water will require approximately 300 lbs. of weight per foot of line to keep the line in place. The cost of such weighting of the line could be nine to ten dollars per foot, or say 50% more for the weights alone than the total cost of laying the line in good terrain.

Summary of Gas Position

There is a surplus of natural gas in Western Canada. Hearings are now taking place in Alberta to determine the amount. There is a need for cheap fuel in other parts of Canada and there are various proposals for bringing these two conditions together. It will be appreciated that the two fundamental requirements are, firstly: that the gas must be able to reach the market at a competitive price with other fuels; and, secondly: that there must be a net back price to the gas fields adequate to make it attractive for the producers to produce gas as such and not merely that gas which is incidental to the production of oil. To accomplish, if possible, these two basic requirements in our land of vast distances the utmost must be reached in economical transport particularly as regards location, capacity and design.

Throughout Canada this subject will be watched with keen interest and it is hoped that that part of the oil industries development that is the production and marketing of gas can move forward with something of the same precision and efficiency to the producer and consumer that has already been attained in the other aspects of the industry.

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Canada—A Dynamic Neighbor

loyalty, to Britain or to Her Majesty. You can appreciate, therefore, that we are not amused when someone down here suggests that Canada should be turned over to the United States in payment of British war or other debts.

We won our independence, not by fighting our mother country for it, but by standing at her side in two world wars. Nevertheless, our independence is as dear to us as yours is to you, though we may not set off so many fireworks to prove it.

In any speech before a gathering such as this, you will naturally expect a few statistics, and I shall not entirely disappoint you. However, I have a firm belief in keeping figures to an absolute minimum.

Our area is the third largest in the world, being exceeded only by Russia and China. We are the world's largest producers of newsprint, nickel, asbestos and platinum, and our production of at least two of these items will soon increase.

We are the world's second largest producers of aluminum, gold, uranium and electric power; and already very important producers of cobalt, lead, zinc, copper, oil and gas. The discovery of rich oil and natural gas fields in the West during the past several years will not only provide a domestic source of petroleum, but also stimulate the growth of petro-chemical and other industry in that area. Our production of titanium has just started, and we are almost daily finding new and hitherto unsuspected mineral wealth.

Our "hydro" development in Ontario, Qubec and British Columbia is already spectacular, and will become truly colossal within the next two or three years. Even now our per capita electric power consumption is the highest in the world. At Niagara, we will soon be producing 2,000,000 horsepower of electrical energy while you are still arguing about who will be given the right to develop a similar amount on your side of the border. By all precedent and logic, the St. Lawrence Seaway should be a joint United States-Canadian undertaking. But our growing power requirements are such that we may be compelled to undertake its construction alone before long.

Canadian Steel Consumption

Our steel consumption per capita is the second highest in the world, and we now rank seventh in output amongst the steel producing countries. Since 1939 our ingot capacity has grown from 2,094,550 tons per year to 4,400,000 tons. In comparison with your capacity, the figures look almost insignificant, but they do indicate an increase of 110% in a 12-year period. Broadly publicized iron ore developments in the Quebec-

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John Hamilton, *George R. Gardiner, Limited*, Toronto; J. Louis Levesque, *Credit Interprovincial, Ltee.*, Montreal; J. V. Pratt, *Equitable Securities of Canada Limited*, Toronto; P. A. Blackshaw, *M. G. Wilkinson Investment Service*, Owen Sound, Ont.; J. R. Findley, *Deacon Findley Coyne, Limited*, Toronto

J. R. LeMesurier, *Dominion Securities Corpn. Limited*, Toronto; Peter Kilburn, *Greenshields & Co., Inc.*, Montreal; J. S. Gairdner, *Gairdner and Company, Limited*, Toronto; C. Armstrong, *Gairdner and Company, Limited*, Toronto

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Canada—A Dynamic Neighbor

Labrador area, at Steep Rock and at Marmora, coupled with increasing production in the Lake Superior district by the Algoma Steel Corporation, Limited, and in Newfoundland by the Dominion Steel and Coal Corporation, Limited, will soon make Canada, on balance, a substantial exporter of iron ore instead of an importer.

Admittedly, we are still fairly small in numbers, but in the light of what is happening in Canada at distances up to 600 miles north of the border, we no longer think of our population as a narrow fringe along your Northern border. On the contrary, we are beginning to realize that some day our country may be almost as high as it is wide and handsome. Already there are in hand considerable developments around and even north of the 60th parallel of north latitude, which promise to make hitherto barren and inaccessible regions important commercially and industrially within the next quarter century. The airplane has altered our whole concept of what the future of the North is likely to be.

Overall our population density may be less than 4 per square mile, but in the fast-growing area between Toronto and Niagara Falls the average density is up to 180 per square mile. This density is about the same as for Massachusetts, Connecticut, northern New York, southeastern New Jersey, and eastern Pennsylvania.

The density of our population around Montreal and around Vancouver is approximately the same as that in the Toronto-Niagara area. While about 65% of your population is urban, only 57% of our population lives in towns and cities. However, the shift from rural to urban living goes on apace with us, as it does with you. If the present tendencies continue, we should be at about your present degree of urbanization in two decades.

The industrial development now going on all over Canada is very impressive. In the area between Toronto and Niagara Falls that development is really something to see; it was even written up in "Business Week" as a feature story not long ago.

Without doubt, rapid expansion of productive facilities has been encouraged and helped by the flexible depreciation regulations in effect since Jan. 1, 1949. Under our present tax law, we may write off up to 10% per annum of the undepreciated value of such buildings as we ordinarily use in the steel industry, and up to 20% per annum of the undepreciated value of machinery and equipment. Such depreciation may also be taken prior to completion of a project. As a result, assuming that a mill consisting in value of one-third buildings, and the balance machinery and equipment, could be completely installed during the fiscal year of a company, it could be written down to approximately 40% of its cost by the end of the fourth year of operation, if maximum permissible rates are used throughout the five-year period. However, in one very important respect, we are in exactly the same position as you occupy, viz., we must have income in order to write off depreciation.

Percentagewise, our population growth has been outrunning your own in the past decade or so. Your population increase between 1938 and 1952 was one-fifth while ours, in the same period, was about one-third. However, we do have to admit that your year-end population was still nearly 11 times the size of ours at the end of 1952.

In the matter of gross national product, our growth has also been somewhat greater than your own. Between 1938 and 1952, the current dollar value of our gross national product increased 339% while yours increased by 308%. One principal reason why our growth in gross national product outran that of the United States was the spectacular development of our natural resources, accompanied by widely diversified industrial expansion in our secondary industries. These developments were, of course, very greatly assisted by an unprecedented, and very welcome, influx of United States venture capital.

Financing Done Largely From Home Sources

It should not be overlooked, however, that by far the major part of our capital expansion over the past five years has been financed from Canadian sources. On the average, more than one-fifth of our gross national product for the past five years has gone into capital expansion. As far as we can see, the percentage of the national production going into capital expansion in 1953 will be at least equal to that for 1952. It seems probable that the amount of our national production we have ploughed back into the economy over the past five years constitutes something of a world record.

Again our tax laws have encouraged investment in equity capital, first because we have no tax on capital gains, and second because we may deduct from our personal income tax 20% of dividends received from tax-paying Canadian corporations, not exceeding the increase in total tax due to including such dividends in income.

Thus, while we welcome your active participation in our development, we are not in any danger of finding ourselves in hock to you as a result of your investments in Canada. We are full of confidence as to our future, and are backing that confidence with as much of our own money as we can save.

Despite all those interesting comparisons, Canada is still a pigmy when measured against your giant size. Yet we are quite evidently not destined to remain a pigmy if we can continue to live according to the economic facts in our case. Superficially, our economy looks very like your own, but there are marked fundamental differences.

The greatest of the economic differences between our two countries lies in the fact that whereas you derive only about 6% of your national income from exports of goods, last year we derived more than 24% of our national income from that source. Of that substantial contribution to our national income, more than half arose out of our exports to the United States. Moreover, despite our steady increase in urbanization and in manufacturing production, the character of our export trade has tended to show little change over the years.

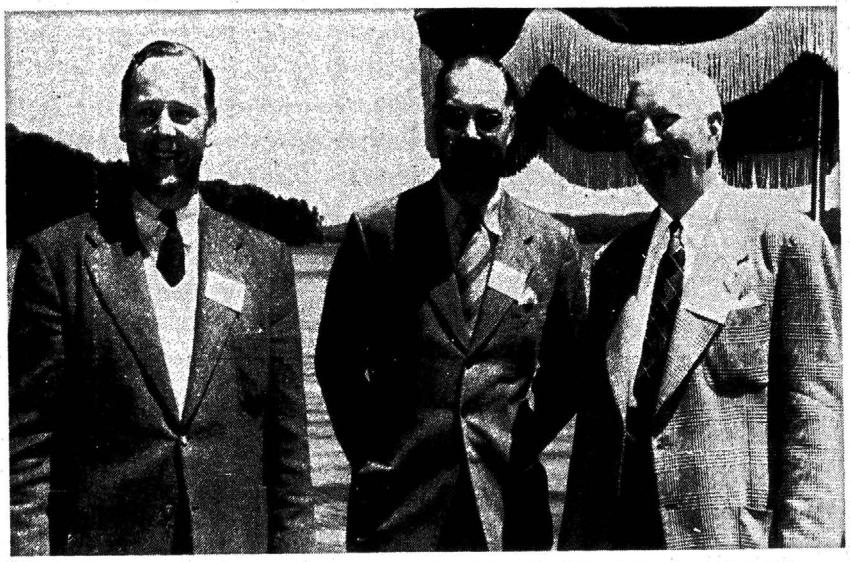
We had hoped that as a result of the war-born increase in the size of our industrial potential, we might have broadened our export base. But we still find the bulk of our exports in such raw or semimanufactured items as wheat, livestock, pulp and paper, lumber, base metals, and fish.

Last year our agricultural exports were valued at $1.25 billion out of total exports of goods valued at $4.33 billion. On the other hand, manufactured exports such as farm machinery, automobiles and other machinery totalled only $266 million. These constituted the bulk of our manufactured exports exclusive of newsprint. Value of our newsprint exports last year was over $592 million.

You can see from such figures that agriculture is still big business with us; and also that the character as well as the volume of our exports differs greatly from your own. The fact that we exported and imported so extensively last year was a major factor in the strength of our dollar, and also in giving us an average standard of living little, if any, below that prevailing in the United States.

We are, and long have been, by far your best customer. Sometimes we feel that fact is not fully appreciated. The tourist trade used to contribute a substantial net amount to our balance of payments, but today Canadians spend abroad more than tourists spend with us.

It has been said that an economy tied to world markets cannot afford the costs of socialism. Well, we appear to be more firmly tied to world markets than most, and we have certainly got considerable socialism. Not only have we got all the socialist gimmicks you've adopted, but a few peculiarly our own, including such honeys as family allowances, and a very



Stanley E. Nixon, *Dominion Securities Corpn., Ltd.*, Montreal; Edward B. Kernaghan, *Thomson, Kernaghan & Co.*, Toronto; A. H. McIlwraith, *Chas. H. Burgess & Company*, Toronto

G. P. MacNames, *N. L. MacNames & Company, Limited*, Toronto; Nelson L. MacNames, *N. L. MacNames & Company, Limited*, Toronto; John Hamilton, *George R. Gardiner, Ltd.*, Toronto

vocal socialist party with 13 members in a Federal house of 262.

Last year, welfare payments accounted for about a quarter of our Federal budget of $4,326 million. We have the example of Britain before us to show what happens when the high taxes demanded by welfare schemes raise export prices to the point where they are not competitive. As early as 1936, Britain could not sell abroad, in competition with the United States, Japan and Germany, sufficient goods to cover the cost of her imports. In that year, and in 1937 and 1938, she had to sell foreign investments in order to balance her international accounts.

What worries some of us in Canada is the degree to which our own costs of production are being loaded with the costs of welfare and other government expenditures. What will happen to our economy, which derives 24% of its national income from exports of goods, if we succeed in pricing ourselves out of foreign markets?

Canada's Future

Please do not conclude from what I have been saying here today that I am in any way pessimistic as to Canada's future. It is hard to see how we can avoid becoming a great nation, as we are already a very advanced and prosperous nation. When, in all history, have so few people accomplished so much in the face of such difficulties of climate and terrain?

I do think, however, that our progress can be held back if our people are persuaded to do things that are out of line with the economic facts in our own case. What has been done, or may be done elsewhere, does not necessarily have any relevance for Canada. If we try to follow too closely what others differently situated have done, we may find ourselves trying to do too much.

What we really need above all is more people. Our population is still far too small in relation to the facilities we have already created. With the almost daily discovery of new natural resources, the need for a larger population becomes more and more pressing.

We used to welcome as many as 400,000 intending settlers a year prior to World War I. But the best we have been able to accomplish in that direction since 1914 was in 1951, when the total of immigrants was 194,000. Last year we took in 164,000, and this year about the same number is likely to come to Canada.

Without more people we cannot have a domestic market large enough to employ mass production and distribution methods on a very substantial scale. Without being able to go in for mass production, our overall productivity per man hour must remain considerablly lower than your own; and our wage scale correspondingly lower unless our unit costs are to become noncompetitive.

Our people are being urged both day and night, through radio and other advertising, to want all the things Americans possess. At the same time the comparatively small size of the domestic market prevents the payment of wages as high as those enjoyed by Americans. The long range potentialities for trouble in such a situation are obvious.

On the other hand, the world is crying out for many of the things we possess most abundantly. Such being the case, I am and expect to remain, a great booster for Canada — your good neighbor and best customer.

Charles M. Schwab once said, "Bet on the United States if you must bet at all." I feel sure that, if he were with us today, he would have included Canada with the United States, for you certainly should not sell Canada short despite the difficulties which confront us.

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In Attendance at I.D.A.C. Convention

CHIPPINDALE, A.
Calvin Bullock Ltd., Montreal

COTE, J.
W. C. Pitfield & Company Limited, Montreal

CLARK, R. E.
Calvin Bullock Ltd., New York

CLEMENT, M.
Le Canada, Montreal

COCHRANE, A. C.
Bankers Bond Corporation Limited, Toronto

COCHRANE, J. W.*
Doherty Roadhouse & Co., Toronto

COLVEY, D.*
Canadian Dow Jones, Montreal

COPLEY, R. C.*
Nesbitt, Thomson and Company Limited, Winnipeg

COYNE, B. L.
Deacon Findley Coyne Limited, Toronto

COX, S.*
Bankers Bond Corporation Limited, Toronto

CRAWFORD, J. K. L.
Biggar & Crawford, Toronto

CRONYN, J. B.
Cochran, Murray & Co. Limited, Toronto

CROOKSTON, J. I.*
Nesbitt, Thomson and Company Limited, Toronto

CUNLIFFE, G. S.
The Gazette, Montreal

DABSON, B. E.*
Nesbitt, Thomson and Company Limited, Ottawa

DEACON, P. S.
The Financial Post, Toronto

DEANS, D. T.
Bankers Bond Corporation Limited, Toronto

DELAHAY, E. C.
Greenshields & Co. Inc., Montreal

dePENCIER, J.
Collier, Norris & Quinlan Limited, Toronto

DILLON, J. M.
Carlile & McCarthy Ltd., Calgary

DINGLE, H. H.
Wood, Gundy & Company Limited, Vancouver

DINNICK, J. S.*
McLeod, Young, Weir & Company Limited, Toronto

DIXON, R. M.
Bell, Gouinlock & Company Limited, Toronto

DOWNES, W. L.
Kippen & Company Incorporated, Montreal

DUBUC, J. P.
Belanger Inc., Montreal

*Denotes Mr. and Mrs.

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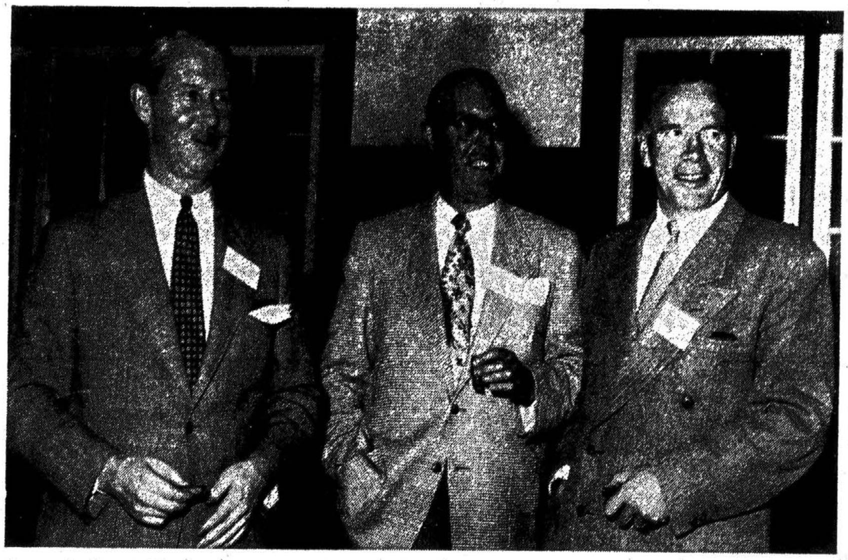
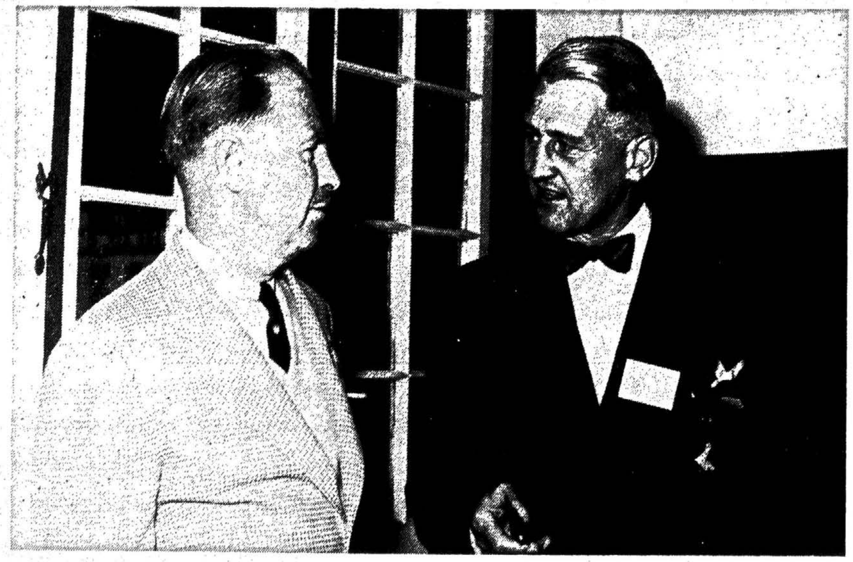


James A. Grant, *Playfair & Company*, Toronto; Edward W. Simpson, *Playfair & Company*, Toronto; Norman J. Robinson, *E. H. Pooler & Co.*, Toronto



George L. Jennison, *Wills, Bickle & Co.*, Toronto; Joseph de Pencier, *Collier, Norris & Quinlan, Ltd.*, Toronto

Continued from page 21

In Attendance at I.D.A.C. Convention

DUNKLEY, J. R.
Royal Securities Corporation Limited, Toronto

EDWARDS, J. C.*
Matthews & Company, Toronto

EDWARDS, Neil
James Richardson & Sons, Toronto

ELLWOOD, W. J. H.
Burns Bros. & Denton Limited, Montreal

*Denotes Mr. and Mrs.

ELY, E. H.
Wood, Gundy & Company Limited, Toronto

EMBURY, F. G.
A. E. Ames & Co. Limited, Toronto

ERTL, E. C.*
The Financial Times, Montreal

EVANS, W. D.
Oldfield, Kirby & Gardner Limited, Winnipeg

FAHEY, W. T.
Dattels & Company Limited, Kitchener

FARNSWORTH, H. R.
Royal Securities Corporation Limited, Calgary

FAULKNER, J. D.
Wood, Gundy & Company Limited, Montreal

FINDLEY, A. G.*
A. E. Ames & Co. Limited, Toronto

FINDLEY, J. R.*
Deacon Findley Coyne Limited, Toronto

FISHER, A. P.
Walwyn, Fisher & Co. Limited, Toronto

FISHER, P.
A. E. Ames & Co., Limited, Montreal

FITZPATRICK, F. M.
Locke, Gray & Company, Montreal

FLEMMING, P. R.
Flemming & Company, Toronto

FORGET, R.*
Forget & Forget Limitee, Montreal

FORSTER, W. L.
W. C. Pitfield & Company, Limited, Montreal

FOWLER, R. M.*
Newsprint Assocation of Canada, Montreal

FRANCIS, A. F.
A. F. Francis & Company Limited, Toronto

FRASER, G. L.
The Western City Company Limited, Vancouver

FROST, J.*
Investment Dealers' Digest, Chicago

GAIRDNER, J. S.*
Gairdner & Company Limited, Toronto

GARDHOUSE, F. C.
Cochran, Murray & Co. Limited, Toronto

GARDINER, G.*
George R. Gardiner Limited, Toronto

GASSARD, H. L.
Investment Dealers' Association of Canada, Toronto

GENDRON, J.*
J. T. Gendron Inc., Quebec

GERRY, Miss J.
Toronto

GIBSON, L. T.
Harrison & Company Limited, Toronto

GINGRAS, G.*
Rene-T. Leclerc Incorporee, Montreal

GODWIN, C. E.*
McLeod, Young, Weir & Company Limited, Montreal

GORDON, A. S.
Royal Securities Corporation Limited, Montreal

GOULDING, E. D.
Goulding, Rose & Company Limited, Toronto

GRAHAM, J.
John Graham & Company Limited, Ottawa

GRANT, J. A.
Playfair & Company, Toronto

GREEN, J. L.
L. M. Green & Company, Toronto

GRIFFIN, F. E.
Greenshields & Co. Inc., Montreal

HAGAR, D.
Hagar Investments Limited, Victoria

HAMILTON, J.*
George R. Gardiner Limited, Toronto

HANSON, T. R.*
Burns Bros. & Denton Limited, Toronto

HAYDEN, Miss R. I.
Mackellar Securities Limited, Toronto

HEARN, Dr. R. L.*
Ontario Hydro-Electric Power Commission, Toronto

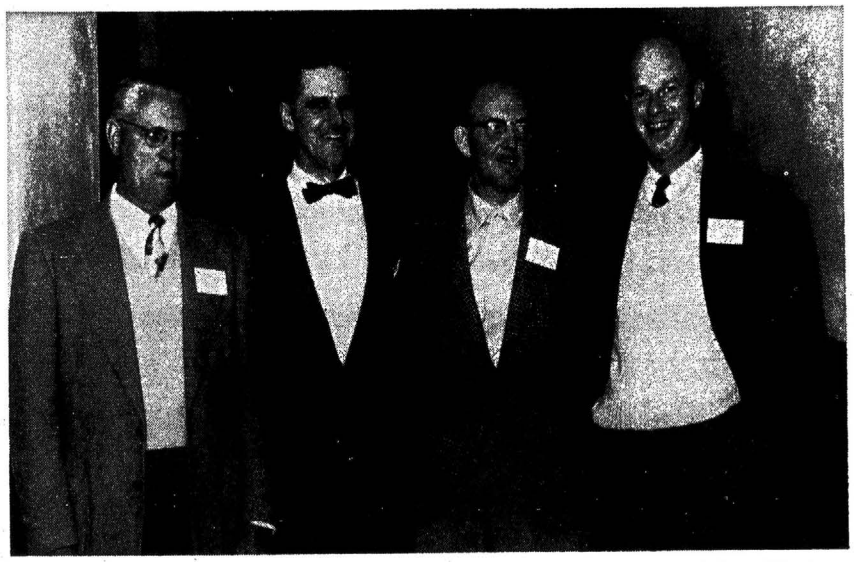
HENDERSON, E. M.*
A. E. Ames & Co. Limited, Toronto

HERRNDORF, H. H.
Herrndorf Securities Ltd., Winnipeg

HILL, J. S.
Harrison & Company Limited, Toronto

HILLS, H. H.*
Royal Securities Corporation Limited, Halifax

Mrs. H. S. Backus, Toronto; John E. Sydie, *Sutherland & Driscoll, Ltd.*, Edmonton; J. A. Kingsmill, *Investment Dealers' Association of Canada*, Toronto



Alan Chippindale, *Calvin Bullock, Ltd.*, Montreal; Syd Stephens, *James Richardson & Sons*, Winnipeg; J. M. Stewart, *A. E. Ames & Co., Limited*, Toronto; Bob Clark, *Calvin Bullock*, New York City

HOLLEBONE, B. C.*
F. J. Brennan & Company (N. S.) Limited, Halifax

HOVEY, W. N.*
Equitable Securities of Canada Limited, Toronto

HOWARD, A. L.*
Anderson & Company Limited, Toronto

HOWARD, R. P.*
Gairdner & Company Limited, Toronto

HUGMAN, V. W.
Belanger Inc., Montreal

HUGHES, F. N.
James Richardson & Sons, Toronto

ISARD, C. E.
Isard, Robertson and Co. Limited, London

JACKSON, L. S.
L. S. Jackson & Company Limited, Montreal

JENNINGS, J. A.
Harrison & Company Limited, Toronto

*Denotes Mr. and Mrs.

JENNISON, G. L.
Wills, Bickle & Company, Toronto

JEWITT, D. A.*
Deacon Findley Coyne Limited, Toronto

JOHNSON, G. G.*
Credit Interprovincial Limitee, Montreal

JOHNSTON, H. L.
J. L. Graham & Company Limited, Toronto

JOHNSTON, R.
G. E. Leslie & Co., Montreal

JOLLY, C. E.*
Dominion Securities Corporation Limited, Toronto

KEELER, L. A.*
A. E. Ames & Co. Limited, Toronto

KEELEY, C. P.*
McLeod, Young, Weir & Company Limited, Toronto

KERNAGHAN, E. B.
Kernaghan & Co. Limited, Toronto

KILBURN, P.
Greenshields & Co. Inc., Montreal

KINGSMILL, J. A.
Investments Dealers' Association, Toronto

KINNEAR, S. F. C.*
W. C. Pitfield & Company Limited, Montreal

KIPPEN, E. D. B.
Kippen & Company Incorporated, Montreal

KNIGHT, H. J.
Walwyn, Fisher & Co. Limited, Toronto

LACE, F. D.*
Matthews & Company, Toronto

LAILEY, C. P.*
Charles H. Burgess & Company, Toronto

LAMB, J. G.
A. E. Ames & Co. Limited, Vancouver

LAMB, J. R.
Thomson & McKinnon, Toronto

LAURENCE, G. A.*
Imperial Oil Limited, Toronto

LAYMAN, J. L.
Goulding, Rose & Company Limited, Toronto

LEDDY, J. A.*
MacTier & Co. Limited, Montreal

LEE, D. R.
A. M. Kidder & Co., Toronto

LESLIE, R. W.*
Royal Securities Corporation Limited, Hamilton

LESSARD, F.*
Nesbitt, Thomson and Company Limited, Montreal

LEVESQUE, J. L.*
Credit Interprovincial Limitee, Montreal

LOFFT, W.
George R. Gardiner Limited, Toronto

MacFARLANE, J. B.
Wood, Gundy & Company Limited, Toronto

MacFARLANE, J. F.
Dominion Securities Corporation Limited, Montreal

MACKAY, H. H.*
W. C. Pitfield & Company Limited, Toronto

MacNAMES, G. P.
N. L. MacNames & Company Limited, Toronto

MacNAMES, N. L.*
N. L. MacNames & Company Limited, Toronto

MAIN, H. A.*
Nesbitt, Thomson and Company Limited, Hamilton

MARTIN, I. A.
Royal Securities Corporation Limited, Montreal

MARTIN, R.
Canadian Bechtel Limited, Toronto

MASON, B. H.*
Anderson & Company Limited, Toronto

MATHESON, A. I.
Dominion Securities Corporation Limited, Montreal

McALPINE, W. D.
Brawley, Cathers & Company, Toronto

McBRIDE, C. W.*
Midland Securities Corporation Limited, Toronto

McILWRAITH, A. H.
Charles H. Burgess & Company, Toronto

McKIBBIN, R. B.
Bank of Canada, Ottawa

McKINNON, N. K.*
Harris & Partners Limited, Toronto

MEIKLE, W. D.
James Richardson & Sons, Kitchener

MEREDITH, R. F.
Ringland, Meredith & Company Limited, Lethbridge

MEREDITH, T. W.
Osler, Hammond & Nanton Limited, Vancouver

MEYER, Richard
Dow Jones, New York

MILLS, J. L.
Mills, Spence & Co. Limited, Toronto

MILLSON, L. G.*
Bankers Bond Corporation Limited, Toronto

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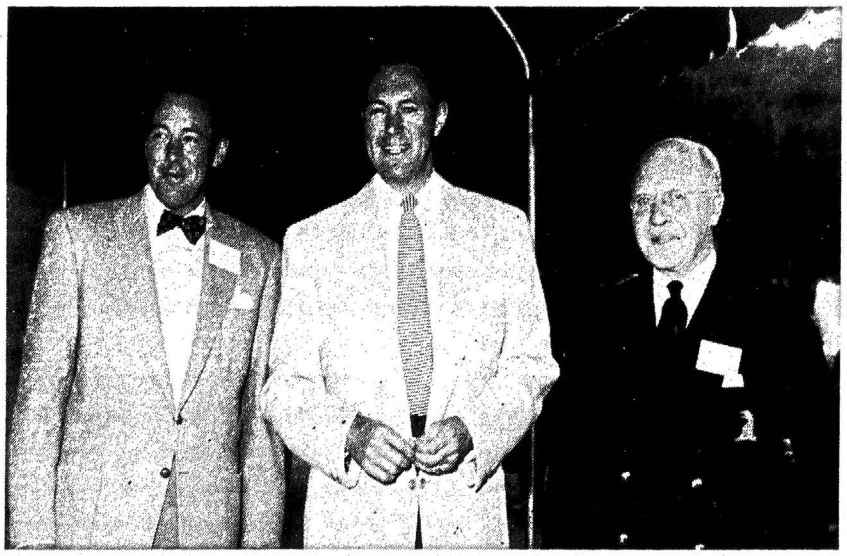

Alan S. Gordon, *Royal Securities Corporation, Ltd.*, Montreal; Mannie Fitzpatrick, *Locke, Gray & Co.*, Montreal; M. F. Newman, *Cochran, Murray & Co., Ltd.*, Toronto

Harold S. Backus, *McLeod, Young, Weir & Company, Ltd.*, Toronto; N. R. Calder, *Nesbitt, Thomson and Company, Limited*, Winnipeg

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In Attendance at I.D.A.C. Convention

MITCHELL, A. W.
A. E. Ames & Co. Limited, St. Catherines

MITCHELL, N. A.
Harrison & Company Limited, Toronto

MITCHELL, R. A.
A. E. Ames & Co. Limited, Toronto

MORTON, J. N.
Molson Securities Limited, Montreal

MUDGE, L.
Inter. Bank for Reconstruct. & Development, New York

MUNRO, W.
Hagar Investments Limited, Victoria

MURPHY, H.
Commercial & Financial Chronicle, New York

NESBITT, A. D.*
Nesbitt, Thomson and Company Limited, Montreal

NEWMAN, M. F.
Cochran, Murray & Co. Limited, Toronto

NIXON, S. E.*
Dominion Securities Corporation Limited, Montreal

PEET, E. F.
Burns Bros. & Denton Limited, New York

PEPALL, W. G.*
Bell, Gouinlock & Company Limited, Toronto

PERCIVAL, E. G.
Harrison & Company Limited, Toronto

PIPER, W. J.
A. E. Ames & Co. Limited, Montreal

PLUMPTON, K. E.*
Nesbitt, Thomson and Company Limited, Montreal

POPE, E. R.
Ross, Knowles & Co., Toronto

POUTNEY, F. B.
Houston, Willoughby & Company Limited, Regina

PRATT, J. V.
Equitable Securities of Canada Limited, Toronto

PRICE, W. H.
Price, Evans & Company Limited, Toronto

PYE, J.
The Financial Times, Montreal

RAMSAY, G. W.
Stanbury & Company Limited, Saint John

*Denotes Mr. and Mrs.

RAMSAY, J. S.
Dawson, Hannaford Limited, Montreal

RATCLIFFE, T. A.
Harrison & Company Limited, Toronto

REEVE, Miss Fern
Convention Reporter, Montreal

RICHARDSON, J. A.
James Richardson & Sons, Winnipeg

RIDLEY, J. B.
A. E. Ames & Co. Limited, Toronto

ROBERTSON, F.*
The Telegram, Toronto

ROBERTSON, R. W.
Isard, Robertson and Co. Limited, London

ROBINSON, A. S.
Wood, Gundy & Company Limited, Winnipeg

ROBINSON, E. A.*
Bartlett, Cayley & Company Limited, Toronto

ROBINSON, N. J.
E. H. Pooler & Co., Toronto

ROBSON, W.
A. E. Ames & Co. Limited, Toronto

ROSE, F. M.
Dow Jones, New York

ROSE, G. W.
Goulding, Rose & Company Limited, Toronto

ROTH, E. C.
Merrill Lynch, Pierce, Fenner & Beane, Toronto

RYAN, J. D.
Biggar & Crawford, Belleville

SCHULTZ, J.*
Dominion Securities Corporation Limited, London

SCOTT, L. W.
Ross, Knowles & Co., Toronto

SCULLY, H. D.*
Nesbitt, Thomson and Company Limited, St. John

Mr. & Mrs. James W. Cochrane, *Doherty Roadhouse & Co.*, Toronto; Mr. & Mrs. C. E. Jolly, *Dominion Securities Corpn. Ltd.*, Toronto

Mrs. E. M. Bagnall, St. John, N. B.; B. C. Hollebone, *F. J. Brennan & Co., Ltd.*, Halifax; Mr. & Mrs. H. H. Hills, *Royal Securities Corporation, Ltd.*, Halifax

SELLERY, L. M.
A. E. Ames & Co. Limited, Kitchener

SIMPSON, E. W.
Playfair & Company, Toronto

SKELLY, D. A.
A. M. Kidder & Co., Montreal

SLIPP, C. R.
Wills, Bickle & Company, Toronto

SOPER, W. Y.*
W. C. Pitfield & Company Limited, Montreal

SPRAGGE, W. P.
A. E. Ames & Co. Limited, Toronto

STANBURY, N.
Stanbury & Company Limited, Halifax

*Denotes Mr. and Mrs.

STANLEY, H. D.
Royal Securities Corporation Limited, Toronto

STEPHENS, S. C.*
James Richardson & Sons, Winnipeg

STEWART, G. C.*
Royal Securities Coporation Limited, Toronto

STEWART, J. M.
A. E. Ames & Co. Limited, Toronto

SULLIVAN, W.
Equitable Securities of Canada Limited, Toronto

SYDIE, J. E.
Sydie, Sutherland & Driscoll Limited, Edmonton

TAPRELL, W. R.
Carlile & McCarthy Ltd., Calgary

TROYER, J. T.
Thomson & McKinnon, Toronto

TURNBULL, C. H.*
Nesbitt, Thomson and Company Limited, Toronto

TURNEY, A. H.
Locke, Gray & Co., Calgary

VANDUZER, J. F
Mills, Spence & Co. Limited, Toronto

VIDRICAIRE, H. J.
James Richardson & Sons, Montreal

WADSWORTH, R. B.
J. L. Graham & Company Limited, Toronto

WALKER, T. F. B.
R. A. Daly Co. Limited, Toronto

WARD, D. H.
Dominion Securities Corporation Limited, Toronto

WELCH, T. A.
Bell, Gouinlock & Company Limited, Toronto

WELDON, D. B.*
Midland Securities Corporation Limited, London

WILKINS, G. C.
Mead & Co. Limited, Montreal

WILKINSON, M. G.
M. G. Wilkinson Investment Service, Owen Sound

WILSON, J.
A. E. Ames & Co. Limited, Toronto

WILSON, T. B.
A. F. Francis & Company Limited, Toronto

WITTSTOCK, R. C.*
Watt & Watt, Toronto

WOODS, R. A.
Merrill Lynch, Pierce, Fenner & Beane, New York

WRIGHT, A. F.
Pemberton Securities Limited, Vancouver

WRIGHT, R. K.
Mills, Spence & Co. Limited, Toronto

YOUNG, N. D.
Dominion Securities Corporation Limited, Toronto

YUILE, P.
McDougall & Cowans, Montreal

Mr. & Mrs. John S. Dinnick, *McLeod, Young, Weir & Company, Ltd.*, Toronto; Mr. & Mrs. Charles P. Keeley, *McLeod, Young, Weir & Company, Ltd.*, Toronto; Mr. & Mrs. William N. Hovey, *Equitable Securities of Canada Limited*, Toronto

Mr. & Mrs. C. E. Godwin, *McLeod, Young, Weir & Company, Ltd.*, Toronto; Mr. and Mrs. L. E. Barlow, *McLeod, Young, Weir & Company, Ltd.*, Toronto; L. G. Millson, *Bankers Bond Corporation, Ltd.*, Kitchener

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The Canadian Picture Is Still Bright

$400,502,797 for the same period in 1952, an increase of 4.5%.

Table of Bond Sales

	1953 (4 Mos.)	1952 (4 Mos.)
Provincial	$108,000,000	$94,600,000
Provincial Gtd.	40,219,000	150,125,000
Municipal	56,065,036	64,827,797
Corporation	214,215,000	90,950,000
	$418,499,036	$400,502,797

For the period mentioned above equity financing reached quite substantial proportions and is estimated to have been in excess of $100 million.

During 1951, many Canadian borrowers took advantage of the favorable conditions prevailing in the United States market. Borrowing in that quarter in 1952 while still substantial, was 31% below the 1951 volume. As the Canadian dollar continued to strengthen in terms of the U. S. dollar, a few Canadian borrowers marketed their debt obligations in the United States with the holder's option of payment either in U. S. or Canadian dollars—a policy not new reviewing the last 30 years, but a distinct departure on the part of Canadian borrowers in that market since the outbreak of World War II.

Canadian Public Debt Reduced

Apart from Treasury Bills issued to finance current expenditures, the Government of Canada in 1952 paid off $750 million of maturing securities including $100 million of deposit certificates. Funds for the purpose were provided to the extent of $450 million from the issue of $300 million of one-year 2% bonds and $150 million 2% bonds, with a maturity a little over two years. The balance was paid off out of the Government's cash resources which had been augmented through the sale of Canada Savings bonds to the extent of $341 million by the end of the year.

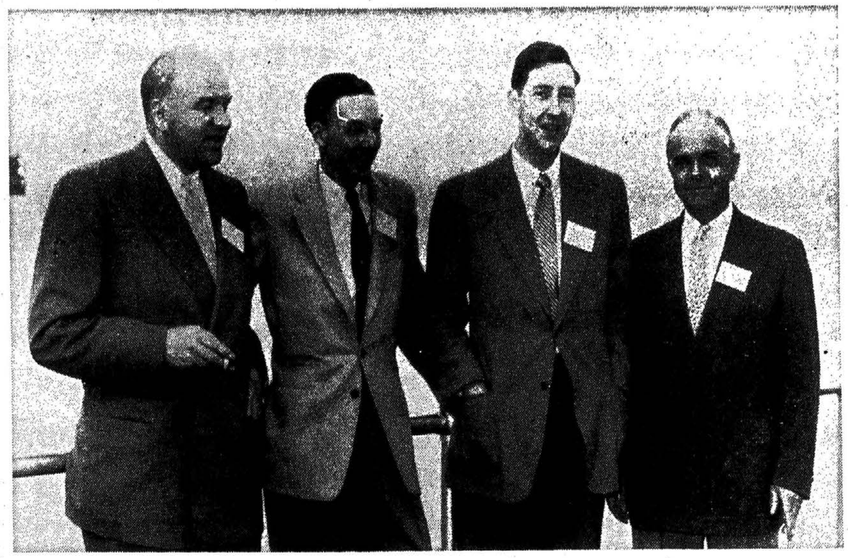
During the month of January two significant moves were made by the Government and the Bank of Canada—one in the long-term investment field and the other in the extension of Treasury Bill maturities. With the idea of determining the market level for long-term securities having in mind the need of providing for the retirement of early maturities and over the next few years substantial amounts of Victory Loan issues, the Government offered an issue of 25-year 3¾% bonds to return a yield of better than 3.85%. Of the $100 million authorized a survey of official returns indicates that some $60 million has been issued to date.

A radical change was made in the practice of issuing Treasury Bills. The former policy was to issue approximately every two weeks $75 million of Treasury Bills with a maturity of approximately three months. Under the new system, Treasury Bills which are now offered weekly, were issued initially for approximately three, six and nine months maturities. Thus at the end of 13 weeks, there were outstanding 39 diffirent maturities as against only six formerly. Total Treasury Bill issues outstanding have been increased from $450 million to $650 million, the additional proceeds being applied to the retirement on May 15 of $200 million deposit certificates held by the chartered banks. Greater flexibility in short-term operations is now possible, a broader market has been made available for corporate funds for near-term investment and the Bank of Canada is in a position at its discretion to exert a greater influence on the short-term market.

During 1952, the general level of interest rates moved higher reflecting the heavy demand for funds by all categories of borrowers. The wide spread in yields that had been in evidence between short date and long-term securities, for six of the postwar years, to a great extent disappeared. For example, net increase in yield for the two-year Government of Canada bonds for the calendar year ending 1952 was .88 as compared with an increase of .22 for 10-year bonds and .10 for 15-year bonds. This pattern has changed but little during the early months of the present year.

The substantial increase in

Harold J. Knight, *Walwyn, Fisher & Co.*, Toronto; Mr. & Mrs. Stanley Cox, *Bankers Bond Corporation, Ltd.*, Toronto; James T. Troyer, *Thomson & McKinnon*, Toronto



Thomas A. Ratcliffe, *Harrison & Co., Ltd.*, Hamilton, Ont.; L. T. Gibson, *Harrison & Co., Ltd.*, Toronto; E. G. Percival, *Harrison & Co., Ltd.*, Toronto; J. S. Hill, *Harrison & Co., Ltd.*, Toronto

yields on shorter-term securities was occasioned by heavy demands on the banking system for loan accommodation by industrial and commercial borrowers as well as by consumers. To provide these funds, the chartered banks, in order to maintain their cash reserve position, disposed of some of their short-term Government holdings and the market pressure so exerted was reflected in lower prices and correspondingly higher yields. Longer-term Government securities on the other hand were not subject to the same selling pressure and for that reason prices and yields were relatively better maintained in spite of a considerable volume of repatriation. As rates became more attractive, many institutional purchasers viewed with greater favor medium and long-term obligations.

Effect of Higher Interest Rates

The higher level of interest rates had a very noticeable effect on new issue markets. The seventh series of Canada Savings Loan bonds with a term of 10 years and 9 months were issued to yield 3.44, if held to maturity, as compared to 3.21 offered by the sixth series in the fall of 1951. Provincial and Provincial Guaranteed issues carried coupon rates that had not been seen since the early '30's, ranging from 4 to 4¾%. Municipalities in particular found their borrowing costs considerably higher and today, returns available range from 4% to 5¼% depending on term for the high and medium grade issues. In the Corporation field yields ranging from 4½% to 5¼% were obtainable on new bond and debenture issues of good corporate names.

The large volume of new financing which has taken place during the earlier months of this year, has for the most part been done at the levels indicated above, and there is little sign of any present change in the yield pattern.

During recent years, many companies have raised part of their capital requirements through the issue of convertible securities. Practically all of these issues, whether bonds, debentures or preferred stock, have met with a ready reception on the part of investors. Many of these issues subsequently sold at substantial premiums, reflecting the strength prevailing in the stock market. Some have presently lost much of their glamor and romance pricewise as their premium value is definitely related to the equity market, and it is only too true that markets decline as well as advance.

Canada's fiscal position continues to be strong and from the viewpoint of other nations, enviably healthy. As a result of budgetary surpluses in recent years —the most recent being $48 million and the seventh in succession, a reduction of 17% in the net debt position of the country has been achieved since 1946. On a per capita basis, the extent of this reduction is 31%. Compared to 1946 when our net debt was equal to 113% of our Gross National Product, today it is 48%. To put this comparison in more realistic terms, the Minister of Finance said in his budget speech this year "our 1939 debt represented 31 weeks of the nation's output, in 1946 it was about 60 weeks but today's debt could be covered by the product of 25 weeks' work. The real burden of our debt has been considerably more than halved over the past seven years." This situation can only obtain on the basis of existing prices and high labor productivity.

The budget for 1953-1954 in providing a much needed measure of tax relief, both corporate and personal, reflects the high level of business activity of the country and the anticipation that this will continue during the current year. Tax reductions to the extent of some $250 million were provided in the budget, and were based upon an expected increase of 4% in the Gross National Output. Aside from the reduction in personal taxes, effective July 1 and equivalent to about 5½% across the board for the calendar year, the decision of the Government to provide a measure of reduction in corporate taxes and to increase from 10% to 20% the tax credit against personal income tax of dividends received from taxpaying corporations was a further step in the right direction. As a result, many dividend paying stocks have found new favor on the part of security buyers.

In view of the extent to which capital expansion must be financed from retained corporate earnings as well as the invested savings of individuals, it is ex-

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N. A. Mitchell, *Harrison & Co., Ltd.*, Toronto; Ewart R. Angus, *Angus & Company*, Toronto; William D. McAlpine, *Brawley, Cathers & Company*, Toronto; A. Colin Cochrane, *Bankers Bond Corporation, Limited*, Toronto

Andrew Beaubien, *L. J. Beaubien & Co., Ltd.*, Montreal; John Graham, *John Graham & Company, Ltd.*, Ottawa; Jean T. Gendron, *J. T. Gendron, Inc.*, Quebec; Gerard Gingras, *Rene T. Leclerc, Inc.*, Montreal; J. Cote, *W. C. Pitfield & Company, Ltd.*, Montreal

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The Canadian Picture Is Still Bright

ceedingly important that taxation be kept to a minimum after due provision for the country's present social and defense obligations but reductions should be made at every opportunity.

Foreign Investment Organizations Attracted to Canada

Tangible evidence that our country still remains a fertile field for investment is shown by the interest of foreign investment organizations. Attracted by the growth potential of Canada, a number of foreign investment trusts—of British, Belgian, Swiss and American origin—established a base of operations in this country in the last two years. Thanks to a more lenient attitude on the part of the United Kingdom Treasury Office, British capital was also more active, primarily in the field of direct plant investment. In view of the part British capital played in the early growth and development of this country, this increased inflow will be given a welcome reception.

As an indication of the stature to which this country has grown as a trading nation, Canada's 11th chartered bank was incorporated under Dutch banking auspices. Having in mind the world banking experiences of the sponsors of our new chartered bank, the establishment of its operations in Canada will broaden the accommodation necessary to facilitate the flow of international trade.

Today attention in Canada is largely focused on two much discussed development which will have an important effect upon our future economic growth:

(1) The export of natural gas from the Western Provinces.

(2) The construction of the St. Lawrence Seaway.

It is to be hoped that some decision regarding these projects will shortly be reached. Particularly is this true with respect to the natural gas situation. Estimated reserves of approximately 10 trillion cubic feet of gas appear to have reached the point where definite consideration should be given to export permits by the Western Provinces. Large amounts of capital which are now frozen would become more fluid, further oil and gas drilling operations would be encouraged and risk capital would undoubtedly be in greater evidence. The expenditures involved in either of the above-mentioned projects will call for a program of major financing and should result in benefit alike to Canadian business and consumer.

What About the Future?

To review the past and discuss the present situation takes little, if any, imagination but to assess the future is a much more hazardous undertaking. As we approach the end of the first half of 1953, it would appear that the tide of prosperity, while still relatively high, could possibly recede to a lower level. Early estimates suggest that employment and income of labor will continue this year at a most satisfactory level. To assume that the present degree of prosperity and rate of growth will continue without interruption can only be wishful thinking. Progress and expansion are seldom charted in a line straight upwards—the line is more often subject to up and down movements.

Should a recession in general business occur bringing with it a period of deflation, followed by policies of monetary expansion, the fires of inflation whose embers have been smouldering, could once again burst into flame.

The long-term prospects for Canada, assuming there is no war, are distinctly bright. A perusal of the Paley report serves to show the demand that may reasonably be assumed to exist over the next 20 years for many of the basic raw materials that Canada has in such abundant supply. As is now the case, our best customer for the raw material will likely be the United States.

A major question of today is "what are the prospects for world peace?" Should peace become a reality in the final analysis the results can only be constructive. Confidence would be restored, more long-term planning would be undertaken, and world trade would be greatly facilitated and expanded.

With international tensions developing along new lines and in different areas, the world situation is still characterized by many uncertainties and misgivings. Despite the different sentiments now expressed by the Kremlin, the Western World would be unwise to drastically curtail any defense plans presently underway, unless with the full assurance and knowledge that sincerity of intent prompted the more friendly statements and overtures that have recently been made. Eternal vigilance is still the price of safety.

Mr. & Mrs. Jean T. Gendron, *J. T. Gendron Inc.*, Quebec; Mr. & Mrs. G. G. Johnson, *Credit Interprovincial, Ltee*, Montreal; Allan H. Turney, *Locke, Gray & Co.*, Calgary

Guy Brunelle, *L. G. Beaubien & Co., Ltd.*, Montreal; Hal Murphy, *Commercial & Financial Chronicle*, New York City; "Dutch" Fisher, *Walwyn, Fisher & Co.*, Toronto

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Effective Public Relations

eral public will be receptive to such technical information.

The real goal is not an understanding of techniques, but an understanding of the reason for the existence of a business. What we really want people to know is the sort of services we are providing for the community as a whole. If those services are good and people know about them, it will follow that the community will give us a fair hearing in the event of criticism. I would suggest going so far as to set these down on might in time spread to the paper as "talking points" for your membership at large. Dissemination will not only be in your own interest, but in the general public interest, the final test for a public relations activity.

So much for the three great essentials—accurate self-appraisal, accurate evaluation of the audience and a clear definition of the objective. As I mentioned earlier, I'm in favor of making this fundamental appraisal periodically as a check both on one's self and one's programs. It is the best and cheapest insurance available, and you've done me a favor by making me take another look at my own situation.

Job for Whole Organization

When it comes to specific programs, we again find a premium on appraisal and analysis. Of necessity, public relations is a responsibility of the **whole** organization, not just a committee or department. But is it working that way? Is each unit doing its appropriate part? And are the responsibilities properly allocated between units of the association or company?

And how about the cooperation of your people with the community, with the press, radio and education? Can teachers count on you to answer their questions, help them with literature and talks? Can newsmen get the answers to their questions quickly and accurately or do they meet with "no statement?"

I suspect that there is no area in which there is more confusion than that which comes under the heading of "press relations."

It is always gratifying to get favorable press comments and because of this, there is a tend-

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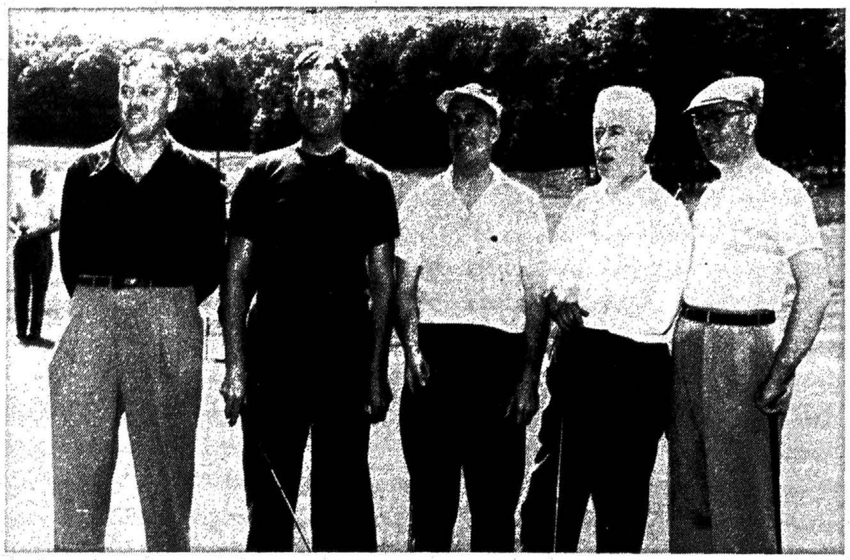
Edward H. Ely, *Wood, Gundy & Company, Ltd.*, Toronto; H. H. Dingle, *Wood, Gundy & Company, Ltd.*, Vancouver; Hector Vidricaire, *James Richardson & Sons*, Montreal; H. R. Bennett, *James Richardson & Sons*, Kingston, Ont.



W. G. Pepall, *Bell Gouinlock & Company, Limited*, Toronto; W. H. Price, *Price, Evans & Co.*, Toronto; Edwin F. Peet, *Burns Bros. & Denton, Inc.*, New York City; Gordon C. Wilkins, *Mead & Co., Limited*, Montreal; J. A. Leddy, *MacTier & Co., Limited*, Montreal

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Effective Public Relations

ency to judge the success of a P. R. program by the quantity of press clippings you receive.

There are two things wrong with this approach. First is that the size of your press clipping bundle is a measurement of the amount of news you are making, not necessarily of your progress in adding to public understanding or your success in giving newspapermen what they need. Second, the definition of "news" is decided by the readers. Unless there is a considerable interest in what is going on in your business, an excellent press relations program may bring in a relatively small number of clippings.

Measure of Success

Consequently a far better guide to the success of your program than the amount of press and radio space you get is the way it is being filled. Does it reflect public criticism, indicating misunderstandings simply reported by the press? Does it accurately reflect the worthwhile services you provide the community? Do you respond vigorously to unfair public criticism with facts and figures and forthright statements?

In short, do your press references indicate that you are making yourself understood to the public and to newspapermen? If so, regardless of the number of references, I think you can say your press relations are sound.

Now, I feel pretty guilty, saying so much about the press when there are much better authorities present. I know that Guy Cunliffe, Fraser Robertson, Paul Deacon and the other gentlemen who represent the press here can certainly tell us how we in business can improve our communications. All I wish to stress, as a former newsman, is that we should not judge our press relations on the basis of the quantity of our press clippings. Quality, as I'm sure these gentlemen will agree, is the better yardstick.

This mention of quality brings me to a short digression which I would like to make. Since I knew you planned to devote the first half of this morning to a discussion of the projects which you have in hand, and since I am only generally familiar with your program, I decided that it would be far better to leave comment on specific projects and techniques to the open forum and the many competent judges whom you have present. However, I certainly must congratulate you upon the excellent quality of all the material which I have seen and upon the vigorous and understanding approach which your officers, your committee and the members of your permanent staff are making to public relations and the allied fields of employee information and of public education. I know you have sound advisers and that you have had a great deal of success. An attitude which permits the kind of analysis you are doing today is, in my opinion, the best assurance of continued success!

But to get back to reporting, a great many people are interested in your business and mine. And there are other people whose job it is to satisfy the public curiosity and interest. This job of informing the public is performed by writers, teachers, preachers, artists. They have a difficult job to do. Helping them do that job is the most satisfying and rewarding form of public relations work I know. If you can provide help to a hard pressed teacher or professor, get the missing fact or figure for a reporter, get somebody to go on the air when the broadcaster asks you, then you will almost certainly develop sound and healthy public relations. Anyone who is really assisting educational people (I am using "educational" in its broadest sense) to do their job will have no real P. R. difficulties.

Key Principles in Public Relations

Now I feel that I have been talking mainly about basic principles, something which you can't over-emphasize, but not always the sort of thing that leads to active discussion. Let me summarize by setting up a sort of public relations check chart, to use a lubrication phrase. Incidentally, it is a wonderful thing to be able to ask these questions unhampered by any real knowledge of your operation and without responsibility for it! It is a delightful situation! But here are some of the key points that anybody involved in public relations needs to look at regularly:

Have you clearly defined the basic services which you provide to the public—in effect, why you are a desirable and important part of the community? What is the social and economic contribution of your business to the general public welfare? Why should people like and support you?

Have these definitions been translated into terms that have meaning for the individual?

Have you communicated these throughout your association as a basis for public relations activity?

Realizing you cannot reach everybody directly, have you figured out just which members of your community are logical persons to receive your story and communicate it to others? Have you "defined your public?"

Do you make available to employees who should receive it, the material produced by your own information group, such as your own house organ? Do you emphasize the importance of reading, and acting on, this material?

Can you get answers for the press and others? Have you a facts and figures group set up? Do you see that questions are really answered, with useful information?

Are individuals designated as information contacts for the press and others?

Do you have speaker's panels in each province with up-to-date, interesting speeches?

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Gigantic Strides of Canada's Banking

000 accounts in all, one for every adult Canadian, and ample evidence of the confidence the Canadian people have in their banking system.

To take care of the increased volume of business and to maintain the high level of service that the Canadian people have come to expect, bank staffs have increased from 26,000 to 48,600 in the last 10 years. During the same period, total annual payrolls of the banks have increased from $41 million to $109 million, merely one item in the over-all cost of running the banks. The scale of remuneration to individual employees has improved greatly in recent years.

Competition, a Driving Force

The opening of 700 new branches in the past 10 years illustrates clearly that competition among banks is a driving force in the Canadian banking system. There is a tendency in some circles today to belittle competition in the business field, to thwart it and subdue its compelling force in one way or another. I hope this philosophy never enters the Canadian banking picture because, if it does, the Canadian people will be the losers. As I look around this table today at the general managers of the other banks, I realize there is not one who would not be glad to take my best account from me—and I would willingly take his, if I could.

It is this healthy competition that has driven back the physical frontiers of banking, encouraging us to follow the pioneers into newly-developed areas. It has set the pattern for branch openings in areas which, without a branch bank system, would lack the resources, and perhaps the population, to support a purely local bank.

There is now a branch bank for every 3,840 Canadians—men, women, and children—and whether they live in a big city or a rural hamlet, they have the same wide range of banking services. Whether it is a small branch or a big one, and no matter where located, all the resources of the bank it represents stand behind it.

Banking is an ancient and honorable profession, one that has changed in degree but not in essence over the centuries. It remains one of the most challenging of careers because, primarily, it is a continuing and fascinating adventure in human relationships. I sometimes think that banks make a mistake by continually emphasizing the security that employment in them offers. Certainly we offer security, but more important, we offer opportunity. Security in itself does not necessarily attract the right type of young man. Rather, I think, we want young men who look on banking as a career that offers a good deal in the way of rewards—pleasant and congenial work, a place of respect in the community, and, for those who have ability, drive, and ambition, well-paid and responsible positions. I think we fail, sometimes, to sell the opportunities that abound in banking, the continual challenge of this business, the need for individual enterprise and zeal.

I have never seen a good banker who wasn't enthusiastic about his job, who did not regard banking as a challenge to his mental capacities, who did not realize the economic and social significance of the work he was doing. And I have never seen a good banker who was not vitally concerned with the stability and development of his own community, of the people around him.

Usefulness of the Bankers' Association

My duties as your President during the past two years, and my closer contacts with the permanent officials of the Association, have naturally given me a wider appreciation of the useful and important services they perform. I have no intention of giving a full recital of their functions, but as it is the concern of each individual bank, so is it the aim of the Association that our banking system should be appreciated and understood and all its contacts with the public are related to this end.

It is probably not generally appreciated by all members how much work arises from the Association's standing offer of reward for information leading to the arrest and conviction of bank robbers. Fortunately, there has been some abatement of this type of crime during the past year, but it is interesting to note that $57,-159 was paid in rewards and gratuities during that time.

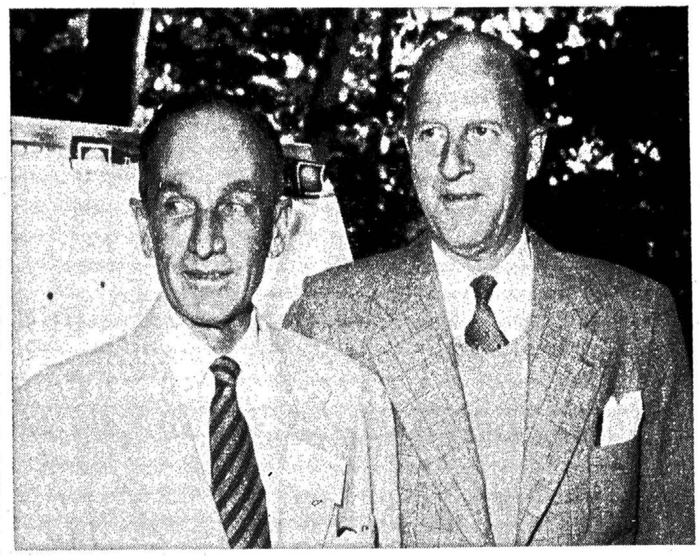
The Association's educational work with bank staffs and the correspondence courses it conducts in collaboration with Queen's University and the Shaw Schools are well known to all of us. At the end of March, 1953, 2,029 students, practically all of them employees of our 10 banks, were enrolled in the courses which over the years have proven to be a great value to the banking profession and thus to the public.

Perhaps the most important function of the Association is, of course, that it acts as a link between the banks and the government in all matters where the government would otherwise require to deal with each bank individually. The same thing applies in a lesser degree to the various provincial governments.

I know that we all appreciate that the relations existing between the Department of Finance, the Bank of Canada, and the chartered banks have been particularly harmonious and understanding. In all matters relating to the financial well-being of the country, cooperation has been full and unstinted.

My last act as your President is to welcome the prospect of an 11th member to our circle—the Mercantile Bank of Canada, for which Parliament has seen fit to grant a banking charter. This, I am sincerely happy to do.

In a few moments you will be electing my successor. I know from experience that his two years of office will not be easy, particularly as during this period The Bank Act revision requires to be dealt with. I know, however, that whatever his problems, he will receive from his fellow bankers the same loyal support and cooperation that have been given me and for which I am sincerely grateful.



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